

Scottish Business Finance Limited

Registered number SC29917

Report and Accounts 2006

Member of Lloyds TSB Group

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Company information

Directors

Directors	R N McIntyre D K Potts
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Secretary	David Jarvis
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Scottish Business Finance Limited is a limited company registered in Scotland No SC29917 and is both incorporated and domiciled in Scotland

Registered office

2 Atlantic Quay
Robertson Street
Glasgow
G2 8JD

Directors' report

For the year ended 31 December 2006

Business review and principal activities

The principal activity of the Company was the provision of instalment finance and leasing. The results for the Company show a profit before tax of £nil (2005 £65,786) for the year and interest income of £nil (2005 £69,242). The Company ceased to write new business in 2001 and the level of interest income has reduced accordingly, as the loan book was running down. During the year, the remaining assets and liabilities of the Company were transferred to Black Horse Finance Holdings Limited, the parent company.

Future outlook

There are no expected changes in the nature and extent of the Company's operations. The business has been in a state of run off since 2001.

Principal risks and uncertainties

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the Lloyds TSB Asset Finance Division Limited sub group and are not managed separately. For further details refer to note '2 – Risk Management policy' in these financial statements.

Key performance indicators ('KPIs')

Given the straightforward nature of the business, the Company's directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business.

Dividends

No dividend has been paid in 2006 (2005 £nil).

Directors

The names of the current directors are shown on page 2.

The following changes have taken place during the year:

JL Davies (resigned 18 December 2006)

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing those financial statements the directors are required to

- select suitable accounting policies and then apply them consistently,

- make judgements and estimates that are reasonable and prudent,

- state whether applicable International Financial Reporting Standards (IFRS) as adopted by the European Union have been followed, subject to any material departures disclosed in the financial statements,

- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and which enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' report

For the year ended 31 December 2006

Auditors and disclosure of information to auditors

Each director in office at the date of this report confirms that

so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and

the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

Policy and practice on payment of suppliers

The Company follows "The Better Payment Practice Code" published by the Department of Trade and Industry, regarding the making of payments to suppliers. A copy of the code and information about it may be obtained from The DTI Publications Order Line 0845 0150010 quoting ref URN 04/606

The Company's policy is to agree terms of payment with suppliers and these normally provide for settlement within 30 days after the date of the invoice, except where other arrangements have been negotiated. It is the policy of the Company to abide by the agreed terms of payment, provided the supplier performs according to the terms of the contract

As the Company owed no amounts to trade suppliers as at 31 December 2006, the number of days required to be shown in this report, to comply with the provisions of the Companies Act 1985, is nil (2005 nil)

By order of the Board



David Jarvis
Company Secretary

30 July 2007

Report of the independent auditors to the member of Scottish Business Finance Limited

We have audited the financial statements of Scottish Business Finance Limited for the year ended 31 December 2006 which comprise the Income Statement, the Balance Sheet, the Statement of Changes in Equity, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Company's affairs as at 31 December 2006 and of its profit and cash flows for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors

One Kingsway
Cardiff
CF10 3PW

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Income statement

For the year ended 31 December 2006

	Note	2006 £	2005 £
Interest income	4		69,242
Other operating expenses	5		(3,456)
Profit before tax	6		65,786
Taxation	9		(19,733)
Profit for the year attributable to equity shareholders			46,053

The notes on pages 10 to 16 are an integral part of these financial statements

Balance sheet

At 31 December 2006

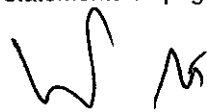
	Note	2006 £	Restated 2005 £
ASSETS			
Other current assets	10	1,089,769	1,283,922
Loans and advances to customers	11		2,718
Current tax assets		300	
Deferred tax assets	13		300
<hr/>			
Total assets		1,090,069	1,286,940
<hr/>			
LIABILITIES			
Borrowed funds	12		177,233
Current tax liabilities			19,638
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Total liabilities		-	196,871
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EQUITY			
Share capital	14	550,327	550,327
Retained profits		536,826	536,826
Share premium		2,916	2,916
<hr/>			
Total equity		1,090,069	1,090,069
<hr/>			
Total equity and liabilities		1,090,069	1,286,940
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The notes on pages 10 to 16 are an integral part of these financial statements

