

Heidi Finance Holdings (UK) Limited

Directors' report and financial statements For the year ended 31 December 2011

Registered office

25 Gresham Street
London
EC2V 7HN

Registered number

1212279

Directors

D J S Oldfield
C Sutton

Company secretary

P Gittins

Member of Lloyds Banking Group

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Directors' report

For the year ended 31 December 2011

The directors present their report and the audited financial statements of Heidi Finance Holdings (UK) Limited for the year ended 31 December 2011

Business review

Principal activities

Heidi Finance Holdings (UK) Limited ("the Company") is a limited company incorporated and domiciled in England and Wales (registered number 1212279)

The Company holds an investment in an associate company, Hyundai Car Finance Limited, which it carries at historic cost. The Company is also an intermediary party to a legal agreement between Hyundai Motor UK Limited and Hyundai Car Finance Limited under which the Company pays commissions.

The Company's results for the year show a Profit before tax of £4,872,000 (2010: loss of £124,000)

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

Future outlook

The business has performed in line with expectations during the year. However, business with Hyundai Motors UK Limited ceased at the end of 2011 and hence going forward no further fee expense or associated fee income will be recognised in the financial statements relating to new business generated by Hyundai Car Finance Limited.

Principal risks and uncertainties

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the Lloyds TSB Asset Finance Division ("the Division") and are not managed separately for the Company. Further details of the Company's and Division's risk management policy are contained in note 2 to the financial statements.

Key performance indicators ("KPIs")

Given the straightforward nature of the business, the Company's directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business. KPIs are monitored and reported at a divisional level and are disclosed in the financial statements for Black Horse Limited, which is the main trading company in the Division.

Policy and practice on payment of suppliers

The Company follows "The Prompt Payment Code" published by the Department for Business Innovation and Skills (BIS) regarding the making of payments to suppliers. Information about the "Prompt Payment Code" may be obtained by visiting www.promptpaymentcode.org.uk.

The Company's policy is to agree terms of payment with suppliers and these normally provide for settlement within 30 days after the date of the invoice, except where other arrangements have been negotiated.

It is the policy of the Company to abide by the agreed terms of payment, provided the supplier performs according to the terms of the contract.

As no amounts are owed to trade creditors as at 31 December 2011, the number of days required to be shown in this report, to comply with the provisions of the Companies Act 2006, is nil (2010: nil).

Dividends

No dividends were paid or proposed during the year ended 31 December 2011 (2010: £nil).

Going concern

The directors are satisfied that it is the intention of Lloyds Banking Group plc that its subsidiaries, including the Company, will continue to receive funding in the future and, accordingly, the financial statements have been prepared on a going concern basis.

Directors' report (continued)

For the year ended 31 December 2011

Directors

The names of the current directors are shown on the cover

The following changes have taken place during the year and since the year end

C Sutton	(appointed 6 May 2011)
A P White	(resigned 6 May 2011)
T M Blackwell	(resigned 21 June 2011)

Directors' indemnities

The directors have the benefit of a deed of indemnity which constitutes a "qualifying third party indemnity provision". These deeds are in force during the whole of the financial year (or from the date of appointment in respect of directors who join the board during the financial year). The indemnities remain in force at the date of signing these financial statements. Deeds for existing directors are available for inspection at the registered office of Lloyds Banking Group plc.

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the 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 these financial statements, the directors are required to

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to auditors

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

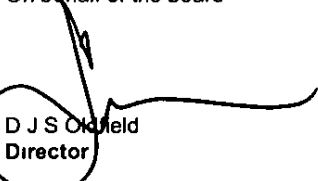
- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's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

This confirmation is given, and should be interpreted, in accordance with the provisions of section 418 of the Companies Act 2006.

Independent auditors

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

On behalf of the board


D J S Oldfield
Director
28 June 2012

Independent auditors' report to the member of Heidi Finance Holdings (UK) Limited

We have audited the financial statements of Heidi Finance Holdings (UK) Limited for the year ended 31 December 2011 which comprise the Statement of comprehensive income, the Balance sheet, the Statement of changes in equity, the Cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRSs") as adopted by the European Union.

