Hyundai Car Finance Limited

Annual report and accounts for the year ended 31 December 2018

Registered office

116 Cockfosters Road
Barnet
Hertfordshire
EN4 0DY

Registered number

02160191

Current directors

C M Adams
R A Jones

Company Secretary

D D Hennessey

Member of Lloyds Banking Group

Directors' report

For the year ended 31 December 2018

The directors present their report for the year ended 31 December 2018.

General information

The Company is a limited company incorporated and domiciled in England and Wales (registered number: 02160191).

The Company historically provided a range of hire purchase and finance lease products, as well as personal loans, generally in connection with the financing of Hyundai motor cars.

The Company is funded entirely by other companies within the Lloyds Banking Group ("the Group").

Principal risks and uncertainties

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the Retail Division, which is part of the Lloyds Banking Group. The Retail Division is a portfolio of businesses and operates in a number of specialist markets providing consumer lending and contract hire to personal and corporate customers. Further details of risk management policies are contained in note 16 to the financial statements.

Key performance indicators ("KPIs")

Given the straightforward nature of the business, the Company's directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business. KPIs are monitored and reported at a divisional level.

Future outlook

The Company ceased to write new business from 1 January 2012. The Company will manage its loan book until all the loans and advances have been repaid, at which point the Company will cease to trade. The carrying value of Loans and advances to customers and associated income will reduce as individual lease agreements expire and any assets are disposed of.

The Company was subject to Payment Protection Insurance ("PPI") claims. The PPI claim deadline has now passed and all claims received are currently being evaluated (see notes 2 and 18).

The Company is part of the wider Lloyds Banking Group, and, at that level, consideration of many of the potential implications following the UK's vote to leave the European Union ("EU") has been undertaken. Work continues to assess the impact of EU exit at the level of the Lloyds Banking Group, as well as for the Company, upon customers, colleagues and products. This assessment includes all legal, regulatory, tax, finance and capital implications.

Dividends

No dividends were paid or proposed during the year ended 31 December 2018 (2017: £19,580,000).

Going concern

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

Directors

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

There have been no changes to directors between the beginning of the reporting period and the approval of the Annual report and accounts.

Directors' indemnities

Lloyds Banking Group plc has granted to the directors of the Company a deed of indemnity through deed poll which constituted 'qualifying third party indemnity provisions' for the purposes of the Companies Act 2006. The deed was in force during the whole of the financial year and at the date of approval of the financial statements or from the date of appointment in respect of directors who join the board of the Company during the financial year. Directors no longer in office but who served on the board of the Company at any time in the financial year have the benefit of this contract of indemnity during that period of service. The indemnity remains in force for the duration of the directors' periods of office. The deed indemnifies the directors to the maximum extent permitted by law. Deeds for existing directors are available for inspection at the registered office of Lloyds Banking Group plc. In addition, the Group has in place appropriate directors and officers liability insurance cover which was in place throughout the financial year.

Directors' report (continued)

For the year ended 31 December 2018

Statement of directors' responsibilities

The directors are responsible for preparing the Annual report and accounts in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business.

The directors are 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.

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.

Independent auditors and audit information

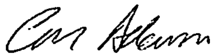
In accordance with Section 418 of the Companies Act 2006, in the case of each director in office at the date the Directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

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

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

Approved by the board of directors and signed on its behalf by:



C M Adams
Director

30 September 2019

Statement of comprehensive income

For the year ended 31 December 2018

	Note	2018 £'000	2017 £'000
Payment protection insurance charge	13	**(89)**	(338)
Impairment gains	3	**9**	46
Other operating expenses	4	**(10)**	(38)
Loss before tax		**(90)**	(330)
Taxation	7	**17**	63
Loss for the year being total comprehensive expense		**(73)**	(267)
Attributable to:			
Owners of the parent		**(37)**	(134)
Non-controlling interest		**(36)**	(133)
Loss for the year being total comprehensive expense		**(73)**	(267)

The accompanying notes to the financial statements are an integral part of these financial statements.

Balance sheet

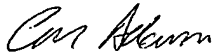
As at 31 December 2018

	Note	2018 £'000	2017 £'000
ASSETS			
Trade and other receivables	9	**467**	494
Loans and advances to customers	10	**14**	25
Current tax asset		**18**	66
Deferred tax asset	11	**4**	9
Total assets		**503**	594
LIABILITIES			
Borrowed funds	12	**319**	319
Provision for liabilities and charges	13	**395**	432
Total liabilities		**714**	751
EQUITY			
Share capital	14	**10**	10
Accumulated losses		**(221)**	(167)
Total equity		**(211)**	(157)
Total equity and liabilities		**503**	594

The accompanying notes to the financial statements are an integral part of these financial statements.

The 2018 opening balances have been adjusted to reflect the transition to IFRS 9 as explained in note 20.

