Heidi Finance Holdings (UK) Limited

Annual report and accounts
for the year ended 31 December 2017

Registered office

25 Gresham Street
London
EC2V 7HN

Registered number

01212279

Current directors

J McCaffrey
L Pamma
M D Whytock

Company Secretary

D D Hennessey

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 Heidi Finance Holdings (UK) 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: 01212279).

The Company holds an investment in an associate undertaking, Hyundai Car Finance Limited (wholly owned by Lloyds Banking Group ("the Group")), 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 previously paid commissions. No payments have been made since the cessation of new business in 2011.

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

Principal risks and uncertainties

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the Retail Finance Division, which is part of the Lloyds Banking Group. While these risks are not managed separately for the Company, the Company is a holding company within the Retail Finance Division. The Retail Finance Division is a portfolio of businesses and operates in a number of specialist markets providing consumer lending and contract hire to personal and corporate customers. Further details of risk management policies are contained in note 15 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.

Future outlook

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

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

A dividend of £15,210,000, representing a dividend of £76.05 per share, was declared and paid during the year (2016: £nil).

Directors

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

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

J McCaffrey	(appointed 7 August 2017)
M D C G Lopez	(resigned 21 March 2018)
L Pamma	(appointed 14 June 2018)

Company Secretary

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

D D Hennessey	(appointed 4 May 2017)
P Gittins	(resigned 4 May 2017)

Directors' report (continued)

For the year ended 31 December 2017

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' 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 disclosed and explained in the financial statements;
- 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:

M D Whytock
Director
24 September 2018

Statement of comprehensive income

For the year ended 31 December 2017

	Note	**2017 £'000**	2016 £'000
Other operating income	3	**-**	99
Income from investments	4	**9,788**	-
Profit before tax		**9,788**	99
Taxation	8	**-**	(20)
Profit for the year, being total comprehensive income		**9,788**	79

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			
Trade and other receivables	10	**10,109**	5,741
Investment in associate undertaking	11	**5**	5
Total assets		**10,114**	5,746
LIABILITIES			
Borrowed funds	12	**9,810**	-
Current tax liability		**-**	20
Total liabilities		**9,810**	20
EQUITY			
Share capital	13	**200**	200
Retained earnings		**104**	5,526
Total equity		**304**	5,726
Total equity and liabilities		**10,114**	5,746

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:

M D Whytock
Director

24 September 2018

Statement of changes in equity

For the year ended 31 December 2017

	Share capital £'000	Retained earnings £'000	Total equity £'000
At 1 January 2016	200	5,447	5,647
Profit for the year being total comprehensive income	-	79	79
At 31 December 2016	**200**	**5,526**	**5,726**
Profit for the year being total comprehensive income	-	9,788	9,788
Dividend paid to equity holders of the Company	-	(15,210)	(15,210)
At 31 December 2017	**200**	**104**	**304**

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	2016 £'000
Cash flows used in operating activities		
Profit before tax	**9,788**	99
Adjustments for:		
Dividends received	**(9,788)**	-
Changes in operating assets and liabilities:		
- Net decrease in Trade and other payables	-	(99)
Cash generated from operations	-	-
Tax paid	**(20)**	-
Net cash used in operating activities	**(20)**	-
Cash flows generated from investing activities		
Dividends received	**9,788**	-
Net cash generated from investing activities	**9,788**	-
Cash flows used in financing activities		
Dividends paid	**(15,210)**	-
Repayment of lending to group undertakings	**5,442**	-
Net cash used in financing activities	**(9,768)**	-
Change in Cash and cash equivalents	-	-
Cash and cash equivalents at beginning of year	-	-
Cash and cash equivalents at end of year	-	-

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 pronouncements relevant to the Company have been adopted in these financial statements:

(i) Annual improvement to IFRSs (issued December 2016) - Amendment to IFRS 12 'Disclosure of other interests in other entities'. Clarified the scope of the standard by specifying the disclosure requirements for an entity's interests listed in paragraph 5 that are classified as held for sale, as held for distribution or as discontinued operations in accordance with IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'.

(ii) 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 these pronouncements 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 19. 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

Dividend income

Dividend income is recognised when the right to receive payment is established.

1.3 Financial assets and liabilities

Financial assets comprise Amounts due from group undertakings. Financial liabilities comprise Amounts due to group undertakings.

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.

1.4 Dividend payments

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

1.5 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.

1. Accounting policies (continued)

1.5 Taxation (continued)

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.

1.6 Investment in associate undertaking

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.

Investment in associate undertaking is reviewed for impairment losses at the end of each period and 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.

