UBERIOR INFRASTRUCTURE INVESTMENTS LIMITED

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

MEMBER OF LLOYDS BANKING GROUP PLC

Company Number SC186247

Directors
M S Amin
K M Bothwell
G D Cohen
C G Dowsett
A W Géczy
K J MacDonald
A J Cumming
A L Tennant

Secretary
J E Nielsen

Registered Office
Level 1, Citymark,
150 Fountainbridge
EDINBURGH
EH3 9PE

Auditors
PricewaterhouseCoopers LLP
Erskine House
68-73 Queen Street
EDINBURGH
EH2 4NH

Bankers
Bank of Scotland
Head Office
The Mound
EDINBURGH
EH1 1YZ

REPORT OF THE DIRECTORS

Directors
M S Amin
K M Bothwell
G D Cohen
C G Dowsett
A W Géczy
K J MacDonald
A J Cumming
A L Tennant

The Directors submit their report and audited financial statements of Uberior Infrastructure Investments Limited ("the Company") for the year ended 31 December 2010.

Incorporation
The Company was incorporated on 22 May 1998.

Business review and principle activities
The Company operates as an investment holding and management company and there has been no change in that activity during the year. The Directors do not anticipate any material change in either the type or level of activities of the Company.

Results and dividends
The Company's profit after tax for the year to 31 December 2010 was £412,516 (2009: £482,083). No dividends were paid in the year (2009: £nil).

The results for the year are shown in the Income Statement on page 7. The Directors recommend a dividend of £137,303,938 in respect of 2010 (2009: £nil).

Future developments
The Company remains committed to the business of holding investments and will continue to manage existing investments in the future.

Risk management
The main risk faced by the Company is in relation to the valuation of remaining investments. The key risks and uncertainties faced by the Company are managed within the framework established for the Lloyds Banking Group plc ("the Group"). Exposure to equity risk and credit risk arises in the normal course of the Company's business. These risks are discussed below and supplementary qualitative and quantitative information is provided by note 14 to the financial statements. The Company is funded by its intermediate parent undertaking and as a result liquidity risk is managed within the Group.

Equity Risk
Equity risk exists from the Company's exposure to listed and unlisted equity shares. The Company undertakes a full assessment of each entity's potential for value creation prior to entering into a new transaction. Thereafter the performance of each investment is continually monitored and action taken as deemed appropriate in the circumstances. Further information about the Company's sensitivity to changes in the fair value of equity investments is provided in note 15.

Credit risk
The Company undertakes a full credit assessment of the financial strength of each potential transaction and/or customer, awarding an internal risk rating. Internal ratings are reviewed regularly.

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 the understanding of the development, performance or position of the business.

Directors' Indemnities

The Directors have the benefit of a contract of indemnity which constitutes a "qualifying third party indemnity provision". This contract came into force during the financial year and remains in force. It is available for inspection at the registered office of Lloyds Banking Group plc.

REPORT OF THE DIRECTORS (continued)

Going concern

As set out in note 2 - 'Principles underlying Going Concern Assumption' of the notes to the financial statements, the Directors are satisfied that the Company has adequate resources to continue in business for the foreseeable future and consequently the going concern basis continues to be appropriate in preparing the financial statements.

Directors and their interests

The Directors at the date of this report are as stated on page 2. Dates of appointments and of resignations during the year were as follows:

Director	**Date of Appointment**	**Date of Resignation**
A W Géczy	30 April 2010	-

All other Directors served throughout the year. No Director had any interest in any material contract or arrangement with the Company during or at the end of the year.

Policy and practice on payment of suppliers

The Company follows "The Better Payment Practice Code" published by the Department for Business Innovation and Skills (BIS) regarding the making of payments to suppliers. A copy of the code and information about it may be obtained from the BIS Publications Order Line 0845-0150-010 quoting ref. URN 04/606.

The Company's policy is to agree terms of payment with suppliers and these normally provide for settlement within 30 days after the date of the invoice, except where other arrangements have been negotiated. It is the policy of the Company to abide by the agreed terms of payment, provided the supplier performs according to the terms of the contract.

As the Company owed no amounts to trade payables as at 31 December 2010 (2009: nil), the number of days required to be shown in this report, to comply with the provisions of the Companies Act 2006, is nil (2009: nil).

Auditors and Disclosure of Information to Auditors

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

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
- the Director has taken all the steps that he ought to have taken as a director in order to make himself 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.

By Order of the Board,

A L Tennant
Director

30 June 2011

Company Number: SC186247

Registered Office: Level 1, Citymark, 150 Fountainbridge, Edinburgh, EH3 9PE

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

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 elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU).

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 year. In preparing these financial statements, the Directors are required to:

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

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 the Group 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the Directors, whose names are listed on page 2 of the Annual Report and Financial Statements confirm that:

- to the best of each Director's knowledge that the Company's financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- the Directors' report 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' REPORT TO THE MEMBERS OF UBERIOR INFRASTRUCTURE INVESTMENTS LIMITED

We have audited the financial statements of Uberior Infrastructure Investments Limited for the year ended 31 December 2010 which comprise the Income Statement, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Respective responsibilities of directors and auditors
As explained more fully in the Directors' Responsibilities Statement set out on page 5 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.

