Black Horse Finance Holdings Limited

Report and Accounts

2020

Member of Lloyds Banking Group

Strategic report

For the year ended 31 December 2020

The directors present their Strategic report and the audited financial statements of Black Horse Finance Holdings Limited (the "Company") for the year ended 31 December 2020.

Business overview

The Company's results for the year show a Result before tax of £nil (2019: Loss before tax of £5m). Net assets at 31 December 2020 were £103m (2019: £103m).

Future outlook

There are no expected changes in the nature and extent of the Company's operations.

Principal risks and uncertainties

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the Retail Division within the Group. While these risks are not managed separately for the Company, the Company is a main holding company of the Group's Retail Division. The Retail Division is a portfolio of businesses and operates in a number of specialist markets providing both consumer lending and contract hire to personal and corporate customers. Further details of the Company’s and Group's risk management policy are contained in note 13 to the financial statements.

The global pandemic from the outbreak of COVID-19 continues to cause widespread disruption to normal patterns of business activity across the world, including in the UK, and volatility in financial markets. Measures taken to contain the health impact of the COVID-19 pandemic have resulted in an adverse impact on economic activity across the world and the duration of these measures remains uncertain. Monetary policy loosening has supported asset valuations across many financial markets, but longer-term impacts on inflation, interest rates, credit spreads, foreign exchange rates and commodity, equity and bond prices remain unclear. No material impacts are expected for this Company.

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.

Section 172(1) Statement

In accordance with the Companies Act 2006 (the 'Act'), for the year ended 31 December 2020, the Directors provide the following statement describing how they have had regard to the matters set out in section 172(1) of the Act, when performing their duty to promote the success of the Company under section 172.

Statement of Engagement with Employees and Other Stakeholders

In accordance with the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, the following statement also provides details on how the Directors have engaged with, and had regard to, the interest of key stakeholders only as the Company has no direct employees. The Company is a subsidiary of Lloyds Banking Group plc, and as such follows many of the processes and practices of Lloyds Banking Group plc, which are further referred to in this statement where relevant.

Shareholders

The Company is a wholly owned subsidiary of Lloyds Banking Group plc, forming part of Lloyds Banking Group plc's Retail Division. As a wholly owned subsidiary, the directors ensure that the strategy, priorities, processes and practices of the Company are fully aligned where required to those of Lloyds Banking Group plc, ensuring that the interests of Lloyds Banking Group plc as the Company's sole shareholder are duly acknowledged. Further information in respect of the relationship of Lloyds Banking Group plc with its shareholders is included within the Strategic Report within the Lloyds Banking Group plc Annual Report and Accounts for 2020, which does not form part of this report, available on the Lloyds Banking Group plc website.

Strategic report (continued)
For the year ended 31 December 2020

Section 172(1) Statement (continued)

How stakeholder interest has influenced decision making

The directors' acknowledge that one of the primary responsibilities of the board is to ensure the strategy of the Company, as aligned to that of Lloyds Banking Group plc, is to effectively manage the subsidiary companies to enable them to generate sustainable returns, central to which is ensuring engagement with stakeholders, and considering in all instances the long-term implications of decisions made, acting at all times to maintain the highest possible standards of conduct.

Approved by the board of directors and signed on its behalf by:

R A Jones
Director

21 June 2021

Directors' report

For the year ended 31 December 2020

The directors present their report for the year ended 31 December 2020.

General information

The Company is a private company limited by shares, incorporated, registered and domiciled in the United Kingdom (registered number: 03853896). The directors in office is listed further in this report and the Company Secretary is D D Hennessey.

The principal activity of the Company is to act as a holding company for its subsidiaries. It has not traded other than in this capacity during the year. The Company borrows from its immediate parent company, Lloyds Bank Asset Finance Limited, to provide funding to its subsidiaries.

Dividends

No dividends were paid or proposed during the year ended 31 December 2020 (2019: £nil).

Going concern

The directors are satisfied that it is the intention of Lloyds Banking Group plc that its subsidiaries, including the Company, will continue to have access to adequate liquidity and capital resources for the foreseeable future and, accordingly, the financial statements have been prepared on a going concern basis.

Directors

The current directors of the Company are as follows:

R A Jones
T R Smith
S Vijay

The following changes have taken place between the beginning of the reporting period and the approval of the Annual report and accounts:

L Pamma	(resigned 26 November 2020)
S Vijay	(appointed 12 March 2021)

Registered office

The Company's registered office is 25 Gresham Street, London, EC2V 7HN.

