

HILL SAMUEL INTERNATIONAL HOLDINGS LIMITED

REPORT AND ACCOUNTS

FOR THE YEAR ENDED

31 MARCH 2012



HILL SAMUEL INTERNATIONAL HOLDINGS LIMITED

REPORT AND ACCOUNTS

For the year ended 31 March 2012

Registered in England No 960864

Registered office 25 Gresham Street, London, EC2V 7HN

Directors

J S Foster
A Goldsmith
P Pitale

HILL SAMUEL INTERNATIONAL HOLDINGS LIMITED

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HILL SAMUEL INTERNATIONAL HOLDINGS LIMITED ("the Company")

DIRECTORS' REPORT

For the year ended 31 March 2012

The directors present their report and the audited financial statements for the year ended 31 March 2012

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 profit after taxation for the year of £1,295,000 (2011: £1,304,000) is set out in the Statement of Comprehensive Income on page 7.

The dividends paid during the year were £110,000,000 (2011: £nil).

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 12 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.

DIRECTORS' RESPONSIBILITIES STATEMENT

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.

HILL SAMUEL INTERNATIONAL HOLDINGS LIMITED

DIRECTORS' REPORT (CONTINUED)

For the year ended 31 March 2012

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

On behalf of the board



J S Foster

DIRECTOR

Date 25th September 2012

Incorporated and domiciled in England & Wales, company no 960864

HILL SAMUEL INTERNATIONAL HOLDINGS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HILL SAMUEL INTERNATIONAL HOLDINGS LIMITED

For the year ended 31 March 2012

We have audited the financial statements of Hill Samuel International Holdings Limited for the year ended 31 March 2012, which comprise the Balance Sheet, the Statement of Comprehensive Income, Cash Flow Statement, the Statement of Changes in Equity 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 Directors' Responsibilities Statement set out on page 3, 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 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.

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 report and accounts 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 March 2012 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.

HILL SAMUEL INTERNATIONAL HOLDINGS LIMITED

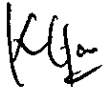
INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HILL SAMUEL INTERNATIONAL HOLDINGS LIMITED (CONTINUED)

For the year ended 31 March 2012

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



Kenneth Yam (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

Date

26 September 2012

HILL SAMUEL INTERNATIONAL HOLDINGS LIMITED

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2012

	Note	2012 £'000	2011 £'000
Interest and similar income	3	<u>1,755</u>	<u>1,816</u>
Net interest income	3	<u>1,755</u>	<u>1,816</u>
Administrative expense	4	<u>(5)</u>	<u>(5)</u>
Profit before tax		<u>1,750</u>	<u>1,811</u>
Taxation	5	<u>(455)</u>	<u>(507)</u>
Profit for the year		<u>1,295</u>	<u>1,304</u>
Total comprehensive income for the year		<u><u>1,295</u></u>	<u><u>1,304</u></u>

The accompanying notes on pages 11 to 18 are an integral part of the financial statements

HILL SAMUEL INTERNATIONAL HOLDINGS LIMITED

BALANCE SHEET

As at 31 March 2012

	Note	2012 £'000	2011 £'000
Assets			
Non-current assets			
Amounts owed by intermediate parent company	11	<u>143,957</u>	<u>253,472</u>
Total non-current assets		<u>143,957</u>	<u>253,472</u>
Current assets			
Other current assets	6	327	395
Cash and cash equivalents	11	<u>2,133</u>	<u>795</u>
Total assets		<u>146,417</u>	<u>254,662</u>
Liabilities			
Current liabilities			
Current tax liability	7	1,660	1,205
Other current liabilities	8	<u>15</u>	<u>10</u>
Total liabilities		<u>1,675</u>	<u>1,215</u>
Equity			
Share capital	9	100	100
Share premium	10	142,136	142,136
Retained earnings		<u>2,506</u>	<u>111,211</u>
Total equity		<u>144,742</u>	<u>253,447</u>
Total liabilities and equity		<u>146,417</u>	<u>254,662</u>

The directors authorised and approved the financial statements on 25th September 2012



