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This offering circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently neither CARDIFF AUTO RECEIVABLES SECURITISATION 2011-1 PLC, LLOYDS BANK CORPORATE MARKETS, WESTLB AG nor any person who controls it nor any director, officer, employee nor agent of it or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the offering circular distributed to you in electronic format and the hard copy version available to you on request from LLOYDS BANK CORPORATE MARKETS or WESTLB AG.

**CARDIFF AUTO RECEIVABLES SECURITISATION 2011-1 PLC**  
(incorporated in England and Wales under Registered Number 7407388)

**£250,000,000 CLASS A1 ASSET BACKED FLOATING RATE NOTES DUE 2017**  
**€300,000,000 CLASS A2 ASSET BACKED FLOATING RATE NOTES DUE 2017**  
**£177,749,000 CLASS U ASSET BACKED FLOATING RATE NOTES DUE 2017**

Notes	Initial Principal Amount	Issue Price	Interest Rate	Final Maturity Date	Ratings (Fitch/Moody's)
Class A1	£250,000,000	100%	One-month Sterling LIBOR + 1.10%	September 2017	AAA(sf)/Aaa(sf)
Class A2	€300,000,000	100%	One-month EURIBOR + 1.10%	September 2017	AAA(sf)/Aaa(sf)
Class U	£177,749,000	100%	One-month Sterling LIBOR + 2.00%	September 2017	Unrated

**Closing Date** The Issuer will issue the Notes in the classes set out above on 9 February 2011 (the **Closing Date**).

**Underlying Assets** The Issuer will make payments on the Notes from, *inter alia*, a portfolio comprising hire-purchase auto receivables (and certain ancillary rights) originated by Black Horse Limited (the **Seller**). See the section entitled "*The Provisional Portfolio*" for more detail.

**Credit Enhancement and Liquidity Support**

- Subordination of the Class U Notes to the Class A Notes.
- Excess Available Revenue Receipts.
- Availability of the Reserve Fund, to pay interest on the Class A Notes and senior expenses ranking in priority thereto and on the Final Class A Interest Payment Date amounts standing to the credit of the Reserve Fund shall be applied on such Interest Payment Date as Available Principal Receipts and shall be applied in accordance with the Pre-Acceleration Principal Priority of Payments in such amount as is required to redeem the Class A Notes and thereafter any excess shall continue to be applied in accordance with the Pre-Acceleration Revenue Priority of Payments.
- Payments of principal on the Class A Notes and the Class U Notes will be made in sequential order at all times.
- The Issuer may apply Available Principal Receipts to cover a Revenue Deficiency *provided that* Available Principal Receipts cannot be applied to cover a Revenue Deficiency on the Class A Notes where the amount credited to the Principal Deficiency Ledger is 100 per cent. of the Principal Amount Outstanding of the Class U Notes and 50 per cent. or more of the Principal Amount Outstanding of the Class A

Notes. Available Principal Receipts will not be applied to cover any interest shortfall in respect of the Class U Notes.

See the section entitled "*Credit Structure, Liquidity and Hedging*" for more detail.

## **Redemption Provisions**

The Notes may be redeemed in whole or in part (as applicable) in the following cases: (i) a mandatory redemption in whole on the Final Maturity Date; (ii) a mandatory redemption in part on any Interest Payment Date commencing on the First Interest Payment Date subject to availability of Available Principal Receipts and application of Available Principal Receipts in accordance with the Pre-Acceleration Principal Priority of Payments; (iii) optional redemption in whole exercisable by the Issuer on any Interest Payment Date (A) on which the aggregate Principal Amount Outstanding of all of the Notes is equal to or less than 10 per cent. of the aggregate Principal Amount Outstanding of the Notes as at the Closing Date; or (B) on which the Class A Notes have been redeemed in full; (iv) optional redemption in whole on any Interest Payment Date on and from the Interest Payment Date following the occurrence of a Change of Control Event; and (v) optional redemption in whole on any Interest Payment Date exercisable by the Issuer for tax reasons.

For information on optional and mandatory redemption of the Notes, see the section entitled "*Transaction Overview – Overview of the Terms and Conditions of the Notes*" and Condition 6.

## **Rating Agencies**

Fitch and Moody's. Each of the Rating Agencies is established in the European Union and has made an application to be registered for the purposes of the EU Regulation on credit rating agencies (Regulation (EC) No.1060/2009), as amended.

## **Ratings**

Ratings will be assigned to the Notes as set out above on or before the Closing Date. The Class U Notes will be unrated.

The ratings reflect the view of the Rating Agencies and are based on the Purchased Receivables and the structural features of the transaction, including, *inter alia*, the ratings of the Interest Rate Swap Counterparty, the Interest Rate Swap Guarantor, the Currency Swap Counterparty and the Account Bank.

The ratings assigned by Fitch address the likelihood of full and timely payment to the Noteholders (a) of interest due on each Interest Payment Date and (b) of principal on a date that is not later than the Final Maturity Date.

The ratings assigned by Moody's address the expected loss to a Noteholder in proportion to the initial principal amount of the class of Notes held by the Noteholder by the Final Maturity Date. In Moody's opinion, the structure allows for timely payment of interest and principal at par on the Final Maturity Date.

**The assignment of ratings to the Class A Notes is not a recommendation to invest in the Class A Notes. Any credit rating assigned to the Class A Notes may be revised or withdrawn at any time.**

**Listing**

The prospectus (the **Prospectus**) has been approved by the Central Bank of Ireland (the **Central Bank**), as competent authority under the Prospectus Directive 2003/71/EC (the **Prospectus Directive**). The Central Bank only approves this Prospectus as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. Such approval relates only to the Notes which are to be admitted to trading on the regulated market of the Irish Stock Exchange (the **Irish Stock Exchange**) or other regulated markets for the purposes of Directive 2004/39/EC or which are to be offered to the public in any Member State of the European Economic Area.

Application has been made to the Irish Stock Exchange for the Notes to be admitted to the Official List and trading on its regulated market. References in this Prospectus to Notes being **listed** (and all related references) shall mean that such Notes have been admitted to trading on the Irish Stock Exchange's regulated market.

**Eurosystem Eligibility**

The Class A2 Notes are intended to be held in a manner which will allow Eurosystem eligibility. This means that the Class A2 Notes are intended upon issue to be deposited with one of Euroclear or Clearstream, Luxembourg as Common Safekeeper and does not necessarily mean that the Class A2 Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria. As at the date of this Prospectus notes not denominated in euro are not recognised as eligible collateral. It is expected that the Class A1 and the Class U Notes will not satisfy the Eurosystem eligibility criteria.

**Obligations**

The Notes will be obligations of the Issuer alone and will not be the obligations of, or guaranteed by, or be the responsibility of, any other entity. In particular, the Notes will not be obligations of, or guaranteed by, or be the responsibility of, any Transaction Party (as defined below) other than the Issuer.

**THE RISK FACTORS SECTION CONTAINS DETAILS OF CERTAIN RISKS AND OTHER FACTORS THAT SHOULD BE GIVEN PARTICULAR CONSIDERATION BEFORE INVESTING IN THE NOTES. PROSPECTIVE INVESTORS SHOULD BE AWARE OF THE ISSUES SUMMARISED WITHIN THAT SECTION.**

The date of this Prospectus is 7 February 2011

**Arranger**

Lloyds Bank Corporate Markets

**Joint Lead Managers**

Lloyds Bank Corporate Markets and WestLB AG

## IMPORTANT NOTICE

**THE NOTES WILL BE OBLIGATIONS OF THE ISSUER ONLY. THE NOTES WILL NOT BE OBLIGATIONS OF, OR THE RESPONSIBILITY OF, OR GUARANTEED BY, ANY PERSON OTHER THAN THE ISSUER. IN PARTICULAR, THE NOTES WILL NOT BE OBLIGATIONS OF, OR THE RESPONSIBILITY OF, OR GUARANTEED BY, ANY OF THE TRANSACTION PARTIES (OTHER THAN THE ISSUER) OR ANY COMPANY IN THE SAME GROUP OF COMPANIES AS ANY OF THE TRANSACTION PARTIES (OTHER THAN THE ISSUER). NO LIABILITY WHATSOEVER IN RESPECT OF ANY FAILURE BY THE ISSUER TO PAY ANY AMOUNT DUE UNDER THE NOTES SHALL BE ACCEPTED BY ANY OF THE TRANSACTION PARTIES (OTHER THAN THE ISSUER), OR ANY COMPANY IN THE SAME GROUP OF COMPANIES AS THE TRANSACTION PARTIES (OTHER THAN THE ISSUER).**

YOU SHOULD REVIEW AND CONSIDER THE DISCUSSION UNDER "**RISK FACTORS**" BEGINNING ON PAGE 38 IN THIS PROSPECTUS BEFORE YOU PURCHASE ANY NOTES.

The Class A Notes will be represented on issue by a Global Note in bearer form for each Class of Notes. The Class A Notes may also be issued in definitive bearer form in certain limited circumstances.

The Issuer will deposit the Class A Notes on or about the Closing Date with a common safekeeper for Euroclear and Clearstream, Luxembourg.

Each of Euroclear and Clearstream, Luxembourg will record the beneficial interests in the Global Notes (**Book-Entry Interests**) in respect of the Class A Notes. Book-Entry Interests in the Global Notes will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by Euroclear or Clearstream, Luxembourg, and their respective participants. The Class U Notes will be issued in definitive registered form.

THE DISTRIBUTION OF THIS PROSPECTUS AND THE OFFERING OF THE NOTES IN CERTAIN JURISDICTIONS MAY BE RESTRICTED BY LAW. NO REPRESENTATION IS MADE BY ANY OF THE TRANSACTION PARTIES THAT THIS PROSPECTUS MAY BE LAWFULLY DISTRIBUTED, OR THAT THE NOTES MAY BE LAWFULLY OFFERED, IN COMPLIANCE WITH ANY APPLICABLE REGISTRATION OR OTHER REQUIREMENTS IN ANY SUCH JURISDICTION, OR PURSUANT TO AN EXEMPTION AVAILABLE THEREUNDER, AND NONE OF THEM ASSUMES ANY RESPONSIBILITY FOR FACILITATING ANY SUCH DISTRIBUTION OR OFFERING. IN PARTICULAR, SAVE FOR OBTAINING THE APPROVAL OF THIS PROSPECTUS AS A PROSPECTUS FOR THE PURPOSES OF THE PROSPECTUS DIRECTIVE BY THE CENTRAL BANK OF IRELAND, NO ACTION HAS BEEN OR WILL BE TAKEN BY ANY OF THE TRANSACTION PARTIES WHICH WOULD PERMIT A PUBLIC OFFERING OF THE NOTES OR DISTRIBUTION OF THIS PROSPECTUS IN ANY JURISDICTION WHERE ACTION FOR THAT PURPOSE IS REQUIRED. ACCORDINGLY, THE NOTES MAY NOT BE OFFERED OR SOLD, DIRECTLY OR INDIRECTLY, AND NEITHER THIS PROSPECTUS NOR ANY ADVERTISEMENT OR OTHER OFFERING MATERIAL MAY BE DISTRIBUTED OR PUBLISHED, IN ANY JURISDICTION, EXCEPT UNDER CIRCUMSTANCES THAT WILL RESULT IN COMPLIANCE WITH ANY APPLICABLE LAWS AND REGULATIONS. PERSONS INTO WHOSE POSSESSION THIS PROSPECTUS COMES ARE REQUIRED BY THE ISSUER, THE ARRANGER AND THE JOINT LEAD MANAGERS TO INFORM THEMSELVES ABOUT AND TO OBSERVE ANY SUCH RESTRICTIONS.

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT, THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER RELEVANT JURISDICTION AND ARE SUBJECT TO UNITED STATES TAX LAW REQUIREMENTS. THE NOTES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE

ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT PURSUANT TO AN EXEMPTION FROM SUCH REGISTRATION REQUIREMENTS AND EXCEPTIONS TO UNITED STATES TAX REQUIREMENTS. THE NOTES ARE NOT TRANSFERABLE EXCEPT IN ACCORDANCE WITH THE RESTRICTIONS DESCRIBED HEREIN UNDER "*TRANSFER RESTRICTIONS*".

THE NOTES WILL BEAR RESTRICTIVE LEGENDS AND WILL BE SUBJECT TO RESTRICTIONS ON TRANSFER AS DESCRIBED HEREIN. EACH OF THE JOINT LEAD MANAGERS AND EACH SUBSEQUENT TRANSFEREE OF THE NOTES WILL BE DEEMED, BY ITS ACQUISITION OR HOLDING OF SUCH NOTES, TO HAVE MADE THE REPRESENTATIONS SET FORTH IN SUCH NOTES AND THE TRUST DEED THAT ARE REQUIRED OF SUCH INITIAL PURCHASERS AND TRANSFEREES. ANY RESALE OR OTHER TRANSFER, OR ATTEMPTED RESALE OR OTHER ATTEMPTED TRANSFER, OF NOTES WHICH IS NOT MADE IN COMPLIANCE WITH THE APPLICABLE TRANSFER RESTRICTIONS WILL BE VOID. SEE "*TRANSFER RESTRICTIONS*".

NONE OF THE ISSUER OR THE ARRANGER OR EACH OF THE JOINT LEAD MANAGERS OR ANY OF THE TRANSACTION PARTIES MAKES ANY REPRESENTATION TO ANY PROSPECTIVE INVESTOR OR PURCHASER OF THE NOTES REGARDING THE LEGALITY OF INVESTMENT THEREIN BY SUCH PROSPECTIVE INVESTOR OR PURCHASER UNDER APPLICABLE LEGAL INVESTMENT OR SIMILAR LAWS OR REGULATIONS.

THE ISSUER ACCEPTS RESPONSIBILITY FOR THE INFORMATION CONTAINED IN THIS PROSPECTUS (OTHER THAN THE SECTION ENTITLED "ARTICLE 122A OF THE CAPITAL REQUIREMENTS DIRECTIVE") AND DECLARES THAT, HAVING TAKEN ALL REASONABLE CARE TO ENSURE SUCH IS THE CASE, THE INFORMATION IN THIS PROSPECTUS, TO THE BEST OF ITS KNOWLEDGE, IS IN ACCORDANCE WITH THE FACTS AND CONTAINS NO OMISSION LIKELY TO AFFECT ITS IMPORT. ANY INFORMATION SOURCED FROM THIRD PARTIES CONTAINED IN THIS PROSPECTUS HAS BEEN ACCURATELY REPRODUCED (AND IS CLEARLY SOURCED WHERE IT APPEARS IN THIS PROSPECTUS) AND, AS FAR AS THE ISSUER IS AWARE AND IS ABLE TO ASCERTAIN FROM INFORMATION PUBLISHED BY THAT THIRD PARTY, NO FACTS HAVE BEEN OMITTED WHICH WOULD RENDER THE REPRODUCED INFORMATION INACCURATE OR MISLEADING.

THE SELLER ACCEPTS RESPONSIBILITY FOR THE SECTION ENTITLED "ARTICLE 122A OF THE CAPITAL REQUIREMENTS DIRECTIVE" (BUT NOT, FOR THE AVOIDANCE OF DOUBT, ANY INFORMATION SET OUT IN A SECTION REFERRED TO IN THE SECTION ENTITLED "ARTICLE 122A OF THE CAPITAL REQUIREMENTS DIRECTIVE") AND DECLARES THAT, HAVING TAKEN ALL REASONABLE CARE TO ENSURE SUCH IS THE CASE, THE INFORMATION IN SUCH SECTION, TO THE BEST OF ITS KNOWLEDGE, IS IN ACCORDANCE WITH THE FACTS AND CONTAINS NO OMISSION LIKELY TO AFFECT ITS IMPORT.

NO REPRESENTATION, WARRANTY OR UNDERTAKING, EXPRESS OR IMPLIED, IS MADE AND NO RESPONSIBILITY OR LIABILITY IS ACCEPTED BY DEUTSCHE TRUSTEE COMPANY LIMITED OR DEUTSCHE BANK AG, LONDON BRANCH AS TO THE ACCURACY OR COMPLETENESS OF ANY INFORMATION CONTAINED IN THIS PROSPECTUS OR ANY OTHER INFORMATION SUPPLIED IN CONNECTION WITH THE NOTES OR THEIR DISTRIBUTION.

NO PERSON IS AUTHORISED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION IN CONNECTION WITH THE OFFERING OR SALE OF THE NOTES OTHER THAN THOSE CONTAINED IN THIS PROSPECTUS AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORISED BY ANY OF THE TRANSACTION PARTIES OR ANY OF THEIR RESPECTIVE AFFILIATES OR ADVISERS. NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALE OR ALLOTMENT MADE IN CONNECTION WITH THE OFFERING OF THE NOTES SHALL, UNDER

ANY CIRCUMSTANCES, CREATE ANY IMPLICATION OR CONSTITUTE A REPRESENTATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE ISSUER OR THE SELLER OR IN THE OTHER INFORMATION CONTAINED HEREIN SINCE THE DATE HEREOF. THE INFORMATION CONTAINED IN THIS PROSPECTUS WAS OBTAINED FROM THE ISSUER AND THE OTHER SOURCES IDENTIFIED HEREIN, BUT NO ASSURANCE CAN BE GIVEN BY THE NOTE TRUSTEE OR ANY OF THE TRANSACTION PARTIES OR THE ARRANGER OR EACH OF THE JOINT LEAD MANAGERS AS TO THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION. NONE OF THE ARRANGER OR THE NOTE TRUSTEE OR ANY OF THE TRANSACTION PARTIES OR EACH OF THE JOINT LEAD MANAGERS HAS SEPARATELY VERIFIED THE INFORMATION CONTAINED HEREIN. ACCORDINGLY, NONE OF THE NOTE TRUSTEE OR ANY OF THE TRANSACTION PARTIES OR THE ARRANGER OR EACH OF THE JOINT LEAD MANAGERS MAKES ANY REPRESENTATION, EXPRESS OR IMPLIED, OR ACCEPTS ANY RESPONSIBILITY, WITH RESPECT TO THE ACCURACY OR COMPLETENESS OF ANY OF THE INFORMATION IN THIS PROSPECTUS. IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE TERMS OF THIS OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THE CONTENTS OF THIS PROSPECTUS SHOULD NOT BE CONSTRUED AS PROVIDING LEGAL, BUSINESS, ACCOUNTING OR TAX ADVICE. EACH PROSPECTIVE INVESTOR SHOULD CONSULT ITS OWN LEGAL, BUSINESS, ACCOUNTING AND TAX ADVISERS PRIOR TO MAKING A DECISION TO INVEST IN THE NOTES.

THE DELIVERY OF THIS PROSPECTUS AT ANY TIME DOES NOT IMPLY THAT THE INFORMATION HEREIN IS CORRECT AT ANY TIME SUBSEQUENT TO ITS DATE.

THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER OF, OR AN INVITATION BY OR ON BEHALF OF, THE ISSUER, THE SELLER OR THE ARRANGER, THE JOINT LEAD MANAGERS OR ANY OF THEM TO SUBSCRIBE FOR OR PURCHASE ANY OF THE NOTES IN ANY JURISDICTION WHERE SUCH ACTION WOULD BE UNLAWFUL AND NEITHER THIS PROSPECTUS, NOR ANY PART THEREOF, MAY BE USED FOR OR IN CONNECTION WITH ANY OFFER TO, OR SOLICITATION BY, ANY PERSON IN ANY JURISDICTION OR IN ANY CIRCUMSTANCES IN WHICH SUCH OFFER OR SOLICITATION IS NOT AUTHORISED OR TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION.

THIS PROSPECTUS IS PERSONAL TO THE OFFEREE WHO RECEIVED IT FROM THE ARRANGER OR THE JOINT LEAD MANAGERS AND DOES NOT CONSTITUTE AN OFFER TO ANY OTHER PERSON TO PURCHASE ANY NOTES.

THE NOTES ARE BEING OFFERED ONLY TO A LIMITED NUMBER OF INVESTORS THAT ARE WILLING AND ABLE TO CONDUCT AN INDEPENDENT INVESTIGATION OF THE CHARACTERISTICS OF THE NOTES AND THE RISKS OF OWNERSHIP OF THE NOTES. IT IS EXPECTED THAT PROSPECTIVE INVESTORS INTERESTED IN PARTICIPATING IN THIS OFFERING WILL CONDUCT AN INDEPENDENT INVESTIGATION OF THE RISKS POSED BY AN INVESTMENT IN THE NOTES. REPRESENTATIVES OF THE ARRANGER AND THE JOINT LEAD MANAGERS WILL BE AVAILABLE TO ANSWER QUESTIONS CONCERNING THE ISSUER AND THE NOTES AND WILL, UPON REQUEST, MAKE AVAILABLE SUCH OTHER INFORMATION AS INVESTORS MAY REASONABLY REQUEST. PROSPECTIVE PURCHASERS OF THE NOTES MUST BE ABLE TO HOLD THEIR INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

THIS PROSPECTUS IS NOT INTENDED TO FURNISH LEGAL, REGULATORY, TAX, ACCOUNTING, INVESTMENT OR OTHER ADVICE TO ANY PROSPECTIVE PURCHASER OF THE NOTES.

THIS PROSPECTUS SHOULD BE REVIEWED BY EACH PROSPECTIVE PURCHASER AND ITS LEGAL, REGULATORY, TAX, ACCOUNTING, INVESTMENT AND OTHER ADVISERS. PROSPECTIVE PURCHASERS WHOSE INVESTMENT AUTHORITY IS SUBJECT TO LEGAL RESTRICTIONS SHOULD CONSULT THEIR LEGAL ADVISERS TO DETERMINE WHETHER AND TO WHAT EXTENT THE NOTES CONSTITUTE LEGAL INVESTMENTS FOR THEM.

IN THIS PROSPECTUS ALL REFERENCES TO **POUNDS, STERLING, GBP AND £** ARE REFERENCES TO THE LAWFUL CURRENCY OF THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND. REFERENCES IN THIS PROSPECTUS TO **EURO, EUR AND €** ARE REFERENCES TO THE SINGLE CURRENCY INTRODUCED AT THE THIRD STAGE OF EUROPEAN ECONOMIC AND MONETARY UNION PURSUANT TO THE TREATY ESTABLISHING THE EUROPEAN COMMUNITIES AS AMENDED FROM TIME TO TIME.

### **Forward-Looking Statements**

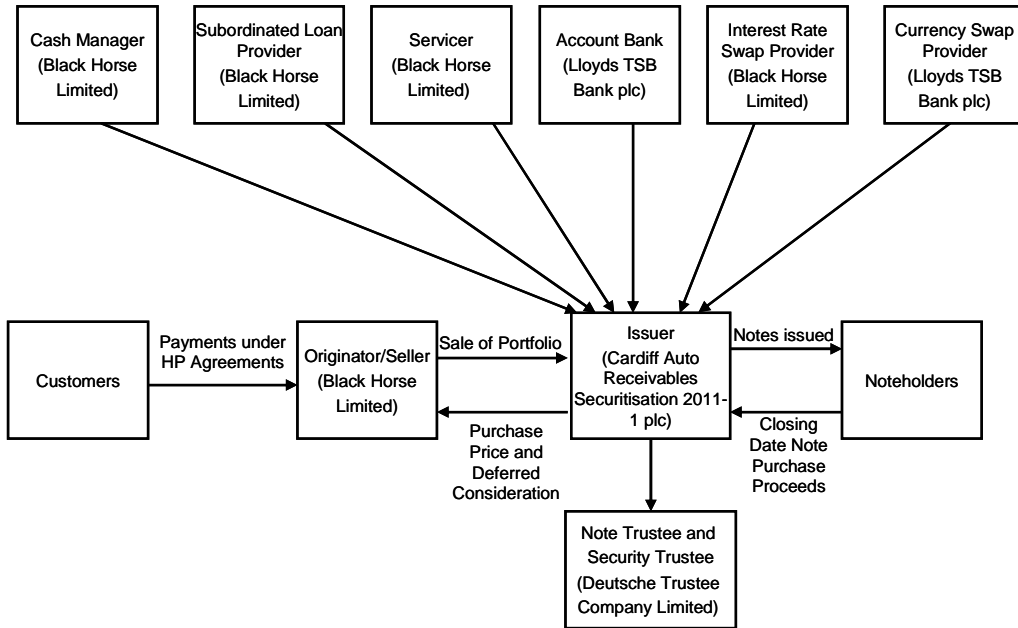
Certain matters contained herein are forward-looking statements. Such statements appear in a number of places in this Prospectus, including with respect to assumptions on prepayment and certain other characteristics of the HP Agreements and Related Receivables, and reflect significant assumptions and subjective judgements by the Issuer that may not prove to be correct. Such statements may be identified by reference to a future period or periods and the use of forward-looking terminology such as "may", "will", "could", "believes", "expects", "anticipates", "continues", "intends", "plans" or similar terms. Consequently, future results may differ from the Issuer's expectations due to a variety of factors, including (but not limited to) the economic environment and regulatory changes in the auto and consumer finance industry in the United Kingdom. Moreover, past financial performance should not be considered a reliable indicator of future performance and prospective purchasers of the Notes are cautioned that any such statements are not guarantees of performance and involve risks and uncertainties, many of which are beyond the control of the Issuer. Neither the Arranger nor the Joint Lead Managers have attempted to verify any such statements, nor do they make any representations, express or implied, with respect thereto. Prospective purchasers should therefore not place undue reliance on any of these forward-looking statements. None of the Issuer nor the Arranger nor the Joint Lead Managers assume any obligation to update these forward-looking statements or to update the reasons for which actual results could differ materially from those anticipated in the forward-looking statements.



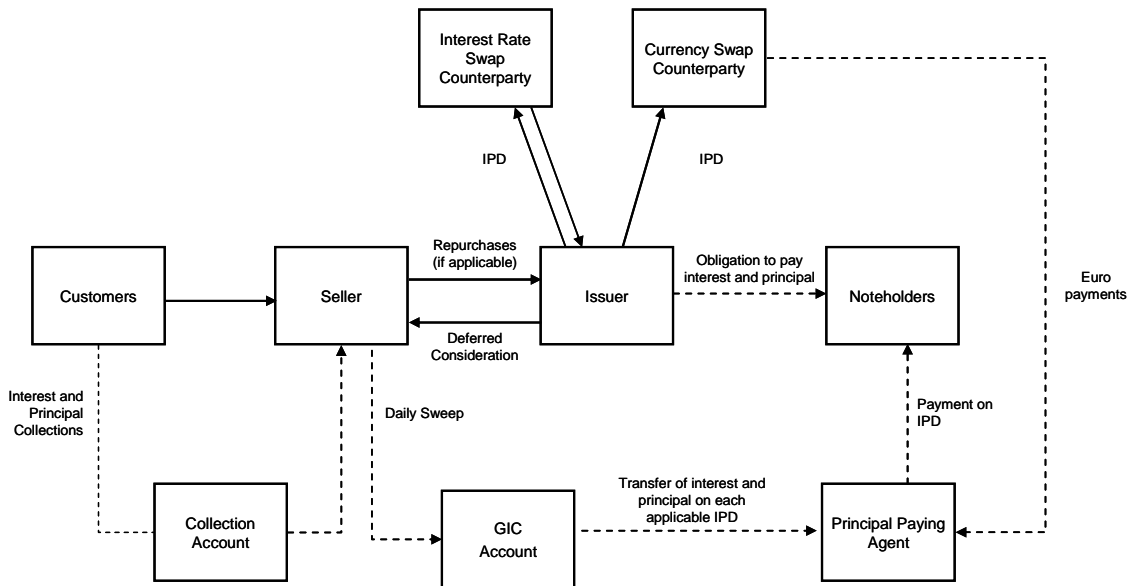
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### DIAGRAMMATIC OVERVIEW OF THE TRANSACTION

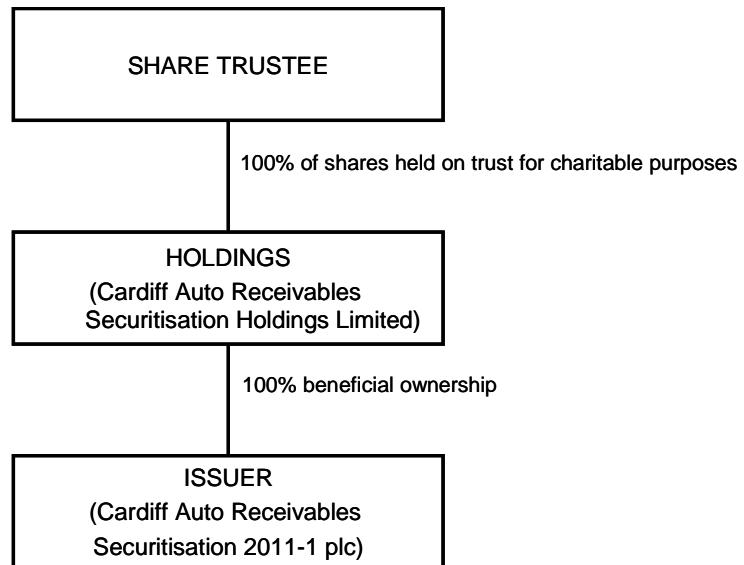


### DIAGRAMMATIC OVERVIEW OF ONGOING CASH FLOW



IPD refers to an Interest Payment Date

## OWNERSHIP STRUCTURE DIAGRAM



The entire issued share capital of the Issuer is owned by Holdings.

The entire issued share capital of Holdings is held on trust by the Share Trustee under the terms of a discretionary trust, the benefit of which is expressed to be for charitable purposes.

## TRANSACTION SUMMARY

*The information set out below is an overview of various aspects of the transaction. This overview is not purported to be complete, should be read in conjunction with, and is qualified in its entirety by references to, the detailed information presented elsewhere in this Prospectus.*

### TRANSACTION PARTIES ON THE CLOSING DATE

<b>Party</b>	<b>Name</b>	<b>Address</b>	<b>Document under which appointed/Further Information</b>
<b>Issuer</b>	Cardiff Auto Receivables Securitisation 2011-1 Plc	35 Great St. Helen's, London EC3A 6AP United Kingdom	N/A
<b>Holdings</b>	Cardiff Auto Receivables Holdings Limited	35 Great St. Helen's, London EC3A 6AP United Kingdom	N/A
<b>Seller</b>	Black Horse Limited	25 Gresham Street London EC2V 7HN United Kingdom	N/A
<b>Servicer</b>	Black Horse Limited	25 Gresham Street London EC2V 7HN United Kingdom	Servicing Agreement by the Issuer. See the section entitled " <i>Summary of the Transaction Documents – The Servicing Agreement</i> " for further information.
<b>Cash Manager</b>	Black Horse Limited	25 Gresham Street London EC2V 7HN United Kingdom	Cash Management Agreement by the Issuer. See the section entitled " <i>Summary of the Transaction Documents – The Cash Management Agreement</i> " for further information.
<b>Subordinated Loan Provider</b>	Black Horse Limited	25 Gresham Street London EC2V 7HN United Kingdom	Subordinated Loan Agreement by the Issuer. See the section entitled " <i>Summary of the Transaction Documents – The Subordinated Loan Agreement</i> " for further information.
<b>Interest Rate Swap Counterparty</b>	Black Horse Limited	25 Gresham Street London EC2V 7HN United Kingdom	Interest Rate Swap Agreement by the Issuer. See the section entitled

<b>Party</b>	<b>Name</b>	<b>Address</b>	<b>Document under which appointed/Further Information</b>
			<i>"Summary of the Transaction Documents – Swap Agreements"</i> for further information.
<b>Interest Rate Swap Guarantor</b>	Lloyds TSB Bank plc	25 Gresham Street London EC2V 7HN United Kingdom	Interest Rate Swap Agreement by the Issuer. See the section entitled <i>"Summary of the Transaction Documents – Swap Agreements"</i> for further information.
<b>Currency Swap Counterparty</b>	Lloyds TSB Bank plc	25 Gresham Street London EC2V 7HN United Kingdom	Currency Swap Agreement by the Issuer. See the section entitled <i>"Summary of the Transaction Documents – Swap Agreements"</i> for more information.
<b>Servicer Guarantor</b>	Lloyds TSB Bank plc	25 Gresham Street London EC2V 7HN United Kingdom	Servicer Guarantee by the Issuer. See the section entitled <i>"Summary of the Transaction Documents – The Servicer Guarantee"</i> for more information.
<b>GIC Provider</b>	Lloyds TSB Bank plc	25 Gresham Street London EC2V 7HN United Kingdom	Account Bank Agreement by the Issuer. See the section entitled <i>"Summary of the Transaction Documents – The Account Bank Agreement"</i> for more information.
<b>Account Bank</b>	Lloyds TSB Bank plc	25 Gresham Street London EC2V 7HN United Kingdom	Account Bank Agreement by the Issuer. See the section entitled <i>"Summary of the Transaction Documents – Account Bank Agreement"</i> for more information.
<b>Collections Account Bank</b>	Lloyds TSB Bank plc	25 Gresham Street London EC2V 7HN United Kingdom	N/A
<b>Note Trustee</b>	Deutsche Trustee Company Limited	Winchester House, 1 Great Winchester Street London EC2N 2DB	Trust Deed and Deed of Charge. See the Conditions for further information.

<b>Party</b>	<b>Name</b>	<b>Address</b>	<b>Document under which appointed/Further Information</b>
		United Kingdom	
<b>Security Trustee</b>	Deutsche Trustee Company Limited	Winchester House, 1 Great Winchester Street London EC2N 2DB United Kingdom	Deed of Charge. See the section entitled " <i>Summary of the Transaction Documents – Deed of Charge</i> " for further information.
<b>Principal Paying Agent</b>	Deutsche Bank AG, London Branch	Winchester House, 1 Great Winchester Street London EC2N 2DB United Kingdom	Agency Agreement by the Issuer. See the section entitled " <i>Summary of the Transaction Documents – The Agency Agreement</i> " for more information.
<b>Agent Bank</b>	Deutsche Bank AG, London Branch	Winchester House, 1 Great Winchester Street London EC2N 2DB United Kingdom	Agency Agreement by the Issuer. See the section entitled " <i>Summary of the Transaction Documents – The Agency Agreement</i> " for more information.
<b>Registrar</b>	Deutsche Bank Luxembourg S.A.	2, Boulevard Konrad Adenauer, 1115 Luxembourg, Luxembourg	Agency Agreement. See the section entitled " <i>Summary of the Transaction Documents – The Agency Agreement</i> " for more information.
<b>Corporate Services Provider</b>	Structured Finance Management Limited	35 Great St. Helen's London EC3A 6AP United Kingdom	Corporate Services Agreement by the Issuer and Holdings. See the section entitled " <i>Issuer</i> " and " <i>Holdings</i> " for further information.
<b>Arranger</b>	Lloyds TSB Bank plc	25 Gresham Street London EC2V 7HN United Kingdom	N/A
<b>Joint Lead Managers</b>	Lloyds TSB Bank plc	25 Gresham Street London EC2V 7HN United Kingdom	Subscription Agreement
	WestLB AG	Herzogstrasse 15, 40217 Düsseldorf, Germany	Subscription Agreement

## THE PORTFOLIO

Please refer to the section entitled "*The Provisional Portfolio*" for further detail in respect of the characteristics of the Portfolio and the sale and the servicing arrangements in respect of the Receivables.

### Sale of Receivables:

The Portfolio will consist of each payment due from a Customer under a Related HP Agreement at any time after the Closing Date together with the Ancillary Rights relating to such Receivable, each of which will be sold to the Issuer on the Closing Date.

Each HP Agreement is entered into with an individual resident in England and Wales or Scotland and is governed by English or Scots law.

There will be no substitution of the Receivables in the Portfolio as existing HP Agreements repay. See the section entitled "*The Provisional Portfolio*" for more information.

The assignment by the Seller of the Purchased Receivables that are English Receivables will take effect in equity because no notice of the assignment will be given to Customers unless a Perfection Event shall have occurred.

The sale of the Scottish Receivables will be given effect by a Scottish Declaration of Trust. No notice of the sale of the Scottish Receivables will be given to Customer unless a Perfection Event shall have occurred.

### Key Features of HP Agreements:

The following is a summary of certain features of the HP Agreements in the provisional portfolio as at the Cut-off Date (the **Provisional Portfolio**) and investors should refer to, and carefully consider, further details in respect of the HP Agreements set out in "*The Provisional Portfolio*".

Number of HP Agreements	130,128
Total Outstanding Principal Balance	£768,099,925.86
Average current Outstanding Principal Balance	£5,902.65
Weighted average Annual Percentage Rate of the total charge for credit ( <b>APR</b> )	11.91%
Weighted average scheduled remaining term	36.58 months
Weighted average seasoning	15.23 months
Last Receivable Maturity Date	28 September 2015

See the section entitled "*The Provisional Portfolio*" for further information.

**Consideration:**

The Purchase Price payable to the Seller in respect of the sale of each Receivable shall comprise the Initial Purchase Price and the Deferred Purchase Price. The **Initial Purchase Price** means the amount, determined as at the Closing Date as being an amount equal to the Outstanding Principal Balance due from Customers under the Related HP Agreement (which for the avoidance of doubt shall include any option fees and fees payable together with the last payment under the Related HP Agreement and any capitalised interest and capitalised arrears) during the period beginning on (but excluding) the Closing Date and ending on (and including) the maturity date of such HP Agreement. The Initial Purchase Price is payable by the Issuer on the Closing Date in accordance with the terms of the Receivables Sale and Purchase Agreement.

The Issuer shall also pay the Seller the **Deferred Purchase Price** subject to and in accordance with the Priority of Payments.

The Cut-off Date was 6 December 2010.

See the section entitled "*The Provisional Portfolio*" for further information.

**Representations and Warranties:**

The Seller will make certain representations and warranties regarding the Receivables and the Related HP Agreements to the Issuer on the Closing Date with reference to the circumstances as at the Cut-off Date and, where applicable, on further dates as more fully set out in the Receivables Sale and Purchase Agreement.

Examples of the representations and warranties given by the Seller include the following: (i) each Receivable and each Related HP Agreement complies with the eligibility criteria set out in the Receivables Sale and Purchase Agreement (the **Eligibility Criteria**), (ii) as at the Closing Date, each Related HP Agreement is legal, valid, binding and enforceable (subject to certain laws from time to time in effect relating to bankruptcy, liquidation or any other laws or other procedures affecting generally the enforcement of creditors' rights) and is non-cancellable, (iii) immediately prior to the Closing Date the Seller is and (subject to any prior Encumbrance which has been subsequently discharged) always has been the sole legal and beneficial owner of each Receivable and the Ancillary Rights relating thereto, and (iv) so far as the Seller is aware, there has been no unremedied material default under any Related HP Agreement.

See the section entitled "*Summary of the Transaction Documents – The Receivables Sale and Purchase Agreement – Representations and Warranties given by the Seller*" for further information.

**Repurchase of Non-Compliant Receivables:**

To the extent that a representation or warranty given by the Seller in respect of a Purchased Receivable proves to have been incorrect on the date on which such representation and warranty was made (other than by reason of a Related HP Agreement being determined illegal, invalid, non-binding, unenforceable or cancellable under the CCA),



or if the relevant Purchased Receivable never existed or a Non-Permitted Variation has been made in respect of the relevant Receivable or the relevant Receivable is a Set-off Receivable (each such affected Receivable being a **Non-Compliant Receivable**), the Seller will be required to repurchase such Purchased Receivable for (i) an amount equal to its Outstanding Principal Balance as at the Closing Date plus any accrued income in respect thereof as at the date of the repurchase, less any amounts in respect of any Principal Element recovered or received by the Issuer in respect of such Receivable (the **Non-Compliant Repurchase Price**) or (ii) in the case of a Purchased Receivable which did not exist as at the Closing Date, an amount equal to any loss suffered by the Issuer by reason of the representation or warranty being untrue or incorrect by reference to the facts subsisting on the Closing Date (the **Receivables Indemnity Amount**).

Where Receivables are determined to be in breach of the representation and warranties made (including the Eligibility Criteria) by reason of a Related HP Agreement (or part thereof) being determined illegal, invalid, non-binding, unenforceable or cancellable under the CCA the Seller will not be obliged to repurchase the relevant Receivables but will pay a compensation payment to the Issuer, being an amount, calculated by the Servicer in accordance with the Servicing Agreement, required to compensate the Issuer for any loss arising as a result thereof (the **CCA Compensation Amount**).

**Defaulted Receivables Call Option:**

Under the Receivables Sale and Purchase Agreement, the Seller will be granted a call option in relation to Defaulted Receivables (the **Defaulted Receivables Call Option**) which will entitle the Seller, prior to the occurrence of an Insolvency Event of the Seller, to purchase from the Issuer, and oblige the Issuer to sell, any Purchased Receivable which is a Defaulted Receivable.

The Issuer will apply all Defaulted Receivables Payments received from the Seller as Available Revenue Receipts.

The Defaulted Receivables Payment comprises (i) an amount equal to 40 per cent. of the aggregate of the Outstanding Principal Balance plus (without double counting) all accrued and unpaid amounts of the Receivables as at the relevant date of repurchase (the **Initial Defaulted Receivables Payment**) payable on the date on which the Defaulted Receivable is repurchased and (ii) an amount equal to any recoveries from the relevant Customer or amounts recovered upon a sale of the related Vehicle in excess of the Initial Defaulted Receivables Payment less an amount equal to any VAT that the Seller (or any company with which it is grouped for VAT purposes) is liable to account in respect of the sale of such related Vehicle (if any) but, in any event, up to a maximum amount equal to the Outstanding Principal Balance of the relevant Receivable on the Repurchase Date.

If the Defaulted Receivables Call Option is exercised, the Seller is required to repurchase the relevant Receivable by the end of the

Calculation Period immediately after the Calculation Period in which such Receivable became a Defaulted Receivable. The Seller is obliged to pay the Initial Defaulted Receivables Payment on the relevant repurchase date. The Seller is obliged to pay the Defaulted Receivables Payment (other than the Initial Defaulted Receivables Payment) to the Issuer on the Business Day immediately following receipt by the Seller of any amounts in respect of recoveries from the Related HP Agreement or from a sale of the related Vehicle.

Immediately following the exercise of the Defaulted Receivables Call Option by the Seller and payment of the Initial Defaulted Receivables Payment, the Issuer's interest in any Defaulted Receivable will pass to the Seller.

If the amount determined by the Seller acting reasonably to be the full amount recoverable from the Customer is less than the Initial Defaulted Receivables Payment, the Issuer shall pay to the Seller an amount equal to such difference by way of a Permitted Withdrawal.

See the section entitled "*Summary of the Transaction Documents – The Receivables Sale and Purchase Agreement – Defaulted Receivables Call Option*" for further information.

**VT Receivables Call Option:**

Under the Receivables Sale and Purchase Agreement, the Seller will be granted a call option in relation to Voluntarily Terminated Receivables (the **VT Receivables Call Option**), which will entitle the Seller, prior to the occurrence of an Insolvency Event of the Seller, to purchase, and oblige the Issuer to sell, any Purchased Receivable (other than any Receivable that is a Defaulted Receivable) in respect of which the Customer has exercised its right to voluntarily terminate the HP Agreement.

The Issuer will apply all VT Receivables Payments received from the Seller as Available Revenue Receipts.

The purchase price payable by the Seller in respect of the Voluntarily Terminated Receivable shall be equal to the VT Receivables Payment, which comprises (i) an amount equal to 70 per cent. of the aggregate of the Outstanding Principal Balance plus (without double counting) all accrued and unpaid amounts of the Receivables as at the relevant date of repurchase (the **Initial VT Receivables Payment**) payable on the date on which the Voluntary Terminated Receivable is repurchased and (ii) an amount equal to any amounts recovered upon a sale of the related Vehicle) in excess of the Initial VT Receivables Payment less an amount equal to any VAT that the Seller (or any company with which it is grouped for VAT purposes) is liable to account in respect of the sale of such related Vehicle (if any but, in any event, up to a maximum amount equal to the Outstanding Principal Balance of the relevant Receivable on the Repurchase Date.

If the VT Receivables Call Option is exercised, the Seller is required to repurchase the relevant Receivable by the end of the Calculation Period immediately after the Calculation Period in which such

Receivable became a Voluntarily Defaulted Receivable. The Seller is obliged to pay the Initial VT Receivables Payment on the relevant repurchase date. The Seller is obliged to pay the VT Receivables Payment (other than the Initial VT Receivables Payment) to the Issuer on the Business Day immediately following receipt by the Seller of any amounts in respect of a sale of the related Vehicle.

Immediately following the exercise of the VT Receivables Call Option by the Seller and payment of the Initial VT Receivables Payment, the Issuer's interest in the Voluntarily Terminated Receivable will pass to the Seller.

If the amount determined by the Servicer acting reasonably to be the full amount recoverable from the Vehicle and, if applicable, the Customer, is less than the Initial VT Receivables Payment, the Issuer shall pay to the Seller an amount equal to such difference by way of a Permitted Withdrawal.

See the section entitled "*Summary of the Transaction Documents – The Receivables Sale and Purchase Agreement – VT Receivables Call Option*" for further information.

**Delegation by the Servicer:**

The Servicer may, at its own cost and expense, delegate some of its servicing function to a third party provided that the Servicer remains responsible for the performance of any of its servicing function so delegated. See the section entitled "*Summary of the Transaction Documents – The Servicing Agreement*" for further information.

## SUMMARY OF THE TERMS AND CONDITIONS OF THE NOTES

Please refer to the section entitled "Terms and Conditions of the Notes" for further detail in respect of the terms of the Notes.

### FULL CAPITAL STRUCTURE OF THE NOTES

	Class A1	Class A2	Class U
<b>Currency</b>	GBP	EUR	GBP
<b>Initial Principal Amount</b>	£250,000,000	€300,000,000	£177,749,000
<b>Sterling Equivalent (if relevant)</b>	N/A	£255,900,000	N/A
<b>Credit Enhancement and Liquidity Support</b>	Subordination of the Class U Notes Reserve Fund, excess Available Revenue Receipts	Subordination of the Class U Notes Reserve Fund, excess Available Revenue Receipts	Excess Available Revenue Receipts
<b>Issue Price</b>	100%	100%	100%
<b>Interest Rate</b>	One-month Sterling LIBOR	One-month EURIBOR	One-month Sterling LIBOR
<b>Margin</b>	1.10% p.a.	1.10% p.a.	2.00% p.a.
<b>Interest Accrual Method</b>	Actual/365	Actual/360	Actual/365
<b>Interest Determination Date</b>	First day of each Interest Period	2 TARGET2 Settlement Days prior to the first day of each Interest Period	First day of each Interest Period
<b>Interest Payment Date</b>	25th day of each calendar month	25th day of each calendar month	25th day of each calendar month
<b>Business Day Convention</b>	Modified Following	Modified Following	Modified Following
<b>First Interest Payment Date</b>	25 March 2011	25 March 2011	25 March 2011
<b>First Interest Period</b>	From and including the Closing Date to (but excluding) the First Interest Payment Date	From and including the Closing Date to (but excluding) the First Interest Payment Date	From and including the Closing Date to (but excluding) the First Interest Payment Date

	<b>Class A1</b>	<b>Class A2</b>	<b>Class U</b>
<b>Final Redemption Date<sup>1</sup></b>	Interest Payment Date falling in September 2017	Interest Payment Date falling in September 2017	Interest Payment Date falling in September 2017
<b>Form of the Notes</b>	Bearer Notes	Bearer Notes	Definitive registered Notes
<b>Application for Listing</b>	Ireland	Ireland	Ireland
<b>ISIN</b>	XS0580794054	XS0580794567	N/A
<b>Common Code</b>	058079405	058079456	N/A
<b>Clearance/Settlement</b>	Euroclear /Clearstream, Luxembourg	Euroclear /Clearstream, Luxembourg	N/A
<b>Denomination of the Notes</b>	£100,000	€100,000	£100,000
<b>Minimum Holding</b>	£100,000	€100,000	£100,000
<b>Regulation</b>	Reg S	Reg S	Reg S
<b>Initial Purchaser</b>	N/A	N/A	Black Horse Limited

**Ranking of Payments:**

The Notes within each class will rank *pari passu* and *pro rata* without any preference or priority among themselves as to payments of interest and principal at all times. Prior to the service of a Note Acceleration Notice, payments of principal and interest will be made in accordance with the Pre-Acceleration Principal Priority of Payments and the Pre-Acceleration Revenue Priority of Payments.

The Class A1 Notes and the Class A2 Notes (together, the **Class A Notes**) will rank *pari passu* and *pro rata* without any preference or priority among themselves as to payments of interest and principal at all times and will rank senior to the Class U Notes as to payments of interest and principal at all times.

The Class U Notes will rank *pari passu* and *pro rata* without any preference or priority among themselves as to payments of interest and principal at all times and will rank junior to the Class A Notes as to payments of interest and principal at all times.

**Security:**

The Notes are secured and will share the Security together with the other Secured Liabilities of the Issuer in accordance with the Deed of Charge. Some of the other Secured Liabilities rank senior to the Issuer's obligations under the Notes in respect of the allocation of proceeds as set out in the

<sup>1</sup> It is anticipated that redemption of the Notes will occur earlier than the Final Maturity Date in accordance with Condition 6.2.

relevant Priority of Payments.

**Interest payable on the Notes:**

Please refer to the Full Capital Structure of the Notes table above for the relevant interest provisions and Condition 4 (Interest).

**Interest Deferral:**

Interest due and payable on the Class A Notes will not be deferred. For as long as the Class A Notes are outstanding, interest due and payable on the Class U Notes may be deferred in accordance with Condition 15.1 (Subordination by Deferral of the Class U Notes - Interest). Deferred interest will also accrue interest in accordance with Condition 15.1 (Subordination by Deferral of the Class U Notes - Interest) and such additional interest may also be deferred under Condition 15.1 (Subordination by Deferral of the Class U Notes - Interest).

**Gross up:**

Neither the Issuer nor any other person will be obliged to gross up if there is any withholding or deduction for or on account of tax in respect of any payments under the Notes.

**Redemption:**

The Notes are subject to the following optional or mandatory redemption events (in whole or in part):

- mandatory redemption in whole on the Final Maturity Date, as fully set out in Condition 6.1 (Redemption at maturity);
- mandatory redemption in part on any Interest Payment Date commencing on the First Interest Payment Date subject to availability of Available Principal Receipts (applied in accordance with the Pre-Acceleration Principal Priority of Payments), as fully set out in Condition 6.3 (Mandatory Redemption in part);
- optional redemption exercisable by the Issuer in whole on any Interest Payment Date (A) on which the aggregate Principal Amount Outstanding of all of the Notes is equal to or less than 10 per cent. of the aggregate Principal Amount Outstanding of the Notes on the Closing Date or (B) following redemption in full of the Class A Notes, as fully set out in Condition 6.2 (Optional redemption for tax or other reasons);
- optional redemption in whole on any Interest Payment Date on and from the Interest Payment Date following the occurrence of a Change of Control Event, as fully set out in Condition 6.2 (Optional redemption for tax or other reasons); and
- optional redemption exercisable by the Issuer in whole on any Interest Payment Date for tax reasons, as fully set out in Condition 6.2 (Optional redemption for tax or other reasons).

Any Note redeemed pursuant to the above redemption provisions will be redeemed at an amount equal to the Principal Amount Outstanding of the relevant Note plus any accrued amounts of the relevant Note up to (but excluding) the date of redemption.

**Event of Default:**

The Events of Default are fully set out in Condition 9 (Events of Default),

and include but are not limited to:

- the Issuer defaults in the payment of any interest on the Most Senior Class of Notes when the same becomes due and payable, and such default continues for a period of ten Business Days;
- the Issuer defaults in the payment of principal on any Class A Note or Class U Note when due, and such default continues for a period of five Business Days;
- any breach of contractual obligations by the Issuer under the Transaction Documents which is materially prejudicial to the Most Senior Class of Notes; or
- the occurrence of an Insolvency Event in respect of the Issuer.

**Limited Recourse:**

All of the Notes are limited recourse obligations of the Issuer, and, if, after the distribution of all of the Issuer's assets, there are amounts that are not paid in full, any amounts then outstanding are deemed to be discharged in full and any payment rights are deemed to cease as described in more detail in Condition 10 (Enforcement).

**Governing Law:**

The Terms and Condition of the Notes and the Transaction Documents are governed by English law other than the Scottish Declaration of Trust and those provisions of the Transaction Documents particular to Scots law which shall be governed by and construed in accordance with Scots law.

## RIGHTS OF NOTEHOLDERS

*Please refer to the section entitled "Terms and Conditions of the Notes" for further detail in respect of the rights of Noteholders, conditions for exercising such rights and relationship with other Secured Creditors.*

**Prior to an Event of Default:** Prior to the occurrence of an Event of Default, Noteholders holding not less than 10 per cent. of the Principal Amount Outstanding of the Notes then outstanding are entitled to convene a Noteholders' meeting to consider any matter affecting their interests.

**Following an Event of Default:** Following the occurrence of an Event of Default (but, in the case of the Issuer failing to perform or observe any of its other obligations under the Conditions or any Transaction Document to which it is a party (other than with respect to the payment of principal and interest when due), only if the Note Trustee shall also have certified in writing to the Issuer that such event is, in its opinion, materially prejudicial to the interests of the Most Senior Class of Notes), Noteholders may, if they hold not less than 20 per cent. of the Principal Amount Outstanding of the Most Senior Class of Notes then outstanding or if they pass an Extraordinary Resolution, direct the Note Trustee to give a Note Acceleration Notice to the Issuer notifying the Issuer that all classes of the Notes are immediately due and repayable at their respective Principal Amount Outstanding. The Note Trustee may also, without the consent of the Noteholders, if it is of the opinion that such determination will not be materially prejudicial to the interests of the Noteholders, determine that an Event of Default shall not, or shall not subject to specified conditions, be treated as such.

See further the section entitled *"Terms and Conditions of the Notes"* for more information.

<b>Noteholders meeting provisions:</b>	Notice Period:	21 clear days for the initial meeting	10 clear days for the adjourned meeting
	Quorum:	20 per cent. of the Principal Amount Outstanding of the relevant Class of Notes for the initial meeting for all Ordinary Resolutions; 50 per cent. of the Principal Amount Outstanding of the relevant Class of Notes for the initial meeting to pass an Extraordinary Resolution (other than a Basic Terms Modification, which requires 75 per cent. of the Principal Amount Outstanding of the	Any holding for the adjourned meeting (other than a Basic Terms Modification, which requires 25 per cent. of the Principal Amount Outstanding of the relevant Class of Notes)



relevant Class of Notes)

Required majority: 50 per cent. of votes cast for matters requiring Ordinary Resolution and 75 per cent. of votes cast for matters requiring Extraordinary Resolution for initial meetings

50 per cent. of votes cast for matters requiring Ordinary Resolution and 75 per cent. of votes cast for matters requiring Extraordinary Resolution for adjourned meetings

Written Resolution: 75 per cent. of the Principal Amount Outstanding of the relevant class of Notes. A Written Resolution has the same effect as an Extraordinary Resolution.

**Matters requiring Extraordinary Resolution:**

Broadly speaking, the following matters require an Extraordinary Resolution:

- to approve any Basic Terms Modification;
- to approve the substitution of any person for the Issuer as principal obligor under the Notes;
- to waive any breach or authorise any proposed breach by the Issuer of its obligations under the Notes or any Transaction Document or any act or omission which might otherwise constitute an Event of Default under the Notes;
- to remove the Note Trustee and/or the Security Trustee and to approve the appointment of a new Note Trustee and/or Security Trustee;
- to authorise the Note Trustee or any other person to execute all documents and do all things necessary to give effect to any Extraordinary Resolution;
- to discharge or exonerate the Note Trustee from any liability in respect of any act or omission for which it may become responsible under the Trust Deed or the Notes;
- to give any other authorisation or approval which under the Trust Deed or the Notes is required to be given by Extraordinary Resolution; and
- to appoint any persons as a committee to represent the interests of the Noteholders and to convey upon such committee any powers which the Noteholders could themselves exercise by Extraordinary Resolution.

**Relationship between Classes of Noteholders:**

Except in respect of certain matters set out in Condition 11 and the Trust Deed, an Extraordinary Resolution of Noteholders of the Most Senior Class shall be binding on all other Classes. For further details see Condition 11.

A Basic Terms Modification requires an Extraordinary Resolution of the relevant affected Classes of Notes.

**Relationship between Noteholders and other Secured Creditors:**

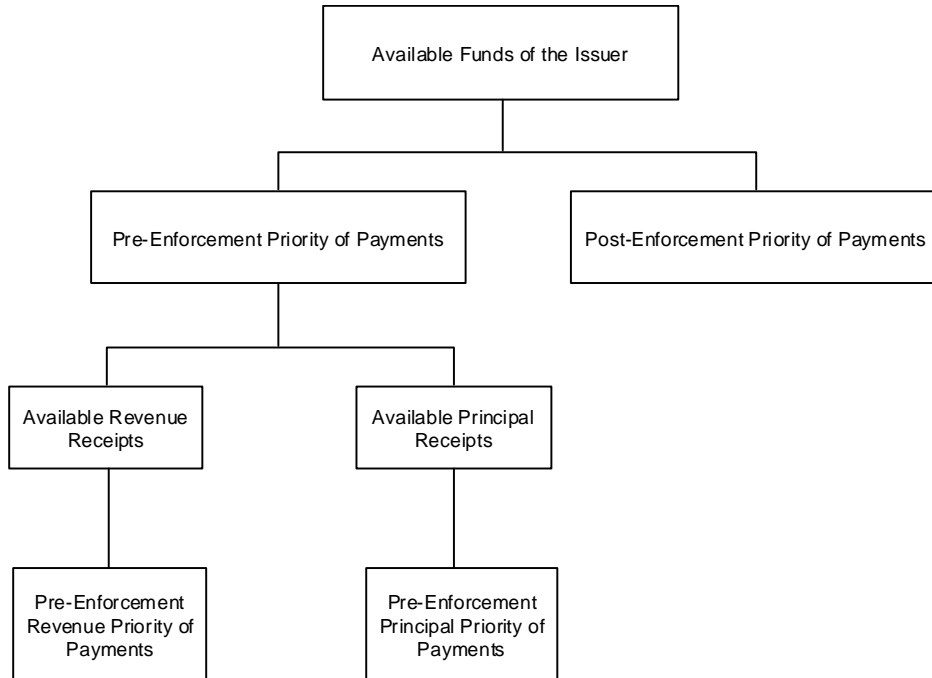
So long as the Notes are outstanding, the Note Trustee will have regard to the interests of both the Noteholders and the other Secured Creditors, but if in the Note Trustee's sole opinion there is a conflict between their interests it will have regard solely to the interests of the Noteholders.

**Provision of Information to the Noteholders:**

Information in respect of the underlying Portfolio will be provided to the Noteholders on a monthly basis by the Servicer pursuant to the terms of the Servicing Agreement.

## CREDIT STRUCTURE AND CASHFLOW

Please refer to the section entitled "Cash Management" for further detail in respect of the credit structure and cash flow of the transaction.



**Funds available to the Issuer:**

The Issuer will use Available Revenue Receipts and Available Principal Receipts for the purposes of making interest and principal payments under the Notes and meeting the Issuer's other payment obligations pursuant to the other Transaction Documents.

**Available Revenue Receipts:**

For each Interest Payment Date, the **Available Revenue Receipts** will be calculated by the Cash Manager on the immediately preceding Calculation Date and will be an amount equal to the sum of:

- (a) all Revenue Receipts received by the Issuer during the immediately preceding Calculation Period, including amounts received from exercise of the Defaulted Receivables Call Option and the VT Receivables Call Option;
- (b) interest received on the Issuer Accounts (other than any Swap Collateral Account) and any income relating to any Authorised Investments purchased from amounts standing to the credit of the Issuer Accounts (other than any Swap Collateral Account);
- (c) amounts to be received by the Issuer under any Swap Agreement (other than any early termination amount or Replacement Swap

Premium, any Exchange Amounts received by the Issuer under the Currency Swap Agreement and any Swap Collateral, Swap Tax Credits or Excess Swap Collateral);

- (d) any early termination amount received from any Swap Counterparty to the extent not applied by the Issuer to purchase one or more replacement swaps and any Replacement Swap Premium received from a replacement swap counterparty to the extent not required to pay any outgoing swap counterparty (in each case where applicable, converted into sterling at the then applicable spot rate by the Cash Manager);
- (e) all amounts then standing to the credit of the Reserve Fund Ledger;
- (f) the aggregate of all Available Principal Receipts (if any) which are (i) applied to make up any Revenue Deficiency on the Class A Notes on the relevant Interest Payment Date (only to the extent required after calculating any Revenue Deficiency) and (ii) any Surplus Available Principal Receipts;
- (g) any proceeds of Tranche A of the Subordinated Loan to the extent that the Cash Manager determines that such amounts are not required to be applied to make payments in respect of any initial costs of the Issuer;
- (h) where the Seller repurchases the Final Receivables in accordance with the terms of the Receivables Sale and Purchase Agreement in respect of an exercise by the Issuer of the Clean Up Call or the Change of Control Call, such amount of the Final Repurchase Price received by the Issuer on such Interest Payment Date representing amounts other than the Outstanding Principal Balance of the Final Receivables as at such Interest Payment Date; and
- (i) any Revenue Receipts (other than those Revenue Receipts referred to in (a) above) that have not been applied on the immediately preceding Interest Payment Date;

but, for the avoidance of doubt, excluding any Issuer Profit Amount retained by the Issuer on any Interest Payment Date and any amounts which have been applied as Permitted Withdrawals by the Issuer in the immediately preceding Calculation Period.