Information included in the Strategic report

The disclosures for Principal risks and uncertainties, Future outlook and Key performance indicators that would otherwise be required to be disclosed in the Directors' report can be found in the Strategic report on page 1.

Directors' indemnities

Lloyds Banking Group plc has granted to the directors of the Company a deed of indemnity which constitutes ‘qualifying third party indemnity provisions’ for the purposes of the Companies Act 2006. The deed was in force during the whole of the financial year and at the date of approval of the financial statements or from the date of appointment in respect of the director who joined the board of the Company during the financial year. Directors no longer in office but who served on the Board of the Company at any time in the financial year had the benefit of this deed of indemnity during that period of service. The Deed for existing directors is available for inspection at the registered office of Lloyds Banking Group plc. In addition, the Group has in place appropriate Directors and Officers Liability Insurance cover which was in place throughout the financial year.

Directors' report (continued)

For the year ended 31 December 2020

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Company's financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. Under company law the directors must not approve the financial statements unless they are satisfied that they 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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether the financial statements comply with international accounting standards in conformity with the requirements of the Companies Act 2006, subject to any material departures disclosed and explained in the financial statements; and
- 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 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.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are responsible for the maintenance and integrity of the Company's financial statements published on the ultimate parent company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Auditors and disclosure of information to auditors

In accordance with Section 418 of the Companies Act 2006, in the case of each director in office at the date the Directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Pursuant to section 487(2) of the Companies Act 2006, the auditors of the Company are deemed re-appointed for each financial year unless the Directors of the Company resolve to terminate their appointment. Following the completion of a tender process, Deloitte LLP are to be appointed as auditors of the Company for accounting periods ending on or after 31 December 2021.

Approved by the board of directors and signed on its behalf by:

R A Jones
Director

21 June 2021

Statement of comprehensive income

For the year ended 31 December 2020

	Note	**2020 £'m**	2019 £'m
Income from investments	3	**-**	36
Impairment losses on Investment in subsidiary undertakings	9	**-**	(41)
Result/(loss) before tax		**-**	(5)
Taxation	7	**-**	-
Result/(loss) for the year, being total comprehensive expense		**-**	(5)

The accompanying notes to the financial statements are an integral part of these financial statements.

Balance sheet

As at 31 December 2020

	Note	**2020** **£'m**	2019 £'m
ASSETS			
Cash and cash equivalents		**20**	18
Trade and other receivables	8	**431**	162
Investment in subsidiary undertakings	9	**57**	57
Total assets		**508**	237
LIABILITIES			
Borrowed funds	10	**405**	134
Total liabilities		**405**	134
EQUITY			
Share capital	11	**-**	-
Retained earnings		**103**	103
Total equity		**103**	103
Total equity and liabilities		**508**	237

The accompanying notes to the financial statements are an integral part of these financial statements.

The financial statements were approved by the board of directors and were signed on its behalf by:

R A Jones
Director

21 June 2021

Statement of changes in equity

For the year ended 31 December 2020

	Share capital £'m	Retained earnings £'m	Total equity £'m
At 1 January 2019	-	108	108
Loss for the year being total comprehensive expense	-	(5)	(5)
At 31 December 2019	**-**	**103**	**103**
Result for the year being total comprehensive income.	-	-	-
At 31 December 2020	**-**	**103**	**103**

The accompanying notes to the financial statements are an integral part of these financial statements.

Cash flow statement

For the year ended 31 December 2020

	2020 £'m	2019 £'m
Cash flows generated from operating activities		
Result/(loss) before tax	**-**	(5)
Adjustments for:		
- Impairment losses on Investment in subsidiary undertakings	**-**	41
- Dividend income	**-**	(36)
Cash generated from operations	**-**	-
Net cash generated from operating activities	**-**	-
Cash flows generated from investing activities		
Dividend income	**-**	36
Net cash generated from investing activities	**-**	36
Cash flows generated from/(used in) financing activities		
Procced from/(repayment of) net lendings to group undertakings	**2**	(36)
Net cash generated from/(used in) financing activities	**2**	(36)
Change in Cash and cash equivalents	**2**	-
Cash and cash equivalents at beginning of year	**18**	18
Cash and cash equivalents at end of year	**20**	18

The accompanying notes to the financial statements are an integral part of these financial statements.

