Lloyds Bank Hill Samuel Holding Company Limited

Annual report and accounts
for the year ended 31 December 2017

Registered office

25 Gresham Street
London
EC2V 7HN

Registered number

00162308

Current directors

D R Chalk
D J Joyce

Company Secretary

P Gittins

Member of Lloyds Banking Group

Directors' report
For the year ended 31 December 2017

The directors present their report and the audited financial statements of Lloyds Bank Hill Samuel Holding Company Limited ("the Company") for the year ended 31 December 2017.

General information

The Company is a limited company incorporated and domiciled in England and Wales (registered number: 00162308).

The Company's principal activity is to manage the residual matters arising from its former investment in UIC Insurance Company Limited ("UIC"), largely involving the provision against potential asbestosis and pollution claims.

The Company is funded entirely by other companies within the Lloyds Banking Group ("the Group").

Principal risks and uncertainties

From the perspective of the Company, the principal risks and uncertainties are managed within the framework established for the Group and are not managed separately for the Company. Further details of the Company's and Group's risk management policy are contained in note 12 to the financial statements.

Key performance indicators ("KPIs")

The directors are of the opinion that the information presented in the financial statements provides the management information necessary for the directors to understand the development, performance and position of the business of the Company, and therefore no additional KPIs are presented.

Future outlook

The Company continues to hold a provision for obligations relating to its former associated company and is working to conclude on a final liability. The Company holds cash balances to settle future payment of its liability.

The Company is part of the wider Lloyds Banking Group, and, at that level, consideration of many of the potential implications following the UK's vote to leave the European Union has been undertaken. Work continues to assess the impact of EU exit at the level of the Lloyds Banking Group, as well as for the Company, upon customers, colleagues and products. This assessment includes all legal, regulatory, tax, finance and capital implications.

Dividends

No dividends were paid or proposed during the year ended 31 December 2017 (2016: £300,000,000).

Going concern

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

Directors

The current directors of the Company are shown on the front cover.

There have been no changes to directors between the beginning of the reporting period and the approval of the Annual report and accounts.

Company Secretary

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

M A A Johnson	(resigned 1 December 2017)
P Gittins	(appointed 1 December 2017)

Directors' report (continued)
For the year ended 31 December 2017

Directors' indemnities

Lloyds Banking Group plc has granted to the directors of the Company a deed of indemnity through deed poll which constituted 'qualifying third party indemnity provisions' for the purposes of the Companies Act 2006. The deed was in force during the whole of the financial year and at the date of approval of the financial statements or from the date of appointment in respect of directors who join the board of the Company during the financial year. Directors no longer in office but who served on the board of the Company at any time in the financial year have the benefit of this contract of indemnity during that period of service. The indemnity remains in force for the duration of the directors' periods of office. The deed indemnifies the directors to the maximum extent permitted by law. Deeds for existing directors are available for inspection at the registered office of Lloyds Banking Group plc. In addition, the Group has in place appropriate directors and officers liability insurance cover which was in place throughout the financial year.

Statement of directors' responsibilities

The directors are responsible for preparing the Annual report and accounts in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In the case of each director in office at the date the Directors' report is approved:

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

Independent auditors

PricewaterhouseCoopers LLP are deemed to be re-appointed as auditors under section 487(2) of the Companies Act 2006.

This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006.

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

J. Joyce

D J Joyce
Director

25 September 2018

Statement of comprehensive income

For the year ended 31 December 2017

	Note	**2017** **£'000**	2016 £'000
Interest income	3	**1,320**	2,559
Other operating (expense)/income	4	**(11)**	1
Profit before tax		**1,309**	2,560
Taxation	7	**334**	(1,667)
Profit for the year, being total comprehensive income		**1,643**	893

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

Balance sheet

As at 31 December 2017

	Note	2017 £'000	2016 £'000
ASSETS			
Cash and cash equivalents		**32,915**	35,691
Other current assets	8	**295,156**	295,805
Current tax asset		**334**	-
Total assets		**328,405**	331,496
LIABILITIES			
Provision for liabilities and charges	9	**32,340**	35,407
Current tax liability		**-**	1,667
Total liabilities		**32,340**	37,074
EQUITY			
Share capital	10	**100,000**	100,000
Share premium account		**77,814**	77,814
Retained earnings		**118,251**	116,608
Total equity		**296,065**	294,422
Total equity and liabilities		**328,405**	331,496