**Available Principal Receipts:**

For each Interest Payment Date the **Available Principal Receipts** will be calculated by the Cash Manager on the immediately preceding Calculation Date and will be an amount equal to the sum of:

- (a) all Principal Receipts received by the Issuer during the immediately preceding Calculation Period;
- (b) the amount, if any, to be credited to the Principal Deficiency Ledger pursuant to item (h) of the Pre-Acceleration Revenue Priority of Payments on the relevant Interest Payment Date;
- (c) the amount applied in accordance with item (g) of the Pre-

Acceleration Revenue Priority of Payment on the Final Class A Interest Payment Date;

- (d) where the Seller repurchases the Final Receivables in accordance with the terms of the Receivables Sale and Purchase Agreement in respect of an exercise by the Issuer of the Clean Up Call or the Change of Control Call, such amount of the Final Repurchase Price received by the Issuer on such Interest Payment Date representing the Outstanding Principal Balance of the Final Receivables as at such Interest Payment Date; and
- (e) any Principal Receipts (other than those Principal Receipts referred to in (a) above) that have not been applied on the immediately preceding Interest Payment Date.

**Summary of Priority of Payments:**

Below is an overview of the Priorities of Payments:

<b>Pre-Acceleration Revenue Priority of Payments:</b>	<b>Pre-Acceleration Principal Priority of Payments:</b>	<b>Post-Acceleration Priority of Payments:</b>
<ul style="list-style-type: none"> <li>• Senior expenses<sup>2</sup></li> <li>• Interest Rate Swap Agreement</li> <li>• Class A1 Note interest, Currency Swap Agreement and Class A2 Note Interest</li> <li>• Reserve Fund Ledger</li> <li>• Principal Deficiency Ledger</li> <li>• Class U Note interest</li> <li>• Subordinated Swap Amounts</li> <li>• Issuer Profit</li> <li>• Subordinated Loan repayment</li> <li>• Deferred Purchase Price</li> </ul>	<ul style="list-style-type: none"> <li>• Revenue Deficiency in respect of senior expenses and the Class A Notes</li> <li>• Class A1 Notes, the Currency Swap Agreement and Class A2 Notes</li> <li>• Class U Notes</li> <li>• Any Surplus Available Principal Receipts to be applied as Available Revenue Receipts</li> </ul>	<ul style="list-style-type: none"> <li>• Senior expenses</li> <li>• Interest Rate Swap Agreement</li> <li>• Class A1 Notes, the Currency Swap Agreement and Class A2 Notes</li> <li>• Class U Notes</li> <li>• Subordinated Swap Amounts</li> <li>• Subordinated Loan repayment</li> <li>• Deferred Purchase Price</li> <li>• Surplus to the Issuer</li> </ul>

**General Credit Structure:**

The credit structure of the transaction includes the following elements:

- availability of the Reserve Fund, funded initially by the Subordinated Loan Provider on the Closing Date in an amount of 1.7 per cent. of the Outstanding Principal Balance of the Receivables as at the Closing Date which will be replenished up to the Reserve Fund Required Amount in accordance with the Pre-Acceleration Priority of Payments on each Interest Payment Date. The Reserve Fund will be available to pay interest on the Class A Notes and senior expenses ranking in priority thereto from the Closing Date to but excluding the Final Class A Interest Payment Date. Amounts

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<sup>2</sup> Such amounts including all amounts ranking senior to the payment of interest on the Class A Notes

standing to the credit of the Reserve Fund will be applied on the Final Class A Interest Payment Date as Available Principal Receipts (in accordance with the Pre-Acceleration Principal Priority of Payments) to the extent required to redeem the Class A Notes and thereafter any excess shall continue to be applied in accordance with the Pre-Acceleration Revenue Priority of Payments;

- application of Available Principal Receipts to fund Revenue Deficiencies in respect of senior expenses and the Class A Notes provided that Available Principal Receipts cannot be applied to pay any shortfall of interest on the Class A Notes where the amount credited to the Principal Deficiency Ledger is 100 per cent. of the Principal Amount Outstanding of the Class U Notes and 50 per cent. or more of the Principal Amount Outstanding of the Class A Notes;
- availability of guaranteed investment rate provided by the GIC Provider in respect of amounts standing to the credit of the GIC Account;
- availability of a basis swap provided by the Interest Rate Swap Counterparty to hedge against the variance between the fixed rate of interest in respect of the Purchased Receivables and the floating rate of interest in respect of the Notes;
- availability of a currency swap provided by the Currency Swap Counterparty to hedge against the variance between the currency of the Purchased Receivables and the payments to be made by the Issuer in respect of the Class A2 Notes; and
- the subordination of the Class U Notes to the Class A Notes.

See the section entitled "*Credit Structure*" for further information.

**Bank Accounts and Cash Management:**

All Collections in respect of the Purchased Receivables in the Portfolio are received by the Servicer in its Collections Account. The Servicer is obliged to transfer Collections in respect of the Purchased Receivables in the Portfolio to the GIC Account on a daily basis. In addition, the Seller has declared a trust over all amounts standing to the credit of the Collections Account in favour of the Issuer and itself in accordance with the terms of the Servicing Agreement and the Collections Account Declaration of Trust (as to which see further the section entitled "*Summary of the Transaction Documents – The Servicing Agreement*").

On each Interest Payment Date, Available Revenue Receipts and Available Principal Receipts will be applied in accordance with the relevant Priority of Payments.

## TRIGGERS TABLES

### (A) RATING TRIGGERS TABLE

Transaction Party	Required Ratings	Contractual requirements on occurrence of breach of ratings trigger include the following:
<b>Interest Rate Swap Guarantor</b>	<p>(a) Short-term, unsecured, unguaranteed and unsubordinated debt obligations rated at least F1 by Fitch and P-1 by Moody's and</p> <p>(b) long-term, unsecured and unsubordinated debt or counterparty obligations rated at least A (or if the relevant entity is on rating watch negative then at least a long-term rating of A+) by Fitch and A2 by Moody's, or such other ratings that are consistent with the then published criteria of the relevant Rating Agency as being the minimum ratings that are required to support the then rating of the Class A Notes.</p>	<p>The consequences of breach include collateral posting, replacement of the Interest Rate Swap Counterparty or guarantee of the Interest Rate Swap Counterparty's obligations.</p>
<b>Currency Swap Counterparty</b>	<p>(a) Short-term, unsecured, unguaranteed and unsubordinated debt obligations rated at least F1 by Fitch and P-1 by Moody's and</p> <p>(b) long-term, unsecured and unsubordinated debt or counterparty obligations rated at least A by Fitch (or if the relevant entity is on rating watch negative then at least a long-term rating of A+) and A2 by Moody's, or such other ratings that are consistent with the then published criteria of the relevant Rating Agency as being the minimum ratings that are required to support the then rating of the Class A Notes.</p>	<p>The consequences of breach include collateral posting, replacement of the Currency Swap Counterparty or guarantee of the Currency Swap Counterparty's obligations.</p>
<b>Account Bank and GIC Provider</b>	<p>(a) Short-term, unsecured, unguaranteed and unsubordinated debt obligations rated at least F1 by Fitch and P-1 by Moody's and</p> <p>(b) long-term, unsecured and unsubordinated debt or counterparty obligations rated at</p>	<p>The consequences of breach are that the Account Bank and the GIC Provider's appointment may be terminated by the Issuer (such termination being effective on a replacement account bank being appointed by the Issuer) or the</p>



<b>Transaction Party</b>	<b>Required Ratings</b>	<b>Contractual requirements on occurrence of breach of ratings trigger include the following:</b>
<b>Collections Account Bank</b>	<p>least A (or if the relevant entity is on rating watch negative then at least a long-term rating of A+) by Fitch and A1 by Moody's, or such other ratings that are consistent with the then published criteria of the relevant Rating Agency as being the minimum ratings that are required to support the then rating of the Class A Notes.</p> <p>(a) Short-term, unsecured, unguaranteed and unsubordinated debt obligations rated at least F1 by Fitch and P-1 by Moody's and</p> <p>(b) long-term, unsecured and unsubordinated debt or counterparty obligations rated at least A (or if the relevant entity is on rating watch negative then at least a long-term rating of A+) by Fitch and A1 by Moody's, or such other ratings that are consistent with the then published criteria of the relevant Rating Agency as being the minimum ratings that are required to support the then rating of the Class A Notes.</p>	<p>Account Bank and the GIC Provider may arrange a guarantee of its obligations.</p> <p>The consequences of breach are either (A) (i) a new collections account being established at a suitably rated collections account bank with all amounts representing Issuer Trust Amounts being transferred to such new collections account, (ii) the Servicer shall declare a trust in favour of the Issuer with respect of all amounts standing to the credit of the New Collections Account and (iii) the Servicer directing that all payments made by Customers thereafter are made into such new collections account or (B) take such other actions as may be required to ensure that the then current rating of the Class A Notes is not adversely affected by the Collections Account Bank ceasing to have the Account Bank Ratings.</p>
<b>Servicer Guarantor</b>	<p>Long-term, unsecured and unsubordinated debt and counterparty obligations rated at least BBB- by Fitch and Baa3 by Moody's.</p>	<p>The consequences of breach are that the Servicer Guarantor must identify a suitable entity and direct the Issuer to appoint such entity as Back-Up Servicer having experience administering auto finance agreements in England and Wales and Scotland.</p>

(B) NON-RATING TRIGGERS TABLE

Nature of Trigger	Description of Trigger	Contractual requirements on occurrence of breach of trigger include the following:
<b>Perfection Events</b>  See the section entitled " <i>Summary of the Transaction Documents – The Servicing Agreement</i> " for further information.	Following the occurrence of a Servicer Termination Event (see below).	Customers will be notified of the sale and assignment to the Issuer and legal title to the Purchased Receivables will be transferred to the Issuer.
<b>Preparation of perfection notices</b>	Where the Seller (or where the Seller does not have an independent rating) the Servicer Guarantor either ceases to have a long-term, unsecured, unsubordinated and unguaranteed credit rating by Moody's of at least Baa3 or by Fitch of at least BBB- and a Back-Up Servicer is not appointed by the Issuer (at the direction of the Servicer Guarantor) within 60 days thereafter.	The Seller has undertaken to the Issuer and the Security Trustee that it shall deliver to the Issuer, the Security Trustee and the Rating Agencies a draft letter of notice which will be sent to each Customer following the occurrence of a Perfection Event.
<b>Servicer Termination Event</b>  See the section entitled " <i>Summary of the Transaction Documents – The Servicing Agreement</i> " for further information.	The occurrence of any of the following:  (a) default in payment of amount due and unremedied for 5 London Business Days; or	Following the occurrence of a Servicer Termination Event the Issuer may terminate the appointment of the Servicer under the Servicing Agreement. The Servicer may also resign its appointment on no less than 12 months' written notice to, among others, the Issuer and the Security Trustee with a copy being sent to the Rating Agencies provided that such resignation shall not take effect unless the Issuer, and the Security Trustee consent to such resignation and until a Replacement Servicer, which has been approved by the Security Trustee and the Issuer has been appointed in its place.
	(b) material non-compliance with other covenants or	If the Servicer's appointment is terminated, the Issuer shall at the

Nature of Trigger	Description of Trigger	Contractual requirements on occurrence of breach of trigger include the following:
<b>Cash Manager Termination Event</b>	<p>obligations and unremedied for 60 days; or</p> <p>(c) an Insolvency Event occurs in respect of the Servicer.</p>	<p>direction of the Servicer Guarantor appoint a Replacement Servicer which must first be approved by the Issuer and the Security Trustee.</p>
<p>See the section entitled "<i>Summary of the Transaction Documents – The Cash Management Agreement</i>" for further information.</p>	<p>The occurrence of any of the following:</p> <p>(a) default in payment of amount due and unremedied for 5 London Business Days; or</p> <p>(b) material non-compliance with other covenants or obligations and unremedied for 60 days; or</p> <p>(c) an Insolvency Event occurs in respect of the Cash Manager.</p>	<p>Following the occurrence of a Cash Manager Termination Event the Issuer may terminate the appointment of the Cash Manager under the Cash Management Agreement. The Cash Manager may also resign its appointment on no less than 12 months' written notice to, among others, the Issuer and the Security Trustee with a copy being sent to the Rating Agencies provided that such resignation shall not take effect unless the Issuer, and the Security Trustee consent to such resignation and until a Replacement Cash Manager, which has been approved by the Security Trustee and the Issuer has been appointed in its place.</p> <p>If the Cash Manager's appointment is terminated, the Servicer Guarantor shall identify a suitable entity to act as Replacement Cash Manager and direct the Issuer to appoint such entity as Replacement Cash Manager which must first be approved by the Issuer and the Security Trustee.</p>

## FEES

The following table sets out the ongoing fees to be paid by the Issuer to the Transaction Parties.

<u>Type of Fee</u>	<u>Amount of Fee</u>	<u>Priority in Cashflow</u>	<u>Frequency</u>
Servicer Fee	0.05 per cent. per annum of the Outstanding Principal Balance of the Receivables in the Portfolio (inclusive of VAT)	Ahead of all outstanding Notes	Monthly in arrear on each Interest Payment Date
Cash Management Fee	0.025 per cent. per annum of the Outstanding Principal Balance of the Receivables in the Portfolio (inclusive of VAT)	Ahead of all outstanding Notes	Monthly in arrear on each Interest Payment Date
Other fees and expenses of the Issuer	£7,000 (exclusive of VAT)	Ahead of all outstanding Notes	Upon invoice on the next following relevant Interest Payment Date
Expenses related to the admission to trading of the Notes	Estimated at €5,500 in total (exclusive of VAT)	N/A	On or about the Closing Date

## ARTICLE 122A OF THE CAPITAL REQUIREMENTS DIRECTIVE

Black Horse Limited will retain a material net economic interest of not less than 5 per cent. in the securitisation in accordance with the text of Article 122a of Directive 2006/48/EC (as amended) (which does not take into account any implementing rules of the CRD in a relevant jurisdiction). As at the Closing Date, such interest will be comprised of an interest in the first loss tranche as required by Article 122a. Such retention requirement will be satisfied by Black Horse Limited holding the Class U Notes together with the Tranche B of the Subordinated Loan. Any change to the manner in which such interest is held will be notified to Noteholders. Black Horse Limited has provided a corresponding undertaking with respect to the interest to be retained by it to the Joint Lead Managers in the Subscription Agreement.

For a description of the information to be made available after the Closing Date by Black Horse Limited (in its capacity as the Servicer or the Cash Manager on the Issuer's behalf), please see the summary in relation to the investor reports set out in "*Summary of the Transaction Documents - Servicing Agreement*".

Each prospective investor is required to independently assess and determine the sufficiency of the information described above and in this Prospectus generally for the purposes of complying with Article 122a and none of the Issuer, Black Horse Limited (in its capacity as the Seller, the Servicer or the Cash Manager) nor the Arranger or the Joint Lead Managers makes any representation that the information described above or in this Prospectus is sufficient in all circumstances for such purposes. In addition each prospective Noteholder should ensure that they comply with the implementing provisions in respect of Article 122a and the CRD in their relevant jurisdiction. Investors who are uncertain as to the requirements which apply to them in respect of their relevant jurisdiction, should seek guidance from their regulator. For further information please refer to the Risk Factor entitled "*Regulatory initiatives may result in increased regulatory capital requirements and/or decreased liquidity in respect of the Notes*".

## RISK FACTORS

*The following is a summary of certain aspects of the issue of the Notes of which prospective Noteholders should be aware. It is not intended to be exhaustive and prospective Noteholders should also read the detailed information set out elsewhere in this document.*

### 1. Structural Considerations

#### *Obligation of the Issuer only*

The Notes will be contractual obligations solely of the Issuer. The Notes will not be obligations or responsibilities of, or guaranteed by, the Note Trustee, the Security Trustee, the Share Trustee, the Agents, the Irish Listing Agent, the Account Bank, the Cash Manager, the Corporate Services Provider, the Servicer, the Seller, the Subordinated Loan Provider, Holdings, the Swap Counterparties, the Interest Rate Swap Guarantor, the Servicer Guarantor, the Arranger or the Joint Lead Managers.

#### *The Issuer's ability to meet its obligations under the Notes*

The Issuer is a special purpose company with no business operations other than the issue of the Notes, the acquisition of its interest in the Purchased Receivables, the entry into of the Swap Agreements, the borrowing of money under the Subordinated Loan Agreement and certain ancillary arrangements. The ability of the Issuer to meet its obligations under the Notes and its operating, administrative and other expenses will be dependent on the following:

- (a) the receipt by it of funds principally from the Receivables, which in turn will be dependent upon:
  - (i) the receipt by the Servicer or its agents of Collections from Customers in respect of the Purchased Receivables and the payment of those amounts by the Servicer in accordance with the Servicing Agreement and the Receivables Sale and Purchase Agreement; and
  - (ii) the receipt by the Issuer of amounts due to be paid by the Seller pursuant to the Defaulted Receivables Call Option and/or the VT Receivables Call Option or as a result of any repurchase of Non-Compliant Receivables by the Seller or payment of the CCA Compensation Amount or the Receivables Indemnity Amount;
- (b) the receipt by the Issuer of any net payments which the Swap Counterparties are liable to make under the Swap Agreements;
- (c) receipt by the Issuer on the Closing Date of amounts under the Subordinated Loan Agreement;
- (d) interest income earned on cash balances held by the Issuer (if any); and
- (e) following service of a Note Acceleration Notice, the proceeds of enforcement of the Charged Property (other than any Excess Swap Collateral).

Other than those amounts, the Issuer will not have any other material funds available to it to meet its obligations in respect of the Notes and its obligations ranking in priority to or *pari passu* with the Notes.

As the Purchased Receivables are the primary component of the Charged Property, and the ability of the Issuer to make payments on the Notes is based on the performance of the Portfolio, the Issuer is ultimately subject to the risk that the amount of Defaulted Receivables in the Portfolio rises above certain levels, resulting in the Servicer being unable to realise, collect or recover sufficient funds and ultimately resulting in the Issuer being unable to discharge its obligations in respect of payments of interest and of principal on the Notes. In addition, in respect of Voluntarily Terminated Receivables and Defaulted Receivables, the Seller is required to account for Vehicle Sale Proceeds and recoveries to the Issuer. Such Vehicle Sale Proceeds and recoveries may not be sufficient to cover the difference between the Initial Purchase Price paid by the Issuer for the Related Receivable and the Principal Elements of all amounts received by the Issuer in respect of the Related Receivable, ultimately resulting in the Issuer being unable to discharge its obligations in respect of payments of interest and of principal on the Notes.

These risks are addressed in relation to the Notes of each Class (in the order of priority applicable to it) in part by the credit support provided by the subordination of the Class U Notes, together with the Reserve Fund with respect to the Class A Notes. There can be, however, no assurance that the levels of credit support provided will be adequate to ensure timely and full payment of all amounts due under each Class of Notes.

The Issuer's ability to make full and timely payments of interest and principal on the Notes will be dependent on the Servicer performing its obligations under the Servicing Agreement to collect amounts due and payable by Customers into the Collections Account and transfer amounts so collected to the GIC Account, and on payments actually being made by Customers or guarantors thereof (in respect of whom no security has been or will be taken to secure such payment obligations), and receipt of amounts otherwise realised or recovered from or in respect of the Purchased Receivables and the Ancillary Rights relating thereto.

The various risks existing in respect of payments of interest and principal due on the Notes are, to some extent, mitigated by the availability of support provided by the credit structure. The establishment of the Reserve Fund will be funded on the Closing Date by Tranche B of the Subordinated Loan and thereafter up to the Reserve Fund Required Amount from Available Revenue Receipts in accordance with the Pre-Acceleration Priority of Payments on each Interest Payment Date. The Reserve Fund will cover, *inter alia*, the risk of delayed payment or non-payment in respect of the Purchased Receivables and, from the Closing Date to but excluding the Final Class A Interest Payment Date, will be used towards paying items (a) to (f) of the Pre-Acceleration Revenue Priority of Payments. On the Final Class A Interest Payment Date, amounts standing to the credit of the Reserve Fund will be applied as Available Principal Receipts and shall be applied in accordance with the Pre-Acceleration Principal Priority of Payments to the extent required to redeem the Class A Notes and thereafter any excess shall continue to be applied in accordance with the Pre-Acceleration Revenue Priority of Payments. If, however, the levels of delayed payment or non-payment in respect of Purchased Receivables exceed those assumed for the purposes of determining the credit structure and the sizing of the different components thereof, the Issuer may have insufficient funds to pay in full principal and interest in respect of the Notes and other amounts ranking in priority to or *pari passu* with principal and interest which are due on any Interest Payment Date.

Upon enforcement of the security for the Notes and the other Secured Liabilities, the Security Trustee will (subject to it being instructed and indemnified and/or secured to its satisfaction by the Noteholders in accordance with the Deed of Charge) have recourse to the Charged Property (including the Purchased Receivables and all other assets of the Issuer then in existence including the rights of the Issuer against the Swap Counterparties under any Swap Agreements and the Interest Rate Swap Guarantor under the Interest Rate Swap Guarantee and the amount standing to the credit of the Issuer Accounts but excluding, for the avoidance of doubt, any Excess Swap Collateral). The Issuer and the Security Trustee will have no recourse against Black Horse Limited other than, among

other things, its indirect right (a) as provided in the Receivables Sale and Purchase Agreement for breach of warranty and for breach of other obligations by Black Horse Limited as Seller and (b) in relation to the Servicing Agreement for breach of Black Horse Limited's obligations as Servicer thereunder.

In addition, neither the Issuer nor the Security Trustee will have any general right of recourse to the Lloyds Group, other than to Lloyds TSB Bank plc in its capacity as Servicer Guarantor and Interest Rate Swap Guarantor following a failure by the Servicer or the Interest Rate Swap Counterparty under their respective agreements, as applicable. The Servicer Guarantee will be available up to and including the Servicer Guarantor Termination Date (which may be a date earlier than the redemption in full of the Notes or the termination of the Servicing Agreement). The Swap Guarantee will be available up to and including the Swap Guarantor Termination Date (which may be a date earlier than redemption in full of the Notes and termination of the Interest Rate Swap). The Deed of Charge provides that, upon enforcement, certain payments (including all amounts payable to any receiver appointed under the Deed of Charge, the Note Trustee and the Security Trustee), including costs of enforcement, notwithstanding the fact that the Security Trustee has been directed to enforce the security by the Noteholders or a Swap Counterparty, the fees and expenses payable to a substitute administrator, subject to a limit, and payments due to the Swap Counterparties under any Swap will be made in priority to (or in the case of payments to the Currency Swap Counterparty *pari passu* with) payments in respect of interest on the Class A Notes, and all such payments will rank ahead of, among other things, all amounts then owing to the Class U Noteholders.

### ***Subordination***

As indicated above, in respect of the obligations of the Issuer to pay interest and repay principal on the Notes, the Conditions and the Deed of Charge will provide both upon and prior to enforcement that (i) the Class U Notes are subordinated to the Class A1 Notes and the Class A2 Notes and (ii) the Notes of each Class are subordinated to the rights of the Secured Creditors ranking higher than that Class in the applicable Priority of Payments and are subordinated generally to the claims of all Related Third Party Creditors of the Issuer.

### ***Limited Recourse Obligations of the Issuer***

All payment obligations of the Issuer under the Notes constitute limited recourse obligations to pay. Therefore, the Noteholders will have a claim under the Notes against the Issuer only and only to the extent of the security granted pursuant to the Deed of Charge which includes, *inter alia*, amounts received by the Issuer under the Purchased Receivables and under the other Transaction Documents. The Charged Property may not be sufficient to pay amounts due under the Notes, which may result in a shortfall in amounts available to pay interest and principal on the Notes.

The Notes shall not give rise to any payment obligation in addition to the foregoing. The enforcement of the payment obligations under the Notes shall only be effected by the Security Trustee in accordance with the Deed of Charge. Upon enforcement of the Security by the Security Trustee, if:

- (a) there is no Charged Property remaining which is capable of being realised or otherwise converted into cash;
- (b) all amounts available from the Charged Property have been applied to meet or provide for the relevant obligations specified in, and in accordance with, the provisions of the Deed of Charge; and



- (c) there are insufficient amounts available from the Charged Property to pay in full, in accordance with the provisions of the Deed of Charge, amounts outstanding under the Notes (including payments of principal and interest),

then the Secured Creditors (which include the Noteholders) shall have no further claim against the Issuer in respect of any amounts owing to them which remain unpaid (including, for the avoidance of doubt, payments of principal and interest in respect of the Notes) and such unpaid amounts shall be deemed to be discharged in full and any relevant payment rights shall be deemed to cease.

Each Secured Creditor agrees that if any amount is received by it (including by way of set-off) in respect of any secured obligation owed to it other than in accordance with the provisions of the Deed of Charge, then an amount equal to the difference between the amount so received by it and the amount that it would have received had it been paid in accordance with the provisions of the Deed of Charge shall be received and held by it as trustee for the Note Trustee and shall be paid over to the Note Trustee immediately upon receipt so that such amount can be applied in accordance with the provisions of the Deed of Charge.

#### ***Absence of a secondary market and market value of the Notes***

Although the Prospectus has been approved by the Central Bank, as competent authority under the Prospectus Directive and application has been made to the Irish Stock Exchange for the Notes to be admitted to the Official List and trading on its regulated market, there is not, at present, an active and liquid secondary market for the Notes. There can be no assurance that a secondary market for any of the Notes will develop or, if a secondary market does develop, that it will provide the holders of such Notes with liquidity of investment or that it will continue for the life of the Notes. Consequently, any purchaser of the Notes must be prepared to hold the Notes until final redemption or earlier application in full of the proceeds of enforcement of the Charged Property by the Security Trustee and, in certain cases, as a result of any early redemption of the Notes as to which see further below. The market price of the Notes could be subject to fluctuation in response to, among other things, variations in the value of the Purchased Receivables, the market for similar securities, prevailing interest rates, changes in regulation and general market and economic conditions. It should not be assumed that there will be a significant correlation between the market value of the Notes and the market value of the Purchased Receivables.

In addition, potential investors in Notes should be aware of the prevailing and widely reported global credit market conditions (which continue at the date hereof), whereby there is a severe lack of liquidity in the secondary market for instruments similar to the Notes. As a result of the current liquidity crisis, there exist significant additional risks to the Issuer and the investors which may affect the returns on the Notes to investors.

In addition, the current liquidity crisis has stalled the primary market for a number of financial products including instruments similar to the Notes. While it is possible that the current liquidity crisis may alleviate for certain sectors of the global credit markets, there can be no assurance that the market for securities similar to the Notes will recover at the same time or to the same degree as such other recovering global credit market sectors.

#### ***The Notes may not be a suitable investment for all investors***

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (a) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained in this Prospectus;

- (b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- (c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;
- (d) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- (e) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

A potential investor should not invest in the Notes, which are complex financial instruments, unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

See also Risk Factors – *Regulatory Initiatives may result in increased regulatory capital requirements and/or decreased liquidity in respect of the Notes.*

#### ***Market disruption***

The Rate of Interest in respect of the Notes (other than the Class A2 Notes) for each Interest Period will be one month Sterling LIBOR (or, in the case of the first Interest Period, the linear interpolation of Sterling LIBOR for one month and two month Sterling deposits) plus the relevant margin, determined in accordance with Condition 4.3 (Rate of Interest). The Rate of Interest in respect of Class A2 Notes for each Interest Period will be one month EURIBOR (or, in the case of the first Interest Period, the linear interpolation of EURIBOR for one month and two month euro deposits) plus the relevant margin, determined in accordance with Condition 4.3 (Rate of Interest). Condition 4.3 (Rate of Interest) contains provisions for the calculation of such underlying rates based on rates given by various market information sources and Condition 4.3 (Rate of Interest) contains an alternative method of calculating the underlying rate should any of those market information sources be unavailable. The market information sources might become unavailable for various reasons, including suspensions or limitations on trading, events which affect or impair the ability of market participants in general, or early closure of market institutions. These could be caused by physical threats to the publishers of the market information sources, market institutions or market participants in general, or unusual trading, or matters such as currency changes.

#### ***Limited enforcement rights***

Condition 10 (Enforcement) limits the ability of the Noteholders of each Class to take individual action against the Issuer or any of the Charged Property in any circumstances except where the Note Trustee or the Security Trustee, having become bound to take action against the Issuer, fails to do so within a reasonable period of becoming so bound and prevents the Noteholders of each Class from taking or joining in taking steps for the purpose of petitioning for Insolvency Proceedings or other similar or analogous proceedings in respect of the Issuer.

In addition, pursuant to Condition 10 (Enforcement), following the occurrence of an Event of Default the Note Trustee cannot be required to direct the Security Trustee to enforce, and the Security Trustee cannot be required to enforce, the Security except pursuant to a request in writing of

the holders of at least 20 per cent. in aggregate of the Principal Amount Outstanding of the Most Senior Class of Notes or an Extraordinary Resolution of the holders of the Most Senior Class of Notes (subject, in each case, to being indemnified and/or secured to its satisfaction).

### ***Deferral of Interest Payments***

If, on any Interest Payment Date whilst any of the Class A Notes remains outstanding, the Issuer has insufficient funds to make payment in full of all amounts of interest (including any accrued interest thereon) payable in respect of the Class U Notes after having paid or provided for items of higher priority in the Pre-Acceleration Revenue Priority of Payments, then the Issuer will be entitled under Condition 15 (Subordination by Deferral of the Class U Notes) to defer payment of that amount (to the extent of the insufficiency) until the following Interest Payment Date or such earlier date as interest in respect of the Class U Notes becomes due and payable in accordance with the Conditions. This will not constitute an Event of Default. If there are no Class A Notes then outstanding, the Issuer will not be entitled, under Condition 15 (Subordination by Deferral of the Class U Notes), to defer payments of interest in respect of the Class U Notes.

Failure to pay interest on the Class A Notes shall constitute an Event of Default under the Notes which may result in the Note Trustee directing the Security Trustee to enforce the Security.

### ***Rights available to Holders of Notes of different classes***

In performing its duties as Note Trustee for the Noteholders, the Note Trustee will have regard to the interests of all Noteholders. Where, however, there is a conflict between the interests of the holders of one Class of Notes and the holders of another Class(es) of Notes, the Note Trustee will (other than as set out in the Trust Deed, in particular with regards to modifications, consents and waivers) be required to have regard only to the holders of the Most Senior Class of Notes outstanding and will not have regard to any lower ranking Class of Notes nor to the interests of the other Secured Creditors except to ensure the application of the Issuer's funds in accordance with the relevant Priority of Payments.

### ***Meetings of Noteholders, Modification and Waiver***

The Conditions contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The Conditions also provide that the Note Trustee or, as the case may be, the Security Trustee, may agree, without the consent of the Noteholders or the other Secured Creditors (but, in the case of the Security Trustee only, with the written consent of the Secured Creditors which are a party to the relevant Transaction Document), to (i) any modification of, or the waiver or authorisation of, any breach or proposed breach of, the Conditions of the Notes or any of the Transaction Documents which is not, in the opinion of the Note Trustee, or, as the case may be, the Security Trustee, materially prejudicial to the interests of the Noteholders or (ii) any modification which, in the Note Trustee's or, as the case may be, the Security Trustee's opinion, is of a formal, minor or technical nature or to correct a manifest error. In respect of an occurrence of an Event of Default specified in paragraph (d) of Condition 9.1 (Events of Default), prior to serving a Note Acceleration Notice on the Issuer, with a copy to the Security Trustee, the Note Trustee must certify in writing to the Issuer that such event is, in its opinion, materially prejudicial to the interests of the Most Senior Class Outstanding. The Note Trustee may also, without the consent of the Noteholders, if it is of the opinion that such determination will not be materially prejudicial to the interests of the Noteholders,

determine that an Event of Default shall not, or shall not subject to specified conditions, be treated as such. See "*Terms and Conditions of the Notes – Condition 11.7*" below.

### ***Certain material interests***

The Arranger (and, as such, one of the Joint Lead Managers) is the indirect parent of the Seller and provides a number of services and support to the Seller. In addition to acting as Arranger and Joint Lead Manager, Lloyds TSB Bank plc will also act as Interest Rate Swap Guarantor, Currency Swap Counterparty, Account Bank, GIC Provider, and Servicer Guarantor. Other parties to the transaction may also perform multiple roles, including Black Horse Limited, who will act as Seller, Servicer, Cash Manager, Subordinated Loan Provider and Interest Rate Swap Counterparty.

The terms of the Transaction Documents do not prevent any of the parties to the Transaction Documents from rendering services similar to those provided for in the Transaction Documents to other persons, firms or companies or from carrying on any business similar to or in competition with the business of any of the parties to the Transaction Documents.

Accordingly, conflicts of interest may exist or may arise as a result of parties to this transaction:

- (a) having previously engaged or in the future engaging in transactions with other parties to the transaction;
- (b) having multiple roles in this transaction; and/or
- (c) carrying out other transactions for third parties.

### ***Ratings of Notes and confirmations of ratings***

The ratings assigned to the Class A Notes by each Rating Agency are based, amongst other things, on the terms of the Transaction Documents and other relevant structural features of this transaction, including (but not limited to) the short-term and/or long-term unsecured, unguaranteed and unsubordinated debt ratings of the Interest Rate Swap Guarantor, the Currency Swap Counterparty, the Servicer Guarantor, the GIC Provider and the Account Bank, a credit assessment of the Receivables, and reflect only the views of the Rating Agencies. The ratings address the likelihood of full and timely receipt by the Noteholders of interest on the Class A Notes and the likelihood of receipt by the Noteholders of principal of the Class A Notes by the Final Maturity Date. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the Rating Agencies. There is no assurance that any such ratings will continue for any period of time or that they will not be reviewed, revised, suspended or withdrawn entirely by the Rating Agencies as a result of changes in or unavailability of information or if, in the judgement of the Rating Agencies, circumstances so warrant. A qualification, downgrade or withdrawal of any of the ratings mentioned above may impact upon the value of the Notes.

Agencies other than the Rating Agencies could seek to rate the Notes and, if such unsolicited ratings are lower than the comparable ratings assigned to the Class A Notes by the Rating Agencies, those shadow ratings could have an adverse effect on the value of the Notes. For the avoidance of doubt and unless the context otherwise requires, any references to **ratings** or **rating** in this Prospectus are to ratings assigned by the specified Rating Agency only.

### ***Unsecured rights against Black Horse Limited***

The Issuer's claims against Black Horse Limited arising as a result of the disposal of the related Vehicle (including in circumstances where the Seller has exercised the Defaulted Receivables Call Option and/or the VT Receivables Call Option and is to account to the Issuer for the proceeds of any

realisation), are unsecured contractual claims against Black Horse Limited. The Issuer is therefore dependant upon Black Horse Limited actually recovering such proceeds from the sale of any Vehicles and remitting to the Issuer any proceeds of such realisation. To the extent Black Horse Limited does not adequately carry out its recovery procedures as against a Customer or with respect to a Vehicle or otherwise account for any proceeds of such action to the Issuer, the Issuer's ability to make payments on the Notes may be adversely affected.

#### ***Future relationship between Lloyds TSB Bank plc and the Servicer and Cash Manager***

As at the date of this Prospectus, Lloyds TSB Bank plc is the indirect parent of the Servicer. The Lloyds Banking Group is currently considering the disposal of certain of its business units. There can be no assurance that Lloyds TSB Bank plc will not during the life of the transaction dispose of all or the majority of its shares in the Servicer or all or substantially all of the Servicer's business. However, Lloyds TSB Bank plc has agreed to guarantee the performance of the Servicer and accordingly will procure that the Servicer (or another member of the Lloyds Banking Group) performs the Servicer's obligations under the Servicing Agreement until the Servicer Guarantee Termination Date. Noteholders should however be aware that the Servicer Guarantee Termination Date may occur prior to the redemption in full of the Notes or termination of the Servicing Agreement, as further described in the section entitled "*Summary of the Transaction Documents – Servicer Guarantee*" for example, in circumstances where a replacement guarantor is identified or a Back-Up Servicer is appointed.

In the event of a disposal of the Servicer, Lloyds TSB Bank plc may continue to guarantee the performance of the Servicer, or otherwise may procure that a suitably-rated entity (whether that entity is a member of the Lloyds Banking Group or not) is appointed in place of the Servicer to perform the obligations of the Servicer under the Servicing Agreement. Alternatively, a replacement Servicer Guarantor may be appointed. The Issuer may additionally call the Notes following the occurrence of a Change of Control Event in accordance with Condition 6.2(d) (Optional Redemption for taxation or other reasons).

#### ***Voluntarily Terminated Receivables and Repayment of the Notes***

In the event that a Customer has paid at least 50 per cent. of the total amount payable for the Vehicle under the relevant HP Agreement, the Customer may, pursuant to sections 99 and 100 of the Consumer Credit Act 1974 (the CCA), terminate the relevant HP Agreement without making further monthly hire-purchase payments for the relevant Vehicle. In order to terminate the relevant HP Agreement, the Customer is required to notify Black Horse Limited in writing and upon notification, Black Horse Limited will arrange recovery of the Vehicle. Following such notification and recovery of the Vehicle by Black Horse Limited, the Seller is under an obligation pursuant to the Receivables Sale and Purchase Agreement to sell the Vehicle and to remit the proceeds of such sale to the Issuer.

Any exercise by a Customer of its right to terminate the relevant HP Agreement may result in the Notes being redeemed earlier than anticipated. In addition, if the proceeds remitted to the Issuer from the sale of the relevant Vehicle (following its recovery by Black Horse Limited) are not sufficient to cover the purchase price paid by the Issuer for the Related Receivable less any Principal Element received from the relevant Customer prior to the date of termination by the Customer, then this would result in the Issuer receiving less in respect of the Related Receivable than it would have expected. These factors could have an adverse effect on the Issuer's ability to make payments on the Notes and on the yield to maturity of the Notes.

### ***Market for Receivables***

The ability of the Issuer to redeem all the Notes in full, after the occurrence of an Event of Default in relation to the Notes, whilst any of the Purchased Receivables remain outstanding, may depend on whether the Purchased Receivables can be sold, otherwise realised or refinanced so as to obtain a sufficient amount available for the distribution to the Issuer to enable it to redeem the Notes. There is no established active and liquid secondary market for auto hire-purchase receivables in the United Kingdom. It is therefore possible that neither the Issuer nor the Security Trustee is able to sell, otherwise realise or refinance the Purchased Receivables on appropriate terms should it be necessary for it to do so. Any failure by the Issuer or the Security Trustee to sell or refinance the Purchased Receivables following an Event of Default could have an adverse effect on the Issuer's ability to make payments under the Notes.

### ***Counterparty Credit Risk***

Payments in respect of the Notes of each Class are subject to credit risk in respect of the Paying Agents, the Cash Manager, the Swap Counterparties, the Interest Rate Swap Guarantor, the Account Bank, the Servicer and the Seller and, in the event of the Insolvency of any of them, the Issuer will be treated as a general unsecured creditor of the insolvent counterparty. This risk is mitigated with respect to the Interest Rate Swap Guarantor, the Currency Swap Counterparty and the Account Bank by the requirement under the terms of each of the Swap Agreements and the Account Bank Agreement that each such counterparty has certain minimum required ratings (as to which see further "*Transaction Summary – Trigger Table – Ratings Trigger Table*" above and "*Summary of Transaction Documents*" below. Contractual remedies are also provided in the event of a downgrading of such counterparties (see the section headed "*Summary of the Transaction Documents*"). However, in the event that any relevant third party fails to perform its obligations under the respective agreements to which it is a party, the Noteholders may be adversely affected. No assurances can be given that the Issuer will be able to find any replacement providers with the requisite ratings on a timely basis or at all.

### ***Interest Rate Risk***

All amounts of interest payable under or in respect of the HP Agreements comprising the Portfolio will be calculated by reference to a fixed rate of interest, whilst the Notes (other than the Class A2 Notes) will bear interest by reference to Sterling LIBOR plus a margin and the Class A2 Notes will bear interest by reference to EURIBOR plus a margin. As a result, in the event that Sterling LIBOR or EURIBOR were to exceed a certain level, the Issuer could have insufficient funds available in accordance with the Pre-Acceleration Revenue Priority of Payments to make payment of interest on the Notes in full. In order to reduce the risk of any interest rate movements, the Issuer will enter into the Swap Agreements.

All payments to be made by the Issuer under the Swap Agreements, other than certain Subordinated Swap Amounts, will be made in the case of the Interest Rate Swap Agreement in priority to or in the case of the Currency Swap Agreement *pari passu* with interest payments due to the Class A Noteholders. If a Swap Counterparty fails to provide the Issuer with any amount due from it under a Swap Agreement on any Interest Payment Date, or if the Issuer (or the Cash Manager on its behalf) is unable to carry out a trade in the spot exchange market, or if any hedging transaction under the Swap Agreements is otherwise terminated, the Issuer may have insufficient funds to make payments due on the Notes.

The notional amounts of the hedging transactions entered into pursuant to the Swap Agreements will be calculated by reference to (in the case of the Interest Rate Swap Agreement) the Outstanding Principal Balance of the Purchased Receivables (other than the Defaulted Receivables and the

Delinquent Receivables) (or, in respect of the Currency Swap Agreement, the Principal Amount Outstanding of the Class A2 Notes). The notional balance of the Interest Rate Swap Agreement will reduce in accordance with a reduction on the performing balance of the Purchased Receivables. The notional balance of the Currency Swap Agreement will reduce in accordance with the provisions for mandatory redemption set out in Condition 6.3 (Mandatory Redemption in Part) or in the case of optional redemption under Condition 6.2 (Optional Redemption for taxation or other reasons). If an Event of Default or a Termination Event occurs under the terms of a Swap Agreement, then a termination payment may become due and payable by the Issuer under the Swap Agreement.

The benefits of the Swap Agreements may not be achieved in the event of the early termination of a Swap Agreement, including termination upon the failure of a Swap Counterparty to perform its obligations thereunder. In the event of the insolvency of a Swap Counterparty, the Issuer will be treated as a general unsecured creditor of the Swap Counterparty for any termination sum due from the Swap Counterparty to the Issuer. Consequently, the Issuer will be subject to the credit risk of the Swap Counterparty. However, in the event that the Swap Counterparty ceases to have the Required Rating, the Swap Counterparty will be required to undertake certain remedial actions (see the section entitled "*Credit Structure, Liquidity and Hedging*").

For further details on the Swap Counterparties and the Swap Agreements, please see the sections entitled "*The Swap Counterparties and Collection Guarantors*" and "*Summary of Principal Documents*" below.

### ***Exchange Rate Risks***

Repayments of principal and payments of interest on the Class A2 Notes will be made in Euro by the Issuer, but payments will be received by the Issuer from the Customers under the Receivables in Sterling. In order to mitigate the Issuer's currency exchange rate exposure, including any interest rate exposure connected with that currency exposure, the Issuer will enter into the Currency Swap Agreement with the Currency Swap Counterparty.

If the Issuer fails to make timely payments of amounts due under the Currency Swap Agreement, then it will have defaulted under the swap. The Currency Swap Counterparty is only obliged to make payments to the Issuer under the Currency Swap Agreement as long as the Issuer complies with its payment obligations under the Currency Swap Agreement. If the Issuer fails to make timely payments under the Currency Swap Agreement, the Currency Swap Counterparty will have the right to terminate the Currency Swap Agreement.

If the Currency Swap Counterparty terminates the Currency Swap Agreement or if the Currency Swap Counterparty defaults in its obligations to make payments of amounts in euro equal to the full amount to be paid to the Issuer on the payment dates under the Currency Swap Agreement, the Issuer will be exposed to changes in euro/sterling currency exchange rates and could have insufficient euro funds to enable it to make payments under the Class A2 Notes.

If the Currency Swap Counterparty defaults under the Currency Swap Agreement, the Issuer will have the right under certain circumstances to terminate the Currency Swap Agreement. Upon such termination the Issuer is obliged to obtain a replacement swap. There can be no assurance that a suitable swap counterparty could be engaged such that a replacement swap could be so obtained. Unless a suitable replacement swap is entered into, the Issuer would be exposed to currency exchange risks in connection with the related Notes.

### ***Termination Payments on the Swap Agreements***

If any Swap Agreement terminates, the Issuer may be obliged to make a termination payment to the related Swap Counterparty. The amount of the termination payment will be based on the cost of entering into a replacement swap agreement. There can be no assurance that the Issuer will have sufficient funds available to make any termination payment due under any Swap Agreement.

Except where a Swap Counterparty has caused a Swap Agreement to terminate as a result of the Swap Counterparty's own default or ratings downgrade (as to which see further below), any termination payment due by the Issuer following termination of a Swap Agreement (including any extra costs incurred (for example, from entering into "spot" currency or interest rate swaps) if the Issuer cannot immediately enter into a replacement swap agreement) will also rank, in the case of the Interest Rate Swap Agreement, in priority to the Class A Notes and the Class U Notes and, in the case of the Currency Swap Agreement, *pari passu* to the Class A Notes.

Therefore, if the Issuer is obliged to make a termination payment to a Swap Counterparty or pay any other additional amounts as a result of the termination of a Swap Agreement, this could affect the Issuer's ability to make timely payments on the Notes.

In the event that any of the above parties were to fail to perform their obligations under the respective agreements to which they are a party, investors may be adversely affected.

### ***Insolvency proceedings and subordination provisions***

There is uncertainty as to the validity and/or enforceability of a provision which (based on contractual and/or trust principles) subordinates certain payment rights of a creditor to the payment rights of other creditors of its counterparty upon the occurrence of insolvency proceedings relating to that creditor. In particular, recent cases have focused on provisions involving the subordination of a hedging counterparty's payment rights in respect of certain termination payments upon the occurrence of insolvency proceedings or other default on the part of such counterparty. Such provisions are similar in effect to the terms which will be included in the Transaction Documents relating to the subordination of Subordinated Swap Amounts.

The English Court of Appeal has recently affirmed the decision of the English High Court that such a subordination provision is valid under English law, although the UK Supreme Court has granted leave to appeal with respect to the Court of Appeal's decision and the appeal is expected to be heard in early March 2011. Contrary to the determination of the English courts, the US Bankruptcy Court recently held that such a subordination provision is unenforceable under US bankruptcy law and that any action to enforce such provision would violate the automatic stay which applies under such law in the case of a US bankruptcy of the counterparty. The implications of this conflicting judgment are not yet known, particularly as the US Bankruptcy Court approved in December 2010, the settlement of the case to which the judgment relates.

If a creditor of the Issuer (such as the Interest Rate Swap Counterparty or the Currency Swap Counterparty) or a related entity becomes subject to insolvency proceedings in any jurisdiction outside England and Wales (including, but not limited to, the US), and it is owed a payment by the Issuer, a question arises as to whether the insolvent creditor or any insolvency official appointed in respect of that creditor could successfully challenge the validity and/or enforceability of subordination provisions included in the English law governed Transaction Documents (such as a provision of the Priorities of Payments which refers to the ranking of the Interest Rate Swap Counterparty's and the Currency Swap Counterparty's payment rights in respect of Subordinated Swap Amounts). In particular, based on the decision of the US Bankruptcy Court referred to above, there is a risk that such subordination provisions would not be upheld under US bankruptcy laws.



Such laws may be relevant in certain circumstances with respect to the Interest Rate Swap Counterparty or the Currency Swap Counterparty given that in the case of the Currency Swap Counterparty it has assets and/or operations in the US, notwithstanding that it is a non-US established entity (and/or with respect to any replacement counterparty, depending on certain matters in respect of that entity). In general, if a subordination provision included in the Transaction Documents was successfully challenged under the insolvency laws of any relevant jurisdiction outside England and Wales and any relevant foreign judgment or order was recognised by the English courts, there can be no assurance that such actions would not adversely affect the rights of the Noteholders, the market value of the Notes and/or the ability of the Issuer to satisfy its obligations under the Notes.

Lastly, given the general relevance of the issues under discussion in the judgments referred to above and that the Transaction Documents will include terms providing for the subordination of Subordinated Swap Amounts, there is a risk that the final outcome of the dispute in such judgments (including any recognition action by the English courts) may result in negative rating pressure in respect of the Notes. If any rating assigned to the Notes is lowered, the market value of the Notes may reduce.

#### ***Average Life of the Notes and Prepayment Risk***

The Final Maturity Date of the Class A Notes and the Class U Notes is the Interest Payment Date falling in 2017. However, the average life of each Class of Notes is expected to be shorter than the number of years until the Final Maturity Date. An estimate of the average life of the Notes of each Class is set forth in the section headed "*Estimated Weighted Average Life of the Notes*". However, the figures set out in that section are based on and qualified by the assumptions and hypothetical scenarios set out in that section, they are not predictive nor do they constitute a forecast; the actual average life of each Class of Notes is likely to differ from the estimates made in that section.

The maturity of the different Classes of Notes may also occur earlier than the estimated average life due to early payment of Purchased Receivables. Under the CCA, the Customer is allowed to make early settlement of the HP Agreement in full or in part before its scheduled final payment date. As this may occur at any time, there can be no assurance that there will be any particular pattern of payments. In addition, the Customer may voluntarily terminate the HP Agreement upon payment of 50 per cent. of the total amount payable for the Vehicle without making further monthly hire-purchase payments for the Vehicle. Accordingly, there can be no assurance as to the rate at which Notes will be redeemed. See further the sections entitled "*2. The Portfolio and Black Horse Limited – Consumer Credit Act 1974*" and "*– Regulated Hire-Purchase Agreements*".

In addition, the terms of the Notes provide for an optional early redemption of the Notes by the Issuer in the following circumstances:

- (a) where the Principal Amount Outstanding of the Notes is equal to or less than 10 per cent. of the aggregate Principal Amount Outstanding of the Notes as at the Closing Date;
- (b) as a result of any obligation on the Issuer to make a withholding or deduction for or on account of tax in respect of payments under the Notes;
- (c) upon the occurrence of a Change of Control Event; and
- (d) upon repayment in full of the Class A Notes.

Any exercise by the Issuer of its right to redeem the Notes in any of the above circumstances may result in the Notes being redeemed earlier than anticipated by the Noteholders.

### ***Book-Entry Interests in respect of the Class A Notes***

Unless and until Definitive Notes are issued in exchange for the book-entry interests in the Global Notes in respect of the Class A Notes through the Clearing Systems, holders and beneficial owners of book-entry interests will not be considered the legal owners or holders of the Class A Notes under the Trust Deed. After payment by the Principal Paying Agent to Euroclear or Clearstream, Luxembourg, the Issuer will not have responsibility or liability for the payment of interest, principal or other amounts in respect of the Class A Notes to holders or beneficial owners of book-entry interests.

The Class A Notes will be represented by Global Notes delivered to a common safekeeper for Clearstream, Luxembourg and Euroclear, and will not be held by the beneficial owners or their nominees. As a result, unless and until Class A Notes in definitive form are issued, beneficial owners will not be recognised by the Issuer, the Note Trustee or the Security Trustee as Noteholders, as that term is used in the Trust Deed. Accordingly, each person owning a book-entry interest must rely on the relevant procedures of Euroclear and Clearstream, Luxembourg and, if such person is not a participant in such entities, on the procedures of the participant through which such person owns its interest, to exercise any right of a Noteholder under the Trust Deed.

Payments of principal and interest on, and other amounts due in respect of, each Global Note in respect of the Class A Notes will be made by the Principal Paying Agent to the order of the Common Safekeeper thereof against presentation. Upon receipt of any payment from the Principal Paying Agent, Euroclear and Clearstream, Luxembourg, as applicable, will credit participants' accounts with payment in amounts proportionate to their respective ownership of book-entry interests as shown on their records. The Issuer expects that payments by participants or indirect payments to owners of book-entry interests held through such participants or indirect participants will be governed by standing customer instructions and customary practices, as is now the case with the securities held for the accounts of customers registered in "street name", and will be the responsibility of such participants or indirect participants. None of the Issuer, the Note Trustee, the Security Trustee, any Paying Agent or the Joint Lead Managers will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, the book-entry interests or for maintaining, supervising or reviewing any records relating to such book-entry interests.

Unlike Noteholders, holders of the book-entry interests will not have the right under the Trust Deed to act upon solicitations by or on behalf of the Issuer for consents or requests by or on behalf of the Issuer for waivers or other actions from Noteholders. Instead, a holder of book-entry interests in respect of the Class A Notes will be permitted to act only to the extent it has received appropriate proxies to do so from Euroclear or Clearstream, Luxembourg (as the case may be) and, if applicable, their participants. There can be no assurance that procedures implemented for the granting of such proxies will be sufficient to enable holders of book-entry interests in respect of the Class A Notes to vote on any requested actions on a timely basis. Similarly, upon the occurrence of an Event of Default under the Notes, holders of book-entry interests in respect of the Class A Notes will be restricted to acting through Euroclear and Clearstream, Luxembourg unless and until Individual Note Certificates are issued in accordance with the relevant provisions described herein under the section entitled "*Terms and Conditions of the Notes*". There can be no assurance that the procedures to be implemented by Euroclear and Clearstream, Luxembourg under such circumstances will be adequate to ensure the timely exercise of remedies under the Trust Deed.

Although Euroclear and Clearstream, Luxembourg have agreed to certain procedures to facilitate transfers of book-entry interests among account holders of Euroclear and Clearstream, Luxembourg, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Issuer, the Note Trustee, the Security Trustee, any Paying Agent or any of their agents or the Joint Lead Managers will have any responsibility for the

performance by Euroclear or Clearstream, Luxembourg or their respective participants or account holders of their respective obligations under the rules and procedures governing their operations.

Certain transfers of Notes or interests therein may only be effected in accordance with, and subject to, certain transfer restrictions and certification requirements.

### ***Definitive Notes and denominations in integral multiples***

The Class A1 Notes and the Class U Notes have a denomination consisting of a minimum authorised denomination of £100,000 plus higher integral multiples of £1,000. The Class A2 Notes have a denomination consisting of a minimum authorised denomination of €100,000 plus higher integral multiples of €1,000. Accordingly, it is possible that the Notes may be traded in amounts in excess of the minimum authorised denomination that are not integral multiples of such denomination. In such a case, if definitive Notes are required to be issued, a Noteholder who holds a principal amount less than the minimum authorised denomination at the relevant time may not receive a definitive Note in respect of such holding and may need to purchase a principal amount of Notes such that their holding amounts to the minimum authorised denomination (or another relevant denomination amount).

If definitive Notes are issued, Noteholders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum authorised denomination may be illiquid and difficult to trade.

### ***Eurosystem eligibility***

The Class A2 Notes are intended to be held in a manner which will allow Eurosystem eligibility. This means that the Class A2 Notes are intended upon issue to be deposited with one of Euroclear or Clearstream, Luxembourg as Common Safekeeper and does not necessarily mean that the Class A2 Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem (**Eurosystem eligible collateral**) either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria. As at the date of this Prospectus notes not denominated in euro will not satisfy Eurosystem eligibility criteria. It is expected that the Class A1 Notes and the Class U Notes will not satisfy the Eurosystem eligibility criteria. The Issuer gives no representation, warranty, confirmation or guarantee to any investor in the Class A2 Notes that the Class A2 Notes will, either upon issue or at any time prior to redemption in full, satisfy all or any of the requirements for Eurosystem eligibility and be recognised as Eurosystem eligible collateral. Any potential investor in the Class A2 Notes should make their own conclusions and seek their own advice with respect to whether or not the Class A2 Notes constitute Eurosystem eligible collateral.

## **2. The Portfolio and Black Horse Limited**

As the Issuer's beneficial interest in the Purchased Receivables is the primary source of funds, the Issuer's ability to pay interest and to repay principal on the Notes is dependent upon the performance of the Portfolio. The following risks relating to the Portfolio could therefore indirectly affect the Issuer's ability to meet its obligations under the Notes.

### ***Servicing of the Portfolio***

The Portfolio will be serviced by the Servicer, either directly or through a sub-delegate. Consequently, the net cash flows from the Portfolio may be affected by decisions made, actions taken and the collection procedures adopted by, the Servicer. To address this risk, the terms of the Servicing Agreement provide that the Servicer will devote to the performance of its obligations at least the same skill, care and diligence as if it held the entire benefit of the Receivables. In addition,

the Servicer Guarantor has, pursuant to the terms of the Servicer Guarantee, until the Servicer Guarantee Termination Date, agreed to guarantee the due and punctual performance by the Servicer of each and all of the obligations, warranties, duties and undertakings of the Servicer under and pursuant to the Servicing Agreement (in this regard, see further "*Future relationship between Lloyds TSB Bank plc and the Servicer and Cash Manager*" and "*Servicer Guarantee*" above). However, the Servicer will also continue to perform debt collection services for its own account and therefore will not be exclusively dedicated to the performance of the Servicer's activities under the Servicing Agreement. In addition the Servicer has undertaken in the Servicing Agreement not to amend the Credit and Collection Procedures to the extent such change would have a material adverse effect on the Issuer without the approval of the Issuer and the Security Trustee and the Note Trustee.

Upon the occurrence of any Servicer Termination Event, the Security Trustee will have the right to remove Black Horse Limited as Servicer. If the appointment of Black Horse Limited is terminated, the Issuer, at the direction of the Servicer Guarantor, will appoint a Replacement Servicer to perform the obligations which Black Horse Limited agrees to provide under the Servicing Agreement (in this regard see further "*Summary of the Transaction Documents – Servicing Agreement*"). There is no guarantee that a Replacement Servicer would be found which would be willing and able to administer the business of the Seller and the Issuer in accordance with the terms of the Servicing Agreement.

Upon and after the occurrence of a Change of Control Event or where the Servicer Guarantor either ceases to have a long-term, unsecured, unsubordinated and unguaranteed credit rating by Moody's of a least Baa3 or by Fitch of at least BBB-, the Servicer Guarantor will identify a suitable entity and direct the Issuer to appoint such entity as Back-Up Servicer. There is no guarantee that a Back-Up Servicer would be found which would be willing and able to enter into a Back-Up Servicing Agreement.

The appointment of Black Horse Limited as Servicer under the Servicing Agreement may be terminated as a result of, among other circumstances, a default by it in performing its obligations under the Servicing Agreement, its insolvency or if 12 months' notice of termination is given by Black Horse Limited and, among other things, the Issuer and the Security Trustee consent in writing to such termination.

### ***Historical Information***

The historical, financial and other information set out in the sections headed "*The Provisional Portfolio*" and "*Black Horse Limited Vehicle Funding Business*", including information in respect of collection rates, represents the historical experience of Black Horse Limited. The Portfolio sold to the Issuer on the Closing Date will comprise all or a portion of the Provisional Portfolio. There can be no assurance that the future experience and performance of the portfolio of Black Horse Limited as Seller and Servicer of the Portfolio will be similar to the experience shown in this document.

### ***Limited Data and Due Diligence relating to the Portfolio***

None of the Note Trustee, the Security Trustee, the Agents, the Irish Listing Agent, the Account Bank, the Cash Manager, the Corporate Services Provider, Holdings, the Swap Counterparties, the Arranger, the Joint Lead Managers or any other person has undertaken or will undertake any investigations, searches or other actions to verify the information concerning the Purchased Receivables or to establish the creditworthiness of any Customer. Each party to the Receivables Sale and Purchase Agreement will rely solely on representations and warranties given by the Seller in respect of, among other things, the Receivables, the Customers and the HP Agreements. Security over the Issuer's rights under the Purchased Receivables will be granted by the Issuer in favour of the Security Trustee under the Deed of Charge.

Should any of the Purchased Receivables not comply with the representations and warranties made by the Seller on the Closing Date (other than those with respect to an HP Agreement (or part thereof) being determined illegal, invalid, non-binding, unenforceable or cancellable under the CCA), the Seller will, if the relevant breach cannot be remedied, be required to repurchase the relevant Purchased Receivable not later than the end of the Calculation Period immediately following the Calculation Period in which such breach was discovered. Where Receivables are determined to be in breach of the representations and warranties made (including the Eligibility Criteria) by reason of an HP Agreement (or part thereof) being determined illegal, invalid, non-binding, unenforceable or cancellable under the CCA the Seller will not be obliged to repurchase the relevant Receivable but will pay the CCA Compensation Payment to the Issuer in an amount, calculated by the Servicer in accordance with the Servicing Agreement, required to compensate the Issuer for any loss arising as a result thereof not later than the end of the Calculation Period immediately following the Calculation Period in which such breach was discovered, subject to receipt by the Seller of notice from the Servicer of such amount.

Should the Seller fail to take appropriate remedial action under the terms of the Receivables Sale and Purchase Agreement this may have an adverse effect on the value of the Purchased Receivables and on the ability of the Issuer to make payments under the Notes.

#### ***Rights in relation to the Receivables***

The Issuer will rely on the Servicer to enforce any rights in respect of the Purchased Receivables and the related HP Agreements and to carry out the obligations described under "*Servicing*" below.

Black Horse Limited will undertake for the benefit of the Issuer that it will not take any steps in relation to the HP Agreements, otherwise than in order to perform its duties under the Servicing Agreement and that it will lend its name to, and take such other steps as may be required by the Issuer in relation to, any action (whether through the courts or otherwise) in respect of the HP Agreements.

Each HP Agreement in relation to a motor vehicle requires the Customer to take out and maintain comprehensive vehicle insurance in the Customer's name. Black Horse Limited does not have a registered interest with the insurer. Each HP Agreement also states that if the vehicle is stolen or is considered a total loss for insurance purposes, the Customer must transfer all his rights to any monies in respect of a claim on the relevant insurance and agrees that the insurer must pay monies directly to Black Horse Limited. Where the proceeds in the claim are insufficient to repay in full amounts owed to Black Horse Limited by the Customer under the HP Agreement, Black Horse Limited will look to the Customer to pay the difference, less any statutory rebate for early settlement. It should be noted that there can be no certainty that such insurance has in fact been taken out or maintained or that any proceeds from such insurance will be available to Black Horse Limited, the Issuer or the Security Trustee.

