

UBERIOR INFRASTRUCTURE INVESTMENTS LIMITED

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

MEMBER OF LLOYDS BANKING GROUP

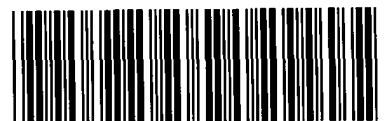
**COMPANIES HOUSE
EDINBURGH**

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Company Number: SC186247

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COMPANIES HOUSE

Directors

N S Burnett
A Hulme

Secretary

D D Hennessey

Registered office

The Mound
Edinburgh
United Kingdom
EH1 1YZ

Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Atria One
144 Morrison Street
Edinburgh
EH3 8EX

Bankers

Bank of Scotland plc
Head Office
The Mound
Edinburgh
EH1 1YZ

STRATEGIC REPORT**For the year ended 31 December 2017**

The Directors submit their strategic report on Uberior Infrastructure Investments Limited ('the Company') for the year ended 31 December 2017.

Principal activities and future developments

The Company operates as an investment holding and management company and there has been no change in that activity during the year. The Company remains committed to the business of holding investments and will continue to manage existing investments in the future.

Business Review

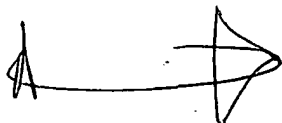
There were no investment additions or disposals in the current or prior year.

The Company manages investments for value and where appropriate supports those investments with additional funding. The business is funded by the Company's immediate parent undertaking, Bank of Scotland plc. On the basis that the Company is an investment holding company, the Directors do not find it appropriate to comment on environmental matters and social, community and human rights issues.

Risk management

The key risks and uncertainties faced by the Company are managed within the framework established for the Lloyds Banking Group plc group of Companies ('the Group'). Exposure to credit and equity risk arises in the normal course of the Company's business. These risks are explained in Note 11 'Financial instruments'. The Company is funded by its intermediate parent undertaking and as a result liquidity risk is managed within the Group.

By order of the Board,



N S Burnett
Director

Date: 26 September 2018

Company number: SC186247

DIRECTOR'S REPORT**For the year ended 31 December 2017**

The Directors, as listed on page 11, submit their report and audited financial statements of Uberior Infrastructure Investments Limited for the year ended 31 December 2017.

Incorporation

The Company was incorporated in Scotland on 22 May 1998.

Parent Undertaking

The Company is a wholly owned subsidiary of Bank of Scotland plc. The ultimate parent undertaking and controlling party is Lloyds Banking Group plc, a company incorporated in Scotland.

Results and dividends

The results for the year are shown in the Statement of Comprehensive Income on page 7. The profit for the Company for the year ended 31 December 2017 was £17,004,000 (2016: £53).

A dividend of £17,000,000 was declared and paid during the year (2016 : £nil).

Going concern

As set out in Note 3 - 'Going concern - 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' indemnity

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 the director who joined 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 had the benefit of this contract of indemnity during that period of service. The indemnity remains in force for the duration of a Director's period of office. The deed indemnifies the Directors to the maximum extent permitted by law. The Deed for existing Directors is 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

The Directors at the date of this report are as stated on page 1. Dates of resignations and appointments during the year, or subsequent to the year end, were as follows:

<u>Director</u>	<u>Date of Appointment</u>	<u>Date of Resignation</u>
A C Bone	-	22 February 2018
A Hulme	22 February 2018	-

No Director had any interest in any material contract or arrangement with the Company during or at the end of the year.

DIRECTOR'S REPORT (CONTINUED)
For the year ended 31 December 2017**Independent Auditors and disclosure of information to Independent Auditors**

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

In accordance with Section 418 of the Companies Act 2006, in the case of each Director in office at the date the Report of the Director is approved:

- (a) so far as the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware; and
- (b) the Directors 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.

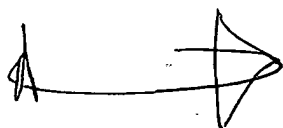
Statement of Directors' Responsibilities

The directors are responsible for preparing the directors' and strategic reports and the financial statements in accordance with applicable law and regulations.

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



N S Burnett
Director

Date: 26 September 2018

Company number: SC186247

Independent auditors' report to the members of Uberior Infrastructure Investments Limited

Report on the audit of the financial statements

Opinion

In our opinion, Uberior Infrastructure Investments Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit 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 Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2017; 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

We have nothing to report in respect of the following matters in relation to which 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.