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 2010 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 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.

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; or
- the Directors were not entitled to take advantage of the small companies' exemption in preparing the Directors' Report.

H Anderson

Hamish Anderson (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Edinburgh

30 June 2011

INCOME STATEMENT

For the year ended 31 December 2010

	Note	2010 £	2009 £
Valuation gains on investments	*8*	430,188	1,229,830
Amounts written off investments	*8*	-	(2,349,713)
Provision for investments	*5*	-	(369,540)
Total amounts written off		-	(2,719,253)
Other expenses		(19,975)	(8,112)
Net other expenses	*3*	(19,975)	(8,112)
Operating profit / (loss) before financing income		410,213	(1,497,535)
Financing income	*4*	-	23,565
Net financing income		-	23,565
Profit / (loss) before tax		410,213	(1,473,970)
Income tax recoverable	*6*	2,303	1,956,053
Profit after tax for the year		412,516	482,083
Attributable to:			
Equity holders		412,516	482,083
Profit for the year		412,516	482,083

The accompanying notes on pages 12 to 25 form part of these financial statements.

The operating profit for the year arises from the Company's continuing operations.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

	Note	2010 £	2009 £
Profit for the year		412,516	482,083
Total comprehensive income for the year		412,516	482,083
Attributable to:			
Equity holders		412,516	482,083
Total comprehensive income for the year		412,516	482,083

The accompanying notes on pages 12 to 25 form part of these financial statements.

BALANCE SHEET

Company Number SC186247

As at 31 December 2010

	Note	2010	2009
		£	£
Assets			
Investments	*8*	2,075,006	1,644,818
Investments in subsidiary undertakings	*9*	5,702,263	5,702,262
Total non-current assets		7,777,269	7,347,080
Cash and cash equivalents	*10*	138,303,938	139,540,419
Income tax recoverable	*7*	759,367	-
Total current assets		139,063,305	139,540,419
Total assets		146,840,574	146,887,499
Equity			
Issued capital	*11*	100	100
Retained earnings		146,756,321	146,343,805
Total equity		146,756,421	146,343,905
Liabilities			
Trade and other payables	*12*	16,450	8,225
Provisions for other liabilities and charges	*13*	67,703	308,704
Income tax payable	*7*	-	226,665
Total current liabilities		84,153	543,594
Total liabilities		84,153	543,594
Total equity and liabilities		146,840,574	146,887,499

The accompanying notes on pages 12 to 25 form part of these financial statements.

Approved by the Board of Directors and signed on its behalf by:

A L Tennant
Director 30 June 2011

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2010

	Share capital £	Retained earnings £	Total equity £
Balance at 1 January 2009	**100**	**145,861,722**	**145,861,822**
Comprehensive income			
Profit after taxation	-	482,083	482,083
Total comprehensive income	**-**	**482,083**	**482,083**
Balance at 1 January 2010	**100**	**146,343,805**	**146,343,905**
Comprehensive income			
Profit after taxation	-	412,516	412,516
Total comprehensive income	**-**	**412,516**	**412,516**
Balance at 31 December 2010	**100**	**146,756,321**	**146,756,421**

The accompanying notes on pages 12 to 25 form part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended 31 December 2010

	Note	2010 £	2009 £
Cash flows from operating activities			
Operating profit/(loss) before tax		410,213	(1,473,970)
Adjustments for:			
Investments written down		-	2,719,253
Interest receivable written off		-	(60,836)
Valuation gains on investments	*8*	(430,188)	(1,229,830)
Decrease in trade and other receivables		-	60,836
Increase in trade and other payables		8,225	2,937
Decrease of provision	*13*	(241,001)	-
Cash generated from operations		(252,751)	18,390
Income tax (paid)/credit		(983,729)	250,924
Net cash from operating activities		**(1,236,480)**	**269,314**
Cash flows from investing activities			
Acquisition of subsidiary undertakings	9	(1)	-
Proceeds from sale of investments	8	-	1,030,232
Acquisition of investments	8	-	(1,519,215)
Net cash from investing activities		**(1)**	**(488,983)**
Net decrease in cash and cash equivalents		(1,236,481)	(219,669)
Cash and cash equivalents at 1 January		139,540,419	139,760,088
Cash and cash equivalents at 31 December	*10*	**138,303,938**	**139,540,419**

The accompanying notes on pages 12 to 25 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Significant accounting policies

Uberior Infrastructure Investments Limited (the "Company") is a company domiciled in Scotland.

The financial statements were authorised for issue by the directors on 30 June 2011.

(a) Financial statements

The financial statements of Uberior Infrastructure Investments Limited comprise the Income Statement, Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity and Statement of Cash Flows together with the related notes to the financial statements.

The financial statements are presented in Sterling which is the Company's functional and presentational currency.