Respective responsibilities of directors and auditors

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 and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' report and financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2011 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

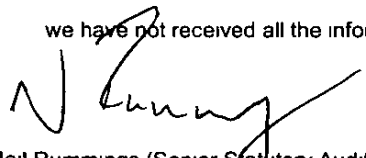
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

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


Neil Rummings (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
One Kingsway
Cardiff
CF10 3PW

28 June 2012

Statement of comprehensive income

For the year ended 31 December 2011

	Note	2011 £'000	2010 £'000
Revenue		4,999	-
Fees and commission expense		(127)	(124)
<hr/>			
Profit/(loss) before tax	4	4,872	(124)
Taxation	7	34	35
<hr/>			
Profit/(loss) for the year attributable to owners of the parent, being total comprehensive income/(expense)		4,906	(89)

The notes on pages 8 to 13 are an integral part of these financial statements

Balance sheet

As at 31 December 2011

	Note	2011 £'000	2010 £'000
ASSETS			
Amounts due from group undertakings	8	5,947	1,147
Investment in associated undertaking	9	5	5
Current tax asset		34	-
Total assets		5,986	1,152
LIABILITIES			
Other current liabilities	10	279	229
Current tax liability		-	122
Total liabilities		279	351
EQUITY			
Share capital	11	200	200
Retained profits		5,507	601
Total equity		5,707	801
Total equity and liabilities		5,986	1,152

The notes on pages 8 to 13 are an integral part of these financial statements

The financial statements on pages 4 to 13 were approved by the board of directors and were signed on its behalf by


D J S Oldfield
Director

28 June 2012

Statement of changes in equity

For the year ended 31 December 2011

	Share capital £'000	Retained profits £'000	Total £'000
At 1 January 2010	200	690	890
Total comprehensive expense for the year	-	(89)	(89)
At 31 December 2010	200	601	801
Total comprehensive income for the year	-	4,906	4,906
At 31 December 2011	200	5,507	5,707

The notes on pages 8 to 13 are an integral part of these financial statements

Cash flow statement

For the year ended 31 December 2011

	2011 £'000	2010 £'000
Cash flows generated from operating activities		
Profit/(loss) before tax	4,872	(124)
Changes in operating assets and liabilities		
- Net increase in Amounts due from group undertakings	(4,800)	(25)
- Net increase in Other current liabilities	50	192
Cash generated from operations	122	43
Taxes paid via group relief	(122)	(43)
Net cash generated from operating activities	-	-
Net increase in cash and cash equivalents	-	-
Cash and cash equivalents at beginning of year	-	-
Cash and cash equivalents at end of year	-	-

The notes on pages 8 to 13 are an integral part of these financial statements

Notes to the financial statements

For the year ended 31 December 2011

1. Accounting policies

1.1 Basis of preparation

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to 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 International Financial Reporting Interpretations Committee ("IFRIC") and its predecessor body.

The following new IFRS pronouncements relevant to the Company have been adopted in these financial statements:

- (i) **Amendments to IAS 24 Related Party Disclosures** Simplifies the definition of a related party and provides a partial exemption from the disclosure requirements for related party transactions with government related entities. As the amendments only result in reduced disclosures, the amendments have not had any impact for amounts recognised in these financial statements.
- (ii) **Improvements to IFRSs (issued May 2010)** Sets out minor amendments to IFRS standards as part of the annual improvements process. Most amendments clarified existing practice. The application of these new interpretations 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 2011 and which have not been applied in preparing these financial statements are given in note 16.

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 Revenue and expense recognition

Revenue

Revenue comprises dividend income recognised in the period in which it is received.

Fees and commission expense

Fees and commission expense is recognised on an accruals basis, on its due date.

1.3 Financial assets and liabilities

Financial assets comprise Amounts due from group undertakings. Financial liabilities comprise Other current liabilities.

Financial assets and liabilities are recognised at amortised cost 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.