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

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

D J Joyce

D J Joyce
Director

25 September 2018

Statement of changes in equity
For the year ended 31 December 2017

	Share capital £'000	Share premium account £'000	Retained earnings £'000	Total equity £'000
At 1 January 2016	100,000	77,814	415,715	593,529
Profit for the year being total comprehensive income	-	-	893	893
Dividend paid to equity holders of the Company	-	-	(300,000)	(300,000)
At 31 December 2016	**100,000**	**77,814**	**116,608**	**294,422**
Profit for the year being total comprehensive income	-	-	1,643	1,643
At 31 December 2017	**100,000**	**77,814**	**118,251**	**296,065**

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

Cash flow statement

For the year ended 31 December 2017

	2017 £'000	Reclassified 2016 £'000
Cash flows used in operating activities		
Profit before tax	**1,309**	2,560
Adjustments for:		
- Interest income	**(1,320)**	(2,559)
- Foreign exchange losses/(gains)	**11**	(1)
- Decrease in Provision for liabilities and charges	**(21)**	-
Cash used in operations	**(21)**	-
Group relief paid	**(1,667)**	(1,882)
Net cash used in operating activities	**(1,688)**	(1,882)
Cash flows generated from investing activities		
Interest income	**1,320**	2,559
Net cash generated from investing activities	**1,320**	2,559
Cash flows generated from/(used in) financing activities		
Dividend paid	**-**	(300,000)
Net proceeds from borrowings with group undertakings	**649**	299,396
Net cash generated from/(used in) financing activities	**649**	(604)
Change in Cash and cash equivalents	**281**	73
Cash and cash equivalents at beginning of year	**35,691**	29,838
Effect of exchange rate movements	**(3,057)**	5,780
Cash and cash equivalents at end of year	**32,915**	35,691

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

Notes to the financial statements
For the year ended 31 December 2017

1. Accounting policies

1.1 Basis of preparation

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied in both years presented, unless otherwise stated.

These financial statements have been prepared in accordance with applicable IFRSs as adopted by the European Union and the Companies Act 2006 applicable to companies reporting under IFRSs. IFRSs comprise accounting standards prefixed IFRS issued by the International Accounting Standards Board ("IASB") and those prefixed IAS issued by the IASB's predecessor body, as well as interpretations issued by the IFRS Interpretations Committee ("IFRS IC") and its predecessor body.

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

(i) Amendments to IAS 7: Disclosure Initiative (issued January 2016). The amendments are intended to clarify IAS 7 'Statement of Cash Flows' to improve information provided to users of financial statements about an entity's financing activities.

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

Details of those pronouncements which will be relevant to the Company but which were not effective at 31 December 2017 and which have not been applied in preparing these financial statements are given in note 17. No standards have been early adopted.

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

1.2 Income recognition

Valuation of foreign currency

The financial statements are presented in Sterling which is the Company's functional and presentation currency. Foreign currency transactions are translated into Sterling at the exchange rate prevailing at the date of the transaction. Exchange gains and losses resulting from the settlement of such transactions are recognised in the Statement of comprehensive income.

Exchange gains and losses arising from the translation of monetary assets and liabilities at the exchange rate prevailing at the balance sheet date and which are material to these financial statements are recognised in the Statement of comprehensive income.

Income and expenses are translated at the average exchange rates for the period (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates in which case income and expenses are translated at the dates of transactions).

All resulting exchange differences are recognised in the Statement of comprehensive income.

Income from financial assets

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

1.3 Financial assets and liabilities

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

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

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

1. Accounting policies (continued)

1.4 Dividends

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

1.5 Cash and cash equivalents

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

1.6 Taxation

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

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

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

1.7 Provision for liabilities and charges

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

2. Critical accounting estimates and judgements in applying accounting policies

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

Provision

The Company establishes provisions for obligations relating to UIC, which was partly owned by the Company up until it was liquidated in 2010. The ultimate claims in respect of the previous insurance business of UIC are uncertain. Accordingly, the provision has been based upon management's current best estimate of the cost after having regard to actuarial estimates of future claims and having considered an appropriate discount rate.

Account has also been taken of reinsurance arrangements that previously protected UIC. The ultimate cost of settling the Company's exposure in respect of the insurance business of UIC and the timing remains uncertain. Therefore over time it is possible that adjustments to the level of provisions held will be necessary.

The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences to loss estimates and actual loss experience.

3. Interest income

	2017 **£'000**	2016 £'000
Group interest income (see note 11)	**1,025**	2,452
Cash deposits with Lloyds Bank plc (see note 11)	**295**	107
	1,320	2,559

4. Other operating (expense)/income

Fees payable to the Company's auditors for the audit of the financial statements of £12,000 (2016: £12,000) have been borne by a fellow group company and are not recharged to the Company. Accounting and administration services are provided by a fellow group undertaking and are not recharged to the Company.

5. Staff costs

The Company did not have any employees during the year (2016: none).