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



C M Adams
Director

30 September 2019

Statement of changes in equity

For the year ended 31 December 2018

	Share £'000	Retained profits/ (Accumulated losses) £'000	Total equity £'000
At 1 January 2017	10	19,680	19,690
Total comprehensive expense for the year attributable to:			
- Owners of the parent	-	(134)	(134)
- Non-controlling interest	-	(133)	(133)
Dividend paid to equity holders of the Company	-	(19,580)	(19,580)
At 31 December 2017	**10**	**(167)**	**(157)**
Transition to IFRS 9 (see note 20)	-	19	19
At 1 January 2018	10	(148)	(138)
Total comprehensive expense for the year attributable to:			
- Owners of the parent	-	(37)	(37)
- Non-controlling interest	-	(36)	(36)
At 31 December 2018	**10**	**(221)**	**(211)**

The accompanying notes to the financial statements are an integral part of these financial statements.

The 2018 opening balances have been adjusted to reflect the transition to IFRS 9 as explained in note 20.

Cash flow statement

For the year ended 31 December 2018

	2018 £'000	2017 £'000
Cash flows generated from operating activities		
Loss before tax	**(90)**	(330)
Adjustments for:		
- (Decrease)/increase in Provision for liabilities and charges	**(37)**	432
Changes in operating assets and liabilities:		
- Net decrease in Loans and advances to customers	**11**	50
- Net decrease in Loans and advances to customers - adjustment on adoption of IFRS9	**23**	-
- Net decrease/(increase) in Other assets	**79**	(126)
Cash (used in)/generated from operations	**(14)**	26
Tax received/(paid)	**66**	(13)
Net cash generated from operating activities	**52**	13
Cash flows used in financing activities		
Dividends paid	**-**	(19,580)
(Increase in)/Proceeds from net lending to group undertakings	**(52)**	19,567
Net cash used in financing activities	**(52)**	(13)
Change in cash and cash equivalents	**-**	-
Cash and cash equivalents at beginning of year	**-**	-
Cash and cash equivalents at end of year	**-**	-

The accompanying notes to the financial statements are an integral part of these financial statements.

The 2018 opening balances have been adjusted to reflect the transition to IFRS 9 as explained in note 20.

Notes to the financial statements
For the year ended 31 December 2018

1. Accounting policies

1.1 Basis of preparation

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

These financial statements have been prepared in accordance with applicable IFRSs as adopted by the European Union and the Companies Act 2006 applicable to companies reporting under IFRSs. IFRSs comprise accounting standards prefixed IFRS issued by the International Accounting Standards Board ("IASB") and those prefixed IAS issued by the IASB's predecessor body, as well as interpretations issued by the IFRS Interpretations Committee ("IFRS IC") and its predecessor body.

The following new IFRS pronouncement relevant to the Company has been adopted in these financial statements:

(i) IFRS 9 'Financial Instruments': Replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 requires financial assets to be classified into one of three measurement categories, fair value through profit or loss, fair value through other comprehensive income and amortised cost, on the basis of the objectives of the entity's business model for managing its financial assets and the contractual cash flow characteristics of the instruments. IFRS 9 also replaces the existing 'incurred loss' impairment approach with an expected credit loss approach. The hedge accounting requirements of IFRS 9 are more closely aligned with risk management practices and follow a more principle based approach than IAS 39.

Please see note 20 for the impact this pronouncement has had on amounts recognised in these financial statements.

There are no new pronouncements relevant to the Company requiring adoption.

The financial statements have been prepared on a going concern basis as detailed in the Directors' report and under the historical cost convention.

1.2 Income recognition

Income and expense from financial instruments

Interest income and expense are recognised in the Statement of comprehensive income for all interest bearing financial instruments, including loans and advances, using the effective interest rate method. The effective interest rate method is a method of calculating the amortised cost of a financial asset or liability and of allocating the interest income or interest expense to a period of account. The effective interest rate is the rate that 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.

Lease classification

Lease agreements are classified as finance leases if the lease agreements transfer substantially all of the risks and rewards of ownership to the lessee; all other leases are classified as operating leases.

When assets are leased under a finance lease, the net present value of the lease payments plus any guaranteed residual value payments, where applicable, is recognised as a receivable within Loans and advances to customers. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance lease income.

Finance lease income

Finance lease income is recognised over the lease term using the net investment method so as to reflect a constant periodic rate of return on the Company's net investment in the lease. Initial direct incremental costs attributed to negotiating and arranging the lease are included in the initial measurement of the finance lease receivable thus reducing the amount of income recognised over the lease term.

When calculating the effective interest rate, the future cash flows are estimated after considering all the contractual terms of the agreement but not future credit losses. The calculation includes all amounts received or paid by the Company that are an integral part of the overall return such as acceptance and, where relevant, early settlement fees as well as direct incremental transaction costs related to the acquisition, issue or disposal of a financial instrument and all other premiums or discounts.

1. Accounting policies (continued)

1.2 Income recognition (continued)

Fees and commission income and expense

Fees and commissions which are not an integral part of the effective interest rate (such as commission associated with the sale of insurance underwritten by a third party) are generally recognised in the Statement of comprehensive income on an accruals basis when the service has been provided. A provision for the claw back of such commissions in the event of early termination is assessed at least every six months to take account of the most recent trends.

1.3 Financial assets and liabilities

Financial assets comprise Amounts due from group undertakings, Other assets and Loans and advances to customers. Financial liabilities comprise Amounts due to group undertakings.

Financial assets and liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are derecognised when the rights to receive cash flows, or obligations to pay cash flows, have expired.

Interest bearing financial assets and financial liabilities are recognised and measured at amortised cost inclusive of transaction costs, using the effective interest rate method.