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

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

1.4 Cash and cash equivalents

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

Notes to the financial statements (continued)

For the year ended 31 December 2011

1. Accounting policies (continued)

1.5 Taxation

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

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

1.6 Investment in associated undertaking

Associates are entities over which the Company has significant influence but not control. Investment in associated undertaking is stated at cost less any provision for impairment.

Investment in associated undertaking is reviewed for impairment at least annually, or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the Statement of comprehensive income for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's net realisable value and value in use. If in a subsequent period the recoverable amount improves, any previously recognised impairment loss equal to that recovery is reversed in the Statement of comprehensive income.

2. Risk management policy

The Company's operations expose it to business risk. However, operations do not expose it to any significant credit risk, interest rate risk or liquidity risk as its transactions are substantially intra-group, and the Company has no borrowings. The Company is not exposed to any foreign exchange risk or market risk. Responsibility for the control of overall risk lies with the board of directors, operating within a management framework established by an intermediate parent, Lloyds TSB Asset Finance Division Limited, and the ultimate parent, Lloyds Banking Group plc.

2.1 Business risk

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

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

3. Critical accounting estimates and judgements in applying accounting policies

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

Other than the potential for impairment of Investment in associated undertaking (see note 1.6) there are no significant estimates or judgements that have been used in the preparation of the financial statements.

4. Profit/(loss) before tax

The following items have been included in arriving at Profit/(loss) before tax

	2011 £'000	2010 £'000
Revenue		
Dividends received (see note 12)	4,999	-
Expenses		
Fees and commission expense	(127)	(124)

Dividends were received from Hyundai Car Finance Limited and were approved by the board of that Company on 22 February 2011.

The Fees and commission expense relates to volume bonus payment accruals contracted with Hyundai Motors UK Limited. Fees payable to the Company's auditors for the audit of the financial statements of £3,000 (2010: £3,000) have been borne by a fellow subsidiary and are not recharged to the Company.

Notes to the financial statements (continued)

For the year ended 31 December 2011

5. Staff costs

The Company did not employ any persons during the year (2010 none)

6. Directors' emoluments

No director received any fees or emoluments during the year (2010 £nil) The directors are employed by other companies within the Lloyds Banking Group and consider that their services to the Company are incidental to their other responsibilities within the Group (see also note 12)

7. Taxation

	2011 £'000	2010 £'000
a) Analysis of charge for the year		
UK corporation tax		
- Current tax on taxable profit/(loss) for the year	(34)	(35)

Corporation tax is calculated at a rate of 26.5% (2010 28.0%) of the taxable profit for the year

b) Factors affecting the tax charge for the year

The tax on the Company's Profit/(Loss) before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits/(losses) of the Company as follows

	2011 £'000	2010 £'000
Profit/(loss) before tax	4,872	(124)
Tax charge/(credit) thereon at UK corporation tax rate of 26.5% (2010 28.0%)	1,291	(35)
Factors affecting charge/(credit)		
- Non-allowable and non-taxable items	(1,325)	-
Tax on profit/(loss) on ordinary activities	(34)	(35)
Effective rate	(0.7%)	28.0%

8. Amounts due from group undertakings

	2011 £'000	2010 £'000
Amounts due from group undertakings (see note 12)	5,947	1,147

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

9. Investment in associated undertaking

The Company's investment in its associated undertaking, Hyundai Car Finance Limited, is carried at a cost of £5,000 (2010 £5,000) Hyundai Car Finance Limited provides financial services, has an accounting reference date of 31 December and is a limited company incorporated and domiciled in England and Wales

The Company holds 49.99% of the ordinary shares and voting rights of Hyundai Car Finance Limited. A summary of the financial position and results of Hyundai Car Finance Limited is set out below

	2011 £'000	2010 £'000
Net interest income	8,966	8,317
Profit for the year after tax	5,655	6,112
Net assets	13,125	17,470
Total liabilities	84,562	140,336

Notes to the financial statements (continued)

For the year ended 31 December 2011

10. Other current liabilities

	2011 £'000	2010 £'000
Accrued fees and commission	279	229

Accrued fees and commission relates to the volume bonus payable to Hyundai Motors UK Limited at the year end

11. Share capital

	2011 £'000	2010 £'000
Allotted, issued and fully paid		
200,000 ordinary shares of £1 each	200	200

At 31 December 2011, the authorised share capital of the Company was £200,000 divided into 200,000 shares of £1 each

The immediate parent company is Black Horse Group Limited (incorporated in England and Wales). The company regarded by the directors as the ultimate parent company 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 TSB 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.