The restatement is explained in note 12

The financial statements on pages 6 to 16 were approved by the Board of Directors and were signed on its behalf by

D K Potts
Director



30 July 2007

Statement of changes in equity

31 December 2006

	Ordinary shares £	Preference shares £	Share premium £	Retained earnings £	Total £
Restated balance at 1 January 2005	529,161	21,166	2,916	490,773	1,044,016
Profit for the year				46,053	46,053
At 31 December 2005 and 2006	529,161	21,166	2,916	536,826	1,090,069

The notes on pages 10 to 16 are an integral part of these financial statements

The restatement is explained in note 12

Cash flow statement

For the year ended 31 December 2006

	2006 £	2005 £
Cash flows from operating activities		
Profit before tax		65,786
Changes in operating assets and liabilities		
net decrease in loans and advances to customers	2,718	1,433
net decrease in other assets	194,153	120,426
net decrease in other liabilities		(115)
Cash generated from operations	196,871	187,530
Taxes paid via group relief	(19,638)	(131,650)
Net cash from operating activities	177,233	55,880
Cash flows from financing activities		
Repayment of borrowed funds	(177,233)	(55,880)
Net cash outflow from financing activities	(177,233)	(55,880)
Net increase in cash and cash equivalents		
Cash and cash equivalents at beginning of year		
Cash and cash equivalents at end of year		

The notes on pages 10 to 16 are an integral part of these financial statements

Notes to the financial statements

31 December 2006

1 Accounting policies

1.1 Basis of preparation

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented unless otherwise stated. Scottish Business Finance Ltd is a limited company incorporated in the United Kingdom.

The Company's ultimate parent company, Lloyds TSB Group plc, adopted International Financial Reporting Standards ('IFRS') as adopted by the European Union in its financial statements for the year ended 31 December 2005. The Company adopted IFRS with effect from 1 January 2004.

The financial information has been prepared under the historical cost convention.

1.2 Income recognition

Interest income and expense are recognised in the income statement for all interest bearing financial instruments, including loans and advances, using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or liability and of allocating the interest income or interest expense. The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts over the contractual life of the instrument to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the future cash flows are estimated after considering all the contractual terms of the agreement but not future credit losses. The calculation includes all amounts received or paid by the Company that are an integral part of the overall return such as acceptance and, where relevant, early settlement fees as well as direct incremental transaction costs related to the acquisition, issue or disposal of a financial instrument and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

1.3 Loans and advances

Loans and advances to customers are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a debtor with no intention of trading the receivable.

1.4 Impairment of financial assets

At each balance sheet date the Company assesses whether, as a result of one or more events occurring after initial recognition, there is objective evidence that a financial asset or group of financial assets has become impaired. Evidence of impairment may include indications that the borrower or group of borrowers are experiencing significant financial difficulty, default or delinquency in interest or principal payments, it becoming probable that the borrower will enter bankruptcy or other financial reorganisation or the debt being restructured to reduce the burden on the borrower.

If there is objective evidence that an impairment loss has been incurred, a provision is established which is calculated as the difference between the balance sheet carrying value of the asset and the present value of estimated future cash flows discounted at that asset's original effective interest rate. The calculation of the present value of the estimated future cash flows of a collateralised asset or group of assets reflects the cash flows that may result from foreclosure less the costs of obtaining and selling the collateral, whether or not foreclosure is probable.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, such as an improvement in the borrower's credit rating, the provision is adjusted and the amount of the reversal is recognised in the income statement.

When a loan or advance is uncollectable, it is written off against the related provision once all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of impairment losses in the income statement.

