Black Horse Limited
Annual Report and Accounts 2024
Registered number: 00661204

Member of Lloyds Banking Group

The Directors present their Strategic report and audited financial statements of Black Horse Limited (the "Company") for the year ended 31 December 2024.

Principal activities

The Company provides a comprehensive range of instalment credit products, including hire purchase, personal contract purchase ("PCP") agreements and leasing products. In addition, the Company provides loan funding to commercial organisations connected with the motor trade.

The Company forms part of Lloyds Banking Group ("the Group").

The Company is funded entirely by other entities within the Group.

Business overview

The Company's result for the year shows a loss before tax of £512,281,000 (2023: loss before tax £326,983,000). During the year a further provision of £616,000,000 (2023: £324,000,000) was recognised for the potential impact of the Financial Conduct Authority ("FCA") review into historical motor finance commission arrangements and sales (see below and note 22 for more details) which is driving the loss before tax.

The Company has net liabilities of £239,115,000 (2023: net assets £145,102,000) as at 31 December 2024 following recognition of a further expense of £616,000,000 to increase the provision relating to historical motor finance commission arrangements and sales. Consequently, on 31 January 2025 the Board approved a capital injection which was completed on 3 February 2025. The Company allotted 1,680,000,000 new ordinary shares of £0.25 each to its immediate parent company Black Horse Group Limited in exchange for the receipt of £420,000,000 cash.

On 15 August 2024, the Company securitised loans and advances to customers with a gross value of £1,250,000,000. On this date, the securitisation vehicle Cardiff Auto Receivables Securitisation 2024-1 plc ("CARS 2024-1 plc") issued asset backed loan notes with a par value of £1,250,000,000 with a final redemption date falling in October 2028. The Company purchased notes from the securitisation vehicle with a par value of £973,400,000. The transaction enables the Company to manage Residual Value ("RV") risk.

The net interest income of £338,648,000 (2023: £270,336,000) has increased as a result of increasing margins as the move to increased term funding matures. More of the lending is now backed by term funding that is aligned to the initial customer lending rate. The initial move to term funding resulted in a smaller margin, as the approach matures the margin has grown. Alongside this, lower impairment losses are driven by a benefit from the CARS 2024-1 plc securitisation transaction in the year, partially offset by higher underlying charges due to slightly elevated defaults.

The Company experienced an increase in loans and advances to customers of £311,872,000 (2023: £587,551,000) during the year. The increase is driven by the accounting treatment of the CARS 2024-1 plc securitisation transaction. This requires the recognition of a continuing involvement asset of £798,426,000 at 31 December 2024 (2023: £nil) in loans and advances to customers, and a continuing involvement liability at 31 December 2024 of £798,426,000 (2023: £nil) in other liabilities. Excluding the continuing involvement asset, underlying loans and advances to customers have fallen by £486,554,000 with a corresponding fall in internal funding required.

The Company has made a credit impairment loss of £75,579,000 (2023: £52,582,000) and a market impairment loss of £24,213,000 (2023: £98,603,000) during the year. Credit impairment losses have increased due to elevated defaults in the year. Market impairment losses have decreased on the prior year driven by lower RV and Voluntary Termination ("VT") provision builds with current year price reductions being lower than that observed through the prior year.

Future outlook

The Company has observed that following an increase of just 3% in 2024, New car and Light Commercial Vehicle ("LCV") registration growth is expected to be muted in 2025 as manufacturers continue to work towards the requirements of the Zero Emission Vehicle ("ZEV") mandate.

Used car price stability returned to the market during 2024, particularly in the latter half and this is expected to continue into 2025 as a result of continued constraint of used supply arising from the shortfall of registrations during the COVID-19 period. However, rising levels in supply of used Battery Electric Vehicles ("BEV") is likely to keep downward pressure on this segment of the market. Used LCV values are showing signs of stabilising with the outlook expected to remain as such, following continued falls during 2024 from what was a considerable peak in early 2023. While used vehicle prices stabilised in 2024 some level of volatility can be expected going forward as the industry deals with the transition to electric. This will be closely monitored by management.

In addition, the Company is continuing to engage with the FCA and Financial Ombudsman Service ("FOS") on the historical motor commission arrangements as mentioned below.

Any adverse changes affecting the UK economy may have direct and indirect credit and operational exposures. Any further deterioration in global macroeconomic conditions, including as a result of geopolitical events, global health issues, or acts of war or terrorism, could have an adverse effect on the Company's results.

Motor Commission Review

The Company recognised a £324,000,000 provision in 2023 for the potential impact of the FCA review into historical motor finance commission arrangements and sales announced in January 2024. In the fourth quarter of 2024, a further £616,000,000 provision has been recognised in relation to motor finance commission arrangements, in light of the Court of Appeal ("CoA") decisions handed down in their judgement in Wrench, Johnson and Hopcraft ("WJH") in October 2024, which goes beyond the scope of the original FCA motor finance commissions review.

The CoA judgment in WJH, determined that motor dealers acting as credit brokers owe certain duties to disclose to their customers commission payable to them by lenders, and that lenders will be liable for dealers' non-disclosures. This sets a higher bar for the disclosure of and consent to the existence, nature, and quantum of any commission paid than had been understood to be required or applied across the motor finance industry prior to the decision. The Group's understanding of compliant disclosure was built on FCA and other regulatory guidance and previous legal authorities. These CoA decisions relate to commission disclosure and consent obligations which go beyond the scope of the current FCA motor finance commissions review.

Following the WJH decision, the FCA extended their temporary complaint handling rules in relation to discretionary commission arrangements ("DCA") complaints to include non-DCA commission complaints until December 2025.

On 11 March 2025 the FCA published a further statement concerning its ongoing review of the past use of DCAs, and noted that the ruling by the CoA on WJH has raised the possibility of widespread liability among motor finance firms where commissions were not properly disclosed to customers. The Supreme Court granted the relevant lenders permission to appeal the WJH judgment and the substantive hearing is scheduled to be heard on 1 April to 3 April 2025. The FCA has been granted permission to intervene in the case and has filed its submission with the Supreme Court.

The FCA has indicated that if, taking into account the Supreme Court's decision, it concludes that motor finance customers have lost out from widespread failings by firms, it is likely to consult on an industry-wide redress scheme. The FCA indicated that it is no longer planning a further announcement in May 2025, but instead, will confirm within six weeks of the Supreme Court's decision if it is proposing a redress scheme and if so, how they will take it forward. The FCA has also noted that its next steps on non-DCA complaints will be informed by the outcome of the Supreme Court case.

In addition, there are a number of other relevant judicial proceedings which may influence the eventual outcome, including a judicial review (which is now subject to appeal) of a final decision by the Financial Ombudsman Service ("FOS") against another lender that was heard in October 2024.

The Company continues to receive complaints as well as claims in the County Courts in respect of motor finance commissions. A large number of those claims have been stayed, as has a claim in the Competition Appeal Tribunal.

In establishing the provision estimate, the Company has created a number of scenarios to address uncertainties around a number of key assumptions. These include the potential outcomes of the Supreme Court appeal, any steps that the FCA may take, and outcomes in relation to the extent of harm and remedies. Other key assumptions include applicable commission models, commission rates, time periods, response rates, uphold rates, levels of redress / interest applied and costs to deliver. The Company will continue to assess developments and potential impacts, including the outcome of the appeals, any announcement by the FCA of their next steps, and any action by other regulators or government bodies. Given that there is a significant level of uncertainty in terms of the eventual outcome, the ultimate financial impact could materially differ from the amount provided.

Economic environment

The current financial year has been a year of change and economic uncertainty, with the cost of living crisis, rising geopolitical tensions and an ongoing climate emergency.

These factors have all contributed to increasing the cost of living which impacts the Group and customers of its subsidiaries. In line with the Group's purpose of Helping Britain Prosper and its clear customer focus, the Group continues to provide support to those most affected by changes to the economic environment. The Company will continue to monitor the situation and risks to the business.

Principal risks and uncertainties

From the perspective of the Company, the principal risks and uncertainties are managed within the framework established for the Group and are not managed separately for the Company. Further details of the Company's and Group's risk management policy are included in note 26 to the financial statements.

The Company's approach to Environmental, social and governance ("ESG") risks is aligned to that of the Group. Further information in respect of the ESG risks in Lloyds Banking Group plc are included within the Strategic report within the Lloyds Banking Group plc Annual Report and Accounts for 2024.

Credit risk, liquidity risk, market risk and interest rate risk are managed and monitored by risk teams internal to the Group. Further details of these risks and the risk management policy are contained in note 26 of the financial statements..

Credit risk

Credit risk arises on the individual customer balances, both on the Loans and advances to customers and also any undrawn balances for an existing customer. These loans are continually monitored by the Group's internal risk teams for credit performance and to ensure compliance with current regulations and that customers are being treated fairly. Further information can be found in note 26.1.

Principal risks and uncertainties (continued)

Liquidity risk

Liquidity risk is the risk of the Company being unable to meet its financial obligations. Liquidity risk is subject to independent oversight by internal risk teams. The Company's ability to meet its funding obligations is closely monitored by the Group's Corporate Treasury team. Further information can be found in note 26.2.

Market risk

Market risk exists through residual value volatility within finance lease agreements. The lessee has a contractual right to return the vehicle at the end of the contract term under a PCP agreement and is economically incentivised to do so where the residual value is lower than the contractual Guaranteed Future Value ("GFV"). The Company prices the GFV to reduce the likelihood of the market risk resulting in a residual value loss and provisions are made across all fuel types where residual value losses are anticipated.. Further information can be found in note 26.3.

Interest rate risk

Interest rate risk exists where assets and liabilities have interest rates set under a different basis, or are reset at different times. Interest rate risk for the Company includes customer lending and intragroup funding obligations. Further information can be found in note 26.4.

Key performance indicators ("KPIs")

The Company's key objective is to support the Group strategic objective of Helping Britain Prosper. The level of overall lending balances across both new and used vehicle financing are seen as important measures of success. Credit risk management, aligned with helping customers ensure they have a product suitable for their needs, is fundamental to the success of the business. Impairment losses and interest income are considered to be relevant measures in relation to this. The key performance indicators considered for the Company are listed below:

KPI	2024	2023	Analysis
Net interest income (£'000)	**338,648**	270,336	Increased as a result of increasing margins as the move to increased term funding matures. More of the lending is now backed by term funding that is aligned to the initial customer lending rate. The initial move to term funding resulted in a smaller margin, as the approach matures the margin has grown.
Loss before tax (£'000)	**(512,281)**	(326,983)	Driven by £616m (2023: £324m) of additional discretionary commission provision recognised in 2024 offset by increased Net interest income and a fall in impairment losses.
Net interest margin	**2.7%**	2.1%	Increase in Net interest margin has been driven by maturing term funding approach in 2024.
Net underlying loans and advances to customers (£'000)	**12,375,101**	12,861,655	Decrease driven by £228m decrease in stocking loans and £248m in finance leases together with increase in provision of £10m.
Expected Credit Loss ("ECL") coverage	**1.19%**	1.00%	Increase coverage driven by adverse economic outlook recognised at half year 24, increases to RV/VT provisions and model developments at full year 24.
Cost: Income ratio (excluding remediation costs)	**39.3%**	43.5%	Cost: income ratio has improved due to an increase in NII noted above and a fall in costs.
Asset quality ratio[1]	**(0.77)%**	(1.18)%	Improved asset quality ratio is driven by lower impairments in 2024. Quarter 4 2023 saw a c£90m increase in RV and VT provisions alongside forward looking loss expectation as a result of worsening used car prices.

[1] Asset quality ratio includes credit and market impairments.

Section 172(1) statement

This section (pages 4 to 6) is the Company's Section 172(1) statement for the purposes of the Companies Act 2006 ("the Act"), describing how the Directors 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.

This statement provides details of how the Directors have engaged with, and had regard to the interest of key stakeholders. The Company is a subsidiary of the Group, and as such follows many related processes and practices of the Group, which are further referred to in this statement where relevant.

Section 172(1) statement (continued)

Engagement and 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 the Group , is to effectively manage its customer base to generate sustainable returns, central to which is ensuring engagement with all 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 and maintaining the Company's reputation.

Customers

The Directors ensure the Company, as part of Lloyds Banking Group plc, works toward achieving the Group's customer ambitions by focussing on customer fair value and by treating customers fairly. The Directors, informed by customer engagement activity across the wider Group, including customers of the Company, have worked to agree customer plans, regularly reviewing customer behaviour, customer pricing and repayment of customer loans, to understand areas where improvements can be made. The Directors have also considered the implications from a customer perspective from the ongoing motor commissions review, as discussed on page 3, and during the course of the year agreed certain changes to customer related processes. Following the CoA decision in respect of WJH, these changes included steps taken to enhance the customer journey to obtain informed consent to the payment of commission. Customer engagement activity has also informed how the Company supports customers in longer term financial difficulty, with a range of debt management options including repayment plans.