#### ***Risk of late payment of monthly instalments***

Whilst each HP Agreement has due dates for scheduled payments thereunder, there is no assurance that the Customers under those HP Agreements will pay in time, or at all. Any such failure by the Customers to make payments under the HP Agreements would have an adverse effect on the Issuer's ability to make payments under the Notes. The risk of late payment by Customers in respect of any Income Element is in part mitigated by the Reserve Fund and the use of Available Principal Receipts to be applied in respect of Revenue Deficiencies (and, on the Final Class A Interest Payment Date only, the use of amounts standing to the credit of the Reserve Fund as Available Principal Receipts). However, Noteholders should be aware that the Reserve Fund and Available Principal Receipts can only be used to mitigate the risk of late payment with respect to the Class A Notes and not in respect

of the Class U Notes. Whilst the Issuer may draw on amounts standing to the credit of the Reserve Fund and, in respect of a Revenue Deficiency relating to the Class A Notes, Available Principal Receipts in certain circumstances to make payments in respect of interest on the Class A Notes, no assurance can be given that the Issuer will have sufficient funds to make payments in full in respect of the Notes. In addition, Available Principal Receipts may not be applied to pay a Revenue Deficiency with respect to any Class of Notes other than the Class A Notes and is subject to the amount credited to the Principal Deficiency Ledger being 100 per cent. of the Principal Amount Outstanding of the Class U Notes and 50 per cent. or more of the Principal Amount Outstanding of the Class A Notes.

In addition, the Seller may, but is not obliged to, repurchase any Defaulted Receivable.

### ***No Right, Title or Interest in the Vehicles***

Black Horse Limited will only transfer the benefit of the Purchased Receivables, which will consist of unsecured monetary obligations of Customers under the HP Agreements, and the proceeds (net of associated expenses) of contracts for the sale (or lease, hire-purchase, use or other disposition) of any Vehicles following their repossession or recovery by Black Horse Limited or its agents if such contracts are governed by English law; if such contracts are governed by Scots law, the Issuer will rely on Black Horse Limited to fulfil its contractual undertaking to pay to the Issuer any net proceeds of such contracts.

The Issuer will not receive any right, title or interest in the Vehicles themselves which are the underlying subject matter of the HP Agreements and will have no direct right to repossess a Vehicle if a Customer defaults under his HP Agreement. The Issuer will rely on the Servicer to exercise the rights and carry out the obligations described in "*Black Horse Limited's Vehicle Finance Business—Collection Procedures*" and "*Credit Assessment*". Black Horse Limited as Servicer will undertake for the benefit of the Issuer that it will not take any steps, or cause any steps to be taken, in relation to the HP Agreements or the Vehicles, otherwise than in order to perform its duties under the Servicing Agreement and the Receivables Sale and Purchase Agreement and that it will lend its name to, and take such other steps as may be required by the Issuer in relation to, any action (whether through the courts or otherwise) in respect of the HP Agreements. Furthermore, it should be noted that it may be difficult to trace and repossess any Vehicle, that any proceeds arising on the disposal of a Vehicle may be less than the total amount outstanding under the relevant HP Agreement, that any Vehicle may be subject to an existing lien or similar right (for example, in respect of repairs carried out by a garage for which no payment has yet been made) and that any action to recover outstanding amounts may not be pursued if to do so would be uneconomic. However, it should also be noted that to the extent the Vehicle is stolen or is otherwise a total loss then the relevant insurer in respect of such Vehicle will pay any amounts under the relevant insurance policy directly to the Seller and the Seller will in turn remit such amounts to the Issuer.

As the Issuer does not have any rights in, over or to the Vehicles but only to the sale proceeds thereof, in the event of any insolvency of the Seller, the Issuer is reliant on any administrator or liquidator of the Seller taking appropriate steps to sell any such Vehicle that has been returned or repossessed. As the sale proceeds from the Vehicles have been assigned to the Issuer pursuant to the Receivables Sale and Purchase Agreement, the Vehicles will have no economic value to the insolvent estate and therefore to the Seller's creditors as a whole. It is therefore unlikely that an administrator or liquidator of the Seller will have any incentive to take any steps to deal with the Vehicles contrary to the provisions of the Transaction Documents. However, in the absence of such an economic interest, the administrator or liquidator may not be incentivised to realise the value of the Vehicles in a timely manner.

This risk is mitigated by the inclusion of a provision in the Servicing Agreement providing that the Issuer will pay, in accordance with the relevant Priority of Payments, any administrator or liquidator's costs and expenses in selling such Vehicles and, in addition, an Administrator Incentive Recovery Fee. However, there can be no certainty that any administrator or liquidator would take such actions to sell any Vehicles returned or recovered. Furthermore, any failure or delay on the part of an administrator or liquidator to sell or consent to the sale of a Vehicle could have an adverse effect on the ability of the Issuer to make payments on the Notes.

#### ***Financed Other Dealer Insurance Products***

Certain Customers when entering into an HP Agreement have also agreed to take out one or more Other Dealer Insurance Products or ODIPs. The HP Agreement, in addition to financing the relevant Vehicle under the HP Agreement, may also finance such ODIPs. The main consequences of the HP Agreement financing such insurance products are as follows:

- (a) Where the Customer cancels an ODIP, he is entitled to receive from the relevant insurer a refund of premium for the remaining term of the insurance. Under the terms of the HP Agreement, however, the Customer is not obliged to apply any such refund towards repaying the HP Agreement. Therefore, where the Seller has recovered the Vehicle and sold it, the net proceeds of such sale (which are to be remitted to the Issuer) may only cover the amount payable for the Vehicle and may be insufficient to cover the amount payable for the ODIP. The net proceeds of sale remitted to the Issuer may not be sufficient to cover the purchase price paid by the Issuer for the related Purchased Receivable. This would result in the Issuer receiving less in respect of the related Purchased Receivable than it would have expected. This could have an adverse effect on the Issuer's ability to make payments under the Notes.
- (b) Under the terms of the HP Agreement, the Customer is not obliged to apply any insurance monies payable by the insurer under any ODIP in or towards repaying the HP Agreement. This will be of particular importance where monies are not paid directly by the insurer to the Seller. In any event, monies payable by the insurer under any ODIP may not be sufficient to cover the amount payable under the HP Agreement. Such insurance monies, even when aggregated with any net proceeds of sale of the Vehicle, may not be sufficient to cover the amount payable under the HP Agreement. This would result in the Issuer receiving less in respect of the related Receivable than it anticipated. This could have an adverse effect on the Issuer's ability to make payments under the Notes.
- (c) The Seller could be liable to the Customer in certain circumstances for misrepresentation and breach of contract by the supplier of the insurance product, as described in paragraph (ii) in the section entitled "*Consumer Credit Act 1974*".

#### ***Potential Adverse Changes to the Value and/or Composition of the Portfolio***

No assurances can be given that the respective values of the Vehicles to which the Portfolio relates have not depreciated or will not depreciate at a rate greater than the rate which they were expected to do so on the date of origination of the Receivables. If this has happened or happens in the future, or if the used car market in the United Kingdom should experience a downturn, or if there is a general deterioration of the economic conditions in the United Kingdom, then any such scenario could have an adverse effect on the ability of Customers to repay amounts under the relevant HP Agreement and/or the likely amount to be recovered upon a forced sale of the Vehicles upon default by Customers or the exercise of a voluntary termination by the Customer under an HP Agreement. This in turn could have an adverse effect on the Issuer's ability to make payments under the Notes.

In addition, certain geographical regions in the United Kingdom may from time to time experience weaker regional economic conditions and car markets than will other regions in the United Kingdom, and consequently could experience higher rates of loss and default on car loans generally.

The Eligibility Criteria have been set as at the date of this document to operate so as to mitigate this risk. However, no assurances can be given that circumstances in the future will not change such that the composition of the Portfolio at any time in the future may deteriorate in view of the circumstances then subsisting.

### 3. **General Legal Considerations**

#### *UK Taxation Position of the Issuer*

The Issuer has been advised that it should fall within the permanent regime for the taxation of securitisation companies (as introduced by the Taxation of Securitisation Companies Regulations 2006 (SI 2006/3296) (the **Securitisation Regulations**)), and as such should be taxed only on the amount of its "retained profit" (as that term is defined in the Securitisation Regulations), for so long as it satisfies the conditions of the Securitisation Regulations. However, if the Issuer does not satisfy the conditions to be taxed in accordance with the Securitisation Regulations (or subsequently does not), then profits or losses could arise in the Issuer which could have tax effects not contemplated in the cashflows for the transaction described in this Prospectus and as such adversely affect the tax treatment of the Issuer and consequently payment on the Notes.

#### *EU Savings Directive*

Under EC Council Directive 2003/48/EC (the **Directive**) on the taxation of savings income, a Member State is required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Austria and Luxembourg are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

The European Commission has proposed certain amendments to the Directive, which may, if implemented, amend or broaden the scope of the requirements described above.

#### *English law security and insolvency considerations*

The Issuer will enter into the Deed of Charge pursuant to which it will grant the Security in respect of certain of its obligations, including its obligations under the Notes (as to which, see "*Summary of Key Transaction Documents — Deed of Charge*"). If certain insolvency proceedings are commenced in respect of the Issuer, the ability to realise the Security may be delayed and/or the value of the Security impaired.

In particular, the ability to realise the Security granted by the Issuer may be delayed if an administrator is appointed or in the context of a company voluntary arrangement in respect of the Issuer. In this regard, it should be noted that:

- (a) in general, an administrator may not be appointed in respect of a company if an administrative receiver is in office. Amendments were made to the Insolvency Act 1986 in September 2003 which restrict the right of the holder of a floating charge to appoint an



administrative receiver, unless an exception applies. Significantly, one of the exceptions allows for the appointment of an administrative receiver in relation to certain transactions in the capital market. While it is anticipated that the requirements of this exception will be met in respect of the Deed of Charge, it should be noted that the Secretary of State for Business, Innovation & Skills may by regulation modify the capital market exception and/or provide that the exception shall cease to have effect; and

- (b) under the Insolvency Act 1986 (as amended by the Insolvency Act 2002), certain "small" companies (which are defined by reference to certain financial and other tests) are entitled to seek protection from their creditors for a limited period for the purposes of putting together a company voluntary arrangement. The position as to whether or not a company is a small company may change from time to time and consequently no assurance can be given that the Issuer will not, at any given time, be determined to be a small company. However, certain companies are excluded from the optional moratorium provisions, including a company which is party to certain transactions in the capital market and/or which has a liability in excess of a certain amount. While the Issuer should fall within the current exceptions, it should be noted that the Secretary of State for Business, Innovation & Skills may by regulation modify these exceptions.

In addition, it should be noted that, to the extent that the assets of the Issuer are subject only to a floating charge (including any fixed charge recharacterised by the courts as a floating charge), in certain circumstances under the provisions of section 176A of the Insolvency Act 1986, certain floating charge realisations which would otherwise be available to satisfy the claims of secured creditors under the Deed of Charge may be used to satisfy any claims of unsecured creditors. While certain of the covenants given by the Issuer in the Transaction Documents are intended to ensure it has no significant creditors other than the secured creditors under the Deed of Charge, it will be a matter of fact as to whether the Issuer has any other such creditors at any time. There can be no assurance that the Noteholders will not be adversely affected by any such reduction in floating charge realisations upon the enforcement of the Security.

While the transaction structure is designed to minimise the likelihood of the Issuer becoming insolvent, there can be no assurance that the Issuer will not become insolvent and/or the subject of insolvency proceedings and/or that the Noteholders would not be adversely affected by the application of insolvency laws (including English insolvency laws).

***Fixed charges may take effect under English law as floating charges***

Pursuant to the terms of the Deed of Charge, the Issuer has purported to grant fixed charges over, among other things, its interests in the HP Agreements, its rights and benefits in the Bank Accounts and all Authorised Investments purchased from time to time.

The law in England and Wales relating to the characterisation of fixed charges is unsettled. The fixed charges purported to be granted by the Issuer (other than by way of assignment in security) may take effect under English law as floating charges only, if, for example, it is determined that the Security Trustee does not exert sufficient control over the Charged Property (although it should be noted that there is no equivalent concept of recharacterisation of fixed security as floating security under Scots law). If the charges take effect as floating charges instead of fixed charges, then, as a matter of law, certain claims would have priority over the claims of the Security Trustee in respect of the floating charge assets. In particular, the expenses of any winding-up or administration, and the claims of any preferential creditors, would rank ahead of the claims of the Security Trustee in this regard. The Enterprise Act 2002 abolished the preferential status of certain Crown debts (including the claims of the UK tax authorities). However, certain employee claims (in respect of contributions to pension schemes and wages) still have preferential status. In this regard, it should be noted that the Issuer has

agreed in the Transaction Documents not to have any employees. However, please see "*Pensions Act 2004*" in respect of certain contribution notices and financial support directions.

The interest of the Secured Creditors in property and assets over which there is a floating charge will rank behind the expenses of any administration or liquidator and the claims of certain preferential creditors on enforcement of the Security. Section 250 of the Enterprise Act 2002 abolishes Crown Preference in relation to all insolvencies (and thus reduces the categories of preferential debts that are to be paid in priority to debts due to the holder of a floating charge) but a new Section 176A of the Insolvency Act 1986 (as inserted by Section 251 of the Enterprise Act 2002) requires a "prescribed part" (up to a maximum amount of £600,000) of the floating charge realisations available for distribution to be set aside to satisfy the claims of unsecured creditors. This means that the expenses of any administration, the claims of preferential creditors and the beneficiaries of the prescribed part will be paid out of the proceeds of enforcement of the floating charge ahead of amounts due to Noteholders. The prescribed part will not be relevant to property subject to a valid fixed security interest or to a situation in which there are no unsecured creditors.

In addition, any administrative receiver, administrator or liquidator appointed in respect of the Issuer will be required to set aside the prescribed percentage or percentages of the floating charge realisations in respect of the floating charges contained in the Deed of Charge.

#### ***Liquidation expenses***

Prior to the House of Lords' decision in the case of *Re Leyland Daf* in 2004, the general position was that, in a liquidation of a company, the liquidation expenses ranked ahead of unsecured debts and floating chargees' claims. *Re Leyland Daf* reversed this position so that liquidation expenses could no longer be recouped out of assets subject to a floating charge. However, section 176ZA of the Insolvency Act 1986, which came into force on 6 April 2008, effectively reversed by statute the House of Lords' decision in *Re Leyland Daf*. As a result, it is now the case that the costs and expenses of a liquidation will be payable out of floating charge assets in priority to the claims of the floating charge-holder. In respect of certain litigation expenses of the liquidator only, this is subject to the approval of the amount of such expenses by the floating charge-holder (or, in certain circumstances, the court) pursuant to rules 4.218A to 4.218E of the Insolvency Rules 1986. In general, the reversal of *Leyland Daf* applies in respect of all liquidations commenced on or after 6 April 2008.

Therefore, floating charge realisations upon the enforcement of the floating charge security to be granted by the Issuer would be reduced by the amount of all, or a significant proportion of, any liquidation expenses.

#### ***Pensions Act 2004***

Under the Pensions Act 2004 a person that is "connected with" or an "associate" of an employer under an occupational pension scheme can be subject to either a contribution notice or a financial support direction. The Issuer may be treated as "connected with" an employer under an occupational pension scheme which is within the Lloyds Banking Group.

A contribution notice could be served on the Issuer if it was party to an act, or a deliberate failure to act and either (A), the main purpose or one of the main purposes of which was either (i) to prevent the recovery of the whole or any part of a debt which was, or might become, due from the employer under Section 75 of the Pensions Act 1995 or (ii) to prevent such a debt becoming due, to compromise or otherwise settle such a debt, or to reduce the amount of such a debt which would otherwise become due or (B), in the opinion of the UK Pensions Regulator it has detrimentally affected in a material way the likelihood of accrued scheme benefits being received. A contribution

notice can only be served where the Pensions Regulator considers it is reasonable to do so, having regard to a number of factors.

A financial support direction could be served on the Issuer where the employer is either a service company or insufficiently resourced. An employer is insufficiently resourced if the value of its resources is broadly less than 50 per cent. of the pension scheme's deficit calculated on an annuity buy-out basis and there is a connected or associated person whose resources at least cover that difference. A financial support direction can only be served where the Pensions Regulator considers it is reasonable to do so, having regard to a number of factors.

In *In re Nortel GmbH* and related companies; In *re Lehman Brothers International (Europe) (in administration) and related companies [2010] EWHC 3010 (Ch)*, the High Court in the UK ruled that liabilities arising from the financial support direction regime created by the Pensions Act 2004 upon companies in administration or liquidation were payable as a liquidation or administration expense (i.e. to be paid before any distributions to unsecured creditors).

If a contribution notice or financial support direction were to be served on the Issuer this could adversely affect the interests of the Noteholders.

### ***Change of law***

The structure of the issue of the Notes is based on English law and Scots law and United Kingdom tax, regulatory and administrative practice in effect as at the date of this Prospectus and having due regard to the expected tax treatment of all relevant entities under such law and practice. No assurance can be given as to the impact of any possible change to English law and Scots law and United Kingdom tax, regulatory or administrative practice after the date of this Prospectus.

### ***Implementation of Basel II risk-weighted framework***

The Basel II framework has not been fully implemented in all participating countries. The implementation of the framework in relevant jurisdictions may affect the risk-weighting of the Notes for investors who are or may become subject to capital adequacy requirements that follow the framework.

It should also be noted that the Basel Committee has approved significant changes to the Basel II framework (such changes being commonly referred to as **Basel III**), including new capital and liquidity requirements intended to reinforce capital standards and to establish minimum liquidity standards for credit institutions. In particular, the changes refer to, amongst other things, new requirements for the capital base, measures to strengthen the capital requirements for counterparty credit exposures arising from certain transactions and the introduction of a leverage ratio as well as short-term and longer-term standards for funding liquidity (referred to as the "Liquidity Coverage Ratio" and the "Net Stable Funding Ratio"). Member countries will be required to implement the new capital standards from January 2013, the new Liquidity Funding Ratio from January 2015 and the Net Stable Funding Ratio from January 2018. The European authorities have indicated that they support the work of the Basel Committee on the approved changes in general, and the European Commission's corresponding proposals to implement the changes (through amendments to the Capital Requirements Directive known as **CRD IV**) are expected to be presented in March 2011. The changes approved by the Basel Committee may have an impact on incentives to hold the Notes for investors that are subject to requirements that follow the revised framework and, as a result, they may affect the liquidity and/or value of the Notes.

In general, investors should consult their own advisers as to the regulatory capital requirements in respect of the Notes and as to the consequences to and effect on them of any changes to the Basel II

framework (including the Basel III changes described above) and the relevant implementing measures. No predictions can be made as to the precise effects of such matters on any investor or otherwise.

***Regulatory initiatives may result in increased regulatory capital requirements and/or decreased liquidity in respect of the Notes***

In Europe, the U.S. and elsewhere there is increased political and regulatory scrutiny of the asset-backed securities industry. This has resulted in a raft of measures for increased regulation which are currently at various stages of implementation and which may have an adverse impact on the regulatory capital charge to certain investors in securitisation exposures and/or the incentives for certain investors to hold asset-backed securities, and may thereby affect the liquidity of such securities. Investors in the Notes are responsible for analysing their own regulatory position and none of the Issuer, the Arranger, the Joint Lead Managers or the Seller makes any representation to any prospective investor or purchaser of the Notes regarding the regulatory capital treatment of their investment in the Notes on the Closing Date or at any time in the future.

In particular, investors should be aware of Article 122a of the EU Capital Requirements Directive (and any implementing rules of the CRD in relation to a relevant jurisdiction) which applies in general to newly issued securitisations after 31 December 2010. Article 122a restricts an EU regulated credit institution from investing in a securitisation unless the originator, sponsor or original lender in respect of that securitisation has explicitly disclosed to the EU regulated credit institution that it will retain, on an ongoing basis, a net economic interest of not less than 5 per cent. in that securitisation as contemplated by Article 122a. Article 122a also requires an EU regulated credit institution to be able to demonstrate that it has undertaken certain due diligence in respect of, amongst other things, the Notes it has acquired and the underlying exposures and that procedures have been established for such due diligence to be conducted on an on-going basis. Failure to comply with one or more of the requirements set out in Article 122a may result in the imposition of a penal capital charge with respect to the investment made in the securitisation by the relevant investor.

Article 122a applies in respect of the Notes so investors which are EU regulated credit institutions should therefore make themselves aware of the requirements of Article 122a (and any implementing rules of the CRD in relation to a relevant jurisdiction) in addition to any other regulatory requirements applicable to them with respect to their investment in the Notes. Relevant investors are required to independently assess and determine the sufficiency of the information described in this Prospectus and in any investor reports provided in relation to the transaction for the purpose of complying with Article 122a and none of the Issuer, the Seller, the Servicer, the Cash Manager, the Servicer Guarantor, the Arranger, the Joint Lead Managers or any Transaction Party makes any representation that the information described above is sufficient in all circumstances for such purposes.

There remains considerable uncertainty with respect to Article 122a and it is not clear what will be required to demonstrate compliance to national regulators. Investors who are uncertain as to the requirements that will need to be complied with in order to avoid the additional regulatory charges for non compliance with Article 122a and any implementing rules of the CRD in a relevant jurisdiction should seek guidance from their regulator. Similar requirements to those set out in Article 122a are expected to be implemented for other EU regulated investors (such as investment firms, insurance and reinsurance undertakings and certain hedge fund managers) in the future.

Article 122a of the EU Capital Requirements Directive and any other changes to the regulation or regulatory treatment of the Notes for some or all investors may negatively impact the regulatory

position of individual investors and, in addition, have a negative impact on the price and liquidity of the Notes in the secondary market.

### ***Risks relating to the Banking Act 2009***

Under the Banking Act 2009 (the **Banking Act**), substantial powers have been granted to HM Treasury, the Bank of England and the UK Financial Services Authority (the FSA and, together with HM Treasury and the Bank of England, the **Authorities**) as part of the special resolution regime (the **SRR**). These powers enable the Authorities to deal with and stabilise UK-incorporated institutions with permission to accept deposits pursuant to Part IV of the Financial Services and Markets Act 2000 (the **FSMA**) (such as the Currency Swap Counterparty, the Servicer Guarantor, the Interest Rate Swap Guarantor and the Account Bank) (each a **Relevant Entity**) that are failing or are likely to fail to satisfy the threshold conditions (within the meaning of section 41 of the FSMA). The SRR consists of three stabilisation options: (i) transfer of all or part of the business of the Relevant Entity or the shares of the Relevant Entity to a private sector purchaser; (ii) transfer of all or part of the business of the Relevant Entity to a “bridge bank” wholly-owned by the Bank of England; and (iii) temporary public ownership of the Relevant Entity. HM Treasury may also take a parent company of a Relevant Entity into temporary public ownership where certain conditions are met. The Banking Act also provides for two new insolvency and administration procedures for relevant entities. Certain ancillary powers include the power to modify certain contractual arrangements in certain circumstances. It is possible that one of the stabilisation options could be exercised prior to the point at which any application for an insolvency or administration order with respect to the Relevant Entity could be made.

In general, the Banking Act requires the Authorities to have regard to specified objectives in exercising the powers provided for by the Banking Act. One of the objectives (which is required to be balanced as appropriate with the other specified objectives) refers to the protection and enhancement of the stability of the financial system of the United Kingdom. The Banking Act includes provisions related to compensation in respect of transfer instruments and orders made under it. The Authorities are also empowered by order to amend the law for the purpose of enabling the powers under the special resolution regime to be used effectively. An order may make provision which has retrospective effect. In general, there is considerable uncertainty about the scope of the powers afforded to the Authorities under the Banking Act and how the Authorities may choose to exercise them.

If an instrument or order were to be made under the Banking Act in respect of a Relevant Entity, such instrument or order may (amongst other things) affect the ability of such entities to satisfy their obligations under the Transaction Documents and/or result in modifications to such documents. In particular, modifications may be made pursuant to powers permitting certain trust arrangements to be removed or modified and/or via powers which permit provision to be included in an instrument or order such that the relevant instrument or order (and certain related events) is required to be disregarded in determining whether certain widely defined "default events" have occurred (which events would include certain trigger events included in the Transaction Documents in respect of the relevant entity, including termination events). As a result, the making of an instrument or order in respect of a Relevant Entity may affect the ability of the Issuer to meet its obligations in respect of the Notes. While there is provision for compensation in certain circumstances under the Banking Act, there can be no assurance that Noteholders would recover compensation promptly and equal to any loss actually incurred.

At present, the Authorities have not made an instrument or order under the Banking Act in respect of the Relevant Entities referred to above and there has been no indication that it will make any such instrument or order, but there can be no assurance that this will not change and/or that Noteholders will not be adversely affected by any such instrument or order if made.

### ***Further regulation of credit institutions***

Credit institutions (such as the Currency Swap Provider, the Interest Rate Swap Guarantor, the Servicer Guarantor and the Account Bank), conduct their businesses subject to ongoing regulation and associated regulatory risks, including the effects of changes in the laws, regulations, policies, voluntary codes of practice and interpretations in the UK and the other markets where they operates. This is particularly the case in the current market environment, which is witnessing increased levels of government and regulatory intervention in the banking sector. Future changes in regulation, fiscal or other policies are unpredictable and could materially adversely affect the businesses of credit institutions such as the Currency Swap Provider, the Interest Rate Swap Guarantor, the Servicer Guarantor and the Account Bank.

Areas where changes could have an adverse impact include, but are not limited to:

- (a) the monetary, interest rate and other policies of central banks and regulatory authorities;
- (b) general changes in government or regulatory policy, or changes in regulatory regimes that may significantly influence investor decisions in particular markets, may change the structure of those markets and the products offered or may increase the costs of doing business in those markets;
- (c) changes to prudential regulatory rules relating to capital adequacy and liquidity frameworks;
- (d) external bodies applying or interpreting standards or laws differently to those applied by credit institutions historically;
- (e) changes in competition and pricing environments;
- (f) further developments in requirements relating to financial reporting, corporate governance, conduct of business and employee compensation;
- (g) expropriation, nationalisation, confiscation of assets and changes in legislation relating to foreign ownership; and
- (h) other unfavourable political, military or diplomatic developments producing social instability or legal uncertainty which, in turn, may affect demand for products and services.

In the United Kingdom and elsewhere, there is increased political and regulatory scrutiny of the banking industry and, in particular, retail banking. The UK Government, the FSA and other regulators in the United Kingdom or overseas may intervene further in relation to areas of industry risk already identified, or in new areas, which could adversely affect credit institutions such as the Currency Swap Provider, the Interest Rate Swap Guarantor, the Servicer Guarantor and the Account Bank.

Compliance with any changes in regulation or with any regulatory intervention resulting from political or regulatory scrutiny may significantly increase credit institutions costs generally, impede the efficiency of their business processes, limit their ability to pursue business opportunities, or diminish reputation. Any of these consequences could have a material adverse effect on a credit institution's (such as the Currency Swap Provider, the Interest Rate Swap Guarantor, the Servicer Guarantor and the Account Bank) operating results, financial condition and prospects.

### ***Consumer Credit Act 1974***

A credit agreement is regulated by the CCA where: (a) the customer is or includes an "individual" as defined in the CCA; (b) the amount of "credit" as defined in the CCA does not exceed any applicable financial limit in force when the credit agreement was made (the applicable financial limit was £25,000 between 1 May 1998 and 5 April 2008, and was removed on 6 April 2008 except it remains at £25,000 for certain changes to credit agreements); and (c) the credit agreement is not an exempt agreement under the CCA. A hire-purchase agreement is treated as a credit agreement, and not as a hire agreement, for the purposes of the CCA. All of the HP Agreements are regulated by the CCA.

The main consequences of a credit agreement being regulated by the CCA are described in paragraphs (i) to (ix) below.

- (i) The credit agreement has to comply with licensing and origination requirements. If it does not comply with those requirements, then it is unenforceable against the customer: (a) without an order of the Office of Fair Trading (the **OFT**), if the lender or any broker did not hold the required licence at the relevant time; (b) totally, if the credit agreement was made before 6 April 2007 and if the form to be signed by the customer was not signed by the customer personally or omits or misstates a "prescribed term"; or (c) without a court order, if other origination requirements as to pre-contract disclosure, documentation and procedures are not complied with and, in exercising its discretion whether to make the order, the court has regard to any prejudice suffered by the customer and any culpability by the lender.
- (ii) Under sections 56 and 75 of the Consumer Credit Act, the lender is liable in certain circumstances to the customer for misrepresentation and breach of contract by a supplier in a transaction between the supplier and the customer and financed by the credit agreement. This liability arises in relation to insurance products, for example the lender can be liable to the customer for misrepresentation and breach of contract by an insurer in an insurance contract between the insurer and the customer and financed by the credit agreement. The customer may set off the amount of the claim against the lender against the amount owing by the customer under the credit agreement or any other credit agreement he has taken with the lender (or exercise analogous rights in Scotland). The Seller has, pursuant to the terms of the Receivables Sale and Purchase Agreement, agreed to repurchase any Receivable that becomes a Set-off Receivable. However, if the Seller fails to comply with its obligations to repurchase the relevant Set-off Receivable, any such set-off by the Customer may adversely affect the Issuer's ability to make payments in full when due on the Notes.
- (iii) The lender has to comply with servicing requirements. For example: (a) the credit agreement is unenforceable against the customer for any period when the lender fails to comply with requirements as to annual statements, arrears notices or default notices (although any such unenforceability may be cured prospectively by the lender complying with the requirements as to annual statements, arrears notices or default notices); (b) the customer is not liable to pay interest or default fees for any period when the lender fails to comply with requirements as to annual statements or arrears notices; and (c) interest on default fees is restricted to nil until the 29th day after the day on which a notice of default fees is given and then to simple interest.
- (iv) The customer is entitled to terminate the credit agreement (and, in the case of a hire-purchase agreement, to keep the goods) by giving notice and paying the amount payable on early settlement. The amount payable by the customer on early settlement (whether on such termination by the customer, or on termination by the lender for repudiatory breach by the customer, or otherwise) is restricted by formula under the CCA. A more restrictive formula for early settlement of a credit agreement in full or in part applies to credit agreements made

on or after 1 February 2011 and credit agreements made on or after 11 June 2010 with retrospective effect from 1 February 2011.

- (v) The court has power to give relief to the customer. For example, the court may (a) make a time order, giving the customer time to pay arrears or to remedy any other breach; (b) impose conditions on, or suspend, any order made by the court in relation to the credit agreement; and (c) amend the credit agreement in consequence of a term of an order made by the court under the CCA.
- (vi) Under regulation 7 or 8 of the Unfair Terms in Consumer Contracts Regulations, the court has power to determine that the relationship between the lender and the customer arising out of the credit agreement (whether alone or with any related agreement) is unfair to the customer. If the court makes the determination, then it may make an order, among other things, requiring the originator, or any assignee such as the Issuer, to repay any sum paid by the customer. In deciding whether to make the determination, the court is required to have regard to all matters it thinks relevant, including the lender's conduct before and after making the credit agreement, and may make the determination even after the relationship has ended. Once the borrower or customer alleges that an unfair relationship exists, then the burden of proof is on the lender to prove the contrary. Recent court decisions have generally interpreted "unfair relationship" in a way favourable to customers.
- (vii) The OFT issues licences and guidance under the CCA, and has power to impose requirements on such licensees in connection with the conduct by the licensee or its current or former "associate" as defined in the CCA, and has power to impose civil penalties for breach of such requirements. Black Horse Limited as the Seller and the Servicer holds a licence under the CCA including categories for licensable activity relating to originating and servicing and the Issuer holds a licence under the CCA for licensable activity relating to being an assignee and servicing as principal.
- (viii) The Financial Ombudsman Service (the **FOS**) is an out-of-court dispute resolution scheme with jurisdiction to determine complaints against licensees under the CCA relating to conduct in the course of licensable activity under the CCA. The FOS is required to determine each case individually, with reference to its particular facts. Each case is first adjudicated by an adjudicator. Either party may appeal to a final decision by the FOS. The FOS is required to determine complaints by reference to what is, in its opinion, fair and reasonable in all the circumstances of the case, taking into account, among other things, law and guidance, and may order a money award to the customer. It is not possible to predict how any future decision of the FOS would affect the Issuer's ability to make payments in full when due on the notes.
- (ix) The Seller has interpreted certain technical rules under the CCA in a way common with many other lenders in the vehicle finance market. If such interpretation were held to be incorrect by a court or other dispute resolution authority, then the HP Agreement would be unenforceable, as described above. If such interpretation were challenged by a significant number of Customers, then this could lead to significant disruption and shortfall in the income of the Issuer. Court decisions have been made on technical rules under the CCA against certain lenders, but such decisions are very few and are generally county court decisions which are not binding on other courts.

### ***Regulated Hire-Purchase Agreements***

In addition to the main consequences of a hire-purchase agreement being regulated by the CCA as described in paragraphs (i) to (ix) above, HP Agreements are subject to the following:



- (i) The lender is liable to the customer for pre-contractual statements to the customer by a credit-broker, such as the dealer, in relation to goods sold or proposed to be sold by that credit-broker to the lender before forming the subject-matter of the hire-purchase agreement. This liability arises in relation to the vehicle, and applies for example, to the dealer's promise to the customer on the quality or fitness of the vehicle, and can extend, for example, to the dealer's promise to apply a part-exchange allowance to discharge an existing credit agreement. If any such pre-contractual statement is a misrepresentation or implied condition in the hire-purchase agreement, then the customer is entitled to claim the same types of remedies as described in "*Supply of Goods (Implied Terms) Act 1973*" below. The customer may set off the amount of any money claim against the lender against the amount owing by the customer under the credit agreement or any other credit agreement he has taken with the lender (or exercise analogous rights in Scotland). The Seller has, pursuant to the terms of the Receivables Sale and Purchase Agreement, agreed to repurchase any Receivable that becomes a Set-off Receivable. However if the Seller fails to comply with its obligations to repurchase the relevant Set-off Receivable, any such set-off may adversely affect the Issuer's ability to make payments in full when due on the Notes.
- (ii) When the customer is in breach of the hire-purchase agreement, and has paid at least one-third of the total amount payable for the goods (including any deposit), then the goods become protected goods. The lender is not entitled to repossession of protected goods without a court order or the customer's consent given at the time of repossession. If the lender recovers protected goods without such order or consent, then the hire-purchase agreement is totally unenforceable against the customer, and the customer is entitled to recover from the lender all sums paid by the customer under the agreement.
- (iii) The lender is not entitled to enter any premises to take possession of any goods subject to a hire-purchase agreement (whether protected goods or not) without a court order. In Scotland, the lender may need to obtain a court order to take possession of the goods in any event.
- (iv) The customer is entitled to terminate the hire-purchase agreement by giving notice, where he wishes to return the goods. On such termination, the customer is liable to surrender possession of the goods and pay the amount (if any) payable on voluntary termination. The amount payable by the customer on voluntary termination is restricted under the CCA to the amount (if any) required to bring the sum of all payments made and to be made by the customer for the goods up to one-half of the total amount payable for the goods (including any deposit). The customer must pay all arrears for the goods and compensation for any breach of duty to take reasonable care of the goods. Customers may take advantage of the right of voluntary termination when they are in financial difficulty, or when the residual value of the vehicle on part-exchange is less than the amount that would be payable on early settlement.
- (v) Court decisions have conflicted on whether the amount payable by the customer on termination by the lender (for example, for repudiatory breach by the customer) is restricted to the amount calculated by the one-half formula for termination by the customer. The HP Agreements provide that the amount payable by the customer on termination by the lender is calculated by: (a) the one-half formula for voluntary termination by the customer, as regards the vehicle; and (b) the formula for early settlement, as regards any insurance products. Thus the HP Agreements reflect those court decisions favourable to the customer on this point, and that by the CCA the one-half formula does not apply to any loan to finance insurance products.

- (vi) The court has power to give additional relief to the customer. For example, the court may:
  - (a) make a time order giving the customer time to pay future repayments; and
  - (b) make a postponed order by which a return order for the return of the goods to the lender is suspended until breach by the customer of a time order or until further court order.
- (vii) A disposition of the vehicle by the customer to a *bona fide* private purchaser without notice of the hire-purchase agreement will transfer to the purchaser the Seller's title to the vehicle.

### ***Supply of Goods (Implied Terms) Act 1973***

The Supply of Goods (Implied Terms) Act 1973 (the **SGITA**) provides that a hire-purchase agreement contains implied terms as to title, description and quality or fitness of the goods. The Unfair Contract Terms Act 1977 provides that (a) the implied term as to title cannot be excluded by any contract term; (b) the implied terms as to description and quality or fitness cannot be excluded in a business-to-consumer contract, and can be excluded only in so far as reasonable in a business-to-business contract.

If any goods subject to a hire-purchase agreement governed by English law are in breach of any term implied by the SGITA, then the customer is entitled to rescind the contract and return the goods, and to treat the contract as repudiated by the lender and accept such repudiation by notice, and is not liable to make any further payments, and may claim repayment of the amounts paid by the customer under the contract and damages such as the cost of hiring an alternative vehicle. Alternatively, the customer may elect to affirm the contract and keep the goods and claim damages, which then include the difference in value of the goods had they complied with the implied term and their true value. The customer will not lose his right to rescind the contract and return the goods for any breach of which he is unaware, such as latent defects, or defects which a consumer has had no reasonable opportunity to discover.

If there is a material breach of any term (express or implied) of a hire-purchase agreement governed by Scots law then the customer is entitled to reject the goods and treat the contract as repudiated by the lender and also claim damages. Where the breach is not material, the customer is not entitled to reject the goods but may claim damages. These provisions will not affect any other rights the customer may have under the relevant agreement.

Any damages claimed by a Customer for any defect in the vehicle may be set-off against amounts due to the Issuer. The Seller has, pursuant to the terms of the Receivables Sale and Purchase Agreement, agreed to repurchase any Receivable that becomes a Set-off Receivable. However if the Seller fails to comply with its obligations to repurchase the relevant Set-off Receivable, any such set-off (or exercise of analogous rights in Scotland) could have an adverse effect on the Issuer's ability to make payments on the Notes.

The agreements entered into with a Dealer provide that the Dealer will indemnify Black Horse Limited for certain breaches by the Dealer, including the Vehicle being in breach of certain terms implied by statute. The Seller has sold such claims against the relevant Dealer to the Issuer. However, no assurance can be given that the indemnity will cover all or any loss incurred by the Seller as a result of breach by the Dealers, including as a result of any Vehicle being in breach of any term implied by the SGITA, or that the Dealer would have the means to pay the indemnity.

### ***Unfair Terms in Consumer Contract Regulations 1999***

The Unfair Terms in Consumer Contracts Regulations 1999 (the **UTCCR**) render unenforceable unfair terms in business-to-consumer contracts (subject to certain exceptions). The UTCCR provide that: (a) a consumer may challenge a standard term in a contract on the basis that it is unfair and not

binding on the consumer (although the rest of the contract continues to bind the parties if it is capable of continuing in existence without the unfair term); and (b) the OFT and any qualifying body (such as local trading standards authorities) may seek to enjoin (or in Scotland interdict) a business from relying on unfair terms.

The UTCCR do not affect terms that define the main subject matter of the contract, such as the consumer's obligation to repay the fixed monthly repayments (provided that these terms are written in plain, intelligible language and are drawn adequately to the consumer's attention), but may affect terms that are not considered to define the main subject matter of the contract, such as terms imposing default fees.

For example, if a term permitting the lender to impose a default fee (as the Seller is permitted to do) is found to be unfair, then the consumer is not liable to pay the default fee or, to the extent that he has paid it, he may claim against the originator, or any assignee such as the Issuer, repayment of the amount of default fee paid, or may set off the amount of the claim against the amount owing by the consumer under the credit agreement or any other credit agreement he has taken with the lender (or exercise analogous rights in Scotland). Any such non-recovery, claim or set-off may adversely affect the Issuer's ability to make payments in full when due on the Notes.

The OFT addresses unfair terms in issuing licences and guidance under the CCA and in issuing guidance under the UTCCR. For example, in the context of the OFT's investigation into credit card default fees, the OFT on 5 April 2006 issued a statement of its view of the principles that credit card issuers should follow in setting default fees, and that the principles are likely to apply to analogous default fees in other contracts. The principles are in essence that terms imposing default fees should not have the object of raising more in revenue than is reasonably expected to be necessary to recover certain limited administrative costs incurred as a result of the consumer's default.

The broad and general wording of the UTCCR makes any assessment of the fairness of terms largely subjective and makes it difficult to predict whether or not a court would find a term to be unfair. It is therefore possible that any HP Agreements made with consumers may contain unfair terms, which may result in the possible unenforceability of those unfair terms. No assurance can be given that any regulatory action or guidance in respect of the UTCCR will not have a material adverse effect on the HP Agreements and accordingly on the Issuer's ability to make payments in full when due on the notes.

### ***Consumer Protection from Unfair Trading Regulations 2008***

The Consumer Protection from Unfair Trading Regulations 2008 (the **UTR**) prohibit unfair business-to-consumer commercial practices before, during and after a consumer contract is made. The UTR are not intended to give any claim, defence or right of set-off to an individual consumer, but require the OFT and local trading standards authorities to enforce the UTR by prosecution or by seeking an enforcement order to prevent a business from carrying on unfair practices. In addition, the OFT addresses commercial practices in issuing licences and guidance under the CCA and in issuing guidance on the UTR. No assurance can be given that any regulatory action or guidance in respect of the UTR will not have a material adverse effect on the HP Agreements and accordingly on the Issuer's ability to make payments in full when due on the Notes.

### ***General***

No assurance can be given that changes will not be made to the regulatory regime and developments described above in respect of the vehicle finance market in the United Kingdom generally, the Seller's particular sector in that market or specifically in relation to the Seller. Any such action or developments, in particular, but not limited to, the cost of compliance, may have a material adverse

effect on the Seller, the Issuer and/or the Servicer and their respective businesses and operations. This may adversely affect the Issuer's ability to make payments in full when due on the Notes.

***Equitable assignment***

The assignment by the Seller of the English Receivables will take effect in equity only because no notice of the assignment will be given to Customers unless a Perfection Event shall have occurred. The Issuer will assign to the Security Trustee by way of security, among other things, the Issuer's interest in the Purchased Receivables.

The giving of notice to the Customer of the Seller's assignment would have the following consequences:

- (a) Notice to the Customer would "perfect" the assignment so that the Issuer would take priority over any interest of a later encumbrancer or assignee of the Seller's rights who has no notice of the assignment to the Issuer.
- (b) Notice to a Customer would mean that the Customer should no longer make payment to the Seller as creditor under the HP Agreement but should make payment instead to the Issuer. If the Customer were to ignore a notice of assignment and pay the Seller for its own account, the Customer will still be liable to the Issuer for the amount of such payment. However, for so long as Black Horse Limited remains the Servicer under the Servicing Agreement it is also the agent of the Issuer for the purposes of the collection of the Purchased Receivables and will, accordingly, be accountable to the Issuer for any amount paid to it in respect of the Purchased Receivables.
- (c) Until notice is given to the Customer, equitable set-offs (such as referred to in "*Consumer Credit Act 1974*", "*Regulated Hire-Purchase Agreements*", "*Supply of Goods (Implied Terms) Act 1973*" and "*Unfair Terms in Consumer Contracts Regulations 1999*" above) may accrue in favour of the Customer in respect of his obligation to make payments under the relevant HP Agreement. These may, therefore, result in the Issuer receiving less monies than anticipated from the Purchased Receivables. The assignment of any Purchased Receivables to the Issuer will be subject both to any prior equities which have arisen in favour of the Customer and to any equities which may arise in the Customer's favour after the assignment until such time (if ever) as he receives actual notice of the assignment. However, where the set-off by a Customer is connected with the HP Agreement (as would be the case for claims in respect of the related ODIP products or vehicle defects) the Customer may exercise a set-off (or exercise analogous rights in Scotland), irrespective of any notice given to them of the assignment to the Issuer.
- (d) Notice to the Customer would prevent the Seller and the Customer amending the Related HP Agreement without the involvement of the Issuer. However, the Seller will undertake for the benefit of the Issuer that it will not waive any breach under, or amend the terms of, any of the HP Agreements, other than in accordance with its usual credit policies (as described below).
- (e) Lack of notice to the Customer means that the Issuer will have to join the Seller as a party to any legal action which the Issuer may want to take against any Customer. The Seller will, however, undertake for the benefit of the Issuer that it will lend its name to, and take such other steps as may be required by the Issuer or the Note Trustee in relation to, any action in respect of the Purchased Receivables.

Perfection Events have been used to mitigate the risk deriving from the equitable assignment but there can be no certainty as to the timing and effectiveness of such Perfection Events. In addition, the Seller has undertaken to the Issuer and the Security Trustee that if the Seller or (where the Seller does not have an independent rating the Servicer Guarantor) either ceases to have a long-term, unsecured, unsubordinated and unguaranteed credit rating by Moody's of a least Baa3 or by Fitch of at least BBB-, the Servicer Guarantor must identify a suitable entity to act as Back-Up Servicer and direct the Issuer to appoint such entity as Back-Up Servicer. If a Back-Up Servicer is not appointed by the Issuer within 60 days the Seller shall deliver to the Issuer, the Security Trustee and the Rating Agencies a draft letter of notice to be sent to each Customer following the occurrence of a Perfection Event.

### ***Scottish Receivables***

Legal title to the Scottish Receivables will remain with Black Horse Limited because no formal assignment thereof duly intimated to the relevant Customers will be made. The legal position of the Issuer and the Seller in respect of the Scottish Receivables is substantially in accordance with that set out above in relation to the holding of an equitable interest in the English Receivables.

The fixed charge granted by the Issuer in favour of the Security Trustee over the Issuer's interest in the Purchased Receivables includes, among other things, an assignment in security of the Issuer's interest in the Scottish Receivables.

## **4. General Tax Considerations**

### ***Withholding tax in respect of the Notes and the Swap Agreements***

In the event that any withholding or deduction for or on account of tax is required to be made from payments due under the Notes (as to which see the section entitled "*United Kingdom Taxation*" below), neither the Issuer nor any other person will be obliged to pay any additional amounts to Noteholders or to otherwise compensate Noteholders for the reduction in the amounts they would receive as a result of such withholding or deduction. If such a withholding or deduction is required to be made, the Issuer will have the option (but not the obligation) of redeeming all outstanding Notes in full at their Principal Amount Outstanding (together with accrued interest). For the avoidance of doubt, neither the Note Trustee nor the Noteholders will have the right to require the Issuer to redeem the Notes in these circumstances.

In the event that any such withholding or deduction for or on account of tax is required to be made from any payment due from the Swap Counterparty under the Swap Agreements, the Swap Counterparty will be obliged to pay an additional amount to the Issuer, such that the Issuer receives an amount after such deduction or withholding equal to the amount it would have received had no such deduction or withholding been required. The Issuer is not required to pay any additional amounts to the Swap Counterparty in the event that a withholding or deduction for or on account of tax is required to be made from any payments the Issuer makes under the Swap Agreement.

If a Swap Counterparty is obliged to pay such an increased amount as a result of it being obliged to make such a withholding or deduction, the Swap Counterparty may terminate the transactions under the relevant Swap Agreement (subject to the Swap Counterparty's obligation to use its reasonable efforts (provided that such efforts shall not cause significant economic hardship to the relevant Swap Counterparty) to transfer its rights and obligations under the Swap Agreement to another of its offices or affiliates such that payments made by and to that office or affiliate under the Swap Agreement can be made without any withholding or deduction for or on account of tax and, in a case where the Issuer wishes to exercise its right to terminate the transactions under the Swap Agreement, subject to the Ratings Condition being satisfied notwithstanding such termination). If a transaction

under the Swap Agreement is terminated, the Issuer may be unable to meet its obligations under the Notes in full, with the result that the Noteholders may not receive all of the payments due to them in respect of the Notes.

## **5. General Considerations**

### *Forecasts and Estimates*

Estimates of the weighted average life of the Notes included in this Prospectus, together with any other projections, forecasts and estimates are supplied for information only and are forward-looking statements. Such projections, forecasts and estimates are speculative in nature and it can be expected that some or all of the assumptions underlying them may differ or may prove substantially different from the actual results. Consequently, the actual results might differ from the projections and such differences might be significant.

**The Issuer believes that the risks described above are the principal risks inherent in the transaction for Noteholders, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with the Notes may occur for other reasons and the Issuer does not represent that the above statements regarding the risks of holding the Notes are exhaustive. Although the Issuer believes that the various structural elements described in this Prospectus mitigate some of these risks for Noteholders, there can be no assurance that these measures will be sufficient to ensure payment to Noteholders of interest, principal or any other amounts on or in connection with the Notes on a timely basis or at all.**

## SUMMARY OF THE TRANSACTION DOCUMENTS

*The description of the Transaction Documents set out below is a summary of certain features of those agreements and is qualified by reference to the detailed provisions of the terms and conditions of those agreements. Prospective Noteholders may inspect a copy of each of the Transaction Documents upon request at the Specified Office of the Principal Paying Agent.*

### **Receivables Sale and Purchase Agreement**

On the Closing Date the Seller, the Issuer, the Servicer, the Servicer Guarantor and the Security Trustee will enter into the Receivables Sale and Purchase Agreement.

Pursuant to the Receivables Sale and Purchase Agreement, the Issuer will purchase from the Seller the Purchased Receivables and the Ancillary Rights. The Receivables which are intended to be purchased by the Issuer consist of certain amounts due to the Seller from Customers in respect of HP Agreements. The Portfolio sold to the Issuer on the Closing Date will comprise all or part of the Provisional Portfolio.

The HP Agreements, which are agreements mainly directed at retail customers, are available for both new and used vehicles. After an initial down payment, financing provided under an HP Agreement, carrying a fixed rate of return, is typically amortised in equal monthly instalments over the repayment period, which varies between six and 60 months. Whilst the Customer is the registered keeper of the Vehicle, the Seller remains the owner unless and until the Customer exercises its option to purchase the Vehicle. The HP Agreements also include unsecured loans made to Customers to finance ODIP, where the Customer elects to take such ODIP and finance for them.

The Receivables include all amounts due under the HP Agreements together with the Ancillary Rights.

The Purchase Price for each Receivable purchased by the Issuer will comprise the amount, determined as at the Closing Date as being the amount attributable to principal (rather than income) of scheduled payments (which for the avoidance of doubt shall include any option fees and fees payable as part of or together with the last payment under the HP Agreement, capitalised interest and capitalised arrears), due from Customers under the Related HP Agreement during the period beginning on (but excluding) the Closing Date and ending on (and including) the maturity date of such HP Agreement and any Deferred Purchase Price.

The Cut-off Date was 6 December 2010.

### ***Undertakings given by the Seller***

The Receivables Sale and Purchase Agreement contains a number of undertakings by the Seller in respect of its activities relating to the Receivables and the related Vehicles. These include undertakings to refrain from conducting activities with respect to the Receivables and the related Vehicles which may adversely affect the Receivables and the related Vehicles and, in particular, not to assign or transfer the whole or any part of the Receivables to any third party, not to create or allow to be created, to arise or to exist any Encumbrance or other right in favour of any third party in respect of the Receivables between the Cut-off Date and the date of perfection of the relevant assignment and to transfer promptly to the Issuer all amounts received by the Seller from or in respect of the Purchased Receivables.

In addition, the Seller has undertaken to promptly (in each case after the relevant Vehicle is in its possession or control) sell any Vehicles surrendered, recovered or otherwise returned to the Seller in accordance with the terms of the relevant HP Agreement and the Credit and Collection Procedures (except where the Receivable related to such Vehicle shall have previously been repurchased by the Seller in accordance with the terms of the Receivables Sale and Purchase Agreement and other than pursuant to the VT Receivables Call Option or the Defaulted Receivables Call Option) and account for the proceeds of such sale to the Issuer

further to the sale and assignment of the Receivables to the Issuer pursuant to the Receivables Sale and Purchase Agreement provided that where the Receivable related to such Vehicle has been repurchased pursuant to the VT Receivables Call Option or the Defaulted Receivables Call Option only to the extent that the proceeds of such sale are in excess of the Initial VT Receivables Payment or the Initial Defaulted Receivables Payment, as applicable.

None of the Issuer or the Security Trustee or the Note Trustee, the Joint Lead Managers or the Arranger has undertaken or will undertake any investigation to verify the details of the Receivables and will rely solely on the representations and warranties given by the Seller to the Issuer pursuant to the Receivables Sale and Purchase Agreement.

### ***Representations and Warranties given by the Seller***

Under the Receivables Sale and Purchase Agreement, on the Closing Date and, if applicable on the date of any Variation and in respect of (t) on each Calculation Date, the Seller will make, *inter alia*, the following representations and warranties to the Issuer regarding the Receivables:

- (a) **Compliance with Eligibility Criteria:** Each Receivable and each Related HP Agreement complies in all respects with the Eligibility Criteria;
- (b) **Status:** Each Related HP Agreement was entered into on the terms of one of the Standard Documentation without alteration or addition to the form (other than the form being completed in accordance with the Seller's policies) and no Related HP Agreement is a "modifying agreement" as defined in section 82(2) of the CCA (broadly, an agreement varying or supplementing an earlier Related HP Agreement) or a novated agreement;
- (c) **Valid and Binding:** Each Related HP Agreement (i) discloses a Customer address in England and Wales or Scotland only and (ii) is a legal, valid and binding obligation of the relevant Customer and, subject to any laws from time to time in effect relating to bankruptcy, liquidation or any other laws or other procedures affecting generally the enforcement of creditors' rights, is in all material respects enforceable in accordance with its terms and is non-cancellable and freely assignable;
- (d) **No prior assignment, set-off or defence:** No Related HP Agreement is subject to any claim, equity, defence, right of retention or set-off by the Customer except by virtue of (i) section 56 or 75 of the CCA and (ii) regulation 7 or 8 of the Unfair Terms in Consumer Contracts Regulations 1999;
- (e) **Legal and beneficial ownership:** Immediately prior to the Closing Date, the Seller is and (subject to any prior Encumbrance which has been subsequently discharged) always has been the sole legal and beneficial owner of each Receivable and the Ancillary Rights relating thereto and is selling each Receivable and the Ancillary Rights relating thereto free from any Encumbrance (including rights of attaching creditors and trust interests) and, save as provided for in the Transaction Documents and save for the rights of the Customer under the relevant Related HP Agreement, there is no option or right to acquire or create any Encumbrance, on, over or affecting the Receivable or the Ancillary Rights relating thereto;
- (f) **No Default:** So far as the Seller is aware, there is no material default, breach or violation under any Related HP Agreement which has not been remedied or any event which, with the giving of notice and/or the making of any determination and/or the expiration of any applicable grace period, would constitute such default, breach or violation, provided that any default, breach or violation shall be material if it in any way affects the amount or the collectability of the Receivables arising under the Related HP Agreement and provided further that any breach relating to non payment shall not be material unless it would be such as would cause the relevant Receivable not to comply with the Eligibility Criteria;



- (g) **Option to purchase and return of goods:** No Related HP Agreement provides for (i) an option to purchase fee greater than £150 or (ii) an option to return the Vehicle instead of paying the final repayment due under the HP Agreement (excluding any option fees, the right of the Customer to voluntarily terminate an HP Agreement pursuant to Section 99 of the CCA and where a Customer returns the related Vehicle rather than paying the relevant final option to purchase fee);
- (h) **The Seller's Records:** The Seller (or the Seller's agents on the Seller's behalf) has maintained records relating to each Receivable and Related HP Agreement which are accurate and complete in all material respects and which, to the best of the knowledge, information and belief of the Seller, are sufficient to enable such Related HP Agreement to be enforced against the relevant Customer and such records are held by or to the order of the Seller;
- (i) **Credit and Collection Procedures:** Each Related HP Agreement (i) was originated in accordance with the Seller's Credit Procedures and (ii) is serviced in accordance with the Credit and Collection Procedures;
- (j) **Insurance:** The terms of each Related HP Agreement require the Customer thereunder to insure the Vehicle which is the subject thereof comprehensively against all normally insurable risks (subject to all normal excesses and deductibles);
- (k) **Other Dealer Insurance Product:** With respect to each Related HP Agreement, no finance has been provided for an insurance product other than in respect of an Other Dealer Insurance Product;
- (l) **Consumer Credit:**
  - (i) Each Related HP Agreement was originated by the Seller, as sole principal, and without any agent lender;
  - (ii) the Seller has at all material times held and continues to hold and will maintain at all material times a CCA licence to carry on consumer credit business; and
  - (iii) so far as the Seller is aware (i) each Dealer and (ii) each other person who carried on in relation to a Related HP Agreement any "credit brokerage", as defined in section 145(2) of the CCA, has at all material times held a CCA licence to carry on credit brokerage;
- (m) **Ownership:** The Seller is the legal and beneficial owner of the Vehicle to which each Receivable relates and no other person has any right or claim thereto (other than the Customer under the Related HP Agreement);
- (n) **Unfair Relationship:** No Related HP Agreement, whether alone or with any related agreement, gives rise to any "unfair relationship" between the creditor and the debtor for the purposes of sections 140A to 140D of the CCA;
- (o) **Fraud or Dispute:** So far as the Seller is aware, each Related HP Agreement under which a Receivable arises has not been entered into fraudulently by the Customer and/or Dealer in respect thereof;
- (p) **No Repossession:** No Vehicle has been repossessed by the Seller and the Seller has not given any notice, nor applied for any court order, under the CCA, in order to repossess a Vehicle as at the Cut-off Date;
- (q) **Sale of Goods Act 1979, other statutes:** Each Dealer Contract provides that all terms implied by statute relating to the sale of the Vehicles to the Seller will apply in relation to the Vehicles;

- (r) **No Onerous Acts:** None of the Related HP Agreements is such that it may give rise to (or is linked in any way to any collateral contract in respect of, or including, the insurance of the Vehicle the subject of the Related HP Agreement or in respect of the Customer thereunder, or the maintenance or servicing of such Vehicle between the Seller and the relevant Customer which may give rise to) any liability on the part of the Seller to pay money or perform any other onerous act;
- (s) **Customer obligations:** Each Related HP Agreement includes obligations on the Customer to (i) keep the Vehicle in good condition and repair except for fair wear and tear and (ii) have the Vehicle serviced strictly in accordance with the manufacturer's recommendations and any applicable warranty; and
- (t) **Set-off Receivables:** On each Calculation Date, the Receivable is not a Set-off Receivable (being a Receivable in respect of which the Customer has exercised a right of set-off (or has exercised analogous rights in Scotland) which has resulted in the Issuer receiving less in respect of the Receivable than was due (but for such set-off) pursuant to Section 56 and Section 75 of the CCA and the SGITA).

Where any Purchased Receivables are determined to be in breach of any Receivables Warranties made (including the Eligibility Criteria) by reason of an HP Agreement (or part thereof) being determined illegal, invalid, non-binding, unenforceable or cancellable under the CCA), the CCA Compensation Payment shall be paid by the Seller to the Issuer by the end of the Calculation Period in which such breach of Receivables Warranty was discovered subject to receipt by the Seller of notice from the Servicer of the CCA Compensation Amount. The **CCA Compensation Amount** is an amount, calculated by the Servicer in accordance with the Servicing Agreement, required to compensate the Issuer for any loss arising as a result thereof. For further information on the calculation of such CCA Compensation Amount please see further "*Summary of Transaction Documents – Servicing Agreement*" below.

The Seller will repurchase any Non-Compliant Receivable, not later than the end of the Calculation Period immediately following the Calculation Period in which the party discovering such breach gave written notice thereof to the others. The purchase price payable by the Seller to the Issuer in consideration for the repurchase of a Non-Compliant Receivable shall be an amount equal to the Non-Compliant Repurchase Price.

In the case of a Purchased Receivable which did not exist as at the Closing Date, the Seller will not be obliged to repurchase the relevant Receivable but will pay a compensation payment to the Issuer in an amount equal to any loss suffered by the Issuer by reason of the representation or warranty being untrue or incorrect by reference to the facts subsisting on the Closing Date (the **Receivables Indemnity Amount**). Pursuant to the terms of the Servicing Agreement, the Receivables Indemnity Amount shall be calculated by the Servicer as the amount equal to (i) the Outstanding Principal Balance of the relevant Purchased Receivables had such Purchased Receivables existed and complied with each of the Receivables Warranties as at the Closing Date and (ii) any deemed interest accrued on the relevant Purchased Receivable at a rate equal to the weighted average interest rate of the Portfolio as determined by the Servicer at the end of the immediately preceding Calculation Period less any amounts in respect of any Principal Element received by the Issuer with respect to such Purchased Receivable. For further information on the calculation of such Receivables Indemnity Amount please see further "*Summary of Transaction Documents – Servicing Agreement*" below.

Pursuant to the Receivables Sale and Purchase Agreement, Black Horse Limited also represents and warrants that it has a valid and current registration under the Data Protection Act 1998 which is in full force and effect and that they are not aware of any circumstance which indicates that either such licences or such registrations are likely to be revoked or which may confer any such right of revocation.

### ***Defaulted Receivables Call Option***

Under the Receivables Sale and Purchase Agreement, the Seller will be granted the Defaulted Receivables Call Option, which will entitle the Seller, prior to the occurrence of an Insolvency Event of the Seller, to repurchase, and oblige the Issuer to sell, any Purchased Receivable which has become a Defaulted Receivable for a purchase price equal to the Defaulted Receivables Payment.