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.

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 2017 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.

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 4, 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 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.

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.



Mark Hoskyns-Abraham (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Edinburgh
28 September 2018

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December

	Note	2017 £000s	2016 £000s
Investment income	4	17,004	-
Total income		17,004	-
Other Expenses	5	-	-
Result before tax		17,004	-
Income tax charge	6	-	-
Result and total comprehensive income for the year		17,004	-
Attributable to:			
Owner		17,004	-
Result and total comprehensive income for the year		17,004	-

The notes on pages 11 to 21 are an integral part of these financial statements.

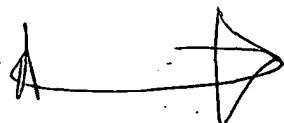
The operating profit for the year arises from the Company's continuing operations.

BALANCE SHEET
As at 31 December

	Note	2017 £000s	2016 £000s
Assets			
Investment in subsidiary undertakings	8	5,702	5,702
Cash and cash equivalents	9	198	194
Income tax assets	6	-	-
Total assets		5,900	5,896
Equity			
Retained earnings		5,900	5,896
Total equity		5,900	5,896
Liabilities			
Income tax payable	7	-	-
Total liabilities		-	-
Total equity and liabilities		5,900	5,896

The notes on pages 11 to 21 are an integral part of these financial statements.

The financial statements on pages 7 to 21 were approved by the Directors and were signed by:



N S Burnett
Director

Date: 26 September 2018

Company Number: SC186247

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December

	Note	Retained earnings £000s	Total equity £000s
Balance at 1 January 2016		5,896	5,896
Profit for the year		-	-
Total comprehensive income		-	-
Balance at 31 December 2016 and 1 January 2017		5,896	5,896
Result for the year		17,004	17,004
Total comprehensive income		17,004	17,004
Dividends Paid	11	(17,000)	(17,000)
Balance at 31 December 2017		5,900	5,900

The notes on pages 11 to 21 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS
For the year ended 31 December

	Note	2017 £000s	2016 £000s
Cash flows from operating activities			
Result before tax		17,004	-
Cash generated from operations		<u>17,004</u>	<u>-</u>
Cash flows from investing activities			
Net cash from investing activities		<u>-</u>	<u>-</u>
Cash flows from financing activities			
Dividends paid to equity shareholders	11	(17,000)	-
Net cash used in financing activities		<u>(17,000)</u>	<u>-</u>
Net increase in cash and cash equivalents		4	-
Cash and cash equivalents at 1 January		194	194
Cash and cash equivalents at 31 December	9	<u>198</u>	<u>194</u>

The notes on pages 11 to 21 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2017**1. Significant accounting policies**

Uberior Infrastructure Investments Limited (the 'Company') is a company incorporated and domiciled in Scotland.

The financial statements were authorised for issue by the Directors on 26th September 2018

(a) Financial statements

The financial statements of Uberior Infrastructure Investments Limited comprise the 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 pounds sterling which is the Company's functional and presentational currency.

(b) Statement of compliance

The 2017 statutory financial statements set out on pages 7 to 21 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 and the Companies Act 2006 applicable to companies reporting under IFRS. 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. Consequently, the financial statements comply with International Financial Reporting Standards.

The Company is exempt by virtue of Section 400 of the Companies Act 2006 and similar exemptions available under IFRS 10 '*Consolidated financial statements*' 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.

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

(c) Basis of preparation

The financial statements have been prepared under the historical cost basis.

Change in accounting policy

There were no new or amended standards which became effective in the year which have an impact on the financial statements of the Company.