12. Related party transactions

The Company is controlled by Black Horse Group Limited. A number of transactions are entered into with related parties in the normal course of business. These include transactions in respect of group funding arrangements. A summary of the outstanding balances at the year end are set out below.

	2011 £'000	2010 £'000
Amounts due from group undertakings		
Black Horse Group Limited	5,094	462
Black Horse Limited	462	294
Hyundai Car Finance Limited	391	391
Total Amounts due from group undertakings (see note 8)	5,947	1,147
Dividends received		
Hyundai Car Finance Limited	4,999	-

Key management personnel are those persons having authority and responsibility for planning and controlling the activities of the Company. Accordingly, key management comprise the directors of the Company and the members of the Lloyds 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 Lloyds Banking Group and consider that their services to the Company are incidental to their other activities within the Group.

Notes to the financial statements (continued)

For the year ended 31 December 2011

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 through pricing products and services commensurately with the level of risk and, indirectly, to support the Group's regulatory capital requirements

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

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

14. Contingent liabilities and capital commitments

There were no contingent liabilities or contracted capital commitments at the balance sheet date (2010: £nil)

15. Post balance sheet events

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

16. Future developments

The following pronouncements will be relevant to the Company but were not effective at 31 December 2011 and have not been applied in preparing these financial statements

Pronouncement	Nature of change	Effective date
IFRS 10 Consolidated Financial Statements ¹	Establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities	Annual periods beginning on or after 1 January 2013
IFRS 12 Disclosure of Interests in Other Entities ¹	Sets out disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities	Annual periods beginning on or after 1 January 2013
IAS 27 Separate Financial Statements (as amended in 2011) ¹	Sets standards to be applied in accounting for investments in subsidiaries, joint ventures and associates when an entity elects, or is required by local regulations, to present separate (non-consolidated) financial statements. Consolidation requirements previously forming part of IAS 27 (2008) have been revised and are now contained in IFRS 10	Annual periods beginning on or after 1 January 2013
IAS 28 Investments in Associates and Joint Ventures (as amended in 2011) ¹	Prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures	Annual periods beginning on or after 1 January 2013

Notes to the financial statements (continued)

For the year ended 31 December 2011

16 Future developments (continued)

IFRS 13 Fair value Measurement ¹	Sets out a single IFRS framework for the measurement of fair value and the related disclosure requirements	Annual periods beginning on or after 1 January 2013
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IFRS 9 Financial Instruments Classification and Measurement ^{1 & 2}	Replaces those parts of IAS 39 Financial Instruments Recognition and Measurement relating to the classification, measurement and derecognition of financial assets and liabilities. Requires financial assets to be classified into two measurement categories, fair value 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 instrument. The available-for-sale financial asset and held-to-maturity categories in existing IAS 39 will be eliminated. The requirements for financial liabilities and derecognition are broadly unchanged from IAS 39.	Annual periods beginning on or after 1 January 2015
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¹ At the date of this report, these pronouncements are awaiting EU endorsement

² IFRS 9 is the initial stage of the project to replace IAS 39. Future stages are expected to result in amendments to IFRS 9 to deal with changes to the impairment of financial assets measured at amortised cost and hedge accounting. Until all stages of the replacement project are complete, it is not possible to determine the overall impact on the financial statements of the replacement of IAS 39.

The full impact of these pronouncements is being assessed by the Company. However, the initial view is that none of these pronouncements are expected to cause any material adjustments to the reported numbers in the financial statements.