The Defaulted Receivables Payment comprises (i) an amount equal to 40 per cent. of the aggregate of the Outstanding Principal Balance plus (without double counting) all accrued and unpaid amounts of the Receivables as at the relevant date of repurchase (the **Initial Defaulted Receivables Payment**) payable on the date on which the relevant Defaulted Receivable is repurchased and (ii) an amount equal to any recoveries from the relevant Customer or amounts recovered upon a sale of the related Vehicle in excess of the Initial Defaulted Receivables Payment less an amount equal to any VAT that the Seller (or any company with which it is grouped for VAT purposes) is liable to account for in respect of the sale of such related Vehicle (if any) but, in any event, up to a maximum amount equal to the Outstanding Principal Balance of the relevant Receivable on the Repurchase Date.

If the Defaulted Receivables Call Option is exercised, the Seller is required to repurchase the relevant Receivable by the end of the Calculation Period immediately after the Calculation Period in which such Receivable became a Defaulted Receivable. The Seller is obliged to pay the Initial Defaulted Receivables Payment on the relevant repurchase date. The Seller is obliged to pay the Defaulted Receivables Payment (other than the Initial Defaulted Receivables Payment) to the Issuer on the Business Day immediately following receipt by the Seller of any amounts in respect of recoveries from the Related HP Agreement or from a sale of the related Vehicle (including the Vehicle Sale Proceeds).

The Issuer will apply all Defaulted Receivables Payments received from the Seller as Available Revenue Receipts. Immediately following the exercise of the Defaulted Receivables Call Option by the Seller and payment of the Initial Defaulted Receivables Payment, the Issuer's interests in the Defaulted Receivable will pass to the Seller.

### ***VT Receivables Call Option***

Under the Receivables Sale and Purchase Agreement, the Seller will be granted the VT Receivables Call Option, which will entitle the Seller, prior to the occurrence of an Insolvency Event of the Seller, to repurchase, and oblige the Issuer to sell, any Purchased Receivable in respect of which the Customer has exercised its right to voluntarily terminate the HP Agreement (other than any Receivable that is a Defaulted Receivable). The purchase price payable by the Seller in respect of the Voluntarily Terminated Receivable shall be equal to the VT Receivables Payment, which comprises (i) an amount equal to 70 per cent. of the aggregate of the Outstanding Principal Balance plus (without double counting) all accrued and unpaid amounts of the Receivables as at the relevant date of repurchase (the **Initial VT Receivables Payment**) payable on the date on which the relevant VT Receivable is repurchased and (ii) an amount equal to any amounts recovered upon a sale of the related Vehicle in excess of the Initial VT Receivables Payment less an amount equal to any VAT that the Seller (or any company with which it is grouped for VAT purposes) is liable to account for in respect of the sale of such related Vehicle (if any) but, in any event, up to a maximum amount equal to the Outstanding Principal Balance of the relevant Receivable on the Repurchase Date.

If the VT Receivables Call Option is exercised, the Seller is required to repurchase the relevant Receivable by the end of the Calculation Period immediately after the Calculation Period in which such Receivable became a Voluntarily Defaulted Receivable. The Seller is required to pay the Initial VT Receivables Payment on the relevant repurchase date. The Seller is obliged to pay the VT Receivables Payment (other than the Initial VT Receivables Payment) to the Issuer no later on the Business Day immediately following receipt by the Seller of any amounts in respect of a sale of the related Vehicle (including the Vehicle Sale Proceeds).

The Issuer will apply all VT Receivables Payments received from the Seller as Available Revenue Receipts. Immediately following the exercise of the VT Receivables Call Option by the Seller and payment of the Initial VT Receivables Payment, the Issuer's interests in the Voluntarily Terminated Receivable will pass to the Seller.

### ***Clean up Call Option***

Pursuant to the terms of the Receivables Sale and Purchase Agreement, on any Interest Payment Date on which, following application of all Available Revenue Receipts and Available Principal Receipts on such Interest Payment Date: (A) the Principal Amount Outstanding of the Notes on such Interest Payment Date would be less than or equal to 10 per cent. of the Principal Amount Outstanding of the Notes on the Closing Date and/or (B) the Class A Notes have been or will following application of Available Revenue Receipts and Available Principal Receipts on such Interest Payment Date be redeemed in full, the Seller shall be entitled (but will not be obliged), on such Interest Payment Date, to repurchase the benefit of all Receivables then owned by (or held in trust by the Seller pursuant to the Transaction Documents for) the Issuer for the Final Repurchase Price.

### ***Perfection Event***

Pursuant to the terms of the Receivables Sale and Purchase Agreement the Seller has undertaken to the Issuer and the Security Trustee that if the Seller, or where the Seller does not have an independent rating the Servicer Guarantor, either ceases to have a long-term, unsecured, unsubordinated and unguaranteed credit rating by Moody's of a least Baa3 or by Fitch of at least BBB- and a Back-Up Servicer has not been appointed by the Issuer (at the direction of the Servicer Guarantor) within 60 days thereafter, the Seller shall deliver to the Issuer, the Security Trustee and the Rating Agencies a draft letter of notice to be sent to each Customer following the occurrence of a Perfection Event.

On the occurrence of a Perfection Event, the Issuer (in order to perfect its title to the Receivables) will, or the Security Trustee, on the behalf of the Issuer, may:

- (a) give notice in its own name (and/or require the Seller and/or the Servicer to give notice) to all or any of the Customers of the sale and assignment of all or any of the Purchased Receivables; and/or
- (b) direct (and/or require the Seller and/or the Servicer to direct) all or any of the Customers to pay amounts outstanding in respect of Purchased Receivables directly to the Issuer, the Transaction Account or any other account which is specified by the Issuer; and/or
- (c) give instructions (and/or require the Seller and/or the Servicer to give instructions) to make the transfers from the Collections Account to the Transaction Account; and/or
- (d) take such other action as it reasonably considers to be necessary, appropriate or desirable (including taking the benefit of title to the Vehicles to the extent permitted by law) in order to recover any amount outstanding in respect of Purchased Receivables or to improve, protect, preserve or enforce its rights against the Customers in respect of Purchased Receivables.

### ***Governing Law***

The Receivables Sale and Purchase Agreement will be governed by English law, except for certain aspects relating to the Scottish Receivables which shall be governed by Scots law.

### ***Servicing Agreement***

On the Closing Date, the Issuer, the Servicer, the Seller, the Servicer Guarantor and the Security Trustee will enter into the Servicing Agreement.

Pursuant to the Servicing Agreement, the Issuer has appointed Black Horse Limited as Servicer for the purposes of servicing the Purchased Receivables. Under the terms of the Servicing Agreement, the Servicer has, among other things, undertaken to perform its duties in accordance with all applicable laws and regulations and pursuant to specific instructions that, on certain conditions, it may be given by the Issuer or, as applicable, the Security Trustee, from time to time. The Servicer is permitted under the terms of the Servicing Agreement, and at its own cost and expense, to appoint or dismiss third parties to perform some or all of its obligations under the Servicing Agreement, subject to Black Horse Limited remaining liable for the actions of any such third party.

The Servicer has undertaken that it will devote to the performance of its obligations and the exercise of its discretions under the Servicing Agreement and its exercise of the rights of the Issuer in respect of contracts and arrangements giving rise to payment obligations in respect of the Purchased Receivables at least the same amount of time and attention and exercise the same level of skill, care and diligence as it would if it were administering receivables in respect of which it held the entire benefit (both legally and beneficially) and, in any event, will devote all due skill, care and diligence to the performance of its obligations and the exercise of its discretions and will devote all operational resources necessary (including, without limitation, office space, facilities, equipment and staff) to fulfil its obligations under the Servicing Agreement and the other Transaction Documents to which it is a party (together, the **Servicer Standard of Care**).

The Servicer will undertake, among other things, that:

- (i) it will, in discharging its obligations and performing its functions under the Servicing Agreement, act in accordance with the Credit and Collection Procedures;
- (ii) it will comply with any reasonable, proper and lawful directions, orders and instructions which the Issuer or, as applicable, the Security Trustee, may from time to time give to it in connection with the performance of its obligations under the Servicing Agreement (to the extent that compliance with those directions does not conflict with any provision of the Credit and Collection Procedures, the Transaction Documents or any duties or obligations applicable to directors generally under English law);
- (iii) it shall use reasonable endeavours to procure that, so far as it may be able, all Collections in respect of the Receivables are paid within one Business Day following receipt by the Seller, directly into the GIC Account;
- (iv) makes all calculations required to be made by it under the Servicing Agreement (including calculating the CCA Compensation Amount and the Receivables Indemnity Amount);
- (v) it will notify the Issuer and the Security Trustee within one Business Day of becoming aware of the occurrence of any Perfection Event or Servicer Termination Event;
- (vi) subject to and in accordance with the provisions of the Servicing Agreement and the Credit and Collection Procedures, it will take all reasonable steps to recover all sums due to the Issuer in respect of the Purchased Receivables and any Ancillary Rights; and
- (vii) upon the occurrence of an Insolvency Event with respect to the Seller, it will, to the extent required, negotiate the variable component of the Administrator Incentive Recovery Fee with the Seller's insolvency official with a view to maximising recoveries where the insolvency official disposes of, arranges for the disposal of or otherwise assists with the disposal of the relevant Vehicles.

In accordance with the terms of the Servicing Agreement, the Issuer will pay to the Servicer for its services a servicing fee of 0.05 per cent. per annum of the Outstanding Principal Balance of the Purchased Receivables in the Portfolio (the **Servicing Fee**). The Servicing Fee will be inclusive of any amount in respect of VAT.

### ***Calculation of CCA Compensation Amount***

In calculating the CCA Compensation Amount the Servicer has agreed to calculate the loss (if any) that has arisen to the Issuer solely as a result of any Purchased Receivable or the related HP Agreement (or part thereof) being determined illegal, invalid, non-binding or unenforceable under the CCA. Where any Purchased Receivable or the related HP Agreement has been determined illegal, invalid, non-binding or unenforceable, the loss to the Issuer shall be calculated as being the amount which the Issuer should have received under such Receivable had the Receivable or HP Agreement not been so determined and on the assumption that all amounts under the Receivable and HP Agreement (including any option fees) would have been paid on a timely basis in full by the Customer (and disregarding any consideration as to the credit worthiness of the Customer) and including any amounts that would have accrued to the Issuer from the date on which such Related HP Agreement, was determined illegal, invalid, non-binding or unenforceable under the CCA.

### ***Variations to HP Agreements***

Pursuant to the terms of the Servicing Agreement, Black Horse Limited has agreed that no changes shall be made to the HP Agreements that relate to the Purchased Receivables unless such changes are:

- (a) made in accordance with the terms of such HP Agreement and the Credit and Collection Procedures; and
  - (b) not a Non-Permitted Variation,
- (such changes being **Permitted Variations**).

A **Non-Permitted Variation** is any change to an HP Agreement that relates to a Purchased Receivable which has the effect of:

- (a) reducing the Outstanding Principal Balance of the Purchased Receivable;
- (b) sanctioning any kind of payment holiday;
- (c) reducing the total interest payable by the Customer over the term of the Purchased Receivable; or
- (d) extending the term of the Purchased Receivable beyond the Last Receivable Maturity Date,

but shall not, for the avoidance of doubt, include any action taken with respect to the Servicer's arrears management process in accordance with its Credit and Collection Procedures

If Black Horse Limited agrees to any variation to an HP Agreement that relate to the Purchased Receivables which is a Non-Permitted Variation, the Seller must repurchase such Purchased Receivable from the Issuer on or before the end of the Calculation Period immediately following the Calculation Period in which such Non-Permitted Variation occurs. Any such repurchase by the Seller as a result of a variation to an HP Agreement or a Purchased Receivable which is a Non-Permitted Variation shall be made in accordance with and subject to the terms of the Receivables Sale and Purchase Agreement.

### ***Changes to the Credit and Collection Procedures***

Under the Servicing Agreement the Servicer has agreed that no changes will be made to the Credit and Collection Procedures and no additional and/or alternative policies or procedures may be adopted by the Servicer in relation to the Credit and Collection Procedures unless such a change is made in accordance with the Servicer Standard of Care. Any material change in the Credit and Collection Procedures of the Servicer

shall be notified in writing to the Issuer, the Security Trustee, the Note Trustee and the Rating Agencies as soon as practicable after such change.

### ***Daily Cash Flows***

Pursuant to the Servicing Agreement, the Servicer will procure that all Collections in respect of the Receivables are paid within one Business Day following receipt by the Seller, directly into the GIC Account.

### ***Collections Account Declaration of Trust***

In addition, the Seller has, pursuant to the terms of the Servicing Agreement agreed to hold all amounts standing to the credit of the Collections Account on trust for the Issuer and itself absolutely (the **Collections Account Declaration of Trust**). The Servicer shall hold upon trust:

- (i) for the Issuer absolutely, all amounts from time to time standing to the credit of the Collections Account to the extent that such amounts represent payments into the Collections Accounts derived from or resulting from the Purchased Receivables comprised in the Portfolio (but excluding any interest arising in respect of amounts standing to the credit of the Collections Account) (the **Issuer Trust Amounts**); and
- (ii) for itself absolutely, all amounts from time to time standing to the credit of the Collections Account to the extent such amounts represent amounts other than the Issuer Trust Amounts (the **Seller Trust Amounts**).

The Seller has agreed that the Issuer Trust Amounts and Seller Trust Amounts will be distributed to the Issuer in accordance with the terms of the Servicing Agreement and acknowledges and agrees that the Seller Trust Amounts shall be distributed at the direction of the Seller as beneficiary of the Collections Account Declaration of Trust.

The Seller will further acknowledge that it has no right at any time to pay, set-off or transfer any of the Issuer Trust Amounts in or towards satisfaction of the liabilities of the Seller and that it shall hold such money as trustee for the Issuer and shall only be entitled to deal with the Issuer Trust Amounts in accordance with the terms of the Servicing Agreement and the other Transaction Documents.

### ***Collections Account Bank***

Pursuant to the Servicing Agreement, the Servicer has covenanted to the Issuer and the Security Trustee that if the Collections Account Bank (or any guarantor thereof) ceases to have the Account Bank Ratings, it shall either:

- (a) (i) ensure that the Collections Account will be closed and all amounts representing Issuer Trust Amounts to the credit thereof be transferred by it on behalf of the Issuer within 30 days to a new account in the name of the Servicer held with (X) a financial institution (or its guarantor) rated at least the Account Bank Ratings; and (Y) a financial institution which is an authorised person under the FSMA with the requisite permission (the **New Collections Account**), (ii) declare a trust in favour of the Issuer with respect of all amounts standing to the credit of the New Collections Account and (iii) take all necessary steps to direct all the Customers to pay amounts outstanding in respect of Purchased Receivables directly to the New Collections Account; or
- (b) take such other actions as may be required to ensure that the then current rating of the Class A Notes is not adversely affected by the Collections Account Bank ceasing to have all of the Account Bank Ratings.

### ***Monthly Investor Report***

Under the Servicing Agreement, the Servicer will agree, among other things (but subject always to any confidentiality restrictions imposed by applicable law), to disseminate certain information and reports only to the Noteholders, or the Note Trustee on behalf of the Noteholders, in relation to the Notes, the Issuer and the Portfolio.

The Servicer must also prepare and deliver, within two Business Days of a Calculation Date, the Monthly Investor Report addressed to the Cash Manager, the Issuer, the Back-Up Servicer (if applicable) and the Security Trustee setting out the payments into and out of each of the Issuer Accounts and payments to other third parties. The Monthly Investor Report will also include, among other things, the following information in respect of the Purchased Receivables: (i) the number of the Related HP Agreement; (ii) distribution by remaining term; (iii) statistics on prepayments, Defaulted Receivables and Voluntarily Terminated Receivables; (iv) details relating to repurchases of Purchased Receivables by the Seller pursuant to the terms of the Receivables Sale and Purchase Agreement and (v) details (provided, where relevant by the Cash Manager) with respect to the rates of interest, Note principal and interest payments and other payments made by the Issuer.

The Monthly Investor Report will be posted on the following website: [http://www.lloydsbankinggroup.com/investors/debt\\_investors/securitisation.asp](http://www.lloydsbankinggroup.com/investors/debt_investors/securitisation.asp). The website and the contents thereof do not form part of this Prospectus.

### ***Termination of appointment of Servicer***

The Issuer may terminate the appointment of the Servicer under the Servicing Agreement upon the occurrence of a Servicer Termination Event.

Upon termination of the appointment of the Servicer under the Servicing Agreement, the Servicer Guarantor will identify a suitable entity to act as replacement servicer and shall direct the Issuer to appoint such replacement servicer in accordance with the criteria set out below (the **Replacement Servicer**). For the avoidance of doubt, following any such direction by the Servicer Guarantor, the Issuer shall be obliged to appoint the entity identified by the Servicer Guarantor as Replacement Servicer. In accordance with the terms of the Servicing Agreement, any Replacement Servicer shall:

- (a) in the reasonable opinion of the Servicer Guarantor, have experience of servicing in relation to auto finance agreements in England and Wales and Scotland; and
- (b) enter into an agreement with the Issuer and the Security Trustee substantially on the terms of the Servicing Agreement, and at fees which are, in the opinion of the Servicer Guarantor (or where no Servicer Guarantor is appointed, the Cash Manager), consistent with those payable generally at the relevant time for the provision of services relating to consumer auto finance agreements (the **Replacement Servicing Agreement**).

Pursuant to the terms of the Servicing Agreement, the Security Trustee and the Issuer shall give their consent to the termination of the appointment of the Servicer (save where such termination occurred as a result of the occurrence of an Event of Default) and the appointment of a Replacement Servicer where such entity (or where a guarantee is in place, the relevant guarantor of such entity) has a long-term unsecured, unguaranteed and unsubordinated debt obligation rating by Fitch of at least BBB- and by Moody's of at least Baa3 and the criteria set out in paragraphs (a) and (b) above are satisfied.

Where no suitable entity is found that satisfies the criteria set out above, the Issuer and the Security Trustee shall be bound to agree to the appointment of the Replacement Servicer and enter into the Replacement Servicing Agreement with an entity as Replacement Servicer which does not satisfy such criteria if the Security Trustee has been so directed by an Extraordinary Resolution of the holders of the Class A Notes.



The Security Trustee shall have no liability if a Replacement Servicer cannot be found or appointed in accordance with the terms of the Servicing Agreement.

The Servicer may also resign its appointment on not less than 12 months' written notice to the Issuer, the Seller, the Servicer Guarantor and the Security Trustee with a copy being sent to the Rating Agencies provided that such resignation shall not take effect until the Issuer and the Security Trustee consent in writing to such resignation and until a Replacement Servicer, which has been approved by the Security Trustee and the Issuer in accordance with the criteria above, has been appointed in its place.

### ***Back-Up Servicer***

Upon the occurrence of a Change of Control Event or if the Servicer Guarantor either ceases to be assigned a long-term unsecured, unguaranteed and unsubordinated debt obligation rating by Fitch of at least BBB- or by Moody's of at least Baa3, the Servicer Guarantor will identify a suitable entity to act as Back-Up Servicer and will direct the Issuer to appoint such back-up servicer in accordance with the criteria set out below (the **Back-Up Servicer**). For the avoidance of doubt, following any such direction by the Servicer Guarantor, the Issuer shall be obliged to appoint the entity identified by the Servicer Guarantor as Back-Up Servicer. In accordance with the terms of the Servicing Agreement, any Back-Up Servicer shall:

- (a) in the reasonable opinion of the Servicer Guarantor, have experience of servicing in relation to auto finance agreements in England and Wales and Scotland; and
- (b) enter into a back-up servicing agreement (the **Back-Up Servicing Agreement**) with the Issuer and the Security Trustee which shall include provisions requiring the Back-Up Servicer to:
  - (A) undertake the servicing obligations in relation to the Portfolio upon the occurrence of a Servicer Termination Event;
  - (B) enter into appropriate data confidentiality provisions with respect to the Portfolio;
  - (C) on receipt of the Monthly Investor Report and all other notices and information delivered to it pursuant to this Agreement, promptly review such information;
  - (D) promptly notify the Servicer if it requires any further assistance or information reasonably required by it in order to enable the Back-Up Servicer to perform its roles or duties pursuant to the back-up servicing agreement, such that it is in a position that it is able, on its assumption of the Servicer role, to immediately perform services contained in this Agreement; and
  - (E) accept the payment of fees which are, in the opinion of the Servicer Guarantor, consistent with those payable generally at the relevant time for the provision of back-up services relating to consumer auto finance agreements.

Pursuant to the terms of the Servicing Agreement, the Security Trustee and the Issuer shall give their consent to the appointment of a Back-Up Servicer where the criteria set out in paragraphs (a) and (b) above are satisfied.

Where no suitable entity is found that satisfies the criteria above, the Issuer and the Security Trustee shall be bound to agree to the appointment of the Back-Up Servicer and enter into the Back-Up Servicing Agreement with an entity as Back-Up Servicer which does not satisfy the criteria above if the Security Trustee has been so directed by an Extraordinary Resolution of the holders of the Class A Notes.

Upon the failure of the Issuer to appoint a Replacement Servicer or Back-Up Servicer, as applicable, the Security Trustee may, on behalf of the Issuer appoint a Replacement Servicer or Back-Up Servicer, as applicable, but shall not be obliged to do so.

On entry into the Back-Up Servicing Agreement, whilst acting as Back-Up Servicer, the Back-Up Servicer will agree that it will: (a) on receipt of the Monthly Investor Report and all other information delivered to it pursuant to the Servicing Agreement promptly review such information; and (b) promptly notify the Servicer if it requires any further assistance or information reasonably required by it in order to enable it to perform its roles or duties pursuant to the Back-Up Servicing Agreement, such that in each case it is in a position that it is able, on its assumption of the Servicer role, to immediately perform services contained in the Servicing Agreement.

The Servicer has undertaken to indemnify the Issuer and the Security Trustee against any loss incurred by any such party as a result of any default by the Servicer or any third party agent of the Servicer in performing any obligation under the Servicing Agreement. In addition, pursuant to the terms of the Servicing Agreement, the Security Trustee shall not be responsible or have any liability if a Back-Up Servicer cannot be found or appointed in accordance with the terms of the Servicing Agreement.

Pursuant to the terms of the Servicer Guarantee, the Servicer Guarantor will, until the Servicer Guarantee Termination Date, guarantee to the Issuer and the Security Trustee the due and punctual performance by the Servicer of each and all of the obligations, warranties, duties and undertakings of the Servicer under and pursuant to the Servicing Agreement when and if such obligations, duties and undertakings shall become due and performable according to the terms of the Servicing Agreement. If the Servicer Guarantor either ceases to be assigned a long-term unsecured, unguaranteed and unsubordinated debt obligation rating by Fitch of at least BBB- or by Moody's of at least Baa3, the Servicer Guarantor will identify a suitable entity to act as Back-Up Servicer and will direct the Issuer to appoint such Back-Up Servicer in accordance with the terms of the Servicing Agreement. For the avoidance of doubt, following any such direction by the Servicer Guarantor, the Issuer shall be obliged to appoint the entity identified by the Servicer Guarantor as Back-Up Servicer. If no Back-Up Servicer is appointed by the Issuer within 60 days of the Servicer Guarantor ceasing to be assigned the above ratings, the Seller is required to deliver to the Issuer, the Security Trustee and the Rating Agencies a draft letter of notice to be sent to each Customer following the occurrence of a Perfection Event

### ***Governing Law***

The Servicing Agreement shall be governed by English law.

### **Account Bank Agreement**

Pursuant to the terms of the Account Bank Agreement to be entered into on the Closing Date between the Issuer, the Account Bank, the GIC Provider, the Cash Manager, the Servicer Guarantor and the Security Trustee, the Issuer will agree to maintain the Transaction Account and the GIC Account (together with any additional bank accounts and the Swap Collateral Accounts (the **Bank Accounts**) in its name with the Account Bank.

Monies standing to the credit of the Transaction Account representing Available Revenue Receipts and Available Principal Receipts will be applied by the Cash Manager on each Interest Payment Date, in accordance with the Pre-Acceleration Revenue Priority of Payments and the Pre-Acceleration Principal Priority of Payments (as the case may be). If the Account Bank or the GIC Provider either ceases to have a (a) short-term, unsecured, unguaranteed and unsubordinated debt obligations rated at least F1 by Fitch and P-1 by Moody's and (b) long-term, unsecured and unsubordinated debt or counterparty obligations rated at least A (or if the relevant entity is on rating watch negative then at least a long-term rating of A+) by Fitch and A1 by Moody's, or such other ratings that are consistent with the then published criteria of the relevant Rating

Agency as being the minimum ratings that are required to support the then rating of the Class A Notes (the **Account Bank Ratings**) then either:

- the Transaction Account and the GIC Account will be closed by, or on behalf of, the Issuer and all amounts standing to the credit thereof shall be transferred by, or on behalf, of the Issuer within 30 days to accounts held with a financial institution: (i) rated at least the Account Bank Ratings; and (ii) which is an authorised person under the FSMA with the requisite permission; or
- within 30 days, the Account Bank and/or the GIC Provider will obtain a guarantee in support of its obligations under the Account Bank Agreement from a financial institution rated at least the Account Bank Ratings; or
- within 30 days, the Account Bank will take such other actions as may be required by the parties to Account Bank Agreement (other than the Security Trustee) to ensure that the then current rating of the Class A Notes is not adversely affected by the Account Bank and/or the GIC Provider ceasing to have all of the Account Bank Ratings.

If the Account Bank and/or the GIC Provider fails to take such action within the required time, then the Cash Manager or the Issuer shall (with the prior written consent of the Security Trustee) or the Security Trustee may terminate the Account Bank Agreement with respect to the Account Bank and/or the GIC Provider in respect of the relevant Bank Account and close the Bank Accounts by giving not less than 30 days' prior written notice to the Account Bank and/or the GIC Provider (with a copy to, as applicable, the Cash Manager, the GIC Provider, the Issuer and the Security Trustee) (subject to a replacement financial institution having been appointed which has all of the Account Bank Ratings).

Under the terms of the Account Bank Agreement, the Account Bank has agreed to pay interest on the monies standing to the credit of the GIC Account at a variable rate of interest of 0.2 per cent. per annum below one-month LIBOR for sterling deposits.

### **Agency Agreement**

On or prior to the Closing Date, the Issuer, the Note Trustee, the Principal Paying Agent and the Agent Bank will enter into an agency agreement (the **Agency Agreement**) pursuant to which provision will be made for, among other things, payment of principal and interest in respect of the Notes. Pursuant to the terms of the Agency Agreement, Deutsche Bank Luxembourg S.A. will also be appointed as registrar with respect to the Class U Notes (the **Registrar**) and will agree to, among other things, maintain a register in respect of the Class U Notes (the **Register**).

The Agency Agreement will be governed by English Law.

### **Cash Management Agreement**

The Issuer, the Cash Manager, the Servicer Guarantor and the Security Trustee will, on or before the Closing Date, enter into the Cash Management Agreement pursuant to which Black Horse Limited will be appointed to act as the Cash Manager in respect of amounts standing from time to time to the credit of the Bank Accounts.

### **Cash Management Services**

The Cash Manager is required to manage the operation of the Bank Accounts, and in each case give instructions to the Account Bank to enable it to perform its obligations. It is also the responsibility of the Cash Manager to perform certain calculations required under the Transaction Documents necessary for the determination and payment of the various cash flows.

Pursuant to the Cash Management Agreement, the Cash Manager will provide, *inter alia*, the following cash management services to the Issuer:

- (a) on each Calculation Date (and subject where applicable to receipt of relevant information from the Servicer), determining the amount of Available Principal Receipts to be distributed in accordance with the applicable Priority of Payments to be applied to repay the Notes on the following Interest Payment Date;
- (b) determining such other amounts as are expressed to be calculations and determinations made by the Cash Manager in accordance with the Conditions of the Notes; and
- (c) applying Available Revenue Receipts and Available Principal Receipts in accordance with the applicable Priority of Payments set out in the Cash Management Agreement or, as applicable, the Deed of Charge.

The Cash Manager will maintain the following ledgers on the GIC Account:

- (a) the **Reserve Fund Ledger** which records all payments to and withdrawals from the Reserve Fund;
- (b) the **Principal Deficiency Ledger** which records Revenue Deficiencies and principal deficiencies arising from Defaulted Receivables and Voluntarily Terminated Receivables in the Portfolio;
- (c) the **Currency Swap Ledger**, which records all payments made between the Issuer and the Currency Swap Counterparty;
- (d) the **Interest Rate Swap Ledger**, which records all payments made between the Issuer and the Interest Rate Swap Counterparty; and
- (e) the **Issuer Retained Profit Ledger** which shall record as a credit all amounts retained as Issuer Profit in accordance with item (k) of the Pre-Acceleration Revenue Priority of Payments.

See further the section entitled "*Cash Management*" below.

Under the terms of the Cash Management Agreement, prior to the service of a Note Acceleration Notice, the following withdrawals and corresponding payments will be permitted to be made by the Cash Manager (as directed by the Seller) on any Business Day (each a **Permitted Withdrawal**):

- (a) Excess Recoveries Amount;
- (b) Pre-Closing Interest Amounts;
- (c) Defaulted Receivables Rebate Amount; and
- (d) VT Receivables Rebate Amount,

***provided that***, any such withdrawals shall (i) in any Calculation Period only be made up to a maximum amount equal to the Revenue Receipts received in such Calculation Period, (ii) be made prior to administration of the applicable Priority of Payments and (iii) for the avoidance of doubt, such amounts shall not be included as Available Revenue Receipts.

In return for the services provided, the Cash Manager will receive a fee (inclusive of VAT, if any) paid monthly in arrears in accordance with the applicable Priority of Payments.

Pursuant to the terms of the Servicer Guarantee, the Servicer Guarantor will, until the Servicer Guarantee Termination Date, guarantee to the Issuer and the Security Trustee the due and punctual performance by the Cash Manager of each and all of the obligations, warranties, duties and undertakings of the Cash Manager under and pursuant to the Cash Management Agreement when and if such obligations, duties and undertakings shall become due and performable according to the terms of the Cash Management Agreement.

### ***Termination of appointment of Cash Manager***

The Issuer may terminate the appointment of the Cash Manager under the Cash Management Agreement upon the occurrence of a Cash Manager Termination Event. A **Cash Manager Termination Event** means the occurrence of any one of the following events:

- (a) provided the Cash Manager has been properly put in funds therefor, default is made by the Cash Manager in the payment, on the due date, of any payment due and payable by it under the Cash Management Agreement and such default continues unremedied for a period of five Business Days after the earlier of the Cash Manager becoming aware of such default and receipt by the Cash Manager of written notice from the Issuer or the Security Trustee, as the case may be, requiring the same to be remedied; or
- (b) default is made by the Cash Manager in the performance or observance of any of its other covenants and obligations under the Cash Management Agreement, which in the reasonable opinion of the Security Trustee is materially prejudicial to the interests of the Secured Creditors (subject to the terms of the Deed of Charge) and such default continues unremedied for a period of 60 days after the earlier of the Cash Manager becoming aware of such default and receipt by the Cash Manager of written notice from the Issuer or the Security Trustee, as the case may be, requiring the same to be remedied; or
- (c) an Insolvency Event with respect to the Cash Manager occurs.

If the appointment of the Cash Manager is terminated, unless the Servicer Guarantor elects to assume the role of Cash Manager and the duties of the Cash Manager, the Servicer Guarantor shall identify an entity to act as replacement cash manager and direct the Issuer to appoint such entity as replacement cash manager (the **Replacement Cash Manager**). For the avoidance of doubt, following any such direction by the Servicer Guarantor, the Issuer shall be obliged to appoint the entity identified by the Servicer Guarantor as Replacement Cash Manager. In accordance with the terms of the Cash Management Agreement, any Replacement Cash Manager, must:

- (a) have experience of administering auto finance agreements in England and Wales and Scotland; and
- (b) enter into an agreement with the Issuer and the Security Trustee substantially on the terms of the existing Cash Management Agreement, and at fees which are, in the opinion of the Servicer Guarantor (or where no Servicer Guarantor is appointed, the Cash Manager) consistent with those payable generally at the relevant time for the provision of consumer auto finance services (the **Replacement Cash Management Agreement**).

The Security Trustee and the Issuer shall give their consent to the termination of the appointment of the Cash Manager and the appointment of a Replacement Cash Manager, where either:

- (c) the Replacement Cash Manager satisfies the criteria set out in paragraphs (a) and (b) above; or

- (d) the Servicer Guarantor elects to assume the role of Cash Manager and the duties of the Cash Manager under the Cash Management Agreement and enters into a Replacement Cash Management Agreement.

The Cash Manager may also resign its appointment on no less than 12 months' written notice to the Issuer, the Seller, the Servicer Guarantor and the Security Trustee with a copy being sent to the Rating Agencies provided that such resignation shall not take effect until the Issuer and the Security Trustee consent in writing to such resignation and until a Replacement Cash Manager, which has been approved by the Security Trustee and the Issuer in accordance with the criteria set out above, has been appointed in its place.

On and from the occurrence of a Change of Control Event, unless and until the Servicer Guarantor elects to assume the role of Cash Manager and the duties of the Cash Manager, the Servicer Guarantor may identify an entity to act as Replacement Cash Manager and direct the Issuer to appoint such entity as the Replacement Cash Manager provided that (X) the conditions set out in paragraphs (a) to (c) above are met and (Y) a notice of termination is given by the Servicer Guarantor to the Issuer, the Seller, the Security Trustee and the Rating Agencies. For the avoidance of doubt, following any such direction by the Servicer Guarantor, the Issuer shall be obliged to appoint the entity identified by the Servicer Guarantor as Replacement Cash Manager.

Where no suitable entity is found that satisfies the criteria set out above, the Security Trustee and the Issuer shall consent to the appointment of an entity as Replacement Cash Manager where the Security Trustee has been directed to do so by an Extraordinary Resolution of the holders of the Class A Notes.

The Cash Manager has undertaken to indemnify the Issuer and the Security Trustee against any loss incurred by any such party as a result of any default by the Cash Manager in performing any obligation under the Cash Management Agreement. In addition, pursuant to the terms of the Cash Management Agreement, the Security Trustee shall not be responsible or have any liability if a Replacement Cash Manager cannot be found or appointed in accordance with the terms of the Cash Management Agreement.

In accordance with the terms of the Cash Management Agreement, the Issuer will pay to the Cash Manager for its services a cash management fee of 0.025 per cent. per annum of the Outstanding Principal Balance of the Purchased Receivables in the Portfolio (the **Cash Management Fee**). The Cash Management Fee will be inclusive of any amount in respect of VAT.

### ***Governing Law***

The Cash Management Agreement will be governed by English law.

### **Swap Agreements**

On the Closing Date, the Issuer will enter into fixed/floating interest rate and currency swap transactions with the Swap Counterparties, each under an International Swaps and Derivatives Association Inc. 1992 Master Agreement in order to address certain risks arising as a result of the interest rate mis-match between the fixed rate of interest payable under the HP Agreements (and therefore received by the Issuer in respect of the Purchased Receivables) and the floating rate of interest payable by the Issuer under the Notes and in respect of the Class A2 Notes the mis-match between the Sterling amounts payable under the HP Agreements in respect of the Purchased Receivables and the euro payments payable by the Issuer under the Notes.

For a more detailed description of the terms of the Swap Agreements, see the section headed "*Credit Structure, Liquidity and Hedging*" and the paragraph headed "*Interest Rate Risk and Currency Rate Risk*" in the Section headed "*Risk Factors*".

### ***Governing Law***

The Swap Agreements shall be governed by English law.

### **Trust Deed**

The Notes will be constituted pursuant to the Trust Deed to be entered into on the Closing Date between the Issuer and the Note Trustee.

Deutsche Trustee Company Limited will agree to act as Note Trustee subject to the conditions contained in the Trust Deed. The Trust Deed will contain provisions requiring the Note Trustee to have regard to the interests of the holders of all classes of Notes issued by the Issuer unless in the Note Trustee's opinion there is a conflict between the interests of the holders of the different Classes of Notes, in which case the Note Trustee will be required to have regard only to the interests of the holders of the Most Senior Class of Notes then outstanding.

The Trust Deed will contain provisions governing the responsibility (and relief from responsibility) of the Note Trustee and providing for its indemnification in certain circumstances.

The Noteholders holding the Most Senior Class of Notes may by Extraordinary Resolution, or a direction in writing of the holders of at least 25 per cent. in aggregate of the Principal Amount Outstanding of the Most Senior Class of Notes may, remove the Note Trustee provided a replacement is appointed pursuant to the Trust Deed.

In addition, the Note Trustee shall then only be bound to take any action at the direction of the Noteholders if it shall be indemnified and/or secured to its satisfaction against all liabilities to which it may render itself liable or which it may incur by so doing. Under no circumstances is the Note Trustee required to use its own funds in relation to expenses incurred in connection with the Trust Deed.

In accordance with the terms of the Trust Deed, the Issuer will pay a fee to the Note Trustee for its services under the Trust Deed at the rate and times agreed (and as amended from time to time) between the Issuer and the Note Trustee together with payment of any liabilities incurred by the Note Trustee in relation to the Note Trustee's performance of its obligations under the Trust Deed.

The Terms and Conditions of the Notes, including a summary of the provisions regarding Meetings of the Noteholders, are reproduced in full in the section headed "*Terms and Conditions of the Notes*".

The Trust Deed will be governed by English law.

### **Deed of Charge**

On the Closing Date, the Issuer, the Security Trustee, the Note Trustee and the Secured Creditors among others will enter into the Deed of Charge.

### ***Security***

Pursuant to the Deed of Charge, to secure the Secured Liabilities, the Issuer will create security in favour of the Security Trustee for it and the other Secured Creditors as follows:

- (a) an assignment by way of first fixed security over all of the Issuer's right, title, interest and benefit, present and future, in, to, under and pursuant to the Purchased Receivables and the Ancillary Rights, in and to all monies, rights, powers and property distributed or derived from, or accrued in or related to the Issuer's interest in the Purchased Receivables, and all of its powers relative thereto;

- (b) an assignation in security of the Issuer's interest in the Scottish Receivables (comprising the Issuer's beneficial interest under the trust declared by the Seller pursuant to the Scottish Declaration of Trust);
- (c) an assignment by way of security of the benefit of the Issuer's right, title, benefit and interest present and future in the Transaction Documents;
- (d) a first fixed charge over all of its right, title, benefit and interest, present and future, in the property held in the Collections Account Declaration of Trust;
- (e) a first fixed charge over the Issuer's rights in the Issuer Accounts and the debts represented thereby (which may take effect as a floating charge and so rank behind the claims of any preferential creditors of the Issuer); and
- (f) a floating charge over all of the present and future property, assets and undertakings of the Issuer not subject to the fixed charges or assignments by way of security described above (but excepting from the foregoing exclusion all of the Issuer's property, assets and undertaking situated in Scotland or the rights to which are governed by Scots law, all of which are charged by way of floating charge),

together, the **Charged Property**.

The Security Trustee will hold the benefit of the Charged Property, together with the covenants given to it as Security Trustee under the Transaction Documents, on trust for the Secured Creditors to secure the Secured Liabilities.

Notwithstanding the security granted over the Issuer Accounts, the Issuer and the Cash Manager are (prior to service of a Note Acceleration Notice) permitted to make payments out of such accounts for the purposes, among other things, of making payments and transfers in accordance with the Deed of Charge, the Cash Management Agreement and the Agency Agreement, and, prior to service of a Note Acceleration Notice, to make payments to third parties when these fall due. See further the paragraph headed "*Fixed charges may take effect under English law as floating charges*" in the section headed "*Risk Factors*".

### ***Rights over the Proceeds***

In the event the security over the Charged Property becomes enforceable, the Issuer has granted the Security Trustee the right to direct the Issuer as to how to deal with the Charged Property.

### ***Priority of Payments***

The Priority of Payments, indicating the order in which payments should be made from funds available to the Issuer, are set out in full in the Cash Management Agreement and the Deed of Charge. Prior to service of a Note Acceleration Notice, Available Revenue Receipts are used in accordance with the Pre-Acceleration Revenue Priority of Payments and Available Principal Receipts are used in accordance with the Pre-Acceleration Principal Priority of Payments. Following the service of a Note Acceleration Notice, the Post-Acceleration Priority of Payments will apply.

The Secured Creditors will have no right of set-off.

### ***No other Enforcement Rights***

Under the terms of the Deed of Charge, the Issuer will undertake, following the occurrence of an Event of Default, to comply with all directions of the Security Trustee in relation to the management and administration of the Charged Property. The Issuer will also grant irrevocable powers of attorney under English law in favour of the Security Trustee to empower the Security Trustee to take such action in the



name of the Issuer as the Security Trustee may deem necessary to protect the interests of Secured Creditors in respect of the Charged Property.

At any time after the Notes shall have become due and repayable and the Security therefor shall have become enforceable, no Noteholder nor any other Secured Creditor will be entitled to proceed directly against the Issuer unless the Security Trustee, having become bound so to proceed, fails to do so within a reasonable period of time. The Note Trustee will not be able to direct the Security Trustee to enforce the Security at the request of any Secured Creditor other than the Noteholders, pursuant to a request in writing from the holders of at least 20 per cent. in aggregate of the Principal Amount Outstanding of the Most Senior Class of Notes or an Extraordinary Resolution of the Most Senior Class of Notes.

The Notes are limited recourse obligations of the Issuer and, if, after the distribution of all the Issuer's assets, there are amounts that are not paid in full, any amounts outstanding will be deemed to be discharged in full and any payment rights are deemed to cease as described in more detail in Condition 10 (Enforcement).

### ***Governing Law***

The Deed of Charge will be governed by English law (other than the assignment in security referred to above which will be governed by Scots law).

### **Corporate Services Agreement**

On the Closing Date, the Issuer, Holdings and the Share Trustee will enter into the Corporate Services Agreement with the Corporate Services Provider under which the Corporate Services Provider will agree to provide certain corporate administration services to the Issuer and Holdings. In return for the services provided, the Corporate Services Provider will receive a fee (exclusive of VAT, if any) paid semi-annually in advance in accordance with the relevant Priority of Payments.

The Corporate Services Provider may resign its appointment upon not less than 30 days' written notice to each of the Issuer and Holdings (with a copy to the Security Trustee), provided that:

- (a) if such resignation would otherwise take effect less than 30 days before or after the Final Maturity Date or any other date for redemption of the Notes or any Interest Payment Date in relation to the Notes, it shall not take effect until the thirtieth day following such date; and
- (b) no resignation by or termination or revocation of the appointment of the Corporate Services Provider shall take effect until a successor has been duly appointed in accordance with the Corporate Services Agreement.

The Issuer or Holdings may (with the prior written approval of the Security Trustee) revoke its appointment of the Corporate Services Provider by not less than 30 days' notice to the Corporate Services Provider (with a copy to the Security Trustee).

In addition, the appointment of the Corporate Services Provider shall terminate forthwith if:

- (i) in the reasonable opinion of the Issuer or Holdings, the Corporate Services Provider becomes incapable of acting; or
- (ii) certain insolvency events occur in relation to the Corporate Services Provider.

If the appointment of the Corporate Services Provider is terminated, the Issuer or Holdings undertakes that it will forthwith (with the prior written consent of the Security Trustee, such consent not to be unreasonably withheld or delayed) appoint a successor.

The Corporate Services Agreement will be governed by English law.

### **Subordinated Loan Agreement**

Black Horse Limited will make available to the Issuer under the Subordinated Loan Agreement the Subordinated Loan which will be advanced to the Issuer on the Closing Date. This will be drawn down in two tranches.

Tranche A will be equal to £2,000,000 and shall be used in its entirety in or towards payment of initial fees, costs and expenses of the Issuer incurred on or prior to the Closing Date. Tranche A will be repaid on each Interest Payment Date in accordance with the Pre-Acceleration Revenue Priority of Payments or Post-Acceleration Priority of Payments until repaid in full.

Tranche B will be equal to no less than 1.7 per cent. of the Outstanding Principal Balance of the Receivables as at the Closing Date and shall be used to establish the Reserve Fund in an amount equal to or greater than the Reserve Fund Required Amount on the Closing Date. Tranche B will be repayable on and from the Final Redemption Date.

The Issuer's obligations under the Subordinated Loan Agreement will be secured by the Deed of Charge but rank behind the claims of the Noteholders.

The Subordinated Loan Agreement will be governed by English law.

For further information on the Subordinated Loan and the Reserve Fund, see the section headed "*Credit Structure, Liquidity and Hedging*".

### **Servicer Guarantee**

Pursuant to the Servicer Guarantee, Lloyds TSB Bank plc in its capacity as the Servicer Guarantor has undertaken to the Issuer and the Security Trustee to guarantee as primary obligor from and including the Closing Date to (and including) the Servicer Guarantor Termination the due and punctual performance by the Servicer and the Cash Manager of each and all of the obligations, warranties, duties and undertakings of the Servicer and the Cash Manager under and pursuant to the Servicing Agreement and Cash Management Agreement, respectively, when and if such obligations, duties and undertakings shall become due and performable according to the terms of the Servicing Agreement and Cash Management Agreement, respectively.

If the Servicer Guarantor either ceases to have a long-term, unsecured and unsubordinated debt or counterparty obligations of at least BBB- by Fitch or Baa3 by Moody's, then, the Servicer Guarantor shall identify a suitable entity and direct the Issuer to appoint such entity as Back-Up Servicer. For the avoidance of doubt, following any such direction by the Servicer Guarantor, the Issuer shall be obliged to appoint the entity identified by the Servicer Guarantor as Back-Up Servicer. Such appointment shall be made subject to the terms and conditions of the Servicing Agreement as to which see further "*Summary of the Transaction Documents – The Servicing Agreement*".

The Servicer Guarantee shall, with respect to each of the Servicer and the Cash Manager, remain in force until the Servicer Guarantee Termination Date.

Pursuant to the Servicer Guarantee, the **Servicer Guarantee Termination Date** shall be, with respect to the Servicing Agreement and/or Cash Management Agreement, as applicable, the date on which one or more of the following events occurs in respect of such agreement:

- (a) at any time on and after the occurrence of a Change of Control Event in respect of the guarantee relating to the Servicer, a Back-Up Servicer has been appointed in accordance with the terms of the

Servicing Agreement or, in respect of the guarantee relating to the Cash Manager, a Replacement Cash Manager has been appointed in accordance with the terms of the Cash Management Agreement; or

- (b) a replacement guarantee to the Servicer Guarantee has been granted on substantially the same terms as the Servicer Guarantee to the Issuer with respect to the guarantee relating to the Servicer and/or the Cash Manager, as applicable, by an entity that has a long-term unsecured, unguaranteed and unsubordinated debt obligation rating by Fitch of at least BBB- or by Moody's of at least Baa3.

Pursuant to the terms of the Servicer Guarantee, the amount payable by the Servicer Guarantor under the Servicer Guarantee will be limited to a maximum amount equal to the then current Principal Amount Outstanding of the (i) Class A1 Notes and (ii) the sterling equivalent of the Class A2 Notes (as determined in accordance with the terms of the Currency Swap Agreement).

### **Interest Rate Swap Guarantee**

Under a guarantee in relation to the Interest Rate Swap Agreement, Lloyds TSB Bank plc in its capacity as the Interest Rate Swap Guarantor will provide a guarantee as primary obligor in favour of the Issuer (the **Interest Rate Swap Guarantee**) in respect of the payment and delivery obligations of the initial Interest Rate Swap Counterparty under the Interest Rate Swap Agreement. The amount payable by the Interest Rate Swap Guarantor will be limited to a maximum amount equal to all amounts payable by the Interest Rate Swap Counterparty under the Interest Rate Swap.

For further information on the Interest Rate Swap Guarantee, see the section headed "*Credit Structure, Liquidity and Hedging*" for more detail.

## **USE OF PROCEEDS**

The proceeds from the issue of the Class A1 Notes will be £250,000,000, the proceeds from the issue of the Class A2 Notes will be €300,000,000 and the proceeds from the issue of the Class U Notes will be £177,749,000.

On the Closing Date, the Issuer will pay to the Seller the aggregate Initial Purchase Price calculated on or around the Closing Date for the Offered Receivables on the Closing Date.

Amounts drawn under the Tranche A of the Subordinated Loan will, to the extent necessary, be applied towards payment of the initial fees and expenses incurred on or prior to the Closing Date by the Issuer payable in connection with the Securitisation.

Amounts drawn under the Tranche B of the Subordinated Loan will be deposited in the GIC Account and used to establish the Reserve Fund in an amount at least equal to the Reserve Fund Required Amount.

## THE MOTOR VEHICLE MARKET IN THE UNITED KINGDOM

The following table shows the number of new registrations for cars manufactured from 2006 to 2010:

### New Registrations in the UK

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
	<i>(10 months to Oct)</i>		<i>(thousands)</i>		
Cars	1,767	1,995	2,132	2,404	2,344

Source: Society of Motor Manufacturers and Traders

There are no complete statistics collected for the point of sale motor vehicle finance industry in the UK; however, the Finance & Leasing Association (the **FLA**) does collect statistical information from its members, which include Black Horse Limited and many of the other major providers of point of sale motor vehicle finance in the UK. The FLA statistics relating to point of sale motor vehicle business for the last five available years are as follows:

### Motor vehicle business written by FLA members

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
	<i>(9 months to Sept)</i>		<i>(millions)</i>		
<b>Consumer</b>					
New Cars	4,963	5,789	6,119	5,966	5,569
Used Cars	4,567	5,489	6,336	6,319	5,634
	<u>9530</u>	<u>11,278</u>	<u>12,455</u>	<u>12,285</u>	<u>11,203</u>
<b>Business (excluding leasing)</b>					
New Cars	4,148	4,883	6,461	6,332	6,413
Used Cars	462	661	893	1,020	803
Commercial vehicles	305	476	813	986	0
	<u>4,915</u>	<u>6,020</u>	<u>8,167</u>	<u>8,338</u>	<u>7,216</u>
<b>Total motor vehicle business</b>	<u>14,445</u>	<u>17,298</u>	<u>20,622</u>	<u>20,623</u>	<u>18,419</u>

Source: FLA

## BLACK HORSE LIMITED'S VEHICLE FINANCE BUSINESS

Within the vehicle finance industry in the UK, Black Horse Limited is one of the major providers of finance, with assets relating to motor finance (excluding contract hire) of approximately £6.8 billion at 31 December 2010. Black Horse Limited originated the following amounts of hire-purchase business in the UK in the last five years:

### Motor vehicle hire-purchase Business written by Black Horse Limited

	2010	2009	2008	2007	2006
			<i>(£ millions)</i>		
Consumer cars	1,312	1,783	1,667	1,939	1,961
Commercial vehicles	120	160	168	186	229
	<u>1,432</u>	<u>1,943</u>	<u>1,835</u>	<u>2,125</u>	<u>2,190</u>

Black Horse Limited originates vehicle hire-purchase business through a network of dealers which gives it a broad geographic spread of business throughout England and Wales, Scotland and Northern Ireland.

### Origination of applications and servicing of contracts

#### 1. Origination Channels

The vast majority of Black Horse Limited's vehicle finance business is introduced by third party motor dealers at the point of sale, the remaining business being transacted directly with customers through Cardiff business operations. Where dealers introduce contracts, they are responsible for collecting the initial data such as the applicant's name, address and occupation, which is recorded on an application form or a proposal form.

#### 2. Application Processing

Black Horse Limited's standard application processing procedures require completion of an application form or a proposal form in respect of each applicant. If the applicant is a consumer, the form will contain certain information about the prospective customer (such as information about his employment and whether he is a home owner) for the purpose of assessing his creditworthiness. All new applications are captured electronically, online, via dealer point of sale technology in motor dealer premises. The information obtained from the application form or proposal form is processed by Black Horse Limited staff and is used in the credit scoring system described below. An application is accepted or rejected after applying this credit scoring process.

If an application is accepted, in over 60 per cent. of circumstances the agreement form is signed electronically by the customer at the relevant dealer's premises with the remaining forms being signed by the customer and forwarded to Black Horse Limited's business operations team. The contract details, together with any other relevant information, are stored on computer and used for future contract servicing. A scan of the finance agreement is retained for a period of five years from the date of completion of the relevant contract so that appropriate legal remedies may be pursued against the customer if necessary.

#### 3. Car Data Registration and Credit Assessment

The car data registration team (the **CDR Team**) ensures that vehicles are protected and correctly registered. The CDR Team look for any vehicles which have had a plate change, not been registered

with the DVLA, are subject to a prior or subsequent interest and deal with each appropriately to ensure that Black Horse Limited's vehicles are properly registered and protected.

Black Horse Limited invests considerable resources vetting applications to assess the creditworthiness of applicants. The decision to grant credit in respect of any application is made in accordance with the company's credit policy. A mandate structure exists so that those cases where the applicant requires a larger amount of credit or where the terms are perceived to represent a higher risk are referred to experienced credit assessors.

The credit underwriting process is the same for consumer and business customer applications. All motor lending decisions are handled exclusively by Black Horse Limited's business operations team centre in Cardiff.

### *Consumer applications*

Once the application form, which has been completed at the dealer's premises, has been checked for completeness, it is subject to two elements of credit assessment. Firstly, a reference is obtained from a credit reference agency, through direct online links with Experian Limited. This allows the applicant's name and address to be verified and gives a credit history. This credit history will include data on current and prevailing credit facilities utilised by an individual, including (where available) the repayment profile under each facility. The reference will show any facility which has been terminated by a lender for breach and any county court judgments (or the Scottish equivalent) which have been made against the applicant. In the case of HP Agreements, a vehicle data check is also carried out to ensure that nothing adverse is recorded against the vehicle such as being a stolen vehicle or an insurance write-off.

Secondly, the application is credit scored, a process which involves a statistical method of credit assessment which gives certain weightings to individual characteristics, which have proved historically to be predictive of actual credit performance, and generates a credit score. Characteristics included in the scorecard incorporate the results of the credit reference check, alongside demographic data given by the applicant. The credit score is checked against a predetermined cut-off level. An application with a credit score which fails to attain that level can only be accepted after specific intervention by a Black Horse Limited credit assessor, in accordance with an approved mandate structure. The volume and performance of the cases where there has been specific intervention is separately monitored. In addition, the company applies a number of lending policy rules governing the size of deposits and the term of agreements.

Since 1994, Black Horse Limited has used in-house expertise to develop its own score cards. Separate score cards are used for each of new and used car business. All score cards are redeveloped as and when Portfolio Risk Analytics, in conjunction with the business, deems it necessary to do so. This may be for numerous reasons, including a change in business strategy or risk appetite, consistent and marked deterioration in current model performance or legislative change. The performance of each score card is subject to two forms of continuing assessment. The first compares the demographic characteristics of current applicants with those of the applicants used to develop the score card. The second compares actual credit performance with that predicted by the scorecard.

With respect to motor fraud, Black Horse Limited adopts a number of policies to aid in its prevention. In the first instance Black Horse Limited applies a fraud characteristics score-card system which details various data to automatically reject certain applications. Thereafter, policy rules and a rule-based fraud index look to refer any potentially risky cases to lending officers to help determine whether a potential fraudulent application has been received. The "Hunter" assessment tool is also utilised by fraud prevention specialists to assist in spotting any fraudulent applications. In addition, an acceptance condition of all motor agreements is for a full UK driving licence in the

customer's name and bearing a declared address to be submitted by the dealer in line with money laundering "Know Your Customer" regulations. This proof of identity is electronically validated by software embedded into the funding process.

#### **4. Deposits paid by Customers**

Customers entering into hire-purchase contracts to finance motor vehicles may pay a deposit. The amount of the deposit paid by customers varies as a percentage of the cash price of the vehicle being financed. The level of deposits paid by customers affects the exposure Black Horse Limited has in recovering amounts owed to it out of the sale proceeds of vehicles following repossession. Further information on the level of customer deposits is set out below in the section entitled "*The Provisional Portfolio - Summary of Provisional Portfolio*".

#### **5. Payment-Clearing Procedure**

All new hire-purchase contracts are set up with a direct debit mandate in place. This is actioned through the generation, on a daily basis, of a computer tape passed to the Association for Payment Clearing Services. Following signing of the contract, a customer may be permitted in certain circumstances to complete a standing order via the customer services team, instructing the customer's bank to pass funds to Black Horse Limited, which receives, on a daily basis, a computer tape from the Association for Payment Clearing Services recording the amounts which have been paid. The use of standing orders is typically only permitted to help resolve any technical repayment issues a Customer may be facing. Thirdly, customers may pay in cash or by cheque at a branch of Lloyds TSB Bank or of another clearing bank or through the post to Black Horse Limited's central office.

#### **6. Dealer Arrangements**

When Black Horse Limited enters into a vehicle hire-purchase agreement with a customer introduced by a dealer, the dealer enters into a contract of sale with Black Horse Limited whereby the dealer sells the vehicle to Black Horse Limited for the purpose of leasing it on hire-purchase to the customer. If there is a breach of any of the express and implied terms of the contract of sale, Black Horse Limited has a right of action against the dealer.

#### **7. Collection Procedures**

The company's collection policy is controlled centrally. Responsibility for arrears and default control lies with Black Horse Limited's collection centres at Black Horse Limited's business operations teams.

Collections procedures have been established, based on computerised systems, with clearly defined rules set out by Black Horse Limited. These rules will not be amended without the prior written consent of the Security Trustee (except changes required by applicable law or regulatory guidance) if, in the reasonable opinion of Black Horse Limited, the result of such amendment could reasonably be expected to adversely affect the Issuer or its interest in the Purchased Receivables.

In accordance with current practice, the arrears policy is based upon the risk categorisation of a particular customer case. In the first instance, cases deemed to be a high risk will be dealt with on a different timetable and by different means as compared to those customers deemed to be of a medium or low risk. For example, in a high risk case direct contact or a personal visit would typically be made with the relevant customer at the point at which they were six days in arrears. Other action taken with respect to high risk cases involves tracing and repossession work, use of text messages, calling cards and personal visits. With respect to a medium risk case, outbound contact attempts would not be sent until the customer was 24 days in arrears. A low risk case would



typically be contacted by outbound methods only after the customer was one month in arrears. The collection policy also allows, dependent on the relevant risk profile, for contact to be made by personal visits, text messages, letters, auto-voice systems and online arrangements.

Once a case (irrespective of risk profile) is over 121 days in arrears it is also subject to tracing and repossession work, use of text messages, calling cards and personal visits in order to attempt to return the relevant account to order. Once a case (irrespective of risk profile) is more than 210 days<sup>3</sup> in arrears and all previous strategies have been exhausted, the arrears policy looks to enforcement. In this scenario action is taken through the courts for the return of goods or monetary recoveries through litigation and enforcement action. A write off only occurs where all options have been exhausted and it is no longer economic to pursue the debt. At this point a debt sale may occur if the relevant account is eligible for sale.

In accordance with the Credit and Collection Procedures, Black Horse Limited crystallises a loss with respect to an asset either following the sale of the relevant account to a third party or on sale of the related Vehicle. For the purpose of the transaction, the Servicer will crystallise a loss on a Receivable and credit a corresponding amount to the Principal Deficiency Ledger where a Receivable becomes a Defaulted Receivable or VT Receivable, as applicable.

The rights under each hire-purchase contract are pursued including the taking of legal action in all cases where the circumstances make such action economic and practicable.

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<sup>3</sup> While Black Horse Limited's procedures do not write-off a receivable until the exhaustion of repossession and enforcement processes after the "recoveries" phase (210+ days), for the avoidance of doubt, a Receivable will be determined to be a Defaulted Receivable if it remains unpaid for more than 180 days (see further the definition of "Defaulted Receivable").

## **Other aspects**

### **1. Modifications, Relaxations**

In certain cases where a customer has been delinquent, Black Horse Limited may, at its option, permit the terms of the contract (such as monthly payment amounts or payment dates) to be modified or relaxed if Black Horse Limited believes that such a modification or relaxation will enhance the likelihood of settlement in full.

Under the Servicing Agreement, Black Horse Limited has agreed that no changes shall be made to the HP Agreements comprised in the Portfolio unless such changes are Permitted Variations. In addition, if Black Horse Limited agrees to any amendment or modification to any HP Agreement comprised in the Portfolio which is a Non-Permitted Variation, the Seller must repurchase such Receivable and the Related HP Agreement subject to such modifications on or before the end of the Calculation Period in which such Non-Permitted Variation occurs in accordance with the terms of the Receivables Sale and Purchase Agreement.

### **2. Vehicle Accident Insurance**

Although Black Horse Limited owns the vehicle under a hire-purchase agreement, the customer, in possession of the vehicle, is legally responsible for obtaining (and maintaining) fully comprehensive insurance cover in respect of the vehicle. In seeking cover, the customer is obliged to state that the vehicle being insured is the subject of a hire-purchase contract, and the policy will be noted accordingly. Under the terms of the HP Agreement, the insurer must pay Black Horse Limited any proceeds received in respect of an insurance claim not exceeding an amount equal to all amounts outstanding under the contract. In some circumstances, the relevant insurance company may settle an insurance claim by providing a replacement vehicle. In these circumstances, the contract with the customer is amended to reflect Black Horse Limited's ownership of the replacement vehicle.

## **THE PROVISIONAL PORTFOLIO**

### **General**

Information contained in this section is based on the Provisional Portfolio as at the Cut-off Date.