J S Foster
DIRECTOR
Date 25th September 2012

The accompanying notes on pages 11 to 18 are an integral part of the financial statements

HILL SAMUEL INTERNATIONAL HOLDINGS LIMITED

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2012

	Share capital £'000	Share Premium £'000	Retained earnings £'000	Total £'000
Balance at 1 April 2010	100	142,136	109,907	252,143
Profit and total comprehensive income for the year	-	-	1,304	1,304
Balance at 31 March 2011	100	142,136	111,211	253,447
Profit and total comprehensive income for the year	-	-	1,295	1,295
Ordinary dividend paid	-	-	(110,000)	(110,000)
Balance at 31 March 2012	100	142,136	2,506	144,742

The accompanying notes on pages 11 to 18 are an integral part of the financial statements

HILL SAMUEL INTERNATIONAL HOLDINGS LIMITED

CASHFLOW STATEMENT

For the year ended 31 March 2012

	Note	2012 £'000	2011 £'000
Cash flows from operating activities			
Profit before taxation		1,750	1,811
Adjustment for			
Interest income	3	<u>(1,755)</u>	<u>(1,816)</u>
Operating loss before working capital changes		(5)	(5)
Increase in other current liabilities	8	<u>5</u>	<u>5</u>
Net cash used in operating activities		<u>-</u>	<u>-</u>
Cash flows from investing activities			
Interest received		1,823	1,730
Repayment of loans by intermediate parent company	11	110,000	-
Loans advanced to intermediate parent company	11	<u>(485)</u>	<u>(944)</u>
Net cash generated from investing activities		<u>111,338</u>	<u>786</u>
Cash flows from financing activities			
Dividends paid	11	<u>(110,000)</u>	<u>-</u>
Net cash used in financing activities		<u>(110,000)</u>	<u>-</u>
Change in cash and cash equivalents		1,338	786
Cash and cash equivalents at beginning of the year		795	9
Cash and cash equivalents at end of the year	11	<u><u>2,133</u></u>	<u><u>795</u></u>

The accompanying notes on pages 11 to 18 are an integral part of the financial statements

HILL SAMUEL INTERNATIONAL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

1. ACCOUNTING POLICIES

BASIS OF PREPARATION

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 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 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>
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

The following pronouncements will be relevant to the Company but were not effective as at 31 March 2012:

<u>Pronouncement</u>	<u>Nature of change</u>	<u>IASB effective date</u>
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

HILL SAMUEL INTERNATIONAL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

1. ACCOUNTING POLICIES (CONTINUED)

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
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The following pronouncements will not be relevant to the Company and were not effective as at 31 March 2012

<u>Pronouncement</u>	<u>Nature of change</u>	<u>IASB effective date</u>
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
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

At the date of this report, except IFRIC 19, these pronouncements are awaiting EU endorsement

(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.

HILL SAMUEL INTERNATIONAL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

1. ACCOUNTING POLICIES (CONTINUED)

(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.

(d) Loans and receivables

Loans and receivables are accounted for at amortised cost using the effective interest method. Loans and receivables are initially recognised when cash is advanced to the borrowers at fair value inclusive of transaction costs.

(e) Dividend payable

Dividends on ordinary and preference shares treated as equity are recognised in equity in the year in which they are paid.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Company makes assumptions and estimates that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements 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. NET INTEREST INCOME

	2012 £'000	2011 £'000
<i>Interest Income</i>		
Amounts owed by intermediate parent company (note 11)	1,722	1,812
Cash balance with intermediate parent company (note 11)	33	4
Net interest income	<u>1,755</u>	<u>1,816</u>

4. ADMINISTRATIVE EXPENSE

	2012 £'000	2011 £'000
Statutory audit fees	<u>5</u>	<u>5</u>
	<u>5</u>	<u>5</u>

The number of persons employed by the Company during the year was nil (2011 nil). The directors receive no remuneration for their services to the Company.