The Company is an active participant in the Group's broader Transport business initiatives. In response to customer feedback, this includes continued investment in enhancing the customer journey and proposition for our strategic partners and dealer introduced customers, and a longer term project to move onto a new lending platform.

Colleagues

Colleagues remain central to the delivery of the Company's strategic ambitions and this continues to be recognised in the colleague engagement activity undertaken across the Group, in which the Company participates. Group engagement this year included a variety of sessions to discuss topical issues relating to challenges both at and outside of work. As in 2023, the Group Board's Responsible Business Committee has been the designated body for workforce engagement across the Group. The Board considers these arrangements to be effective as they enable a broader range of colleague engagement activities. In continuing to consider arrangements for engaging with the workforce across the Group, the Group Board approved in 2024 a new approach to colleague engagement, to be implemented during 2025. This new approach builds on existing colleague listening activity and will introduce three forums to better represent colleagues particularly at grades where trade union membership is low. The forums will include the People Forum, the People Consultation Forum, and the Management Advisory Forum.

Shareholders

The Company is a wholly owned subsidiary of Lloyds Banking Group plc, forming part of the Consumer Lending Business Unit. As a wholly owned subsidiary, the Directors ensure that the strategy, priorities, processes and practices of the Company are fully aligned to those of the Group where required, ensuring that the interests of the Group as the Company's ultimate parent company are duly acknowledged. Further information in respect of the relationship of the Group with its shareholders is included within the Strategic Report within Lloyds Banking Group plc's Annual Report and Accounts for 2024, which does not form part of this report, available on the Lloyds Banking Group website.

Communities and the environment

The Company continues to support the Group's community and environment related initiatives, including Helping Britain Prosper, by considering and responding to the Group's related stakeholder engagement, and actively managing its current book of hire purchase products and other loans in a manner which responds to relevant feedback. In addition, the Company is an integral part of supporting the Group's desire to support the transition to electric vehicles, and participates in a number of commitments the Group has made to support the green agenda, including developing and growing relationships with key strategic Electric Vehicle Original Equipment Manufacturers. Further information in respect of the Group's overall approach to engaging with and contributing to the communities in which it operates is included within the Strategic Report within the Lloyds Banking Group plc Annual Report and Accounts for 2024, which does not form part of this report. Additional information on the Group's role in this regard is available within the Strategic Report and Sustainability Review sections of the Group's Annual Report and Accounts for 2024, available at: https://www.lloydsbankinggroup.com/investors/financial-downloads.html

Regulators

The Company provides quarterly updates to relevant regulators including disclosures on its capital position. Regulatory relationships continue to be important, and are managed to ensure proactive engagement across key regulatory changes and areas of focus. As noted in the Strategic report and note 2 the Board has continued to engage with FOS and the FCA during 2024. The overall approach to regulatory engagement of the Company aligns to that of the Group, which is detailed further in the Lloyds Banking Group plc Annual Report and Accounts for 2024, which does not form part of this report, and is available on the Lloyds Banking Group website at: https://www.lloydsbankinggroup.com/investors/financial-downloads.html

Section 172(1) statement (continued)

Suppliers

The Directors ensure the Company, as part of the Group , follows the Group's supplier oversight model. This model assesses supplier activity against a set of risks that this activity poses. The Company as part of the Group's Transport business works with the Group's Consumer Lending Chief Operating Office to understand and agree a supplier risk oversight routine; one which regularly reviews and shares supplier performance and considers risks and mitigations across resiliency of service provision, supplier conduct in delivering customer treatment, alongside data handling and cyber risk oversight. This oversight extends to ensuring the Company pays its suppliers in a timely manner, to help our supplier base prosper. This framework is currently focussed on those suppliers considered to present the highest risk, and the work to understand and mitigate the risk profile of the current supplier base is continual.

Emerging risks

The Directors consider the following to be risks that have the potential to increase in significance and affect the performance of the Company.

The key risks are financial, derived from both physical risks (climate and weather-related events) and transition risks resulting from the process of adjustment towards a low carbon economy. Climate change extends across multiple risk types e.g. credit, market, conduct and operational. For example physical and transition risks could result in the impairment of asset values, which may impact the creditworthiness of our clients, and the products and services our customers require.

The focus on these risks by key stakeholders including businesses, clients, shareholders, governments and regulators is increasing, aligned to the evolving societal, regulatory and political landscape. There also remains a risk that the level and pace of responses taken by the Group are insufficient to mitigate these risks. This could lead to campaign groups or other bodies seeking to take action against the Group or the financial services industry for funding organisations that they deem to be contributing to climate change.

Additionally, the growth of the electric vehicle market as customers transition from Internal Combustion Engine vehicles poses a risk of uncertainty in the residual value estimates that we assume in our pricing, especially in the second hand electric vehicle market which remains relatively immature. This could impact the Company's relative competitiveness in the market where other lenders take a different view of residual values, and/or could result in the need to adjust the Company's impairment provisions.

The Company is out of scope of the Streamlined Energy and Carbon Reporting ("SECR"), as it does not have to report on SECR in its own Director's Report where included in the Group's SECR statement of a UK Group report. Further information in respect of SECR is included within the Lloyds Banking Group plc Annual Report and Accounts for 2024, which does not form part of this report, available on the Lloyds Banking Group plc website.

General

The Directors do not consider there to be any further material issues which need to be included in the Strategic Report.

Approved by the Board of Directors and signed on its behalf by:

N A Williams
Director
31 March 2025

The Directors present their Annual Report and Accounts for the year ended 31 December 2024.

General information

The Company is a private company limited by shares, incorporated and domiciled in England and Wales (registered number: 00661204).

Registered office

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

Employees

The Company has no direct employees (2023: nil). All staff are employed by other companies within the Group and the relevant staff costs are recharged to the Company. Full details of policies relating to disabled persons, together with details of actions taken regarding the provision of information to employees, their consultation and involvement, are shown in the Lloyds Banking Group plc Annual Report and Accounts for 2024, which does not form part of this report, and is available on the Lloyds Banking Group plc website: https://www.lloydsbankinggroup.com/investors/financial-downloads.html

Dividends

No dividends were paid or proposed during the year (2023: £nil).

Events after the reporting date

On 3 February 2025, the Company allotted 1,680,000,000 new ordinary shares of £0.25 each to its immediate parent company Black Horse Group Limited in exchange for the receipt of £420,000,000.

Going concern

The Company has retained losses of £239,115,000 as at 31 December 2024 following the recognition of the £616,000,000 provision for the potential impact of the FCA review into historical motor finance commission arrangements and sales. Consequently, on 31 January 2025 the Board approved a capital injection of £420,000,000 which was completed on 3 February 2025.

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least 12 months from the date of approval of the accounts. As set out in the Strategic report, the Company has uncertainty in relation to the outcomes of the FCA review into historical motor finance commission arrangements and sales, and where the Supreme Court granted the relevant lenders permission to appeal the WJH judgment and the substantive hearing that is scheduled to be heard on 1 April to 3 April 2025. In order to satisfy themselves that the Company has adequate resources to continue to operate for the foreseeable future, the Directors have considered a number of key dependencies which are set out in the risk management note (note 26) as well as the courses of action available to the Company in the event of adverse outcomes from the FCA review or the Supreme Court hearing, which may include further capital injections from its parent. Having consulted on these, the Directors conclude that it is appropriate to continue to adopt the going concern basis in preparing the annual financial statements. Further details regarding the adoption of the going concern basis can be found in note 1.1 to the financial statements.

Directors

The current Directors of the Company are shown below.

A B Ambani
G D Gould
J McCaffrey
P M P Rogers
N A Williams

The following changes have also taken place between the beginning of the reporting period and the approval of the Annual Report and Accounts.

K Morris	(resigned 31 October 2024)
C Gowland (Chair) *	(resigned 6 December 2024)
P M P Rogers	(appointed 15 January 2025)

*Non executive Director

Company Secretary

The Company Secretary is R Beattie.

The following changes have taken place between the beginning of the reporting period and the approval of the Annual Report and Accounts.

D D Hennessey	(resigned 8 January 2024)
P Gittins	(appointed 19 January 2024, resigned 31 July 2024)
R Beattie	(appointed 31 July 2024)

Information included in the Strategic report

The disclosures for future outlook, principal risks and uncertainties, and key performance indicators that would otherwise be required to be disclosed in the Directors' report can be found in the Strategic Report on pages 1 to 4.

Statement of engagement with employees and other stakeholders

A statement of engagement with employees and other stakeholders is included in the Strategic report on pages 4 to 6.

Corporate Governance Statement

In accordance with the Large and Medium-sized Companies and Group (Accounts and Reports) Regulations 2008 (as amended by the Companies (Miscellaneous Reporting) Regulations 2018) (the "Regulations"), for the year ended 31 December 2024, the Company has in its corporate governance arrangements applied the Wates Corporate Governance Principles for Large Private Companies (the "Principles"), which are available at frc.org.uk. The following section explains the Company's approach to corporate governance, and its application of the Principles.

Principle One – Purpose and Leadership

The Board is collectively responsible for the long term success of the Company. It achieves this by agreeing the Company's strategy, within the wider strategy of Lloyds Banking Group plc, and overseeing delivery against it. The Company's strategy is discussed further in the Strategic report on pages 2 to 6 of these financial statements. The Board also assumes responsibility for the management of the culture, values and wider standards of the Company, within the equivalent standards set by the Group.

Consideration of the needs of all stakeholders is fundamental to the way the Company operates, as is maintaining the highest standards of business conduct, which along with ensuring delivery for customers is a vital part of the corporate culture. The Company's approach is further influenced by the need to build a culture in which everyone feels included, empowered and inspired to do the right thing for customers. To this end, the Board plays a key role in establishing, promoting and monitoring the Company's corporate culture and values, aligning to the culture and values of the Group, which are discussed in more detail in the Strategic and Directors' reports of the Lloyds Banking Group plc Annual Report and Accounts for 2024, which does not form part of this report, and is available on the Lloyds Banking Group website: https://www.lloydsbankinggroup.com/investors/financial-downloads.html

Principle Two – Board Composition

The Company is led by a Board comprising both Executive and Non-Executive Directors, including a Non-Executive Chair; further details of the Directors can be found on page 7. The Board considers its composition regularly, and is committed to ensuring it has the right balance of skills and experience. The Board considers that its current size and composition is appropriate to the Company's circumstances. New appointments are made on merit, taking account of the specific skills, experience and knowledge needed to ensure a rounded Board and the benefits each candidate can bring to the Board overall.

The Board undertakes an annual review of its effectiveness, which provides an opportunity to consider ways of identifying greater efficiencies, ways to maximise strengths and highlights areas of further development. The effectiveness review is commissioned by the Board, assisted by the Company Secretary.

Principle Three – Director Responsibilities

The Directors assume ultimate responsibility for the affairs of the Company, and along with senior management are committed to maintaining a robust control framework as the foundation for the delivery of good governance, including the effective management of delegation through related Group processes. Policies are also in place in relation to potential conflicts of interest which may arise. The Chair of the Board assumes responsibility with support from the Company Secretary for the provision to each meeting of accurate and timely information.

Approach to Corporate Governance (continued)

Principle Four – Opportunity and Risk

Strategic opportunities which may arise are considered in the first instance by the Board of the Group, as part of the Group Board's role in considering such opportunities relevant to itself and its subsidiaries. Any opportunity which is specifically relevant to the Company is subsequently considered by the Board. The Board is responsible for the long term sustainable success of the Company, generating value for its shareholder and ensuring a positive contribution to society. Key to this are the Company's culture, purpose, values and strategy, as discussed under Principle One, which are closely aligned to those of the Group. Strong risk management is central to the strategy of the Company, which along with a robust risk and control framework, acts as the foundation for the delivery of effective risk management. The Board agrees the Company's risk appetite, within the wider risk appetite of the Group, and ensures the Company manages risk effectively through delegation within the management hierarchy.

Board level engagement, coupled with the direct involvement of management in risk issues, ensures that escalated issues are promptly addressed and remediation plans are initiated where required. The Company's risk appetite, principles, policies, procedures, controls and reporting are managed in conjunction with those of the Group, and as such are regularly reviewed to ensure they remain fully in line with regulations, law, corporate governance and industry best practice. The Company's principal risks are discussed further on pages 3 and 4.

Principle Five – Remuneration

The Remuneration Committee of the Group's Board assumes responsibility for the approach to remuneration for certain subsidiaries, including that of the Company. This includes reviewing and making recommendations to the Group Board on remuneration policy. Whilst the Company has no direct employees (2023: no direct employees), all staff associated with the Company are employed by an intermediate parent undertaking, Lloyds Bank Asset Finance Limited.