6. Directors' emoluments

No director received any fees or emoluments from the Company during the year (2016: £nil). The directors are employed by other companies within the Group and consider that their services to the Company are incidental to their other responsibilities within the Group (see also note 11).

7. Taxation

	2017 £'000	2016 £'000
a) Analysis of (credit)/charge for the year		
UK corporation tax:		
- Current tax on taxable (loss)/profit for the year	**(334)**	1,667

Corporation tax is calculated at a rate of 19.25% (2016: 20.00%) of the taxable profit for the year.

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

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

	2017 £'000	2016 £'000
Profit before tax	**1,309**	2,560
Tax charge thereon at UK corporation tax rate of 19.25% (2016: 20.00%)	**252**	512
Factors affecting charge:		
- Disallowed and non-taxable items	**(586)**	-
- Timing differences not recognised	**-**	1,155
Tax (credit)/charge on profit on ordinary activities	**(334)**	1,667
Effective rate	**(25.52%)**	65.12%

The Finance (No. 2) Act 2015 reduced the main rate of corporation tax to 19% with effect from 1 April 2017.

The Finance Act 2016 further reduced the main rate of corporate tax to 17% with effect from 1 April 2020.

8. Other current assets

	2017 £'000	2016 £'000
Amounts due from group undertakings (see note 11)	**295,156**	295,805

Amounts due from group undertakings is unsecured, interest bearing and repayable on demand. The Company must give notice of 3 months plus one day prior to withdrawing the right to any funds. Interest is charged at the 3 month LIBOR.

9. Provision for liabilities and charges

	Total £'000
At 1 January 2016	29,628
Exchange adjustments	5,779
At 31 December 2016	35,407
Exchange adjustments	(3,046)
Utilised during the year	(21)
At 31 December 2017	**32,340**

The Company has established a provision in respect of its obligations relating to UIC, which was partly owned by the Company until it was liquidated in 2010. The Company had previously indemnified a third party against losses arising under a reinsurance contract written by UIC, which is subject to asbestosis and pollution claims in the United States.

The ultimate cost of settling the Company's obligations in respect of this matter and the timing remain uncertain, although it is currently anticipated that greater clarity on these matters will emerge over the next eighteen months. The size of the obligation will be affected by the number and value of claims received and the effectiveness of reinsurance arrangements entered into by UIC; in addition because the obligation is denominated in US Dollars the cost to the Company will also be affected by the prevailing exchange rate. In considering the adequacy of the provision, the directors have had regard to an assessment of the potential size of the obligation performed as at 31 December 2017 by independent specialist consultants and consider that it remains the current best estimate of a range of possible outcomes.

Of the £32,340,000 provision as at 31 December 2017, it is expected that all of it will be utilised after more than 12 months.

10. Share capital

	2017 £'000	2016 £'000
Allotted, issued and fully paid		
400,000,000 ordinary shares of 25p each	**100,000**	100,000

11. Related party transactions

The Company is controlled by Lloyds Bank plc. A number of transactions are entered into with related parties in the normal course of business. These include loan transactions. A summary of the outstanding balances at the year end and the related income for the year are set out below.

	2017 £'000	2016 £'000
Amounts due from group undertakings		
Lloyds Bank plc (see note 8)	**295,156**	295,805

11. Related party transactions (continued)

Cash and cash equivalents held with group undertakings		
Lloyds Bank plc	**32,915**	35,691
Interest income		
Lloyds Bank plc (see note 3)	**1,320**	2,559

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

Key management personnel

Key management personnel are those persons having authority and responsibility for planning and controlling the activities of the Company. Accordingly, key management is comprised of the directors of the Company, the directors of Lloyds Bank plc and the members of the Lloyds Banking Group plc board. There were no transactions between the Company and key management personnel during the current or preceding year. Key management personnel are employed by other companies within the Group and consider that their services to the Company are incidental to their other activities within the Group.

12. Financial risk management

The Company's operations expose it to credit risk, liquidity risk, interest rate risk and foreign exchange risk; it is not exposed to any significant market risk or business risk. Responsibility for the control of overall risk lies with the board of directors, operating within a management framework established by the immediate parent company, Lloyds Bank plc, and the ultimate parent, Lloyds Banking Group plc. Interest rate risk and liquidity risk faced by the Company are in substance managed and borne by other group undertakings which fund the Company.

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

12.1 Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. The maximum credit exposure of the Company in the event of other parties failing to perform their obligations is considered to be the Balance sheet carrying amount of Cash and cash equivalents and Amounts due from group undertakings totalling £328,071,000 (2016: £331,496,000) with Lloyds bank plc which has a Standard and Poors credit rating of A (2016: rating of A). The Company's financial assets have no amounts past due or impaired (2016: £nil) and are considered to be of high credit quality.