1.4 Impairment

Impairment of financial assets

The impairment charge in the Income statement includes the change in expected credit losses and certain fraud costs. Expected credit losses are recognised for Loans and advances to customers and other financial assets held at amortised cost, together with any loan commitments. Expected credit losses are calculated by using an appropriate probability of default, adjusted to take into account a range of possible future economic scenarios, and applying this to the estimated exposure of the Company at the point of default after taking into account the value of any collateral held or other mitigants of loss and including the impact of discounting using the effective interest rate.

A loan or advance is normally written off, either partially or in full, against the related allowance when the proceeds from realising any available security have been received or there is no realistic prospect of recovery and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of impairment losses recorded in the income statement. The write-off takes place only once an extensive set of collections processes has been completed, or the status of the account reaches a point where policy dictates that continuing concessions are no longer appropriate.

Impairment of loans and advances

At initial recognition, allowance is made for expected credit losses resulting from default events that are possible within the next 12 months (12-month expected credit losses). In the event of a significant increase in credit risk, allowance (or provision) is made for expected credit losses resulting from all possible default events over the expected life of the financial instrument (lifetime expected credit losses). Financial assets where 12-month expected credit losses are recognised are considered to be Stage 1; financial assets which are considered to have experienced a significant increase in credit risk are in Stage 2; and financial assets which have defaulted or are otherwise considered to be credit impaired are allocated to Stage 3.

An assessment of whether credit risk has increased significantly since initial recognition considers the change in the risk of default occurring over the remaining expected life of the financial instrument. The assessment is unbiased, probability-weighted and uses forward-looking information consistent with that used in the measurement of expected credit losses. In determining whether there has been a significant increase in credit risk, the Company uses quantitative tests based on relative and absolute probability of default ("PD") movements linked to internal credit ratings together with qualitative indicators such as watch lists and other indicators of historic delinquency. However, unless identified at an earlier stage, the credit risk of financial assets is deemed to have increased significantly when more than 30 days past due. Where the credit risk subsequently improves such that it no longer represents a significant increase in credit risk since origination, the asset is transferred back to Stage 1.

Assets are transferred to Stage 3 when they have defaulted or are otherwise considered to be credit impaired.

Notes to the financial statements (continued)
For the year ended 31 December 2018

1. Accounting policies (continued)

1.4 Impairment (continued)

In certain circumstances, the Company will renegotiate the original terms of a customer's loan, either as part of an on going customer relationship or in response to adverse changes in the circumstances of the borrower. In the latter circumstances, the loan will remain classified as either Stage 2 or Stage 3 until the credit risk has improved such that it no longer represents a significant increase since origination (for a return to Stage 1), or the loan is no longer in default (for a return to Stage 2).

The probability of default ("PD") of an exposure, both over a 12 month period or over its lifetime is a key input to the measurement of the ECL allowance. Default has occurred when there is evidence that the customer is experiencing significant financial difficulty which is likely to affect the ability to repay amounts due. The Company has adopted the following definition of default for all its products:

• factors indicating an unwillingness to pay, such as bankruptcy or other financial hardship support, e.g. individual voluntary arrangements; or
• a payment is past due by 90 days;

IFRS 9 contains a rebuttable presumption that default occurs no later than when a payment is 90 days past due, which the Company has adopted.

Impairment of other financial assets

Under IFRS 9 at initial recognition, allowance is made for expected losses resulting from default events that are possible within the next 12 months (12-month expected credit losses). In the event of a significant increase in credit risk since origination, allowance (or provision) is made for expected losses resulting from all possible default events over the expected life of the asset.

Other financial assets where 12-month expected credit losses are recognised are considered to be Stage 1; other financial assets which are considered to have experienced a significant increase in credit risk since initial recognition are in Stage 2; and other financial assets which have defaulted or are otherwise considered to be credit impaired are allocated to Stage 3.

1.5 Dividends paid

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

1.6 Cash and cash equivalents

For the purposes of the Balance sheet and Cash flow statement, Cash and cash equivalents comprise balances with less than three months' maturity.

1.7 Taxation, including deferred income taxes

Tax expense comprises current and deferred tax. Current and deferred tax are charged or credited in the Statement of comprehensive income except to the extent that the tax arises from a transaction or event which is recognised, in the same or a different period, outside the Statement of comprehensive income (either in other comprehensive income, directly in equity, or through a business combination), in which case the tax appears in the same statement as the transaction that gave rise to it.

Current tax is the amount of corporate income taxes expected to be payable or recoverable based on the profit for the period as adjusted for items that are not taxable or not deductible, and is calculated using tax rates and laws that were enacted or substantively enacted at the balance sheet date.

Current tax includes amounts provided in respect of uncertain tax positions when management expects that, upon examination of the uncertainty by Her Majesty's Revenue and Customs or another tax authority, it is more likely than not that an economic outflow will occur. Provisions reflect management's best estimate of the ultimate liability based on their interpretation of tax law, precedent and guidance, informed by external tax advice as necessary. Changes in facts and circumstances underlying these provisions are reassessed at each balance sheet date, and the provisions are re-measured as required to reflect current information.