Principle Six – Stakeholders

The Company, as part of the Group, operates under the Group's wider approach to responsible business, which acknowledges that the Group and the Company have a responsibility to help address the economic, social and environmental challenges which the UK faces, and as part of this understand the needs of the Group's and the Company's external stakeholders. Central to this is the Group's and the Company's purpose of Helping Britain Prosper. In 2024, the Group Board's Responsible Business Committee provided further oversight and support of the Group's and the Company's plans for embedding responsible business in the Group's and the Company's core purpose.

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 Directors 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.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Directors' and Strategic Reports 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 are required to prepare 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.

Statement of Directors' responsibilities (continued)

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. 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.

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

Directors' confirmations

Each of the Directors, as listed in the Directors' report, confirm to the best of their knowledge that:

- the Company financial statements, which have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, give a true and fair view of the assets, liabilities, financial position and profit of the Company; and

- the Strategic report and the Directors' report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risk and uncertainties that it faces.

Auditor and disclosure of information to auditor

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 auditor is unaware; and
- the Director has taken all the steps that they ought to have taken as a Director in order to make themself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Deloitte LLP is deemed to be re-appointed as auditor under section 487(2) of the Companies Act 2006.

Approved by the Board of Directors and signed on its behalf by:

Nick Williams

N A Williams
Director
31 March 2025

Statement of Comprehensive Income
For the year ended 31 December 2024

	Note	**2024**	2023
		£'000	£'000
Interest income		**871,197**	709,937
Interest expense		**(532,549)**	(439,601)
Net interest income	3	**338,648**	270,336
Fee and commission income		**1,669**	1,509
Fee and commission expense		**(1,601)**	(3,242)
Net fee and commission income/(expense)	4	**68**	(1,733)
Other operating income	5	**4,313**	3,658
Provisions for liabilities and charges - charge for the year	22	**(617,682)**	(327,703)
Credit impairment losses	6	**(75,579)**	(52,582)
Market impairment losses	7	**(24,213)**	(98,603)
Other operating expenses	8	**(137,836)**	(120,356)
Loss before tax		**(512,281)**	(326,983)
Taxation	11	**128,064**	75,308
Loss for the year being total comprehensive expense		**(384,217)**	(251,675)

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

Balance Sheet
As at 31 December 2024

	Note	2024	2023
		£'000	£'000
ASSETS			
Cash and cash equivalents		**69,565**	112,517
Amounts due from group undertakings	13	**862,322**	727,756
Trade and other receivables	14	**122,299**	96,545
Loans and advances to customers	15	**13,173,527**	12,861,655
Inventories	16	**12,983**	7,700
Investment in unlisted investments		**54**	54
Intangible assets	17	**14,949**	300
Current tax asset		**128,795**	77,270
Deferred tax asset	18	**2,465**	3,196
Total assets		**14,386,959**	13,886,993
LIABILITIES			
Borrowed funds	19	**12,836,437**	13,325,102
Trade and other payables	20	**69,138**	77,946
Other liabilities	21	**798,426**	—
Provision for liabilities and charges	22	**922,073**	338,843
Total liabilities		**14,626,074**	13,741,891
EQUITY			
Share capital	23	**–**	–
Retained earnings		**(239,115)**	145,102
Total equity		**(239,115)**	145,102
Total equity and liabilities		**14,386,959**	13,886,993

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

The financial statements were approved by the Board of Directors and signed on its behalf by:

Nick Williams

N A Williams
Director
31 March 2025

Statement of Changes in Equity
For the year ended 31 December 2024

	Share capital	Retained earnings	Total equity
	£'000	£'000	£'000
At 1 January 2023	–	396,777	396,777
Loss for the year being total comprehensive expense	–	(251,675)	(251,675)
At 31 December 2023	–	145,102	145,102
Loss for the year being total comprehensive expense	**–**	**(384,217)**	**(384,217)**
At 31 December 2024	**–**	**(239,115)**	**(239,115)**

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

Cash Flow Statement
For the year ended 31 December 2024

	Note	2024 £'000	2023 £'000
Cash flows used in operating activities			
Loss before tax		**(512,281)**	(326,983)
Adjustments for:			
- Interest expense	3	**532,549**	439,601
- Net book value of disposal of Property, plant and equipment		**—**	4
- Amortisation of intangible assets	17	**582**	591
- Increase in Provision for liabilities and charges	22	**583,230**	324,873
Changes in operating assets and liabilities:			
- Net decrease/(increase) in Loans and advances to customers*	15	**486,554**	(587,551)
- Net increase in Inventories	16	**(5,283)**	(3,439)
- Net increase in Trade and other receivables	14	**(25,754)**	(40,675)
- Net decrease in Trade and other payables	20	**(8,808)**	(3,903)
Cash generated from/(used in) operations		**1,050,789**	(197,482)
Tax received/(paid)		**77,270**	(51,486)
Net cash generated from/(used in) operating activities		**1,128,059**	(248,968)
Cash flows used in investing activities			
Acquisition of intangible assets	17	**(15,231)**	–
Net cash used in investing activities		**(15,231)**	–
Cash flows generated from financing activities			
(Repayments)/proceeds from net borrowings with group undertakings		**(623,231)**	690,005
Interest paid	3	**(532,549)**	(439,601)
Net cash (used in)/generated from financing activities		**(1,155,780)**	250,404
Change in Cash and cash equivalents		**(42,952)**	1,436
Cash and cash equivalents at beginning of year		**112,517**	111,081
Cash and cash equivalents at end of year		**69,565**	112,517

* The recognition of the continuing involvement asset of £798,426,000 in respect of the Company's continuing involvement in a portfolio of leases following their partial derecognition (note 15.3) and the equal and opposite continuing involvement liability recognised in other liabilities (note 21) are non-cash transactions.

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

Note 1. Material accounting policies

The material 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.

Note 1.1. Basis of preparation

The financial statements of the Company have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. The financial statements have also been prepared in accordance with IFRS® Accounting Standards as issued by the International Accounting Standards Board ("IASB").

In preparation of these financial statements the Balance sheet has been arranged in order of liquidity.

No new IFRS Accounting Standards pronouncements which have been adopted resulted in a material impact within these financial statements.

Details of those pronouncements which will be relevant to the Company but which were not effective at 31 December 2024 and which have not been applied in preparing these financial statements are given in note 30. No standards have been early adopted.

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in pounds sterling, which is the Company's functional and presentational currency.

The financial statements have been prepared under the historical costs convention.

The Directors are satisfied that the financial statements have been prepared on a going concern basis taking into account the following:

- The Company has retained losses of £239,115,000 as at 31 December 2024 following the recognition of the additional £616,000,000 provision for the potential impact of the FCA review into historical motor finance commission arrangements and sales. Consequently, on 31 January 2025 the Board approved a capital injection of £420,000,000 which was completed on 3 February 2025.
- The Company is forecast to be profitable for the period and in a net asset position following the capital injection with retained earnings forecast to increase over the period under consideration. The Company also acknowledges the risk that the motor finance commission provision could be materially different to that estimated and this might cause the entity to make further losses in future.
- The Company does not have external debt and is funded by other companies within the Group.
- The Company will continue to be able to repay its liabilities as they fall due through its liquid assets and/or its ability to drawdown on further funding as required from its intermediate parent, Lloyds Bank plc.
- That it is the intention of Lloyds Bank plc, to continue to provide adequate access to liquidity for the foreseeable future.

Note 1.2. Income recognition

Interest income and expense from financial assets and liabilities

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 gross carrying amount of the financial asset (before accounting for expected credit losses) or the amortised cost of the financial liability.

Once a financial asset or a group of similar financial assets has become credit impaired, interest income is recognised on the net lending balance (after deducting the allowance for expected credit losses) using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Interest receivable on credit sale agreements, finance lease agreements and contract purchase agreements is credited to the Statement of Comprehensive Income over the contractual life of each contract 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 over the contractual life of the financial instrument.

For loan products, the effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of a financial instrument to the net carrying amount of the financial asset or liability. The effective interest rate for leasing products is similar except that future cash payments or receipts are assessed over the contractual life of the agreement.

Lease classification

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 leased under a finance lease, the net present value of the lease payments plus any guaranteed residual value payments, where applicable, is recognised as a receivable within Loans and advances to customers. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance lease income. Assets leased to customers under PCP agreements which transfer substantially all the risks and rewards associated with ownership, other than legal title, are classified as finance leases.

Note 1. Material accounting policies (continued)

Note 1.2. Income recognition (continued)

Finance lease income

Finance lease income is recognised over the lease term using the net investment method so as to reflect a constant periodic rate of return on the Company's net investment in the lease. Initial direct incremental costs attributed to negotiating and arranging the lease are included in the initial measurement of the finance lease receivable thus reducing the amount of income recognised over the lease term.

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.

Fee and commission income and expense

Fees and commissions which are not an integral part of the effective interest rate (such as commission associated with the sale of insurance underwritten by a third party) are generally recognised in the Statement of comprehensive income on an accruals basis when the service has been provided.

Note 1.3. Financial assets and liabilities

Financial assets comprise Amounts due from Group undertakings, Loans and advances to customers, Trade and other receivables and Cash and cash equivalents. Financial liabilities comprise Amounts due to group undertakings and Trade and other payables and Other liabilities.

On initial recognition, financial assets are classified and measured at amortised cost. All financial liabilities are measured at amortised cost. The Company initially recognises financial assets and liabilities when the Company becomes a party to the contractual provisions of the instrument.

Financial assets are derecognised when the contractual right to receive cash flows from those assets has expired or when the Company has transferred its contractual right to receive the cash flows from the assets and either: substantially all of the risks and rewards of ownership have been transferred; or the Company has neither retained nor transferred substantially all of the risks and rewards, but has transferred control. Financial liabilities are derecognised when the obligation is discharged, cancelled or expires.

Note 1.4. Impairment of financial assets

(i) Credit impairment losses

The impairment charge in the Statement of comprehensive income includes the change in expected credit losses ("ECL") over the year including those arising from fraud. ECL are recognised for Loans and advances to customers and other financial assets held at amortised cost, together with any loan commitments. ECL are calculated as an unbiased and probability-weighted estimate using an appropriate probability of default ("PD"), adjusted to take into account a range of possible future economic scenarios, and applying this to the estimated exposure of the Company at the point of default after taking into account the value of any repayments and including the impact of discounting using the effective interest rate.

At initial recognition, allowance (or provision in the case of some loan commitments) is made for ECL resulting from default events that are possible within the next 12 months (12-month ECL). In the event of a significant increase in credit risk ("SICR"), allowance (or provision) is made for ECL resulting from all possible default events over the expected life of the financial instrument (lifetime ECL). Financial assets where 12-month ECL are recognised are considered to be Stage 1; financial assets which are considered to have experienced a significant increase in credit risk are in Stage 2; and financial assets which have defaulted or are otherwise considered to be credit impaired are allocated to Stage 3.

Unless identified at an earlier stage, the credit risk of financial assets is deemed to have increased significantly when more than 30 days past due. Where the credit risk subsequently improves such that it no longer represents a significant increase in credit risk since initial recognition, the asset is transferred back to Stage 1.

Assets are transferred to Stage 3 when they have defaulted or are otherwise considered to be credit impaired. Default is considered to have occurred when there is evidence that the customer is experiencing financial difficulty which is likely to affect significantly the ability to repay the amount due. Unless identified at an earlier stage, default is deemed to have occurred when a payment is 90 days past due. A Stage 3 asset that is no longer credit-impaired is transferred back to Stage 2 as no general probation period is applied to assets in Stage 3.

In certain circumstances, the Company will renegotiate the original terms of a customer's loan, either as part of an ongoing customer relationship or in response to adverse changes in the circumstances of the borrower. In the latter circumstances, the loan will remain classified as either Stage 2 or Stage 3 until the credit risk has improved such that it no longer represents a significant increase since origination (for a return to Stage 1), or the loan is no longer credit impaired (for a return to Stage 2). On renegotiation the gross carrying amount of the loan is recalculated as the present value of the renegotiated or modified contractual cash flows, which are discounted at the original effective interest rate. Renegotiation may also lead to the loan and associated allowance being derecognised and a new loan being recognised initially at fair value.

Note 1. Material accounting policies (continued)

Note 1.4. Impairment of financial assets (continued)

(i) Credit losses (continued)

A loan or advance is normally written off, either partially or in full, against the related allowance when the proceeds from realising any available security have been received or there is no realistic prospect of recovery and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of credit impairment losses recorded in the Statement of comprehensive income. The write-off takes place only once an extensive set of collections processes has been completed, or the status of the account reaches a point where policy dictates that continuing concessions are no longer appropriate.