The Portfolio comprises Receivables originated by the Seller and purchased by the Issuer on the Closing Date. All Receivables in the Portfolio are derived from HP Agreements.

The Purchased Receivables which are to comprise the Portfolio will be purchased (subject to the Scottish Declaration of Trust) by the Issuer from Black Horse Limited as Seller pursuant to the terms of the Receivables Sale and Purchase Agreement to be entered into on the Closing Date. The information contained in this section relates to the Receivables which will satisfy the Eligibility Criteria as at the Closing Date, on which date the Purchased Receivables will be transferred by the Seller.

### **The Receivables**

The Receivables comprise amounts due under HP Agreements. HP Agreements are mainly directed at retail customers. HP Agreements are available for both new and used vehicles. HP Agreements carry a fixed rate of return, typically amortised in equal monthly instalments (although a small number have a larger mandatory final payment) over the repayment period, which varies between six and 60 months. The Customer is the registered keeper of the Vehicle, although Black Horse Limited remains the owner unless and until the Customer exercises its option to purchase the Vehicle.

### **The Purchased Receivables**

Under the Receivables Sale and Purchase Agreement, the Seller will assign and transfer (subject to the Scottish Declaration of Trust) to the Issuer the Purchased Receivables and Ancillary Rights which have an aggregate principal balance of £768,099,925.86 at the Cut-off Date.

### **Representations and Warranties in respect of the Portfolio**

None of the Issuer, the Note Trustee or the Security Trustee has undertaken or will undertake any investigation to verify the details of the Purchased Receivables and each will rely solely on the representations and warranties given by the Seller to the Issuer pursuant to the Receivables Sale and Purchase Agreement. Pursuant to the Receivables Sale and Purchase Agreement, the Seller will make certain representations and warranties to the Issuer regarding, among other things, its status, the Purchased Receivables and the Related HP Agreements. Such representations and warranties will be given to the Issuer on the Closing Date.

For more detailed information on the Representations and Warranties in respect of the Portfolio please refer to the Section headed "*Summary of the Transaction Documents*".

### **Eligibility Criteria**

The Seller will select the Receivables to be transferred and assigned to the Issuer (subject to any Scottish Declaration of Trust) on the basis of the Eligibility Criteria. In order for a Receivable to meet the Eligibility Criteria, the Receivable (or, as the case may be, its Related HP Agreement or the Portfolio) must satisfy the following:

1. As at the relevant Cut-off Date, in respect of a Purchased Receivable, the related HP Agreement:
  - (a) relates to a new or used car;

- (b) relates to an HP Agreement designed as a fully amortising fixed rate hire-purchase agreement;
- (c) provides for fixed monthly payment from the Customer (subject to any provision in the HP Agreement for changing the payment to reflect cancellation or termination of insurance);
- (d) was originated after July 2005 and before July 2010;
- (e) was originated at point of sale, and not by direct lending;
- (f) has an Outstanding Principal Balance of not less than £500;
- (g) has an Outstanding Principal Balance of not greater than £50,000;
- (h) is not more than one monthly payment in arrears;
- (i) has had at least two monthly payments made in respect of it by the Customer;
- (j) is not classified on the Seller's systems or identified in its records as falling into one or more specified categories which cast doubt on the creditworthiness of the Customer, such as where fraud is suspected or legal proceedings have been commenced;
- (k) has a remaining term of more than two months;
- (l) is not an HP Agreement in respect of which insurance products have been sold or financed subsequent to origination;
- (m) does not have an APR in excess of 40 per cent.;
- (n) has a credit score of "A" in accordance with the Seller's Credit and Collection Procedures;
- (o) is freely transferable by the Seller;
- (p) has been entered into with a Customer that is an individual;
- (q) no withholding taxes are applicable to any payments made under the relevant HP Agreement; and
- (r) no stamp duty or stamp taxes are payable in connection with the declaration of trust, assignment or transfer over or in respect of the Receivables or Ancillary Rights to the Issuer.

2. As at the relevant origination date, in respect of a Purchased Receivable, the related HP Agreement:

- (a) was originated by Black Horse Limited;
- (b) had an original term of not less than 6 months and not more than 60 months;
- (c) as at the relevant origination date and as at the relevant Cut-off Date, in respect of a Purchased Receivable, the Customer has not entered into more than two HP Agreements; and
- (d) as at the relevant origination date and as at the Cut-off Date, in respect of a Purchased Receivable, the Customer is not an employee of Black Horse Limited having taken out the HP Agreement under any staff scheme.

3. As at the Cut-off Date, the Seller's interest in relation to the related Vehicle is registered with a nationally recognised agency that records interests in vehicles (including Car Data Register).
4. As at the relevant Cut-off Date, in respect of a Purchased Receivable, the Receivable:
  - (a) is denominated and payable in Sterling; and
  - (b) is not a Defaulted Receivable.
5. On each date on which a Variation is agreed in respect of a Purchased Receivable, the Variation is not a Non-Permitted Variation.

For the purposes of this document, the **Outstanding Principal Balance** of an HP Agreement on any date is the aggregate of the "principal" element of all scheduled fixed monthly payments to be made thereafter by the Customer, such element being so determined by a method of accounting generally recognised in the motor vehicle finance business which treats each fixed monthly payment as comprising two distinct sums (namely, principal and interest) by reference to the annual yield implicit in the payments specified in the HP Agreement.

The following statistical information is given in relation to the Provisional Portfolio as at the Cut-off Date.

*Black Horse has extracted the following statistical information on the historical performance of its grade "A" motor vehicle receivables portfolio. The static default data is presented on a monthly basis by month of origination. Defaults include write-offs, fraud, insolvency and also 180 day delinquencies as that corresponds to the transactional definition of default. The recovery data is presented by months of origination and months after default. Default and recovery data is further split by new and used cars.*

#### **Summary of Provisional Portfolio (as of the Cut-off Date)**

##### Grade A

1.	Number of HP Agreements	130,128
2.	Total current Outstanding Principal Balance	768,099,925.86
3.	Average current Outstanding Principal Balance	5,902.65
4.	Minimum current Principal Balance	500.04
5.	Maximum current Principal Balance	47,972.83
6.	Weighted Average APR	11.91%
7.	Minimum APR	0.25%
8.	Maximum APR	37.77%
9.	Weighted Average Scheduled Remaining Term (months)	36.58
10.	Minimum Scheduled Remaining Term (months)	2
11.	Maximum Scheduled Remaining Term (months)	58
12.	Earliest Maturity Date	07/01/2011
13.	Latest Maturity Date	28/09/2015
14.	Minimum Original Maturity (months)	12
15.	Maximum Original Maturity (months)	61
16.	Weighted Average Seasoning	15.23
17.	Total current Interest	156,549,260.05
18.	Agreements paying by Direct Debit	129,544
19.	Outstanding Principal Balance of Direct Debit Agreements	764,181,383.94

Black Horse Limited originates vehicle hire-purchase business through a network of dealers which gives it a broad geographic spread of business throughout England and Wales, Scotland and Northern Ireland as illustrated by the table below:

### Area Analysis

<u>Geographical Region</u>	<u>Outstanding Principal Balance</u>	<u>Number of HP Agreements</u>	<u>Percentage Distribution by Balance</u>	<u>Percentage Distribution by number</u>
			(%)	(%)
Greater London	59,474,667.73	9,456	7.74	7.27
South East	111,035,135.78	17,995	14.46	13.83
South West	51,897,762.21	8,688	6.76	6.68
East Anglia	29,156,861.39	5,238	3.8	4.03
East Midlands	45,211,476.83	7,202	5.89	5.53
West Midlands	68,151,722.79	11,520	8.87	8.85
Northern	50,593,696.12	8,822	6.59	6.78
North West	91,220,664.63	15,961	11.88	12.27
Yorkshire & Humberside	79,799,437.44	14,139	10.39	10.87
Scotland	143,841,948.09	24,203	18.73	18.6
Wales	37,716,552.85	6,904	4.91	5.31
Other	0	0	0	0
<b>Total</b>	<b>768,099,925.86</b>	<b>130,128</b>	<b>100</b>	<b>100</b>

### Type of HP Agreements

	<u>Wav APR</u>	<u>Outstanding Principal Balance</u>	<u>Number of HP Agreements</u>	<u>Percentage Distribution by Balance</u>	<u>Contracts</u>	<u>Wav Remaining Months</u>	<u>Wav Seasoning</u>
				(%)	(%)		
Cars New	10.8	135,082,556.97	20,345	17.59	15.63	35.58	16.33
Cars used up to 3yrs	11.81	468,118,855.33	75,040	60.95	57.67	37.1	15.35
Cars used between 3 to 5yrs	12.99	148,773,253.33	30,193	19.37	23.2	36.54	14.08
Cars used over 5yrs	13.99	16,125,260.23	4,550	2.1	3.5	30.34	13.21
<b>TOTAL</b>	<b>11.91</b>	<b>768,099,925.86</b>	<b>130,128</b>	<b>100</b>	<b>100</b>	<b>36.58</b>	<b>15.23</b>

### Notes:

- (1) HP Agreements in respect of Scottish Receivables comprise 18.60 per cent. of the total number of HP Agreements and account for 18.73 per cent. of the outstanding principal balances due under all HP Agreements. The balance of the HP Agreements are English Receivables.

### Distribution by Annual Yield

<u>Apr Range</u>	<u>Outstanding Principal Balance</u>	<u>Number of HP Agreements</u>	<u>Percentage Distribution by Balance</u>	<u>Percentage Distribution by number</u>
			(%)	(%)
0.00% - 0.99%	93,120.24	20	0.01	0.02
1.00% - 1.99%	351,157.34	67	0.05	0.05
2.00% - 2.99%	327,057.50	73	0.04	0.06
3.00% - 3.99%	261,653.38	60	0.03	0.05
4.00% - 4.99%	345,767.55	55	0.05	0.04
5.00% - 5.99%	2,434,171.38	232	0.32	0.18
6.00% - 6.99%	11,774,631.33	2,332	1.53	1.79
7.00% - 7.99%	27,803,339.42	4,974	3.62	3.82
8.00% - 8.99%	56,640,745.70	8,088	7.37	6.22
9.00% - 9.99%	94,116,301.87	12,591	12.25	9.68
10.00% - 10.99%	89,189,212.43	12,800	11.61	9.84
11.00% - 11.99%	142,122,537.13	21,025	18.5	16.16
12.00% - 12.99%	110,716,745.18	18,088	14.41	13.9
13.00% - 13.99%	80,065,863.65	15,207	10.42	11.69
14.00% - 14.99%	61,093,615.76	12,059	7.95	9.27
15.00% - 15.99%	34,207,282.16	7,581	4.45	5.83
16.00% - 16.99%	22,609,458.58	5,286	2.94	4.06
17.00% - 17.99%	14,828,455.46	3,543	1.93	2.72
18.00% - 18.99%	8,012,381.94	2,202	1.04	1.69
19.00% - 19.99%	4,235,654.75	1,354	0.55	1.04
20.00% - 20.99%	2,455,202.39	842	0.32	0.65
21.00% - 21.99%	1,525,934.11	551	0.2	0.42
22.00% - 22.99%	1,135,110.52	386	0.15	0.3
23.00% - 23.99%	635,032.63	246	0.08	0.19
24.00% - 24.99%	495,963.77	188	0.06	0.14
25.00% - 25.99%	248,141.69	108	0.03	0.08
26.00% - 26.99%	175,702.95	64	0.02	0.05
27.00% - 27.99%	98,418.02	44	0.01	0.03
28.00% - 28.99%	57,350.11	28	0.01	0.02
29.00% - 29.99%	17,922.05	12	0	0.01
30.00% - 30.99%	10,067.15	7	0	0.01
31.00% - 31.99%	4,199.63	3	0	0
32.00% - 32.99%	5,844.70	5	0	0
33.00% - 33.99%	2,663.10	3	0	0
34.00% - 34.99%	1,501.24	2	0	0
35.00% - 35.99%	751.74	1	0	0
36.00% - 36.99%	0	0	0	0
37.00% - 37.99%	967.31	1	0	0
<b>Total</b>	<b>768,099,925.86</b>	<b>130,128</b>	<b>100</b>	<b>100</b>

### Distribution by Month of Origination

<u>Month of Origination</u>	<u>Outstanding Principal Balance</u>	<u>Number of HP Agreements</u>	<u>Percentage Distribution by Balance</u> (%)	<u>Percentage Distribution by number</u> (%)
Dec-05	679.1	1	0	0
Jan-06	45,171.71	71	0.01	0.05
Feb-06	89,134.91	114	0.01	0.09
Mar-06	259,090.54	283	0.03	0.22
Apr-06	261,620.70	248	0.03	0.19
May-06	340,848.72	269	0.04	0.21
Jun-06	384,275.18	263	0.05	0.2
Jul-06	522,604.12	321	0.07	0.25
Aug-06	585,742.54	331	0.08	0.25
Sep-06	806,478.43	416	0.1	0.32
Oct-06	788,167.27	383	0.1	0.29
Nov-06	686,934.67	297	0.09	0.23
Dec-06	653,563.93	257	0.09	0.2
Jan-07	1,251,843.33	553	0.16	0.42
Feb-07	1,304,690.58	576	0.17	0.44
Mar-07	2,266,036.05	973	0.3	0.75
Apr-07	2,201,329.09	893	0.29	0.69
May-07	2,603,318.48	957	0.34	0.74
Jun-07	2,897,181.02	980	0.38	0.75
Jul-07	3,225,056.01	1,065	0.42	0.82
Aug-07	3,361,523.33	1,080	0.44	0.83
Sep-07	5,343,134.44	1,528	0.7	1.17
Oct-07	5,228,036.08	1,441	0.68	1.11
Nov-07	4,190,289.63	1,151	0.55	0.88
Dec-07	2,895,231.67	746	0.38	0.57
Jan-08	3,980,462.69	1,203	0.52	0.92
Feb-08	4,774,512.34	1,454	0.62	1.12
Mar-08	8,391,080.44	2,347	1.09	1.8
Apr-08	8,761,910.11	2,327	1.14	1.79
May-08	8,595,220.14	2,254	1.12	1.73
Jun-08	9,090,345.49	2,394	1.18	1.84
Jul-08	9,907,628.91	2,468	1.29	1.9
Aug-08	7,860,789.97	2,032	1.02	1.56
Sep-08	10,967,265.18	2,513	1.43	1.93
Oct-08	10,143,283.92	2,409	1.32	1.85
Nov-08	9,357,011.45	1,999	1.22	1.54
Dec-08	9,460,532.14	1,871	1.23	1.44
Jan-09	13,056,264.05	2,842	1.7	2.18
Feb-09	14,392,219.43	2,977	1.87	2.29
Mar-09	25,647,451.78	4,737	3.34	3.64
Apr-09	23,587,086.59	4,310	3.07	3.31
May-09	25,294,957.19	4,626	3.29	3.55
Jun-09	27,941,863.71	4,606	3.64	3.54
Jul-09	29,989,271.62	4,764	3.9	3.66
Aug-09	27,118,568.25	4,268	3.53	3.28



<u>Month of Origination</u>	<u>Outstanding Principal Balance</u>	<u>Number of HP Agreements</u>	<u>Percentage Distribution by Balance</u>	<u>Percentage Distribution by number</u>
Sep-09	36,361,493.06	5,304	4.73	4.08
Oct-09	32,927,387.07	4,698	4.29	3.61
Nov-09	28,567,543.52	4,051	3.72	3.11
Dec-09	25,904,370.49	3,533	3.37	2.72
Jan-10	33,320,425.46	4,586	4.34	3.52
Feb-10	35,915,729.15	4,882	4.68	3.75
Mar-10	52,214,483.62	6,646	6.8	5.11
Apr-10	42,203,532.74	5,411	5.49	4.16
May-10	41,329,771.55	5,022	5.38	3.86
Jun-10	41,418,768.12	4,935	5.39	3.79
Jul-10	40,240,062.60	4,628	5.24	3.56
Aug-10	27,168,590.47	2,832	3.54	2.18
Sep-10	18,061.08	2	0	0
<b>Total</b>	<b>768,099,925.86</b>	<b>130,128</b>	<b>100</b>	<b>100</b>

#### Distribution by Term at Origination<sup>4</sup>

<u>Original Term</u>	<u>Outstanding Principal Balance</u>	<u>Number of HP Agreements</u>	<u>Percentage Distribution by Balance</u>	<u>Percentage Distribution by number</u>
			(%)	(%)
0 - 12 Months	175,221.04	73	0.02	0.06
13 - 24 Months	22,571,587.47	7,350	2.94	5.65
25 - 36 Months	125,013,032.60	30,751	16.28	23.63
37 - 48 Months	179,711,801.69	32,635	23.4	25.08
49 - 60 Months	440,628,283.06	59,319	57.37	45.59
<b>Total</b>	<b>768,099,925.86</b>	<b>130,128</b>	<b>100</b>	<b>100</b>

#### Distribution by Elapsed Term

<u>Elapsed Term</u>	<u>Outstanding Principal Balance</u>	<u>Number of HP Agreements</u>	<u>Percentage Distribution by Balance</u>	<u>Percentage Distribution by number</u>
			(%)	(%)
0 - 12 Months	362,172,568.22	45,604	47.15	35.05
13 - 24 Months	279,161,596.09	47,486	36.34	36.49
25 - 36 Months	90,851,323.89	23,503	11.83	18.06
37 - 48 Months	31,674,470.03	10,760	4.12	8.27
49 - 60 Months	4,239,967.63	2,775	0.55	2.13
<b>Total</b>	<b>768,099,925.86</b>	<b>130,128</b>	<b>100</b>	<b>100</b>

<sup>4</sup> In the case of contracts listed in the category "between 49 and 60 months" it should be noted that for those cases with an original term of the agreement of 60 months for which the number of scheduled payments made under the Agreement is 60, due to timing of the agreement or a change of the termination date at the beginning of the agreement, the performance of the agreement takes place over a period which in some cases is between 60 and 61 months.

### Distribution by Remaining Term

<b>Remaining Term</b>	<b>Outstanding Principal Balance</b>	<b>Number of HP Agreements</b>	<b>Percentage Distribution by Balance</b>	<b>Percentage Distribution by number</b>
			(%)	(%)
0 - 12 Months	37,497,511.62	20,527	4.88	15.77
13 - 24 Months	125,252,492.70	31,536	16.31	24.23
25 - 36 Months	187,750,306.98	30,923	24.44	23.76
37 - 48 Months	239,334,339.78	29,285	31.16	22.5
49 - 60 Months	178,265,274.78	17,857	23.21	13.72
<b>Total</b>	<b>768,099,925.86</b>	<b>130,128</b>	<b>100</b>	<b>100</b>

### Distribution by original Principal

<b>Original Principal</b>	<b>Outstanding Principal Balance</b>	<b>Number of HP Agreements</b>	<b>Percentage Distribution by Balance</b>	<b>Percentage Distribution by number</b>
			(%)	(%)
LESS THAN 2,000.00	786,928.67	721	0.1	0.55
2,000.00 - 3,999.99	24,602,891.51	12,637	3.2	9.71
4,000.00 - 5,999.99	89,474,920.48	28,109	11.65	21.6
6,000.00 - 7,999.99	128,696,946.00	28,229	16.76	21.69
8,000.00 - 9,999.99	118,414,596.34	19,814	15.42	15.23
10,000.00 -11,999.99	108,310,998.00	14,958	14.1	11.49
12,000.00 -13,999.99	74,702,850.88	8,561	9.73	6.58
14,000.00 -15,999.99	58,071,511.43	5,797	7.56	4.45
16,000.00 -17,999.99	38,799,884.51	3,369	5.05	2.59
18,000.00 -19,999.99	28,801,534.85	2,261	3.75	1.74
20,000.00 -21,999.99	26,319,007.44	1,984	3.43	1.52
22,000.00 -23,999.99	15,533,018.30	1,005	2.02	0.77
24,000.00 -25,999.99	17,404,101.85	1,034	2.27	0.79
26,000.00 -27,999.99	7,569,228.51	384	0.99	0.3
28,000.00 -29,999.99	5,413,464.61	255	0.7	0.2
30,000.00 -31,999.99	6,281,459.18	295	0.82	0.23
32,000.00 -33,999.99	3,196,797.73	139	0.42	0.11
34,000.00 -35,999.99	3,269,343.98	135	0.43	0.1
36,000.00 -37,999.99	2,097,017.10	85	0.27	0.07
38,000.00 -39,999.99	1,711,063.10	66	0.22	0.05
40,000.00 and above	8,642,361.39	290	1.13	0.22
<b>Total</b>	<b>768,099,925.86</b>	<b>130,128</b>	<b>100</b>	<b>100</b>

### Distribution by Outstanding Principal Balance

<u>Current Principal</u>	<u>Outstanding Principal Balance</u>	<u>Number of HP Agreements</u>	<u>Percentage Distribution by Balance</u> (%)	<u>Percentage Distribution by number</u> (%)
LESS THAN 2,000.00	24,958,464.37	19,079	3.25	14.66
2,000.00 - 3,999.99	96,518,254.07	32,112	12.57	24.68
4,000.00 - 5,999.99	144,109,078.94	29,125	18.76	22.38
6,000.00 - 7,999.99	135,514,852.79	19,583	17.64	15.05
8,000.00 - 9,999.99	109,204,555.88	12,247	14.22	9.41
10,000.00 - 11,999.99	77,107,184.36	7,073	10.04	5.44
12,000.00 - 13,999.99	52,670,087.09	4,082	6.86	3.14
14,000.00 - 15,999.99	36,426,666.42	2,440	4.74	1.88
16,000.00 - 17,999.99	26,042,735.71	1,538	3.39	1.18
18,000.00 - 19,999.99	17,893,797.51	946	2.33	0.73
20,000.00 - 21,999.99	13,515,985.77	645	1.76	0.5
22,000.00 - 23,999.99	10,226,738.38	446	1.33	0.34
24,000.00 - 25,999.99	5,970,883.85	239	0.78	0.18
26,000.00 - 27,999.99	4,778,170.16	177	0.62	0.14
28,000.00 - 29,999.99	3,557,992.63	123	0.46	0.09
30,000.00 - 31,999.99	2,229,754.24	72	0.29	0.06
32,000.00 - 33,999.99	1,979,107.76	60	0.26	0.05
34,000.00 - 35,999.99	1,602,757.47	46	0.21	0.04
36,000.00 - 37,999.99	1,218,034.96	33	0.16	0.03
38,000.00 - 39,999.99	1,011,602.73	26	0.13	0.02
40,000.00 and above	1,563,220.77	36	0.2	0.03
<b>Total</b>	<b>768,099,925.86</b>	<b>130,128</b>	<b>100</b>	<b>100</b>

### Principal Maturity Analysis

<u>Month</u>	<u>Cases</u>	<u>Principal BFWD</u>	<u>Principal due</u>	<u>Interest</u>	<u>Total Yield</u>
1	130,128	768,099,925.86	22,880,306.93	7,620,352.39	11.91
2	130,128	745,219,618.93	23,193,287.14	7,398,839.17	11.91
3	129,369	722,026,331.79	23,212,152.10	7,173,607.02	11.92
4	128,164	698,814,179.69	23,179,554.50	6,947,848.42	11.93
5	126,199	675,634,625.19	22,890,459.80	6,722,018.04	11.94
6	124,337	652,744,165.39	22,662,223.24	6,498,341.17	11.95
7	122,325	630,081,942.15	22,407,133.17	6,276,350.44	11.95
8	120,269	607,674,808.98	22,133,522.65	6,056,537.85	11.96
9	118,179	585,541,286.33	21,859,866.93	5,838,913.18	11.97
10	116,052	563,681,419.40	21,606,156.52	5,623,781.60	11.97
11	113,699	542,075,262.88	21,260,412.10	5,410,972.94	11.98
12	111,495	520,814,850.78	20,937,358.52	5,201,182.18	11.98
13	109,601	499,877,492.26	20,676,326.46	4,994,390.81	11.99
14	108,061	479,201,165.80	20,632,088.72	4,790,093.75	12
15	105,678	458,569,077.08	20,293,835.28	4,586,032.18	12
16	103,376	438,275,241.80	20,079,020.15	4,385,206.27	12.01
17	100,269	418,196,221.65	19,514,762.31	4,186,476.15	12.01
18	97,510	398,681,459.34	19,109,874.35	3,992,960.28	12.02

<b>Month</b>	<b>Cases</b>	<b>Principal BFWD</b>	<b>Principal due</b>	<b>Interest</b>	<b>Total Yield</b>
19	94,540	379,571,584.99	18,626,238.02	3,803,310.01	12.02
20	91,655	360,945,346.97	18,149,759.90	3,618,362.22	12.03
21	88,736	342,795,587.07	17,622,961.10	3,437,882.52	12.03
22	85,976	325,172,625.97	17,195,606.40	3,262,773.88	12.04
23	83,040	307,977,019.57	16,677,686.89	3,092,046.70	12.05
24	80,340	291,299,332.68	16,199,333.66	2,926,102.92	12.05
25	78,065	275,099,999.02	15,784,325.54	2,764,785.63	12.06
26	76,252	259,315,673.48	15,641,405.46	2,607,481.43	12.07
27	73,653	243,674,268.02	15,232,542.46	2,451,364.26	12.07
28	70,948	228,441,725.56	14,866,413.03	2,299,435.32	12.08
29	67,526	213,575,312.53	14,194,116.47	2,151,145.18	12.09
30	64,340	199,381,196.06	13,627,185.94	2,009,231.06	12.09
31	61,044	185,754,010.12	12,953,412.34	1,872,887.04	12.1
32	58,119	172,800,597.78	12,413,503.56	1,743,291.34	12.11
33	55,137	160,387,094.22	11,763,615.40	1,618,948.27	12.11
34	52,796	148,623,478.82	11,262,097.39	1,501,183.48	12.12
35	50,852	137,361,381.43	10,932,435.31	1,388,489.10	12.13
36	48,890	126,428,946.12	10,569,362.38	1,278,931.94	12.14
37	47,142	115,859,583.74	10,255,883.43	1,172,909.67	12.15
38	45,580	105,603,700.31	10,130,175.92	1,069,999.23	12.16
39	43,192	95,473,524.39	9,701,092.86	968,217.75	12.17
40	40,827	85,772,431.53	9,360,268.23	870,666.92	12.18
41	37,799	76,412,163.30	8,712,359.28	776,552.45	12.2
42	34,999	67,699,804.02	8,170,712.10	688,667.19	12.21
43	32,134	59,529,091.92	7,600,456.02	606,146.19	12.22
44	29,251	51,928,635.90	6,991,396.36	529,364.08	12.23
45	26,305	44,937,239.54	6,279,146.13	458,531.45	12.24
46	23,875	38,658,093.41	5,718,770.90	394,760.05	12.25
47	21,650	32,939,322.51	5,215,760.01	336,610.53	12.26
48	19,555	27,723,562.50	4,717,552.88	283,435.84	12.27
49	17,857	23,006,009.62	4,328,562.67	235,278.65	12.27
50	16,427	18,677,446.95	4,179,357.78	191,096.20	12.28
51	14,156	14,498,089.17	3,663,528.13	148,329.87	12.28
52	11,976	10,834,561.04	3,246,628.79	110,798.51	12.27
53	9,378	7,587,932.25	2,625,998.36	77,538.79	12.26
54	6,989	4,961,933.89	2,046,664.45	50,624.60	12.24
55	4,786	2,915,269.44	1,502,737.63	29,701.10	12.23
56	2,818	1,412,531.81	1,004,127.55	14,329.89	12.17
57	933	408,404.26	406,505.80	4,125.98	12.12
58	3	1,898.46	1,898.46	18.97	11.99
				<b>156,549,260.05</b>	<b>12</b>

## Current Delinquency Experience

	<b>Outstanding Principal Balance</b>	<b>Number of HP Agreements</b>	<b>Percentage Distribution by Balance</b>	<b>Percentage Distribution by Number</b>
	<i>(£ millions)</i>		<i>(%)</i>	<i>(%)</i>
Current	768	130,128	100	100
Delinquent	0	0	0	0
	<b>768</b>	<b>130,128</b>	<b>100.00</b>	<b>100.00</b>

## Distribution by Major Dealer Group (Top Ten)

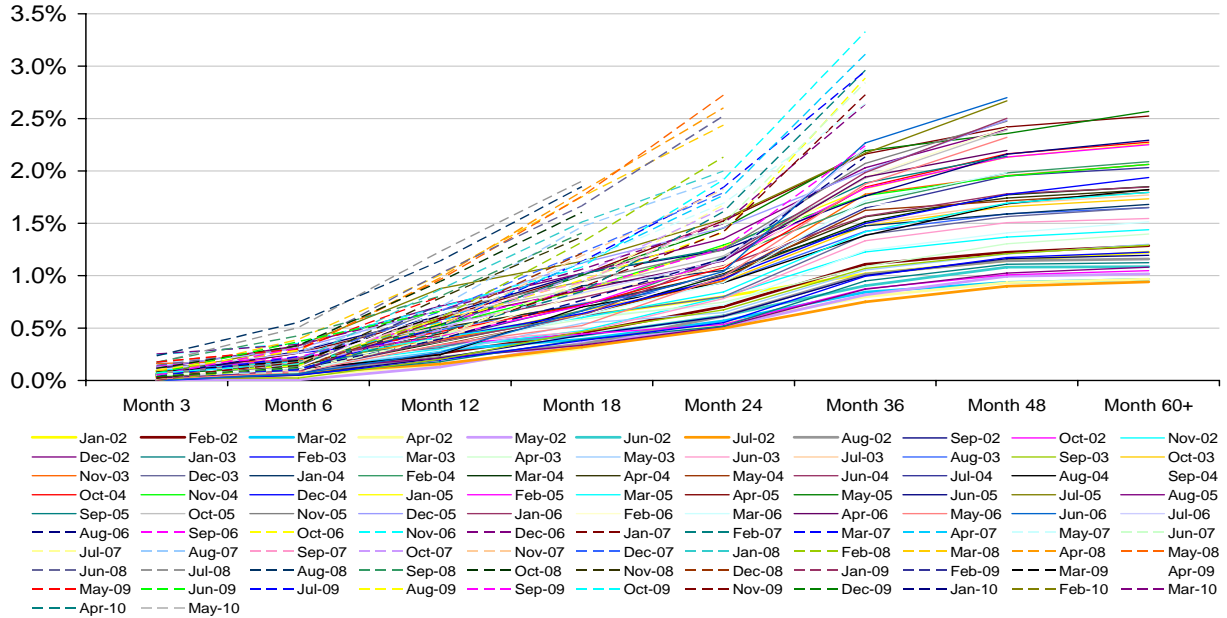
<b>Dealer Group</b>	<b>Outstanding Principal Balance</b>	<b>Number of HP Agreements</b>	<b>Percentage Distribution by Balance</b>	<b>Percentage Distributio n by number</b>
			<i>(%)</i>	<i>(%)</i>
Arnold Clark Automobiles Ltd	60,220,642.63	12,126	7.84	9.32
Motorpoint of Derby Ltd	30,060,608.83	5,670	3.91	4.36
Sytner Group PLC	29,185,206.38	2,693	3.8	2.07
Bristol Street Motors	22,769,098.55	3,930	2.96	3.02
Peter Vardy (Perth) Ltd	19,910,774.82	2,962	2.59	2.28
The Car People Ltd	16,112,917.49	3,162	2.1	2.43
Pentagon Vauxhall	14,776,394.08	2,245	1.92	1.73
Mann Island Finance Ltd	13,605,903.90	1,405	1.77	1.08
Inchcape Retail Ltd (Prestige)	13,404,302.52	1,598	1.75	1.23
Car Giant	13,270,052.58	2,829	1.73	2.17
<b>Total</b>	<b>233,315,901.78</b>	<b>38,620</b>	<b>30.37</b>	<b>29.69</b>

## Distribution by Vehicle Manufacturer (Top Ten)

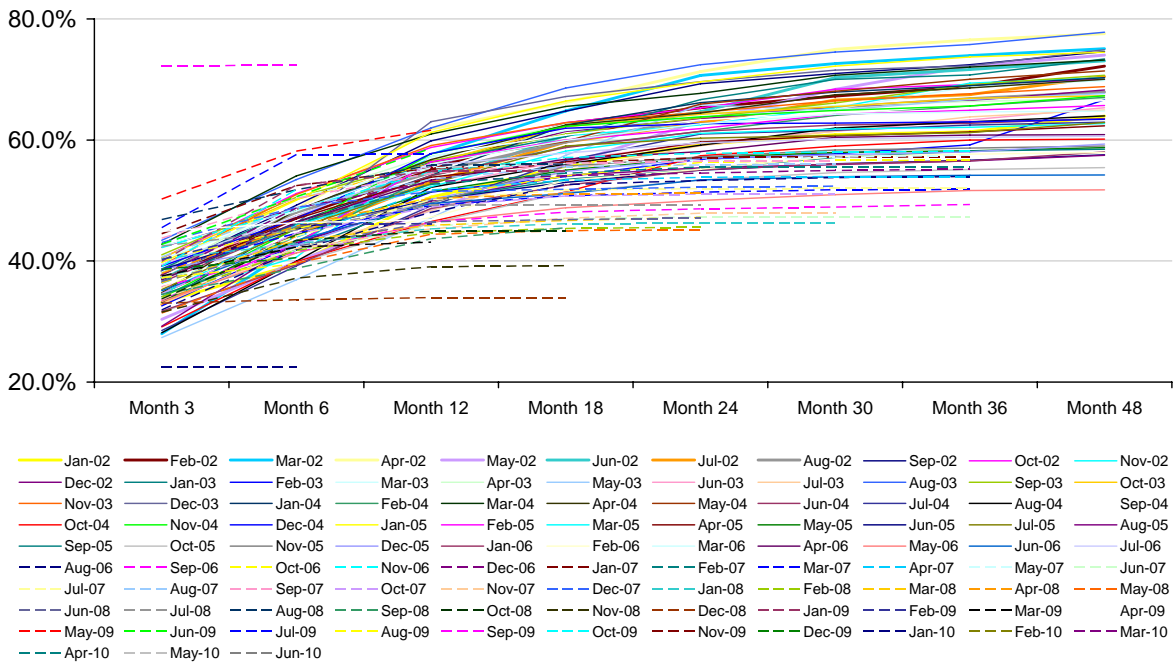
<b>Vehicle Manufacturer</b>	<b>Outstanding Principal Balance</b>	<b>Number of HP Agreements</b>	<b>Percentage Distribution by Balance</b>	<b>Percentage Distribution by number</b>
			<i>(%)</i>	<i>(%)</i>
Vauxhall	127,755,236.54	24,436	16.63	18.78
Ford	120,851,048.48	22,544	15.73	17.32
Mercedes-Benz	52,246,470.13	6,434	6.8	4.94
Land Rover	51,657,665.47	4,494	6.73	3.45
Volkswagen	43,080,205.49	7,526	5.61	5.78
BMW	36,504,081.85	4,594	4.75	3.53
Renault	33,329,157.80	7,678	4.34	5.9
Peugeot	32,496,587.76	6,974	4.23	5.36
Audi	26,074,401.18	3,291	3.39	2.53
Nissan	21,486,456.01	3,965	2.8	3.05
<b>Total</b>	<b>545,481,310.71</b>	<b>91,936</b>	<b>71.01</b>	<b>70.64</b>

# Historical Performance Data for Black Horse Limited Grade A Motor Loans

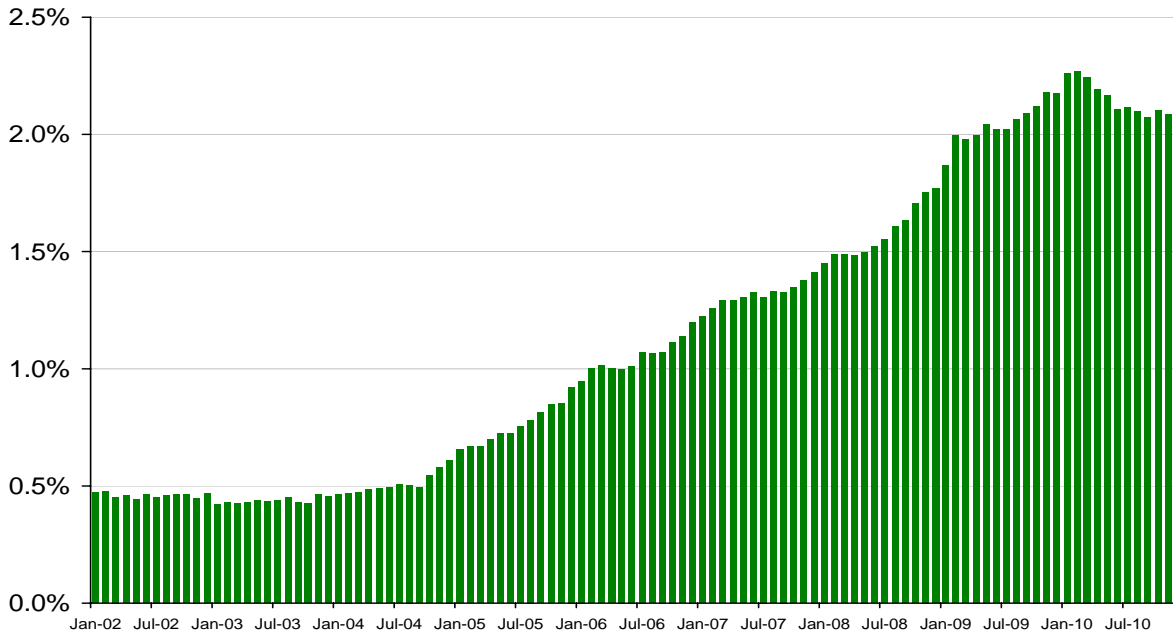
## Vintage Gross Losses (180+ days)



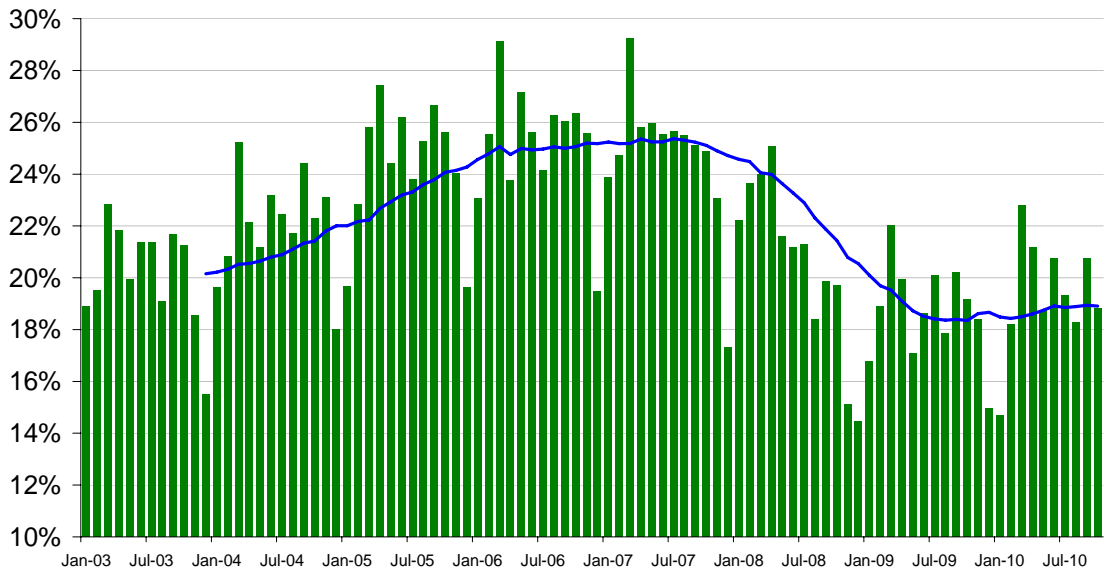
## Vintage Gross Recoveries (180+ days)



### Arrears (90+ days)

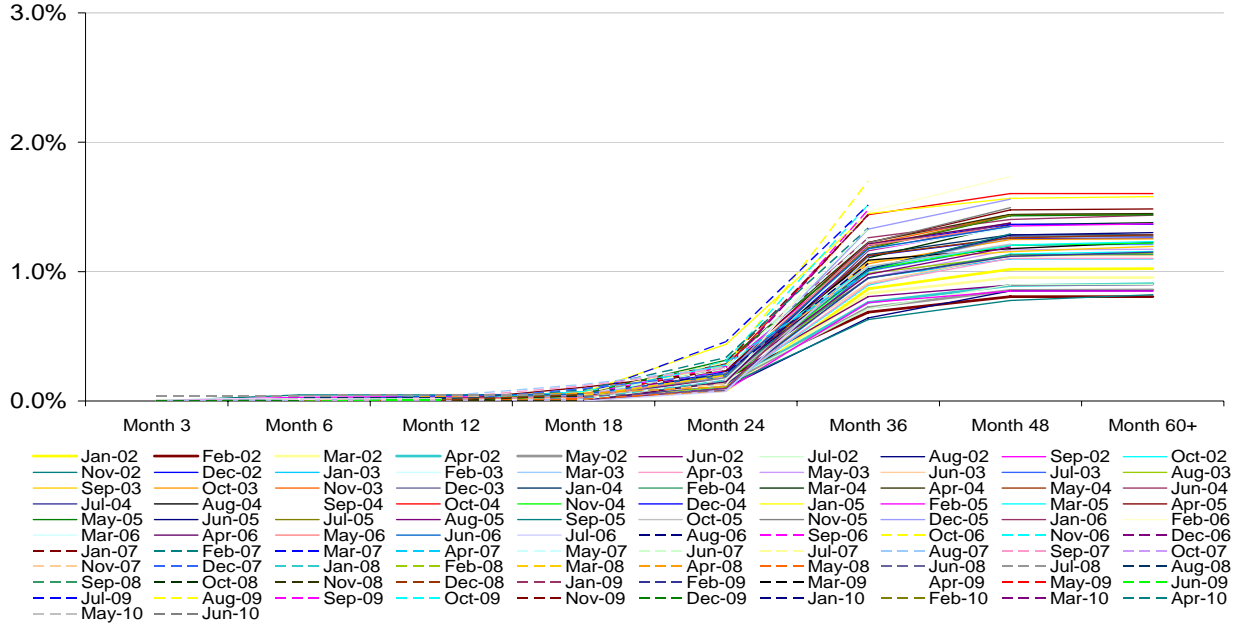


### Historic Early Settlement Rates (Annualised)

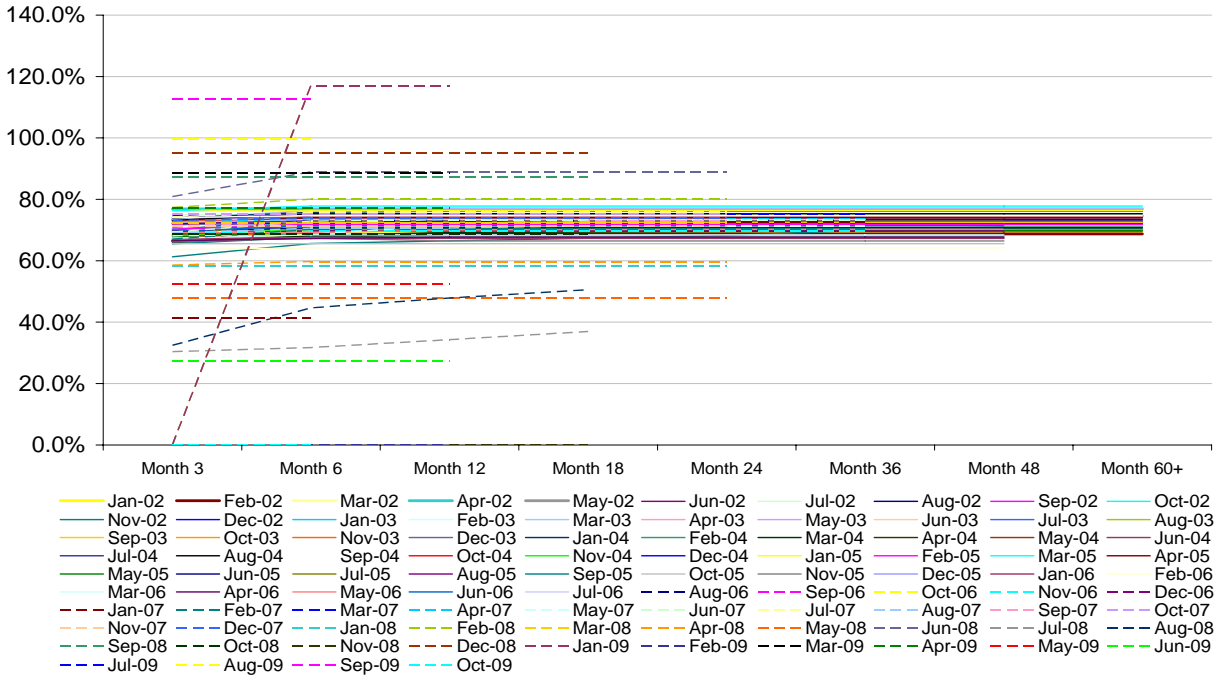


■ Annualised Monthly Observation — 12 per. Mov. Avg. (Annualised Monthly Observation)

## Historic Voluntary Terminations (without liability) Gross Exposure



## Historic Voluntary Terminations (without liability) Gross Recoveries





## **SERVICING OF COLLECTIONS**

Pursuant to the Servicing Agreement, the Issuer has appointed Black Horse Limited as Servicer for the purposes of servicing the Purchased Receivables. In particular, pursuant to the Servicing Agreement, the Servicer has undertaken to service the Portfolio and to perform its duties under the terms and conditions set out in the Servicing Agreement in accordance with all applicable laws and regulations, the Credit and Collection Procedures and pursuant to specific instructions that, on certain conditions, may be given to it by the Issuer or, as applicable, the Security Trustee from time to time. See "*Summary of the Transaction Documents*" above.

## **CASH MANAGEMENT**

Pursuant to the Account Bank Agreement and the Cash Management Agreement, to be dated on or about the Closing Date, the Account Bank and the Cash Manager will provide the Issuer with, in the case of the Account Bank, certain account holding services and, in the case of the Cash Manager, certain calculation, notification, reporting and cash management services in relation to monies from time to time standing to the credit of the Bank Accounts.

### ***Daily Cash Flows***

Pursuant to the Servicing Agreement, the Servicer will procure that all Collections in respect of the Purchased Receivables are paid within one Business Day following receipt by the Seller, directly into the GIC Account.

### ***Monthly Cash Flows***

On each Calculation Date, the Cash Manager will make the necessary determinations and calculations under the Transaction Documents, in particular determining the Available Revenue Receipts and the Available Principal Receipts to be distributed on the immediately following Interest Payment Date.

On each Interest Payment Date, the Cash Manager will transfer Available Revenue Receipts and Available Principal Receipts standing to the credit of the GIC Account to the Transaction Account and will apply such amounts on behalf of the Issuer in accordance with the applicable Priority of Payments set out in the Cash Management Agreement.

### **Directions of the Cash Manager**

The Account Bank has agreed to comply with the directions of the Cash Manager or, until such time as the Cash Manager receives a copy of a Note Acceleration Notice served by the Note Trustee on the Issuer or has notice of any enforcement action taken by the Security Trustee, the Security Trustee, to effect payments from the Transaction Account and/or the GIC Account, as applicable.

### **Ledger Accounts**

Pursuant to the Cash Management Agreement, the Cash Manager shall establish and maintain the Issuer Retained Profit Ledger, the Principal Deficiency Ledger, the Reserve Fund Ledger, the Currency Swap Ledger and the Interest Rate Swap Ledger (together the **Ledger Accounts**). On or before each Interest Payment Date, the Cash Manager will:

- (a) adjust as appropriate the Principal Deficiency Ledger by:
  - (i) crediting the Principal Deficiency Ledger by an amount equal to the amounts transferred under item (h) of the Pre-Acceleration Revenue Priority of Payments on such Interest Payment Date; and
  - (ii) debiting the Principal Deficiency Ledger by an amount equal to the aggregate of:
    - (A) the Outstanding Principal Balance of all Purchased Receivables which have become Defaulted Receivables or Voluntarily Terminated Receivables during the Calculation Period immediately preceding the Calculation Date; and
    - (B) by an amount equal to the amount paid in item (a) of the Pre-Acceleration Principal Priority of Payment, so long as the debit balance on such ledger is less than the

aggregate of the Principal Amount Outstanding of the Class U Notes and 50 per cent. of the Principal Amount Outstanding of the Class A Notes.

- (b) adjust as appropriate the Reserve Fund Ledger by:
  - (i) crediting the Reserve Fund Ledger by an amount equal to the aggregate of:
    - (A) Tranche B of the Subordinated Loan; and
    - (B) payments made in accordance with item (g) of the Pre-Acceleration Revenue Priority of Payments; and
  - (ii) debiting the Reserve Fund Ledger by an amount equal to the aggregate of amounts drawn from the Reserve Fund and included on each Interest Payment Date from the Closing Date to, but excluding, the Final Class A Interest Payment Date, as Available Revenue Receipts on each such Interest Payment Date and on and from the Final Class A Interest Payment Date, as Available Principal Receipts;
- (c) adjust as appropriate the Issuer Retained Profit Ledger by:
  - (i) crediting the Issuer Retained Profit Ledger by an amount equal to the amount retained in respect of the Issuer Profit Amount in accordance with item (k) of the Pre-Acceleration Revenue Priority of Payments; and
  - (ii) debiting the Issuer Retained Profit Ledger by the lower of (i) all amounts applied to pay or discharge the Issuer's liability to corporation tax and (ii) the amount standing to the credit of the Issuer Retained Profit Ledger;
- (d) adjust as appropriate the Currency Swap Ledger by:
  - (i) recording payments representing Exchange Amounts and scheduled payments paid by the Issuer (or required to be paid by the Issuer but otherwise netted against other payments owing from the Currency Swap Counterparty under the Currency Swap Agreement) to the Currency Swap Counterparty under the Currency Swap Agreement; and
  - (ii) recording payments representing Exchange Amounts and scheduled payments received by the Issuer (or required to be received by the Issuer but otherwise netted against other payments owing to the Currency Swap Counterparty under the Currency Swap Agreement) from the Currency Swap Counterparty under the Currency Swap Agreement; and
- (e) adjust as appropriate the Interest Rate Swap Ledger by:
  - (i) recording payments representing scheduled payments paid by the Issuer (or required to be paid by the Issuer but otherwise netted against other payments owing from the Interest Rate Swap Counterparty under the Interest Rate Swap Agreement) to the Interest Rate Swap Counterparty under the Interest Rate Swap Agreement; and
  - (ii) recording payments representing scheduled payments received by the Issuer (or required to be received by the Issuer but otherwise netted against other payments owing to the Interest Rate Swap Counterparty under the Interest Rate Swap Agreement) from the Interest Rate Swap Counterparty under the Interest Rate Swap Agreement.

## Priorities of Payment

### Pre-Acceleration Priority of Payments

The Cash Manager will on behalf of the Issuer apply Available Revenue Receipts and Available Principal Receipts standing to the credit of the Transaction Account on each Interest Payment Date in accordance with the Pre-Acceleration Revenue Priority of Payments and the Pre-Acceleration Principal Priority of Payments.

### Pre-Acceleration Revenue Priority of Payments

On each Interest Payment Date falling prior to the service of a Note Acceleration Notice by the Note Trustee on the Issuer, the Cash Manager (on behalf of the Issuer) will apply Available Revenue Receipts in accordance with the following **Pre-Acceleration Revenue Priority of Payments** (in each case only if and to the extent that payments or provisions of a higher priority have been made in full):

- (a) first, *pro rata* and *pari passu* to pay amounts due to:
  - (i) the Security Trustee, together with interest and any amount in respect of Tax (if any) on those amounts, and to make provision for any amounts due or to become due during the following Calculation Period to the Security Trustee under the Deed of Charge; and
  - (ii) the Note Trustee, together with interest and any amount in respect of Tax (if any) on those amounts, and to make provision for any amounts due or to become due during the following Calculation Period to the Note Trustee under the Note Trust Deed;
- (b) then, *pro rata* and *pari passu*, to pay amounts due to the Agent Bank and the Paying Agents together with interest and any amount in respect of VAT (if any) on those amounts, and any costs, charges, liabilities and expenses then due or to become due during the following Calculation Period to the Agent Bank and the Paying Agents under the Agency Agreement;
- (c) then, prior to any enforcement action taken by the Security Trustee in respect of the Security, to pay amounts due to any third party creditors of the Issuer (other than those referred to later in this priority of payments), which amounts have been incurred without breach by the Issuer of the Transaction Documents to which it is a party and for which payment has not been provided for elsewhere and to provide for any of those amounts expected to become due and payable during the following Interest Period by the Issuer and, to the extent amounts credited to the Issuer Retained Profit Ledger are insufficient, to the extent of any insufficiency to pay or discharge any corporation tax liability of the Issuer;
- (d) then, *pro rata* and *pari passu*, to pay amounts due to:
  - (i) the Cash Manager, together with any amount in respect of VAT (if any) on those amounts, and to provide for any amounts due or to become due to the Cash Manager in the immediately succeeding Interest Period, under the Cash Management Agreement;
  - (ii) the Servicer and, if applicable, any Back-Up Servicer, together, in each case, with any amount in respect of VAT (if any) on those amounts, and to provide for any amounts due or to become due to the Servicer and, if applicable, any Back-Up Servicer, in the immediately succeeding Interest Period, under the Servicing Agreement;
  - (iii) the Corporate Services Provider, together with any amount in respect of VAT (if any) on those amounts, and to provide for any amounts due, or to become due to the Corporate Services Provider in the immediately succeeding Interest Period, under the Corporate Services Agreement;

- (iv) the Account Bank, together with any amount in respect of VAT (if any) on those amounts, and to provide for any amounts due or to become due to the Account Bank in the immediately succeeding Interest Period, under the Account Bank Agreement;
  - (v) prior to any enforcement action taken by the Security Trustee in respect of the Security, any auditors of, and other professional advisers to, the Issuer; and
  - (vi) pay the Administrator Incentive Recovery Fee (if any);
- (e) then, towards payment of all amounts (if any) due and payable to the Interest Rate Swap Counterparty under the Interest Rate Swap Agreement (other than Subordinated Swap Amounts as defined in item (j) below);
- (f) then, to pay, *pro rata* and *pari passu*:
- (i) interest due and payable on the Class A1 Notes;
  - (ii) (A) if the Currency Swap Agreement is in place, amounts (other than amounts representing Exchange Amounts) due to the Currency Swap Counterparty under the Currency Swap Agreement (including any Swap Termination Payments under the Currency Swap Agreement but excluding any Subordinated Swap Amounts) or (B) if the Currency Swap Agreement is not in place or the Currency Swap Counterparty fails to make payment under the Currency Swap Agreement, such amount (other than amounts representing principal) as is required to be exchanged for euro in the spot exchange market in order to pay interest due on the Class A2 Notes amounts due and payable in respect of interest on such Interest Payment Date; and
  - (iii) from amounts received by the Issuer (A) from the Currency Swap Counterparty under the Currency Swap Agreement or (B) in the spot exchange market in return for the amount paid by the Issuer as referred to in item (f)(ii) above and credited to the Currency Swap Ledger, amounts due and payable on the Class A2 Notes; and
- (g) then, an amount to be credited to the Reserve Fund Ledger so that it equals the Reserve Fund Required Amount or on the Final Class A Interest Payment Date to be applied as Available Principal Receipts to the extent required to redeem in full the Class A1 Notes and, from amounts received by the Issuer (A) from the Currency Swap Counterparty under the Currency Swap Agreement or (B) in the spot exchange market in return for the amount paid by the Issuer as referred to in item (f)(ii) above and credited to the Currency Swap Ledger, the Class A2 Notes;
- (h) then, an amount sufficient to eliminate any debit on the Principal Deficiency Ledger;
- (i) then, to pay, *pro rata* and *pari passu*, interest due and payable on the Class U Notes;
- (j) then, *pro rata* and *pari passu*, towards payment to the Swap Counterparties of any Subordinated Swap Amount;
- (k) then, prior to any enforcement action taken by the Security Trustee in respect of the Security, an amount equal to the Issuer Profit Amount to be retained by the Issuer;
- (l) then, towards payment of interest amounts due and payable to the Subordinated Loan Provider under the Subordinated Loan Agreement;
- (m) then, to make a payment in respect of any principal outstanding under the Subordinated Loan Agreement; and

- (n) then, towards payment of any Deferred Purchase Price due to the Seller pursuant to the terms of the Receivables Sale and Purchase Agreement.

On the earliest of (a) the Interest Payment Date on which the amount standing to the credit of the Reserve Fund (after taking into account the amounts to be applied in accordance with items (a) to (f) of the Pre-Acceleration Revenue Priority of Payments on such Interest Payment Date is greater than or equal to the aggregate of the Principal Amount Outstanding of the Class A1 Notes and the sterling equivalent of the Principal Amount Outstanding of the Class A2 Notes (taking into account amounts applied in accordance with the Pre-Acceleration Principal Priority of Payments (other than from a withdrawal from the Reserve Fund)) and (b) the Interest Payment Date on which the amount credited to the Principal Deficiency Ledger is equal to or greater than the 100 per cent. of the Principal Amount Outstanding of the Class A Notes and the Class U Notes (as converted into sterling in the case of the Class A2 Notes at the then applicable rate set out in the Currency Swap Agreement) (such date, the **Final Class A Interest Payment Date**) amounts standing to the credit of the Reserve Fund shall be applied on such Interest Payment Date as Available Principal Receipts and shall be applied in accordance with the Pre-Acceleration Principal Priority of Payments in such amount as is required to redeem the Class A Notes and thereafter any excess shall continue to be applied in accordance with the Pre-Acceleration Revenue Priority of Payments.

If on or prior to any Interest Payment Date the Servicer has not provided the Cash Manager with sufficient information to make the determinations required to apply Available Revenue Amounts in accordance with the Pre-Acceleration Revenue Priority of Payments, the Cash Manager shall first apply Available Revenue Receipts to pay items (a) to (f) of the Pre-Acceleration Revenue Priority of Payments and thereafter all remaining amounts representing Available Revenue Receipts shall be credited to the GIC Account for application as Available Revenue Receipts on the next following Interest Payment Date.

### **Revenue Deficiency**

On each Calculation Date, the Cash Manager will calculate whether Available Revenue Receipts (but ignoring any Available Principal Receipts referred to in item (f) of the definition of Available Revenue Receipts) will be sufficient to pay items (a) to (f) of the Pre-Acceleration Revenue Priority of Payments. If the Cash Manager determines that there is an insufficiency in the amount of Available Revenue Receipts (but ignoring any Available Principal Receipts referred to in item (f) of the definition of Available Revenue Receipts) available to pay items (a) to (f) of the Pre-Acceleration Revenue Priority of Payments (the amount of the deficit being the **Revenue Deficiency**), then the Issuer shall pay or provide for that Revenue Deficiency by applying amounts which constitute Available Principal Receipts (if any) to cover the deficit (and the Cash Manager shall make a corresponding entry against the Revenue Deficiency Ledger) **provided that** no Available Principal Receipts may be applied in order to cure a Revenue Deficiency in respect of the payment of interest on the Class A Notes if and to the extent the amount credited to the Principal Deficiency Ledger is greater than or equal to 100 per cent. of the Principal Amount Outstanding of the Class U Notes and 50 per cent. of the Principal Amount Outstanding of the Class A Notes.

Available Principal Receipts will, if applicable, be applied as Available Revenue Receipts subject to and in accordance with the Pre-Acceleration Revenue Priority of Payments.

### **Pre-Acceleration Principal Priority of Payments**

On each Interest Payment Date prior to the service of a Note Acceleration Notice on the Issuer by the Note Trustee, the Cash Manager on behalf of the Issuer will apply Available Principal Receipts in accordance with the following **Pre-Acceleration Principal Priority of Payments** (in each case only if and to the extent that payments or provisions of a higher priority have been made in full):

- (a) first, by way of credit to the Revenue Deficiency Ledger, an amount equal to the Revenue Deficiency and such amount to be applied as Available Revenue Receipts;

- (b) then, to pay, *pro rata* and *pari passu*, in accordance with the respective amounts thereof
  - (i) principal on the Class A1 Notes;
  - (ii) (A) if the Currency Swap Agreement is in place, Exchange Amounts due to the Currency Swap Counterparty under the Currency Swap Agreement or (B) if the Currency Swap Agreement is not in place or the Currency Swap Counterparty fails to make payment under the Currency Swap Agreement, such amount to be exchanged for euro in the spot exchange market in order to pay principal on the Class A2 Notes; and
  - (iii) from amounts received by the Issuer (A) from the Currency Swap Counterparty under the Currency Swap Agreement or (B) in the spot exchange market in return for the amount paid by the Issuer as referred to in item (b)(ii) above and credited to the Currency Swap Ledger, amounts in respect of principal on the Class A2 Notes; and
- (c) then, to pay, *pro rata* and *pari passu*, amounts due and payable in respect of principal (if any) on such Interest Payment Date on Class U Notes until the Class U Notes have been repaid in full;
- (d) finally, to apply any remaining amounts as Available Revenue Receipts (**Surplus Available Principal Receipts**).

On the Final Class A Interest Payment Date amounts standing to the credit of the Reserve Fund can be applied on such Interest Payment Date as Available Principal Receipts and shall be applied in accordance with the Pre-Acceleration Principal Priority of Payments in such amount as is required to redeem the Class A Notes and thereafter any excess shall continue to be applied in accordance with the Pre-Acceleration Revenue Priority of Payments.