(b) Statement of compliance

The 2010 statutory financial statements set out on pages 7 to 25 have been prepared in accordance with International Financial Reporting Standards ('IFRS') and interpretations issued by the International Financial Reporting Interpretations Committee ('IFRIC') as adopted by the European Union (EU). The standards applied by the Company are those endorsed by the European Union and effective at the date the financial statements are approved by the Board.

The Company is exempt by virtue of s. 400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

(c) Basis of preparation

The financial statements have been prepared under the historical cost basis, except that the following assets and liabilities are stated at their fair value: financial instruments designated at fair values through the profit or loss.

The Company has adopted the following new standards and amendments to standards which became effective for financial years beginning on or after 1 January 2010. None of these standards or amendments had a material impact on these financial statements:

- IAS 1 'Presentation of financial statements'. The amendment clarifies that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time.
- IFRS 3 'Business Combinations'. This revised standard applies prospectively to business combinations from 1 January 2010. The revised standard continues to require the use of the acquisition method of accounting for business combinations. All payments to purchase a business are to be recorded at fair value at the acquisition date, some contingent payments are subsequently remeasured at fair value through income, goodwill may be calculated based on the parent's share of net assets or it may include goodwill related to the non-controlling interest, and all transaction costs are expensed (other than those in relation to the issuance of debt instruments or share capital).
- IFRS 5 'Non-current assets held for sale and discontinued operations'. The amendment specifies the disclosures required in respect of non-current assets classified as held for sale or discontinued operations. It also clarifies that the general requirement of IAS 1 still apply, in particular paragraph 15 and paragraph 125.
- IAS 27 'Consolidated and Separate Financial Statements'. Require the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control; any remaining interest in an investee is remeasured to fair value in determining the gain or loss recognised in profit or loss where control over the investee is lost.
- IAS 36 'Impairment of Assets'. The amendment clarifies that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment, as defined by paragraph 5 of IFRS 8, 'Operating segments' (that is, before the aggregation of segments with similar economic characteristics).

Notes to the financial statements (continued)

1. Significant accounting policies (continued)

(c) Basis of preparation (continued)

- IFRIC 17 'Distribution of Non-cash Assets to Owners'. Provides accounting guidance for non-reciprocal distributions of non-cash assets to owners (and those in which owners may elect to receive a cash alternative).
- Amendment to IAS 39 'Financial Instruments: Recognition and Measurement – Eligible Hedged Items'. Clarifies how the principles underlying hedge accounting should be applied in particular situations.
- 'Improvements to IFRS' (issued April 2009). Sets out minor amendments to IFRS standards as part of the annual improvements process.

(d) IFRS and IFRIC not yet applied

The following pronouncements will be relevant to the Company but were not effective at 31 December 2010 and have not been applied in preparing these financial statements. The full impact of these accounting changes is being assessed by the Company.

Pronouncement	*Nature of change*	*IASB effective date*
IFRS 9 *Financial Instruments: Classification and Measurement*	Replaces those parts of IAS 39 'Financial Instruments: recognition and Measurement' relating to classification, measurement and derecognition of financial assets and liabilities. It requires financial assets to be classified into two measurement categories, fair value and amortised cost, on the basis of the objectives of the entity's business model for managing its financial assets and the contractual cash flow characteristics of the instrument. The available-for-sale financial asset and held-to-maturity investment categories in the existing IAS 39 will be eliminated. The requirements for financial liabilities and derecognition are broadly unchanged from IAS 39. IFRS 9 is the initial stage of the project to replace IAS 39. Future stages are expected to result in amendments to IFRS 9 to deal with changes to the impairment of financial assets measured at amortised cost and hedge accounting. Until all stages of the replacement project are complete, it is not possible to determine the overall impact on the financial statements of the replacement of IAS 39.	Annual periods beginning on or after 1 January 2013
IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*	Clarifies that when an entity renegotiates the terms of its debt with the result that the liability is extinguished by the debtor issuing its own equity instruments to the creditor, a gain or loss is recognised in the Income Statement representing the difference between the carrying value of the financial liability and the fair value of the equity instruments issued; the fair value of the financial liability is used to measure the gain or loss where the fair value of the equity instruments cannot be reliably measured. It is consistent with the Company's existing accounting policy.	Annual periods beginning on or after 1 July 2010.
Improvements to IFRSs (issued May 2010)	Sets out minor amendments to IFRS standards as part of the annual improvement process.	Dealt with on a standard by standard basis but none are effective any earlier than annual periods beginning on or after 1 July 2010.
Amendments to IAS 24 *Related Party Disclosures*	Simplifies the definition of a related party and provides a partial exemption from the disclosure requirements for government related entities.	Annual periods beginning on or after 1 January 2011
Amendment to IFRS 7 *Financial Instruments: Disclosures – Disclosures-Transfer of Financial Asset*	Requires additional disclosures in respect of risk exposures arising from transferred financial assets.	1 July 2011

Table note: At the date of this report, IFRS 9, Improvements to IFRSs (Issued May 2010) and Amendments to IFRS 7 are awaiting EU endorsement.