(ii) Market impairment losses

Included within Loans and advances to customers are certain hire purchase contracts referred to as PCP agreements. Under the terms of these agreements, customers have the option to either purchase the leased vehicle at the end of the lease term for a pre-agreed sum (the "pre-agreed residual value") or to return the vehicle for sale by the Company at auction. As a result the Company is exposed to market risk arising from changes in the residual value of the vehicles financed under the terms of PCP arrangements.

Voluntary Terminations ("VTs") are a right of customers of PCP and hire purchase agreements under the Consumer Credit Act 1974, section 99 to end an agreement early and return the asset. A VT may occur at any time after 50% of the total amount payable has been paid by the customer. A VT is subject to market losses.

If there is objective evidence that a market 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. If an asset has a variable interest rate, the discount rate used for measuring the impairment loss is the current 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 recovery and sale of collateral, less any costs incurred. The provision calculation also considers the likelihood that a customer may voluntary terminate based on the predicted level of loss during the period of eligibility.

(iii) Allowance for credit impairment losses

The calculation of the Company's ECL allowance under IFRS 9 requires the Company to make a number of judgements, assumptions and estimates. The most significant are set out below:

Definition of default

The PD of an exposure, both over a 12 month period and over its lifetime, is a key input to the measurement of the ECL allowance. Default has occurred when there is evidence that the customer is experiencing significant financial difficulty which is likely to affect the ability to repay amounts due. Unless identified at an earlier stage, default is deemed to have occurred when a payment is 90 days past due.

Significant increase in credit risk

The Company uses both quantitative and qualitative indicators to determine whether there has been a SICR for an asset. A deterioration in the Retail Master Scale (default model that segments customer loans into a number of rating grades, each representing a defined range of default probabilities) of two grades, is treated as a SICR. All financial assets are assumed to have suffered a SICR if they are more than 30 days past due. The setting of precise trigger points combined with risk indicators requires judgement. The use of different trigger points may have a material impact upon the size of the ECL allowance.

For non-retail a doubling of PD with a minimum increase in PD of 1 per cent since origination and a resulting change in the underlying grade is treated as a SICR.

Application of judgement in adjustments to modelled ECL

Impairment models fall within the Company's model risk framework with model monitoring, periodic validation and back testing performed on model components, such as probability of default. Limitations in the Company's impairment models or data inputs may be identified through the ongoing assessment and validation of the output of the models, which may require appropriate judgemental adjustments to the ECL. These adjustments are determined by considering the particular attributes of exposures which have not been adequately captured by the impairment models and range from changes to model inputs and parameters (in-model adjustments), at account level, through to more qualitative post model adjustments.

Generation of Multiple Economic Scenarios ("MES")

The estimate of ECL is required to be based on an unbiased expectation of future economic scenarios. The approach used to generate the range of future economic scenarios depends on the methodology and judgements adopted. The Company's approach is to start from a defined base case scenario, used for planning purposes, and to generate alternative economic scenarios around this base case. The base case scenario is a conditional forecast underpinned by a number of conditioning assumptions that reflect the Company's best view of key future developments. If circumstances appear likely to materially deviate from the conditioning assumptions, then the base case scenario is updated.

Note 1. Material accounting policies (continued)

Note 1.4. Impairment of financial assets (continued)

Generation of Multiple Economic Scenarios ("MES") (continued)

The base case scenario is central to a range of future economic scenarios generated by simulation of an economic model, for which the same conditioning assumptions apply as in the base case scenario. These scenarios are ranked by using estimated relationships with industry-wide historical loss data. With the base case already pre-defined, three other scenarios are identified as averages of constituent scenarios located around the 15th, 75th and 95th percentiles of the distribution. The full distribution is therefore summarised by a practical number of scenarios to run through ECL models representing an upside, the base case, and a downside scenario weighted at 30 per cent each, together with a severe downside scenario weighted at 10 per cent. The scenario weights represent the distribution of economic scenarios and not subjective views on likelihood. The inclusion of a severe downside scenario with a smaller weighting ensures that the non-linearity of losses in the tail of the distribution is adequately captured.

Base Case and MES Economic Assumptions

The Company's base case economic scenario has been updated to reflect ongoing geopolitical developments and changes in domestic economic policy. The Company's updated base case scenario has three conditioning assumptions. First, cross-border conflicts do not lead to major disruptions in commodity prices or global trade. Second, the US pursues a more isolationist economic agenda, with policies including trade tariffs; immigration cuts; and unfunded tax cuts. China, EU and UK are assumed to retaliate to US tariffs imposed on them. Third, UK Budget public investment plans are assumed to have a small but positive impact on trend productivity growth, subject to further review as more specific policy detail emerges.

Based on these assumptions and incorporating the economic data published in the fourth quarter, the Company's base case scenario is for a slow expansion in GDP and a rise in the unemployment rate alongside modest changes in residential and commercial property prices. Against a backdrop of some persistence in inflationary pressures, UK bank rate is expected to be lowered gradually during 2025. Risks around this base case economic view lie in both directions and are largely captured by the generation of alternative economic scenarios.

The Company has accommodated the latest available information at the reporting date in defining its base case scenario and generating alternative economic scenarios. The scenarios include forecasts for key variables in the fourth quarter of 2024, for which actuals may have since emerged prior to publication.

Note 1.5. Inventories

Inventories are measured at the lower of cost and net realisable value. Cost is based on the specific identification method and excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Inventories include returned PCP vehicles which have been returned to the Company and subsequently become held for sale.

Note 1.6. 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.

Note 1.7. Taxation, including deferred income taxes

Tax expense comprises current and deferred tax. Current and deferred tax are charged or credited in the Statement of comprehensive income 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 Statement of comprehensive income (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 or loss 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 His Majesty's Revenue and Customs ("HMRC") or other relevant 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.

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Balance sheet. Deferred tax is calculated using tax rates and laws that have been enacted or substantively enacted at the Balance sheet date, and which are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax liabilities are generally recognised for all taxable temporary differences but not recognised for taxable temporary differences arising on investments in subsidiaries where the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future. Deferred tax liabilities are not recognised on temporary differences that arise from goodwill which is not deductible for tax purposes.

Note 1. Material accounting policies (continued)

Note 1.7. Taxation, including deferred income taxes (continued)

Deferred tax assets are recognised to the extent it is probable that taxable profits will be available against which the deductible temporary differences can be utilised, and are reviewed at each Balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. In certain cases where forecast profits are not expected to be sufficient to support the recognition of a deferred tax asset on a standalone entity basis, further consideration has been given to the availability of UK group relief with connected companies to support the recognition.

Deferred tax assets and liabilities are not recognised in respect of temporary differences that arise on initial recognition of assets and liabilities acquired other than in a business combination. Deferred tax is not discounted.

The Group has applied the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar 2 income taxes currently required by IAS12 Income Taxes.

Note 1.8. Dividends paid

Dividends on ordinary shares are recognised through equity in the period in which they are paid.

Note 1.9. Intangible assets

Expenses incurred for software product development are expensed as incurred unless the technical and commercial feasibility of the project is demonstrated, future economic benefits are probable, the Company has an intention and ability to complete and use or sell the software and the costs can be measured reliably. Such expenses and advances paid for software development which is not yet ready for the intended use as at the Balance sheet date are recognised as Intangible assets. Once they are completed for the intended use, the intangible assets are carried at historical costs less accumulated amortisation, and are amortised over a period of 7 years using the straight line method. The amortisation charge for the year is recognised through the Statement of comprehensive income, within Other operating expenses.

Note 1.10. Provision for liabilities and charges

Provisions are recognised in respect of present obligations arising from past events where it is probable that outflows of resources will be required to settle the obligations and they can be reliably estimated.

Note 1.11. Deemed securitisation loans

Under IFRS Accounting Standards, if a transferor retains substantially all the risks and rewards associated with the transferred assets, the transaction is accounted for as a financing transaction, notwithstanding that it is a sale transaction from a legal perspective. Where the Directors of the Company have concluded that the Company has retained substantially all the risks and rewards of the pool of loans and advances to customers, the Company continues to recognise the Loans and advances to customers on its Balance sheet.

The initial amount of the deemed loans from Cardiff Auto Receivables Securitisation 2022-1 plc ("CARS 2022-1 plc") correspond to the consideration paid by CARS 2022-1 plc for the Loans and advances to customers (less the subordinated loan granted by the Company for CARS 2022-1 plc). CARS 2022-1 plc recognise principal and interest cash flows from the underlying pool of Loans and advances to customers only to the extent that they are entitled to retain such cash flows. Additionally, the Directors of the Company consider that the subordinated loan owed to the Company by CARS 2022-1 plc does not meet the definition of a liability as CARS 2022-1 plc will repay the subordinated loan to the Company only if it first receives an equivalent amount from the Company.

The deemed loans to the Company from CARS 2022-1 plc are classified within Amounts due from group undertakings. The amounts represent the net position of the deemed loans and assets as per IFRS 9 which permits the elimination of both the deemed loans and the retained notes within the Company as a self retained transaction. The initial measurements are at fair value with subsequent measurement being at amortised cost using the effective interest method. The effective interest on the deemed loans are calculated with reference to the interest earned on the beneficial interest in the loans portfolio.

Note 1.12. Continuing involvement asset and liability

The Company securitised Loans and advances to customers, transferring them to CARS 2024-1 plc, and retained an interest these assets through its holding of securitised notes issued by this entity.

The Company neither transferred nor retained substantially all risk and reward on these assets and, in accordance with IFRS 9, the assets continued to be recognised to the extent of the Company's continuing involvement (represented by its interest in the notes).

Additionally, as required by IFRS 9, the Company recognised a continuing involvement liability, reported at amortised cost, for the maximum amount of cash flows that it may not receive, as well as a corresponding continuing involvement asset, reported within finance lease receivables. These balances will reduce as the securitised notes repay.

The accounting resulted in the Company recognising a grossed-up position in its balance sheet, with an increased finance lease receivables and a separate continuing involvement liability. The net of the two figures represented a partial derecognition.

Note 2. Critical accounting judgements and key sources of estimation uncertainty

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.

(i) Key sources of estimation uncertainty

The following are the key sources of estimation uncertainty 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:

Motor commission review provision

The Company continues to receive complaints as well as claims in the County Courts in respect of motor finance commissions. A large number of those claims have been stayed, as has a claim in the Competition Appeal Tribunal.

An estimate has been made by the Company to recognise a further expense of £616,000,000 (2023: £324,000,000) to increase the provision in relation to motor finance commission arrangements, in light of the CoA decisions handed down in their judgment in WJH in October 2024, which goes beyond the scope of the original FCA motor finance commissions review.

In establishing the provision estimate, the Company has created a number of scenarios to address uncertainties around a number of key assumptions. These include the potential outcomes of the Supreme Court appeal, any steps that the FCA may take and outcomes in relation to the extent of harm and remedies. Other key assumptions include applicable commission models, commission rates, time periods, response rates, uphold rates, levels of redress / interest applied and costs to deliver. The Company will continue to assess developments and potential impacts, including the outcome of the appeals, any announcement by the FCA of their next steps, and any action by other regulators or government bodies. Given that there is a significant level of uncertainty in terms of the eventual outcome, the ultimate financial impact could materially differ from the amount provided.

Allowance for Market impairment losses

As set out in note 26.3 the Company's leasing arrangements expose it to market risk in the form of motor vehicle residual value primarily relating to the PCP product and to customer voluntary termination. In order to assess an impairment loss relating to these risks the Directors use assumptions to reassess the likely future value of the vehicles financed. The used car market in the UK is mature with prices dependent upon a broad range of economic and vehicle specific factors. These factors are taken into consideration by means of the data provided by market specialists, overlaid with adjustment to reflect Company specific knowledge and experience. The expected market price determined in this manner impacts upon the extent to which customers are expected to return vehicles either at the end of the contract or, in the case of voluntary terminations, during the term of the contract. In order to assess the level of expected returns associated with the assessed future value of the vehicles financed, the Company references historic experience of actual returns.

Whilst the likely future used car prices are determined based on management's best estimate, it is possible that the actual outcome will be different, therefore this is considered to be a key source of estimation uncertainty. The market risk provision included within the accounts is £170,935,000 (2023: £179,578,000).

The relationship between used car prices and the level of provision required is non-linear, due to the impact of a customer's assessment of the options available in the context of an assessment of the outstanding finance on a vehicle compared with its market value. Accordingly, set out below is an indication of the sensitivity of the market risk provision to a number of potential changes in the average future price of used cars:

	1 percentage point		2 percentage points		5 percentage points	
	Increase	Decrease	Increase	Decrease	Increase	Decrease
	£'000	£'000	£'000	£'000	£'000	£'000
2024	**14,152**	**15,932**	**26,883**	**33,453**	**58,002**	**97,978**
2023	14,633	15,394	28,433	31,640	64,524	85,595

Note 2. Critical accounting judgments and key sources of estimation uncertainty (continued)

ECL sensitivity to economic assumptions

The table below shows the Company's ECL for the probability-weighted, upside, base case, downside and severe downside scenarios. The stage allocation for an asset is based on the overall scenario probability-weighted probability of default and hence the staging of assets is constant across all the scenarios. Judgemental adjustments applied through changes to model inputs, or more qualitative post model adjustments, are apportioned across the scenarios in proportion to modelled ECL where this better reflects the sensitivity of these adjustments to each scenario. The probability-weighted view shows the extent to which a higher ECL allowance has been recognised to take account of multiple economic scenarios relative to the base case.