Notes to the financial statements

For the year ended 31 December 2020

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 in both years presented, unless otherwise stated.

The financial statements of the Company comply with international accounting standards in conformity with the requirements of the Companies Act 2006. The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). IFRS comprises accounting standards prefixed IFRS issued by the International Accounting Standards Board ("IASB") and those prefixed IAS issued by the IASB's predecessor body as well as interpretations issued by the IFRS Interpretations Committee and its predecessor body.

The following new IFRS pronouncement is relevant to the Company and has been adopted in these financial statements:

(i) Minor amendments to other accounting standards: The IASB has issued a number of minor amendments to IFRSs effective 1 January 2020 (including IFRS 3 Business Combinations and IAS 1 Presentation of Financial Statements).

The application of this pronouncement has not had any impact for amounts recognised in these financial statements.

Details of those pronouncements which will be relevant to the Company but which were not effective at 31 December 2020 and which have not been applied in preparing these financial statements are given in note 17. No standards have been early adopted.

These separate financial statements contain information about the Company and do not contain consolidated financial information as the parent of a group. The Company has taken advantage of the exemptions under IFRS 10 Consolidated Financial Statements and Section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements. The Company and its subsidiaries are included in the consolidated financial statements of the Company's ultimate parent company.

The financial statements have been prepared on a going concern basis as detailed in the Directors' report and under the historical cost convention.

1.2 Income recognition

Dividend income

Dividend income is recognised in the period in which it is declared.

Income and expense from financial instruments

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

1.3 Financial assets and liabilities

Financial assets comprise Amounts due from group undertakings and Cash and cash equivalents. Financial liabilities comprise Amounts due to group undertakings.

Financial assets and liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are derecognised when the rights to receive cash flows, or obligations to pay cash flows, have expired.

Interest bearing financial assets and financial liabilities are recognised and measured at amortised cost inclusive of transaction costs, using the effective interest rate method.

Amounts due from group undertakings is assessed at the reporting date for impairment on a forward looking basis and where appropriate an expected credit loss ("ECL") is recognised based on reasonable and supportable information.

1. Accounting policies (continued)

1.4 Taxation

Tax expense comprises current tax. Current and deferred tax are charged or credited in the income statement except to the extent that the tax arises from a transaction or event which is recognised, in the same or a different period, outside the income statement (either in other comprehensive income, directly in equity, or through a business combination), in which case the tax appears in the same statement as the transaction that gave rise to it.

Current tax is the amount of corporate income taxes expected to be payable or recoverable based on the profit for the period as adjusted for items that are not taxable or not deductible, and is calculated using tax rates and laws that were enacted or substantively enacted at the Balance sheet date.

Current tax includes amounts provided in respect of uncertain tax positions when management expects that, upon examination of the uncertainty by Her Majesty's Revenue and Customs ("HMRC") or another tax authority, it is more likely than not that an economic outflow will occur. Provisions reflect management's best estimate of the ultimate liability based on their interpretation of tax law, precedent and guidance, informed by external tax advice as necessary. Changes in facts and circumstances underlying these provisions are reassessed at each Balance sheet date, and the provisions are re-measured as required to reflect current information.

1.5 Cash and cash equivalents

For the purposes of the Balance sheet and Cash flow statement, Cash and cash equivalents comprise balances with less than three months' maturity.

1.6 Investments in subsidiary undertakings

Investment in subsidiary undertakings is stated in the Balance sheet at cost less any provision for impairment.

Investment in subsidiary undertakings is reviewed for impairment losses at the end of each period and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the Statement of comprehensive income for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's net realisable value and value in use. For the purposes of assessing impairment, investments are grouped at the lowest level at which cash flows are separately monitored by management.

In the event that the assessment for impairment has indicated that the recoverable amount is higher than the carrying value at the date of the assessment, then amounts in respect of previous impairment losses are reversed to bring the carrying amount to the lower of its recoverable amount or original cost of investment.

2. 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.

In the course of preparing these financial statements, no critical judgements been made in the process of applying the Company's accounting policies.