Notes to the financial statements (continued)

1. Significant accounting policies (continued)

(e) Investments

The Company utilises the venture capital exemption for investments where significant influence or joint control is present and the business unit operates as a venture capital business. These investments are designated at initial recognition at fair value through profit or loss.

Investments in subsidiaries
Investments in subsidiaries are included in the Company's financial statements. These comprise equity investments in, and capital contributions to subsidiary entities. These are carried at cost less impairment provisions.

Financial assets
On initial recognition, financial assets are classified into fair value through profit or loss or loans and receivables.

Financial instruments at fair value through profit or loss
Financial instruments are classified at fair value through profit or loss where they are designated at fair value through profit or loss by management. Financial assets at fair value through profit or loss are designated as such by management where they are managed as venture capital investments and evaluated on the basis of their fair value upon initial recognition. Financial assets carried at fair value through profit or loss are initially recognised at fair value. Gains or losses arising from changes in the fair value are presented in the Income Statement within 'Valuation gains on investments' in the period in which they arise.

Debt securities
Debt securities for which there is no active market are classified as loans and receivables. They are initially recognised at fair value plus directly related incremental transaction costs and are subsequently carried on the Balance Sheet at amortised cost using the effective interest method (see accounting policy (g)) less provision for impairment. Income on debt securities is recognised on an effective interest rate method where it can be reliably estimated and recognised upon receipt where it cannot be reliably estimated.

Derecognition of financial assets and liabilities
Financial assets are derecognised when the contractual right to receive cash flows from those assets has expired or when the Company has transferred its contractual right to receive the cash flows from the assets and either:

- Substantially all of the risks and rewards of ownership have been transferred; or
- The Company has neither retained nor transferred substantially all the risks and rewards, but has transferred control.

Financial liabilities are derecognised when they are extinguished, cancelled or expire.

Notes to the financial statements (continued)

1. Significant accounting policies (continued)

(f) Cash and cash equivalents

Cash and cash equivalents consist of cash balances and overdrafts held within the Lloyds Banking Group plc that are freely available and deposits held within Lloyds Banking Group plc with an original maturity of three months or less.

(g) Impairment of financial assets

Subsidiaries
At each Balance Sheet date an assessment is undertaken to determine if there is any indication of impairment of subsidiaries. This assessment can include reviewing factors such as the solvency, profitability and cash flows generated by the subsidiary. If there is an indication of impairment, an estimate of the recoverable amount is made. If the carrying value exceeds the recoverable amount then a provision for impairment is made to reduce the carrying value to the recoverable amount.

Debt securities accounted for at amortised cost
At each Balance Sheet date the Company assesses whether, as a result of one or more events occurring after initial recognition and prior to the Balance Sheet date, there is objective evidence that a financial asset has become impaired.

The criteria that the Company uses to determine that there is objective evidence of an impairment loss include:

- Delinquency in contractual payments or principal and/or interest;
- Indications that the borrower or group of borrowers is experiencing significant financial difficulty;
- Restructuring of debt to reduce the burden on the borrower;
- Breach of loan covenants or conditions; and
- Initiation of bankruptcy or individual voluntary arrangement proceedings.

If there is objective evidence that an impairment loss has been incurred, an allowance is established which is calculated as the difference between the Balance Sheet carrying value of the asset and the present value of the estimated future cash flows discounted at that asset's original effective interest rate and the amount of the impairment loss is recognised in the Income Statement.

For impaired debt instruments which are held at amortised cost, impairment losses are recognised in subsequent periods when it is determined that there has been a further negative impact on expected future cash flows.

At the end of each Balance Sheet date the Company assesses whether there is any indication that an impairment loss recognised in prior periods may no longer exist or may have decreased. If any such indicator exists, and there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment was recognised, the previously recognised impairment loss is reversed through the Income Statement.

Equity securities acquired in exchange for loans in order to achieve an orderly realisation are accounted for as a disposal of the loan and an acquisition of equity securities. Where control is obtained over an entity as a result of the transaction, the entity is accounted for as a subsidiary; where the Company has significant influence over an entity as a result of the transaction, the investment is accounted for as an associate entity unless the Venture capital exemption is utilised (see Accounting policy note 1 (e)).

Notes to the financial statements (continued)

1. Significant accounting policies (continued)

(h) Revenue recognition

Interest income and expense are recognised in the Income Statement for all interest-bearing financial instruments, except for those classified at fair value through profit or loss, 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 expected life of the financial instrument. The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability.

The effective interest rate is calculated on initial recognition of the financial asset or liability by estimating the future cash flows after considering all the contractual terms of the instrument but not future credit losses. The calculation includes all amounts expected to be paid or received by the Company.

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

(i) Share capital

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

(j) Trade and other payables

Trade and other payables are initially recorded at fair value and subsequently stated at amortised cost.

