Heidi Finance Holdings (UK) Limited

Directors' report and financial statements
For the year ended 31 December 2013

Registered office

25 Gresham Street
London
EC2V 7HN

Registered number

1212279

Directors

C Sutton
M D Whytock

Company Secretary

P Gittins

Member of Lloyds Banking Group

Directors' report
For the year ended 31 December 2013

The directors present their report and the audited financial statements of Heidi Finance Holdings (UK) Limited ("the Company") for the year ended 31 December 2013.

General information

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 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 integrated with the principal risks of Asset Finance ("AF") and are not managed separately for the Company. Further details of the Company's and AF'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 AF.

Future outlook

Business with Hyundai Motors UK Limited ceased at the end of 2011 and since then no further fee expense or associated fee income has been recognised in the financial statements relating to new business generated by Hyundai Car Finance Limited.

Dividends

No dividends were paid or proposed during the year ended 31 December 2013 (2012: £nil).

Going concern

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

Directors

The directors of the Company who were in office during the year and up to the date of signing the financial statements are shown on the cover.

There have been no changes to directors during the year or since the year end.

Directors' indemnities

Lloyds Banking Group plc has granted to the directors of the Company a deed of indemnity through deed poll which constituted '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. The indemnity remains in force for the duration of a director's period 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.

Directors' report (continued)
For the year ended 31 December 2013

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.

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

On behalf of the board

C Sutton
Director

13 June 2014

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

Report on the financial statements

Our opinion

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2013 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The financial statements for the year ended 31 December 2013, which are prepared by Heidi Finance Holdings (UK) Limited, comprise:

- the Statement of comprehensive income, the Balance sheet, the Statement of changes in equity and the Cash flow statement;
- the accounting policies; and
- related notes.

The financial reporting framework that has been applied in their preparation comprises applicable law and IFRSs as adopted by the European Union.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) (ISAs (UK and Ireland)). 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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, 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.

We have no exceptions to report arising from this responsibility.

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

Directors' remuneration

Under the Companies Act 2006 we are required to report if, in our opinion, certain disclosures of directors' remuneration specified by law have not been made. 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.

Responsibilities for the financial statements and the audit

Our responsibilities and those of directors

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

Neil Rummings (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
One Kingsway
Cardiff
CF10 3PW
13 June 2014

Statement of comprehensive income
For the year ended 31 December 2013

	Note	2013 £'000	2012 £'000
Fees and commission expense		**(8)**	(72)
Loss before tax	4	**(8)**	(72)
Taxation	7	**2**	18
Loss for the year attributable to owners of the parent, being total comprehensive expense		**(6)**	(54)

The notes on pages 9 to 13 are an integral part of these financial statements.

Balance sheet

As at 31 December 2013

	Note	2013 £'000	2012 £'000
ASSETS			
Other current assets	8	**5,998**	5,947
Investment in associate undertaking	9	**5**	5
Current tax asset		**3**	52
Total assets		**6,006**	6,004
LIABILITIES			
Other current liabilities	10	**359**	351
Total liabilities		**359**	351
EQUITY			
Share capital	11	**200**	200
Retained profits		**5,447**	5,453
Total equity		**5,647**	5,653
Total equity and liabilities		**6,006**	6,004

The notes on pages 9 to 13 are an integral part of these financial statements.

The financial statements on pages 5 to 13 were approved by the board of directors and were signed on its behalf by:

C Sutton
Director

13 June 2014

Statement of changes in equity
For the year ended 31 December 2013

	Share capital £'000	Retained profits £'000	Total £'000
At 1 January 2012	200	5,507	5,707
Loss for the year being total comprehensive expense	-	(54)	(54)
At 31 December 2012	**200**	**5,453**	**5,653**
Loss for the year being total comprehensive expense	-	(6)	(6)
At 31 December 2013	**200**	**5,447**	**5,647**

The notes on pages 9 to 13 are an integral part of these financial statements.

Cash flow statement

For the year ended 31 December 2013

	2013 £'000	2012 £'000
Cash flows generated from operating activities		
Loss before tax	**(8)**	(72)
Changes in operating assets and liabilities:		
- Net increase in Other current assets	**(51)**	-
- Net increase in Other current liabilities	**8**	72
Cash used in operations	**(51)**	-
Group relief received	**51**	-
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 9 to 13 are an integral part of these financial statements.

Notes to the financial statements
For the year ended 31 December 2013

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 International Financial Reporting Standards - Interpretations Committee ("IFRS - IC") and its predecessor body.

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

(i) Improvements to IFRSs (issued May 2012). These amendments include amendments to IFRS standards as part of the annual improvements process. Most amendments clarify existing practice. The application of this pronouncement has not had any impact for amounts recognised in these financial statements.