The following are critical accounting estimates that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

2. Critical accounting estimates and judgements in applying accounting policies (continued)

Impairment of Investment in subsidiary undertakings

The Company regularly reviews its investment in subsidiary undertakings (see note 9) for indicators of impairment. In determining whether impairment has occurred the Company used value in use.

Value in use for the investment in United Dominions Trust Limited, the Company's significant subsidiary investment is calculated by considering the anticipated future cashflows generated by that entity. Cashflows include income based on the maturity profile of the existing loan books and projected income from new business.

The key assumptions utilised in the value in use calculation supporting the Company's investment in United Dominion Trust include:

- new business levels that reflect an expected gradual decrease in activity, based upon the expectation of reduced demand within the markets in which the Company operates, over the 4 year period covered by specific forecasts.

- a discount rate of 10% applied to cash flows to take account of the time value of money.

- the resulting value in use supports the cost of investment such that no impairment provision is required.

The impact of increasing/(decreasing) the growth rate and the discount rates by 5% does not have an impact on the net book value of the Company's Investment in subsidiary undertakings.

3. Income from investments

	2020 **£'m**	2019 £'m
Dividend income (see note 12)	**-**	36

4. Other operating expenses

Fees payable to the Company's auditors for the audit of the financial statements of £15,000 (2019: £5,000) have been borne by a fellow group company and are not recharged to the Company. Accounting and administration services are provided by a fellow group undertaking and are not recharged to the Company.

5. Staff costs

The Company did not have any employees during the year (2019: none).

6. Directors' emoluments

No director received any fees or emoluments from the Company during the year (2019: £nil). The directors are employed by other companies within the Group and consider that their services to the Company are incidental to their other responsibilities within the Group (see also note 12).

Notes to the financial statements (continued)

For the year ended 31 December 2020

7. Taxation

a) Analysis of credit for the year	**2020 £'m**	2019 £'m
UK corporation tax:		
- Current tax on taxable result/(loss) for the year	**-**	-

Corporation tax is calculated at a rate of 19.00% (2019: 19.00%) of the taxable result/(loss) for the year.

b) Factors affecting the tax credit for the year

A reconciliation of the credit that would result from applying the standard UK corporation tax rate to the result/(loss) before tax to the actual tax credit for the year is given below:

	2020 £'m	2019 £'m
Result/(loss) before tax	**-**	(5)
Tax credit thereon at UK corporation tax rate of 19.00% (2019: 19.00%)	**-**	(1)
Factors affecting credit:		
- Disallowed and non-taxable items	**-**	1
Tax charge on result/(loss) on ordinary activities	**-**	-
Effective rate	**0.00%**	0.00%

8. Trade and other receivables

	2020 £'m	2019 £'m
Amounts due from group undertakings (see note 12)	**431**	162

Amounts due from group undertakings is unsecured, interest bearing and repayable on demand. All Amounts due from group undertakings are included within stage 1 for IFRS 9 purposes and the ECL is negligible.

9. Investment in subsidiary undertakings

	2020 £'m	2019 £'m
Cost		
Cost at 1 January and 31 December	**180**	180
Provision for impairment		
Provision brought forward	**(123)**	(82)
Charge for the year	**-**	(41)
Provision at 31 December	**(123)**	(123)
Carrying value of investments at 31 December	**57**	57

During 2019 an impairment of £47,000,000 was made to the value of the investment held in Lloyds UDT Limited since the recoverable amount was lower than the carrying value at year end. This was offset in 2019 by a reversal in impairment of £6,000,000 in the value of the investment held in United Dominions Trust Limited which arose following updated consideration of its value in use (see note 2). Combined these resulted in a net impairment charge for the prior year of £41,000,000.

Investment in subsidiary undertakings is stated at cost less impairment. As permitted by section 611 of the Companies Act 2006, where the relief afforded under section 612 of the Companies Act 2006 applies, cost is the aggregate of the nominal value of the relevant number of the Company's shares and the fair value of any other consideration given to acquire the share capital of the subsidiaries.

Notes to the financial statements (continued)

For the year ended 31 December 2020

9. Investment in subsidiary undertakings (continued)

The subsidiary undertakings at 31 December 2020 and 31 December 2019, listed below, are all incorporated in England and Wales.