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.

There are no significant estimates or judgements that have been used in the preparation of the financial statements.

3. Other operating income

	2017	2016
	£'000	£'000
Write back of accrual	**-**	99

During 2016 a volume bonus accrual payable to Hyundai Motor UK Limited that did not require settlement was written back.

4. Income from investment

Income from investment relates to dividend income received on the Company's equity instruments of £9,788,000 (2016: £nil).

5. Other operating expenses

Fees payable to the Company's auditors for the audit of the financial statements of £2,000 (2016: £1,000) 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.

6. Staff costs

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

Notes to the financial statements (continued)
For the year ended 31 December 2017

7. 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 14).

8. Taxation

	2017 £'000	2016 £'000
a) Analysis of charge for the year		
UK corporation tax:		
- Current tax on taxable profit for the year	-	20

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 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 charge for the year is given below:

	2017 £'000	2016 £'000
Profit before tax	**9,788**	99
Tax charge thereon at UK corporation tax rate of 19.25% (2016: 20.00%)	**1,884**	20
Factors affecting charge:		
- Disallowed and non-taxable items	**(1,884)**	-
Tax charge on profit on ordinary activities	-	20
Effective rate	**0.00%**	20.00%

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

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

9. Dividends

In 2017, dividends totalling £76.05 per share were paid, representing a total dividend of £15,210,000 (2016: £nil).

10. Trade and other receivables

	2017 £'000	2016 £'000
Amounts due from group undertakings (see note 14)	**10,109**	5,741

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

Notes to the financial statements (continued)
For the year ended 31 December 2017

11. 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 (2016: £5,000). Hyundai Car Finance Limited has an accounting reference date of 31 December and is a limited company incorporated and domiciled in England and Wales.

Associate undertaking	Company interest	Principal activities	Registered Address
Hyundai Car Finance Limited	49.99%	Financial services	118 Cockfoster Road, Barnet, EN4 0DY

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:

	2017 £'000	2016 £'000
Net interest income	**-**	26
(Loss)/profit for the year after tax	**(267)**	64
Net (liabilities)/assets	**(157)**	19,690
Total liabilities	**751**	404

12. Borrowed funds

	2017 £'000	2016 £'000
Amounts due to group undertakings (see note 14)	**9,810**	-

Amounts due to group undertakings is unsecured, non-interest bearing and repayable on demand.

13. Share capital

	2017 £'000	2016 £'000
Allotted, issued and fully paid		
200,000 ordinary shares of £1 each	**200**	200

14. Related party transactions

The Company is controlled by the Retail Finance Division. A number of transactions are entered into with related parties in the normal course of business. A summary of the outstanding balances at the year end and the related income for the year are set out below.

	2017 £'000	2016 £'000
Amounts due from group undertakings		
Black Horse Limited	**-**	4,887
Black Horse Group Limited	**-**	462
Hyundai Car Finance Limited	**319**	392
Lloyds Bank plc	**9,790**	-
Total Amounts due from group undertakings (see note 10)	**10,109**	5,741
Amounts due to group undertakings		
Black Horse Group Limited	**9,790**	-
Black Horse Limited	**20**	-
Total Amounts due to group undertakings (see note 12)	**9,810**	-

14. Related party transactions (continued)

	2017 £'000	2016 £'000
Dividend income		
Hyundai Car Finance Limited (see note 4)	9,788	-
Other operating income		
Hyundai Motor UK Limited (see note 3)	-	99
Dividend paid		
Black Horse Group Limited (see note 9)	15,210	-

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 Retail Finance Division. 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.

15. Financial risk management

The Company's operations expose it to liquidity risk; it is not exposed to any significant credit risk, interest rate risk, market risk, business risk and foreign exchange risk. Responsibility for the control of overall risk lies with the board of directors, operating within a management framework established by the Retail Finance Division, and the ultimate parent, Lloyds Banking Group plc.

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

15.1 Liquidity risk

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

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

The Company is funded entirely by companies within the Group. Such funding is repayable on demand, although there is no expectation that such a demand would be made.

16. 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.

17. Contingent liabilities and capital commitments

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

Notes to the financial statements (continued)
For the year ended 31 December 2017

18. Post balance sheet events

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

19. 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 full impact of this pronouncement is being assessed by the Company. However, the initial view is that this is not expected to cause any material adjustments to the reported numbers in the financial statements.

20. Ultimate parent undertaking and controlling party

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

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

Report on the audit of the financial statements

Opinion

In our opinion, Heidi Finance Holdings (UK) 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 Heidi Finance Holdings (UK) 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.

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

24 September 2018