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the balance sheet. Deferred tax is calculated using tax rates and laws that have been enacted or substantively enacted at the balance sheet date, and which are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Notes to the financial statements (continued)

For the year ended 31 December 2018

1. Accounting policies (continued)

1.7 Taxation, including deferred income taxes (continued)

Deferred tax liabilities are generally recognised for all taxable temporary differences but not recognised for taxable temporary differences arising on investments in subsidiaries, associates and joint arrangements where the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future. Deferred tax liabilities are not recognised on temporary differences that arise from goodwill which is not deductible for tax purposes.

Deferred tax assets are recognised to the extent it is probable that taxable profits will be available against which the deductible temporary differences can be utilised, and are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are not recognised in respect of temporary differences that arise on initial recognition of assets and liabilities acquired other than in a business combination. Deferred tax is not discounted.

1.8 Provision for liabilities and charges

Provisions are recognised in respect of present obligations arising from past events where it is probable that outflows of resources will be required to settle the obligations and they can be reliably estimated.

2. Critical accounting estimates and judgements in applying accounting policies

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although those estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

The following are critical accounting estimates and judgements that the directors have made in the process of applying the company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

Payment Protection Insurance

Critical estimate

At 31 December 2018, the Company carried a provision of £316,000 (2017: £274,000) against the cost of making redress payments to customers and the related administration costs in relation to the mis selling of Payment Protection Insurance ("PPI"). Determining a reliable estimate of the amount of the provision, which represents management's best estimate of of settling these issues, requires the exercise of significant judgement. It will often be necessary to form a view on matters which are inherently uncertain, such as the number of future complaints, the extent to which they will be upheld and the average cost of redress. Consequently the continued appropriateness of the underlying assumptions is reviewed on a regular basis against actual experience and other relevant evidence and adjustments made to the provisions where appropriate.

Critical judgement

As explained in note 18 the level of PPI claims received by the Lloyds Banking Group in August 2019 increased to an unprecedented level. Given the proximity of these claims to the FCA deadline of 29 August 2019 and the apparent impact on claimant behaviour of the campaign run by the FCA to make consumers aware of the deadline on the level of claims made in the run up to 29 August, the directors have formed the view that it is not appropriate to determine a provision for the additional claims that have been received using the assumptions set above based upon the Company's historic experience, as it is not yet known whether the additional claims will have similar characteristics to those previously received or whether any of the claims are claims that have been previously addressed.

The volume of claims received by the Group is such that there has been insufficient time available in order to assess the additional level of claims received that are applicable to the Company, the validity of the claims and the likely cost of the redress. IAS 37 sets out the criteria to be met in order to recognise a provision, including the ability to determine a reliable estimate of the value of the associated cost. The directors have judged that in these circumstances it is not possible to determine a reliable estimate of the likely cost to the Company and have disclosed a contingent liability (see further note 18).

Allowance for impairment losses

The calculation of the Company's expected credit loss (ECL) allowances and provisions against loans and advances to customers under IFRS 9 requires the Company to make a number of judgements, assumptions and estimates. The most significant are set out below.

Notes to the financial statements (continued)

For the year ended 31 December 2018

2. Critical accounting estimates and judgements in applying accounting policies (continued)

Allowance for impairment losses (continued)

Definition of default

The probability of default ("PD") of an exposure, both over a 12 month period and over its lifetime, is a key input to the measurement of the ECL allowance. Default has occurred when there is evidence that the customer is experiencing significant financial difficulty which is likely to affect the ability to repay amounts due. The definition of default adopted by the Company is described in note 1.4 Impairment of financial assets.

Lifetime of an exposure

The PD of a financial asset is dependent on its expected life. A range of approaches, segmented by product type, has been adopted by the Company to estimate a product's expected life. These include using the full contractual life and taking into account behavioural factors such as early repayments and refinancing. For loans and advances to customers, the Company has assumed the expected life for each product to be the time taken for all losses to be observed and for a material proportion of the assets to fully resolve through either closure or write-off. Changes to the assumed expected lives of the Company's assets could have a material effect on the ECL allowance recognised by the Company.

Significant increase in credit risk

Performing assets are classified as either Stage 1 or Stage 2. An ECL allowance equivalent to 12 months expected losses is established against assets in Stage 1; assets classified as Stage 2 carry an ECL allowance equivalent to lifetime expected losses. Assets are transferred from Stage 1 to Stage 2 when there has been a significant increase in credit risk (SICR) since initial recognition.

The Company uses a quantitative test together with qualitative indicators to determine whether there has been a SICR for an asset. A deterioration of two PD grades from the grade in which the account was originated is considered a SICR.

Origination PDs

As noted in the definition of SICR, a key quantitative criteria is a deterioration of two PD grades from origination. Management judgement has been used to determine a reasonable basis for estimating the origination PD for existing accounts upon transition date of IFRS9 (1 January 2018). This considered various information sources, including regulatory PD used for capital modelling, other credit information available at origination or as early as possible once the account was live. Management used various information sources, including regulatory PDs and credit risk data available at origination, or where this is not available the first available data. In addition, the Company has not created a forward looking view of PDs at initial recognition for the back book as to do so would involve the use of hindsight and could introduce the risk of bias. The use of proxies and simplifications is not considered to materially impact the ECL allowance on transition.