	Probability-weighted	Upside	Base	Downside	Severe downside
	£'000	£'000	£'000	£'000	£'000
2024	**153,655**	**144,199**	**151,288**	**159,630**	**171,198**
2023	133,628	122,342	129,750	140,143	159,582

(ii) Critical accounting judgements

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

Note 3. Net interest income

	2024	2023
	£'000	£'000
Interest income		
From finance lease and hire purchase contracts	**729,884**	612,910
From other loans and advances	**106,233**	69,559
Group interest income (see note 25)	**35,080**	27,468
	871,197	709,937
Interest expense		
Group interest expense (see note 25)	**(532,549)**	(439,601)
Net interest income	**338,648**	270,336

Note 4. Net fee and commission income/(expense)

	2024	2023
	£'000	£'000
Fee and commission income		
Loan fees receivable	**798**	693
Commission receivable	**871**	816
	1,669	1,509
Fee and commission expense		
Other fees and commission payable	**(1,601)**	(3,242)
Net fee and commission income/(expense)	**68**	(1,733)

Note 5. Other operating income

	2024	2023
	£'000	£'000
Management fees receivables (see note 25)	**4,304**	3,635
Agency fee income (see note 25)	**9**	23
	4,313	3,658

Until 31 March 2017, the Company acted as the undisclosed agent for Lloyds Bank plc and received agency fee income, at a rate equal to 7.5% of the total costs incurred in providing the agency services. The Company will continue to earn the agency fee income on the element of the loan portfolio related to the agency agreement until it has completely run off.

Note 6. Credit impairment (gains)/losses

31 December 2024	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Loans and advances to customers	**(22,406)**	**9,266**	**87,932**	**74,792**
Undrawn loan commitments	**787**	**—**	**—**	**787**
	(21,619)	**9,266**	**87,932**	**75,579**

31 December 2023	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Loans and advances to customers	1,695	1,629	48,549	51,873
Undrawn loan commitments	709	—	—	709
	2,404	1,629	48,549	52,582

Note 7. Allowance for market losses

	2024 £'000	2023 £'000
Provision brought forward at 1 January	**179,578**	87,397
Utilised during the year	**(32,856)**	(6,422)
Charge for the year	**24,213**	98,603
Provision carried forward at 31 December (see note 15.1)	**170,935**	179,578

Note 8. Other operating expenses

	2024 £'000	2023 £'000
Staff costs (see note 9)	**44,157**	40,676
Other operating expenses	**90,635**	79,089
Amortisation of Intangible assets (see note 17)	**582**	591
Securitisation transaction expense	**2,462**	—
	137,836	120,356

Other operating expenses is shown net of costs recharged to other Group companies for services provided under agency. The Company recharged Lloyds Bank plc £121,000 (2023: £300,000), United Dominions Trust Limited £7,226,000 (2023: £5,743,000) and United Dominions Leasing Limited £850,000 (2023: £739,000).

Fees payable to the Company's auditors for the audit of the financial statements of £368,000 (2023: £361,000) have been borne by a fellow Group undertaking and are recharged to the Company, no non-audit services were provided to the Company by the auditor. Accounting and administration services are provided by a fellow Group undertaking and are recharged to the Company.

Note 9. Staff costs

	2024 £'000	2023 £'000
Wages and salaries	**39,308**	35,529
Wages and salaries recharge*	**(2,434)**	(1,817)
Social security costs	**3,596**	3,280
Social security costs recharge *	**(223)**	(168)
Share based payments	**525**	845
Share based payments recharge *	**(33)**	(43)
Pension costs – defined contribution plans	**3,644**	3,214
Pension costs – defined contribution plans recharge *	**(226)**	(164)
	44,157	40,676

- As referenced in note 5, the staff costs are subject to a recharge under the terms of the agency agreement between the Company and Lloyds Bank plc that ran until 31 March 2017, this is expected to continue until the related loan book expires.

Note 9. Staff costs (continued)

The Company's employees are employed by Lloyds Bank Asset Finance Limited. The average monthly number of employees during the year was 731 (2023: 752). The 2023 average monthly number of employees has been restated from 562 to 752 with no impact on the staff cost expense for 2023. All staff are located in the United Kingdom and provide management, administration and sales support. All staff contracts of service are with Lloyds Bank Asset Finance Limited. However, the staff costs shown above were paid by the Company in respect of staff identified as providing services to the Company.

The Company participates in various defined benefit and defined contribution pension schemes operated by companies within the Group. The Company's ultimate parent company operates a number of group wide, equity settled, share based compensation plans and share based payment schemes. Further details in respect of the schemes can be found in the 2024 financial statements of the Company's ultimate parent undertaking, copies of which may be obtained from the Group Secretariat, Lloyds Banking Group plc, 25 Gresham Street, London, EC2V 7HN. The Lloyds Banking Group plc financial statements may be downloaded via https://www.lloydsbankinggroup.com/investors/financial-downloads.html.

Note 10. Directors' emoluments

The Directors' emoluments payable for services provided to the Company are set out below:

	2024	2023
	£'000	£'000
Aggregate emoluments	**706**	556
Aggregate post-employment benefits	**21**	19
	727	575

Highest paid Director

	2024	2023
	£'000	£'000
Aggregate emoluments	**556**	405

The amounts reported above are an allocation of a proportion of the Directors' total remuneration insofar as it relates to qualifying services for their role as a director of the Company.

During the year, retirement benefits were accruing to four Directors (2023: six Directors) in respect of defined contribution schemes. Two Directors accrued under a defined benefit scheme (2023: two Directors). Five Directors received shares in Lloyds Banking Group plc under long term incentive plans during the year (2023: seven Directors). One Director leased or purchased a vehicle from the Company (2023: one Director). No Directors exercised share options (2023: no Directors). The number and total amount of the outstanding loans to Directors, officers and connected persons as at 31 December 2024 was £nil (2023: £nil).

The Directors are employed by other companies within the Group and no Directors (2023: no Directors) consider that their services to the Company are incidental to their other responsibilities within the Group. In 2024, £nil compensation was received by the Directors for loss of office (2023: £9,000).

Note 11. Taxation

a) Analysis of (credit)/charge for the year

	2024	2023
	£'000	£'000
UK corporation tax:		
- Current tax on taxable loss for the year	**(128,795)**	(77,270)
- Adjustments in respect of prior years	**—**	1,227
Current tax credit	**(128,795)**	(76,043)
UK deferred tax:		
- Origination and reversal of timing differences	**731**	722
- Impact of deferred rate change	**—**	13
Deferred tax charge (see note 18)	**731**	735
Tax credit	**(128,064)**	(75,308)

Corporation tax is calculated at a rate of 25.00% (2023: 23.50%) of the taxable (loss)/profit for the year.

b) Factors affecting the tax charge/(credit) for the year

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

	2024	2023
	£'000	£'000
Loss before tax	**(512,281)**	(326,983)
Tax credit thereon at UK corporation tax rate of 25% (2023: 23.50%)	**(128,070)**	(76,841)
Factors affecting credit:		
- Due to change in UK corporation tax rate	**—**	13
- Disallowed and non-taxable items	**6**	292
- Adjustments in respect of prior years	**—**	1,227
- Other	**—**	1
Tax credit on loss on ordinary activities	**(128,064)**	(75,308)
Effective rate	**25.00%**	23.03%

The Company has applied the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar 2 income taxes currently required by IAS12 Income Taxes. No provision for Pillar 2 current tax is required in respect of this period.

Note 12. Dividends

No dividends were paid or proposed during the year (2023: £nil).

Note 13. Amounts due from group undertakings

	2024	2023
	£'000	£'000
Amounts due from group undertakings (see note 25)	**862,322**	727,756

Deposit due from Lloyds Bank plc of £nil (2023: £149,707,000) was in respect of CARS 2022-1 plc which was redeemed during the year. This was unsecured, interest bearing at fixed rates.

Deposit due from Lloyds Bank plc of £277,745,000 (2023: £nil) in respect of the CARS 2024-1 plc transaction as noted in the strategic report. This is unsecured, interest-bearing based on Sterling Overnight Interest Average ("SONIA") interest rate benchmark with a margin attached.

Note 13. Amounts due from group undertakings (continued)

Other amounts of £564,050,000 (2023: £553,239,000) are unsecured, repayable on demand, and interest bearing at fixed rates in respect of funding provided by the Company to fellow subsidiaries for long term loans and advances to customers. The remainder of £20,527,000 (2023: £24,810,000) are unsecured, repayable on demand and non interest bearing.

Note 14. Trade and other receivables

	2024	2023
	£'000	£'000
Other debtors	**70,496**	58,558
Items in the course of collection	**29,358**	37,987
Deferred consideration - Securitisation transaction	**22,445**	—
	122,299	96,545

Deferred consideration relates to the CARS 2024-1 plc transaction as noted in the strategic report for the securitisation of Loans and advances to customers by the Company in August 2024.

Note 15. Loans and advances to customers

Note 15.1. Loans and advances to customers - maturity

	2024	2023
	£'000	£'000
Advances under finance lease and hire purchase contracts	**11,582,475**	11,830,847
Other loans and advances to customers	**1,114,521**	1,342,106
Gross underlying loans and advances to customers	**12,696,996**	13,172,953
Less: allowances for Credit losses on loans and advances	**(150,960)**	(131,720)
Less: allowances for Market losses on loans and advances (see note 7)	**(170,935)**	(179,578)
Net underlying loans and advances to customers	**12,375,101**	12,861,655
Continuing involvement asset[1]	**798,426**	—
Net loans and advances to customers	**13,173,527**	12,861,655
of which:		
Due within one year	**4,146,988**	4,274,125
Due after one year	**8,228,113**	8,587,530
Net underlying loans and advances to customers	**12,375,101**	12,861,655

[1] The asset represents the Company's continuing involvement in a portfolio of leases following their partial derecognition via a securitisation in quarter 3 2024 (note 15.3). An equal and opposite continuing involvement liability is recognised in other liabilities (note 21).

Underlying Loans and advances to customers include finance lease and hire purchase receivables:

	2024	2023
	£'000	£'000
Gross investment in finance lease and hire purchase contracts receivable:		
- no later than one year	**3,494,938**	3,344,360
- later than one year and no later than two years	**3,849,262**	3,268,512
- later than two years and no later than three years	**3,340,575**	3,470,219
- later than three years and no later than four years	**2,058,637**	2,678,326
- later than four years and no later than five years	**267,206**	358,484
- later than five years	**338,297**	374,804
	13,348,915	13,494,705
Unearned future finance income on finance lease and hire purchase contracts	**(1,766,440)**	(1,663,858)
Net investment in finance lease and hire purchase contracts	**11,582,475**	11,830,847

Note 15. Loans and advances to customers (continued)

Note 15.1. Loans and advances to customers - maturity (continued)

The net investment in finance lease and hire purchase contracts may be analysed as follows:

	2024	2023
	£'000	£'000
- no later than one year	**3,032,459**	2,932,010
- later than one year and no later than two years	**3,339,896**	2,865,514
- later than two years and no later than three years	**2,898,522**	3,042,351
- later than three years and no later than four years	**1,786,221**	2,348,096
- later than four years and no later than five years	**231,847**	314,284
- later than five years	**293,530**	328,592
	11,582,475	11,830,847

The Company provides a range of finance lease products in connection with the financing of motor vehicles and equipment. The leases typically run for periods of between 1 and 5 years. During the loan period the customer can settle early at an amount which is in accordance with Consumer Credit Act requirements.

During the year, no contingent rentals in respect of finance leases were recognised in the Statement of comprehensive income (2023: £nil).

Further analysis of loans and advances to customers is provided in note 26.

