

HILL SAMUEL INVESTMENTS LIMITED
REPORT AND ACCOUNTS
FOR THE PERIOD ENDED
31 DECEMBER 2012



HILL SAMUEL INVESTMENTS LIMITED

REPORT AND ACCOUNTS

For the period ended 31 December 2012

Registered in England & Wales Company No 1084304

Registered office 25 Gresham Street, London, EC2V 7HN.

DIRECTORS

R G M Conway

A K Goldsmith

P N Pitale

P M Woodbury resigned as director of the Company on 13th June 2012

COMPANY SECRETARY

S N Slattery

HILL SAMUEL INVESTMENTS LIMITED

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HILL SAMUEL INVESTMENTS LIMITED ("the Company")

DIRECTORS' REPORT

For the period ended 31 December 2012

The directors present their report and the audited financial statements of the Company for the period ended 31 December 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 period and no change is expected in the foreseeable future.

The Company changed its accounting reference date in 2012 from 18 December to 31 December. The comparatives represent the period 19 December 2010 to 18 December 2011 and the current period represents 19 December 2011 to 31 December 2012.

The profit after taxation for the period of £9,992,000 (2011: £9,599,000) is set out in the Statement of Comprehensive Income on page 7.

The Company paid no dividends during the period (2011: £48,000,000).

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, the ultimate parent of the Company, and are not managed separately. Full disclosure of the Company's financial risk management objectives and policies are given in note 11 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, except P M Woodbury, served throughout the period 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,

HILL SAMUEL INVESTMENTS LIMITED

DIRECTORS' REPORT (CONTINUED)

For the period ended 31 December 2012

STATEMENT OF DIRECTORS' RESPONSIBILITIES (CONTINUED)

- 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.

Each of the directors, whose names are listed on page 1, confirm 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



P N Pitale
Director

Date 10 June 2013

Incorporated and domiciled in England and Wales Company No 1084304

HILL SAMUEL INVESTMENTS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HILL SAMUEL INVESTMENTS LIMITED

For the period ended 31 December 2012

We have audited the financial statements of Hill Samuel Investments Limited for the period ended 31 December 2012 which comprise the Balance Sheet, the Statement of Comprehensive Income, the Statement of Cash Flow, 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 Statement of Directors' Responsibilities set out on pages 3-4, 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 December 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 INVESTMENTS LIMITED

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

For the period ended 31 December 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

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

7 More London Riverside, London

SE1 2RT

Date

11 June 2013

HILL SAMUEL INVESTMENTS LIMITED

STATEMENT OF COMPREHENSIVE INCOME

For the period ended 31 December 2012

	Note	Period ended 31 December 2012 £'000	Year ended 18 December 2011 £'000
Interest and similar income	3	13,278	13,065
Interest and similar expense	3	<u>(29)</u>	<u>-</u>
Net interest income	3	13,249	13,065
Operating expense	4	<u>(5)</u>	<u>(5)</u>
Profit before taxation		13,244	13,060
Taxation	5	<u>(3,252)</u>	<u>(3,461)</u>
Profit for the period		<u>9,992</u>	<u>9,599</u>
Total comprehensive income for the period		<u>9,992</u>	<u>9,599</u>

All activities are continuing. The Company has no recognised gains and losses other than those included in the results above.

The accompanying notes on page 11 to 21 are an integral part of the financial statements.

HILL SAMUEL INVESTMENTS LIMITED

BALANCE SHEET

As at 31 December 2012

	Note	As at 31 December 2012 £'000	As at 18 December 2011 £'000
Assets			
Current assets			
Amounts owed by immediate parent company	10	2,030,035	2,015,892
Other current assets	6	384	1,249
Cash and cash equivalents	10	-	72
Total current assets		2,030,419	2,017,213
Total assets		2,030,419	2,017,213
Liabilities			
Current liabilities			
Bank overdraft	10	8,985	-
Current tax liabilities	7	6,713	12,489
Other current liabilities	8	20	15
Total liabilities		15,718	12,504
Equity			
Share capital	9	2,000,000	2,000,000
Retained earnings		14,701	4,709
Total equity		2,014,701	2,004,709
Total liabilities and equity		2,030,419	2,017,213