(d) Future accounting developments

The following pronouncements are not applicable for the year ending 31 December 2017 and have not been applied in preparing these financial statements. Save as disclosed below, the impact of these accounting changes is still being assessed by the Company and reliable estimates cannot be made at this stage.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2017

1. Significant accounting policies (continued)

(d) Future accounting developments (continued)

Pronouncement	Nature of change	IASB effective date
IFRS 9 <i>Financial Instruments</i>	<p>IFRS 9 replaces IAS 39 'Financial Instruments: Recognition and Measurement' and is effective for annual periods beginning on or after 1 January 2018. The Company has chosen 1 January 2018 as its initial application date of IFRS 9 and will not restate comparative periods.</p> <p>Classification and measurement</p> <p>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 or amortised cost. Financial assets will be measured at amortised cost if they are held within a business model the objective of which is to hold financial assets in order to collect contractual cash flows, and their contractual cash flows represent solely payments of principal and interest. Financial assets will be measured at fair value through other comprehensive income if they are held within a business model the objective of which is achieved by both collecting contractual cash flows and selling financial assets and their contractual cash flows represent solely payments of principal and interest. Financial assets not meeting either of these two business models; and all equity instruments (unless designated at inception to fair value through other comprehensive income); and all derivatives are measured at fair value through profit or loss. An entity may, at initial recognition, designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch.</p> <p>Impairment</p> <p>IFRS 9 replaces the existing 'incurred loss' impairment approach with an expected credit loss ('ECL') model resulting in earlier recognition of credit losses compared with IAS 39. The ECL model has three stages. Entities are required to recognise a 12 month expected loss allowance on initial recognition (stage 1) and a lifetime expected loss allowance when there has been a significant increase in credit risk since initial recognition (stage 2). Stage 3 requires objective evidence that an asset is credit-impaired, which is similar to the guidance on incurred losses in IAS 39.</p> <p>The full impact of this pronouncement is being assessed by the Company. However, the initial view is that this pronouncement is not expected to cause any material adjustments to the reported numbers in the financial statements.</p>	Annual periods beginning on or after 1 January 2018.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2017

1. Significant accounting policies (continued)

(d) Future accounting developments (continued)

IFRS 15 <i>Revenue from Contracts with Customers</i>	<p>IFRS 15 replaces IAS 18 'Revenue' and IAS 11 'Construction Contracts' and is effective for annual periods beginning on or after 1 January 2018. The core principle of IFRS 15 is that revenue reflects the transfer of goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled.</p> <p>The Company's current accounting policy is materially consistent with the requirements of IFRS 15 and, accordingly, no transition adjustments are required.</p>	Annual periods beginning on or after 1 January 2018.
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(e) Financial assets

The Company determines the classification of its financial assets at initial recognition. The classification depends on the purpose for which the financial assets were acquired. The Company has classified its financial assets into the following categories: loans and receivables.

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of the ownership.

Investment in subsidiary undertakings

Subsidiaries are entities controlled by the Company. The Company controls an entity when it has power over the entity, is exposed to, or has rights to, variable returns from its involvement with the entity, and has the ability to affect those returns through the exercise of its power. This generally accompanies a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls an entity. The Company reassesses whether or not it controls an entity if facts and circumstances indicate that there are changes to any of these factors. Details of the subsidiary undertakings are given in Note 7 to the Financial Statements.

Subsidiaries comprise equity investments in, and capital contributions to subsidiary entities. These are carried at cost less impairment provisions.

(f) Cash and cash equivalents

Cash and cash equivalents consist of cash balances held within the Group that are freely available.

(g) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(h) Impairment of financial assets

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or portfolio of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2017

1. Significant accounting policies (continued)

(h) Impairment of financial assets (continued)

Financial assets carried at amortised cost – the criteria that the Company uses to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the company, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including adverse changes in the payment status of borrowers in the portfolio; and national or local economic conditions that correlate with defaults on the assets in the portfolio.

If there is objective evidence that an impairment loss on a financial asset or group of financial assets has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognised in the Statement of Comprehensive Income. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event after the impairment was recognised, the previously recognised impairment loss is reversed in the Statement of Comprehensive Income.

(i) Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment losses are recognised in the Statement of Comprehensive Income.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

At the end of each reporting period 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 Statement of Comprehensive Income. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Subsidiaries – in respect of investments in 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2017**1. Significant accounting policies (continued)****(j) Share capital**

Ordinary shares are classified as equity. Called up share capital is determined using the nominal value of shares that have been issued.

(k) Dividends

Dividends paid on the Company's ordinary shares are recognised as a reduction in equity in the period in which they are paid.

(l) Revenue recognition

Dividend income is recognised when the right to receive payment is established and recognised in the Statement of Comprehensive Income as investment income.

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount and are recognised within 'Loss on disposal of investments' in the Statement of Comprehensive Income.

