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HORSHAM INVESTMENTS LIMITED
REPORT AND ACCOUNTS
FOR THE YEAR ENDED
31 DECEMBER 2011

MONDAY



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HORSHAM INVESTMENTS LIMITED

REPORT AND ACCOUNTS

For the year ended 31 December 2011

Registered in England & Wales as an overseas company No FC025776

Registered office Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands, British West Indies

DIRECTORS

R G M Conway

A Goldsmith

L J Kenworthy

P Pitale

HORSHAM INVESTMENTS LIMITED

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HORSHAM INVESTMENTS LIMITED

For the year ended 31 December 2011

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 31 December 2011

BUSINESS REVIEW AND PRINCIPAL ACTIVITY

The Company's principal activity is to carry on the business of an investment holding company. There have been no changes in the nature of the Company's operations during the year, and no changes are expected in the foreseeable future. The Company has been inactive during the year, earning only minimal interest from cash at bank.

There are no significant future developments identified or planned for the Company.

PRINCIPAL RISKS AND UNCERTAINTIES

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of Lloyds Banking Group plc and are not managed separately. Full disclosure of the Company's financial risk management objectives and policies are given in note 9 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 key performance indicators is not necessary for an understanding of the development, performance or position of the business.

DIRECTORS

The names of the directors of the Company, all of whom served throughout the year and up to the date of signing the financial statements are shown on page 1.

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 the 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.

HORSHAM INVESTMENTS LIMITED

For the year ended 31 December 2011

DIRECTORS' REPORT (CONTINUED)

STATEMENT OF DIRECTORS' RESPONSIBILITIES (CONTINUED)

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.

Each of the directors, whose names are listed in page 1 confirms that, to the best of their knowledge

- the financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company, and
- the directors' report contained above includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces

INDEPENDENT AUDITORS AND AUDIT INFORMATION

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 each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself 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.

PricewaterhouseCoopers LLP was re-appointed as auditors.

On behalf of the Board



A Goldsmith
Director
Date 31st May 2012

HORSHAM INVESTMENTS LIMITED

For the year ended 31 December 2011

INDEPENDENT AUDITORS' REPORT TO THE DIRECTORS OF HORSHAM INVESTMENTS LIMITED

For the year ended 31 December 2011

We have audited the non-statutory financial statements of Horsham Investments 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 the preparation of these non-statutory financial statements is 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 3, the directors are responsible for the preparation of the non-statutory 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 non-statutory 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 directors for management purposes to assist them in discharging their stewardship obligations and fiduciary responsibilities under the Articles of Association in accordance with our engagement letter dated 26 March 2012 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 non-statutory financial statements

An audit involves obtaining evidence about the amounts and disclosures in the non-statutory financial statements sufficient to give reasonable assurance that the non-statutory 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 non-statutory financial statements.

Opinion on non-statutory financial statements

In our opinion the non-statutory 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/loss and cash flows for the year then ended, and
- have been properly prepared in accordance with IFRSs as adopted by the European Union.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants
London

31 May 2012

HORSHAM INVESTMENTS LIMITED

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

		2011 £'000	2010 £'000
Profit/(loss) before taxation		<u>-</u>	<u>-</u>
Taxation	4	<u>-</u>	<u>-</u>
Total comprehensive income/(expense) for the year		<u><u>-</u></u>	<u><u>-</u></u>

The accompanying notes on pages 10 to 14 form an integral part of the financial statements

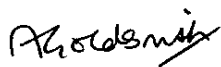
HORSHAM INVESTMENTS LIMITED

BALANCE SHEET

As at 31 December 2011

	Note	2011 £'000	2010 £'000
Assets			
Current assets			
Cash and cash equivalents	5	<u>18</u>	<u>18</u>
Total current assets		<u>18</u>	<u>18</u>
Total assets		<u>18</u>	<u>18</u>
Liabilities			
Current liabilities			
Current tax liabilities	6	<u>1</u>	<u>1</u>
Total current liabilities		<u>1</u>	<u>1</u>
Total liabilities		<u>1</u>	<u>1</u>
Equity			
Share capital	7	10	10
Retained earnings		<u>7</u>	<u>7</u>
Total equity		<u>17</u>	<u>17</u>
Total liabilities and equity		<u>18</u>	<u>18</u>

The directors approved the accounts on the date of 31st May 2012



A Goldsmith
Director

The accompanying notes on pages 10 to 14 form an integral part of the financial statements

HORSHAM INVESTMENTS LIMITED

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011

	Share Capital	Retained Earnings	Total
	£'000	£'000	£'000
Balance at 1 January 2010	<u>10</u>	<u>7</u>	<u>17</u>
Balance at 31 December 2010	<u>10</u>	<u>7</u>	<u>17</u>
Balance at 31 December 2011	<u>10</u>	<u>7</u>	<u>17</u>