If on or prior to any Interest Payment Date the Servicer has not provided the Cash Manager with sufficient information to make the determinations required to apply Available Principal Receipts in accordance with the Pre-Acceleration Revenue Priority of Payments, the Cash Manager shall first apply Available Principal Receipts to pay item (a) of the Pre-Acceleration Principal Priority of Payments and thereafter all remaining amounts representing Available Principal Receipts shall be credited to the GIC Account for application as Available Principal Receipts on the next following Interest Payment Date.

#### ***Post-Acceleration Priority of Payments***

The Deed of Charge sets out the priority of distribution by the Security Trustee, following the service of a Note Acceleration Notice on the Issuer (known as the **Post-Acceleration Priority of Payments**), of amounts received or recovered by the Security Trustee (or a receiver appointed on its behalf).

The Security Trustee will apply amounts (other than amounts representing (i) any Excess Swap Collateral which shall be returned directly to the relevant Swap Counterparty (and for the avoidance of doubt, such payment shall be without regard to the relevant Priority of Payments) and (ii) in respect of each Swap Counterparty, prior to the designation of an early termination date under the relevant Swap Agreement and the resulting application of the collateral by way of netting or set-off, an amount equal to the value of all collateral (other than Excess Swap Collateral) provided by such Swap Counterparty to the Issuer pursuant to the relevant Swap Agreement (and any interest or distributions in respect thereof)) received or recovered following enforcement of the Issuer Security as follows:

- (a) first, without priority among them but in proportion to the respective amounts due, to pay amounts due to:
  - (i) the Security Trustee and any receiver (including any administrative receiver) appointed by the Security Trustee, together with interest and any amount in respect of Tax (if any) on

those amounts and any amounts then due or to become due and payable to the Security Trustee and the receiver under the provisions of the Deed of Charge; and

- (ii) the Note Trustee, together with interest and any amount in respect of Tax (if any) on those amounts and any amounts then due or to become due and payable to the Note Trustee under the provisions of the Note Trust Deed;
- (b) then, without priority among them but in proportion to the respective amounts due, to pay amounts due to the Agent Bank and the Paying Agents, together with interest and any amount in respect of VAT (if any) on those amounts and any costs, charges, liabilities and expenses then due or to become due and payable to them under the provisions of the Agency Agreement;
- (c) then, without priority among them, but in proportion to the respective amounts due, to pay amounts due to:
- (i) the Cash Manager, together with any amount in respect of VAT (if any) on those amounts under the Cash Management Agreement;
  - (ii) the Servicer and, as applicable, the Back-Up Servicer, together with any amount in respect of VAT (if any) on those amounts under the Servicing Agreement
  - (iii) the Corporate Services Provider, together with any amount in respect of VAT (if any) on those amounts under the Corporate Services Agreement;
  - (iv) the Account Bank, together with any amount in respect of VAT (if any) on those amounts under the Account Bank Agreement; and
  - (v) pay the Administrator Incentive Recovery Fee (if any);
- (d) then, towards payment of all amounts (if any) due and payable to the Interest Rate Swap Counterparty under the Interest Rate Swap Agreement (including termination payments but excluding any Subordinated Swap Amount);
- (e) then, to pay, *pro rata* and *pari passu*:
- (i) amounts in respect of interest and principal due and payable on the Class A1 Notes;
  - (ii) if the Currency Swap Agreement is in place, amounts due to the Currency Swap Counterparty under the Currency Swap Agreement (including any Swap Termination Payments under the Currency Swap Agreement but excluding any Subordinated Swap Amounts) or (B) if the Currency Swap Agreement is not in place or the Currency Swap Counterparty fails to make payment under the Currency Swap Agreement, such amount as is required to be exchanged for euro in the spot exchange market in order to pay interest and principal due on the Class A2 Notes and to pay from amounts received by the Issuer (A) from the Currency Swap Counterparty under the Currency Swap Agreement or (B) in the spot exchange market in return for the amount paid by the Issuer and credited to the Currency Swap Ledger, amounts due in respect of interest and principal on the Class A2 Notes,
- until the Class A1 Notes and the Class A2 Notes are redeemed in full;
- (f) then, to pay, *pro rata* and *pari passu* amounts in respect of interest and principal due and payable on the Class U Notes until the Class U Notes are redeemed in full;



- (g) then, to pay, *pro rata* and *pari passu*, any Subordinated Swap Amount due and payable to each relevant Swap Counterparty;
- (h) then, towards payment of all amounts due and payable to the Subordinated Loan Provider under the Subordinated Loan Agreement;
- (i) then, toward payment of any Deferred Purchase Price due to the Seller pursuant to the terms of the Receivables Sale and Purchase Agreement; and
- (j) then, the surplus (if any) to the Issuer or to other persons entitled thereto.

## ESTIMATED WEIGHTED AVERAGE LIFE OF THE NOTES

### Estimated average lives of the Notes

**The maturity and average life of the Notes of each Class cannot be exactly predicted as the actual rate at which Collections and Recoveries will be received under the Portfolio and a number of other relevant factors are unknown. However, calculations as to the expected maturity and average life of the Notes of each Class can be made on the basis of certain assumptions as set out below in this section.**

### Structure of the Transaction

The ability of the Issuer to meet its obligations in respect of the Notes will be dependent upon the receipt by the Issuer of Collections and Recoveries (if possible) by the Servicer in respect of the Purchased Receivables comprised in the Portfolio. The amortisation of the Notes of each Class is therefore closely associated with the principal payments of the Purchased Receivables. An analysis of the average life of the Notes of each Class can therefore be made by analysing the projected cash flows of the Portfolio.

### Weighted average life

The expression "weighted average life" refers to the average amount of time that will elapse from the date of issuance of a Note to the date of distribution to the investor of amounts distributed in net reduction of principal of such Note (assuming no losses). The weighted average lives of the Notes will be influenced by, among other things, the actual rate of redemption of the Receivables in the Portfolio.

### Structuring Assumptions

The table set forth below was produced using a financial model in which, among other things, it is assumed that prepayments of principal occur in respect of the Receivables included in the Portfolio each month at the indicated assumed constant per annum rates of prepayment (**CPR**) relative to the then outstanding current principal balances of such Receivables. CPR does not purport to be either a historical description of the prepayment experience of any pool of Receivables or a prediction of the expected rate of prepayment of Receivables, including the Receivables to be included in the Portfolio. CPR is an annual prepayment rate.

Table 2 below was prepared on the basis of the characteristics of the Receivables to be included in the Portfolio and the following additional assumptions, including:

- (a) no Receivable is sold by the Issuer;
- (b) no delinquencies, defaults or voluntary terminations arise on any Receivable;
- (c) the Currency Swap is not terminated;
- (d) the option to redeem the Notes upon the occurrence of a Change of Control Event is not exercised;
- (e) the options to redeem the Notes in whole in accordance with Condition 6.2 (Optional Redemption for taxation or other reasons) are not exercised; and
- (f) the Closing Date is 9 February 2011.

The actual characteristics and performance of the Receivables in the Portfolio are likely to differ from the assumptions used in preparing the tables set forth below, which are hypothetical in nature and are provided only to give a general sense of how the principal cash flows might behave under varying prepayment scenarios. For example, it is not expected that those Receivables will prepay at a constant rate until Final

Redemption, that all of those Receivables will prepay at the same rate or that there will be no defaults, voluntary terminations or delinquencies on those Receivables. Any difference between such assumptions and the actual characteristics and performance of those Receivables will cause the weighted average life of the Notes to differ (which difference could be material) from the corresponding information in the tables for each indicated percentage of CPR. Subject to foregoing discussions and assumptions, the following tables indicate the weighted average lives of the Notes in years.

**Weighted Average Life of the Notes (in years)**

<b>CPR<sup>1</sup></b>	<b>Class A1</b>	<b>Class A2</b>
0%	1.29	1.29
10%	1.09	1.09
15%	1.01	1.01
20%	0.93	0.93
25%	0.86	0.86

<sup>1</sup> Constant annual rate of prepayment

## THE ISSUER

### Introduction

The Issuer was incorporated in England and Wales under the Companies Act 2006 on 14 October 2010 as a public company with limited liability under the name of SPV Securitisation 2010-1 Plc with company number 7407388. The Issuer changed its name from SPV Securitisation 2010-1 Plc to Cardiff Auto Receivables Securitisation 2011-1 Plc on 20 January 2011. The registered office of the Issuer is c/o 35 Great St. Helen's, London EC3A 6AP, telephone 020 7398 6300. The issued share capital of the Issuer is 50,000 ordinary shares of £1 each and all shares are held by Holdings. The entire issued share capital of Holdings is held on trust by SFM Corporate Services Limited under the terms of a share trust deed dated 17 January 2011 under a discretionary trust for charitable purposes. The Issuer has no subsidiaries.

### Principal Activities

The Issuer is permitted, pursuant to the terms of its Articles of Association, *inter alia*, to issue the Notes and to acquire the Purchased Receivables and the Ancillary Rights.

The Issuer has not engaged, since its incorporation, in any activities other than those incidental to its incorporation, the authorisation and issue of the Notes and of the other documents and matters referred to or contemplated in this document to which it is or will be a party and matters which are incidental or ancillary to the foregoing.

There is no intention to accumulate surpluses in the Issuer.

The Issuer will covenant to observe certain restrictions on its activities which are set out in Condition 3 (Covenants).

### Directors and Company Secretary

The directors of the Issuer and their respective business addresses and other principal activities are:

<b>Name</b>	<b>Business Address</b>	<b>Principal Activities</b>
SFM Directors Limited	35 Great St. Helen's, London EC3A 6AP	Director of SPVs
SFM Directors (No. 2) Limited	35 Great St. Helen's, London EC3A 6AP	Director of SPVs
Vinoy Nursiah	35 Great St. Helen's, London EC3A 6AP	Company Director
Tim Blackwell	Lloyds TSB Asset Finance, St. William House, Tresillian Terrace, Cardiff CF10 5BH	Finance Director and Statutory Director of Lloyds TSB Asset Finance

The company secretary of the Issuer is SFM Corporate Services Limited.

As at the date hereof, the Issuer has no employees, non-executive directors or premises.

The Directors of SFM Directors Limited and SFM Directors (No.2) Limited and their business addresses and principal activities are as follows:

<b>Name</b>	<b>Business Address</b>	<b>Principal Activities</b>
Jonathan Eden Keighley	35 Great St. Helen's, London EC3A 6AP	Director
James Macdonald	35 Great St. Helen's, London EC3A 6AP	Director
Robert Berry	35 Great St. Helen's, London EC3A 6AP	Director
J-P Nowacki	35 Great St. Helen's, London EC3A 6AP	Director
Claudia Wallace	35 Great St. Helen's, London EC3A 6AP	Director
Helena Whitaker	35 Great St. Helen's, London EC3A 6AP	Director
Vinoy Nursiah	35 Great St. Helen's, London EC3A 6AP	Director
Jocelyn Coad	35 Great St. Helen's, London EC3A 6AP	Director

### **Capitalisation Statement**

The following table shows the capitalisation of the Issuer as at the date of this Prospectus:

#### **Share capital**

*Issued:*

50,000 ordinary shares of £1 each, 49,999 issued and paid up as to £0.25 and one issued fully paid share	£12,500.75
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## HOLDINGS

### Introduction

Holdings was incorporated in England and Wales under the Companies Act 2006 on 14 October 2010 as a private company with limited liability under the name SPV Securitisation Holdings Limited with company number 7407470. Holdings changed its name from SPV Securitisation Holdings Limited to Cardiff Auto Receivables Securitisation Holdings Limited on 20 January 2011. The registered office of Holdings is at c/o 35 Great St. Helen's, London EC3A 6AP, telephone 020 7398 6300. The share capital of Holdings is one ordinary share of £1 which is issued and is credited as fully paid. The entire issued share capital of Holdings is held on trust by SFM Corporate Services Limited under the terms of a share trust deed dated 17 January 2011 on a discretionary trust for charitable purposes.

### Principal Activities of Holdings

Pursuant to the terms of its Articles of Association, Holdings is permitted, *inter alia*, to hold shares in the Issuer.

Holdings has not engaged, since its incorporation, in any activities other than those incidental to its incorporation and those matters referred to or contemplated in this document and any matters which are incidental or ancillary to the foregoing.

### Directors and Company Secretary of Holdings

The directors of Holdings and their respective business addresses and other principal activities are:

<b>Name</b>	<b>Business Address</b>	<b>Principal Activities</b>
SFM Directors Limited	35 Great St. Helen's, London EC3A 6AP	Director of SPVs
SFM Directors (No. 2) Limited	35 Great St. Helen's, London EC3A 6AP	Director of SPVs
Vinoy Nursiah	35 Great St. Helen's, London EC3A 6AP	Company Director
Tim Blackwell	Lloyds TSB Asset Finance, St. William House, Tresillian Terrace, Cardiff CF10 5BH	Finance Director and Statutory Director of Lloyds TSB Asset Finance

The company secretary of Holdings is SFM Corporate Services Limited.

As at the date hereof, Holdings has no employees, non-executive directors or premises.

The directors of SFM Directors Limited and SFM Directors (No.2) Limited and their business addresses and principal activities are:

<b>Name</b>	<b>Business Address</b>	<b>Principal Activities</b>
Jonathan Eden Keighley	35 Great St. Helen's, London EC3A 6AP	Director
James Macdonald	35 Great St. Helen's, London EC3A 6AP	Director
Robert Berry	35 Great St. Helen's, London EC3A 6AP	Director

<b>Name</b>	<b>Business Address</b>	<b>Principal Activities</b>
J-P Nowacki	35 Great St. Helen's, London EC3A 6AP	Director
Claudia Wallace	35 Great St. Helen's, London EC3A 6AP	Director
Helena Whitaker	35 Great St. Helen's, London EC3A 6AP	Director
Vinoy Nursiah	35 Great St. Helen's, London EC3A 6AP	Director
Jocelyn Coad	35 Great St. Helen's, London EC3A 6AP	Director

## **THE SELLER, THE SERVICER AND THE INTEREST RATE SWAP COUNTERPARTY**

Black Horse Limited (**Black Horse**) was incorporated in England and Wales on 1 June 1960 (registration number 00661204). Black Horse's registered office is at 25 Gresham Street, London EC2V 7HN. Black Horse is an indirect subsidiary of Lloyds TSB Bank plc.

Black Horse is one of the largest independent point of sale finance providers in the United Kingdom for the car, motorcycle and caravan market. Black Horse originates vehicle hire-purchase business through a network of independent dealers which gives it a broad geographic spread of business throughout England and Wales, Scotland and Northern Ireland. In addition, Black Horse provides a range of motor finance retail products to assist customers with vehicle ownership, vehicle usage, vehicle protection. Black Horse also administers a range of wholesale products to support dealers with funding demonstrators and vehicle stocking.

Black Horse competes with both manufacturer linked and other independent providers of finance in the UK. For further information with respect to the Seller and its business see further the section entitled "*Black Horse Limited's Vehicle Finance Business*".



## **SERVICER GUARANTOR, CURRENCY SWAP COUNTERPARTY AND INTEREST RATE SWAP GUARANTOR**

Lloyds TSB Bank plc (**Lloyds TSB Bank**) was incorporated in England and Wales on 20 April 1865 (registration number 2065). Lloyds TSB Bank's registered office is at 25 Gresham Street, London EC2V 7HN. Lloyds TSB Bank is authorised and regulated by the Financial Services Authority.

### **Overview**

The businesses of Lloyds Banking Group are in or owned by Lloyds TSB Bank. Lloyds Banking Group is a leading UK-based financial services group providing a wide range of banking and financial services, primarily in the UK to personal and corporate customers.

Lloyds Bank plc was incorporated in 1865 and has undertaken a number of mergers and acquisitions, including, in 1995 the merger with TSB Group plc and the acquisition of Cheltenham & Gloucester Building Society and, in 2000, the acquisition of Scottish Widows.

On 18 September 2008, with the support of the UK Government, the boards of Lloyds TSB Group plc and HBOS plc announced that they had reached agreement on the terms of a recommended acquisition by Lloyds TSB Group plc of HBOS plc. The shareholders of Lloyds TSB Group plc approved the acquisition at the company's general meeting on 19 November 2008. On 16 January 2009 the acquisition was completed and Lloyds TSB Group plc changed its name to Lloyds Banking Group plc.

Pursuant to two placing and open offers which were completed by Lloyds Banking Group plc in January and June 2009 and a rights issue completed in December 2009, the UK Government acquired 43.4 per cent. of the issued ordinary share capital of Lloyds Banking Group plc. Following further issues of ordinary shares, the UK Government's holding has been reduced to approximately 40.6 per cent.

On 1 January 2010, Lloyds Banking Group plc transferred its holding in HBOS plc to Lloyds TSB Bank (the **Group Reorganisation**). As a result of the Group Reorganisation, Lloyds TSB Bank has become the immediate parent of HBOS plc. Lloyds Banking Group plc continues to own Lloyds TSB Bank directly but, as a result of the Group Reorganisation, owns HBOS plc indirectly, as Lloyds TSB Bank is the immediate parent of HBOS plc.

The short term senior unsecured and unguaranteed obligations of Lloyds TSB Bank are as at the date of this supplement rated P-1 by Moody's, A-1 by S&P and F1+ by Fitch and the long-term senior, unsecured and unguaranteed obligations of Lloyds TSB Bank are as at the date of this supplement rated Aa3 by Moody's, A+ by S&P and AA- by Fitch.

### **Business and activities**

The Group's activities are organised into four segments: Retail; Wholesale; Wealth and International; and Insurance.

#### *Retail*

Retail is the largest retail bank in the UK and the leading provider of current accounts, savings, personal loans, credit cards and mortgages. With its strong stable of brands including Lloyds TSB, Halifax, Bank of Scotland, Birmingham Midshires and Cheltenham & Gloucester and one of the largest branch and fee free ATM networks in the UK, at 31 December 2009 retail served over 30 million customers.

#### *Wholesale*

The Wholesale division serves in excess of a million businesses, ranging from start-ups and small enterprises to global corporations, with a range of propositions fully segmented according to customer need. The division comprises Corporate Markets, Treasury and Trading and Asset Finance.

#### *Wealth and International*

The Wealth business comprises private banking, wealth and asset management business in the UK and overseas. The International business comprises the Lloyds Banking Group's international banking businesses outside the UK, with the exception of corporate business in North America which is managed through the Group's Wholesale division. These largely comprise corporate, commercial and asset finance businesses in Australia and Continental Europe and retail businesses in Germany and the Netherlands.

#### *Insurance*

The Insurance division offers life assurance, pensions, investment products and general insurance.

### **Lloyds Banking Group Capital Restructuring**

On 3 November 2009 Lloyds Banking Group plc (together with its subsidiary undertakings from time to time, **Lloyds Banking Group**) announced proposals intended to meet its current and long term capital requirements including a rights issue (the **Rights Issue**) and two separate exchange offers (the **Exchange Offers**, and together with the Rights Issue, the **Proposals**). The Proposals, which were fully underwritten, were approved by shareholders on 26 November 2009. The Rights Issue, which raised £13.5 billion (£13 billion net of the expenses of the Proposals) was completed on 14 December 2009 with 95.3 per cent. of shares placed with shareholders. The remaining 4.7 per cent. rump was placed with investors and settled on 17 December 2009. The Exchange Offers were substantially completed during December 2009 and generated approximately £7.5 billion in nominal value of contingent core tier 1 capital at that time.

### **State Funding and State Aid**

The Lloyds Banking Group has made a number of undertakings to HM Treasury arising from the capital and funding support, including the provision of additional lending to certain mortgage and business sectors, and other matters relating to corporate governance and staff remuneration. However the commitments in respect of lending are subject to normal prudent commercial lending criteria and pricing, the availability of funding to support such lending and sufficient demand from customers and potential customers.

As part of the European Commission's decision approving state aid to the Lloyds Banking Group, Lloyds Banking Group was required to work with HM Treasury to submit a restructuring plan to the European Commission in the context of a state aid review. The plan was required to contain measures to limit any competition distortions resulting from the state aid received by Lloyds Banking Group. The College of Commissioners announced its formal approval of Lloyds Banking Group's restructuring plan on 18 November 2009.

The restructuring plan consists of the following principal elements: (i) the disposal of a retail banking business with at least 600 branches, a 4.6 per cent. share of the personal current accounts market in the UK and approximately 19 per cent. of Lloyds Banking Group's mortgage assets; (ii) an asset reduction programme to achieve £181 billion reduction in a specified pool of assets by 31 December 2014; and (iii) behavioural commitments, including commitments not to make certain acquisitions for approximately three to four years and not to make discretionary payments of coupons or to exercise voluntary call options on hybrid securities from 31 January 2010 until 31 January 2012, which will prevent Lloyds Banking Group from paying dividends on its ordinary shares for the same duration.

The business referred to in (i) above will need to be disposed of before the end of November 2013 and consists of the TSB brand, the branches, savings accounts and branch-based mortgages of Cheltenham &

Gloucester, the branches and branch-based customers of Lloyds TSB Scotland and a related banking licence, additional Lloyds TSB branches in England and Wales, with branch-based customers and Intelligent Finance. The Lloyds Banking Group is working closely with the EU Commission, HM Treasury and the Monitoring Trustee appointed by the EU Commission.

## **Legal proceedings**

### *Unarranged overdraft charges*

In April 2007, the OFT commenced an investigation into the fairness of personal current accounts and unarranged overdraft charges. At the same time, it commenced a market study into wider questions about competition and price transparency in the provision of personal current accounts.

The Supreme Court of the United Kingdom published its judgment in respect of the fairness of unarranged overdraft charges on personal current accounts on 25 November 2009, finding in favour of the litigant banks. On 22 December 2009, the OFT announced that it will not continue its investigation into the fairness of these charges. Lloyds Banking Group is working with the regulators to ensure that outstanding customer complaints are concluded as quickly as possible and anticipate that most cases in the county courts will be discontinued. Lloyds Banking Group expects that some customers will argue that despite the test case ruling they are entitled to a refund of unarranged overdraft charges on the basis of other legal arguments or challenges. Lloyds Banking Group is robustly defending any such complaints or claims and does not expect any such complaints or claims to have a material effect on Lloyds Banking Group.

The OFT, however, continued to discuss its concerns in relation to the personal current account market with the banks, consumer groups and other organisations under the auspices of its Market Study into personal current accounts. In October 2009, the OFT published voluntary initiatives agreed with the industry and consumer groups to improve transparency of the costs and benefits of personal current accounts and improvements to the switching process. On 16 March 2010 the OFT published a further update announcing several further voluntary industry wide initiatives to improve a customer's ability to control whether they used an unarranged overdraft and to assist those in financial difficulty. However, in light of the progress it noted in the unarranged overdraft market since July 2007 and the progress it expects to see over the next two years, it has decided to take no further action at this time and will review the unarranged overdraft market again in 2012.

### *Interchange fees*

The European Commission has adopted a formal decision finding that an infringement of European Commission competition laws has arisen from arrangements whereby MasterCard issuers charged a uniform fallback interchange fee in respect of cross border transactions in relation to the use of a MasterCard or Maestro branded payment card. The European Commission has required that the fee be reduced to zero for relevant cross-border transactions within the European Economic Area. This decision has been appealed to the General Court of the European Union (the General Court). Lloyds TSB Bank plc and Bank of Scotland plc (along with certain other MasterCard issuers) have successfully applied to intervene in the appeal in support of MasterCard's position that the arrangements for the charging of a uniform fallback interchange fee are compatible with European Commission competition laws. MasterCard has announced that it has reached an understanding with the European Commission on a new methodology for calculating intra European Economic Area multi-lateral interchange fees on an interim basis pending the outcome of the appeal. Meanwhile, the European Commission and the OFT are pursuing investigations with a view to deciding whether arrangements adopted by other payment card schemes for the levying of uniform fallback interchange fees in respect of domestic and/or cross-border payment transactions also infringe European Commission and/or UK competition laws. As part of this initiative the OFT will also intervene in the General Court appeal supporting the European Commission position and Visa reached an agreement with the European Commission to reduce the level of interchange for cross-border debit card transactions to the

interim level agreed by MasterCard. The ultimate impact of the investigations on the Lloyds Banking Group can only be known at the conclusion of these investigations and any relevant appeal proceedings.

## **Payment Protection Insurance**

### *UK Competition Commission*

In January 2009, the UK Competition Commission (Competition Commission) completed its formal investigation into the supply of Payment Protection Insurance (**PPI**) services (other than store card PPI) to non-business customers in the UK and published its final report setting out its remedies, including a prohibition on the active sale of PPI by a distributor to a customer within 7 days of the distributor's sale of credit to that customer. Prior to this Lloyds Banking Group had made the commercial decision to sell only regular monthly premium PPI to its personal loan customers. Recently Lloyds Banking Group ceased to offer PPI products to customers, although some existing applications will be honoured for a limited period.

On 16 October 2009, the Competition Appeal Tribunal referred the proposed prohibition back to the Competition Commission. On 14 May 2010 the Competition Commission published its provisional decision retaining in almost all material respects the proposed point of sale prohibition. The Competition Commission's final decision was published on 14 October 2010 confirming the point of sale prohibition.

### *FSA*

On 1 July 2008, the Financial Ombudsman Service (**FOS**) referred concerns regarding the handling of PPI complaints to the FSA as an issue of wider implication. Lloyds Banking Group has been working with other industry members and trade associations in preparing an industry response to address regulatory concerns regarding the handling of PPI complaints.

On 29 September 2009, the FSA issued a consultation paper on PPI complaints handling. The FSA has escalated its regulatory activity in relation to past PPI sales generally and proposed new guidance on the fair assessment of a complaint and the calculation of redress and a new rule requiring firms to reassess historically rejected complaints. On 9 March 2010, the FSA issued a further consultation paper on this area, the consultation period for which closed on 22 April 2010 (Lloyds Banking Group responded to this consultation). The FSA's proposals were materially the same, although it placed the new rule requiring firms to reassess historically rejected claims on hold for the present. The FSA published its policy statement on this issue on 10 August 2010, setting out its final provisions. Whilst there have been some minor changes to the FSA's proposals, they are materially the same as those set out in the March 2010 consultation paper. On 8 October 2010, the British Bankers Association (**BBA**), the principal trade association for the UK banking and financial services sector, issued an application for permission to seek judicial review against the FSA and the FOS. The BBA is seeking an order quashing the FSA policy statement and an order quashing the decision of the FOS to determine PPI sales in accordance with the guidance published on its website in November 2008. The proceedings are ongoing and the final outcome is unlikely to be known for some time. Although the ultimate impact on Lloyds Banking Group of the FSA's complaints handling proposals (if implemented in full) could be material, the precise effect will only be known once the proceedings have been finally determined and the steps Lloyds Banking Group will be required to take as a result identified and implemented.

The statement on 29 September 2009 also announced that several firms had agreed to carry out reviews of past sales of single premium loan protection insurance. Lloyds Banking Group has agreed in principle that it will undertake a review in relation to sales of single premium loan protection insurance made through its branch network since 1 July 2007. The precise details of the review are still being discussed with the FSA and the ultimate impact on Lloyds Banking Group of any review can only be known at the conclusion of these discussions.

### *Other Legal Actions*

In the ordinary course of its business, the Lloyds Banking Group is engaged in discussions with the FSA in relation to a range of conduct of business matters, especially in relation to retail products including packaged bank accounts, mortgages, structured products and pensions. The Lloyds Banking Group is keen to ensure that any regulatory concerns regarding product governance or contract terms are understood and addressed. The ultimate impact on the Lloyds Banking Group of these discussions can only be known at the conclusion of such discussions.

In addition, during the ordinary course of business the Lloyds Banking Group is subject to other threatened and actual legal proceedings, regulatory investigations, regulatory challenges and enforcement actions both in the UK and overseas. All such material matters are periodically reassessed, with the assistance of external professional advisers where appropriate, to determine the likelihood of the Lloyds Banking Group 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 to settle the obligation at the relevant balance sheet date. In some cases, it will not be possible to form a view, either because the facts are unclear or because further time is needed properly to assess the merits of the matter and no provisions are held against such matters. However the Lloyds Banking Group does not currently expect the final outcome of any such case to have a material adverse effect on its financial position.

## **CREDIT STRUCTURE, LIQUIDITY AND HEDGING**

*The Class U Notes will provide credit enhancement for the Class A Notes that rank ahead of them in the applicable Priority of Payments.*

### **Credit Enhancement**

#### **Subordination of the Class U Notes**

Credit enhancement for the Class A Notes will be provided by the subordination of payments due in respect of the Class U Notes which rank lower than the Class A Notes in the applicable Priority of Payments.

The obligations of the Issuer to pay interest and to repay principal on the Notes will be subject to the applicable Priority of Payments and such amounts will only be payable to the extent that the Issuer has sufficient Available Revenue Receipts and Available Principal Receipts after making payment of all amounts required to be paid pursuant to the relevant provisions of the Cash Management Agreement or the Deed of Charge in priority to such payments. It follows that the rights of the holders of the Class U Notes to receive payments of principal are subordinated to the rights of the Noteholders of the Class A Notes which rank higher in the applicable Priority of Payments.

On an enforcement of the Security, Noteholders of the Class A Notes will have priority over the Noteholders of the Class U Notes that rank below them in respect of the Charged Property and the proceeds of enforcement.

#### **Subordinated Loan**

Additional credit enhancement for the Class A Notes will be provided by Tranche B of the Subordinated Loan. On the Closing Date, Tranche B will be drawn down by the Issuer. The Issuer will use this amount to establish the Reserve Fund in the Transaction Account, the purpose of which is to provide credit and liquidity support for the Notes.

The Subordinated Loan will bear interest at an arm's length rate (subject to deferral if the Issuer has insufficient funds to pay such interest), and the obligations to repay amounts advanced as Tranche B of the Subordinated Loan will be repayable on the Final Redemption Date. On enforcement of the Security, Noteholders will have priority in respect of the Charged Property and the proceeds of enforcement.

Repayment of Tranche B of the Subordinated Loan will be subordinated to the Notes and payments will only be made on and from the Final Redemption Date.

#### **Reserve Fund**

In order to provide additional liquidity and credit support to the Issuer, on the Closing Date, the Issuer will draw down Tranche B of the Subordinated Loan to be made by Black Horse Limited as Subordinated Loan Provider, the proceeds of which will be deposited in the GIC Account to establish the Reserve Fund.

On each Interest Payment Date, amounts standing to the credit of the Reserve Fund shall be applied as Available Revenue Receipts in accordance with the Pre-Acceleration Revenue Priority of Payments and shall be used to pay interest on the Class A Notes and senior expenses ranking in priority thereto and on and from the Final Class A Interest Payment Date amounts standing to the credit of the Reserve Fund can be applied on such Interest Payment Date as Available Principal Receipts and shall be applied in accordance with the Pre-Acceleration Principal Priority of Payments in such amount as is required to redeem the Class A Notes and thereafter any excess shall continue to be applied in accordance with the Pre-Acceleration Revenue Priority of Payments. Amounts will be paid into the Reserve Fund from Available Revenue Receipts up to

the Reserve Fund Required Amount on each Interest Payment Date in accordance with the Pre-Acceleration Revenue Priority of Payments.

The **Reserve Fund Required Amount** will be up to but excluding the Final Class A Interest Payment Date, an amount equal to 1.7 per cent. of the Outstanding Principal Balance of the Receivables as at the Closing Date and on and from the Final Class A Interest Payment Date zero.

## **Swap Agreements**

For a further description of the Swap Counterparties, see "*Servicer Guarantor, Currency Swap Counterparty and Interest Rate Swap Guarantor*" above.

### **Interest Rate Swap Agreement**

On the Closing Date, the Issuer will enter into a fixed/floating interest rate swap transaction with the Interest Rate Swap Counterparty, under an International Swaps and Derivatives Association Inc. 1992 Master Agreement, in order to address certain risks arising as a result of a fixed rate of interest payable under the Purchased Receivables and the Issuer paying a floating rate of interest under the Notes. At the commencement of each relevant period in respect of the interest rate swap transactions, the notional amount of the interest rate swap transactions will be equal to the Outstanding Principal Balance of the Purchased Receivables (other than the Defaulted Receivables and/or Delinquent Receivables).

Pursuant to the terms of the Interest Rate Swap Agreement, on each Interest Payment Date commencing in on the First Interest Payment Date and ending on Final Redemption Date, the Issuer will make fixed rate payments to the Interest Rate Swap Counterparty in sterling which the Issuer will fund using payments which it receives from the Purchased Receivables. The swap rate for the purposes of the Interest Rate Swap Agreement is anticipated to be 3 per cent. per annum. The Interest Rate Swap Counterparty will, on the corresponding Interest Payment Date, make floating rate payments in sterling (calculated by reference to one-month Sterling LIBOR) to the Issuer. The amounts payable by the Issuer and the Interest Rate Swap Counterparty under the Interest Rate Swap Agreement will be netted so that only a net amount will be due from the Issuer or the Interest Rate Swap Counterparty (as the case may be) on an Interest Payment Date.

Under a guarantee in relation to the Interest Rate Swap Agreement, the Interest Rate Swap Guarantor will provide a guarantee in favour of the Issuer (the **Interest Rate Swap Guarantee**) in respect of the payment and delivery obligations of the initial Interest Rate Swap Counterparty under the Interest Rate Swap Agreement. The Swap Guarantee will terminate upon (i) the Interest Rate Swap Counterparty, or its successors, assignees or transferees within the Lloyds Banking Group, acquiring the Guarantee Required Ratings or (ii) the Interest Rate Swap Counterparty, or its successors, assignees or transferees within the Lloyds Banking Group, procuring another person with (a) the Guarantee Required Ratings or (b) the Second Trigger Required Ratings (whose procurement Fitch have confirmed would maintain the ratings of the relevant Notes at the level at which it was prior to each procurement), to become co-obligor or guarantor in respect of its payment and delivery obligations under the Interest Rate Swap Agreement or (iii) the obligations of the Interest Rate Swap Counterparty under the Interest Rate Agreement being irrevocably discharged in full or (iv) in certain circumstances, the Interest Rate Swap Counterparty assigning or novating any of its rights, undertakings or obligations under the Interest Rate Swap Agreement without the express written consent of the Interest Rate Swap Guarantor. The Interest Rate Swap Agreement and the Interest Rate Swap Guarantee are governed by English law.

### **Currency Swap Agreements**

On the Closing Date, the Issuer will enter into a currency swap transaction with the Currency Swap Counterparty, under an International Swaps and Derivatives Association Inc. 1992 Master Agreement, in order to address certain risks arising as a result of payments being made in sterling under the Purchased

Receivables and the Issuer paying in euro under the Class A2 Notes. At the commencement of each relevant period in respect of the currency swap transaction, the notional amount of the currency swap transaction with respect to the Class A2 Notes will be equal to the Principal Amount Outstanding of the Class A2 Notes.

Pursuant to the terms of the Currency Swap Agreement, on each Interest Payment Date commencing on the First Interest Payment Date and ending on the date on which the Class A2 Notes are redeemed in whole, the Issuer will make payments to the Currency Swap Counterparty in Sterling which the Issuer will fund using payments which it receives from the Purchased Receivables applied in accordance with the Pre-Acceleration Principal Priority of Payments and the Pre-Acceleration Revenue Priority of Payments. The Currency Swap Counterparty will, on the corresponding Interest Payment Date, make payments in euro to the Issuer which will be applied by the Issuer to make corresponding payments under the Class A2 Notes.

### **Ratings downgrade of a Swap Counterparty**

The Swap Agreements further provide that in the event of a **Ratings Event** (as defined in the Swap Agreements but equating to the Currency Swap Counterparty or, in the case of the Interest Rate Swap Counterparty, either the Interest Rate Swap Counterparty or, where applicable, the Interest Rate Swap Guarantor ceasing to have (i) short-term, unsecured, unguaranteed and unsubordinated debt obligations rated at least F1 by Fitch and P-1 by Moody's and (ii) long-term, unsecured and unsubordinated debt or counterparty obligations rated at least A (or if the relevant entity is on rating watch negative then at least a long-term rating of A+) by Fitch and A2 by Moody's, or such other ratings that are consistent with the then published criteria of the relevant Rating Agency as being the minimum ratings that are required to support the then rating of the Class A Notes (the **Required Ratings**), the relevant Swap Counterparty will be required at its own expense, to do one of the following:

- (a) To, within 30 days, procure another person who (i) satisfies the Required Ratings and (ii) is confirmed as acceptable to the Rating Agencies to become a co-obligor or to guarantee the obligations of the Swap Counterparty;
- (b) to transfer its obligations under the Swap Agreements to a replacement Swap Counterparty who satisfies the Required Ratings;
- (c) to, within 14 days, (in the case of Fitch only) provide collateral to secure its obligations under the relevant Swap Agreement in an amount sufficient to satisfy the then current requirements of the Rating Agencies and so that such amount is confirmed as acceptable by the Rating Agencies, such collateral to be provided in accordance with the relevant credit support annex and to be credited to a separate swap collateral account in the name of the Issuer; or
- (d) to take such other action as it may agree with the relevant Rating Agency.

If the relevant Swap Counterparty or, in the case of the Interest Rate Swap Counterparty, the Interest Rate Swap Guarantor either ceases to have (i) a short-term/long term debt rating of at least F2/BBB+ by Fitch (or if the relevant entity is on rating watch negative then at least a long-term rating of A-); or (ii) a short-term/long-term debt rating of at least P-2/A3 by Moody's or a long-term debt rating of at least A3 by Moody's, the Swap Counterparty will be required, subject to receiving a ratings confirmation from the relevant Rating Agency, to take one of certain further remedial measures which may include transferring its obligations under the relevant Swap Agreement to a replacement swap counterparty who satisfies the requisite ratings criteria, or procuring another person who satisfies the requisite ratings criteria to guarantee the obligations of the Swap Counterparty or such other action as Fitch and Moody's may agree (such that the then current ratings of the Notes would not be adversely affected).

If the relevant Swap Counterparty fails to do so, the Issuer will in such circumstances be entitled (but not obliged) to terminate the relevant Swap Agreement.



## **Termination rights and payments**

The Swap Agreements may be terminated in whole or in part in certain limited circumstances, some of which are more particularly described below. Any such termination may oblige the Issuer or the Swap Counterparty(s) to make a termination payment. Any payment due to the Swap Counterparty(s) from a replacement Swap Counterparty following termination of the Swap Agreement will be paid to the Swap Counterparty(s) and will not be made available to the Secured Creditors.

If any of the Notes are prepaid in part or in full other than in accordance with their stated maturity, a corresponding proportion of the notional amount of the swap(s) made pursuant to the Swap Agreements will terminate or the notional amount of the swap(s) will be reduced in such other way as to reflect a corresponding reduction in such notional amount, in each case as more specifically set out in the Swap Agreements.

If the Issuer does not satisfy its payment obligations under a Swap Agreement, this will constitute a default by the Issuer thereunder and will entitle the relevant Swap Counterparty to terminate the relevant Swap Agreement.

Upon the service of a Note Acceleration Notice, the Swap Counterparties will have the right to terminate the Swap Agreements in accordance with their terms.

## ***Security and Ranking***

The Issuer's obligations to the Swap Counterparties under the Swap Agreements will be secured under the Deed of Charge. In the event of the Charged Property being enforced thereunder, such obligations (other than certain Subordinated Swap Amounts) will rank ahead of or *pari passu* with payments in respect of the Notes.

## ***Withholding Tax***

All payments to be made by a party under the Swap Agreements are to be made without withholding or deduction for or on account of any tax unless such withholding or deduction is required by applicable law (as modified by the practice of any relevant tax authority). Each of the Issuer and each Swap Counterparty will represent, on entering into the Swap Agreements, that it is not obliged to make any such deduction or withholding under current taxation law and practice. If, as a result of a change in law (or the application or official interpretation thereof), the Issuer is required to make such a withholding or deduction from any payment to be made to the Swap Counterparty under a Swap Agreement, the Issuer will not be obliged to pay any additional amounts to the Swap Counterparty in respect of the amounts so required to be withheld or deducted. If, as a result of a change in law (or the application or official interpretation thereof), a Swap Counterparty is required to make such a withholding or deduction from any payment to the Issuer under a Swap Agreement, it shall pay to the Issuer such additional amount as is necessary to ensure that the net amount actually received by the Issuer will equal the full amount the Issuer would have received had no such deduction or withholding been required. The party receiving a reduced payment or that is required to make an additional payment, as the case may be, will have the right to terminate the relevant Swap Agreement (subject to the Swap Counterparty's obligation to use reasonable efforts (provided that such efforts shall not cause significant economic hardship to the relevant Swap Counterparty) to transfer its rights and obligations under the relevant Swap Agreement to another of its offices or affiliates such that payments made by or to that office or affiliate under the relevant Swap Agreement can be made without any withholding or deduction for or on account of tax).

## ***Governing Law***

Each Swap Agreement will be governed by English law.

## TERMS AND CONDITIONS OF THE NOTES

*The following are the terms and conditions of the Notes in the form (subject to amendment) in which they will be set out in the Trust Deed. The terms and conditions set out below will apply to the Notes in global form.*

The £250,000,000 Class A1 Asset Backed Floating Rate Notes due 2017 (the **Class A1 Notes**), the €300,000,000 Class A2 Asset Backed Floating Rate Notes due 2017 (the **Class A2 Notes** and, together with the Class A1 Notes, the **Class A Notes**) and the £177,749,000 Class U Asset Backed Floating Rate Notes due 2017 (the **Class U Notes** and, together with the Class A Notes, the **Notes**) in each case of Cardiff Auto Receivables Securitisation 2011-1 Plc (the **Issuer**) are constituted by a trust deed (the **Trust Deed**) dated 9 February 2011 (the **Closing Date**) and made between the Issuer and Deutsche Trustee Company Limited (in such capacity, the **Note Trustee**) as trustee for the Noteholders (as defined below). Any reference in these terms and conditions (the **Conditions**) to a **class** of Notes or of Noteholders shall be a reference to the Class A1 Notes, the Class A2 Notes or the Class U Notes, as the case may be, or to the respective holders thereof.

The security for the Notes is constituted by a deed of charge and assignment (the **Deed of Charge**) dated the Closing Date and made between, among others, the Issuer and Deutsche Trustee Company Limited (in such capacity, the **Security Trustee**).

Pursuant to an agency agreement (the **Agency Agreement**) dated the Closing Date and made between the Issuer, Deutsche Bank AG, London Branch as principal paying agent (the **Principal Paying Agent** and such additional or other paying agents, if any, appointed from time to time pursuant to the Agency Agreement, the **Paying Agents**) and as agent Bank (the **Agent Bank**) and the Note Trustee, provision is made for the payment of principal, premium (if any) and interest in respect of the Notes of each class.

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, the Deed of Charge and the master definitions and construction schedule (the **Master Definitions and Construction Schedule**) entered into by, *inter alios*, the Issuer and the Note Trustee on or about the Closing Date.

Copies of the Trust Deed, the Deed of Charge, the Agency Agreement, the Master Definitions and Construction Schedule and the other Transaction Documents are available for inspection during normal business hours at the Specified Office for the time being of each of the Paying Agents. The Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Transaction Documents applicable to them.

Capitalised terms not otherwise defined in these Conditions shall bear the meanings given to them in the Master Definitions and Construction Schedule available as described above. These Conditions shall be construed in accordance with the principles of construction set out in the Master Definitions and Construction Schedule.

### 1. FORM, DENOMINATION AND TITLE

1.1 Each class of the Class A Notes is initially represented by a temporary global note (each, a **Temporary Global Note**) in bearer form in the aggregate principal amount on issue of £250,000,000 for the Class A1 Notes and €300,000,000 for the Class A2 Notes. The Class U Notes will be in registered definitive form in the aggregate principal amount on issue of £177,749,000. Each Temporary Global Note has been deposited on behalf of the subscribers of the relevant class of Class A Notes with a common safekeeper (the **Common Safekeeper**) for Clearstream Banking, société anonyme (**Clearstream, Luxembourg**) and Euroclear Bank S.A/N.V. (**Euroclear** and together with Clearstream, Luxembourg, the **Clearing Systems**) on the Closing Date. Upon deposit of the Temporary Global Notes, the Clearing Systems credited each subscriber of Class A Notes

with the principal amount of Class A Notes of the relevant class equal to the aggregate principal amount thereof for which it had subscribed and paid. Interests in each Temporary Global Note are exchangeable on and after the date which is 40 days after the Closing Date, upon certification of non-U.S. beneficial ownership by the relevant Noteholder, for interests in a permanent global note (each, a **Permanent Global Note**) representing the same class of Class A Notes (the expressions **Global Notes** and **Global Note** meaning, respectively, (i) all the Temporary Global Notes and the Permanent Global Notes or the Temporary Global Note and the Permanent Global Note of a particular class, or (ii) any of the Temporary Global Notes or Permanent Global Notes, as the context may require). The Permanent Global Notes have also been deposited with the Common Safekeeper for the Clearing Systems. Title to the Global Notes will pass by delivery.

Interests in a Global Note in respect of the Class A Notes will be transferable in accordance with the rules and procedures for the time being of the relevant Clearing System.

Pursuant to the Agency Agreement, Deutsche Bank Luxembourg S.A. has agreed to act as registrar (the **Registrar**) and will maintain a register with respect to the Class U Notes (the **Register**). Title to the Class U Notes shall only pass by and upon registration in the Register. All transfers of such Class U Notes are subject to any restrictions on transfer set forth on such Class U Notes and the detailed regulations concerning transfers in the Agency Agreement.

For so long as the Class A Notes are represented by a Global Note and the Clearing Systems so permit, the Class A1 Notes will be tradeable only in the minimum authorised denomination of £100,000 and higher integral multiples of £1,000, notwithstanding that no Definitive Notes (as defined below) will be issued with a denomination above £199,000. The Class A2 Notes will be tradeable only in the minimum authorised denomination of €100,000 and higher integral multiples of €1,000, notwithstanding that no Definitive Notes (as defined below) will be issued with a denomination above €99,000. The Class U Notes will be tradeable only in the minimum authorised denomination of £100,000 and higher integral multiples of £1,000.

- 1.2 If, while any of the Class A Notes are represented by a Permanent Global Note, (a) either of the Clearing Systems is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so and no other clearing system acceptable to the Note Trustee is then in existence or (b) as a result of any amendment to, or change in, the laws or regulations of the United Kingdom (or of any political sub-division thereof) or of any authority therein or thereof having power to tax or in the interpretation or administration of such laws or regulations which becomes effective on or after the Closing Date, the Issuer or any Paying Agent is or will on the next Interest Payment Date (as defined below) be required to make any deduction or withholding from any payment in respect of such Notes which would not be required were such Class A Notes in definitive form, then the Issuer will issue Notes of the relevant class in definitive form (**Definitive Notes**) in exchange for such Permanent Global Note (free of charge to the persons entitled to them) within 30 days of the occurrence of the relevant event. These Conditions and the Transaction Documents will be amended in such manner as the Note Trustee and the Security Trustee require to take account of the issue of Definitive Notes.
- 1.3 Definitive Notes in respect of the Class A1 Notes, if issued, will only be printed and issued in denominations of £100,000 and integral multiples of £1,000 in excess thereof up to and including £199,000. No Definitive Notes will be issued with respect to the Class A1 Notes with a denomination above £199,000. Definitive Notes in respect of the Class A2 Notes, if issued, will only be printed and issued in denominations of €100,000 and integral multiples of €1,000 in excess thereof up to and including €99,000. No Definitive Notes in respect of the Class A2 Notes will be issued with a denomination above €99,000. All such Notes will be serially numbered and will be issued in bearer form with (at the date of issue) interest coupons, principal coupons and, if necessary, talons attached.

- 1.4 **Noteholders**, with respect to the Class A Notes, means each person (other than the Clearing Systems themselves) who is for the time being shown in the records of the Clearing Systems as the holder of a particular Principal Amount Outstanding (as defined in **Condition 6.4 (Principal Amount Outstanding)**) of the Notes of any class (in which regard any certificate or other document issued by Clearstream, Luxembourg or Euroclear as to the Principal Amount Outstanding of the Notes standing to the account of any person shall be conclusive and binding for all purposes) and such person shall be treated by the Issuer, the Note Trustee, the Security Trustee and all other persons as the holder of such Principal Amount Outstanding of such Notes for all purposes, other than for the purpose of payments in respect thereof, the right to which shall be vested, as against the Issuer, the Note Trustee, the Security Trustee and all other persons, solely in the bearer of the relevant Global Note in accordance with and subject to its terms and for which purpose **Noteholders** means the bearer of the relevant Global Note; and related expressions shall be construed accordingly. **Noteholders**, with respect to the Class U Notes, means each person who is for the time being showing in the Register as holder(s) of the Class U Notes.
- 1.5 (a) **Class A1 Noteholders** means Noteholders in respect of the Class A1 Notes;
- (b) **Class A2 Noteholders** means Noteholders in respect of the Class A2 Notes and, together with the Class A1 Noteholders, the **Class A Noteholders**; and
- (c) **Class U Noteholders** means Noteholders in respect of the Class U Notes.

## 2. STATUS AND RELATIONSHIP BETWEEN THE NOTES AND SECURITY

### 2.1 Status and relationship between the Notes

- (a) The Class A1 Notes constitute direct, secured and, subject as provided in Condition 10 (Enforcement), unconditional obligations of the Issuer. The Class A1 Notes rank *pari passu* without preference or priority amongst themselves and *pari passu* with the Class A2 Notes.
- (b) The Class A2 Notes constitute direct, secured and, subject as provided in Condition 10 (Enforcement), unconditional obligations of the Issuer. The Class A2 Notes rank *pari passu* without preference or priority amongst themselves and *pari passu* with the Class A1 Notes.
- (c) The Class U Notes constitute direct, secured and, subject as provided in Condition 10 (Enforcement) and Condition 15 (Subordination by Deferral of the Class U Notes), unconditional obligations of the Issuer. The Class U Notes rank *pari passu* without preference or priority amongst themselves but junior to the Class A Notes as provided in these Conditions and the Transaction Documents.
- (d) The Trust Deed contains provisions requiring the Note Trustee to have regard to the interests of the Noteholders equally as regards all rights, powers, trusts, authorities, duties and discretions of the Note Trustee (except where expressly provided otherwise), but requiring the Note Trustee (other than as set out in the Trust Deed, in particular with regards to modifications, consents and waivers) in any such case to have regard only to the interests of the Class A Noteholders if, in the Note Trustee's opinion, there is a conflict between the interests of:
- (A) the Class A Noteholders; and
- (B) the Class U Noteholders.

## 2.2 Security

- (a) The security constituted by the Deed of Charge is granted to the Security Trustee, on trust for the Noteholders and certain other creditors of the Issuer, upon and subject to the terms and conditions of the Deed of Charge.
- (b) The Noteholders will share in the benefit of the security constituted by the Deed of Charge, upon and subject to the terms and conditions of the Deed of Charge.

## 3. COVENANTS

- 3.1 Save with the prior written consent of the Note Trustee or unless otherwise permitted or contemplated under any of the Transaction Documents, the Issuer shall not, so long as any Note remains outstanding:
- (a) **Negative pledge:** create or permit to subsist any encumbrance (unless arising by operation of law) or other security interest whatsoever over any of its assets or undertaking (other than for the avoidance of doubt, any security created pursuant to the Deed of Charge);
  - (b) **Restrictions on activities:** (i) engage in any activity whatsoever which is not incidental to or necessary in connection with any of the activities in which the Transaction Documents provide or envisage that the Issuer will engage; or (ii) have any subsidiaries (as defined in the Companies Act 2006), any subsidiary undertakings (as defined in the Companies Act 2006) or any employees or premises;
  - (c) **Disposal of assets:** transfer, sell, lend, part with or otherwise dispose of, or deal with, or grant any option or present or future right to acquire any of its assets or undertakings or any interest, estate, right, title or benefit therein;
  - (d) **Dividends or distributions:** pay any dividend or make any other distribution to its shareholders or issue any further shares;
  - (e) **Indebtedness:** incur any financial indebtedness or give any guarantee in respect of any financial indebtedness or of any other obligation of any person;
  - (f) **Merger:** consolidate or merge with any other person or convey or transfer its properties or assets substantially as an entirety to any other person;
  - (g) **No modification or waiver:** permit any of the Transaction Documents to which it is a party to become invalid or ineffective or permit the priority of the security interests created or evidenced thereby or pursuant thereto to be varied or agree to any modification of, or grant any consent, approval, authorisation or waiver pursuant to, or in connection with, any of the Transaction Documents to which it is a party or permit any party to any of the Transaction Documents to which it is a party to be released from its obligations or exercise any right to terminate any of the Transaction Documents to which it is a party;
  - (h) **Bank accounts:** have an interest in any bank account other than the Issuer Accounts, unless such account or interest therein is charged to the Security Trustee on terms acceptable to it;
  - (i) **Corporation tax:** prejudice its eligibility for its corporation tax liability to be calculated in accordance with regulation 14 of the Taxation of Securitisation Companies Regulations 2006.

## 4. INTEREST

### 4.1 Interest Accrual

Each Note (or, in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest from and including the close of business on the day preceding the day on which such Note has been redeemed in full unless, upon due presentation in accordance with **Condition 5 (Payments)**, payment of the principal in respect of the Note is improperly withheld or refused or default is otherwise made in respect of the payment, in which event interest shall continue to accrue as provided in the Trust Deed.

### 4.2 Interest Payment Dates

The Notes bear interest on their respective Principal Amounts Outstanding from and including the Closing Date payable monthly in arrear on the 25th day of each calendar month (each an **Interest Payment Date**) in respect of the Interest Period (as defined below) ended immediately prior thereto. If any Interest Payment Date would otherwise fall on a day which is not a Business Day, it shall be postponed to the next day which is a Business Day unless it would then fall into the next calendar month, in which event the Interest Payment Date shall be brought forward to the immediately preceding Business Day. The first payment shall be due on the Interest Payment Date falling in March 2011. The period from and including the Closing Date to but excluding the first Interest Payment Date and each successive period from and including an Interest Payment Date to but excluding the next succeeding Interest Payment Date is called an **Interest Period**.

### 4.3 Rate of Interest

For each Interest Period, the interest rate applicable to the Class A1 Notes shall be LIBOR plus 1.10 per cent. per annum (the **Class A1 Notes Interest Rate**) and the interest rate applicable to the Class U Notes shall be LIBOR plus 2.00 per cent. per annum (the **Class U Notes Interest Rate** and, together with the Class A1 Notes Interest Rate and the Class A2 Notes Interest Rate (as defined below), the **Interest Rate**), with LIBOR being determined by the Agent Bank on the following basis:

- (a) at or about 11.00 a.m. London time on each Interest Payment Date (each such day, a **LIBOR Determination Date**), the Agent Bank will determine the offered quotation to leading banks in the London interbank market (**LIBOR**) for one month Sterling deposits (or, with respect to the first Interest Period, the rate which represents the linear interpolation of LIBOR for one and two month deposits in Sterling) (rounded to five decimal places with the mid-point rounded up) by reference to the display designated as the British Bankers' Association's Interest Settlement Rate as quoted on page LIBOR01 of the Reuters screen service (the **LIBOR Screen Rate**). If the agreed page is replaced or service ceases to be available, the Agent Bank may specify another page or service displaying the appropriate rate after consultation with the Note Trustee and the Principal Paying Agent; or
- (b) if the LIBOR Screen Rate is not then available for Sterling or for the Interest Period of the Class A1 Notes or the Class U Notes, the arithmetic mean of the rates (rounded to five decimal places with the mid-point rounded up) as supplied to the Agent Bank at its request by the principal London office of each of the Reference Banks or such other banks which the Agent Bank (in consultation with the Note Trustee and the Principal Paying Agent) may appoint from time to time (the **Reference Banks**) at or about 11.00 a.m. London time on the LIBOR Determination Date for the offering of deposits to the leading banks in the London interbank market in Sterling and for a period comparable to the Interest Period for the Notes. If on any LIBOR Determination Date, only two of three of the Reference Banks provide

such offered quotations to the Agent Bank, the relevant rate shall be determined, as aforesaid, on the basis of the offered quotations of those Reference Banks providing such quotations. If on any such LIBOR Determination Date, only one quotation is provided as requested, the rate for that LIBOR Determination Date will be the arithmetic mean (rounded to five decimal places with the mid-point rounded up) of the rates quoted by leading banks in London selected by the Agent Bank (which bank or banks is or are in the opinion of the Note Trustee suitable for such purpose).

The interest rate applicable to the Class A2 Notes shall be EURIBOR plus 1.10 per cent. per annum (the **Class A2 Notes Interest Rate**) for each Interest Period, with EURIBOR being determined by the Agent Bank on the following basis:

- (c) at or about 11.00 a.m. (CET) on the second TARGET2 Settlement Day prior to the commencement of each Interest Period (each such day, a **EURIBOR Determination Date**), the Agent Bank will determine the offered quotation to leading banks in the Euro-zone interbank market (**EURIBOR**) for one month euro deposits (or, with respect to the first Interest Period, the rate which represents the linear interpolation of EURIBOR for one and two month deposits in Euro) (rounded to three decimal places with the mid-point rounded up) by reference to the display designated as the British Bankers' Association's Interest Settlement Rate as quoted on page EURIBOR01 of the Reuters screen service (the **EURIBOR Screen Rate**). If the agreed page is replaced or service ceases to be available, the Agent Bank may specify another page or service displaying the appropriate rate after consultation with the Note Trustee and the Principal Paying Agent; or
- (d) if the EURIBOR Screen Rate is not then available for euro or for the Interest Period of the Class A2 Notes, the arithmetic mean of the rates (rounded to three decimal places with the mid-point rounded up) as supplied to the Agent Bank at its request by the principal London office of each of the Reference Banks at or about 11.00 a.m. (CET) on the EURIBOR Determination Date for the offering of deposits to the leading banks in the Euro-zone interbank market in euro and for a period comparable to the Interest Period for the Class A2 Notes. If on any EURIBOR Determination Date, only two of three of the Reference Banks provide such offered quotations to the Agent Bank, the relevant rate shall be determined, as aforesaid, on the basis of the offered quotations of those Reference Banks providing such quotations. If on any such EURIBOR Determination Date, only one quotation is provided as requested, the rate for that EURIBOR Determination Date will be the arithmetic mean (rounded to three decimal places with the mid-point rounded up) of the rates quoted by leading banks in London selected by the Agent Bank (which bank or banks is or are in the opinion of the Note Trustee suitable for such purpose).
- (e) In these Conditions (except where otherwise defined), the expression:
  - (i) **Business Day** means a day which is both a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and a TARGET2 Settlement Day;
  - (ii) **Euro-zone** means the region comprised of the member states of the European Union that have adopted the single currency in accordance with the Treaty on the Functioning of the European Union (signed in Rome on 25 March 1957) as amended;
  - (iii) **Interest Determination Date** means, in respect of the Notes other than the Class A2 Notes, the first day of the Interest Period for which the rate will apply and, in respect

of the Class A2 Notes, the second TARGET2 Settlement Day before the commencement of the Interest Period for which the rate will apply;

- (iv) **Margin** means, in relation to the Class A1 Notes, 1.10 per cent. per annum, in relation to the Class A2 Notes, 1.10 per cent. per annum and in relation to the Class U Notes, 2.00 per cent. per annum;
- (v) **Reference Banks** means in respect of the Notes other than the Class A2 Notes the principal London office of each of the four major banks engaged in the London interbank market selected by the Agent Bank and, in respect of the Class A2 Notes, the principal Euro-zone office each of the four major banks engaged in the Euro-zone interbank market selected by the Agent Bank, provided that, once a Reference Bank has been selected by the Agent Bank, that Reference Bank shall not be changed unless and until it ceases to be capable of acting as such;
- (vi) **Representative Amount** means, in relation to any quotation of a rate for which a Representative Amount is relevant, an amount that is representative for a single transaction in the relevant market at the relevant time; and
- (vii) **TARGET2 Settlement Day** means any day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System launched on 19 November 2007, is open.

#### 4.4 Determination of Rate of Interest and Interest Amounts

The amount of interest payable in respect of each Class A1 Note and Class U Note on any Interest Payment Date shall be calculated not later than on the first day of the Interest Period by applying the Class A1 Notes Interest Rate or the Class U Notes Interest Rate, as applicable, for the relevant Interest Period to the Principal Amount Outstanding immediately prior to the relevant Interest Payment Date and multiplying the result by the actual number of days in the relevant Interest Period divided by 365 and rounding the result to the nearest full pence, all as determined by the Agent Bank (the **Sterling Day Count Fraction**).

The amount of interest payable in respect of each Class A2 Note on any Interest Payment Date shall be calculated not later than on the first day of the Interest Period by applying the Class A2 Notes Interest Rate for the relevant Interest Period to the Principal Amount Outstanding immediately prior to the relevant Interest Payment Date and multiplying the result by the actual number of days in the relevant Interest Period divided by 360 and rounding the result to the nearest full cent, all as determined by the Agent Bank (the **Euro Day Count Fraction**).

The Agent Bank will, on the LIBOR Determination Date in relation to each Interest Period, calculate the amount of interest (the **Interest Amount**) payable in respect of each Class A1 Note and Class U Note for such Interest Period. The Interest Amount in respect of the Class A1 Notes (the **Class A1 Notes Interest Amount**) will be calculated by applying the Class A1 Notes Interest Rate for such Interest Period to the Principal Amount Outstanding of such Class A1 Notes during such Interest Period, multiplying the product by the actual number of days in such Interest Period divided by 365 and rounding the resulting figure to the nearest £0.01 (half of £0.01 being rounded upwards). The Interest Amount in respect of the Class U Notes (the **Class U Notes Interest Amount**) will be calculated by applying the Class U Notes Interest Rate for such Interest Period to the Principal Amount Outstanding of such Class U Notes during such Interest Period, multiplying the product by the actual number of days in such Interest Period divided by 365 and rounding the resulting figure to the nearest £0.01 (half of £0.01 being rounded upwards) (the **Sterling Day Count Fraction**).