(m) Expenses

Expenses are recognised in the Statement of Comprehensive Income as the related service is received. Expenses are measured at the fair value of the consideration paid or payable.

(n) Taxation

Tax expense comprises current and deferred tax. Current and deferred tax are charged or credited in the income statement 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 income statement (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 (HMRC) 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.

2. Critical accounting estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions in applying the accounting policies 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.

Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2017

2. Critical accounting estimates and judgements (continued)

The significant judgements made by management in applying the Company's accounting policies 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.

Critical judgements in applying the entity's accounting policies

The critical judgements that have been made in the process of applying the Company's accounting policies are addressed below.

Estimation of income taxes includes the assessment of recoverability of deferred tax assets. Deferred tax assets are only recognised to the extent they are considered more likely than not to be recoverable based on existing tax laws and forecasts of future taxable profits against which the underlying tax deductions can be utilised.

(a) Impairment of investments

As explained in the accounting policy, investment securities are continually reviewed at the specific investment level for impairment. Impairment is recognised when there is objective evidence that a specific financial asset is impaired. Objective evidence of impairment might include a significant or prolonged decline in market value below the original cost of a financial asset and, in the case of debt securities, non-receipt of due interest or principal repayment, a breach of covenant within the security's terms and conditions or a measurable decrease in the estimated future cash flows since their initial recognition.

The disappearance of active markets, declines in market value and ratings downgrades do not in themselves constitute objective evidence of impairment and, unless a default has occurred on a debt security, the determination of whether or not objective evidence of impairment is present at the balance sheet date requires the exercise of management judgement.

3. Going concern - Principles underlying going concern assumption

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

4. Investment Income

	2017 £000s	2016 £000s
Income from:		
Subsidiaries – dividends received	17,000	-
Other Investment Income	4	-
	<u>17,004</u>	<u>-</u>

5. Other Expenses

For the year ended 31 December 2017 and 31 December 2016, the audit fee has been accrued and paid centrally by the Company's intermediate parent, Bank of Scotland plc, which makes no recharge to the Company.

The Company has no employees (2016: none).

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2017

5. Other Expenses (continued)

The Directors, who are considered to be key management, received no remuneration in respect of their services to the Company. The emoluments of the Directors are paid by a fellow group undertaking on behalf of the ultimate parent, Lloyds Banking Group plc, which makes no recharge to the Company. The Directors are also directors of a number of other subsidiaries of the Group and are also substantially engaged in managing their respective business areas within the 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, these financial statements include no emoluments in respect of the Directors.

	2017 £000s	2016 £000s
Other Expenses	-	-
	-	-

6. Income tax charge

	2017 £000s	2016 £000s
Current tax charge	-	-
	-	-

Reconciliation of effective tax rate

The current tax result (2016: result) for the year is better (2016: the same) than the standard rate of corporation tax in the UK of 19.25% applied to the profit for the year due to the following factors:

	2017 £000s	2016 £000s
Result before tax	17,004	-
Profit multiplied by the standard rate of corporation tax in the UK of 19.25%	(3,273)	-
Income not chargeable for tax purposes	3,273	-
Tax charge	-	-

The Finance (No. 2) Act 2015 reduced the main rate of corporation tax to 19% with effect from 1 April 2017.

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

The current tax asset of £nil (2016 :nil) represents the amount of income taxes receivable in respect of current and prior periods.

7. Income tax liability

The current tax liability of £nil (2016: £nil) represents the net amount of income taxes payable in respect of current and prior years

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2017

8. Investment in subsidiary undertakings

Details of subsidiary undertakings are noted below:

Name of subsidiary	Registered Address	% of ordinary shares held	Principal business	Country of incorporation	Reporting date of financial statements
Uberior Infrastructure Investments (No 2) Ltd	25 Gresham Street London EC2V 7HN	100%	Investment	UK	31 December

The proportion of the voting rights in the subsidiary undertakings held directly by the Company does not differ from the proportion of ordinary shares held.

9. Cash and cash equivalents

	2017	2016
	£000s	£000s
Cash at bank	198	194

10. Capital and reserves

Capital risk management

The distributable reserves of the Company are managed in accordance with the Group's Capital and Funding Policy in order to maximise capital efficiency within the Group.

At 31 December 2017, the issued share capital comprised 100 (2016: 100) ordinary shares of £1 each. As permitted by the Companies Act 2006, the Company has removed references to authorised share capital from its articles of association.