The directors approved the accounts on pages 11 to 21 on the date of 10 June 2013



P N Pitale
Director

Date 10 June 2013

The accompanying notes on page 11 to 21 form an integral part of the financial statements

HILL SAMUEL INVESTMENTS LIMITED

STATEMENT OF CHANGES IN EQUITY

For the period ended 31 December 2012

	Share Capital	Retained Earnings	Total
	£'000	£'000	£'000
Balance at 19 December 2010	2,000,000	43,110	2,043,110
Profit and total comprehensive income for the year	-	9,599	9,599
Dividends paid	-	(48,000)	(48,000)
Balance at 18 December 2011	2,000,000	4,709	2,004,709
Profit and total comprehensive income for the period	-	9,992	9,992
Balance at 31 December 2012	2,000,000	14,701	2,014,701

The accompanying notes on page 11 to 21 are an integral part of the financial statements

HILL SAMUEL INVESTMENTS LIMITED

CASH FLOW STATEMENT

For the period ended 31 December 2012

	Note	19 December 2011 to 31 December 2012 £'000	19 December 2010 to 18 December 2011 £'000
Cash flows from operating activities			
Profit before taxation		13,244	13,060
Adjustment for			
Interest income	3	(13,278)	(10)
Interest expense	3	29	-
Operating profit before working capital changes		(5)	13,050
Increase in other current assets	6	-	(252)
Increase in other current liabilities	8	5	5
Taxation paid		(9,028)	-
Net cash (used in)/generated from operating activities		(9,028)	12,803
Cash flows from investing activities			
Interest received		14,143	10
Advanced to immediate parent company	10	(14,143)	(12,809)
Repayment by immediate parent company	10	-	48,000
Net cash generated from investing activities		-	35,201
Cash flows from financing activities			
Dividends paid		-	(48,000)
Interest paid		(29)	-
Net cash used in financing activities		(29)	(48,000)
Net (decrease)/increase in cash and cash equivalents		(9,057)	4
Cash and cash equivalents at beginning of the period		72	68
Cash and cash equivalents at end of the period	10	(8,985)	72

The accompanying notes on page 11 to 21 form an integral part of the financial statements

HILL SAMUEL INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 December 2012

1 ACCOUNTING POLICIES

BASIS OF PREPARATION

The financial statements have been prepared on a going concern basis 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 1, 'Financial statement presentation', regarding other comprehensive income	The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI.	1 July 2012
Amendment to IAS 12, 'Income taxes', on deferred tax	Currently IAS 12, 'Income taxes', requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. This amendment introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, SIC 21, 'Income taxes: recovery of revalued non depreciable assets', would no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC 21, which is accordingly withdrawn.	1 January 2012 (not endorsed by the European Union at the time of going to print)

HILL SAMUEL INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the period ended 31 December 2012

1. ACCOUNTING POLICIES (CONTINUED)

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

<u>Pronouncement</u>	<u>Nature of change</u>	<u>IASB effective date</u>
Amendment to IFRS 7, 'Financial instruments Disclosures', on asset and liability offsetting	This amendment includes new disclosures to facilitate comparison between those entities that prepare IFRS financial statements to those that prepare financial statements in accordance with US GAAP	1 January 2013
IFRS 12 Disclosure of Interests in other entities	IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles	1 January 2013
IFRS 13, 'Fair Value Measurement'	IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRS and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP	1 January 2013
Amendment to IAS 32, 'Financial instruments Presentation', on asset and liability offsetting	These amendments are to the application guidance in IAS 32, 'Financial instruments Presentation', and clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet	1 January 2014
IFRS 9, 'Financial instruments'	IFRS 9 is the first standard issued as part of a wider project to replace IAS 39. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The guidance in IAS 39 on impairment of financial assets and hedge accounting continues to apply.	1 January 2015

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

<u>Pronouncement</u>	<u>Nature of change</u>	<u>IASB effective date</u>
Amendment to IAS 19, 'Employee benefits'	These amendments eliminate the corridor approach and calculate finance costs on a net funding basis	1 January 2013

HILL SAMUEL INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the period ended 31 December 2012