Post-model adjustments

Limitations in the Company's impairment models may be identified through its on-going assessment of the models. In these circumstances, post-model judgement is used to make appropriate adjustments to the Company's allowance for impairment losses.

At 31 December 2018, a post-model adjustment was made but was trivial to the Company. This mainly comprised adjustments in respect of residual values.

Forward looking

The measurement of expected credit losses is required to reflect an unbiased probability-weighted range of possible future outcomes. In order to do this, the Company applies the outputs of the economic model developed for the LBG Motor Finance Retail portfolio to translate observed default rates into a forward looking view of PDs required for IFRS9 impairment. These drivers include the unemployment rate and other factors. Combined losses across portfolios are used to rank the scenarios by severity of loss, with specified points along the loss distribution selected to reflect the range of outcomes; the central scenario reflects the Group's base case assumptions used for medium-term planning purposes, an upside and a downside scenario are also selected together with a severe downside scenario. Rare occurrences of adverse economic events can lead to relatively large credit losses which means that typically the most likely outcome is less than the probability-weighted outcome of the range of possible future events. To allow for this a relatively unlikely severe downside scenario is therefore included.

3. Impairment gains

	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
31 December 2018				
Other changes in credit quality	-	1	3	4
Additional	-	1	4	5
	-	2	7	**9**
In respect of:				
Loans and advances to customers	-	2	7	**9**

	Total £'000
31 December 2018	
Impairment gains on Loans and advances to customers	46

4. Other operating expenses

Fees payable to the Company's auditors for the audit of the financial statements of £9,000 (2017: £9,000) have been borne by a fellow group company and are recharged to the Company. Accounting and administration services are provided by a fellow group undertaking and are not recharged to the Company.

5. Staff costs

The Company did not have any employees during the year (2017: none).

6. Directors' emoluments

No director received any fees or emoluments from the Company during the year (2017: £nil). The directors are employed by other companies within the Group and consider that their services to the Company are incidental to their other responsibilities within the Group (see also note 15).

7. Taxation

	2018 £'000	2017 £'000
a) Analysis of credit for the year		
UK corporation tax:		
- Current tax on taxable loss for the year	**(18)**	(66)
UK deferred tax:		
- Origination and reversal of timing differences	**1**	2
- Due to change in UK corporation tax rate	**-**	1
Deferred tax charge (see note 11)	**1**	3
Tax credit	**(17)**	(63)

Corporation tax is calculated at a rate of 19.00% (2017: 19.25%) of the taxable loss for the year.

Notes to the financial statements (continued)

For the year ended 31 December 2018

7. Taxation (continued)

b) Factors affecting the tax credit for the year

A reconciliation of the credit that would result from applying the standard UK corporation tax rate to the loss before tax to the actual tax credit for the year is given below:

	2018 £'000	2017 £'000
Loss before tax	**(90)**	(330)
Tax credit thereon at UK corporation tax rate of 19.00% (2017: 19.25%)	**(17)**	(64)
Factors affecting credit:		
- Due to change in UK corporation tax rate	**-**	1
Tax credit on loss	**(17)**	(63)
Effective rate	**18.89%**	19.09%

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

8. Dividends

In 2017, dividends totalling £1,958 per "A" share and £1,958 per "B" share were paid, representing a total dividend of £19,580,000. No dividend was paid or proposed during 2018.

9. Trade and other receivables

	2018 £'000	2017 £'000
Amounts due from group undertakings (see note 15)	**388**	336
Other assets	**79**	158
	467	494

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

At 31 December 2018, the Company held an asset of £79,000 (2017: £158,000) in respect of indemnities from Black Horse Limited in relation to a specific provision (see note 13).

10. Loans and advances to customers

10.1 Loans and advances to customers - maturity

	2018 £'000	2017 £'000
Advances under finance lease and hire purchase contracts	**6**	25
Personal loans to customers	**30**	99
Gross loans and advances to customers	**36**	124
Less: allowance for losses on loans and advances	**(22)**	(99)
Net loans and advances to customers	**14**	25
of which:		
Due within one year	**14**	24
Due after one year	**-**	1
	14	25

Notes to the financial statements (continued)

For the year ended 31 December 2018

10. Loans and advances to customers (continued)

10.2 Loans and advances to customers movement over time

	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Balance as at 1 January 2018	2	6	116	124
Repayments	(2)	(4)	(12)	(18)
Gross advances written off	-	-	(70)	(70)
As at 31 December 2018	-	2	34	36
Less: allowance for losses on loans and advances	-	-	(22)	(22)
Net loans and advances to customers	-	2	12	14

The unguaranteed residual value is £nil (2017: £nil).

The Company provides a range of finance lease products in connection with the financing of motor vehicles and equipment. The leases typically run for periods of between 3 and 4 years.

During the year, no contingent rentals in respect of finance leases were recognised in the Statement of comprehensive income (2017: £nil).

Further analysis of Loans and advances to customers is provided in note 16.