Note 15.2. Loans and advances to customers - movement over time

	Stage 1	**Stage 2**	**Stage 3**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Balance at 1 January 2024	**11,118,122**	**1,954,358**	**100,473**	**13,172,953**
Transfers to stage 1	**396,371**	**(396,327)**	**(44)**	**—**
Transfers to stage 2	**(1,182,740)**	**1,190,678**	**(7,938)**	**—**
Transfers to stage 3	**(162,540)**	**(117,578)**	**280,118**	**—**
Net increase/(decrease) in loans and advances to customers	**326,945**	**(260,549)**	**(175,864)**	**(109,468)**
Financial assets that have been written off during the year	**—**	**—**	**(87,768)**	**(87,768)**
Recoveries of prior advances written off	**—**	**—**	**2,289**	**2,289**
Disposals	**(222,911)**	**(58,099)**	**—**	**(281,010)**
Gross underlying loans and advances to customers at 31 December 2024	**10,273,247**	**2,312,483**	**111,266**	**12,696,996**
Continuing Involvement Asset[1]	**798,426**	—	—	**798,426**
Gross loans and advances to customers at 31 December 2024	**11,071,673**	**2,312,483**	**111,266**	**13,495,422**
Less: allowances for Credit losses on loans and advances	**(21,595)**	**(70,957)**	**(58,408)**	**(150,960)**
Less: allowances for Market losses on loans and advances	**(132,423)**	**(38,512)**	**—**	**(170,935)**
Net loans and advances to customers at 31 December 2024	**10,917,655**	**2,203,014**	**52,858**	**13,173,527**

[1] The asset represents the Company's continuing involvement in a portfolio of leases following their partial derecognition via a securitisation in quarter 3 2024 (note 15.3). An equal and opposite continuing involvement liability is recognised in other liabilities (note 21).

Note 15. Loans and advances to customers (continued)

Note 15.2. Loans and advances to customers - movement over time (continued)

	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Balance at 1 January 2023	10,213,258	2,148,524	133,731	12,495,513
Transfers to stage 1	606,854	(606,780)	(74)	—
Transfers to stage 2	(868,821)	881,772	(12,951)	—
Transfers to stage 3	(47,698)	(68,806)	116,504	—
Net increase/(decrease) in loans and advances to customers	1,214,529	(400,352)	(73,190)	740,987
Financial assets that have been written off during the year	—	—	(67,531)	(67,531)
Recoveries of prior advances written off	—	—	3,984	3,984
Gross loans and advances to customers at 31 December 2023	11,118,122	1,954,358	100,473	13,172,953
Less: allowances for Credit losses on loans and advances	(22,497)	(56,751)	(52,472)	(131,720)
Less: allowances for Market losses on loans and advances	(149,573)	(30,005)	—	(179,578)
Net loans and advances to customers at 31 December 2023	10,946,052	1,867,602	48,001	12,861,655

Note 15.3. Securitisation transactions

Loans and advances to customers includes securitised loans sold to a bankruptcy remote special purpose entity ("SPE"). As the SPE is funded by the issue of debt on terms whereby the majority of the risks and rewards of the portfolio are retained by the Company, all of these loans are retained on the Company's Balance sheet.

CARS 2024-1 plc

On 15 August 2024, the Company securitised Loans and advances to customers with a gross value of £1,250,000,000. On this date the securitisation vehicle, CARS 2024-1 plc, issued asset backed loan notes with a par value of £1,250,000,000 with a final redemption date falling in October 2028. The Company purchased notes from the securitisation vehicle with a par value of £972,296,000. The Company neither retained, nor transferred substantially all risks and rewards of the assets transferred into this securitisation. This resulted in a partial derecognition of these loans, but also required a continuing involvement asset to be recognised under IFRS 9, resulting in a gross up within Loans and advances to customers. The total amount of Loans and advances recognised on Balance sheet at 31 December 2024, including this gross up was £1,598,477,000. A continuing involvement liability of £798,426,000 was also recognised within Other liabilities.

In keeping with normal market practice, the Company enters into securities lending transactions and repurchase agreements, whereby cash and securities are temporarily received or transferred as collateral. Where the securities sold are subject to repurchase or pledged as collateral and are retained on the Balance Sheet, the funds received under these arrangements are recognised as liabilities. At the year end, £nil of assets were subject to repurchase agreements (2023: £nil).

CARS 2022-1 plc

On 11 February 2022, the Company securitised Loans and advances to customers with a gross value of £610,000,000. On this date the securitisation vehicle, CARS 2022-1 plc, issued asset backed loan notes with a par value of £610,000,000 with a final redemption date falling in October 2028. The Company purchased notes from the securitisation vehicle with a par value of £610,000,000 and provide credit enhancement of £45,750,000 in the form of subordinated loan. At December 2023, £179,326,000 of lease receivables remained securitised and the Company had retained £45,820,000 of the total £47,649,000 of notes in issue. The structure was collapsed when CARS 2022-1 plc ceased trading on 21 August 2024.

In keeping with normal market practice, the Company enters into securities lending transactions and repurchase agreements, whereby cash and securities are temporarily received or transferred as collateral. Where the securities sold are subject to repurchase or pledged as collateral and are retained on the Balance Sheet, the funds received under these arrangements are recognised as liabilities. At the year end, £nil of assets were subject to repurchase agreements (2023: £1,829,000).

Note 16. Inventories

	2024	2023
	£'000	£'000
Vehicle for resale	**12,983**	7,700

Note 17. Intangible assets

	Software
	£'000
Cost	
At 1 January 2023	8,578
Disposals	(6,218)
At 31 December 2023	2,360
Additions	15,231
At 31 December 2024	**17,591**
Amortisation	
At 1 January 2023	7,687
Charge for the year (see note 8)	591
Disposals	(6,218)
At 31 December 2023	2,060
Charge for the year (see note 8)	**582**
At 31 December 2024	**2,642**
Balance sheet amount at 31 December 2024	**14,949**
Balance sheet amount at 31 December 2023	300

The Company's Intangible assets relate to software enhancement costs.

Note 18. Deferred tax asset

The movement in the Deferred tax asset is as follows:

	2024	2023
	£'000	£'000
Brought forward	**3,196**	3,931
Charge for the year (see note 11)	**(731)**	(735)
	2,465	3,196

The deferred tax charge in the Statement of comprehensive income comprises the following temporary differences:

	2024	2023
	£'000	£'000
Accelerated capital allowances	**171**	208
Other temporary differences	**560**	527
	731	735

Note 18. Deferred tax asset (continued)

Deferred tax asset comprises:

	2024	2023
	£'000	£'000
Accelerated capital allowances	788	959
Other temporary differences	1,677	2,237
	2,465	3,196

At the Balance sheet date, a Deferred tax asset of £2,465,000 has been recognised (2023: £3,196,000) based on the expectation that the company will be able to benefit from group relief with connected companies.

Note 19. Borrowed funds

	2024	2023
	£'000	£'000
Amounts due to group undertakings (see note 25)	12,836,437	13,325,102

Amounts due to Lloyds Bank plc of £2,550,340,000 (2023: £2,544,799,000) and Amounts due to other group undertakings of £38,656,000 (2023: £10,142,000) are interest-bearing at variable rates, and are unsecured and repayable on demand, although there is no expectation that such a demand would be made. Amounts due to Lloyds Bank plc of £10,247,441,000 (2023: £10,638,484,000) are unsecured, interest-bearing at fixed rates of which £nil (2023: £215,000,000) is repayable within one year.

Deemed loans with securitisation vehicles of £nil (2023: £179,326,000) are secured, interest-bearing based on Sterling Overnight Interest Average ("SONIA") interest rate benchmark with a margin attached and repayable in tranches based on contractual maturity dates. Loan notes due from securitisation vehicles of £nil (2023: £47,649,000) are secured, interest bearing at fixed rates and repayable in tranches based on contractual maturity dates. Loan notes due from securitisation vehicles are classified within borrowed funds as discussed in note 1.11.

Note 20. Trade and other payables

	2024	2023
	£'000	£'000
Customer deposit accounts	13,640	7,496
Other payables	26,530	8,195
Accruals and deferred income	28,968	62,255
	69,138	77,946

Customer deposit accounts relate to collateral held in respect of the agreement between the Company and Jaguar Land Rover to cover certain significant dealership costs to the Company during the five year period of the agreement. Amounts unused at the end of the agreement are to be returned to Jaguar Land Rover.

Note 21. Other liabilities

	2024	2023
	£'000	£'000
Continuing involvement liability	798,426	–

In August 2024, the Company securitised loans and advances to customers, transferring them to the securitisation vehicle, CARS 2024-1 plc, and retained an interest these assets through its holding of securitised notes issued by this entity. The Company neither transferred nor retained substantially all risk and reward on these assets and, in accordance with IFRS 9, the assets continued to be recognised to the extent of the Company's continuing involvement (Note 15.3). Additionally, as required by IFRS 9, the Company recognised a continuing involvement liability.

Note 22. Provision for liabilities and charges

	Undrawn loan commitments	Payment protection insurance	Motor commission review	Inaccurate interest rate	Partial early settlement	Other provisions	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2023	1,199	12,403	—	—	—	368	13,970
Charge/(credit) for the year	709	3,703	324,000	4,952	—	(366)	332,998
Utilised during the year	—	(8,123)	—	—	—	(2)	(8,125)
At 31 December 2023	1,908	7,983	324,000	4,952	—	—	338,843
Charge/(credit) for the year	**787**	**147**	**616,000**	**(600)**	**2,467**	**1,535**	**620,336**
Utilised during the year	**—**	**(2,476)**	**(29,802)**	**(3,448)**	**—**	**(1,380)**	**(37,106)**
At 31 December 2024	**2,695**	**5,654**	**910,198**	**904**	**2,467**	**155**	**922,073**

Provisions are recognised in respect of present obligations arising from past events where it is probable that outflows of resources will be required to settle the obligations and they can be reliably estimated.

Undrawn loan commitments provision

Undrawn loan commitment provision relates to the expected loss on the loan commitments that the Company has made to its customers for undrawn balances at the year-end.

As at 31 December 2024, the provision of £2,695,000 (2023: £1,908,000) was all categorised as Stage 1 of impairment per the expected credit loss methodology under IFRS 9.

Payment protection insurance ("PPI") provision

As at 31 December 2024, the PPI provision comprises £5,654,000 (2023: £7,983,000) for the cost of making redress payments to customers, the related administration costs and the costs associated with litigation activity to date.

Motor commission review provision

The Company recognised a £324,000,000 provision in 2023 for the potential impact of the FCA review into historical motor finance commission arrangements and sales announced in January 2024. In the fourth quarter of 2024, a further £616,000,000 provision has been recognised in relation to motor finance commission arrangements, in light of the Court of Appeal ("CoA") decisions handed down in their judgment in Wrench, Johnson and Hopcraft ("WJH") in October 2024, which goes beyond the scope of the original FCA motor finance commissions review.

The CoA judgment in WJH, determined that motor dealers acting as credit brokers owe certain duties to disclose to their customers commission payable to them by lenders, and that lenders will be liable for dealers' non-disclosures. This sets a higher bar for the disclosure of and consent to the existence, nature, and quantum of any commission paid than had been understood to be required or applied across the motor finance industry prior to the decision. The Group's understanding of compliant disclosure was built on FCA and other regulatory guidance and previous legal authorities. These CoA decisions relate to commission disclosure and consent obligations which go beyond the scope of the current FCA motor finance commissions review.

Following the WJH decision, the FCA extended their temporary complaint handling rules in relation to discretionary commission arrangements ("DCA") complaints to include non-DCA commission complaints until December 2025.

On 11 March 2025 the FCA published a further statement concerning its ongoing review of the past use of DCAs, and noted that the ruling by the CoA on WJH has raised the possibility of widespread liability among motor finance firms where commissions were not properly disclosed to customers. The Supreme Court granted the relevant lenders permission to appeal the WJH judgment and the substantive hearing is scheduled to be heard on 1 April to 3 April 2025. The FCA has been granted permission to intervene in the case and has filed its submission with the Supreme Court.

The FCA has indicated that if, taking into account the Supreme Court's decision, it concludes that motor finance customers have lost out from widespread failings by firms, it is likely to consult on an industry-wide redress scheme. The FCA indicated that it is no longer planning a further announcement in May 2025, but instead, will confirm within six weeks of the Supreme Court's decision if it is proposing a redress scheme and if so, how they will take it forward. The FCA has also noted that its next steps on non-DCA complaints will be informed by the outcome of the Supreme Court case.

In addition, there are a number of other relevant judicial proceedings which may influence the eventual outcome, including a judicial review (which is now subject to appeal) of a final decision by the Financial Ombudsman Service ("FOS") against another lender that was heard in October 2024.

The Company continues to receive complaints as well as claims in the County Courts in respect of motor finance commissions. A large number of those claims have been stayed, as has a claim in the Competition Appeal Tribunal.

Note 22. Provision for liabilities and charges (continued)

Motor commission review provision (continued)

In establishing the provision estimate, the Company has created a number of scenarios to address uncertainties around a number of key assumptions. These include the potential outcomes of the Supreme Court appeal, any steps that the FCA may take and outcomes in relation to the extent of harm and remedies. Other key assumptions include applicable commission models, commission rates, time periods, response rates, uphold rates, levels of redress / interest applied and costs to deliver. The Company will continue to assess developments and potential impacts, including the outcome of the appeals, any announcement by the FCA of their next steps, and any action by other regulators or government bodies. Given that there is a significant level of uncertainty in terms of the eventual outcome, the ultimate financial impact could materially differ from the amount provided.