1. ACCOUNTING POLICIES (CONTINUED)

Amendment to IFRS 1, 'First time adoption', on government loans	This amendment addresses how a first time adopter would account for a government loan with a below market rate of interest when transitioning to IFRS. It also adds an exception to the retrospective application of IFRS, which provides the same relief to first time adopters granted to existing preparers of IFRS financial statements when the requirement was incorporated into IAS 20 in 2008.	1 January 2013
Amendment to IFRSs 10, 11 and 12 on transition guidance	These amendments provide additional transition relief to IFRSs 10, 11 and 12, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. For disclosures related to unconsolidated structured entities, the amendments will remove the requirement to present comparative information for periods before IFRS 12 is first applied.	1 January 2013
IFRS 10 'Consolidated Financial Statements'	The objective of IFRS 10 is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entity (an entity that controls one or more other entities) to present consolidated financial statements. It defines the principle of control, and establishes controls as the basis for consolidation. It sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee. It also sets out the accounting requirements for the preparation of consolidated financial statements.	1 January 2013
IAS 27 (revised 2011), 'Separate financial statements'	IAS 27 (revised 2011) includes the requirements relating to separate financial statements.	1 January 2013

HILL SAMUEL INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the period ended 31 December 2012

1. ACCOUNTING POLICIES (CONTINUED)

IFRS 11, 'Joint arrangements'	IFRS 11 is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the parties to the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and therefore accounts for its share of assets, liabilities, revenue and expenses. Joint ventures arise where the joint venturer has rights to the net assets of the arrangement and therefore equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed.	1 January 2013
IAS 28 (revised 2011), 'Associates and joint ventures'	IAS 28 (revised 2011) includes the requirements for associates and joint ventures that have to be equity accounted following the issue of IFRS 11.	1 January 2013
IFRIC 20, 'Stripping costs in the production phase of a surface mine'	This interpretation sets out the accounting for overburden waste removal (stripping) costs in the production phase of a surface mine. The interpretation may require mining entities reporting under IFRS to write off existing stripping assets to opening retained earnings if the assets cannot be attributed to an identifiable component of an ore body.	1 January 2013

(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. Coupon or dividends received on investment in irredeemable shares, which carry a mandatory coupon, are recognised in the Statement of Comprehensive Income as interest income.

(b) Dividends receivable

Dividends in respect of investment in ordinary shares are recognised as income in the year in which they are received.

(c) 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.

HILL SAMUEL INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the period ended 31 December 2012

1. ACCOUNTING POLICIES (CONTINUED)

(d) 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

(e) 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

(f) Impairment

At each balance sheet date the Company assesses whether, as a result of one or more events occurring after initial recognition, there is objective evidence that a financial asset has become impaired. If there is objective evidence that an impairment loss has been incurred, a provision is established which is calculated as the difference between the balance sheet carrying value of the asset and the present value of estimated future cash flows discounted at that asset's original effective interest rate

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

The accounting policies deemed critical to the Company's results and financial position, based upon materiality and significant judgements and estimates, are discussed below

Impairment of loans and receivables

The Company determines that the loans and receivables are impaired when the present value of the estimated future cash flows do not exceed their recoverable amount. Estimating the future cash flows requires a degree of judgement and may depend to a large extent on the selection of key assumptions about the future used

3. NET INTEREST INCOME

	Period ended 31 December 2012 £'000	Year ended 18 December 2011 £'000
<i>Interest income</i>		
Amounts owed by immediate parent company (note 10)	13,278	13,055
Cash balance with immediate parent company (note 10)	-	10
	<u>13,278</u>	<u>13,065</u>
<i>Interest expense</i>		
Cash balance with immediate parent company (note 10)	(29)	-
	<u>(29)</u>	<u>-</u>
Net interest income	<u>13,249</u>	<u>13,065</u>

4 OPERATING EXPENSE

	Period ended 31 December 2012 £'000	Year ended 18 December 2011 £'000
Statutory audit fees	<u>5</u>	<u>5</u>
	<u>5</u>	<u>5</u>

HILL SAMUEL INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the period ended 31 December 2012