11. Deferred tax asset

The movement in the Deferred tax asset is as follows:

	2018 £'000	2017 £'000
At 1 January	9	12
IFRS 9 Transition adjustment (see note 20)	(4)	-
At 1 January under IFRS 9	5	12
Charge for the year (see note 7)	(1)	(3)
At 31 December	4	9

The deferred tax charge in the Statement of comprehensive income comprises the following temporary differences:

	2018 £'000	2017 £'000
Accelerated capital allowances	(1)	(3)

Deferred tax asset comprises:	2018 £'000	2017 £'000
Accelerated capital allowances	8	9
Other temporary differences	(4)	-
	4	9

12. Borrowed funds

	2018 £'000	2017 £'000
Amounts due to group undertakings (see note 15)	319	319

Amounts due to group undertakings is unsecured, non-interest bearing and repayable on demand, although there is no expectation that such a demand would be made.

Notes to the financial statements (continued)

For the year ended 31 December 2018

13. Provision for liabilities and charges

	Payment Protection Insurance	Other provision	Total
	£'000	£'000	£'000
At 1 January 2017	-	-	-
Charge for the year	338	-	338
Recognised in the year	-	158	158
Utilised during the year	(64)	-	(64)
At 31 December 2017	274	158	432
Charge for the year	89	-	89
Derecognised in the year	-	(79)	(79)
Utilised during the year	(47)	-	(47)
At 31 December 2018	**316**	**79**	**395**

As described in notes 2 and 18, an assessment has been made of the potential future transfer of economic benefits from claims made against the Company in relation to PPI.

During 2017, Lloyds Banking Group plc undertook an exercise relating to potential retrospective rectification activity to provide redress to affected customers in relation to arrears management. The Company has reassessed the expected level of redress for 2018 and as such, the expected provision has reduced by £79,000 (2017: increased by £158,000). Black Horse Limited will indemnify the Company against all actions arising from this issue (2017: £158,000) (see note 9).

14. Share capital

	2018	2017
	£'000	£'000
Allotted, issued and fully paid		
4,999 "A" ordinary shares of £1 each	5	5
5,001 "B" ordinary shares of £1 each	5	5
	10	10

The "A" ordinary shares carry the right to appoint the chairman of the Company but, in all other respects, rank pari passu with the "B" ordinary shares, including the right to receive all dividends and other distributions declared, made or paid on the ordinary share capital of the Company. The "A" ordinary shares are held by Heidi Finance Holdings (UK) Limited, the "B" ordinary shares are held by Black Horse Group Limited.

15. Related party transactions

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

	2018	2017
	£'000	£'000
Amounts due from group undertakings		
Black Horse Limited (see note 9)	**388**	336
Amounts due to group undertakings		
Heidi Finance Holdings (UK) Limited (see note 12)	**319**	319

Notes to the financial statements (continued)
For the year ended 31 December 2018

15. Related party transactions (continued)

	2018 £'000	2017 £'000
Dividends paid		
Black Horse Group Limited	-	9,792
Heidi Finance (UK) Limited	-	9,788
Total dividends paid (see note 8)	-	19,580

The above balances are unsecured in nature and are expected to be settled in cash or by cash equivalents. Transactions in the year are those reflected through the Statement of comprehensive income.

Key management personnel

Key management personnel are those persons having authority and responsibility for planning and controlling the activities of the Company. Accordingly, key management is comprised of the directors of the Company, the directors of the Retail Division and the members of the Lloyds Banking Group plc board. There were no transactions between the Company and key management personnel during the current or preceding year. Key management personnel are employed by other companies within the Group and consider that their services to the Company are incidental to their other activities within the Group.

16. Financial risk management

The Company's operations expose it to credit risk, liquidity risk and business risk; it is not exposed to any significant interest rate risk, market risk or foreign exchange risk. Responsibility for the control of overall risk lies with the board of directors, operating within a management framework established by the Retail Division, and the ultimate parent, Lloyds Banking Group plc. Liquidity risk faced by the Company is in substance managed and borne by other group undertakings which fund the Company and credit risk is carefully monitored by Retail Finance's credit committee and credit functions. Business risk is managed through regular reporting and oversight.

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

16.1 Credit risk

Credit risk management

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. The credit risk associated with Loans and advances to customers is managed through the application of strict underwriting criteria, determined by the Group's credit committee and credit functions. Significant credit exposures are measured and reported on a regular basis. Impairment provisions are provided for all losses expected to be incurred at the balance sheet date, using the basis of assessment discussed in notes 1.4 and 2.

Amounts due from other group undertakings are held with other companies within the Group. The credit risk associated with these financial assets is not considered to be significant.

Credit risk mitigation

- Credit principles and policy: Group Risk sets out the group credit principles and policy according to which credit risk is managed, which in turn is the basis for divisional and business unit credit policy. Principles and policy are reviewed regularly and any changes are subject to a review and approval process. Business unit policy includes lending guidelines, which define the responsibilities of lending officers and provide a disciplined and focused benchmark for credit decisions.

- Credit scoring: In its principal Retail portfolios, the Company uses statistically based decision techniques (primarily credit scoring). Divisional risk departments review scorecard effectiveness and approve changes, with material changes subject to Group Risk approval.

- Concentration risk: Credit risk management includes portfolio controls on certain industries, sectors and product lines that reflect risk appetite and which operate at a divisional level. Credit policy is aligned to risk appetite and restricts exposure to certain high risk and more vulnerable sectors. At a divisional level, exposures are monitored to prevent excessive concentration of risk. These concentration risk controls are not necessarily in the form of a maximum limit on lending but may instead require new business in concentrated sectors to fulfil additional hurdle requirements.