Inaccurate interest rate provision

As at 31 December 2024, the provision of £904,000 (2023: £4,952,000) is for the cost of making redress payments to customers in relation to an incorrect interest rate calculation which has resulted in customer detriment.

Partial early settlement provision

As at 31 December 2024, the provision of £2,467,000 (2023: £nil) is for the cost of making redress payments to customers in relation to an incorrect rebate calculation which has resulted in customer detriment.

Note 23. Share capital

	2024	2023
	£'000	£'000
Allotted, issued and fully paid		
4 ordinary shares (2023: 4) of £0.25 each	**—**	—

All ordinary shares are owned by Black Horse Group Limited. The Company's authorised number of shares is 3,523,628,072.

All ordinary shares rank pari passu in all respects including the right to receive all dividends and other distributions declared, made or paid on the ordinary share capital of the Company.

Note 24. Transfer of financial assets

The Company enters into repurchase and securities lending transactions in the normal course of business that do not result in derecognition of the financial assets concerned. In all cases the transferee has the right to sell or repledge the assets concerned to the transferor.

CARS 2024-1 plc

In August 2024, the Company securitised Loans and advances to customers, transferring them to the securitisation vehicle, CARS 2024-1 plc, and retained an interest in these assets through its holding of securitised notes issued by this entity. The Company neither transferred nor retained substantially all risk and reward on these assets and, in accordance with IFRS 9, the assets continued to be recognised to the extent of the Company's continuing involvement (Note 15.3).

CARS 2022-1 plc

As set out within note 15.3, included within Loans and advances to customers are loans securitised under the CARS 2022-1 plc securitisation programme. The Company retained substantially all of the risks and rewards associated with these loans and they were retained on the Company's Balance sheet. Assets transferred into the securitisation programmes were not available to be used by the Company during the term of those arrangements. CARS 2022-1 plc ceased trading on 21 August 2024.

The table below sets out the details of the repurchase agreements in place. For securitisation programmes, the associated liabilities represent the external notes in issue.

Loan notes subject to repurchase	**Carrying value of transferred assets**	**Carrying value of associated liabilities**
	£'000	**£'000**
At 31 December 2024	**—**	**—**
At 31 December 2023	1,829	1,829

Note 25. Related party transactions

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.

	2024	2023
	£'000	£'000
Amounts due from group undertakings		
Suzuki Financial Services Limited	**402,908**	405,484
Lloyds Bank plc	**280,853**	163,121
International Motors Finance Limited	**161,142**	128,560
Other group undertakings	**17,419**	30,591
Total Amounts due from group undertakings (see note 13)	**862,322**	727,756
Amounts due to group undertakings		
Lloyds Bank plc	**12,797,781**	13,183,283
Securitisation vehicles	**—**	131,677
Other group undertakings	**38,656**	10,142
Total Amounts due to group undertakings (see note 19)	**12,836,437**	13,325,102
Cash and cash equivalents held with group undertakings		
Lloyds Bank plc	**69,565**	112,517
Interest income		
International Motors Finance Limited	**7,252**	5,023
Lloyds Bank plc	**8,663**	6,949
Securitisation vehicles	**1,610**	3,924
Suzuki Financial Services Limited	**17,492**	11,353
Other group undertakings	**63**	219
Total Interest income (see note 3)	**35,080**	27,468
Interest expense		
Lloyds Bank plc	**526,638**	425,748
Securitisation vehicles	**5,911**	13,853
Total Interest expense (see note 3)	**532,549**	439,601
Other operating income		
Lloyds Bank plc	**9**	23
Other group undertakings	**4,304**	3,635
Total Other operating income (see note 5)	**4,313**	3,658

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.

Note 25. Related party transactions (continued)

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, which is determined to be the Company's Directors and members of the Lloyds Banking Group plc Board. Members of the Lloyds Banking Group plc Board are employed by other companies within the Lloyds Banking Group plc and consider that their services to the Company are incidental to their other responsibilities within the Group. Other than as set out below, there were no transactions between the Company and key management personnel during the current or preceding year.

Key management personnel emoluments

	2024	2023
	£'000	£'000
Short term employee benefits	**800**	631
Post employment benefits	**21**	19
	821	650

26. Financial risk management

The Company's operations expose it to credit risk, liquidity risk, market risk, interest rate risk and business risk; it is not exposed to any significant or 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, and the ultimate parent, Lloyds Banking Group plc. The interest rate and liquidity risk faced by the Company is in substance managed and borne by other group undertakings which fund the Company and credit risk is carefully monitored by the Retail Division's credit committee and credit functions. Market risk is managed by the Company through the terms negotiated in commercial agreements and management regularly reviewing its portfolio of leases for impairment. 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.

Note 26.1 Credit risk

Credit risk management

Credit risk is the risk that parties with whom the Company has contracted fail to meet their financial obligations (both on and off Balance sheet). Credit risk appetite is set at Board level and is described and reported through a suite of metrics devised from a combination of accounting and credit portfolio performance measures, which include the use of various credit risk rating systems as inputs and assess credit risk at a counterparty level.

For loans and advances, the Company can experience potential losses from both amounts lent and commitments to extend credit to a customer.

Amounts due from other group undertakings are held with other companies within the Group. The credit risk associated with these financial assets is not considered to be significant as these balances are supported by the Group Letter of support.

Credit risk mitigation

Prudent credit principles, risk policies and appetite statements: The independent Risk division sets out the credit principles, credit risk policies and credit risk appetite statements. Credit principles, risk policies and appetite statements are subject to regular review and governance, with any changes subject to an approval process.

Lending criteria: The Company uses a variety of lending criteria when assessing applications for unsecured lending. The general approval process uses credit acceptance scorecards and involves a review of an applicant's previous credit history using internal data and information held by Credit Reference Agencies. The Company also assesses the affordability and sustainability of lending for each borrower. Affordability assessments for all lending are compliant with relevant regulatory and conduct guidelines. The Company takes reasonable steps to validate information used in the assessment of a customer's income and expenditure.

Stress testing: the Company's credit portfolios are subject to regular stress testing.

26. Financial risk management (continued)

Note 26.1 Credit risk (continued)

Credit risk mitigation (continued)

Limitations on concentration risk: there are portfolio controls on certain industries, sectors and products to reflect risk appetite as well as individual, customer and bank limit risk tolerances. Credit policies, appetite statements and mandates are aligned to the Group's risk appetite and restrict exposure to higher risk countries and potentially vulnerable sectors and asset classes. Exposures are monitored to prevent both an excessive concentration of risk and single name concentrations. These concentration risk controls are not necessarily in the form of a maximum limit on exposure, but may instead require new business in concentrated sectors to fulfil additional minimum policy and/or guideline requirements.

Individual credit assessment: with the exception of small exposures to small to medium-sized enterprises ("SME") customers where certain relationship managers have limited delegated credit approval authority, credit risk in commercial customer portfolios is subject to approval by the independent Risk division, which considers the strengths and weaknesses of individual transactions, the balance of risk and reward, and how credit risk aligns to the Group and divisional risk appetite. Exposure to individual counterparties, groups of counterparties or customer risk segments is controlled through a tiered hierarchy of credit authority delegations and risk-based credit limit guidances per client group for larger exposures. Approval requirements for each decision are based on a number of factors including, but not limited to, the transaction amount, the customer's aggregate facilities, any risk mitigation in place, credit policy, risk appetite, credit risk ratings and the nature and term of the risk.

Loans and advances to customers - credit concentration

The Company lends to customers geographically located in the United Kingdom.

Customers for products in the Retail segment are mainly private individuals. The Wholesale segment comprises financing for motor dealers.

Loans and advances to customers – maximum exposure

The maximum credit risk exposure of the Company in the event of other parties failing to perform their obligations are detailed below. No account is taken of any collateral held.

	As at 31 December 2024		As at 31 December 2023	
	Maximum Exposure	**Net Exposure**	Maximum Exposure	Net Exposure
	£'000	**£'000**	£'000	£'000
Underlying Loans and advances to customers, net[1]	**12,375,101**	**12,375,101**	12,861,655	12,861,655
Off Balance sheet items:				
Commitments to lend	**1,296,598**	**1,296,598**	1,129,081	1,129,081
	13,671,699	**13,671,699**	13,990,736	13,990,736

[1] Amounts shown net of impairment balances.

Note 26. Financial risk management (continued)

Note 26.1 Credit risk (continued)

Loans and advances to customers - gross carrying amount

The analysis of lending has been prepared by applying the Group's rating scales to the Company's impairment model. The internal credit rating systems are set out below. The Group's PD's, that have been applied, include forward-looking information and are based on 12 month values, with the exception of credit impaired. The internal credit ratings systems used by the Group differ between Retail and Commercial, reflecting the characteristics of these exposures and the way that they are managed internally.

At 31 December 2024	PD Range	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Retail					
RMS 1-6	0.00-4.50%	**9,109,701**	**1,866,297**	—	**10,975,998**
RMS 7-9	4.51-14.00%	**47,645**	**240,443**	—	**288,088**
RMS 10	14.01-20.00%	—	**45,373**	—	**45,373**
RMS 11-13	20.01-99.99%	**1,536**	**160,367**	—	**161,903**
RMS 14	100%	—	—	**111,078**	**111,078**
Total		**9,158,882**	**2,312,480**	**111,078**	**11,582,440**
Wholesale					
CMS 1-10	0.00-0.50%	**204,366**	—	—	**204,366**
CMS 11-14	0.51-3.00%	**731,833**	—	—	**731,833**
CMS 15-18	3.01-20.00%	**178,166**	**3**	—	**178,169**
CMS 19	20.01-99.99%	—	—	—	—
CMS 20-23	100%	—	—	**188**	**188**
Total		**1,114,365**	**3**	**188**	**1,114,556**
Total loans and advances to customers		**10,273,247**	**2,312,483**	**111,266**	**12,696,996**

Note 26. Financial risk management (continued)

Note 26.1 Credit risk (continued)

Loans and advances to customers - gross carrying amount (continued)

At 31 December 2023	PD Range	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Retail					
RMS 1-6	0.00-4.50%	9,705,177	1,513,699	—	11,218,876
RMS 7-9	4.51-14.00%	74,061	222,098	—	296,159
RMS 10	14.01-20.00%	—	61,626	—	61,626
RMS 11-13	20.01-99.99%	1,457	156,848	—	158,305
RMS 14	100%	—	—	99,631	99,631
Total		9,780,695	1,954,271	99,631	11,834,597
Wholesale					
CMS 1-10	0.00-0.50%	228,028	—	—	228,028
CMS 11-14	0.51-3.00%	883,166	—	—	883,166
CMS 15-18	3.01-20.00%	226,222	7	—	226,229
CMS 19	20.01-99.99%	11	80	—	91
CMS 20-23	100%	—	—	842	842
Total		1,337,427	87	842	1,338,356
Total loans and advances to customers		11,118,122	1,954,358	100,473	13,172,953

Commitments to lend

At 31 December 2024	**PD Range**	**Stage 1 £'000**	**Stage 2 £'000**	**Stage 3 £'000**	**Total £'000**
Wholesale					
CMS 1-10	0.00-0.50%	**153,623**	**—**	**—**	**153,623**
CMS 11-14	0.51-3.00%	**912,140**	**—**	**—**	**912,140**
CMS 15-18	3.01-20.00%	**230,039**	**—**	**—**	**230,039**
CMS 19	20.01-99.99%	**796**	**—**	**—**	**796**
		1,296,598	**—**	**—**	**1,296,598**

Note 26. Financial risk management (continued)

Note 26.1 Credit risk (continued)

Commitments to lend (continued)

At 31 December 2023	PD Range	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Wholesale					
CMS 1-10	0.00-0.50%	144,214	—	—	144,214
CMS 11-14	0.51-3.00%	744,410	—	—	744,410
CMS 15-18	3.01-20.00%	238,346	—	—	238,346
CMS 19	20.01-99.99%	2,111	—	—	2,111
		1,129,081	—	—	1,129,081

Retail commitments to lend were £nil at both 31 December 2024 and 31 December 2023.