Subsidiary undertakings	Company interest	Principal activities	Registered address
Lloyds UDT Leasing Limited	100.00%	Instalment credit	25 Gresham Street, London, EC2V 7HN
United Dominions Leasing Limited	100.00%	Instalment credit	25 Gresham Street, London, EC2V 7HN
United Dominions Trust Limited	100.00%	Instalment credit	25 Gresham Street, London, EC2V 7HN
Lloyds UDT Asset Rentals Limited [1]	100.00%	In liquidation	1 More London Place, London, SE1 2AF
Lloyds UDT Limited [1]	100.00%	In liquidation	1 More London Place, London, SE1 2AF
UDT Budget Leasing Limited [1]	100.00%	In liquidation	1 More London Place, London, SE1 2AF
Lloyds UDT Asset Leasing Limited [2]	100.00%	Dissolved	1 More London Place, London, SE1 2AF
Lloyds UDT Hiring Limited [2]	100.00%	Dissolved	1 More London Place, London, SE1 2AF
UDT Sales Finance Limited [2]	100.00%	Dissolved	1 More London Place, London, SE1 2AF

The Company's interest in each of these entities is in the form of ordinary share capital. The Company has no other interest in related undertakings.

[1] - Lloyds UDT Asset Rentals Limited was placed into liquidation during July 2019. UDT Budget Leasing Limited was placed into liquidation during August 2019. Lloyds UDT Limited was placed into liquidation during September 2019.

[2] - These entities were placed into liquidation in 2018 and dissolved in 2020.

10. Borrowed funds

	2020 £'m	2019 £'m
Amounts due to group undertakings (see note 12)	**405**	134

Amounts due to group undertakings is unsecured and repayable on demand, although there is no expectation that such a demand would be made. The balance is interest bearing at the Sterling Overnight Interbank Average rate ("SONIA") (2019: 3 month LIBOR).

11. Share capital

	2020 £'m	2019 £'m
Allotted, issued and fully paid		
2 "A" ordinary shares of £1 each	**-**	-
1 "B" ordinary shares of £1 each	**-**	-

Each class of share is held by Lloyds Bank Asset Finance Limited. The "A" ordinary shares of £1 each carry 100% in terms of voting and dividend rights. The "B" ordinary share of £1 carries limited voting rights in the event of the Company winding up.

Notes to the financial statements (continued)

For the year ended 31 December 2020

12. Related party transactions

The Company is controlled by the Retail Division of the Group. A number of transactions are entered into with related parties in the normal course of business. A summary of the outstanding balances at the year end and the related income and expense for the year is set out below.

	2020 £'m	2019 £'m
Amounts due from group undertakings		
Lloyds Bank Asset Finance Limited (see note 8)	**431**	162
Amounts due to group undertakings		
United Dominions Trust Limited (see note 10)	**405**	134
Cash and cash equivalents held with group undertakings		
Lloyds Bank plc	**20**	18
Dividend income		
Lloyds UDT Limited	**-**	3
Lloyds UDT Asset Rentals Limited	**-**	33
Total Income from investments (see note 3)	**-**	36

The above balances are unsecured in nature and are expected to be settled in cash or by cash equivalents. Transactions in the year are those reflected through the Statement of comprehensive income.

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 comprises the directors of the Company and the Retail Division of the Group. 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 Group and consider that their services to the Company are incidental to their other activities within the Group.

13. Financial risk management

The Company’s operations it to business risk. It is not exposed to any significant credit risk, liquidity risk, market risk, interest rate risk and foreign exchange risk. Responsibility for the control of overall risk lies with the board of directors, operating within a management framework established by the Retail Division of the Group, and the ultimate parent, Lloyds Banking Group plc. Business risk is managed through regular reporting and oversight.

A description of the Company's financial assets/liabilities and associated accounting is provided in note 1.

13.1 Business risk

Business risk is the risk that the Company's earnings are adversely impacted by a suboptimal business strategy or the suboptimal implementation of the strategy. In assessing business risk consideration is given to internal and external factors such as products, funding, resource capability and economic, political and regulatory factors.

Through regular reports and oversight business risk is managed by corrective actions to plans and reductions in exposures where necessary.

13.2 Financial strategy

The Company does not trade in financial instruments, nor does it use derivatives.

13.3 Fair values of financial assets and liabilities

The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The directors consider that there are no significant differences between the carrying amounts shown in the Balance sheet and the fair value.