(k) Taxation

Current income tax which is payable on taxable profits is recognised as an expense in the period 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 consolidated financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates that have been enacted or substantially enacted by the Balance Sheet date which 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. Deferred tax is provided on temporary differences arising from investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the difference will not reverse in the foreseeable future. Income tax payable on profits is recognised as an expense in the period in which those profits arise. The tax effects of losses available for carry forward are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised. Deferred tax related to fair value re-measurement of available-for-sale investments and cash flow hedges, which are charged or credited to the Statement of Comprehensive Income, is also credited or charged to the Statement of Comprehensive Income and is subsequently reclassified to the Income Statement together with the deferred gain or loss.

Deferred and current tax assets and liabilities are offset when they arise in the same tax reporting Company and where there is both a legal right of offset and the intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Notes to the financial statements (continued)

1. Significant accounting policies (continued)

(l) Provisions

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.

Contingent liabilities are possible obligations whose existence depends on the outcome of uncertain future events or those present obligations where the outflows of resources are uncertain or cannot be measured reliably. Contingent liabilities are not recognised in the financial statements but are disclosed unless they are remote.

(m) Critical accounting estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Due to the inherent uncertainty in making estimates, actual results reported in future periods may be based upon amounts which differ from those estimates. Estimates, judgements and assumptions 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 significant judgements made by management in applying the Company's accounting policy and the key sources of estimation uncertainty in these financial statements, which together are deemed critical to the Company's results and financial position, are discussed below.

Impairment of debt securities
The Company's accounting policy for losses arising on financial assets classified as loans and receivables is described in note 1 (g). The allowance for impairment losses on debt securities is management's best estimate of losses carried at amortised cost. In determining whether impairment has occurred at the Balance Sheet date the Company considers whether there is any observable data indicating that there has been a measurable decrease in the estimated future cash flows or their timings. Where this is the case, the impairment loss is the difference between the carrying value of the loan and the present value of the estimated future cash flows discounted at the loan's original effective interest rate.

The determination of these allowances often requires the exercise of considerable judgement by management. The actual amount of the future cash flows and their timing may differ significantly from the assumptions made for the purposes of determining the impairment allowances and consequently these allowances can be subject to variation as time progresses and the circumstances of the customer become clearer.

Valuation of financial instruments
Management judgement is required in determining the categorisation of the Company's financial instruments that are carried at fair value. Financial instruments categorised as level 1 are valued using quoted market prices and therefore there is less judgement applied in determining fair value. However, the fair value of financial instruments categorised in level 2 and level 3 is determined using valuation techniques including discounted cash flow analysis and valuation models. These require management judgement and therefore contain significant estimation uncertainty.

In particular significant judgement is required by management in determining appropriate assumption to be used for level 3 financial instruments. At 31 December 2010 the Company classified £2,075,006 of financial assets (2009: £1,644,818) as level 3 financial instruments.

The largest asset class classified as level 3 is the Company's fair value through profit or loss financial assets. Venture Capital investments are valued using International Private Equity and Venture Capital (IPEV) Guidelines which require significant management judgement in determining appropriate earnings multiples to be applied in determining fair value. Unlisted equity investments are valued using a number of different techniques which require management to select the most appropriate assumptions, including earnings multiples, valuations to net assets, and estimated future cash flows.

Notes to the financial statements (continued)

2. Principles underlying going concern assumption

The Directors consider the Company to have adequate resources to continue in business for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the financial statements.

3. Other expenses

	2010 £	2009 £
Current year audit fee - PricewaterhouseCoopers LLP	(8,225)	(8,225)
Over accrual of 2008 audit fee – KPMG LLP	-	113
Audit fees	(8,225)	(8,112)
Professional fees	(11,750)	-
Net other expenses	(19,975)	(8,112)

The emoluments of the Directors are paid by a fellow group undertaking on behalf of the ultimate parent, Lloyds Banking Group, which makes no recharge to the company. The Directors are also directors of a number of other subsidiaries of Lloyds Banking Group and are also substantially engaged in managing their respective business areas within Wholesale Division of Lloyds Banking Group. Given this, it is not possible to make an accurate apportionment of Directors emoluments in respect of their services to each of the subsidiaries. Accordingly, the financial statements include no emoluments in respect of the Directors. The total emoluments of the Directors are included in the financial statements of the ultimate parent company, Lloyds Banking Group.

4. Net financing income

	2010 £	2009 £
Interest received from HMRC	-	23,565
Net financing income	-	23,565

5. Provision for investments

	2010 £	2009 £
Interest receivable brought forward written off	-	60,836
Provision relating to debt security commitments charged to Income Statement	-	308,704
	-	369,540

6. Income tax credit recognised in the Income Statement

	2010 £	2009 £
Current tax credit		
Current year	2,303	757,064
Adjustments for prior years	-	1,198,989
Total income tax credit in Income Statement	2,303	1,956,053

Reconciliation of effective tax rate

The tax assessed for the year is lower (2009: higher) than the standard value of corporation tax in the UK of (28%, 2009: 28%) applied to the profit (2009: loss) for the year due to the following factors:

	2010 £	2009 £
Profit / (loss) before tax	410,213	(1,473,970)
Income tax using corporation tax rate of 28% (2009: 28%)	(114,860)	412,712
Adjustments for prior years	-	1,198,989
Book losses covered by substantial shareholder's exemption	120,453	344,352
Expenses not deductible for tax purposes	(3,290)	-
Total income tax credit in Income Statement	2,303	1,956,053

Notes to the financial statements (continued)

6. Income tax credit recognised in the Income Statement (continued)

The Finance (No 2) Act 2010 included legislation to reduce the main rate of corporation tax from 28% to 27% with effect from 1 April 2011.