- Stress testing and scenario analysis at a divisional level: The credit portfolio is also subjected to stress testing and scenario analysis, to simulate outcomes and calculate their associated impact.

Notes to the financial statements (continued)

For the year ended 31 December 2018

16. Financial risk management (continued)

16.1 Credit risk (continued)

Credit concentration - Loans and advances to customers

The Company lends predominantly to retail customers geographically located in the United Kingdom.

Loans and advances to customers - gross carrying amount

The analysis of lending has been prepared by applying the Group's RMS scale to the Company's impairment model, for the motor finance portfolio in the Retail division. The internal credit ratings systems are set out below. The Group's probabilities of default ("PD"s), that have been applied, include forward-looking information and are based on 12 month values, with the exception of credit impaired.

	RMS Grade	PD %
Good quality	1-5	0.00-4.50
Satisfactory quality	6-8	4.51-14.00
Lower quality	9	14.01-20.00
Below standard	10-12	20.01-99.99
Credit impaired	13	100.0

Financial assets subject to credit risk

	Gross Loans and advances to customers - Loan Quality			
	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
At 31 December 2018				
Below standard, but not credit impaired	-	1	-	**1**
Credit impaired	-	-	**35**	**35**
	-	**1**	**35**	**36**

	Gross Loans and advances to customers - Loan Quality
	Total £'000
At 31 December 2017	
Good quality	116
Satisfactory quality	7
Below standard, but not credit impaired	1
	124

Analysis of movement in the allowance for impairment losses by stage

In respect of drawn balances	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
At 31 December 2017	-	-	-	99
Adjustment on adoption of IFRS 9	-	2	74	(23)
Balance as at 1 January 2018	**-**	**2**	**74**	**76**
Charge to the Income statement (Note 3)	**-**	**(2)**	**(7)**	**(9)**
Advances written off	**-**	**-**	**(70)**	**(70)**
Recoveries of prior advances written off	**-**	**-**	**25**	**25**
At 31 December 2018	**-**	**-**	**22**	**22**

Notes to the financial statements (continued)
For the year ended 31 December 2018

16. Financial risk management (continued)

16.1 Credit risk (continued)

Allowance for loans and advances to customers which are impaired

	2017 £'000
At 1 January 2017	225
Credit to the Income statement (Note 3)	(46)
Advances written off	(108)
Recoveries of prior advances written off	28
At 31 December 2017	99

Repossessed collateral

Collateral held against Loans and advances to customers is principally comprised of motor vehicles. The Company does not take physical possession of any collateral; instead it uses agents to realise the collateral's value as soon as practicable, usually at auction, to settle indebtedness. Any surplus funds are then returned to the borrower or are otherwise dealt with in accordance with appropriate insolvency regulations.

During the year the Company repossessed collateral in respect of defaulted debt with a value of £nil (2017: £nil).

16.2 Liquidity risk

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

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

16.3 Business risk

Business risk is the risk that the Company's earnings are adversely impacted by a suboptimal business strategy or the suboptimal implementation of the strategy. In assessing business risk consideration is given to internal and external factors such as products, funding, resource capability and economic, political and regulatory factors.

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

16.4 Financial strategy

The Company does not trade in financial instruments, nor does it use derivatives.

16.5 Fair values of financial assets and 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.

The directors consider that there are no significant differences between the carrying amounts shown in the Balance sheet and the fair value.

17. Capital disclosures

The Company's objectives when managing capital are to safeguard the entity's ability to continue as a going concern, provide an adequate return to its shareholders through pricing products and services commensurately with the level of risk and, indirectly, to support the Group's regulatory capital requirements.

The Company's parent manages the Company's capital structure and advises the board of directors to consider making adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the board of directors may adjust the amount of dividends to be paid to shareholders, return capital to shareholders, issue new shares, or sell assets.

The Company's capital comprises all components of equity, movements in which appear in the Statement of changes in equity. The Company receives its funding requirements from its fellow group undertakings and does not raise funding externally.

Notes to the financial statements (continued)

For the year ended 31 December 2018

18. Contingent liabilities and capital commitments

There were no contracted capital commitments at the Balance sheet date (2017: £nil).

Contingent tax liability

The Group provides for potential tax liabilities that may arise on the basis of the amounts expected to be paid to tax authorities. This includes open matters where Her Majesty's Revenue and Customs (HMRC) adopt a different interpretation and application of tax law which might lead to additional tax. The Group has an open matter in relation to a claim for group relief of losses incurred in its former Irish banking subsidiary, which ceased trading on 31 December 2010. In 2013 HMRC informed the Group that their interpretation of the UK rules, permitting the offset of such losses, denies the claim; if HMRC's position is found to be correct management estimate that this would result in an increase in current tax liabilities for the company of approximately £2,096,000 (including interest). The Group does not agree with HMRC's position and, having taken appropriate advice, does not consider that this is a case where additional tax will ultimately fall due.

Contingent PPI provision liability

The FCA set a deadline of 29 August 2019 for customers to make claims in relation to the mis selling of Payment Protection Insurance ("PPI"). The PPI provision of £316,000 recognised by the Company at 31 December 2018 (see note 13) has been determined to cover the cost of making redress payments and the related administration costs for those claims in respect of which the Company has been able to form a reliable estimate.