11. Dividends

	2017	2016
	£000s	£000s
Ordinary shares		
£170,000 (2016: £nil) per share	17,000	-
	17,000	-

12. Financial instruments

The Company's activities expose it to a variety of financial risks: credit risk, market risk (including interest rate risk, foreign exchange risk, and equity risk) and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

Risk management within the Group is carried out by a central treasury department (Group Treasury). Group Treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Group provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2017

12. Financial instruments (continued)

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 cash and cash equivalent balances with other Group companies. As such, the Company does not consider itself to have any significant exposure to credit risk.

The table below sets out the maximum exposure to credit risk at the balance sheet date:

	Note	2017 £000s	2016 £000s
On Balance Sheet:			
Cash and cash equivalents	9	<u>198</u>	<u>194</u>
		198	194

Cash and cash equivalents representing intercompany balances within the Group have an internal credit rating of better than satisfactory.

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:

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

Interest rate risk

Interest rate risk exists where the Company's financial assets and liabilities have interest rates set under different bases, or which reset at different times.

The Company has had no borrowings during the year, or at the Balance Sheet date, therefore it is not considered to have any interest rate risk.

Foreign exchange risk

Foreign exchange risk arises on investments and monetary financial assets (included in cash and cash equivalents) and borrowings denominated in a currency other than pounds sterling. As the Company has had no investments, monetary financial assets or borrowings denominated in a currency other than pounds sterling during the year, or at the Balance Sheet date, it is not considered to have any foreign exchange risk.

Equity risk

The Company has no exposure to equity shares and consequently is not exposed to equity risk.

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 Group company subject to internal limits. Overall liquidity of the Group is managed centrally. The Company currently has no liabilities and liquidity risk is therefore low.

Offsetting

The company has no financial assets or liabilities which are subject to offsetting, enforceable master netting arrangements or similar agreements

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2017

13. Fair values

The fair values of the financial assets and liabilities together with the carrying amounts shown in the balance sheet are as follows:

	Note	Carrying amount 2017 £000s	Fair value 2017 £000s	Carrying amount 2016 £000s	Fair value 2016 £000s
Cash and cash equivalents	9	198	198	194	194
		198	198	194	194
Unrecognised loss			-		-

Estimation of fair values

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

Cash and cash equivalents

The fair value of cash and cash equivalents repayable on demand is considered to be equal to their carrying value.

14. Related parties

The Company has related party relationships (as detailed in the table below) with its immediate parent company, Bank of Scotland plc, its ultimate parent company, Lloyds Banking Group plc, and other fellow subsidiaries. A number of related party transactions are entered into in the normal course of business.

Nature of transaction	Related party	Outstanding balance at 31 December 2017 £000s	Outstanding balance at 31 December 2016 £000s	Income/ (expense) included in Income Statement for the year ended 31 December 2017 £000s	Income/ (expense) included in Income Statement for the year ended 31 December 2016 £000s	Disclosure in financial statements
Bank balances	Bank of Scotland plc	198	194	-	-	Cash and cash equivalents
Dividends received	Uberior Infrastructure Investments (No 2) Ltd	-	-	17,000	-	Investment income

During the year the Company paid a dividend of £17,000,000 (2016: £nil) to its then immediate parent Uberior Investments Limited.

The registered offices of related parties are noted below:

Related party

Bank of Scotland Plc
Uberior Investments Limited

Uberior Infrastructure Investments
(No. 2) Limited

Registered address

The Mound, Edinburgh, United Kingdom, EH1 1YZ
The Mound, Edinburgh, United Kingdom, EH1 1YZ

25 Gresham Street, London, EC2V 7HN

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2017

15. Parent undertakings

During the year the ownership of Uberior Infrastructure Investments transferred from Uberior Investments Limited to Bank of Scotland plc.

Bank of Scotland plc is the parent undertaking of the smallest group to consolidate these financial statements.

The ultimate parent undertaking and controlling party is Lloyds Banking Group plc, which is the parent undertaking of the largest group to consolidate these financial statements. Copies of the consolidated annual report and financial statements of both companies may be requested from Lloyds Banking Group's head office at 25 Gresham Street, London, EC2V 7HN or downloaded via www.lloydsbankinggroup.com.