In his Budget speech on 23 March 2011 the Chancellor announced a further reduction in the rate of corporation tax to 26% with effect from 1 April 2011. This further reduction was enacted under the Provisional Collection of Taxes Act 1968 on 29 March 2011.

The proposed further reductions in the rate of corporation tax by 1% per annum to 23% from 1 April 2014 are expected to be enacted separately each year.

7. Current tax assets and liabilities

The current tax asset of £759,367 (2009: £226,665 liability) represents the amount of income taxes recoverable/(payable) in respect of current and prior periods.

8. Investments

	2010 £	2009 £
Investments		
Debt securities	-	2,349,713
Equity securities	2,075,006	1,644,818
	2,075,006	3,994,531
Income Statement impairment charge in year:		
Debt securities	-	(2,349,713)
Equity securities	-	-
	-	(2,349,713)

The movement in debt securities classified as loans and receivables can be summarised as follows:

	2010 £	2009 £
Gross debt securities		
As at 1 January	-	830,498
Additions	-	1,519,215
Amounts written off	-	(2,349,713)
As at 31 December	-	-
Net debt securities		
As at 31 December	-	-

The Company assesses all impairments individually.

Equity securities designated at fair value through profit or loss can be summarised as follows:

	2010 £	2009 £
At 1 January	1,644,818	1,445,220
Disposals	-	(1,030,232)
Changes to fair value	430,188	1,229,830
As at 31 December	2,075,006	1,644,818

The Company has the following significant holding in a UK incorporated entity which has been accounted for as fair value financial investments.

Name of Company	% of equity shares
Education 4 Ayrshire Limited	47.5

If the above company was accounted for as an associate it would have recognised £167,200 of profit for the year and a share of net assets of £294,975.

Notes to the financial statements (continued)

9. Investment in subsidiaries	**2010**	**2009**
	£	**£**
At 1 January	5,702,262	5,702,262
Additions	1	-
As at 31 December	5,702,263	5,702,262

Name of Company	**% of Ordinary shares held**	**Principal business**	**Country of incorporation**	**Reference date**
Uberior Infrastructure Investments (No2) Limited	100%	Investment	UK	31 December
Uberior Infrastructure Investments (No. 4) Limited	100%	Investment	Guernsey	31 December

Uberior Infrastructure Investments (No 4) Limited was incorporated in Guernsey on 12 January 2010 and operates as an investment holding and management company.

10. Cash and cash equivalents	**2010**	**2009**
	£	**£**
Bank deposits	138,303,938	139,540,419
Cash and cash equivalents in the Statement of Cash Flows	138,303,938	139,540,419

11. Capital and reserves

The distributable reserves of the Company are managed through the Group Capital and Funding Policy in order to maximise capital efficiency within the Lloyds Banking Group plc. Dividends are paid from reserves available for distribution to the parent undertaking upon approval of the statutory financial statements.

Share capital – Ordinary shares	**2010**	**2009**
	£	**£**
On issue at 1 January and at 31 December – fully paid	100	100

At 31 December 2010, the authorised and issued share capital comprised 100 ordinary shares of £1 each (2009: 100).

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. No dividend was paid during the year (2009: £nil).

12. Trade and other payables	**2010**	**2009**
	£	**£**
Audit fees paid by Bank of Scotland plc	8,225	-
Audit fees	8,225	8,225
Trade and other payables	16,450	8,225

Notes to the financial statements (continued)

13. Provisions for other liabilities and charges

	2010 £	2009 £
At 1 January	308,704	-
Provision relating to debt security commitments charged to Income Statement	-	308,704
Provision utilised in year	(241,001)	-
At 31 December	67,703	308,704

The provision utilised in the year was in respect of Deskred Ltd (formerly First Base Central Limited) due to the company being placed into voluntary liquidation.

At 31 December, a £67,703 provision was held in respect of Deskred Ltd. The Company's final debt security commitment of £3,652 was paid on 26th January 2011. This will result in a £64,051 credit through the Income Statement in 2011.

14. Financial instruments

Credit risk
Credit risk is the risk of financial loss from a counterparty's failure to settle financial obligations as they fall due. Credit exposures arise in the normal course of the Company's business, principally from investment activities that bring debt securities into the Company's asset portfolio. Exposures consist of bank balances with the Lloyds Banking Group plc. The debt securities and accrued interest were written off during 2009.