Notes to the financial statements

31 December 2006

1. Accounting policies (continued)

1.5 Leases

Lease agreements are classified as finance leases if the lease agreements transfer substantially all of the risks and rewards of ownership to the lessee, all other leases are classified as operating leases

When assets are held subject to a finance lease or hire purchase contract, the present value of the lease payments is recognised as a receivable within loans and advances to customers. Finance lease income, comprising interest together with non contingent contractual fees, is recognised over the term of the lease using the effective interest rate method (before tax)

1.6 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition

1.7 Taxation, including deferred income taxes

Current tax which is payable on taxable profits is recognised as an expense in the period in which the profits arise

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates that have been enacted or substantially enacted by the balance sheet date that are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled

Deferred tax assets are recognised where it is probable that future taxable profit will be available against which the temporary differences can be utilised. The tax effect of losses available for carry forward are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised

Deferred and current tax assets and liabilities are offset when they arise in the same tax reporting group and where there is a legal right of offset and the intention to settle on a net basis or to realise the asset and settle the liability simultaneously

2 Risk management policy

Following the transfer of all third party lending to Black Horse Finance Holdings Limited during the year, the Company is not subject to any significant risk

3 Critical accounting estimates, and judgements in applying accounting policies

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although those estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates

The directors do not consider there to be any critical accounting estimates in applying the Company's accounting policies

Notes to the financial statements

31 December 2006

4. Interest income

	2006 £	Restated 2005 £
Interest income		
Lease and hire purchase receivable		12,534
Group interest income (see note 15)		56,708
		<hr/>
		69,242

Lease and hire purchase receivables at 31 December 2005 includes income reclassified from other operating income with a value of £2,408. This transfer corrected a misclassification relating to income previously included within other operating income.

5. Other operating expenses

	2006 £	2005 £
Management charges (see note 15)		3,456

6 Profit before tax

The following items have been included in arriving at profit before tax

	2006 £	Restated 2005 £
Income		
Aggregate rentals receivable from lease and hire purchase contracts		12,534

Auditor's remuneration of £2,000 (2005: £2,000) has been borne by a fellow subsidiary within the Lloyds TSB Asset Finance Division Limited sub group.

Lease and hire purchase receivables at 31 December 2005 includes income reclassified from other operating income with a value of £2,408. This transfer corrected a misclassification relating to income previously included within other operating income.

7 Staff costs

The Company did not directly employ any persons during the year (2005: none). Accounting and administration services were provided by a fellow subsidiary undertaking.

8 Directors' emoluments

No director received any fees or emoluments during the year (2005: £nil). The Directors are employed by other companies within the Lloyds TSB Asset Finance Division Limited sub group or other Lloyds TSB Group subsidiaries. Lloyds TSB Asset Finance Division Limited is the parent company of a sub group which comprises several trading companies engaged in a wide range of lending activities. The Directors' services to the Company are considered to be incidental to their other responsibilities within these organisations (see also note 15).

Notes to the financial statements

31 December 2006

9 Taxation

	2006 £	2005 £
a) Analysis of (credit)/charge for the year		
UK corporation tax		
current tax on profits for the year	(300)	19,638
adjustments in respect of prior years		225
Current tax (credit)/charge	(300)	19,863
Deferred tax (see note 13)	300	95
Deferred tax in respect of prior years		(225)
		19,733

b) Factors affecting the tax charge for the year

A reconciliation of the charge that would result from applying the standard UK corporation tax rate to profit before tax to the tax charge for the year is given below

	2006 £	2005 £
Profit before tax		65,786
Tax charge thereon at UK corporate tax rate of 30%		19,736
Factors affecting charge non allowable items		(3)
Tax on profit on ordinary activities		19,733
Effective rate		30%

10. Other current assets

	2006 £	2005 £
Amounts owed by group undertakings (see note 15)	1,089,769	1,283,922

Amounts due from group undertakings are unsecured, repayable on demand and non interest bearing