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

5. TAXATION

(a) Analysis of charge for the period

	Period ended 31 December 2012 £'000	Year ended 18 December 2011 £'000
Current period tax charge	<u>3,252</u>	<u>3,461</u>

The tax charge on the Company's profit for the period is based on a UK corporation tax rate of 24.55% (2011 26.5%)

(b) Factors affecting the tax charge for the period

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 period is given below

	Period ended 31 December 2012 £'000	Year ended 18 December 2011 £'000
Profit before taxation	<u>13,244</u>	<u>13,060</u>
Tax charge thereon at UK corporation tax rate of 24.55% (2011 26.5%)	<u>3,252</u>	<u>3,461</u>
Total taxation	<u>3,252</u>	<u>3,461</u>
Effective rate	<u>24.55%</u>	<u>26.5%</u>

On 21 March 2012, the Government announced a reduction in the rate of corporation tax to 24% with effect from 1 April 2012. This reduction was enacted under the Provisional Collection of Taxes Act 1968 on 26 March 2012. In addition, the Finance Act 2012, which passed into law on 3 July 2012, included legislation to reduce the main rate of corporation tax from 24% to 23% with effect from 1 April 2013.

On 5 December 2012, the Government announced a further reduction in the main rate of corporation tax to 21% from 1 April 2014. In addition, on 20 March 2013 the Government announced a further reduction in the main rate of corporation tax to 20% from 1 April 2015.

6. OTHER CURRENT ASSETS

	As at 31 December 2012 £'000	As at 18 December 2011 £'000
Accrued interest receivable (note 10)	<u>384</u>	<u>1,249</u>
	<u>384</u>	<u>1,249</u>

HILL SAMUEL INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the period ended 31 December 2012

7. CURRENT TAX LIABILITIES

	As at 31 December 2012 £'000	As at 18 December 2011 £'000
Corporation tax payable	<u>6,713</u>	<u>12,489</u>
	<u>6,713</u>	<u>12,489</u>

8. OTHER CURRENT LIABILITIES

	As at 31 December 2012 £'000	As at 18 December 2011 £'000
Sundry amount payable to immediate parent company (note 10)	<u>20</u>	<u>15</u>
	<u>20</u>	<u>15</u>

9. SHARE CAPITAL

	As at 31 December 2012 £'000	As at 18 December 2011 £'000
Authorised		
2,000,000,000 ordinary shares of £1 each	<u>2,000,000</u>	<u>2,000,000</u>
	<u>2,000,000</u>	<u>2,000,000</u>

	2012 Number of shares	2011 Number of shares	2012 £'000	2011 £'000
Issued and fully paid:				
At the beginning and end of the period	<u>2,000,000,000</u>	<u>2,000,000,000</u>	<u>2,000,000</u>	<u>2,000,000</u>

10. RELATED PARTY TRANSACTIONS

The Company's immediate parent company is Lloyds TSB Bank plc. The Company regarded by the directors as the ultimate parent company is Lloyds Banking Group plc (formerly Lloyds TSB 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 period. 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.

HILL SAMUEL INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the period ended 31 December 2012

10. RELATED PARTY TRANSACTIONS (CONTINUED)

Other transactions with immediate parent company

	As at 31 December 2012 £'000	As at 18 December 2011 £'000
Cash balance with immediate parent company		
Lloyds TSB Bank plc - (bank overdraft)/cash and cash equivalents	<u>(8,985)</u>	<u>72</u>
Interest income earned (note 3)	<u>-</u>	<u>10</u>
Interest expense paid (note 3)	<u>(29)</u>	<u>-</u>

The Company has audit fees payable of £20,000 to Lloyds TSB Bank plc (2011 £15,000) (note 8)

The Company has not declared any dividends during the year (2011 £48,000,000)

Amounts owed by immediate parent company

	As at 31 December 2012 £'000	As at 18 December 2011 £'000
At beginning of the period	2,015,892	2,051,083
Advances during the period	14,143	12,809
Repayments during the period	<u>-</u>	<u>(48,000)</u>
At end of the period	<u>2,030,035</u>	<u>2,015,892</u>
Representing		
Lloyds TSB Bank plc	<u>2,030,035</u>	<u>2,015,892</u>
Interest Income earned (note 3)	<u>13,278</u>	<u>13,055</u>
Interest receivable (note 6)	<u>384</u>	<u>1,249</u>

The loan advanced to Lloyds TSB Bank plc pays one month LIBOR rate and is payable on 18 January 2013. No impairment has arisen in respect of the loan balance and accordingly no provision has been recognised. The fair value of the loan is approximately equal to the book value.