	2010 £	2009 £
On Balance Sheet:		
Cash and cash equivalents	138,303,938	139,540,419

Market risk
Market risk is defined as the potential loss in value or earnings of the Company arising from changes in external market factors such as:

- Equity markets (equity risk)
- Foreign exchange rates (foreign exchange risk)
- Interest rates (interest rate risk)

At the reporting date, the only market risks the Company considers it has exposure to, is equity risk.

Equity risk
Equity risk exists from the Company's exposure to unlisted equity shares. The Company undertakes a full assessment of each entity's potential for value creation prior to entering into a new transaction. Thereafter the performance of each investment is continually monitored and action taken as deemed appropriate in the circumstances. Further information about the Company's sensitivity to changes in the fair value of equity investments is set out below.

At the reporting date the carrying value of equity investments amounted to £2,075,006 (2009: £1,644,818). For investments carried at fair value through profit or loss changes in fair value would have a direct impact on profit before tax (PBT). The table below sets out the sensitivity of PBT to a 10% fall in fair value of equity investments as at the Balance Sheet date.

	2010 PBT £	2009 PBT £
Unlisted equity investments	(207,501)	(164,482)

Liquidity risk
Liquidity risk is the risk that the Company does not have sufficient financial resources to meet its obligations when they fall due, or will have to do so at excessive cost. This risk can arise from mismatches in the timing of cash flows relating to assets, liabilities and off-Balance Sheet instruments. The Company's short term liquidity requirements are supported by a facility with another Lloyds Banking Group plc company subject to internal limits. Overall liquidity of the Group is managed centrally.

The Company has no significant liabilities and has sufficient cash balances to meet the Company's obligation when they fall due, therefore no liquidity risk.

Notes to the financial statements (continued)

15. Fair values

The fair values together with the carrying amounts shown in the Balance Sheet are as follows:

	Note	Carrying amount 2010	Fair value 2010	Carrying amount 2009	Fair value 2009
		£	£	£	£
Equity securities designated at fair value through the profit or loss	8	2,075,006	2,075,006	1,644,818	1,644,818
Trade and other payables	12	(16,450)	(16,450)	(8,225)	(8,225)
Cash and cash equivalents	10	138,303,938	138,303,938	139,540,419	139,540,419
		140,362,494	140,362,494	141,177,012	141,177,012
Unrecognised gains			-		-

Estimation of fair values
The following summarises the major methods and assumptions used in estimating the fair values of financial instruments reflected in the above table.

- **Equity securities**
  Fair value of unlisted equity securities are calculated in accordance with the International Private Equity Venture Capital guidelines. Using a discounted cash flow model based on future profitability forecasts, the valuation model includes the review of operational performance to plan and other general operational risk indicators including projected inflation and deposit rates.

- **Trade and other receivables / payables**
  For receivables / payables with a remaining life of less than one year, the notional amount is deemed to reflect the fair value. All other receivables / payables are discounted to determine the fair value.

- **Cash and cash equivalents**
  The fair value of unsecured bank facilities with no stated maturity date is the amount repayable on demand.

Fair value of financial instruments carried at fair value
The table below provides an analysis of the financial assets and liabilities of the Company that are carried at fair value in the Company's Balance Sheet, grouped into levels 1 to 3 based on the degree to which the fair value is observable.

Valuation Hierarchy	**Level 1**	**Level 2**	**Level 3**	**Total**
	£	£	£	£
At 31 December 2010				
Trading and other financial assets at fair value through profit or loss	-	-	2,075,006	2,075,006
Financial assets	-	-	2,075,006	2,075,006

Valuation Hierarchy	**Level 1**	**Level 2**	**Level 3**	**Total**
	£	£	£	£
At 31 December 2009				
Trading and other financial assets at fair value through profit or loss	-	-	1,644,818	1,644,818
Financial assets	-	-	1,644,818	1,644,818

Notes to the financial statements (continued)

15. Fair values (continued)

The valuations of financial instruments have been classified into three levels according to the quality and reliability of information used to determine the fair values.

Level 1 portfolios
Level 1 fair value measurements are those derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 predominantly comprise treasury bills and other government securities.

Level 2 portfolios
Level 2 valuations are those where quoted market prices are not available, for example where the instrument is traded in a market that is not considered to be active or valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable data, the instrument is considered to be level 2.

Level 3 portfolios
Level 3 portfolios are those where at least one input which could have a significant effect on the instrument's valuation is not based on observable market data. Such instruments would include the Company's venture capital and unlisted equity investments which are valued using various valuation techniques that require significant management judgment in determining appropriate assumptions, including earnings multiples and estimated future cash flows.

The table below analyses the movements in the Level 3 portfolio.