Notes to the financial statements

31 December 2006

11. Loans and advances to customers

	2006 £	2005 £
Advances under finance lease and hire purchase contracts		18,712
Gross loans and advances to customers		18,712
Less allowance for losses on loans and advances		(15,994)
Loans and advances to customers, net		2,718
of which		
Due within one year		2,718
Loans and advances to customers include hire purchase and finance lease receivables		
	2006 £	2005 £
Gross investment in hire purchase and finance lease contracts, receivable no later than one year		18,712
Unearned future finance income on hire purchase and finance lease contracts		
Net investment in hire purchase and finance lease contracts		18,712
The net investment in hire purchase and finance lease contracts may be analysed as follows		
Due within one year		18,712

12. Borrowed funds

	2006 Due within one year £	2006 Due after more than one year £	2005 Due within one year £	Restated 2005 Due after more than one year £
Borrowings from group undertakings (see note 15)			177,233	
			177,233	

Amounts due to group undertakings are unsecured, repayable on demand and non interest bearing
Borrowed funds for the year ended 31 December 2005 have been restated to reflect more clearly the nature of the balance. As a result, borrowed funds has decreased by £21,166 and share capital has increased by the same amount

Notes to the financial statements

31 December 2006

13 Deferred tax

The movement in the net deferred tax asset balance is as follows

	2006 £	2005 £
Restated at 1 January	300	170
Income statement (charge)/credit	(300)	130
At 31 December		300

The deferred tax (charge)/credit in the income statement comprises the following temporary differences

	2006 £	2005 £
Accelerated capital allowances	(300)	130

Deferred tax assets are comprised as follows

	2006 £	2005 £
Accelerated capital allowances		300

14 Share capital

	2006 £	Restated 2005 £
Authorised		
22,083,875 "A" preferred shares of 1p each	220,839	220,839
2,116,645 Ordinary shares of 25p each	529,161	529,161
	750,000	750,000
Issued, called up and fully paid		
2,116,645 preference shares of 1p each	21,166	21,166
2,116,645 ordinary shares of 25p each	529,161	529,161
	550,327	550,327

The immediate parent company is Black Horse Finance Holdings Limited which holds 100% of the ordinary and preference shares. The company regarded by the directors as the ultimate parent company is Lloyds TSB Group plc, which is also the parent undertaking of the largest group of undertakings for which group accounts are drawn up and of which the Company is a member. Lloyds TSB Bank plc is the parent undertaking of the smallest such group of undertakings. Copies of both sets of accounts may be obtained from the Company Secretary's Department, Lloyds TSB Group plc, 25 Gresham Street, London, EC2V 7HN.

The preference share capital is irredeemable and entitles the preference shareholder to half of the distributed profits in the year.

The restatement is explained in note 12.

Notes to the financial statements

31 December 2006

15. Related party transactions

The Company is controlled by Black Horse Finance Holdings Limited (incorporated in England and Wales)

A number of transactions are entered into with related parties in the normal course of business. These include loans and management charges. The outstanding balances at the year end and related income and expense for the year are as follows

	Group and associated companies	
	2006	2005
	£	£
Outstanding at 31 December		
From Black Horse Finance Holdings Limited	1,089,769	
From Lloyds TSB Asset Finance Division		1,051,484
From Lloyds UDT Limited		232,438
To Black Horse Limited		(150,763)
To Lloyds UDT Limited		(26,470)
<hr/>		
Interest receivable		
Lloyds TSB Asset Finance Division		56,708
<hr/>		
Management charges		
Black Horse Limited		3,456

Key management personnel

Key management personnel are those persons having authority and responsibility for planning and controlling the activities of the Company. Accordingly, key management comprise the directors of the Company and the members of the Lloyds TSB Asset Finance Division board which comprises the statutory directors of that company and certain other senior management. There were no transactions between the Company and key management personnel during the current or preceding year. Key management personnel are employed by other companies within the Lloyds TSB Asset Finance Division Limited sub group and consider that their services to the Company are incidental to the other activities within that sub group.

16. Contingent liabilities and commitments

There were no contracted capital commitments or contingencies at the balance sheet date (2005: £nil)