11. 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. The Company makes loans to other Lloyds Banking Group companies at floating rates and for various tenors. Such exposures to counterparties involve balance sheet loans and advances.

(a) Interest Rate Risk

Interest rate risk arises from the mismatch between interest rate sensitive liabilities and 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 and liabilities 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 £3,829,000 (2011 £3,629,000).

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.

HILL SAMUEL INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the period ended 31 December 2012

11. FINANCIAL RISK MANAGEMENT (CONTINUED)

As at 31 December 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 immediate parent company	2,030,035	-	-	-	-	-	2,030,035
Other current assets	-	-	-	-	-	384	384
Total Assets	2,030,035	-	-	-	-	384	2,030,419
<i>Liabilities</i>							
Bank overdraft	8,985	-	-	-	-	-	8,985
Current tax liabilities	-	-	-	-	-	6,713	6,713
Other current liabilities	-	-	-	-	-	20	20
Total Liabilities	8,985	-	-	-	-	6,733	15,718
Total interest sensitivity gap	2,021,050	-	-	-	-	(6,349)	2,014,701
As at 18 December 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 immediate parent company	2,015,892	-	-	-	-	-	2,015,892
Other current assets	-	-	-	-	-	1,249	1,249
Cash and cash equivalents	72	-	-	-	-	-	72
Total Assets	2,015,964	-	-	-	-	1,249	2,017,213
<i>Liabilities</i>							
Current tax liabilities	-	-	-	-	-	12,489	12,489
Other current liabilities	-	-	-	-	-	15	15
Total Liabilities	-	-	-	-	-	12,504	12,504
Total interest sensitivity gap	2,015,964	-	-	-	-	(11,255)	2,004,709

HILL SAMUEL INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the period ended 31 December 2012

11. FINANCIAL RISK MANAGEMENT (CONTINUED)

(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. The fair value for these loans and advances as disclosed in note 10 were estimated by discounting anticipated cash flows at a rate which reflects the effects of interest rate changes, adjusted for changes in credit risk, and are considered to be approximately the same as the carrying value. The fair values are at a specific date and may be significantly different from the amounts which will actually be paid or received on the maturity or settlement date.

(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 December 2012

	Loans and receivables £'000	Held at amortised cost £'000	Total £'000
<i>Assets</i>			
Amounts owed by immediate parent company	2,030,035	-	2,030,035
Other current assets	-	384	384
Total financial assets	<u>2,030,035</u>	<u>384</u>	<u>2,030,419</u>
<i>Liabilities</i>			
Bank overdraft	-	8,985	8,985
Other current liabilities	-	20	20
Total financial liabilities	<u>-</u>	<u>9,005</u>	<u>9,005</u>

As at 18 December 2011

	Loans and receivables £'000	Held at amortised cost £'000	Total £'000
<i>Assets</i>			
Amounts owed by immediate parent company	2,015,892	-	2,015,892
Other current assets	-	1,249	1,249
Cash and cash equivalents	-	72	72
Total financial assets	<u>2,015,892</u>	<u>1,321</u>	<u>2,017,213</u>
<i>Liabilities</i>			
Other current liabilities	-	15	15
Total financial liabilities	<u>-</u>	<u>15</u>	<u>15</u>

HILL SAMUEL INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the period ended 31 December 2012

11. FINANCIAL RISK MANAGEMENT (CONTINUED)

(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 period end.

	As at 31 December 2012 £'000	As at 18 December 2011 £'000
Amounts owed by immediate parent company	2,030,035	2,015,892
Other current assets	384	1,249
Cash and cash equivalents	-	72
Total credit risk exposure	<u>2,030,419</u>	<u>2,017,213</u>

The current rating of the immediate parent company, Lloyds TSB Bank plc, is A2 (2011 A1) 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.