The accompanying notes on pages 10 to 14 form an integral part of the financial statements

HORSHAM INVESTMENTS LIMITED

CASH FLOW STATEMENT

For the year ended 31 December 2011

	Note	2011 £'000	2010 £'000
Cash flows from operating activities			
Adjustment for			
Net cash from operating activities		<u>-</u>	<u>-</u>
Changes in cash and cash equivalents		-	-
Cash and cash equivalents at beginning of the year		<u>18</u>	<u>18</u>
Cash and cash equivalents at end of the year	5, 8	<u><u>18</u></u>	<u><u>18</u></u>

The accompanying notes on pages 10 to 14 form an integral part of the financial statements

HORSHAM INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

1. ACCOUNTING POLICIES

BASIS OF PREPARATION

The financial statements have been prepared under the historical cost convention, in compliance with the requirements of the Companies Act 2006 and in accordance with the applicable International Financial Reporting Standards ("IFRS") as adopted by the European Union

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

The preparation of the financial statements necessarily requires the exercise of judgment both in the application of accounting policies which are set out in the sections below and in the selection of assumptions used in the calculation of estimates. These estimates and judgments are reviewed on an ongoing basis and are continually evaluated based on historical experience and other factors. Actual results may differ from these estimates.

The following pronouncements were effective during the year but not relevant to the Company

<u>Pronouncement</u>	<u>Nature of change</u>	<u>IASB effective date</u>
Amendment to IAS 32 Financial Instruments Presentation of Rights Issues	Requires rights issues denominated in a currency other than the functional currency of the issuer to be classified as equity regardless of the currency in which the exercise price is denominated	Annual periods beginning on or after 1 February 2010
IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments'	Clarifies that when an entity renegotiates the terms of its debt with the result that the liability is extinguished by the debtor issuing its own equity instruments to the creditor, a gain or a loss is recognised in the statement of comprehensive income representing the difference between the carrying value of the financial liability and the fair value of the equity instruments issued, the fair value of the financial liability is used to measure the gain or loss where the fair value of the equity instruments cannot be reliably measured	Annual periods beginning on or after 1 July 2011
Improvements to IFRSs (issued May 2010)	Amends IFRS 7 Financial Instruments Disclosure to require further disclosures in respect of collateral held by the Company as security for financial assets and sets out minor amendments to other IFRS standards as part of the annual improvements process	Annual periods beginning on or after 1 January 2011
Amendments to IFRIC 14 'Prepayments of a Minimum Funding Requirement'	Applies when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover those requirements and permits such an entity to treat the benefit of such an early payment as an asset	Annual periods beginning on or after 1 January 2011

HORSHAM INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2011

1. ACCOUNTING POLICIES (CONTINUED)

IAS 24 Related Party Disclosures (Revised)	Simplifies the definition of a related party and provides a partial exemption from the requirement to disclose transactions and outstanding balances with the government and government related entities	Annual periods beginning on or after 1 January 2011
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The following pronouncements will not be relevant to the Company and were not effective at 31 December 2011

<u>Pronouncement</u>	<u>Nature of change</u>	<u>IASB effective date</u>
IFRS 9 Financial Instruments	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 investment 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
IFRS 10 Consolidated Financial Statements	Supersedes IAS 27 Consolidated and Separate Financial Statements and SIC 12 Consolidation – Special Purpose Entities and establishes principles for the preparation of consolidated financial statements when an entity controls one or more entities	Annual periods beginning on or after 1 January 2013
IFRS 12 Disclosure of Interests in Other Entities	Requires an entity to disclose information that enables users of financial statements to evaluate the nature of, and risks associated with, its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows	Annual periods beginning on or after 1 January 2013
IFRS 13 Fair Value Measurement	The standard defines fair value, sets out a framework for measuring fair value and requires disclosures about fair value measurements It applies to IFRSs that require or permit fair value measurements or disclosures about fair value measurements	Annual periods beginning on or after 1 January 2013

HORSHAM INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2011

1. ACCOUNTING POLICIES (CONTINUED)

IAS 19 Employee Benefits	Prescribes the accounting and disclosure by employers for employee benefits Actuarial gains and losses (remeasurements) in respect of defined benefit pension schemes are no longer deferred using the corridor approach and are recognised immediately in other comprehensive income	Annual periods beginning on or after 1 January 2013
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(a) Revenue recognition

Interest income and expense are recognised in the statement of comprehensive income for all interest-bearing financial instruments, using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the instrument to the net carrying amount of the financial asset or financial liability. The calculation includes all amounts paid or received by the Company that are an integral part of the overall return, direct incremental transaction costs related to the acquisition, issue or disposal of a financial instrument and all other premiums or discounts. Fees and commissions, which are not an integral part of the effective interest rate, are generally recognised when the service has been provided.