The Agent Bank will, as soon as practicable after the EURIBOR Determination Date in relation to each Interest Period, calculate the amount of interest (the **Interest Amount**) payable in respect of each Class A2 Note for such Interest Period. The Interest Amount in respect of the Class A2 Notes (the **Class A2 Notes Interest Amount**) will be calculated by applying the Class A2 Notes Interest Rate for such Interest Period to the Principal Amount Outstanding of such Class A2 Notes during such Interest Period, multiplying the product by the actual number of days in such Interest Period divided by 360 and rounding the resulting figure to the nearest €0.01 (half of €0.01 being rounded upwards).

#### **4.5 Publication of Rate of Interest and Interest Amounts**

The Agent Bank shall cause the Rates of Interest and the Interest Amounts for each Interest Period and the relative Interest Payment Date to be notified to the Issuer, the Note Trustee, each of the Clearing Systems and to any stock exchange or other relevant authority on which the Notes are at the relevant time admitted to trading and/or listed and to be published in accordance with **Condition 14 (Notice to Noteholders)** as soon as possible after their determination and in no event later than the second Business Day thereafter. The Interest Amounts and Interest Payment Date may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period.

#### **4.6 Determination by the Note Trustee**

The Note Trustee shall, if the Agent Bank defaults at any time in its obligation to determine the Rates of Interest and Interest Amounts in accordance with the above provisions, determine the Rates of Interest and Interest Amounts, the former at such rates as, in its absolute discretion (having such regard as it shall think fit to the procedure described above), it shall deem fair and reasonable in all the circumstances and the latter in the manner provided in **Condition 4.4 (Determination of Rate of Interest and Interest Amounts)** and the determinations shall be deemed to be determinations by the Agent Bank.

#### **4.7 Notifications, etc. to be Final**

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this **Condition 4**, whether by the Reference Banks (or any of them), the Agent Bank or the Note Trustee, will (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Note Trustee, the Agent Bank, the Paying Agents and all Noteholders and (in the absence of wilful default, bad faith or manifest error) no liability to the Issuer or to the Noteholders shall attach to the Reference Banks (or any of them), the Agent Bank or, if applicable, the Note Trustee in connection with the exercise or non-exercise by any of them of their powers, duties and discretions under this **Condition 4**.

#### **4.8 Agent Bank**

The Issuer shall procure that, so long as any of the Notes remains outstanding, there is at all times an Agent Bank for the purposes of the Notes and the Issuer may, subject to the prior written approval of the Note Trustee, terminate the appointment of the Agent Bank. In the event of the appointed office of any bank being unable or unwilling to continue to act as the Agent Bank or failing duly to determine the Rates of Interest or the Interest Amounts for any Interest Period, the Issuer shall, subject to the prior written approval of the Note Trustee, appoint the London office of another major bank engaged in the London interbank market to act in its place. The Agent Bank may not resign its duties or be removed without a successor having been appointed.

## 5. PAYMENTS

### 5.1 Payments in respect of Notes

Payments in respect of principal, premium (if any) and interest in respect of any Global Note will be made only against presentation of such Global Note to or to the order of the Principal Paying Agent or such other Paying Agent as shall have been notified to the Noteholders in accordance with **Condition 14 (Notice to Noteholders)** for such purpose, subject, in the case of any Temporary Global Note, to certification of non-US beneficial ownership as provided in such Temporary Global Note. Each payment of principal, premium or interest made in respect of a Global Note will be recorded by the Clearing Systems in their records (which records are the records each relevant Clearing System holds for its customers and reflect such customers' interest in the Notes) and such records shall be *prima facie* evidence that the payment in question has been made. No person appearing from time to time in the records of either of the Clearing Systems as the holder of a Class A Note shall have any claim directly against the Issuer in respect of payments due on such Class A Note whilst such Class A Note is represented by a Global Note and the Issuer shall be discharged by payment of the relevant amount to the bearer of the relevant Global Note. The Issuer shall procure that each payment shall be entered *pro rata* in the records of the relevant Clearing System but any failure to make such entries shall not affect the discharge referred to above.

Payments in respect of the Class U Notes shall be made by transfer to the account specified by the Class U Noteholder to the Principal Paying Agent in accordance with the terms of the Agency Agreement.

### 5.2 Method of Payment

Payments will be made in respect of the Notes (other than the Class A2 Notes) by credit or transfer to an account in Sterling maintained by the payee with a bank in London, and, in respect of the A2 Notes, by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee.

### 5.3 Payments subject to Applicable Laws

Payments in respect of principal, premium (if any) and interest on the Notes are subject in all cases to any fiscal or other laws and regulations applicable in the place of payment.

### 5.4 Payment only on a Presentation Date

A holder shall be entitled to present a Global Note for payment only on a Presentation Date and shall not, except as provided in **Condition 4 (Interest)**, be entitled to any further interest or other payment if a Presentation Date is after the due date.

**Presentation Date** means a day which (subject to **Condition 8 (Prescription)**):

- (a) is or falls after the relevant due date;
- (b) is a Business Day in the place of the Specified Office of the Paying Agent at which the Global Note is presented for payment; and
- (c) in the case of payment by credit or transfer to a euro account as referred to above, is a TARGET2 Settlement Day or (in the case of payment by credit or transfer to a Sterling account in London as referred to above), is a Business Day in London.

In this **Condition 5.4, Business Day** means, in relation to any place, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in that place and **TARGET2 Settlement Day** means any day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System, launched on 19 November 2007, is open.

## **5.5 Paying Agents**

The name of the Principal Paying Agent and its initial Specified Office are set out at the end of these Conditions. The Issuer reserves the right, subject to the prior written approval of the Note Trustee, at any time to vary or terminate the appointment of any Paying Agent and to appoint additional or other Paying Agents provided that:

- (a) there will at all times be a person appointed to perform the obligations of the Principal Paying Agent;
- (b) there will at all times be at least one Paying Agent (who may be the Principal Paying Agent) having its Specified Office in such place as may be required by the rules and regulations of the relevant stock exchange and competent authority which, for so long as the Notes are admitted to trading on the Official List of the Irish Stock Exchange and to trading on its regulated market and the relevant listing rules require, shall be a place in the United Kingdom (such as London) or such other place as the Irish Stock Exchange may approve; and
- (c) the Issuer undertakes that it will ensure that it maintains a Paying Agent in a Member State of the European Union that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive.

Notice of any termination or appointment and of any changes in Specified Offices will be given to the Noteholders promptly by the Issuer in accordance with **Condition 14 (Notice to Noteholders)**.

## **6. REDEMPTION**

### **6.1 Redemption at maturity**

Unless previously redeemed in full, the Issuer will redeem the Notes at their respective Principal Amount Outstanding on the Interest Payment Date falling in September 2017.

### **6.2 Optional redemption for taxation or other reasons**

If:

- (a) by reason of a change in tax law (or the application or official interpretation thereof), which change becomes effective on or after the Closing Date, on the next Interest Payment Date, the Issuer or the Paying Agents would be required to deduct or withhold from any payment of principal or interest on any class of the Notes any amount for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the United Kingdom or any political subdivision thereof or any authority thereof or therein having power to tax then the Issuer shall, if the same would avoid the effect of the relevant event described above, appoint a Paying Agent in another jurisdiction or use its reasonable endeavours to arrange the substitution of a company incorporated and/or tax resident in another jurisdiction approved in writing by the Note Trustee as principal debtor under the Notes;

- (b) the Principal Amount Outstanding of the Notes is less than 10 per cent. of the Principal Amount Outstanding of the Notes as of the Closing Date;
- (c) the Class A1 Notes and the Class A2 Notes have been redeemed in full; and/or
- (d) a Change of Control Event occurs,

then the Issuer may, or if the Seller has directed the Issuer to use the proceeds of a repurchase of the Purchased Receivables by the Seller to redeem all, but not some only, of the Notes on the next following Interest Payment Date or, in respect of (c) and (d), on and from the Interest Payment Date on which (c) or (d) occurs.

If the Issuer satisfies the Note Trustee immediately before giving the notice referred to below that one or more of the events described above is continuing and that, in the case of the relevant event described in **sub-paragraph (a)** above, the appointment of a Paying Agent or a substitution as referred to above would not avoid the effect of the relevant event or that, having used its reasonable endeavours, the Issuer is unable to arrange such a substitution, then the Issuer may, on any Interest Payment Date and having given not more than 60 nor less than 30 days' notice (or, in the case of **sub-paragraph (a)** described above, such shorter period expiring on or before the latest date permitted by relevant law) to the Noteholders in accordance with **Condition 14 (Notice to Noteholders)** and to the Note Trustee, redeem all, but not some only, of the Notes at their respective Principal Amounts Outstanding together with accrued but unpaid interest up to but excluding the date of redemption (which shall be an Interest Payment Date). Prior to the publication of any notice of redemption pursuant to this **Condition 6.2**, the Issuer shall deliver to the Note Trustee a certificate signed by two directors of the Issuer stating that (a) the relevant event described above is continuing and that the appointment of a Paying Agent or a substitution as referred to in sub-paragraph (a) above would not avoid the effect of the relevant event or that, having used its reasonable endeavours, the Issuer is unable to arrange such a substitution; (b) in the case of **sub-paragraph (b)** above, that no Event of Default has occurred and that no Insolvency Event has occurred in respect of the Issuer; and (c) in the case of **sub-paragraphs (a) to (d)** above inclusive, the Issuer will have the necessary funds to pay all principal and interest due in respect of the Notes on the relevant Interest Payment Date and to discharge all other amounts required to be paid by it on the relevant Interest Payment Date, and the Note Trustee shall be entitled to accept the certificate as sufficient evidence of the satisfaction of the conditions precedent set out above and it shall be conclusive and binding on the Noteholders.

### **6.3 Mandatory redemption in part**

Other than as set out in this Condition 6, the Principal Amount Outstanding of the Notes shall not be due until the Final Maturity Date, however on each Interest Payment Date, prior to the service of a Note Acceleration Notice, Available Principal Receipts will be applied in redemption of the Notes, in accordance with the Pre-Acceleration Principal Priority of Payments.

On and after the occurrence of an Event of Default and service of a Note Acceleration Notice, the Issuer shall redeem the Notes in accordance with the Post-Acceleration Priority of Payments.

For the avoidance of doubt the Notes will be redeemed, subject to and in accordance with the relevant Priority of Payments.

### **6.4 Principal Amount Outstanding**

The **Principal Amount Outstanding** of a Note on any date shall be its original principal amount less the aggregate amount of all principal payments in respect of such Note which have become paid

since the Closing Date except if and to the extent that any such payment has been improperly withheld or refused.

#### **6.5 Notice of redemption**

Any such notice as is referred to in **Condition 6.2 (Optional redemption for taxation or other reasons)** above shall be irrevocable and, upon the expiry of such notice, the Issuer shall be bound to redeem the relevant Notes at the applicable amounts specified above.

#### **6.6 No purchase by the Issuer**

The Issuer will not be permitted to purchase any of the Notes.

#### **6.7 Cancellation**

All Notes redeemed in full will be cancelled upon redemption and may not be resold or re-issued.

### **7. TAXATION**

All payments in respect of the Notes by or on behalf of the Issuer shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature (**Taxes**), unless the withholding or deduction of the Taxes is required by applicable law. In that event, the Issuer or, as the case may be, the relevant Paying Agent shall make such payment after the withholding or deduction has been made and shall account to the relevant authorities for the amount required to be withheld or deducted. Neither the Issuer nor any other person shall be obliged to make any additional payments to Noteholders in respect of such withholding or deduction.

### **8. PRESCRIPTION**

Claims in respect of principal and interest on the Notes will be prescribed after ten years (in the case of principal) and five years (in the case of interest) from the Relevant Date in respect of the relevant payment.

In this **Condition 8**, the "**Relevant Date**", in respect of a payment, is the date on which such payment first becomes due or (if the full amount of the monies payable on that date has not been duly received by the Principal Paying Agent or the Note Trustee on or prior to such date) the date on which, the full amount of such monies having been received, notice to that effect is duly given to the relevant Noteholders in accordance with **Condition 14 (Notice to Noteholders)**.

## 9. EVENTS OF DEFAULT

9.1 The Note Trustee in its absolute discretion may, and if so directed in writing by the holders of at least one-fifth in aggregate Principal Amount Outstanding of the Class A Notes while they remain outstanding and thereafter the Class U Notes while they remain outstanding (the **Most Senior Class**) or if so directed by an Extraordinary Resolution of the Most Senior Class of Notes (subject, in each case, to being indemnified and/or secured to its satisfaction against all liabilities to which it may become liable or which it may incur by so doing and subject as further provided in Clause 9.1(b) of the Trust Deed), (but, in the case of the happening of any of the events described in sub-paragraph (d) below, only if the Note Trustee shall have certified in writing to the Issuer that such event is, in its opinion, materially prejudicial to the interests of the Most Senior Class of Notes) shall give notice (a **Note Acceleration Notice**) to the Issuer that all classes of the Notes are immediately due and repayable at their respective Principal Amounts Outstanding, together with accrued interest as provided in the Trust Deed, in any of the following events (each, an **Event of Default**):

- (a) an Insolvency Event occurs with respect to the Issuer; or
- (b) the Issuer defaults in the payment of any interest on the Most Senior Class of Notes when the same becomes due and payable, and such default continues for a period of ten Business Days; or
- (c) the Issuer defaults in the payment of principal on any Class A Note or Class U Note when due, and such default continues for a period of five Business Days; or
- (d) the Issuer fails to perform or observe any of its other obligations under the Conditions or any Transaction Document to which it is a party and (except in any case where the Note Trustee or, in the case of the Deed of Charge, the Security Trustee considers the failure to be incapable of remedy, when no continuation or notice as is hereinafter mentioned will be required) the failure continues for a period of 30 days (or such longer period as the Note Trustee may permit) following the service by the Note Trustee or, as the case may be, the Security Trustee on the Issuer of notice requiring the same to be remedied.

### 9.2 General

Upon the service of a Note Acceleration Notice by the Note Trustee in accordance with **Condition 9.1** above, all classes of the Notes then outstanding shall thereby immediately become due and repayable at their respective Principal Amounts Outstanding, together with accrued interest as provided in the Trust Deed. The security constituted by the Deed of Charge will become enforceable upon the occurrence of an Event of Default.

### 9.3 Restriction

Except in the case of an Event of Default referred to in **Condition 9.1(b) or 9.1(c)**, the Note Trustee will not be entitled to direct the Security Trustee to dispose of any of the assets comprised in the Security constituted by the Deed of Charge unless a financial adviser selected by the Note Trustee has confirmed that, in its opinion, either (i) a sufficient amount would be realised from such disposal to allow discharge in full of all amounts owing to the Noteholders or (ii) a sufficient amount would not be so realised, but the resulting shortfall would be less than the shortfall that would result from not disposing of such assets.

## 10. ENFORCEMENT

Subject to **Condition 9 (Events of Default)**, the Note Trustee may at any time at its discretion and without notice, and shall, if so directed in writing by the holders of at least one-fifth in aggregate

Principal Amount Outstanding of the Most Senior Class of Notes or if so directed by an Extraordinary Resolution of the Most Senior Class of Notes (subject in each case to being indemnified and/or secured to its satisfaction against all liability to which it may become liable or which it may incur by so doing and subject as further provided in Clause 9.1(b) of the Trust Deed), take such action under or in connection with any of the Transaction Documents as it may think fit (including, without limitation, directing the Security Trustee to take any action under or in connection with any of the Transaction Documents or, after the service of a Note Acceleration Notice, to take steps to enforce the security constituted by the Deed of Charge), provided that:

- (a) (except where expressly provided otherwise) the Security Trustee shall not, and shall not be bound to, take any action under the Deed of Charge unless it shall have been so directed by (i) the Note Trustee or (ii) if there are no Notes outstanding, the Secured Creditor who ranks most senior in the Post-Acceleration Priority of Payments (other than the Note Trustee or the Security Trustee);
- (b) neither the Note Trustee nor the Security Trustee shall be bound to take any such action unless it shall have been indemnified and/or secured to its satisfaction; and
- (c) none of the Note Trustee, the Security Trustee or any of the Secured Creditors shall be entitled to take any steps or proceedings to procure the winding-up, administration or liquidation of the Issuer.

Notwithstanding the foregoing, the Deed of Charge will provide that the Security Trustee shall use its best endeavours to enforce the security constituted by the Deed of Charge by appointing an administrative receiver in respect of the Issuer if it has actual notice of (i) an application for the appointment of an administrator in respect of the Issuer or (ii) the giving of a notice of intention to appoint an administrator in respect of the Issuer, such appointment of an administrative receiver to take effect not later than the final day by which the appointment must be made in order to prevent an administration proceeding.

The Deed of Charge will further provide that (a) the Security Trustee will not be liable for any failure to appoint an administrative receiver in respect of the Issuer, save in the case of its own gross negligence, wilful default or fraud and (b) in the event that the Security Trustee appoints an administrative receiver in respect of the Issuer under the Deed of Charge in the circumstances set out in the paragraph above, then the Issuer shall waive any claims against the Security Trustee in respect of the appointment of the administrative receiver.

Subject to the terms of the Deed of Charge, no Noteholder shall be entitled to proceed directly against the Issuer or any other party to any of the Transaction Documents to enforce the performance of any of the provisions of the Transaction Documents and/or to take any other proceedings (including lodging an appeal in any proceedings) in respect of or concerning the Issuer.

Notwithstanding any other Condition or any provision of any Transaction Document, all obligations of the Issuer to the Noteholders are limited in recourse in accordance with this **Condition 10** to the property, assets and undertakings of the Issuer the subject of any security created by the Deed of Charge (the **Charged Property**) if:

- (a) there is no Charged Property remaining which is capable of being realised or otherwise converted into cash;
- (b) all amounts available from the Charged Property have been applied to meet or to provide for the relevant obligations specified in, and in accordance with, the provisions of the Deed of Charge; and

- (c) there are insufficient amounts available from the Charged Property to pay in full, in accordance with the provisions of the Deed of Charge, amounts outstanding under the Notes (including payments of principal, premium (if any) and interest),

then the Noteholders shall have no further claim against the Issuer in respect of any amounts owing to them which remain unpaid (including, for the avoidance of doubt, payments of principal, premium (if any) and/or interest in respect of the Notes) and such unpaid amounts shall be deemed to be discharged in full and any relevant payment rights shall be deemed to cease.

## 11. MEETINGS OF NOTEHOLDERS, MODIFICATION AND WAIVER

- 11.1 The Trust Deed contains provisions for convening meetings of the Noteholders of each class and, in certain cases, more than one class to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of these Conditions or the provisions of any of the Transaction Documents.
- 11.2 An Extraordinary Resolution passed at any meeting of the Class A Noteholders shall be binding on the Class U Noteholders irrespective of the effect upon them, except that an Extraordinary Resolution to sanction a modification of these Conditions or the provisions of any of the Transaction Documents or a waiver or authorisation of any breach or proposed breach thereof or certain other matters specified in the Trust Deed will not take effect unless: (i) either the Note Trustee is of the opinion that it would not be materially prejudicial to the interests of the Class U Noteholders or it shall have been sanctioned by an Extraordinary Resolution of the Class U Noteholders.
- 11.3 An Extraordinary Resolution (other than an Extraordinary Resolution referred to in **Condition 11.2** above) passed at any meeting of the Class U Noteholders shall not be effective for any purpose unless either the Note Trustee is of the opinion that it would not be materially prejudicial to the interests of the Class A Noteholders or it is sanctioned by an Extraordinary Resolution of the Class A Noteholders, but subject also to **Condition 11.4** below.
- 11.4 Subject as provided below, the quorum at any meeting of Noteholders of any class or classes of Notes for passing an Ordinary Resolution will be one or more persons holding or representing not less than 50 per cent. of the aggregate Principal Amount Outstanding of such class or classes of Notes, or, at any adjourned meeting, one or more persons being or representing a Noteholder of the relevant class or classes, whatever the aggregate Principal Amount Outstanding of the Notes of such class or classes held or represented by it or them.
- 11.5 The quorum at any meeting of Noteholders of any class or classes for passing an Extraordinary Resolution to sanction a modification of the date of maturity of any Notes or which would have the effect of postponing any day for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of such Notes, altering the currency of payment of such Notes or altering the quorum or majority required in relation to this exception (each, a **Basic Terms Modification**) shall be one or more persons holding or representing not less than three-quarters or, at any adjourned meeting, not less than one-quarter of the aggregate Principal Amount Outstanding of the Notes of such class or classes.

The Trust Deed provides that, except in the case of an Extraordinary Resolution directing the Note Trustee to give a Note Acceleration Notice, as to which the provisions of **Condition 9 (Events of Default)** shall apply:

- (i) a resolution which, in the opinion of the Note Trustee, affects the interests of the holders of one class only of the Class A Notes shall be deemed to have been duly passed if passed at a separate meeting of the holders of the Class A Notes of that class;



- (ii) a resolution which, in the opinion of the Note Trustee, affects the interests of the holders of both classes of the Class A Notes but does not give rise to a conflict of interest between the holders of each class of the Class A Notes shall be deemed to have been duly passed if passed at a single meeting of the holders of the Class A Notes of both classes; and
- (iii) a resolution which, in the opinion of the Note Trustee, affects the interests of the holders of both classes of the Class A Notes and gives or may give rise to a conflict of interest between the holders of each class of the Class A Notes shall be deemed to have been duly passed only if in lieu of being passed at a single meeting of the holders of the Class A Notes of both classes it shall be duly passed at separate meetings of the holders of each class of the Class A Notes.

The Trust Deed contains similar provisions in relation to directions in writing from Class A Noteholders upon which the Note Trustee is bound to act.

- 11.6 The Note Trustee may agree, or may direct the Security Trustee to agree, without the consent of the Noteholders or the other Secured Creditors:
- (i) to any modification, or to any waiver or authorisation of any breach or proposed breach, of these Conditions or of any of the Transaction Documents which, in the opinion of the Note Trustee, is not materially prejudicial to the interests of the Noteholders and the other Secured Creditors; or
  - (ii) to any modification which, in the opinion of the Note Trustee, is to correct a manifest or proven error or is of a formal, minor or technical nature.
- 11.7 The Note Trustee may also, without the consent of the Noteholders or the other Secured Creditors, if it is of the opinion that such determination will not be materially prejudicial to the interests of the Noteholders or the other Secured Creditors, determine that an Event of Default shall not, or shall not subject to specified conditions, be treated as such.
- 11.8 Any such modification, waiver, authorisation or determination shall be binding on the Noteholders and the other Secured Creditors and, unless the Note Trustee agrees otherwise, any such modification shall be notified to the Noteholders as soon as practicable thereafter in accordance with **Condition 14 (Notice to Noteholders)**.
- 11.9 In connection with any such substitution of principal debtor referred to in **Condition 6.2 (Optional redemption for taxation or other reasons)**, the Note Trustee may also agree, without the consent of the Noteholders or the other Secured Creditors, to a change in the laws governing the Notes, these Conditions and/or any of the Transaction Documents, provided that such change would not, in the opinion of the Note Trustee, be materially prejudicial to the interests of the Noteholders.
- 11.10 The Note Trustee shall be entitled to take into account, for the purpose of exercising or performing any right, power, trust, authority, duty or discretion under or in relation to these Conditions or any of the Transaction Documents, among other things, to the extent that it considers, in its sole and absolute discretion, it is necessary and/or appropriate and/or relevant, any confirmation by any Rating Agency (including any Rating Agency Confirmations and whether or not such confirmation is addressed to, or provides that it may be relied upon by, the Note Trustee and irrespective of the method by which such confirmation is conveyed) (a) that the then current rating by it of the relevant class of Class A Notes would not be downgraded, withdrawn or qualified by such exercise or performance and/or (b) if the original rating of the relevant class of Class A Notes has been downgraded previously, that such exercise or performance will not prevent the restoration of such original rating of such class of Notes.

11.11 Where, in connection with the exercise or performance by each of them of any right, power, trust, authority, duty or discretion under or in relation to these Conditions or any of the Transaction Documents (including, without limitation, in relation to any modification, waiver, authorisation, determination or substitution as referred to above), the Note Trustee is required to have regard to the interests of the Noteholders of any class, it shall have regard to the general interests of the Noteholders of such class as a class but shall not have regard to any interests arising from circumstances particular to individual Noteholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise or performance for individual Noteholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Note Trustee shall not be entitled to require, nor shall any Noteholder be entitled to claim, from the Issuer, the Note Trustee or the Security Trustee or any other person any indemnification or payment in respect of any tax consequences of any such exercise upon individual Noteholders.

## **12. INDEMNIFICATION AND EXONERATION OF THE NOTE TRUSTEE AND THE SECURITY TRUSTEE**

The Trust Deed and the Deed of Charge contain provisions governing the responsibility (and relief from responsibility) of the Note Trustee and the Security Trustee respectively and providing for their indemnification in certain circumstances, including provisions relieving them from taking action or, in the case of the Security Trustee, enforcing the security constituted by the Deed of Charge unless indemnified and/or secured to their satisfaction.

The Trust Deed and the Deed of Charge also contain provisions pursuant to which the Note Trustee and the Security Trustee are entitled, *inter alia* (a) to enter into business transactions with the Issuer and/or any other party to any of the Transaction Documents and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer and/or any other party to any of the Transaction Documents, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Noteholders, and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

## **13. REPLACEMENT OF GLOBAL NOTES**

If any Global Note is mutilated, defaced, lost, stolen or destroyed, it may be replaced at the Specified Office of the Principal Paying Agent. Replacement of any mutilated, defaced, lost, stolen or destroyed Global Note will only be made on payment of such costs as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. A mutilated or defaced Global Note must be surrendered before a new one will be issued.

## **14. NOTICE TO NOTEHOLDERS**

Any notice shall be deemed to have been duly given to (A) the Class A Noteholders if sent to the Clearing Systems for communication by them to the holders of the Class A Notes and shall be deemed to be given on the date on which it was so sent and (B) the Class U Noteholders if sent to the Registrar and (so long as the relevant Notes are admitted to trading and listed on the official list of the Irish Stock Exchange), any notice shall also be published in accordance with the relevant guidelines of the Irish Stock Exchange by a notification in writing to the Company Announcement Office of the Irish Stock Exchange.

## 15. SUBORDINATION BY DEFERRAL OF THE CLASS U NOTES

### 15.1 Interest on the Class U Notes

In the event that, on any Interest Payment Date, the amount available to the Issuer, subject to and in accordance with the Cash Management Agreement and the Deed of Charge, to apply on such Interest Payment Date, after deducting the amounts referred to in **paragraphs (a) to (h)** (inclusive) of the Pre-Acceleration Revenue Priority of Payments (in the case of the Class U Notes) (an **Interest Residual Amount**), is not sufficient to satisfy in full the aggregate amount of interest (including amounts previously deferred under this **Condition 15.1** and accrued interest thereon) due, subject to this **Condition 15.1**, on the Class U Notes on such Interest Payment Date, there shall instead be payable on such Interest Payment Date, by way of interest (including as aforesaid) on each Class U Note, only a *pro rata* share of the Interest Residual Amount attributable to the Class U Notes on such Interest Payment Date.

Such shortfall shall itself accrue interest at the same rate as that payable in respect of the Class U Notes and shall be payable together with such accrued interest on the following Interest Payment Dates, subject to the provisions of the preceding paragraph.

### 15.2 Principal on the Class U Notes

All payments of principal on the Class U Notes shall be made in accordance with the relevant Priority of Payments.

### 15.3 General

Any amounts of interest in respect of the Class U Notes otherwise payable under these Conditions which are not paid by virtue of this **Condition 15 (Subordination by Deferral of the Class U Notes)**, together with accrued interest thereon, shall in any event become due and payable on the Final Maturity Date or on such earlier date as the Class U Notes become due and repayable in full under **Condition 6 (Redemption)** or **9 (Events of Default)**.

### 15.4 Notification

As soon as practicable after becoming aware that any part of a payment of interest on the Class U Notes will be deferred or that a payment previously deferred will be made in accordance with this **Condition 15 (Subordination by Deferral of the Class U Notes)**, the Issuer will give notice thereof to the Class U Noteholders in accordance with **Condition 14 (Notice to Noteholders)**.

### 15.5 Application

This **Condition 15 (Subordination by Deferral of the Class U Notes)** shall cease to apply in respect of the Class U Notes, upon the redemption in full of all Class A Notes.

## 16. GOVERNING LAW

Each of the Trust Deed, the Global Notes and these Conditions (and, in each case, any non-contractual obligations arising out of or in connection with the relevant document) is governed by, and shall be construed in accordance with, English law.

## 17. RIGHTS OF THIRD PARTIES

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of the Notes or these Conditions, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

## **SUMMARY OF PROVISIONS RELATING TO THE CLASS A NOTES (WHILE IN GLOBAL FORM) AND THE CLASS U NOTES**

### **General**

Each of the Class A Notes, as at the Closing Date, will initially be represented by a Temporary Global Note. All capitalised terms not defined in this paragraph shall be as defined in the Conditions of the Notes.

Each Temporary Global Note will be deposited on or about the Closing Date on behalf of the subscribers for the relevant Class of Class A Notes with a Common Safekeeper for the Clearing Systems. Upon deposit of the Temporary Global Notes, the Clearing Systems will credit each subscriber of the Class A Notes with the principal amount of the Class A Notes of the relevant class equal to the aggregate principal amount thereof for which the subscriber will have subscribed and paid. Interests in each Temporary Global Note are exchangeable on and after the date which is 40 days after the Closing Date, upon certification of non-U.S. beneficial ownership by the relevant Class A Noteholder, for interests recorded in the records of the Clearing Systems in a Permanent Global Note.

### **Payments on Global Notes**

Payments in respect of principal, premium (if any) and interest in respect of any Global Note will be made only against presentation of such Global Note to or to the order of the Principal Paying Agent or such other Paying Agent as shall have been notified to the Noteholders in accordance with Condition 14 (Notice to Noteholders) for such purpose, subject, in the case of any Temporary Global Note, to certification of non-US beneficial ownership as provided in such Temporary Global Note. Each payment of principal, premium or interest made in respect of a Global Note will be recorded by the Clearing Systems in their records (which records are the records each relevant Clearing System holds for its customers which reflect such customers' interest in the Class A Notes) and such records shall be *prima facie* evidence that the payment in question has been made. No person appearing from time to time in the records of either of the Clearing Systems as the holder of a Note shall have any claim directly against the Issuer in respect of payments due on such Note whilst such Note is represented by a Global Note and the Issuer shall be discharged by payment of the relevant amount to the bearer of the relevant Global Note. The Issuer shall procure that each payment shall be entered *pro rata* in the records of the relevant Clearing Systems but any failure to make such entries shall not affect the discharge referred to above.

Payments will be made, in respect of the Class A1 Notes by credit or transfer to an account in sterling maintained by the payee with a bank in London, and, in respect of the Class A2 Notes, by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee.

Payments in respect of principal, premium (if any) and interest on the Class A Notes are subject in all cases to any fiscal or other laws and regulations applicable in the place of payment.

A holder shall be entitled to present a Global Note for payment only on a Presentation Date and shall not, except as provided in Condition 4 (Interest), be entitled to any further interest or other payment if a Presentation Date is after the due date.

### **Information Regarding Euroclear and Clearstream, Luxembourg**

*Euroclear and Clearstream, Luxembourg have advised the Issuer as follows:*

Euroclear and Clearstream, Luxembourg each hold securities for their account holders and facilitate the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders, thereby eliminating the need for physical movements of certificates and any risk from lack of simultaneous transfers of securities.

Euroclear and Clearstream, Luxembourg each provide various services, including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg each also deal with domestic securities markets in several countries through established depositary and custodial relationships. The respective systems of Euroclear and of Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective account holders may settle trades with each other.

Account holders in both Euroclear and Clearstream, Luxembourg are worldwide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to both Euroclear and Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system.

An account holder's overall contractual relations with either Euroclear or Clearstream, Luxembourg are governed by the respective rules and operating procedures of Euroclear or Clearstream, Luxembourg and any applicable laws. Both Euroclear and Clearstream, Luxembourg act under such rules and operating procedures only on behalf of their respective account holders, and have no record of or relationship with persons holding through their respective account holders.

The Issuer understands that under existing industry practices, if any of the Issuer, the Note Trustee or the Security Trustee requests any action of Noteholders or if a Noteholder desires to give instructions or to take any action that a Noteholder is entitled to give or take under the Trust Deed or the Deed of Charge, Euroclear or Clearstream, Luxembourg, as the case may be, would authorise the participants to give instructions or take such action, and such participants would authorise indirect participants to give or take such action or would otherwise act upon the instructions of such indirect participants.

### **Redemption**

In the event that any Global Note (or portion thereof) is redeemed, the Principal Paying Agent will deliver all amounts received by it in respect of the redemption of such Global Note to or to the order of the common safekeeper and, upon final payment, will surrender such Global Note (or portion thereof) to or to the order of the Principal Paying Agent for cancellation. The redemption price payable in connection with the redemption will be equal to the amount received by the Principal Paying Agent in connection with the redemption of the Global Note (or portion thereof) relating thereto. Any redemptions of a Global Note in part will be made by Euroclear or Clearstream, Luxembourg, as the case may be, on a *pro rata* basis (or on such basis as Euroclear or Clearstream, Luxembourg, as the case may be, deems fair and appropriate). Upon any redemption in part, the Principal Paying Agent will mark down the schedule to such Global Note by the principal amount so redeemed.

### **Cancellation**

Cancellation of any Note represented by a Global Note and required by the Conditions to be cancelled following its redemption will be effected by endorsement by or on behalf of the Principal Paying Agent of the reduction in the principal amount of the relevant Global Note on the relevant schedule thereto and on the corresponding entry on the register.

### **Transfers and Transfer Restrictions**

All transfers of Book-Entry Interests will be recorded in accordance with the book-entry systems maintained by Euroclear or Clearstream, Luxembourg, as applicable, pursuant to customary procedures established by each respective system and its participants. See "*General*", above.

## **Issuance of Definitive Notes**

If, while any of the Class A Notes are represented by a Permanent Global Note, (a) either of the Clearing Systems is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so and no other clearing system acceptable to the Note Trustee is then in existence or (b) as a result of any amendment to, or change in, the laws or regulations of the United Kingdom (or of any political sub-division thereof) or of any authority therein or thereof having power to tax or in the interpretation or administration of such laws or regulations which becomes effective on or after the Closing Date, the Issuer or any Paying Agent is or will on the next Interest Payment Date (as defined below) be required to make any deduction or withholding from any payment in respect of such Class A Notes which would not be required were such Class A Notes in definitive form, then the Issuer will issue Definitive Notes in exchange for such Permanent Global Note (free of charge to the persons entitled to them) within 30 days of the occurrence of the relevant event. The Conditions and the Transaction Documents will be amended in such manner as the Note Trustee and the Security Trustee require to take account of the issue of Definitive Notes.

Any Class A Notes issued in definitive form will be issued in definitive bearer form in the denominations set out in the Conditions and will be subject to the provisions set forth under "*Transfers and Transfer Restrictions*" above. The Class U Notes will be issued in definitive registered form and will be subject to the provisions set forth under "*Transfers and Transfer Restrictions*" above.

## **Notices and Reports**

With respect to the Class A Notes, the Issuer will send to Euroclear and Clearstream, Luxembourg a copy of any notices and reports received relating to the Issuer, the Global Notes or the Book-Entry Interests. Any notice shall be deemed to have been duly given to the relevant Noteholders if sent to the Clearing Systems for communication by them to the holders of the Class Notes and shall be deemed to be given on the date on which it was so sent and (so long as the relevant Class A Notes are admitted to trading and listed on the official list of the Irish Stock Exchange) any notice shall also be published in accordance with the relevant guidelines of the Irish Stock Exchange by a notification in writing to the Company Announcements Office of the Irish Stock Exchange.

With respect to the Class U Notes, the Issuer will send a copy of any notices and reports received relating to the Issuer and the Class U Notes to the Registrar, in accordance with the Conditions. Any notice shall be deemed to have been duly given to the relevant Noteholders if sent in accordance with the Conditions.

## TAXATION

### UNITED KINGDOM TAXATION

*The following applies only to persons who are the beneficial owners of Notes and is a summary of the Issuer's understanding of current law and practice in the United Kingdom relating only to United Kingdom withholding tax treatment of payments of principal and interest in respect of Notes. It does not deal with any other United Kingdom taxation implications of acquiring, holding or disposing of Notes. The United Kingdom tax treatment of prospective Noteholders depends on their individual circumstances and may be subject to change in the future. Prospective Noteholders who may be subject to tax in a jurisdiction other than the United Kingdom or who may be unsure as to their tax position should seek their own professional advice.*

#### Interest on the Notes

##### 1. Payment of Interest on the Notes

Payments of interest on the Notes may be made without deduction of or withholding on account of United Kingdom income tax provided that the Notes continue to be listed on a "recognised stock exchange" within the meaning of section 1005 of the Income Tax Act 2007. The Irish Stock Exchange is a recognised stock exchange. The Notes will satisfy this requirement if they are officially listed in Ireland in accordance with provisions corresponding to those generally applicable in EEA states and are admitted to trading on the Irish Stock Exchange. Provided, therefore, that the Notes remain so listed, interest on the Notes will be payable without withholding or deduction on account of United Kingdom tax.

Interest on the Notes may also be paid without withholding or deduction on account of United Kingdom tax where interest on the Notes is paid by a company and, at the time the payment is made, the Issuer reasonably believes (and any person by or through whom interest on the Notes is paid reasonably believes) that the beneficial owner is within the charge to United Kingdom corporation tax as regards the payment of interest; provided that HM Revenue and Customs (**HMRC**) has not given a direction (in circumstances where it has reasonable grounds to believe that the above exemption is not available in respect of such payment of interest at the time the payment is made) that the interest should be paid under deduction of tax.

In other cases, an amount must generally be withheld from payments of interest on the Notes on account of United Kingdom income tax at the basic rate (currently 20 per cent.). However, where an applicable double tax treaty provides for a lower rate of withholding tax (or for no tax to be withheld) in relation to a Noteholder, HMRC can issue a notice to the Issuer to pay interest to the Noteholder without deduction of tax (or for interest to be paid with tax deducted at the rate provided for in the relevant double tax treaty).

Noteholders may wish to note that, in certain circumstances, HMRC has power to obtain information (including the name and address of the beneficial owner of the interest) from any person in the United Kingdom who either pays or credits interest to or who receives interest for the benefit of a Noteholder. Such information may include the name and address of the beneficial owner of the amount payable on redemption. Any information obtained may, in certain circumstances, be exchanged by HMRC with the tax authorities of the jurisdiction in which the Noteholder is resident for tax purposes.

##### 2. EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of other Member States details of payments of interest (or similar income) paid by persons within their jurisdictions to an individual resident in other Member States or to certain limited types of entities established in other Member States. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system



in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories, including Switzerland, have adopted similar measures (a withholding system in the case of Switzerland).

The European Commission has proposed certain amendments to the Directive, which may, if implemented, amend or broaden the scope of the requirements described above.

## **SUBSCRIPTION AND SALE**

The Joint Lead Managers have, pursuant to a subscription agreement dated 7 February 2011 between the Arranger, the Joint Lead Managers, the Seller and the Issuer (the **Subscription Agreement**), agreed with the Issuer (subject to certain conditions) to subscribe and pay for the Class A Notes at the issue price of 100 per cent. of the aggregate principal amount of the Class A Notes and Black Horse Limited has agreed, pursuant to the Subscription Agreement, with the Issuer (subject to certain conditions) to subscribe and pay for the Class U Notes at the issue price of 100 per cent. of the aggregate principal amount of the Class U Notes.

The Joint Lead Managers may sell any of the Notes to subsequent purchasers in individually negotiated transactions at negotiated prices which may vary among different purchasers and which may be greater or less than the issue price of the Notes.

The Issuer has agreed to indemnify the Arranger and the Joint Lead Managers against certain liabilities and to pay certain costs and expenses in connection with the issue of the Notes.

Other than admission of the Notes to the Official List of the Irish Stock Exchange and to trading on its regulated market, no action has been taken by the Issuer or the Joint Lead Managers which would or has been intended to permit a public offering of the Notes, or possession or distribution of this Prospectus or other offering material relating to the Notes, in any country or jurisdiction where action for that purpose is required.

This Prospectus does not constitute, and may not be used for the purpose of, an offer or a solicitation by anyone to subscribe for or purchase any of the Notes in or from any country or jurisdiction where such an offer or solicitation is not authorised or is unlawful.

Pursuant to the Subscription Agreement, Black Horse Limited has covenanted that it will retain a material net economic interest of not less than 5 per cent. in the securitisation in accordance with Article 122a of Directive 2006/48/EC (as amended) (which does not take into account any implementing rules of the CRD in a relevant jurisdiction). As at the Closing Date, such interest will be comprised of an interest in the first loss tranche as required by Article 122a (comprising the Class U Notes and Tranche B of the Subordinated Loan). Any change to the manner in which such interest is held will be notified to the Noteholders.

### **United States**

The Notes have not been and will not be registered under the Securities Act or any state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except pursuant to an exemption from registration requirements. Accordingly, the Notes are being offered and sold in offshore transactions in reliance on Regulation S.

Each of the Joint Lead Managers has agreed that, except as permitted by the Subscription Agreement, it will not offer or sell the Notes as part of its distribution at any time or otherwise until 40 days after the later of the commencement of the offering and the closing date within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each affiliate or other dealer (if any) to which it sells Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. See "*Transfer Restrictions*", below.

### **TEFRA D**

Each of the Joint Lead Managers has represented to and agreed with, inter alios, the Issuer that:

- (a) except to the extent permitted under United States Treasury Regulation Section 1.163-5(c)(2)(i)(D) (the "D Rules"), (i) it has not offered or sold, and during the restricted period that it will not offer or sell, any Notes to a person who is within the United States or its possessions or to a U.S. Person, and (ii) it has not delivered and will not deliver in definitive form within the United States or its possessions any Notes that are sold during the restricted period;
- (b) it has, and throughout the restricted period it will have in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Notes are aware that the Notes may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a U.S. Person, except as permitted by the D Rules;
- (c) if either of the Joint Lead Managers is a U.S. Person, it has represented that it is acquiring the Notes for the purposes of resale in connection with their original issuance and if it retains Notes for its own account it will only do so in accordance with the requirements of United States Treasury Regulation Section 1.163-5(c)(2)(i)(D)(6);
- (d) with respect to each affiliate of the Joint Lead Manager that acquires from it Notes for the purpose of offering or selling such Notes during the restricted period, such Joint Lead Manager has either (i) repeated and confirmed the representations and agreements contained in paragraphs (b), (c), (d) and (e) on its behalf or (ii) agreed that it will obtain from such affiliate for the benefit of the Issuer the representations and agreements contained in paragraphs (b), (c), (d) and (e); and
- (e) each of the Joint Lead Managers has represented and agreed that it will obtain from any distributor (within the meaning of United States Treasury Regulation Section 1.163-5(c)(2)(i)(D)(4)(ii)) that purchases any of the Notes from the relevant
- (f) Joint Lead Manager (except a distributor who is an affiliate of the relevant Joint Lead Manager), for the benefit of the Issuer and the Joint Lead Manager, an agreement to comply with the provisions, representations and agreements contained in paragraphs (b) through (e), as if such distributor were a Joint Lead Manager hereunder.

Terms used in paragraphs (a) through (e) have the meanings given to them by the United States Internal Revenue Code 1986, as amended, and regulations thereunder, including the D Rules. As used in paragraphs (a) through (e) "United States person" means any person who is, for United States federal income tax purposes, (i) a citizen or resident of the United States, (ii) a corporation, partnership or other entity created or organized in or under the laws of the United States of any political subdivision thereof or therein or (iii) an estate the income of which is subject to United States taxation regardless of its source; or a trust (z) that is subject to the supervision of a court within the United States and the control of a U.S. Person as described in Section 7701(a)(30) of the Code or (y) that has a valid election in effect under applicable United States Treasury regulations to be treated as a U.S. Person.

### **United Kingdom**

Each of the Joint Lead Managers has represented to and agreed with the Issuer that:

- (a) it has only communicated or caused to be communicated, and will only communicate or cause to be communicated, any invitation or inducement to engage in any activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Each of the Joint Lead Managers has acknowledged that, save for having obtained the approval of the Prospectus as a prospectus in accordance with Part VI of the FSMA, and having applied for the admission of the Notes to the Official List of the Irish Stock Exchange and to trading on its regulated market, no further action has been or will be taken in any jurisdiction by the Joint Lead Managers that would, or is intended to, permit a public offering of the Notes, or possession or distribution of the Prospectus or any other offering material in relation to the Notes, in any country or jurisdiction where such further action for that purpose is required.

### **General**

Each of the Joint Lead Managers has undertaken that it will not, directly or indirectly, offer or sell any Notes or have in its possession, distribute or publish any offering circular, prospectus, form of application, advertisement or other document or information in respect of the Notes in any country or jurisdiction except under circumstances that will, to the best of its knowledge and belief, result in compliance with any applicable laws and regulations, and all offers and sales of Notes by it will be made on the same terms.

## TRANSFER RESTRICTIONS

### Offers and Sales by the Joint Lead Managers

The Notes (including with respect to the Class A Notes interests therein represented by a Global Note or a Book-Entry Interest and with respect to the Class A Notes and the Class U Notes, a Definitive Note) have not been and will not be registered under the Securities Act or any state securities laws, and may not be offered or sold in the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except pursuant to such registration requirements. Accordingly, the Notes are being offered and sold in offshore transactions pursuant to Regulation S.

### Investor Representations and Restrictions on Resale

Each purchaser of the Notes (which term for the purposes of this section will be deemed to include any interests in the Notes, including Book-Entry Interests) will be deemed to have represented and agreed, as follows, that:

- (a) the Notes have not been and will not be registered under the Securities Act and such Notes are being offered only in a transaction that does not require registration under the Securities Act and, if such purchaser decides to resell or otherwise transfer such Notes, then it agrees that it will offer, resell, pledge or transfer such Notes only (i) to a purchaser who is not a U.S. person (as defined in Regulation S) or an affiliate of the Issuer or a person acting on behalf of such an affiliate, and who is not acquiring the Notes for the account or benefit of a U.S. person and who is acquiring the Notes in an offshore transaction pursuant to an exemption from registration in accordance with Rule 903 or Rule 904 of Regulation S or (ii) pursuant to an effective registration statement under the Securities Act, in each case in accordance with any applicable securities laws of any state or other jurisdiction of the United States or (iii) pursuant to another exemption from the registration requirements of the Securities Act; provided that the agreement of such purchaser is subject to any requirement of law that the disposition of the purchaser's property shall at all times be and remain within its control;
- (b) unless the relevant legend set out below has been removed from the Notes, such purchaser shall notify each transferee of Notes (as applicable) from it that (i) such Notes have not been registered under the Securities Act, (ii) the holder of such Notes is subject to the restrictions on the resale or other transfer thereof described in paragraph (a) above, (iii) such transferee shall be deemed to have represented that such transferee is acquiring the Notes in an offshore transaction and that such transfer is made pursuant to an exemption from registration in accordance with Rule 903 or Rule 904 of Regulation S and (iv) such transferee shall be deemed to have agreed to notify its subsequent transferees as to the foregoing;
- (c) the Issuer, the Joint Lead Managers and their affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements.

The Notes bear a legend to the following effect:

"THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE **SECURITIES ACT**), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND IS SUBJECT TO UNITED STATES TAX LAW REQUIREMENTS, AND, AS A MATTER OF U.S. LAW, MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED IN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, A U.S. PERSON (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) (1) AS PART OF THEIR DISTRIBUTION AT ANY TIME OR (2) OTHERWISE PRIOR TO THE DATE THAT IS 40 DAYS AFTER THE LATER OF THE COMMENCEMENT OF THE OFFERING OF THE NOTES AND THE

CLOSING OF THE OFFERING OF THE NOTES, EXCEPT PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND OTHERWISE IN ACCORDANCE WITH UNITED STATES TAX LAW REQUIREMENTS."

*Because of the foregoing restrictions, purchasers of Notes are advised to consult legal counsel prior to making any offer, resale, pledge or transfer of such securities offered and sold.*

## GENERAL INFORMATION

1. It is expected that admission of the Notes to the Official List of the Irish Stock Exchange and to trading on its regulated market will be granted on or about the Closing Date, subject only, in the case of the Notes, to the issue of the Global Notes of each Class of Notes. The issue of the Notes will be cancelled, if the related Global Notes, as applicable, are not issued. The estimated aggregate cost of the foregoing applications for admission to the Official List of the Irish Stock Exchange and admission to trading on its regulated market is approximately €5,500.
2. Maples and Calder is acting solely in its capacity as listing agent for the Issuer in connection with the Notes and is not itself seeking admission of the Notes to the Official List of the Irish Stock Exchange or to trading on its regulated market for the purposes of the Prospectus Directive.
3. None of the Issuer or Holdings is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer or Holdings respectively is aware) since 14 October 2010 (being the date of incorporation of the Issuer and Holdings) which may have, or have had in the recent past, significant effects upon the financial position or profitability of the Issuer or Holdings (as the case may be).
4. For so long as the Notes are admitted to the Official List of the Irish Stock Exchange and to trading on its regulated market, the Issuer shall maintain a Paying Agent in the United Kingdom.
5. The issue of the Notes was authorised pursuant to a resolution of the Board of Directors of the Issuer passed on 3 February 2011.
6. The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg under the following ISIN and Common Code:

Notes	Common Code	ISIN
Class A1	058079405	XS0580794054
Class A2	058079456	XS0580794567
Class U	N/A	N/A

7. From the date of this Prospectus and for so long as the Notes are admitted to the Official List of the Irish Stock Exchange and to trading on its regulated market, copies of the following documents may be inspected in physical form or in electronic form at the registered office of the Issuer during usual business hours, on any weekday (public holidays excepted): the Trust Deed, the Agency Agreement, the Servicing Agreement, the Cash Management Agreement, the Account Bank Agreement, the Deed of Charge, the Master Definitions Schedule, the Receivables Sale and Purchase Agreement, the Subordinated Loan Agreement, the Swap Agreements, the Servicer Guarantee, the Corporate Services Agreement and the Memorandum and Articles of Association of the Issuer.
8. The Servicer, on behalf of the Issuer, will publish the Monthly Investor Report detailing, *inter alia*, certain aggregated data in relation to the Portfolio. Such Monthly Investor Reports will be published on the following website at [http://www.lloydsbankinggroup.com/investors/debt\\_investors/securitisation.asp](http://www.lloydsbankinggroup.com/investors/debt_investors/securitisation.asp). The website and the contents thereof do not form part of this Prospectus. The Monthly Investor Report will also be made available to the Seller and the Rating Agencies. Other than as outlined above, the Issuer does not intend to provide post-issuance transaction information relating to the Notes or the HP Agreements.

9. The Issuer confirms that the HP Agreements backing the issue of the Notes have characteristics that demonstrate capacity to produce funds to service any payments due and payable on the Notes. However, investors are advised that this confirmation is based on the information available to the Issuer at the date of this Prospectus and may be affected by the future performance of such assets backing the issue of the Notes. Consequently investors are advised to review carefully any disclosure in the Prospectus together with any amendments or supplements thereto.
10. Since its date of incorporation, the Issuer has not commenced operations and no financial statements have been made up as at the date of this Prospectus.



## GLOSSARY OF TERMS

*These and other terms used in this document are subject to, and in some cases are summaries of, the definitions of such terms set out in the Transaction Documents, as they may be amended from time to time.*

**Account Bank** means, as at the Closing Date, Lloyds TSB Bank plc, acting through its office at 25 Gresham Street, London EC2V 7HN;

**Account Bank Agreement** means the account bank agreement dated on or about the Closing Date among the Issuer, the Cash Manager, the Account Bank, the GIC Provider, the Servicer Guarantor and the Security Trustee;

**Account Bank Ratings** (a) short-term, unsecured, unguaranteed and unsubordinated debt obligations rating of at least F1 by Fitch and P-1 by Moody's and (b) long-term, unsecured and unsubordinated debt or counterparty obligations ratings of at least A (or if the relevant entity is on rating watch negative then at least a long-term rating of A+) by Fitch and A1 by Moody's, or such other ratings that are consistent with the then published criteria of the relevant Rating Agency as being the minimum ratings that are required to support the then rating of the Class A Notes;

**Administrator** means any person (being a licensed insolvency practitioner) who is appointed by the Security Trustee (whether out of court or otherwise) to act jointly, independently, or jointly and severally, as an administrator of the Issuer or of all or any part of the Charged Property;

**Administrator Incentive Recovery Fee** means the fee (inclusive of VAT) payable to the Insolvency Official of the Seller following an Insolvency Event of the Seller in relation to the sale of the relevant Vehicles in an amount equal to (i) the reasonable costs and expenses of such insolvency official (including any Irrecoverable VAT in respect thereof) incurred in relation to the sale of such Vehicles plus (ii) a percentage of the corresponding vehicle realisation proceeds to be (x) until such time as a Replacement Servicer is appointed, 1 per cent. of the relevant vehicle realisation proceeds or (y) at any time thereafter, as may be agreed by the Servicer with the insolvency official of the Seller pursuant to the Servicing Agreement (up to a maximum amount of 1 per cent. of the relevant vehicle realisation proceeds);

**Agency Agreement** means the agency agreement dated on or about the Closing Date among, *inter alios*, the Issuer, the Paying Agents, the Agent Bank, the Note Trustee and the Security Trustee;

**Agent Bank** means the person appointed as agent bank from time to time under the Agency Agreement who, as at the Closing Date, is Deutsche Bank AG, London Branch, acting through its office at Winchester House, 1 Great Winchester Street, London EC2N 2DB;

**Agents** means the Paying Agents, the Registrar and the Agent Bank or, where the context requires, any of them;

**Ancillary Rights** means in relation to each Offered Receivable or Purchased Receivable as the context requires:

- (a) the right to demand, sue for, recover, receive and give receipts for all amounts due (whether or not from the relevant Customer) under, relating to or in connection with the HP Agreement from which such Receivable derives;
- (b) the benefit of all covenants and undertakings from the relevant Customer and from any guarantor under, relating to or in connection with the HP Agreement from which such Receivable derives;

- (c) the benefit of all causes of action against the relevant Customer and any guarantor under, relating to or in connection with the HP Agreement from which such Receivable derives;
- (d) the right to receive the Vehicle Sale Proceeds;
- (e) the benefit of any other rights, title, interests, powers or benefits of the Seller in relation to the HP Agreement from which such Receivable derives, other than title to the Vehicle (including any claims against a Dealer in respect of a Vehicle or Related Vehicle),

and for the purpose of this definition references to **guarantees** shall be deemed to include all other indemnities, security, collateral or other documents, agreements or arrangements whatsoever whereby any person (including, but without limitation, any Customer) agrees to make any payment to the Seller in respect of that Customer's obligations under the relevant HP Agreement or to provide any security therefor and **guarantors** shall be construed accordingly;

**Arranger** means Lloyds TSB Bank plc acting through its office at 25 Gresham Street, London EC2V 7AE, United Kingdom;

**Auditors** means the auditors from time to time of the Seller being, as at the Closing Date, PriceWaterhouseCoopers LLP;

**Authorised Investments** means:

- (a) Sterling gilt-edged securities; and
- (b) Sterling demand or time deposits, certificates of deposit and short-term debt obligations (including commercial paper),

provided that in all cases such investments will only be made such that there is no withholding or deduction for or on account of taxes applicable thereto and such investments (i) have a maturity date on or before the immediately following Interest Payment Date, (ii) may be broken or demanded by the Issuer (with no reduction in the value of such investment and at no cost to the Issuer) on or before the next following Interest Payment Date (iii) do not include any contractual provisions that would permit a redemption of such authorised investments in an amount less than the amount paid for such investments by the Issuer and (iv) are rated at least F-1+ by Fitch and P-1 by Moody's (and AA- (long-term) by Fitch and Aa3 by Moody's if the investments have a long-term rating);

**Available Principal Receipts** means an amount equal to the sum of:

- (a) all Principal Receipts received by the Issuer during the immediately preceding Calculation Period;
- (b) the amount, if any, to be credited to the Principal Deficiency Ledger pursuant to item (h) of the Pre-Acceleration Revenue Priority of Payments on the relevant Interest Payment Date;
- (c) the amount applied in accordance with item (g) of the Pre-Acceleration Revenue Priority of Payment on the Final Class A Interest Payment Date;
- (d) (without double counting) where the Seller repurchases the Final Receivables in accordance with the terms of the Receivables Sale and Purchase Agreement in respect of an exercise by the Issuer of the Clean Up Call or the Change of Control Call, such amount of the Final Repurchase Price received by the Issuer on such Interest Payment Date representing the Outstanding Principal Balance of the Final Receivables as at such Interest Payment Date; and

- (e) any Principal Receipts (other than those Principal Receipts referred to in (a) above) that have not been applied on the immediately preceding Interest Payment Date;

**Available Revenue Receipts** for each Interest Payment Date will be calculated by the Cash Manager on the immediately preceding Calculation Date and will be an amount equal to the sum of:

- (a) all Revenue Receipts received by the Issuer during the immediately preceding Calculation Period;
- (b) interest received on the Issuer Accounts (other than any Swap Collateral Account) and any income received in respect of any Authorised Investments purchased from amounts standing to the credit of the Issuer Accounts (other than any Swap Collateral Account);
- (c) amounts received by the Issuer under any Swap Agreement (other than any early termination amount or Replacement Swap Premium, any Exchange Amounts received by the Issuer under the Currency Swap Agreement and any Swap Collateral, Swap Tax Credits or any Excess Swap Collateral);
- (d) any early termination amount received from the Currency Swap Counterparty to the extent not applied by the Issuer to purchase one or more replacement swaps and any Replacement Swap Premium received from a replacement currency swap provider to the extent not required to pay any outgoing currency swap provider (in each case where applicable converted into sterling at the then applicable spot rate);
- (e) the amounts then standing to the credit of the Reserve Fund Ledger;
- (f) the aggregate of all Available Principal Receipts (if any) which are (i) applied to make up any Revenue Deficiency on the relevant Interest Payment Date (only to the extent required after calculating any Revenue Deficiency) and (ii) any Surplus Available Principal Receipts;
- (g) any proceeds of Tranche A of the Subordinated Loan to the extent that the Cash Manager determines that such amounts are not required to be applied to make payments in respect of any initial costs of the Issuer; and
- (h) (without double counting) where the Seller repurchases the Final Receivables in accordance with the terms of the Receivables Sale and Purchase Agreement in respect of an exercise by the Issuer of the Clean Up Call or the Change of Control Call, such amount of the Final Repurchase Price received by the Issuer on such Interest Payment Date representing amounts other than the Outstanding Principal Balance of the Final Receivables as at such Interest Payment Date; and
- (i) any Revenue Receipts (other than those Revenue Receipts referred to in (a) above) that have not been applied on the immediately preceding Interest Payment Date,

but, for the avoidance of doubt, excluding any Issuer Profit Amount retained by the Issuer on any Interest Payment Date and any amounts which have been applied as Permitted Withdrawals by the Issuer during the immediately preceding Calculation Period.