12.2 Liquidity risk

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

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

12.3 Interest rate risk

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

The Company's interest bearing assets comprise cash deposits and Amounts due from group undertakings.

Interest rate risk - sensitivity analysis

The sensitivity analysis is based on the Company's Amounts due from group undertakings and takes account of movement in the 3 month LIBOR which is the basis for the interest rate on intercompany balances. A 0.06% (2016: 0.19%) increase or decrease is used to assess the possible change in Interest income. This rate is appropriate as it is the amount by which the 3 month LIBOR decreased in the year.

If the 3 month LIBOR increased by 0.16% (2016: 0.19%) and all other variables remain constant this would increase Interest income by £178,000 (2016: £846,000) and accordingly decrease Interest income by £178,000 (2016: £846,000) if the LIBOR decreased by the same amount.

12. Financial risk management (continued)

12.4 Foreign exchange risk

Foreign exchange risk arises on investments and borrowings denominated in a currency other than Sterling. The currency giving rise to this risk is US Dollars.

The Company holds provisions in respect of obligations relating to UIC, as disclosed in note 9, which are partly settled in US dollars. The Company holds US dollar cash deposits and has no other significant exposure to the effects of fluctuations in foreign exchange rates.

As the Company is exposed to some residual foreign exchange rate fluctuations a sensitivity analysis has been prepared to illustrate the impact of a change in the foreign exchange rates.

Foreign currency risk - sensitivity analysis

The sensitivity analysis is based on the Company's borrowings denominated in US dollars and considers movements in foreign exchange rates between US dollars and Sterling. A 10.0% change in the foreign currency rate has been used to assess the sensitivity in the Statement of comprehensive income. This rate is appropriate as the rate generally increases or decreases in average increments of 10.0%.

If the US dollar strengthens against Sterling by 10.0%, this would approximately decrease the Profit before tax by £289,000 (2016: £14,000), and accordingly increase the Profit before tax by £289,000 (2016: £14,000) if the US dollar worsens against Sterling by the same percentage.

12.5 Financial strategy

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

12.6 Fair values of financial assets and liabilities

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

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

13. Capital disclosures

The Company's objectives when managing capital are to safeguard the entity's ability to continue as a going concern, provide an adequate return to its shareholders and, indirectly, to support the Group's regulatory capital requirements.

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

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

14. Contingent liabilities and capital commitments

There were no contingent liabilities or contracted capital commitments at the balance sheet date (2016: £nil).

15. Post balance sheet events

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

16. Reclassification of comparatives

Dividend paid has been reclassified in the Cash flow statement in the 2016 comparatives. Previously this was reported within Net cash used in operating activities and is now reported within Net cash used in financing activities.

The reclassification has had £nil impact on the profit before or after taxation, £nil impact on net assets, and has decreased Cash used in operative activities by £300,000 and increased Cash used in financing activities by the same amount.

17. Future developments

The following pronouncement will be relevant to the Company but was not effective at 31 December 2017 and has not been applied in preparing these financial statements.

Pronouncement	Nature of change	Effective date
IFRS 9 'Financial Instruments'	Replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 requires financial assets to be classified into one of three measurement categories, fair value through profit or loss, fair value through other comprehensive income and amortised cost, on the basis of the objectives of the entity's business model for managing its financial assets and the contractual cash flow characteristics of the instruments. IFRS 9 also replaces the existing 'incurred loss' impairment approach with an expected credit loss approach. The hedge accounting requirements of IFRS 9 are more closely aligned with risk management practices and follow a more principle based approach than IAS 39.	Annual periods beginning on or after 1 January 2018

The Company has conducted an analysis of these changes and does not consider there to be any significant impact to either classification and measurement or impairment of applying IFRS 9.

18. Ultimate parent undertaking and controlling party

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

Independent Auditors' report to the member of Lloyds Bank Hill Samuel Holding Company Limited

Report on the audit of the financial statements

Opinion

In our opinion, Lloyds Bank Hill Samuel Holding Company Limited's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2017 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and accounts (the "Annual Report"), which comprise: the Balance sheet as at 31 December 2017; the Statement of comprehensive income, the Cash flow statement and the Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

Reporting on other information

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

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

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

Based on these responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Independent Auditors' report to the member of Lloyds Bank Hill Samuel Holding Company Limited (continued)

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities set out on page 2, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

This report, including the opinions, has been prepared for and only for the Company's member as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to: take advantage of the small companies exemption in preparing the Directors' report; and take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.

Claire Turner

Claire Turner (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol

25 September 2018