(b) Income taxes, including deferred income taxes

Current income tax which is payable on taxable profits is recognised as an expense in the year in which the profits arise. Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Company's financial statements. Deferred tax is determined using tax rates that have been enacted or announced by the balance sheet date that are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Deferred tax assets are recognised where it is probable that future taxable profit will be available against which the temporary differences can be utilised.

(c) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand and demand deposits as well as short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value less bank overdrafts.

2. CRITICAL ACCOUNTING JUDGMENTS

The Company makes assumptions and estimates that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

However, none of these was deemed critical to the Company's results and financial position.

3. ADMINISTRATIVE EXPENSE

The statutory audit fees are borne by Lloyds TSB Bank plc. The number of persons employed by the Company during the period was nil (2010: nil). Directors receive no remuneration for their services to the Company (2010: nil).

4. TAXATION

(a) Analysis of charge for the year

	2011 £'000	2010 £'000
UK Corporation tax - current year	-	-

The tax charge on the company's profit/(loss) for the year is based on a UK corporation tax rate of 26.5% (2010: 28%).

HORSHAM INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2011

4. TAXATION (CONTINUED)

(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 profit/(loss) before tax to the tax charge for the year is given below

	2011 £'000	2010 £'000
Profit/(loss) before taxation	-	-
Tax charge thereon at UK corporation tax rate of 26.5% (2010 28%)	-	-
Factors affecting charges	-	-
Total taxation	-	-
Effective rate	26.5%	28%

The Finance Act 2011 included legislation to reduce the main rate of corporation tax in the UK from 28% to 26% with effect from 1 April 2011 and was subsequently enacted in July 2011. The proposed further annual reductions in the rate of corporation tax in the UK to 22% by 1 April 2014 are expected to be enacted separately each year starting in 2012.

5. CASH AND CASH EQUIVALENTS

	2011 £'000	2010 £'000
Cash at bank (note 8)	<u>18</u>	<u>18</u>

6. CURRENT TAX LIABILITIES

	2011 £'000	2010 £'000
Corporate tax payable	<u>1</u>	<u>1</u>

7. SHARE CAPITAL

	2011 £'000	2010 £'000
Authorised		
10,000 ordinary shares of £1 each	<u>10</u>	<u>10</u>
	<u>10</u>	<u>10</u>

	2011 Number of shares	2010 Number of shares	2011 £'000	2010 £'000
Issued and fully paid:				
At beginning end of the year	<u>10,000</u>	<u>10,000</u>	<u>10</u>	<u>10</u>

HORSHAM INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2011

8. RELATED PARTY TRANSACTIONS

The Company's immediate parent company is Portland Funding Limited. The Company regarded by the directors as the ultimate parent company is Lloyds Banking Group plc, which is the parent undertaking of the largest group of undertakings for which group accounts 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 group accounts of both may be obtained from the Company Secretary's Office, Lloyds Banking Group plc, 25 Gresham Street, London EC2V 7HN. The Company's related parties include its ultimate parent company, fellow subsidiaries and pension schemes of the Company's ultimate parent company and the Company's key management personnel. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, which is determined to be the Company's directors.

Transactions with key management personnel

There were no transactions between the Company or its subsidiaries with key management personnel during the current year. Key management personnel are employed by other companies in the Lloyds Banking Group and consider that their services to the Company are incidental to their other activities with the Group.

Transactions with intermediate parent company

	2011 £'000	2010 £'000
Lloyds TSB Bank plc - Cash and cash equivalents (note 5)	<u>18</u>	<u>18</u>
	<u>18</u>	<u>18</u>

9. FINANCIAL RISK MANAGEMENT

(a) Interest Rate Risk

The Company has no significant interest bearing assets and, consequently, no significant repricing mismatches. Accordingly, no table for repricing dates has been given.

(b) Credit Risk

The maximum credit risk exposure of the Company in the event of other parties failing to perform their obligations is detailed below. The maximum exposure to loss is considered to be the balance sheet carrying amount as at the year end.

	2011 £'000	2010 £'000
Cash and cash equivalents	<u>18</u>	<u>18</u>
Total credit risk exposure	<u>18</u>	<u>18</u>

The current rating of the intermediate parent company Lloyds TSB Bank plc, is A1 as per Moody's.

(c) Liquidity Risk

All liabilities of the Company would be classified as on demand on an undiscounted future cash flows basis according to contractual maturity.

(d) Capital Risk Management

The Company's objectives when managing capital are to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.