**Back-Up Servicer** means the back-up servicer appointed pursuant to the terms of the Servicing Agreement;

**Bank Accounts** means the bank accounts which the Issuer agrees to maintain, pursuant to the terms of the Account Bank Agreement, including the Transaction Account and the GIC Account (together with any additional bank accounts) and the Swap Collateral Accounts in its name with the Account Bank;

**Basic Terms Modification** means each of the following:

- (a) a modification of the date of maturity of any Notes or any other term which would have the effect of postponing any day for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of such Notes, or
- (b) altering the currency of payment of such Notes; or
- (c) altering the quorum or majority required in relation to passing a Basic Terms Modification;

**BBA** means the British Bankers Association;

**Black Horse** means Black Horse Limited, a limited liability company incorporated in England and Wales with limited liability (registered number 00661204) whose registered office is at 25 Gresham Street, London EC2V 7HN;

**Block Voting Instruction** means, in relation to any Meeting, a document issued by a Paying Agent which:

- (a) is in the English language;
- (b) is dated;
- (c) specifies the relevant meeting;
- (d) certifies that the depositor of each Note or a duly authorised person acting on its behalf has instructed the relevant Paying Agent that the votes attributable to such Note are to be cast in a particular way on each resolution;
- (e) lists the total number and (if available) serial numbers of the Notes deposited, distinguishing with regard to each resolution between those voting for and those voting against it;
- (f) certifies that the list is in accordance with the Notes deposited; and
- (g) appoints a Proxy to vote at that Meeting in respect of those Notes and in accordance with that list,

provided that (x) where a Block Voting Instruction includes Notes that are to be cast in favour of a resolution and Notes that are to be cast against such resolution, two proxies shall be appointed (one to vote in favour of, the other to vote against, such resolution); and (y) where a single Block Voting Instruction has been issued, without prejudice to clause (x), at least two proxies shall be appointed;

**Book-Entry Interests** means the beneficial interests in the Global Notes;

**Business Day** means a day (other than a Saturday or a Sunday) on which banks are generally open for business in London and a TARGET2 Settlement Day;

**Calculation Date** means, the 5th London Business Day prior to each Interest Payment Date;

**Calculation Period** means the period from (and including) the ninth day of each calendar month to (but excluding) the ninth day of the following month;

**Capital Requirements Directive or CRD** means Directive 2006/48/EC (as amended);

**Cash Management Agreement** means the cash management agreement dated on or about the Closing Date among the Issuer, the Cash Manager, the Account Bank and the Security Trustee;

**Cash Manager** means the person appointed as cash manager from time to time under the Cash Management Agreement, which on the Closing Date is Black Horse Limited;

**Cash Manager Termination Event** means any one of the following events:

- (i) provided the Cash Manager has been properly put in funds therefor, default is made by the Cash Manager in the payment, on the due date, of any payment due and payable by it under the Cash Management Agreement and such default continues unremedied for a period of five Business Days after the earlier of the Cash Manager becoming aware of such default and receipt by the Cash Manager of written notice from the Issuer or the Security Trustee, as the case may be, requiring the same to be remedied; or
- (ii) default is made by the Cash Manager in the performance or observance of any of its other covenants and obligations under the Cash Management Agreement, which in the reasonable opinion of the Security Trustee is materially prejudicial to the interests of the Secured Creditors (subject to the terms of the Deed of Charge) and such default continues unremedied for a period of 60 days after the earlier of the Cash Manager becoming aware of such default and receipt by the Cash Manager of written notice from the Issuer or the Security Trustee, as the case may be, requiring the same to be remedied; or
- (iii) an Insolvency Event with respect to the Cash Manager occurs;

**CCA or Consumer Credit Act** means the Consumer Credit Act 1974, as amended;

**CCA Compensation Amount** means the amount, calculated by the Servicer in accordance with the Servicing Agreement to compensate the Issuer for any loss caused as a result of a breach of the Receivables Warranties arising as a result of any Purchased Receivables or related HP Agreement (or part thereof) being determined illegal, invalid, non binding or unenforceable under the CCA;

**CCA Compensation Payment** means the payment made by the Seller to the Issuer to compensate the Issuer for any loss caused as a result of any Purchased Receivable or the related HP Agreement (or part thereof) being determined illegal, invalid non binding or unenforceable under the CCA as an amount equal to the CCA Compensation Amount;

**Central Bank** means the Central Bank of Ireland;

**Change of Control Call** means the call option granted pursuant to Condition 6.2(d);

**Change of Control Event** occurs on any Interest Payment Date following the date on which, (i) the Seller ceases to be a direct or indirect subsidiary (as defined in section 1159 of the Companies Act 2006) of the Servicer Guarantor, or (ii) the date on which all or substantially all of the business or operations of the Seller are sold to an entity (other than a member of the Lloyds Banking Group), or (iii) a fully negotiated contract has been entered into, which would result in the occurrence of the events set out in (i) or (ii) of this definition;

**Charged Property** means the security created by the Issuer in favour of the Security Trustee for it and the other Secured Creditors pursuant to the Deed of Charge as follows:

- (a) an assignment by way of first fixed security over all of the Issuer's right, title, interest and benefit, present and future, in, to, under and pursuant to the Purchased Receivables and the Ancillary Rights, in and to all monies, rights, powers and property distributed or derived from, or accrued in or related to the Issuer's interest in the Purchased Receivables, and all of its powers relative thereto;

- (b) an assignation in security of the Issuer's interest in the Scottish Receivables (comprising the Issuer's beneficial interest under the trust declared by the Seller pursuant to the Scottish Declaration of Trust);
- (c) an assignment by way of security of the benefit of the Issuer's right, title, benefit and interest present and future in the Transaction Documents;
- (d) a first fixed charge over all of its right, title, benefit and interest, present and future, in the property held in the Collections Account Declaration of Trust;
- (e) a first fixed charge over the Issuer's rights in the Issuer Accounts and the debts represented thereby (which may take effect as a floating charge and so rank behind the claims of any preferential creditors of the Issuer); and
- (f) a floating charge over all of the present and future property, assets and undertakings of the Issuer not subject to the fixed charges or assignments by way of security described above (but excepting from the foregoing exclusion all of the Issuer's property, assets and undertaking situated in Scotland or the rights to which are governed by Scots law, all of which are charged by way of floating charge);

**Class** means the Class A1 Notes, the Class A2 Notes and the Class U Notes or any combination of them;

**Class A Notes** means the Class A1 Notes and the Class A2 Notes;

**Class A Noteholders** means the Class A1 Noteholders and the Class A2 Noteholders;

**Class A1 Noteholders** means the persons who are for the time being the holders of the Class A1 Notes;

**Class A1 Notes** means the £250,000,000 Class A1 Asset Backed Floating Rate Notes due 2017;

**Class A1 Notes Interest Amount** means the Interest Amount payable in respect of the Class A1 Notes;

**Class A2 Noteholders** means the persons who are for the time being the holders of the Class A2 Notes;

**Class A2 Notes** means the €300,000,000 Class A2 Asset Backed Floating Rate Notes due 2017;

**Class A2 Notes Interest Amount** means the Interest Amount payable in respect of the Class A2 Notes;

**Class U Noteholders** means the persons who are for the time being the holders of the Class U Notes;

**Class U Notes** means the £177,749,000 Class U Asset Backed Floating Rate Notes due 2017 issued in definitive registered form;

**Class U Notes Interest Amount** means the Interest Amount payable in respect of the Class U Notes;

**Clean Up Call** means the optional call granted pursuant to Condition 6.2(b);

**Clearstream, Luxembourg** means Clearstream Banking, *société anonyme*;

**Clearing System** means Euroclear and Clearstream, Luxembourg;

**Closing Date** means 9 February 2011 or such later date as may be agreed between the Issuer, the Seller and the Joint Lead Managers;

**Collections** means, in respect of each Receivable, all amounts of cash received by the Servicer in respect of Purchased Receivables deriving from such Related HP Agreement or Ancillary Rights from the Customer or a third party and, for the avoidance of doubt, any amounts representing the Vehicle Sale Proceeds);

**Collections Account** means the account held in the name of the Servicer into which amounts received in respect of the Purchased Receivables will be paid;

**Collections Account Bank** means, as at the Closing Date, Lloyds TSB Bank plc, acting through its office at 25 Gresham Street, London EC2V 7HN;

**Common Safekeeper** means such entity as appointed by the Principal Paying Agent, as common safekeeper on behalf of Euroclear and Clearstream, Luxembourg;

**Conditions** means the terms and conditions of the Notes set out in the Trust Deed and as may be modified in accordance with the Trust Deed and any reference to a particular numbered Condition shall be construed accordingly and references in the Conditions to paragraphs shall be construed as paragraphs of such Conditions;

**Corporate Services Agreement** means the agreement dated on or about the Closing Date among, *inter alios*, the Issuer, Holdings, the Share Trustee and the Corporate Services Provider;

**Corporate Services Provider** means, as at the Closing Date, Structured Finance Management Limited whose registered office is at 35 Great St. Helen's, London EC3A 6AP, in its capacity as such under the Corporate Services Agreement;

**CPR** means constant per annum rates of prepayment;

**Credit and Collection Procedures** means the origination, credit and collection procedures employed by the Seller from time to time in relation to the provision of Services as set out in the Servicing Agreement, as the same may from time to time be amended in accordance with the Transaction Documents;

**Currency Swap Agreement** means each ISDA Master Agreement, the schedule thereto and each confirmation, and any credit support annexes or other credit support documents related thereto, between the Issuer and each Currency Swap Counterparty and the transactions effected thereunder;

**Currency Swap Counterparty** means as at the Closing Date, Lloyds TSB Bank plc, acting through its office at 10 Gresham Street, London, EC2V 7AE, United Kingdom (or such other replacement parties as may be appointed by the Issuer in accordance with the Transaction Documents);

**Currency Swap Ledger** means the ledger of the same name maintained by the Cash Manager in accordance with the Cash Management Agreement;

**Customer** means a customer of the Seller who has executed one or more Related HP Agreements with the Seller;

**Cut-off Date** means 6 December 2010;

**Dealer** means any person from whom the Seller purchases a Vehicle to form the subject matter of an HP Agreement;

**Dealer Contract** means any contract between the Seller and any Dealer relating to the supply of a Vehicle;

**Deed of Charge** means the deed of charge dated the Closing Date between the Issuer, the Security Trustee and certain of the Secured Creditors;

**Defaulted Receivable** means any Purchased Receivable:

- (a) written off in accordance with the Seller's servicing and collections policy,
- (b) having been unpaid past its due date for more than 180 days;
- (c) in relation to which the Customer has perpetrated a fraud in entering into the relevant HP Agreement;
- (d) in relation to which the Customer has been declared bankrupt, has filed for bankruptcy, is subject to any other insolvency proceedings or has been declared dead;
- (e) in relation to which the Seller (or someone on its behalf) has entered into legal or other proceedings against the Customer for the recovery of amounts due or in respect of repossession of the related Vehicle under the relevant HP Agreement or otherwise repossessed the related Vehicle;
- (f) in relation to which the Customer has returned the related Vehicle and sought to terminate the relevant HP Agreement without making further monthly hire-purchase payments other than in accordance with sections 99 and 100 of the CCA; and
- (g) in relation to which, in accordance with the Seller's Credit and Collection Procedures, it has been determined that there is no reasonable chance that the customer is able to pay and that any outstanding amounts will be collected (including, for the avoidance of doubt, where the Customer is untraceable);

**Defaulted Receivables Call Option** means the call option granted to the Seller pursuant to the Receivables Sale and Purchase Agreement, under which the Seller, prior to the occurrence of an Insolvency Event in respect of the Seller, has the right to repurchase from the Issuer any Defaulted Receivables;

**Defaulted Receivables Payment** means an amount equal to (i) the Initial Defaulted Receivables Payment payable on the date on which the Defaulted Receivable is repurchased and (ii) an amount equal to any recoveries from the relevant Customer or amounts recovered upon a sale of the related Vehicle less an amount equal to any VAT that the Seller (or any company with which it is grouped for VAT purposes) is liable to account in respect of the sale of such related vehicle (if any) in excess of the Initial Defaulted Receivables Payment but up to a maximum amount equal to the Outstanding Principal Balance of the relevant Receivable on the Repurchase Date;

**Defaulted Receivables Rebate Amount** means an amount in respect of a Receivable equal to the excess of the Initial Defaulted Receivables Payment paid by the Seller in respect of a Defaulted Receivable over the aggregate of all amounts recovered by the Seller in respect of such Defaulted Receivable, where the Seller has reasonably determined in accordance with its Credit and Collection Procedures that no further amounts can be recovered from the relevant Customer;

**Defaulting Party** has the meaning given to it in the 1992 ISDA Master Agreement;

**Deferred Purchase Price** means the consideration payable to the Seller in respect of the Receivables sold to the Issuer, which is due and payable under the terms of the Receivables Sale and Purchase Agreement in accordance with the relevant Priority of Payments in an amount equal to (prior to the service of a Note Acceleration Notice) Available Revenue Receipts to be applied on each Interest Payment Date less all amounts due in respect of items (a) to (m) of the Pre-Acceleration Revenue Priority of Payments and (following service of a Note Acceleration Notice) all amounts available to the Issuer to be applied in accordance with the Post-Acceleration Priority of Payments less all amounts due in respect of items (a) to (h) of the Post-Acceleration Priority of Payments;



**Definitive Notes** means any Class A Notes issued in definitive bearer form and serially numbered pursuant to Condition 1.3 and any Class U Note;

**Delinquent Receivable** means any Receivable in the Portfolio where an amount due under the HP Agreement has been in arrears for a period of greater than 60 days past the due date;

**Eligibility Criteria** means the eligibility criteria for the Purchased Receivables set out in the Receivables Sale and Purchase Agreement;

**Eligible Receivable** means a Receivable which satisfies the Eligibility Criteria and the Receivables Warranties;

**Encumbrance** means any mortgage, sub-mortgage, security assignment or assignation, standard security, charge, sub-charge, pledge, lien, right of set-off or other encumbrance or security interest of any kind, however created or arising, including anything analogous to any of the foregoing under the laws of any jurisdiction;

**English Receivables** means those Receivables contained in the Portfolio where the address of the Customer as set out in the HP Agreement at the time of origination is in England and Wales;

**EURIBOR** has the meaning given in the Condition 4.3(c);

**EURIBOR Determination Date** means at or about 11.00 a.m. (CET) on the second TARGET2 Settlement Day prior to the commencement of each Interest Period;

**EURIBOR Screen Rate** means the display designated as the British Bankers' Association's Interest Settlement Rate as quoted on page EURIBOR01 of the Reuters screen service;

**Euroclear** means Euroclear Bank S.A./N.V.;

**Event of Default** has the meaning given to it in Condition 9.1;

**Excess Recoveries Amount** means an amount equal to any amounts received by the Issuer which is in excess of the aggregate of amounts due by a Customer in respect of a Receivable (including related fees and costs associated with any recoveries) either as a result of any indemnity amounts received from Dealers, Insurers or other third parties or following a Receivable becoming a Defaulted Receivable or a Voluntarily Terminated Receivable (including, but not limited to, any Vehicle Sale Proceeds);

**Excess Swap Collateral** means an amount equal to the value of the Swap Collateral (or the applicable part thereof) provided by a Swap Counterparty to the Issuer which is in excess of that Swap Counterparty's liability under such Swap Agreement as at the date of termination of such Swap Agreement or which it is otherwise entitled to have returned to it under the terms of such Swap Agreement;

**Exchange Amount** means the initial exchange amounts, interim exchange amounts and/or final exchange amounts, as applicable, under the Currency Swap Agreement;

**Extraordinary Resolution** means a resolution passed at a Meeting duly convened and held in accordance with the Provisions for Meetings of Noteholders by a majority of not less than 75 per cent. of the votes cast, whether on a show of hands or a poll;

**Final Class A Interest Payment Date** means the earlier of (a) the Interest Payment Date on which the amount standing to the credit of the Reserve Fund (after taking into account the amounts to be applied in accordance with items (a) to (f) of the Pre-Acceleration Revenue Priority of Payments on such Interest Payment Date is greater than or equal to the aggregate of the Principal Amount Outstanding of the Class A1

Notes and the sterling equivalent of the Principal Amount Outstanding of the Class A2 Notes (taking into account amounts applied in accordance with the Pre-Acceleration Principal Priority of Payments (other than from a withdrawal from the Reserve Fund)) and (b) the Interest Payment Date on which the amount credited to the Principal Deficiency Ledger is equal to or greater than the 100 per cent. of the Principal Amount Outstanding of the Class A Notes and the Class U Notes (as converted into sterling in the case of the Class A2 Notes at the then applicable rate set out in the Currency Swap Agreement);

**Final Maturity Date** means the Interest Payment Date falling in September 2017;

**Final Receivables** means on any Interest Payment Date, all Receivables then owned by the Issuer;

**Final Redemption** means the Final Maturity Date or, if earlier, the date on which the Principal Amount Outstanding under the Notes has been repaid in full by the Issuer;

**Final Repurchase Price** means an amount equal to the higher of the sum of (i) the Outstanding Principal Balance of such Final Receivable at the end of the immediately preceding Calculation Period and all other amounts accrued due and payable under the HP Agreements from which the Final Receivables derive on or prior to the end of the immediately preceding Calculation Period which have not been paid and (ii) all amounts required to be paid on such Interest Payment Date in accordance with the relevant Priority of Payments (taking into account the redemption of the Notes in full) other than amounts due to the Seller in respect of Deferred Purchase Price less any Available Revenue Receipts and Available Principal Receipts to be applied on such Interest Payment Date;

**GAAP** means generally accepted accounting principles in the United Kingdom;

**GIC Account** means the sterling account in the name of the Issuer with the GIC Provider and designated as such;

**GIC Provider** means, as at the Closing Date, Lloyds TSB Bank plc, acting through its office at 25 Gresham Street, London EC2V 7HN;

**Global Notes** has the meaning given to that term in Condition 1.1;

**Guarantee Required Ratings** means (i) in respect of a person, that the long-term Issuer default rating of such person is rated not less than A (or if the relevant entity is on rating watch negative then at least a long-term rating of A+) by Fitch and the short-term Issuer default rating of such person is rated not less than F1 by Fitch and (ii) in respect of an entity with Second Trigger Required Ratings, that (a) where such entity is the subject of a Moody's Short-term Rating, if such rating is P-2 or above and its long-term, unsecured and unsubordinated debt or counterparty obligations are rated A3 or above by Moody's and (b) where such entity is not the subject of a Moody's Short-term Rating, if its long-term, unsecured and unsubordinated debt or counterparty obligations are rated A3 or above by Moody's;

**HMRC** means Her Majesty's Revenue & Customs;

**Holdings** means Cardiff Auto Receivables Securitisation Holdings Limited, a limited liability company incorporated under the laws of England and Wales with registered number 7407470 and whose registered office is at 35 Great St. Helen's, London EC3A 6AP;

**HP Agreement** means any outstanding hire-purchase agreement in relation to new and used motor vehicles and which includes any unsecured loan made to the respective Customer to finance one or more insurance products where the Customer elects to take any such insurance product and finance for it;

**Income Element** means, in relation to each Purchased Receivable, all amounts to be received from or on behalf of the Customer in respect of the Receivables other than the Principal Element of that Purchased

Receivable and including, for the avoidance of doubt, all fees (other than any option fees) costs, any interest charged on interest and expenses received in respect of the Purchased Receivables;

**Indebtedness** means (without double-counting) any indebtedness of any person for or in respect of:

- (a) monies borrowed;
- (b) any amount raised by acceptance under any acceptance credit facility;
- (c) any amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument;
- (d) the amount of any liability in respect of any lease or hire-purchase contract which would, in accordance with GAAP, be treated as a finance or capital lease;
- (e) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis);
- (f) any amount raised under any other transaction (including any forward sale or purchase agreement) having the commercial effect of a borrowing;
- (g) any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price (and, when calculating the value of any derivative transaction, only the marked-to-market value shall be taken into account);
- (h) any counter-indemnity obligation in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution; and
- (i) the amount of any liability in respect of any guarantee or indemnity for any of the items referred to in paragraphs (a) to (h) above;

**Initial Defaulted Receivables Payment** shall be an amount equal to 40 per cent. of the aggregate of the Outstanding Principal Balance of the relevant Receivables plus (without double counting) all accrued and unpaid amounts of the relevant Receivables as at the relevant date of repurchase;

**Initial Principal Amount** means the Principal Amount Outstanding of a Note at the Closing Date;

**Initial Purchase Price** means the amount, determined as at the Closing Date, as being an amount equal to the aggregate Outstanding Principal Balance due from Customers under the Related HP Agreement (which for the avoidance of doubt shall include any option fees and fees payable or together with the last payment under the HP Agreement) during the period beginning on (but excluding) the Closing Date and ending on (and including) the maturity date of such HP Agreement plus, to the extent not included in the Outstanding Principal Balance, any capitalised interest and arrears;

**Initial VT Receivables Payment** shall be an amount equal to 70 per cent. of the aggregate of the Outstanding Principal Balance of the relevant Receivables plus (without double counting) all accrued and unpaid amounts of the relevant Receivables as at the relevant date of repurchase;

**Insolvency Event** means in respect of a relevant entity (each a **Relevant Entity**):

- (a) an order is made or an effective resolution passed for the winding-up of the Relevant Entity, except a winding-up for the purposes of or pursuant to an amalgamation or reconstruction the terms of which have previously been approved by the Note Trustee in writing; or

- (b) the Relevant Entity, otherwise than for the purposes of such amalgamation or reconstruction as is referred to in paragraph (a) above, ceases or, through an authorised action of its board of directors, threatens to cease to carry on all or substantially all of its business or admits its inability to pay its debts as they fall due or is unable to pay its debts within the meaning of section 123(1) of the Insolvency Act 1986 (other than, except in the case of the Issuer, subsection 123(1)(a)) or 123(2) of the Insolvency Act 1986 or, where applicable, sections 222 to 224 of the Insolvency Act 1986; or
- (c) proceedings, corporate action or other steps shall be initiated against the Relevant Entity under any applicable liquidation, insolvency, bankruptcy, composition, reorganisation or other similar laws (including, but not limited to, presentation of a petition for an administration order, the filing of documents with the court for the appointment of an administrator, the service of a notice of intention to appoint an administrator or the taking of any steps to appoint an administrator) and (except in the case of presentation of a petition for an administration order, the filing of documents with the court for the appointment of an administrator, the service of a notice of intention to appoint an administrator or the taking of any steps to appoint an administrator) such proceedings are not, in the reasonable opinion of the Note Trustee, being disputed in good faith with a reasonable prospect of success or an administration order shall be granted or the appointment of an administrator takes effect or an administrative receiver or other receiver, liquidator, trustee in sequestration or other similar official shall be appointed in relation to the Relevant Entity or in relation to the whole or any substantial part of the undertaking or assets of the Relevant Entity, or an encumbrancer (other than the Issuer, the Security Trustee or the Note Trustee) shall take possession of the whole or any substantial part of the undertaking or assets of the Relevant Entity, or a distress, execution or diligence or other process shall be levied or enforced upon or sued out against the whole or any substantial part of the undertaking or assets of the Relevant Entity and such possession or process (as the case may be) shall not be discharged or otherwise ceases to apply within thirty days of its commencement, or the Relevant Entity (or its directors or shareholders) initiates or consents to judicial proceedings relating to itself under applicable liquidation, insolvency, bankruptcy, composition, reorganisation or other similar laws or makes a conveyance or assignment or assignation for the benefit of its creditors generally or takes steps with a view to obtaining a moratorium in respect of any indebtedness; or
- (d) any event occurs which, under English law or any applicable law, has an analogous effect to any of the events referred to in paragraph (a), (b) or (c) above;

**Insolvency Official** means, in respect of any company, a liquidator, provisional liquidator, administrator (whether appointed by the court or otherwise), bank administrator, bank liquidator, administrative receiver, receiver or manager, nominee, supervisor, trustee in bankruptcy, conservator, guardian or other similar official in respect of such company or in respect of all (or substantially all) of the company's assets or in respect of any arrangement or composition with creditors or any equivalent or analogous officer under the law of any jurisdiction;

**Insolvency Proceedings** means the winding-up, dissolution, company voluntary arrangement or administration of a company or corporation and shall be construed so as to include any equivalent or analogous proceedings under the law of the jurisdiction in which such company or corporation is incorporated or of any jurisdiction in which such company or corporation carries on business, including the seeking of liquidation, winding-up, reorganisation, dissolution, administration, arrangement, adjustment, protection or relief from creditors or the appointment of an Insolvency Official;

**Insolvency Regulation** means Council Regulation (EC) No. 1346/2000 of 29 May 2000;

**Interest Amount** has the meaning given to it in Condition 4.4;

**Interest Determination Date** has the meaning given to it in Condition 4.3(e)(iii);

**Interest Payment Date** means the 25th day of each calendar month, except if such day is not a Business Day, in which case it shall be the next succeeding Business Day unless such day falls in the next month, in which case it shall be the preceding Business Day. The first Interest Payment Date shall fall on 25 March 2011;

**Interest Period** means each period from (and including) an Interest Payment Date and ending on (but excluding) the next Interest Payment Date provided that the first Interest Period shall be the period from (and including) the Closing Date and ending on (but excluding) the Interest Payment Date falling in March 2011;

**Interest Rate Swap Agreement** means the ISDA Master Agreement, the schedule thereto and the confirmation, each dated the Closing Date, and any credit support annexes or other credit support documents related thereto, between the Issuer and the Interest Rate Swap Counterparty and the transactions effected thereunder, together the Interest Rate Swap Agreement;

**Interest Rate Swap Counterparty** means, as at the Closing Date, Black Horse Limited, acting through its office at 10 Gresham Street, London EC2V 7AE, United Kingdom (or such other replacement parties as may be appointed by the Issuer in accordance with the Transaction Documents);

**Interest Rate Swap Guarantee** means the agreement, dated the Closing Date, pursuant to which the Interest Rate Swap Guarantor will guarantee the obligations of the Interest Rate Swap Counterparty under the Interest Rate Swap Agreement;

**Interest Rate Swap Guarantor** means Lloyds TSB Bank plc, acting through its office at 25 Gresham Street, London EC2V 7HN, United Kingdom;

**Interest Rate Swap Ledger** means the ledger of the same name maintained by the Cash Manager in accordance with the Cash Management Agreement;

**Interest Residual Amount** means on any Interest Payment Date, the amount available to the Issuer, subject to and in accordance with the Cash Management Agreement and the Deed of Charge, to apply on such Interest Payment Date, after deducting the amounts referred to in paragraphs (a) to (h) (inclusive) of the Pre-Acceleration Revenue Priority of Payments;

**Irish Listing Agent** means Maples and Calder, whose registered office is at 75 St. Stephen's Green, Dublin 2, Ireland;

**Irish Prospectus Regulations** means the Prospectus (Directive 2003/71 EC) Regulations 2005 of the Republic of Ireland;

**Irish Stock Exchange** means the Irish Stock Exchange;

**Issuer** means Cardiff Auto Receivables Securitisation 2011-1 Plc (company number 7407388), whose registered office is at 35 Great St. Helen's, London EC3A 6AP, as issuer of the Notes;

**Issuer Accounts** means the Transaction Account, the GIC Account and any other bank account of the Issuer or in respect of which the Issuer at any time has an interest or, where the context requires, any of them;

**Issuer Profit Amount** means an amount equal to £416 as at each Interest Payment Date (£4992 *per annum*), less any amounts in respect of the Issuer's liability for corporation tax provided for in the Pre-Acceleration Revenue Priority of Payments;

**Issuer Retained Profit Ledger** means the ledger of the same name maintained by the Cash Manager in accordance with the Cash Management Agreement;

**Joint Lead Managers** means Lloyds TSB Bank plc acting through its office at 10 Gresham Street, London EC2V 7AE, United Kingdom, and WestLB AG a European commercial bank based in the German federal state of Northrhine-Westphalia and domiciled in Düsseldorf under registration number HRB 42975 and having its office at Herzogstrasse 15, 40217 Düsseldorf, Germany and **Joint Lead Manager** means either of them;

**Last Receivable Maturity Date** means 28 September 2015;

**Ledger Accounts** means the Revenue Deficiency Ledger, the Principal Deficiency Ledger, the Reserve Fund Ledger, the Currency Swap Ledger, the Interest Rate Swap Ledger and the Issuer Retained Profit Ledger;

**LIBOR** has the meaning given to it in Condition 4.3(a);

**LIBOR Determination Date** means at or about 11.00 a.m. London time on each Interest Payment Date;

**LIBOR Screen Rate** means the British Bankers' Association's Interest Settlement Rate as quoted on page LIBOR01 of the Reuters screen service;

**Limited Recourse** has the meaning given to it in Condition 10 (Enforcement);

**Lloyds Banking Group** means Lloyds Banking Group plc (registered number SC095000) whose registered office is at The Mound, Edinburgh EH1 1YZ and each of its direct or indirect subsidiaries and affiliates;

**London Business Day** means a day which is both a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London;

**Loss or Liability** means in respect of any person, any loss, liability, damages, cost, expense, claim, action, suit or judgment which such person may incur or which may be made against such person, including (without limitation):

- (a) any consequential loss or loss of profit;
- (b) the fees and expenses of any professional adviser to such person;
- (c) the cost of funds of such person;
- (d) the costs of investigation and defence; and
- (e) any Irrecoverable VAT payable in respect of any such amount;

**Managers** means the Joint Lead Managers or any of them, in their capacity as subscribers of the Notes;

**Margin** has the meaning given to it in Condition 4.3(e)(iv);

**Master Definitions Schedule** means the master definitions schedule dated the Closing Date between, among others, the Issuer, the Managers, the Seller, the Servicer, the Subordinated Loan Provider, Holdings, the Note Trustee, the Security Trustee, the Paying Agents, the Agent Bank, the Account Bank, the Cash Manager and the Swap Counterparties;

**Meeting** means a meeting of the Noteholders or of any one or more Classes of Noteholders and, except where the context otherwise requires, includes a meeting resumed following an adjournment;

**Modified Following Business Day Convention** means the business day convention under which, where a relevant date falls on a day which is not a Business Day, that date will be adjusted so that it falls on the first following day that is a Business Day, unless that day falls in the next calendar month, in which case that date will be the first preceding day that is a Business Day;

**Monthly Investor Report** means the monthly servicing and cash management report prepared by the Servicer in accordance with the Servicing Agreement;

**Moody's** means Moody's Investors Service Limited or the successor to its rating business;

**Moody's Short-term Rating** means a rating assigned by Moody's under its short-term rating scale in respect of an entity's short-term, unsecured and unsubordinated debt obligations;

**Most Senior Class** means, at any time:

- (i) the Class A Notes; or
- (ii) if no Class A Notes are then outstanding, the Class U Notes (if at that time any Class U Notes are then outstanding);

**Non-Compliant Receivable** means each Purchased Receivable in respect of which any Receivables Warranty proves to have been incorrect on the date on which the relevant Receivables Warranty is given and remains incorrect, or has never existed;

**Non-Compliant Repurchase Price** means an amount, calculated by the Servicer, equal to its Outstanding Principal Balance as at the Closing Date, less any amounts in respect of any Principal Element recovered or received by the Issuer in respect of such Receivable plus any accrued income in respect thereof as at the date of the repurchase;

**Non-Permitted Variation** means any change to an HP Agreement that relates to a Purchased Receivable which has the effect of:

- (a) reducing the Outstanding Principal Balance of the Purchased Receivable;
- (b) sanctioning any kind of payment holiday;
- (c) reducing the total interest payable by the Customer over the term of the Purchased Receivable; or
- (d) extending the term of the Purchased Receivable beyond the Last Receivable Maturity Date

but shall not, for the avoidance of doubt, include any action taken with respect to the Servicer's arrears management process in accordance with its Credit and Collection Procedures.

**Note Acceleration Notice** has the meaning given to it in Condition 9.1;

**Note Trustee** means, as at the Closing Date, Deutsche Trustee Company Limited, acting through its registered office at Winchester House, 1 Great Winchester Street, London EC2N 2DB;

**Noteholders** means (i) in relation to any Class A Notes represented by a Global Note, each person who is for the time being shown in the records of Euroclear and/or Clearstream, Luxembourg as the holder of a particular principal amount of such Class A Notes (other than Euroclear and/or Clearstream, Luxembourg), in which regard any certificate or other document issued by Euroclear and/or Clearstream, Luxembourg as to the principal amount of such Class A Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error (other than for the purpose of payments in respect

thereof, the right to which shall be vested as against the Issuer and any Paying Agent, solely in the bearer of a Global Note in accordance with and subject to its terms and for which purpose **Noteholder** means the bearer of a Global Note), (ii) in relation to the Class U Notes, the holders of the Class U Notes named in the Register maintained by the Registrar and (iii) in relation to any Definitive Notes, the bearer of those Definitive Notes, and related expressions shall (where appropriate) be construed accordingly;

**Notes** means the Class A1 Notes, the Class A2 Notes and the Class U Notes or, where the context requires, any of them and includes the Definitive Notes and the Global Notes or, where the context requires, any of them;

**Offered Receivable** means each of the Receivables scheduled to the Receivables Sale and Purchase Agreement and offered to the Issuer by the Seller on the Closing Date;

**OFT** means the Office of Fair Trading;

**Other Dealer Insurance Product** or **ODIP** means any insurance product offered by a Dealer to a Customer at the point of sale in respect of which Black Horse Limited is providing finance, other than (i) any insurance product originated by a member of the Lloyds Banking Group or (ii) any payment protection insurance;

**Outstanding Balance** means, on any date and in relation to each HP Agreement, the aggregate of the Principal Elements and Income Elements outstanding under such HP Agreement as shown on the relevant computer system (on the assumption that the Servicer has complied with its obligations under the Servicing Agreement);

**Outstanding Principal Balance** means, on any date and with respect to each Receivable, the Principal Element outstanding under the related HP Agreement as shown on the relevant computer system (on the assumption that the Servicer has complied with its obligations under the Servicing Agreement);

**Paying Agents** means the Principal Paying Agent together with any successor or additional paying agents appointed from time to time in connection with the Notes under the Agency Agreement, and **Paying Agent** means any one of them;

**Perfection Event** means each of the following events:

- (a) the Seller being required to perfect the Issuer's legal title to the Purchased Receivables, (or procure the perfection of the Issuer's legal title to the Purchased Receivables) in accordance with the terms of the Receivables Sale and Purchase Agreement by an order of a court of competent jurisdiction or by any regulatory authority of which the Seller is a member or any organisation whose members comprise (but are not necessarily limited to) mortgage lenders and with whose instructions it is customary for the Seller to comply; or
- (b) it becoming necessary by law to perfect the Issuer's legal title to the Purchased Receivables, (or procure the perfection of the Issuer's legal title to the Purchased Receivables) in accordance with the terms of the Receivables Sale and Purchase Agreement; or
- (c) unless otherwise agreed in writing by the Security Trustee, a Servicer Termination Event occurs; or
- (d) the Seller calling for perfection by serving notice in writing to that effect on the Issuer and the Security Trustee; or
- (e) the occurrence of an Insolvency Event in respect of the Seller;



**Permanent Global Note** means the permanent global notes obtained by exchanging interests in a Temporary Global Note on and after the date which is 40 days after the Closing Date, upon certification of non-U.S. beneficial ownership by the relevant Noteholder;

**Permitted Encumbrance** means:

- (a) any Encumbrance created or subsisting with the prior written consent of the Seller;
- (b) any lien or rights of set-off arising by operation of law, statute, regulation or other mandatory provisions (including but not limited to debtor protection and consumer protection law) or in the ordinary course of business;
- (c) any netting or set-off arrangement entered into by the Seller or the Servicer in the ordinary course of its banking arrangements for the purpose of netting debit and credit balances or any Encumbrance granted to the bank holding the Collections Account in accordance with the General Business Terms of such bank; and
- (d) any title transfer, conditional sale or retention of title arrangement entered into by the Seller or the Servicer in the ordinary course of business;

**Permitted Variations** means any Variation which is made in accordance with the terms of the relevant HP Agreement and the applicable Credit and Collection Procedures and which is not a Non-Permitted Variation;

**Permitted Withdrawal** means an amount equal to the aggregate of the following withdrawals made by the Cash Manager (as directed by the Seller) on any Business Day:

- (a) Excess Recoveries Amount;
- (b) Pre-Closing Interest Amounts;
- (c) Defaulted Receivables Rebate Amount; and
- (d) VT Receivables Rebate Amount,

*provided that*, any such withdrawals shall (i) in any Calculation Period only be made up to a maximum amount equal to the Revenue Receipts received in such Calculation Period, (ii) be deemed to be made prior to administration of the applicable Priority of Payments and (iii) for the avoidance of doubt, shall not be included as Available Revenue Receipts;

**Portfolio** means the Purchased Receivables and all other assets and rights relating to the Related HP Agreements purported to be transferred or granted to the Issuer, pursuant to the Receivables Sale and Purchase Agreement;

**Post-Acceleration Priority of Payments** means the priority of payments for the application of Available Principal Receipts following the service of a Note Acceleration Notice as set out in the Cash Management Agreement;

**Potential Cash Manager Termination Event** means any event which with the giving of notice or expiry of any grace period or certification, as specified in such Cash Manager Termination Event would constitute a Cash Manager Termination Event;

**Potential Event of Default** means any event which may become (with the passage of time, the giving of notice, the making of any determination or any combination thereof) an Event of Default;

**Potential Servicer Termination Event** means any event which with the giving of notice or expiry of any grace period or certification, as specified in such Servicer Termination Event would constitute a Servicer Termination Event;

**Pre-Acceleration Principal Priority of Payments** means the priority of payments for the application of Available Principal Receipts prior to service of a Note Acceleration Notice as set out in the Cash Management Agreement;

**Pre-Acceleration Revenue Priority of Payments** means the pre-acceleration revenue priority of payments set out in the Cash Management Agreement;

**Pre-Closing Interest Amounts** means any amounts received by the Issuer in respect of the Receivables in the Portfolio after the Closing Date in respect of arrears accrued prior to the Cut-off Date, other than any arrears which have been capitalised as at the Cut-off Date;

**Prepaid Income** means, in relation to any amount which is received by the Servicer (acting in any capacity under the Transaction Documents) upon a termination or early settlement of a Related HP Agreement earlier than such Related HP Agreement was scheduled to terminate, the greater of (i) zero and (ii) such amount as is received by the Servicer less the Prepaid Principal in relation to such HP Agreement;

**Prepaid Principal** means, in relation to any amount which is received by the Servicer (acting in any capacity under the Transaction Documents) upon a termination or early settlement of a Related HP Agreement earlier than such Related HP Agreement was scheduled to terminate, the lesser of (i) the Principal Elements of the Outstanding Balance in relation to such HP Agreement and (ii) such amount as is received by the Servicer;

**Principal Amount Outstanding** has the meaning given to it in Condition 6.4;

**Principal Deficiency Ledger** means the ledger in respect of the Class A Notes maintained by the Cash Manager in accordance with the Cash Management Agreement;

**Principal Element** means, in relation to each Receivable, the principal amount of that Receivable, calculated in accordance with the Credit and Collection Procedures (which for the avoidance of doubt shall include any option fees and fees payable as part of the last payment under the HP Agreement by the relevant Customer);

**Principal Paying Agent** means, as at the Closing Date, Deutsche Bank AG, London Branch, acting through its office at Winchester House, 1 Great Winchester Street, London EC2N 2DB;

**Principal Receipts** means:

- (a) the Principal Element of Purchased Receivables (other than Purchased Receivables that have become Defaulted Receivables and Voluntarily Terminated Receivables); and
- (b) any other amounts received by the Issuer in respect of the Purchased Receivables which relate to the Principal Element of such Receivables (including, but not limited to, any amount Principal Element received by the Issuer in respect of the Non-Compliant Receivables Repurchase Price, the Final Repurchase Price, the CCA Compensation Payment and the Receivables Indemnity Amount);

**Priority of Payments** means the Pre-Acceleration Revenue Priority of Payments, the Pre-Acceleration Principal Priority of Payments and the Post-Acceleration Priority of Payments, or any of them;

**Prospectus** means this Prospectus dated the date hereof relating to the issue and offering of the Notes;

**Prospectus Directive** means directive 2003/71/EC;

**Provisional Portfolio** means the portfolio of Receivables as at the Cut-off Date;

**Purchase Price** means the Initial Purchase Price and the Deferred Purchase Price;

**Purchased Receivable** means each Offered Receivable purchased by the Issuer pursuant to the Receivables Sale and Purchase Agreement which has neither been paid in full by or on behalf of the Customer nor repurchased by the Seller pursuant to the Receivables Sale and Purchase Agreement;

**Rate of Interest** has the meaning given to it in Condition 4.3;

**Rating Agencies** means Moody's and Fitch or, where the context requires, either of them. If at any time Moody's or Fitch is replaced as a Rating Agency, then references to its rating categories in the Transaction Documents shall be deemed instead to be references to the equivalent rating categories of the entity which replaces it as a Rating Agency;

**Rating Agency Confirmation** means, a confirmation (or, in the case of Moody's, affirmation) in writing by Fitch and/or Moody's (as applicable) that the then current ratings of the Notes will not be adversely affected by or withdrawn as a result of the relevant event or matter provided that if: (a) a confirmation or affirmation of rating or other response by a Rating Agency is a condition to any action or step under any Transaction Document; and (b) a written request for such confirmation affirmation or response is delivered to that Rating Agency by any of the Issuer, the Cash Manager, the Servicer, the Note Trustee and/or the Security Trustee, as applicable (each a **Requesting Party**) and one or more of the Rating Agencies (each a **Non-Responsive Rating Agency**) indicates that it does not consider such confirmation, affirmation or response necessary in the circumstances, the Requesting Party shall be entitled to disregard the requirement for a confirmation or affirmation of rating or other response by each Non-Responsive Rating Agency and proceed on the basis of the confirmations or affirmations of rating or other responses received by each other Rating Agency or, if all the Rating Agencies indicate that they do not consider such confirmation, affirmation or response necessary in the circumstances, on the basis that such confirmation or affirmation of rating or other response by a Rating Agency is not required in the particular circumstances of the request. If a Rating Agency does not respond to a written request for a confirmation or affirmation such non response shall not be interpreted to mean that such Rating Agency has given any deemed confirmation or affirmation of rating or other response in respect of such action or step or any deemed indication that it does not consider such confirmation, affirmation or response necessary in the circumstances, provided that in the event of a non- response from all Rating Agencies, the Requesting Party will be entitled to proceed on the basis that such confirmation or affirmation of rating or other response by a Rating Agency is not required in the particular circumstances of the request. However, nothing herein shall in any way affect the right of a Rating Agency to downgrade or withdraw its then current ratings of the Notes in a manner as it sees fit;

**Receivable** means any and all claims and rights of the Seller against the Customer under or in connection with relevant HP Agreements originated by the Seller (including, for the avoidance of doubt, all payments due from the Customer under the relevant HP Agreement (including any VAT or related fees and expenses due and payable by the Customer under the terms of the HP Agreement) and any Ancillary Rights);

**Receivables Indemnity Amount** means, where a Purchased Receivable has never existed, or has ceased to exist, such that it is not outstanding on the date on which it is otherwise due to be repurchased pursuant to the Receivables Purchase Agreement, an amount equal to (i) the Outstanding Principal Balance of such Purchased Receivable had the Purchased Receivable existed and complied with each of the Receivables Warranties as at the Closing Date and (ii) any deemed interest accrued on the relevant Purchased Receivable at a rate equal to the weighted average interest rate of the Portfolio as determined by the Servicer at the end of the immediately preceding Calculation Period less any amounts in respect of any Principal Element received by the Issuer with respect to such Purchased Receivable;

**Receivables Sale and Purchase Agreement** means the receivables sale and purchase agreement dated the Closing Date between the Seller, the Issuer and the Security Trustee;

**Receivables Warranties** means the representations and warranties made by the Seller in respect of the Purchased Receivables set out in the Receivables Sale and Purchase Agreement;

**Receiver** means any person (being a licensed insolvency practitioner) who is appointed by the Security Trustee to be a receiver or an administrative receiver (as the case may be) of the Charged Property to act jointly, independently, or jointly and severally, as the Security Trustee shall determine;

**Records** means:

- (a) all agreements, files, microfiles, correspondence, notes of dealing and other documents, books, books of account, registers, records and other information; and
- (b) all computer tapes, discs, computer programs, data processing software and related property rights owned by or under the control and disposition of the Seller;

**Recoveries** means, on a Calculation Date, any amount received in the immediately preceding Calculation Period in relation to a Defaulted Receivable or Voluntarily Terminated Receivable following transfer of such Defaulted Receivable or Voluntarily Terminated Receivable to the Seller as a result of the Seller having exercised the Defaulted Receivables Call Option or VT Receivables Call Option;

**Reference Banks** has the meaning given to it in Condition 4.3(e)(v);

**Register** means the register maintained by the Registrar with respect to the Class U Notes;

**Registrar** means Deutsche Bank Luxembourg S.A., acting through its office at 2 Boulevard Konrad Adenauer, 1115 Luxembourg, Luxembourg;

**Regulation S** means Regulation S of the Securities Act;

**Related HP Agreement** means, in relation to each Receivable, the HP Agreement from which such Receivable derives;

**Related Third Party Creditors** means any creditor of the Issuer (not being a Secured Creditor) in respect of costs, fees, expenses or other amounts (including taxes) incurred by the Issuer to such creditor or required by law to be paid to such creditor in each case;

**Relevant Date** has the meaning given in Condition 8;

**Replacement Cash Management Agreement** means an agreement entered into by the Replacement Cash Manager with the Issuer and the Security Trustee substantially on the terms of the existing Cash Management Agreement;

**Replacement Cash Manager** means the replacement cash manager appointed pursuant to the terms of the Cash Management Agreement;

**Replacement Servicer** means the replacement servicer appointed pursuant to the terms of the Servicing Agreement;

**Replacement Servicing Agreement** means an agreement entered into by the Replacement Servicer with the Issuer and the Security Trustee substantially on the terms of the existing Servicing Agreement;

**Replacement Swap Premium** means an amount received by the Issuer from a replacement swap provider upon entry by the Issuer into an agreement with such replacement swap provider to replace the Interest Rate Swap Counterparty or Currency Swap Counterparty, as applicable, which shall be on paid by the Issuer in accordance with the Cash Management Agreement;

**Repurchase Date** means the date on which a Receivable (including a Non-Compliant Receivable, Defaulted Receivable and Voluntarily Terminated Receivable) is to be repurchased pursuant to the Receivables Sale and Purchase Agreement;

**Required Ratings** means such ratings as are consistent with the then published criteria of the relevant Rating Agency as being the minimum ratings that are required to support the then rating of the Class A Notes;

**Requirement of Law** in respect of any person shall mean:

- (a) any law, treaty, rule, requirement or regulation;
- (b) a notice by an order of any court having jurisdiction;
- (c) a mandatory requirement of any regulatory authority having jurisdiction; or
- (d) a determination of an arbitrator or governmental authority;

**Reserve Fund** means, on any date, the amount standing to the credit of the Reserve Ledger in the Transaction Account (before making the calculations required to be made on such Interest Payment Date);

**Reserve Fund Ledger** means the ledger of the same name maintained by the Cash Manager in accordance with the Cash Management Agreement;

**Reserve Fund Required Amount** means up to but excluding the Final Class A Interest Payment Date an amount equal 1.7 per cent. of the Outstanding Principal Balance of the Receivables as at the Closing Date and on and from the Final Class A Interest Payment Date zero;

**Revenue Deficiency** means the amount of any insufficiency in the amount of Available Revenue Receipts (ignoring any Available Principal Receipts referred to in item (f) of the definition of Available Revenue Receipts) available to pay items (a) to (f) of the Pre-Acceleration Revenue Priority of Payments and the interest amount in respect of the Class A Notes;

**Revenue Deficiency Ledger** means the ledger of the same name maintained by the Cash Manager in accordance with the Cash Management Agreement;

**Revenue Receipts** means all amounts comprising of:

- (i) the Income Element of the Purchased Receivables (other than Purchased Receivables that have become Defaulted Receivables or Voluntarily Terminated Receivables);
- (ii) any amounts received by the Issuer in respect of any Defaulted Receivables and Voluntarily Terminated Receivables (including, but not limited to any Defaulted Receivables Payments and any VT Receivables Payments);
- (iii) any amount received by the Issuer in respect of any CCA Compensation Payments, Receivables Indemnity Amounts Final Repurchase Price and Non-Compliant Repurchase Price, in each case to the extent that the same represents a payment in respect of the Income Element of the Purchased Receivables; and

- (iv) any other amounts received by the Issuer in respect of the Purchased Receivables which is not in respect of the Principal Element of such Purchased Receivables;

*but less*

any amounts which are Permitted Withdrawals;

**Scheduled Final Repayment Date** means, in respect of any HP Agreement, the date on which the final Scheduled Payment is due from the Customer, assuming no breach of agreement or other default by the Customer;

**Scottish Declaration of Trust** means the declaration of trust in relation to Scottish Receivables and their Ancillary Rights made pursuant to the Receivables Sale and Purchase Agreement by means of which the sale of such Scottish Receivables and their related Ancillary Rights by the Seller to the Issuer and the transfer of the beneficial interest therein to the Issuer are given effect;

**Scottish Receivables** means those Receivables contained in the Portfolio where the address of the Customer as set out in the HP Agreement at the time of origination is in Scotland;

**Second Trigger Required Ratings** means (a) where such entity is the subject of a Moody's Short-term Rating, if such rating is P-2 or above and its long-term, unsecured and unsubordinated debt or counterparty obligations are rated A3 or above by Moody's and (b) where such entity is not the subject of a Moody's Short-term Rating, if its long-term, unsecured and unsubordinated debt or counterparty obligations are rated A3 or above by Moody's;

**Secured Creditors** means the Seller, the Security Trustee, the Note Trustee, the Servicer, the Cash Manager, the Account Bank, the Servicer Guarantor, the GIC Provider, the Subordinated Loan Provider, the Agents, the Interest Rate Swap Counterparty, the Currency Swap Counterparty, the Interest Rate Swap Guarantor, the Corporate Services Provider, the Noteholders and any Receiver and any other party which becomes a Secured Creditor pursuant to the Deed of Charge;

**Secured Liabilities** means any and all monies, obligations and liabilities and all other amounts due, owing, payable or owed by the Issuer to the Secured Creditors under the Notes and/or the Transaction Documents, and references to Secured Liabilities includes references to any of them;

**Securities Act** means the United States Securities Act of 1933;

**Securitisation** means the securitisation transaction entered into on or about the Closing Date under the Transaction Documents in connection with the issue of the Notes by the Issuer;

**Security** means the security constituted by the Deed of Charge;

**Security Powers of Attorney** means the security powers of attorney dated the Closing Date granted by the Issuer in favour of the Security Trustee in, or substantially in, the form set out in the Deed of Charge;

**Security Trustee** means Deutsche Trustee Company Limited, acting through its registered office at Winchester House, 1 Great Winchester Street, London EC2N 2DB;

**Seller** means Black Horse Limited (registered number 00661204), whose registered office is at 25 Gresham Street, London EC2V 7HN, United Kingdom, in its capacity as seller of the Receivables to the Issuer under the Receivables Sale and Purchase Agreement;

**Servicer** means the person appointed by the Issuer under the Servicing Agreement to service the Purchased Receivables being, at the Closing Date, Black Horse Limited;

**Servicer Guarantee** means the guarantee dated the Closing Date provided by the Servicer Guarantor in favour of the Issuer in respect of the Servicer's obligations under the Servicing Agreement and/or the Cash Manager's obligations under the Cash Management Agreement;

**Servicer Guarantee Termination Date** shall be, with respect to the Servicing Agreement and/or Cash Management Agreement, as applicable, the date on which one or more of the following events occurs in respect of such agreement:

- (a) at any time on and after the occurrence of a Change of Control Event) in respect of the guarantee relating to the Servicer, a Back-Up Servicer has been appointed in accordance with the terms of the Servicing Agreement or, in respect of the guarantee relating to the Cash Manager, a Replacement Cash Manager has been appointed in accordance with the terms of the Cash Management Agreement; or
- (b) a replacement guarantee to the Servicer Guarantee has been granted on substantially the same terms as the Servicer Guarantee to the Issuer with respect to the guarantee relating to the Servicer and/or the Cash Manager, as applicable, by an entity that has a long-term unsecured, unguaranteed and unsubordinated debt obligation rating by Fitch of at least BBB- and by Moody's of at least Baa3;

**Servicer Guarantor** means the person appointed to act as guarantor with respect to the servicing and cash management roles, being as at the Closing Date, Lloyds TSB Bank plc;

**Servicer Standard of Care** means the standard of care set out in the Servicing Agreement to which the Servicer will perform its obligations and the exercise of its discretions under the Servicing Agreement and its exercise of the rights of the Issuer in respect of contracts and arrangements giving rise to payment obligations in respect of the Purchased Receivables;

**Servicer Termination Event** means;

- (a) the Servicer fails to pay any amount due under the Servicing Agreement on the due date or on demand, if so payable, or to direct any movement of collections as required under the Servicing Agreement and the other Transaction Documents, and such failure has continued unremedied for a period of five London Business Days after written notice or discovery of such failure by an officer of the Servicer; or
- (b) the Servicer (i) fails to observe or perform in any material respect any of its covenants and obligations under or pursuant to the Servicing Agreement or any other Transaction Document to which it is a party and such failure results in a material adverse effect on the Purchased Receivables and continues unremedied for a period of 60 days after the earlier of an officer of the Servicer becoming aware of such default and written notice of such failure being received by the Servicer or (ii) fails to maintain its CCA licence or any other regulatory licence or approval required under the terms of the Servicing Agreement and such failure continues unremedied for a period of 60 days after the earlier of an officer of the Servicer becoming aware of such default and written notice of such failure being received by the Servicer; or
- (c) the occurrence of an Insolvency Event in relation to the Servicer;

**Servicing Agreement** means the servicing agreement expected to be dated on or around the Closing Date relating to the Purchased Receivables between the Issuer and the Servicer;

**Servicing Fee** means a fee (inclusive of amounts in respect of VAT, if any) payable monthly in arrear on each Interest Payment Date calculated as 0.05 per cent. per annum of the aggregate of the Outstanding Principal Balances of all Related HP Agreements purchased by the Issuer which are outstanding on the first day of the Calculation Period in which such Interest Payment Date falls;

**Set-off Receivable** means any Receivable in respect of which the Customer has exercised a right of set-off (or has exercised analogous rights in Scotland) which has resulted in the Issuer receiving less in respect of the Receivable than was due (but for such set-off) pursuant to Section 56 and Section 75 of the CCA and the SGITA;

**SGITA** means The Supply of Goods (Implied Terms) Act 1973;

**Share Trustee** means, as at the Closing Date, SFM Corporate Services Limited, acting through its principal office at 35 Great St. Helen's, London EC3A 6AP;

**Specified Office** means, with respect to the Paying Agents, the offices listed at the end of the Conditions or such other offices as may from time to time be duly notified pursuant to Condition 14;

**Standard Documentation** or **Standard Documents** means the forms of the standard documents used by the Seller in originating HP Agreements to be appended to the Receivables Sale and Purchase Agreement (including any data tape or computer disk containing such agreements) and any revised or substitute form;

**Sterling** means the lawful currency of the United Kingdom;

**Sterling Day Count Fraction** means applying the Class A1 Notes Interest Rate or the Class U Notes Interest Rate, as applicable, for the relevant Interest Period to the Principal Amount Outstanding immediately prior to the relevant Interest Payment Date and multiplying the result by the actual number of days in the relevant Interest Period divided by 365 and rounding the result to the nearest full pence, all as determined by the Agent Bank;

**Subordinated Loan** means the loan provided to the Issuer by the Subordinated Loan Provider pursuant to the Subordinated Loan Agreement;

**Subordinated Loan Agreement** means the loan agreement dated the Closing Date between the Issuer and the Subordinated Loan Provider;

**Subordinated Loan Provider** means, as at the Closing Date, Black Horse Limited;

**Subordinated Swap Amounts** means any termination amount payable by the Issuer to a Swap Counterparty under the related Swap Agreement where the Swap Counterparty is the Defaulting Party (including, for the avoidance of doubt as a result of the failure of the Swap Counterparty to comply with the requirements of a rating downgrade provision set out under the relevant Swap Agreement);

**Subscription Agreement** means the subscription agreement in respect of the Notes expected to be dated on or prior to the Closing Date between, among others, the Issuer, the Seller, the Arranger and the Joint Lead Managers in respect of the Subscription of the Notes;

**Surplus Available Principal Receipts** means Available Principal Receipts to be applied as Available Revenue Receipts in accordance with item (d) of the Pre-Acceleration Principal Priority of Payments;

**Swap Agreement** means any Currency Swap Agreement and the Interest Rate Swap Agreement or any of them;

**Swap Collateral** means an amount equal to the value of the collateral (or the applicable part of any collateral) provided by a Swap Counterparty to the Issuer in respect of that Swap Counterparty's obligations to transfer collateral to the Issuer under the relevant Swap Agreement;

**Swap Collateral Account** means the account or accounts opened by the Issuer into which Swap Collateral will be posted by the relevant Swap Counterparty pursuant to the relevant Swap Agreement;



**Swap Counterparty** means the Currency Swap Counterparty and the Interest Rate Swap Counterparty or any of them;

**Swap Guarantor Termination Date** means the date on which:

- (i) the Interest Rate Swap Counterparty, or its successors, assignees or transferees within the Lloyds Banking Group, acquire the Guarantee Required Ratings; or
- (ii) the Interest Rate Swap Counterparty, or its successors, assignees or transferees within the Lloyds Banking Group, procure another person with (a) the Guarantee Required Ratings or (b) the Second Trigger Required Ratings (whose procurement Fitch have confirmed would maintain the rating of the relevant Notes at the level at which it was prior to each procurement), to become co-obligor or guarantor in respect of its payment and delivery obligations under the Interest Rate Swap Agreement; or
- (iii) the obligations of the Interest Rate Swap Counterparty under the Interest Rate Agreement are irrevocably discharged in full; or
- (iv) in certain circumstances, the Interest Rate Swap Counterparty assigns or novates any of its rights, undertakings or obligations under the Interest Rate Swap Agreement without the express written consent of the Interest Rate Swap Guarantor;

**Swap Tax Credits** means any credit, allowance, set-off or repayment received by the Issuer in respect of tax from the tax authorities of any jurisdiction relating to any deduction or withholding giving rise to an increased payment by a Swap Counterparty to the Issuer;

**Swap Termination Payment** means any payment due to a Swap Counterparty upon the early termination of a transaction under the relevant Swap Agreement to which such counterparty is a party;

**TARGET2 Settlement Day** means any day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System launched on 19 November 2007, is open;

**Tax Authority** means any government, state, municipality or any local, federal or other fiscal, revenue, customs or excise authority, body or official anywhere in the world including, in the United Kingdom, HMRC and any successor thereof, in each case having power to levy any tax;

**Tranche** means Tranche A or Tranche B, as applicable;

**Tranche A** means the loan made by the Subordinated Loan Provider to the Issuer under the Subordinated Loan Agreement in the amount of £2,000,000 to assist in funding the initial expenses incurred by the Issuer in connection with the entry into the transactions set out in the Transaction Documents;

**Tranche B** means the loan made by the Subordinated Loan Provider to the Issuer under the Subordinated Loan Agreement in an amount equal to no less than 1.7 per cent. of the Outstanding Principal Balance of the Receivables as at the Closing Date to establish the Reserve Fund;

**Transaction Account** means the sterling account in the name of the Issuer with the Account Bank and designated as such;

**Transaction Documents** means the Trust Deed, the Notes, the Agency Agreement, the Servicing Agreement, the Cash Management Agreement, the Account Bank Agreement, the Deed of Charge, the Security Powers of Attorney, the Master Definitions Schedule, the Receivables Sale and Purchase Agreement, the Subordinated Loan Agreement, the Swap Agreements, the Servicer Guarantee, the Corporate

Services Agreement and any other document entered into by one or more Transaction Parties which is designated as a **Transaction Document** with the consent of the Security Trustee, the Issuer and the Seller;

**Transaction Party** means each of the Issuer, Holdings, the Seller, the Note Trustee, the Agents, the Servicer, the Cash Manager, the Security Trustee, the Subordinated Loan Provider, the Swap Counterparties, the Interest Rate Swap Guarantor, the Account Bank, the Managers, the Servicer Guarantor, and the Corporate Services Provider;

**Trust Deed** means the trust deed creating the Notes dated the Closing Date between the Issuer and the Note Trustee;

**UTCCR** means the Unfair Terms in Consumer Contracts Regulations 1999 as amended;

**UTR** means The Consumer Protection from Unfair Trading Regulations 2008;

**Variation** means any amendment or variation to the terms of a Related HP Agreement after the Cut-off Date;

**Vehicle** means in relation to any HP Agreement, the motor vehicle which is (or the motor vehicles which are) the subject of that HP Agreement;

**Vehicle Sales Proceeds** means the proceeds derived from (including by way of sale or otherwise) any Vehicle returned to or recovered by or on behalf of the Seller;

**Voluntarily Terminated Receivable** or **VT Receivable** means any Purchased Receivable in relation to which a Customer serves a notice to the Seller pursuant to Section 99 of the CCA;

**VT Receivables Call Option** means a call option in relation to Voluntarily Terminated Receivables which will entitle the Seller, prior to the occurrence of an Insolvency Event of the Seller, to purchase, and oblige the Issuer to sell, any Purchased Receivable in respect of which the Customer has exercised its right to voluntarily terminate the HP Agreement;

**VT Receivables Payment** means an amount equal to (i) the Initial VT Receivables Payment (payable on the date on which the Voluntary Terminated Receivable is repurchased) and (ii) an amount equal to any amounts recovered upon a sale of the related Vehicle less an amount equal to any VAT that the Seller (or any company with which it is grouped for VAT purposes) is liable to account in respect of the sale of such related vehicle (if any) in excess of the Initial VT Receivables Payment but up to a maximum amount equal to the Outstanding Principal Balance of the related Receivable on the Repurchase Date;

**VT Receivables Rebate Amount** means an amount in respect of a Receivable equal to the excess of the Initial VT Receivables Payment paid by the Seller in respect of a VT Receivable over the aggregate of all amounts recovered by the Seller in respect of such VT Receivable, where the Seller has reasonably determined in accordance with its Credit and Collection Procedures that no further amounts can be recovered from the relevant Customer; and

**Written Resolution** means a resolution in writing signed by or on behalf of Noteholders of not less than three-fourths in aggregate Principal Amount Outstanding of the Notes which resolution may be contained in one document or several documents in the same form, each signed by or on behalf of one or more such holders of the Notes.

**REGISTERED OFFICE OF THE ISSUER**

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United Kingdom

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AND AGENT BANK**

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United Kingdom

**IRISH LISTING  
AGENT**

**Maples and Calder**  
75 St. Stephen's Green  
Dublin 2, Ireland

**REGISTRAR**

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1115 Luxembourg, Luxembourg

**SELLER, SERVICER AND CASH MANAGER**

**Black Horse Limited**

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London EC2V 7HN  
United Kingdom

**NOTE TRUSTEE AND  
SECURITY TRUSTEE**

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London EC2N 2DB  
United Kingdom

**AUDITOR**

**PriceWaterhouseCoopers LLP**

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**ARRANGER AND JOINT  
LEAD MANAGER**

**Lloyds TSB Bank plc**

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