HILL SAMUEL INTERNATIONAL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

5. TAXATION

(a) Analysis of tax charge for the year

	2012 £'000	2011 £'000
UK Corporation tax - current year	455	507
Total taxation charge for the year	455	507

The charge for tax on the profit for the year is based on a UK corporation tax rate of 26% (2011 28%)

(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 before tax to the tax charge for the year is given below

	2012 £'000	2011 £'000
Profit before tax	1,750	1,811
Tax charge thereon at UK corporation tax rate of 26% (2011 28%)	455	507
Total taxation charge	455	507
Effective rate	26%	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.

6. OTHER CURRENT ASSETS

	2012 £'000	2011 £'000
Interest receivable	327	395
	327	395

7. CURRENT TAX LIABILITY

	2012 £'000	2011 £'000
Corporation tax payable	1,660	1,205
	1,660	1,205

8. OTHER CURRENT LIABILITIES

	2012 £'000	2011 £'000
Sundry amounts payable to intermediate parent company	15	10
	15	10

9. SHARE CAPITAL

	2012 £'000	2011 £'000
Authorised		
Class A ordinary shares of £1 each	50	50
Class B Ordinary shares of £1 each	50	50
	100	100

HILL SAMUEL INTERNATIONAL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

9. SHARE CAPITAL (CONTINUED)

	2012 Number of shares '000	2011 Number of shares '000	2012 £'000	2011 £'000
Issued and fully paid:				
Class A Ordinary shares of £1 each	50	50	50	50
Class B Ordinary shares of £1 each	50	50	50	50
	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

The 'A' shares rank pari passu with the 'B' shares in all respects except that they carry no entitlement to a dividend and in the event of a winding up any distribution is limited to £50,000.

10. SHARE PREMIUM

	2012 £'000	2011 £'000
At beginning and end of the year	<u>142,136</u>	<u>142,136</u>

11. RELATED PARTY TRANSACTIONS

The Company's immediate parent company is Lloyds Bank Subsidiaries 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 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.

Amounts owed by intermediate parent company

	2012 £'000	2011 £'000
At beginning of the year	253,472	252,528
Advances during the year	485	944
Repayments during the year	(110,000)	-
At end of the year	<u>143,957</u>	<u>253,472</u>
Representing		
Lloyds TSB Bank plc	<u>143,957</u>	<u>253,472</u>
Interest income earned (note 3)	<u>1,722</u>	<u>1,812</u>
Interest income receivable (note 6)	<u>327</u>	<u>395</u>

Interest on the above loans is receivable at a variable Libor rate. The loan balance is repayable on 16 October 2020. No impairment has arisen in respect of these loans and accordingly no provision has been recognised. The book values of the above loans are considered to approximate its fair value.

Other transactions with immediate parent company

On 27 September 2011 the Company paid ordinary dividends to its immediate parent company of £110,000,000.

HILL SAMUEL INTERNATIONAL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

11. RELATED PARTY TRANSACTIONS (CONTINUED)

Other transactions with intermediate parent company

	2012 £'000	2011 £'000
Cash and cash equivalents - Lloyds TSB Bank plc	<u>2,133</u>	<u>795</u>
Interest income earned (note 3)	<u>33</u>	<u>4</u>
Sundry amounts payable (note 8)	<u>15</u>	<u>10</u>

12. FINANCIAL RISK MANAGEMENT

The Company uses financial instruments to meet the financial needs of its counterparties and to reduce its own exposure to fluctuations in interest rates

(a) Interest Rate Risk

Interest rate risk arises from the mismatch between interest rate sensitive assets. From the perspective of the Company, the interest rate risks are integrated with the interest rate risks of the Group and are not managed separately. The scenarios are run only for assets that represent the major interest-bearing positions. Based on the simulations performed, the full year impact on post-tax profit of a 0.25% shift would be a maximum increase or decrease of approximately £270,000 (2011 £458,000).

The table below summarises the repricing mismatches of the Company's non-trading assets and liabilities. Items are allocated to time bands by reference to the earlier of the next contractual interest rate repricing date and the maturity date. Expected repricing and maturity dates do not differ significantly from the contract dates.