Notes to the financial statements (continued)

For the year ended 31 December 2020

14. Capital disclosures

The Company's objectives when managing capital are to safeguard the entity's ability to continue as a going concern, provide an adequate return to its shareholders through pricing products and services commensurately with the level of risk and, indirectly, to support the Group's regulatory capital requirements.

The Company's parent manages the Company's capital structure and advises the board of directors to consider making adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the board of directors may adjust the amount of dividends to be paid to shareholders, return capital to shareholders, issue new shares, or sell assets.

The Company's capital comprises all components of equity, movements in which appear in the Statement of changes in equity. The Company receives its funding requirements from its fellow group undertakings and does not raise funding externally.

15. Contingent liabilities and capital commitments

There were no contingent liabilities or contracted capital commitments at the Balance sheet date (2019: £nil).

16. Post balance sheet events

There are no post balance sheet events requiring disclosure in these financial statements.

17. Future developments

The following pronouncement will be relevant to the Company but was not effective at 31 December 2020 and has not been applied in preparing these financial statements.

Pronouncement	Nature of change	Effective date
Minor amendments to other accounting standards	The IASB has issued a number of minor amendments to IFRSs effective 1 January 2021 and 1 January 2022 (including IFRS 9 Financial Instruments and IAS 37 Provisions, Contingent Liabilities and Contingent Assets).	Annual periods beginning on or after 1 January 2021 and 1 January 2022

The full impact of this pronouncement is being assessed by the Company. However, the initial view is that this is not expected to cause any material adjustments to the reported numbers in the financial statements.

18. Ultimate parent undertaking and controlling party

The immediate parent company is Lloyds Bank Asset Finance Limited (incorporated in England and Wales). The company regarded by the directors as the ultimate parent company and controlling party is Lloyds Banking Group plc (incorporated in Scotland), which is also the parent undertaking of the largest group of undertakings for which group financial statements are drawn up and of which the Company is a member. Lloyds Bank plc is the parent undertaking of the smallest such group of undertakings. Copies of the financial statements of both companies may be obtained from Group Secretariat, Lloyds Banking Group plc, 25 Gresham Street, London, EC2V 7HN. The Lloyds Banking Group plc financial statements may be downloaded via www.lloydsbankinggroup.com.

Independent Auditors' report to the member of Black Horse Finance Holdings Limited

Report on the audit of the financial statements

Opinion

In our opinion, Black Horse Finance Holdings Limited's accounts:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its result and cash flows for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the accounts, included within the Annual report and accounts (the "Annual Report"), which comprise: the Balance sheet as at 31 December 2020; the Statement of comprehensive income, the Statement of changes in equity and Cash flow statement for the year then ended; and the notes to the accounts, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the accounts section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the accounts in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the accounts are authorised for issue.

In auditing the accounts, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the accounts is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the accounts and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the accounts does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the accounts, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the accounts or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the accounts or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2020 is consistent with the accounts and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Independent Auditors' report to the member of Black Horse Finance Holdings Limited (continued)

Responsibilities for the accounts and the audit

Responsibilities of the directors for the accounts

As explained more fully in the Statement of directors' responsibilities, the directors are responsible for the preparation of the accounts in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of accounts that are free from material misstatement, whether due to fraud or error.

In preparing the accounts, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the accounts

Our objectives are to obtain reasonable assurance about whether the accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these accounts.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Company and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of UK law, and we considered the extent to which non-compliance might have a material effect on the accounts. We evaluated management's incentives and opportunities for fraudulent manipulation of the accounts (including the risk of override of controls), and determined that the principal risks were related to posting manual journal entries to manipulate financial performance and management bias through judgements and assumptions in significant accounting estimates. Audit procedures performed included:

- Inquiries of those charged with governance in relation to known or suspected instances of non-compliance with laws and regulations and fraud;
- review of minutes of Board meetings;
- testing period end adjustments to supporting documentation;
- incorporating an element of unpredictability into the nature, timing or extent of our testing;
- challenging assumptions and judgements made by management in their significant accounting estimates, in particular, in relation to the impairment assessment performed on the carrying value of investments in subsidiaries; and
- identifying and testing journal entries, in particular any manual journal entries posted by unexpected or unusual users, or posted with descriptions indicating a higher level of risk.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the accounts. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the accounts is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

Independent Auditors' report to the member of Black Horse Finance Holdings Limited (continued)

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the accounts are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Kevin Williams (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cardiff

21 June 2021