Analysis of movement in the allowance for impairment losses by stage

In respect of drawn balances	**Stage 1 £'000**	**Stage 2 £'000**	**Stage 3 £'000**	**Total £'000**
At 1 January 2024	**22,497**	**56,751**	**52,472**	**131,720**
Transfers to Stage 1	**11,050**	**(11,030)**	**(20)**	**—**
Transfers to Stage 2	**(21,496)**	**25,696**	**(4,200)**	**—**
Transfers to Stage 3	**(6,358)**	**(12,507)**	**18,865**	**—**
Impact of transfer between stages	**(743)**	**22,104**	**33,871**	**55,232**
Other items (credited)/charged to Statement of comprehensive income	**(4,859)**	**(14,997)**	**39,416**	**19,560**
(Credit)/charge for the year (including recoveries)	**(22,406)**	**9,266**	**87,932**	**74,792**
Advances written off	**—**	**—**	**(87,768)**	**(87,768)**
Recoveries of prior advances written off	**25,451**	**7,403**	**2,289**	**35,143**
Unwind of discount	**—**	**—**	**3,483**	**3,483**
Disposals 1	**(3,947)**	**(2,463)**	**—**	**(6,410)**
At 31 December 2024	**21,595**	**70,957**	**58,408**	**150,960**

[1] Includes the impacts of a securitisation transaction as per note 15.3

Note 26. Financial risk management (continued)

Note 26.1 Credit risk (continued)

Analysis of movement in the allowance for impairment losses by stage (continued)

In respect of drawn balances	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
At 1 January 2023	15,450	54,054	64,508	134,012
Transfers to Stage 1	11,362	(11,329)	(33)	—
Transfers to Stage 2	(8,693)	14,877	(6,184)	—
Transfers to Stage 3	(739)	(7,300)	8,039	—
Impact of transfer between stages	373	18,420	25,047	43,840
Other items (credited)/charged to Statement of comprehensive income	(608)	(13,039)	21,680	8,033
Charge for the year (including recoveries)	1,695	1,629	48,549	51,873
Financial assets that have been written off during the year	—	—	(67,531)	(67,531)
Recoveries of prior advances written off	5,352	1,068	3,986	10,406
Unwind of discount	—	—	2,960	2,960
At 31 December 2023	22,497	56,751	52,472	131,720

Repossessed collateral

Collateral held against Loans and advances to customers is principally comprised of motor vehicles. The Company does not take physical possession of any collateral; instead it uses agents to realise the collateral's value as soon as practicable, usually at auction, to settle indebtedness. Any surplus funds are then returned to the borrower or are otherwise dealt with in accordance with appropriate insolvency regulations.

Note 26.2 Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its obligations as they fall due. To manage this risk extensive borrowing facilities are available from within the Group.

Liquidity risks are managed as part of the Group by an intermediate parent company, Lloyds Bank plc, in consultation with the Board of Directors. Monthly reviews of funding positions are undertaken to anticipate any shortfalls.

The liquidity table below is a contractual maturity analysis for amounts due to group undertakings, based on the earliest date the entity could be expected to repay the amounts owed.

At 31 December 2024	**Up to 1 month £'000**	**1-3 months £'000**	**3-12 months £'000**	**1-5 years £'000**	**Total £'000**
Borrowed funds	**2,223,860**	**637,820**	**2,711,806**	**7,262,951**	**12,836,437**
Contractual interest payments	**35,471**	**60,969**	**238,210**	**306,136**	**640,786**
	2,259,331	**698,789**	**2,950,016**	**7,569,087**	**13,477,223**

At 31 December 2023	Up to 1 month £'000	1-3 months £'000	3-12 months £'000	1-5 years £'000	Total £'000
Borrowed funds	3,015,838	991,160	2,715,479	6,602,625	13,325,102
Contractual interest payments	31,450	55,692	203,093	367,271	657,506
	3,047,288	1,046,852	2,918,572	6,969,896	13,982,608

Note 26. Financial risk management (continued)

Note 26.3 Market risk

Market risk is the risk surrounding the market factors that management has applied in estimating the anticipated residual values of finance lease agreements where the Company retains title of the asset differ from actual trends. The Company is exposed to fluctuations in the value of second hand motor vehicles.

The Company is exposed to market risk, however, the Directors believe the exposure to be carefully managed.

The leasing portfolio includes agreements where the Company has a risk in respect of residual value of the assets. This area of market risk policy is monitored throughout the year at residual value impairment review meetings which occur on a regular basis to consider the exposure taking into account current and projected industry trends in addition to the Company's own risk management data.

Included in Loans and advances to customers is a provision of £170,935,000 (2023: £179,578,000) relating to market risk impairment.

Note 26.4 Interest rate risk

Interest rate risk is the risk of financial loss as a result of adverse movements in interest rates, and arises largely because of timing differences between the repricing of financial assets and liabilities. Interest rate risk is managed at a divisional level, however the Company is exposed to interest rate fluctuations on its lending and borrowings due to factors outside the Company, and as a result a sensitivity analysis has been prepared to illustrate the impact of a change in the rates.

Interest income on the Company's Loans and advances under finance lease and hire purchase contracts is fixed, therefore a movement in interest rates will not immediately effect the return on the portfolio. Interest income on the Company's Other loans and advances to customers is at variable rates.

Amounts due from group undertakings include amounts that are interest bearing at fixed rates for funding of long term loans and advances and variable rates for other borrowings.

Amounts due to group undertakings include amounts that are interest bearing at fixed rates for funding of long term loans and advances and variable rates for other borrowings.

Interest rate risk - sensitivity analysis

The sensitivity analysis is based on the Company's interest-bearing amounts due to group undertakings and other loans and advances to customers and takes account of movement in the SONIA rate, which is the basis for the interest charged on such balances. A 0.49% (2023: 1.76%) increase or decrease is used to assess the possible increase in interest income and expense. This rate is appropriate as it is the actual movement in the SONIA rate across the year.

If SONIA increased by 0.49% (2023: 1.76%) and all other variables remain constant this would increase interest expense on amounts due to group undertakings by £14,935,000 (2023: £64,709,000). If SONIA decreased by 0.49% and all other variables remain constant this would decrease interest expense on amounts due to group undertakings by £14,935,000 (2023: £64,709,000).

If SONIA increased by 0.49% (2023: 1.76%) and all other variables remain constant this would increase interest income on other loans and advances to customers by £7,243,000 (2023: £19,148,000). If SONIA decreased by 0.49% and all other variables remain constant this would decrease interest income on other loans and advances to customers by £7,243,000 (2023: £19,148,000).

Note 26.5 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.

Note 26.6 Financial strategy

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

Note 26. Financial risk management (continued)

Note 26.7 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.

Fair values of loans and advances to customers are considered to be level 2 in the valuation hierarchy as their fair value is estimated by discounting anticipated cash flows (including interest at contractual rates) at market rates for similar loans prevailing at the Balance sheet date.

The aggregated fair value of Loans and advances to customers is approximately £12,541,806,000 (2023: £12,614,389,000). The fair value excludes the continuing involvement asset (note 15.3).

The carrying value of all other financial assets and liabilities is considered an approximation of fair value.

Note 27. Capital disclosures

The Company's objectives when managing capital are to safeguard the entity's ability to continue as a going concern whilst not holding an excessive level of capital relative to the level of risk.

The Board of Directors manages the Company's capital in line with policy set by the Company's ultimate parent. The policy guides the Board of Directors to consider changes in economic conditions and the risk characteristics of the Company's Balance sheet when determining the amount of capital the Company should have. In order to adjust the Company's capital the Board of Directors may adjust the amount of dividends to be paid to shareholders or issue new shares. It can also take actions to adjust the risk characteristics of the Company's Balance Sheet, for example by selling assets.

The Company's capital includes all components of its equity, movements in which appear in the Statement of changes in equity. The Company does not raise capital from sources external to the Group.

Note 28. Contingent liabilities and capital commitments

During the ordinary course of business the Company is subject to other complaints as well as legal and regulatory reviews, challenges and investigations. All such material matters are periodically reassessed, with the assistance of external professional advisors where appropriate to determine the likelihood of the Company incurring a liability. In those instances where it is concluded that it is more likely than not that a payment will be made, a provision is established to management's best estimate of the amount required at the relevant Balance sheet date. In some cases it will not be possible to form a view, for example because the facts are unclear or because further time is needed properly to assess the merits of the case, and no provisions are held in relation to such matters. In these circumstances, specific disclosure in relation to a contingent liability will be made where material. The Company does not currently expect the final outcome of any such case to have a material adverse effect on its financial position, operations or cash flows.

The Company's undrawn formal standby facilities, credit facilities and other commitments to lend were £1,296,598,000 (2023: £1,129,081,000).

Note 29. Post balance sheet events

On 3 February 2025, the Company allotted 1,680,000,000 new ordinary shares of £0.25 each to its immediate parent company Black Horse Group Limited in an exchange for receipt of £420,000,000 cash.

Note 30. Future developments

There are a number of new accounting pronouncements issued by the IASB with an effective date of 1 January 2027. This includes IFRS 18 Presentation and Disclosure in Financial Statements which replaces IAS 1 Presentation of Financial Statements and IFRS 19 Subsidiaries without Public Accountability: Disclosures. The impact of these standards are being assessed and they have not been endorsed for use in the UK.

The IASB has issued its annual improvements and a number of minor amendments to IFRS Accounting Standards effective date on or after 1 January 2025, including IFRS 9 Financial Instruments and IFRS 7 Financial Instruments Disclosure and IAS 21 The Effects of Changes in Foreign Exchange Rates. These improvements and amendments are not expected to have a significant impact on the Company.

Note 31. Ultimate parent undertaking and controlling party

The immediate parent company is Black Horse Group 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, 33 Old Broad Street, London, EC2N 1HZ. Lloyds Banking Group plc's financial statements may be downloaded via https://www.lloydsbankinggroup.com/investors/financial-downloads.html.

Independent Auditors' report to the members of Black Horse Limited

Report on the audit of the financial statements

Opinion
In our opinion the financial statements of Black Horse Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2024 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity;
- the cash flow statement; and
- the related notes 1 to 31.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom adopted international accounting standards.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter - uncertainty over motor commission review position
We draw attention to note 2 in the financial statements, concerning the uncertainty arising from the upcoming April April 2025 Supreme Court hearing and the Financial Conduct Authority's (the 'FCA's') review of historical motor commission arrangements. The financial statements include a provision of £940 million for the estimated redress and operational costs. However, while the Supreme Court process and FCA review are progressing, there is significant uncertainty as to the extent of the misconduct and customer loss, if any, the nature and extent of any remediation action, if required, and its timing. The ultimate financial impact could therefore materially differ from the amount provided, both higher or lower. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern
In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- Comparing the maturity profile of customer receivables to cash outflows for funding facilities;
- The extent of risks related to credit, used car market prices and motor commission provision; and
- Consideration of the February 2025 share issuance and the availability of funding and financial support from within the Lloyds Banking Group plc group to fund the existing receivables, new business and any commission redress exposures.

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 financial statements are authorised for issue.

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

Other information
The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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 in this regard.

Responsibilities of directors

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

In preparing the financial statements, 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.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 financial statements.

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

Extent to which the audit was considered capable of detecting irregularities, including fraud

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.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and the directors about their own identification and assessment of the risks of irregularities, including those that are specific to the company's business sector.

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. This included UK Companies Act 2006 and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. This included Financial Conduct Authority ("FCA") regulation.

We discussed among the audit engagement team including relevant internal specialists such as tax, IT and credit specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following areas, and our procedures performed to address them are described below:

- The risk that the non-electric vehicle volatility overlay applied by management to reflect reduced risk in the used car residual values in determining provisions for residual value or voluntary termination losses might not be appropriate and/or not reliably measured due to bias or error. Our work included:
  - Assessed the historical movements in both the new and used Internal Combustion Engine ("ICE") markets to determine the possible future market outlook, identifying risk factors around demand and supply side of the market and assessing whether any factors suggest that there is a risk that residual values might fall below the long term trend.
  - Considering market analysis, determine an independent range of potential outcomes for the exposure if electric vehicle and traditional vehicle used car prices converge over time.

- The risk that the battery electric vehicle ("BEV") overlay applied by management to reflect the reduced uncertainty in used BEV residual values in determining provisions for residual value or voluntary termination losses might not be appropriate and/or reliably measured due to bias or error. Our work included:
  - Identified risks inherent in the future BEV market, drawing parallels with those identified by management in their determination of the BEV overlay.
  - Considered whether the risks inherent in the BEV market are similar to those present in the ICE market, rationalising the application of a consistent view that volatility overlays are no longer required.

- The risk that the response rate assumption utilised to develop the estimate of motor commission provisions is not reasonable in the context of the applicable financial reporting framework, is inconsistent with other assumptions and/or the entity's business activities, or does not align with the entity's intent and ability to carry out specific courses of action, due to the significant subjectivity involved. Our work included:
  - Challenging the reasonableness of the management's modelled response rates using independent input obtained from industry experts and external and internal information from other redress schemes to develop an range of potential response rates.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance, reviewing internal audit reports, and correspondence with the FCA.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report has been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

Use of our report
This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Mark Taylor

Mark Taylor, FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Bristol, United Kingdom

31 March 2025