As at 31 March 2012	1 month or less £'000	3 months or less but over 1 month £'000	1 year or less but over 3 months £'000	5 years or less but over 1 year £'000	Over 5 years £'000	Non- interest bearing £'000	Total £'000
<i>Assets</i>							
Amounts owed by intermediate parent company	143,957	-	-	-	-	-	143,957
Other current assets	-	-	-	-	-	327	327
Cash and cash equivalents	<u>2,133</u>	-	-	-	-	-	<u>2,133</u>
Total assets	<u>146,090</u>	-	-	-	-	327	<u>146,417</u>
<i>Liabilities</i>							
Current tax liability	-	-	-	-	-	1,660	1,660
Other current liabilities	-	-	-	-	-	15	15
Total liabilities	-	-	-	-	-	<u>1,675</u>	<u>1,675</u>
Total interest sensitivity gap	<u>146,090</u>	-	-	-	-	<u>(1,348)</u>	<u>144,742</u>

HILL SAMUEL INTERNATIONAL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

12 FINANCIAL RISK MANAGEMENT (CONTINUED)

As at 31 March 2011	1 month or less £'000	3 months or less but over 1 month £'000	1 year or less but over 3 months £'000	5 years or less but over 1 year £'000	Over 5 years £'000	Non- interest bearing £'000	Total £'000
<i>Assets</i>							
Amounts owed by intermediate parent company	253,472	-	-	-	-	-	253,472
Other current assets	-	-	-	-	-	395	395
Cash and cash equivalents	795	-	-	-	-	-	795
Total assets	254,267	-	-	-	-	395	254,662
<i>Liabilities</i>							
Current tax liability	-	-	-	-	-	1,205	1,205
Other current liabilities	-	-	-	-	-	10	10
Total Liabilities	-	-	-	-	-	1,215	1,215
Total interest sensitivity gap	254,267	-	-	-	-	(820)	253,447

(b) Fair Value of Financial Assets and Liabilities

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

Wherever possible, fair values have been estimated using quoted market prices for instruments held. Where market prices are not available, fair values have been estimated using quoted values for instruments with either identical or similar characteristics. In certain cases, where no ready markets currently exist, various techniques (such as discounted cash flows or observations of similar recent market transactions) have been developed to estimate what the approximate fair value of such instruments might be. These estimation techniques are necessarily subjective in nature and involve several assumptions.

The Company provides loans and advances to other Lloyds Banking Group companies at variable rates.

(c) Measurement Basis of Financial Assets and Liabilities

The accounting policies in note 1 describe how different classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the carrying amounts of the financial assets and liabilities by category and by balance sheet heading.

As at 31 March 2012	Loans and receivables £'000	Held at amortised cost £'000	Total £'000
<i>Financial assets</i>			
Amounts owed by intermediate parent company	143,957	-	143,957
Other current assets	-	327	327
Cash and cash equivalents	-	2,133	2,133
Total financial assets	143,957	2,460	146,417
<i>Financial liabilities</i>			
Other current liabilities	-	15	15
Total financial liabilities	-	15	15

HILL SAMUEL INTERNATIONAL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

12. FINANCIAL RISK MANAGEMENT (CONTINUED)

As at 31 March 2011	Loans and receivables	Held at amortised cost	Total
	£'000	£'000	£'000
<i>Financial assets</i>			
Amounts owed by intermediate parent company	253,472	-	253,472
Other current assets	-	395	395
Cash and cash equivalents	-	795	795
Total financial assets	<u>253,472</u>	<u>1,190</u>	<u>254,662</u>
<i>Financial liabilities</i>			
Other current liabilities	-	10	10
Total financial liabilities	<u>-</u>	<u>10</u>	<u>10</u>

(d) 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.

	2012	2011
	£'000	£'000
Amounts owed by intermediate parent company	143,957	253,472
Other current assets - intermediate parent company	327	395
Cash and cash equivalents - intermediate parent company	<u>2,133</u>	<u>795</u>
Total credit risk exposure	<u>146,417</u>	<u>254,662</u>

The current rating of the intermediate parent company, Lloyds TSB Bank plc, is A2 as per Moody's.

(e) Liquidity Risk

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

(f) 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.