	Trading and other financial assets at fair value through profit or loss 2010 £	**Trading and other financial assets at fair value through profit or loss 2009 £**
As at 1 January	1,644,818	1,445,220
Gain recognised in:		
- Income Statement	430,188	1,229,830
Disposals	-	(1,030,232)
As at 31 December	2,075,006	1,644,818

Total gains and losses included in profit or loss for the year in the above table are presented as follows:

	Trading and other financial assets at fair value through profit or loss 2010 £	**Trading and other financial assets at fair value through profit or loss 2009 £**
Total gains included in Income Statement for the year:		
Changes to fair value in investments	430,188	1,229,830
Amounts included within profits for the year that relate to assets held at the year end:		
Changes to fair value in investments	430,188	1,229,830

Notes to the financial statements (continued)

15. Fair values (continued)

The valuation techniques used for unlisted equities and venture capital investments vary depending on the nature of the investment. Further details of these are given below. As these factors differ for each investment depending on the nature of the valuation technique used and the inputs there is no single common factor that could be adjusted to provide a reasonable alternative valuation for these investments portfolios.

Changing one or more of the unobservable inputs used to reasonably possible alternative assumptions would have the following effects:

	As at 31 December 2010			As at 31 December 2009		
	Fair value £	Favourable changes £	Unfavourable changes £	Fair value £	Favourable changes £	Unfavourable changes £
Financial assets at fair value through profit or loss						
Equity investments	2,075,006	376,540	(320,003)	1,644,818	298,476	(253,660)
Financial assets	2,075,006	376,540	(320,003)	1,644,818	298,476	(253,660)

Of the favourable figures from the table above £376,540 would be recognised in the Income Statement (2009: £298,476) and of the unfavourable £320,003 would be recognised in the Income Statement (2009: £253,660).

The main products where level 3 valuations have been used are described below:

Equity Investments (Including Venture Capital)

Unlisted equities and fund investments are accounted for as financial assets at fair value through profit or loss. These investments are valued using different techniques as a result of the variety of investments across the portfolio in accordance with the Group's valuation policy and are calculated using International Private Equity and Venture Capital Guidelines.

Depending on the business sector and the circumstances of the investment unlisted equity valuations are based on earnings multiples, net asset values or discounted cash flows.

- A number of earnings multiples are used in valuing the portfolio including price earnings, earnings before interest and tax and earnings before interest, tax, depreciation and amortisation (EBITDA). The particular multiple selected being appropriate for the type of business being valued and is derived by reference to the current market-based multiple. Consideration is given to the risk attributes, growth prospects and financial gearing of comparable businesses when selecting an appropriate multiple, and as such this multiple has been considered in establishing the possible alternatives above.
- Discounted cash flow valuations use estimated future cash flows, usually based on management forecasts, with the application of appropriate exit yields or terminal multiples and discounted using rates appropriate to the specific investment, business sector or recent economic rates of return. Recent transactions involving the sale of similar businesses may sometimes be used as a frame of reference in deriving an appropriate multiple. The rates of discount applied have been considered in establishing the possible alternatives above.
- For fund investments the most recent capital account value calculated by the fund manager is used as the basis for the valuation and adjusted, if necessary, to align valuation techniques with the Group's valuation policy. In line with IPEV guidelines the values of underlying investments in these portfolios have been considered, and possible alternatives considered on both a positive and negative basis.

Notes to the financial statements (continued)

16. Related parties

The Company has a related party relationship with its intermediate parent company Bank of Scotland plc. The Company's immediate parent is Uberior Investments plc. No dividends were paid during the year (2009: £nil).

Uberior Infrastructure Investments (No2) Limited is a subsidiary of Uberior Infrastructure Investments Limited. No dividends were received during the year (2009: £nil).

Uberior Infrastructure Investments (No. 4) Limited is a subsidiary of Uberior Infrastructure Investments Limited. No dividends were received during the year.

A number of banking transactions are entered into with Bank of Scotland plc in the normal course of business including loans and deposits.

The balances due to and from Bank of Scotland plc are shown within the notes to the financial statements.

Details of the related party transactions during the year are disclosed in the table below.

Nature of transaction	Outstanding balance at 1 January 2010 £	Outstanding balance at 31 December 2010 £	Disclosure in financial statements	Counterparty
Bank deposits	139,540,419	138,303,938	Cash and cash equivalents	Bank of Scotland plc
Income tax (payable)/recoverable through Group relief	(226,665)	759,367	Income tax (payable)/ recoverable	Bank of Scotland plc
Audit fees	-	8,225	Trade and other payables	Bank of Scotland plc

17. Ultimate parent undertakings

As at 31 December 2010 the Company's immediate parent company was Uberior Investments plc. The Company regarded by the Directors as the ultimate parent undertaking and controlling party is Lloyds Banking Group plc which is incorporated in Scotland. Lloyds Banking Group plc has produced consolidated accounts for the year ended 31 December 2010. Copies of the annual report and financial statements of Lloyds Banking Group plc for the year ended 31 December 2010 may be obtained from Lloyds Banking Group plc's head office at 25 Gresham Street, London, EC2V 7HN.

18. Post balance sheet investments

On 10 June 2011 the company disposed of its entire holding in Education 4 Ayrshire Limited which as at 31 December 2010 was the only investment with any value held in the company as per note 8.