In August 2019, in line with broader sector experience, the Group experienced significant and unprecedented volumes of potential claims of approximately 600,000 to 800,000 PPI information requests ("PIRs") per week during August. This compares to an average of 125,000 per week for the Group over the first 6 months of 2019. Early indications are that the Company has also experienced a significant increase relative to its own historic experience.

The Company's accounting policy requires the evaluation of individual claims in order to form a reliable estimate of the exposure to be recognised. Given the limited time available and the significant increase in volume of PIRs and complaints, it has not been possible to perform such an evaluation meaning that no reliable estimate in respect of those claims received in August 2019 can be formed. Accordingly, no provision has been made for the increase in the volume of claims received in August 2019 beyond that previously anticipated based upon historical experience.

Given the size of increase in the volume of PIRs for the Lloyds Banking Group as a whole, it is likely that the impact of any additional provision required for will be material to the Company's financial statements.

19. Post balance sheet events

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

Notes to the financial statements (continued)

20. Transition to IFRS 9

20.1 Impact of Transition

The following table summarises the adjustments arising on the adoption of IFRS 9 to the Company's Balance sheet as at 1 January 2018.

	As at 31 December 2017	IFRS 9: Impairment	Adjusted as at 1 January 2018
	£'000	£'000	£'000
ASSETS			
Trade and other receivables	494	-	494
Loans and advances to customers	25	23	48
Current tax asset	66	-	66
Deferred tax asset	9	(4)	5
Total assets	594	19	613
LIABILITIES			
Borrowed funds	319	-	319
Provision for liabilities and charges	432	-	432
Total liabilities	751	-	751
EQUITY			
Share capital	10	-	10
Accumulated losses	(167)	19	(148)
Total equity	(157)	19	(138)
Total equity and liabilities	594	19	613

20.2 Impairment

The Company adopted IFRS 9 from 1 January 2018. In accordance with the transition requirements of IFRS 9, comparative information for 2017 has not being restated and transitional adjustments have been accounted for through Retained earnings as at 1 January 2018 and as a result Retained earnings increased by £23,000, driven on the effects of a reduction in impairment provisions following the implementation of the ECL methodology. It is not practicable to quantify the impact of adoption of IFRS 9 on the results for the current year.

20.2 Impairment

The following table summarises the impact of the transitional adjustment on the Company's loss allowances at 1 January 2018.

	IAS 39 allowance as at 31 December 2017	Transitional adjustments to loss allowance	IFRS 9 loss allowance at 1 January 2018
	£'000	£'000	£'000
Loans and advances to customers	99	(23)	76

20.3 Accounting policies applied to comparative periods

In accordance with the transition requirements of IFRS9, comparative information has not been restated. The comparative information was prepared in accordance with IAS39. The principal policies applied by the Company under IAS39 are set out below.

Financial assets and liabilities - recognition

Financial assets and liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are derecognised when the rights to receive cash flows, or obligations to pay cash flows, have expired.

Interest bearing financial assets and financial liabilities are recognised and measured at amortised cost inclusive of transaction costs, using the effective interest rate method.

20. Transition to IFRS 9

20.3 Accounting policies applied to comparative periods (continued)

Impairment - Loans and advances to customers

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 or group of financial assets has become impaired. Evidence of impairment may include indications that the borrower or group of borrowers are experiencing significant financial difficulty, default or delinquency in interest or principal payments, it becoming probable that the borrower will enter bankruptcy or other financial reorganisation or the debt being restructured to reduce the burden on the borrower.

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. If an asset has a variable interest rate, the discount rate used for measuring the impairment loss is the current effective interest rate. The calculation of the present value of the estimated future cash flows of a collateralised asset or group of assets reflects the cash flows that may result from foreclosure less the costs of obtaining and selling the collateral.

If there is no objective evidence of individual impairment, the asset is included in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment. Future cash flows are estimated on the basis of the contractual cash flows of the assets in the group and historical loss experience for assets with similar credit risk characteristics. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, such as an improvement in the borrower's credit rating, the provision is adjusted and the amount of the reversal is recognised in the statement of comprehensive income.

When a loan or advance is uncollectable, it is written off against the related provision once all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are recognised in the statement of comprehensive income on a cash receipts basis.

20.4 Reclassification

On transition to IFRS 9, the Company assessed its business models in order to determine the appropriate classification. The Company's loan books are generally held to collect contractual cash flows until the lending matures and meet the criteria to remain at amortised cost. All remaining financial assets and liabilities also meet the criteria to remain at amortised cost. Consequently there were no financial instruments that required reclassification from amortised cost to either fair value through other comprehensive income or fair value through profit or loss.

21. Ultimate parent undertaking and controlling party

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

Independent Auditors' report to the members of Hyundai Car Finance Limited

Report on the audit of the financial statements

Opinion

In our opinion, Hyundai Car Finance Limited 's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and accounts (the "Annual Report"), which comprise: the Balance sheet as at 31 December 2018; the Statement of comprehensive income, the Cash flow statement, the Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the Company's trade, customers, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Directors' report.

Independent Auditors' report to the members of Hyundai Car Finance Limited (continued)

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities set out on page 2, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to take advantage of the small Companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.

Kevin Williams (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cardiff

30 September 2019