(ii) IFRS 13 Fair value measurement. The amendment sets out a single IFRS framework for the measurement of fair value and the related disclosure requirements. The application of this pronouncement has not had any impact for amounts recognised in these financial statements.

(iii) IFRS 12 Disclosure of Interests in Other Entities. Sets out disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities.

(iv) IAS 27 Separate Financial Statements (as amended in 2011). 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.

(v) IAS 28 Investments in Associates and Joint Ventures (as amended in 2011). 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.

Details of those pronouncements which will be relevant to the Company but which were not effective at 31 December 2013 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 Expense recognition

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 and Investment in associate undertaking. Financial liabilities comprise Other current liabilities.

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.

The directors consider that there are no significant differences between the carrying 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 Balance sheet and Cash flow statement, Cash and cash equivalents comprise balances with less than three months' maturity.

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 associate undertakings

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

The Investment in associate 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 the 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 Bank Asset Finance 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 suboptimal business strategy or the suboptimal implementation of the strategy. In assessing business risk consideration is given to internal and external factors such as products, funding, resource capability and economic, political and regulatory factors.

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

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 associate undertaking (see note 1.6) there are no significant estimates or judgements that have been used in the preparation of the financial statements.

4. Loss before tax

The following items have been included in arriving at Loss before tax:

	2013	2012
	£'000	£'000
Expenses		
Fees and commission expense	**8**	72

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 £1,000 (2012: £1,000) have been borne by a fellow subsidiary and are not recharged to the Company. Accounting and administrative services are provided by a fellow subsidiary undertaking and are not recharged to the Company.

5. Staff costs

The Company did not have any employees during the year (2012: none)..

Notes to the financial statements (continued)
For the year ended 31 December 2013

6. Directors' emoluments

No director received any fees or emoluments during the year (2012: £nil). The directors are employed by other companies within the Group and consider that their services to the Company are incidental to their other responsibilities within the Group (see also note 12).

7. Taxation

	2013	2012
	£'000	£'000
a) Analysis of credit for the year		
UK corporation tax:		
- Current tax on taxable loss for the year	**2**	18

Corporation tax is calculated at a rate of 23.25% (2012: 24.50%) of the taxable profit for the year.

b) Factors affecting the tax credit for the year

There is no difference in either the current or prior year between the tax credit that would result from applying the standard UK corporation tax rate to the loss before tax and the actual tax credit for the year.

The Finance Act 2012, which was substantively enacted on 3 July 2012, included legislation to reduce the main rate of corporation tax from 24% to 23% with effect from 1 April 2013. In addition, the Finance Act 2013, which was substantively enacted on 2 July 2013, included legislation to reduce the main rate of corporation tax to 21% with effect from 1 April 2014 and 20% with effect from 1 April 2015.

8. Other current assets

	2013	2012
	£'000	£'000
Amounts due from group undertakings (see note 12)	**5,998**	5,947

Amounts due from group undertakings are unsecured and non-interest bearing.

9. Investment in associate undertaking

The Company's investment in its associated undertaking, Hyundai Car Finance Limited, is carried at a cost and net book value of £5,000 (2012: £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:

	2013	2012
	£'000	£'000
Net interest income	**2,477**	5,450
Profit for the year after tax	**1,721**	5,031
Net assets	**18,636**	18,156
Total liabilities	**6,055**	32,466

10. Other current liabilities

	2013	2012
	£'000	£'000
Accruals	**359**	351

Accruals relate to the volume bonus payable to Hyundai Motor UK Limited at the year end.

11. Share capital

	2013 £'000	2012 £'000
Allotted, issued and fully paid		
200,000 ordinary shares of £1 each	**200**	200

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

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 loan and fee transactions. A summary of the outstanding balances at the year end are set out below.

	2013 £'000	2012 £'000
Amounts due from group undertakings		
Black Horse Limited	**5,145**	5,094
Black Horse Group Limited	**462**	462
Hyundai Car Finance limited	**391**	391
Total Amounts due from group undertakings (see note 8)	**5,998**	5,947

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 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.

UK Government

In January 2009, the UK Government through HM Treasury became a related party of Lloyds Banking Group plc, the Company's ultimate parent company, following its subscription for ordinary shares issued under a placing and open offer. As at 31 December 2013, HM Treasury retained a significant interest in Lloyds Banking Group plc's ordinary share capital and consequently HM Treasury remained a related party of the Company during the year ended 31 December 2013.

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 (2012: £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 2013 and have not been applied in preparing these financial statements.

Pronouncement	Nature of change	Effective date
Annual improvement to IFRSs (issued December 2013) [1]	A collection of amendments to IFRSs from the 2010 - 12 and 2011 - 13 cycle of the annual improvements projects.	Annual periods beginning on or after 1 July 2014.
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 the 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 2018.

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 neither of these pronouncements are expected to cause any material adjustments to the reported numbers in the financial statements.

17. Other information

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 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.