

**UBERIOR FUND INVESTMENTS LIMITED**  
**REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

**MEMBER OF LLOYDS BANKING GROUP**

**Company Number: SC272465**



**Directors**

K M Bothwell  
A J Cumming  
G J McDonald  
A W Géczy  
T C Murphy  
J B Molony

**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

The Directors, as listed on page 2, submit their report and audited financial statements of Uberior Fund Investments Limited for the year ended 31 December 2010.

### Incorporation

The Company was incorporated on 26 August 2004.

### Principal activity

The Company operates as an investment holding company and there has been no change in that activity during the year.

### Business review

During the year the Company continued to manage investments acquired in previous years.

The business is funded by the Company's intermediate parent undertaking.

### Future developments

The Company will continue to manage its existing commitments in the future.

### Results and dividends

The results for the year ended 31 December 2010 are shown in the Income Statement on page 8. The Directors do not recommend the payment of a dividend in 2010 (2009: nil).

### Risk management

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 credit risk, interest rate risk, foreign exchange risk and equity risk arises in the normal course of the Company's business. These risks are discussed below and supplementary qualitative and quantitative information is provided in note 16 to the financial statements. The Company is funded by its intermediate parent undertaking and as a result liquidity risk is managed within the Group.

### Credit risk

A full credit assessment of the financial strength of each potential transaction and/or customer is undertaken, awarding an internal risk rating. Internal ratings are reviewed regularly.

### Interest rate risk

Financial assets which are income earning have both fixed and variable interest rates. The financial liabilities which fund these investments are facilities provided by another Lloyds Banking Group plc company with interest being charged at agreed rates within the Group. Consequently the Company is exposed to some interest rate risk.

### Foreign exchange risk

Foreign exchange risk arises on investments and borrowings denominated in a currency other than Sterling. The Company follows the Group policy in ensuring that all foreign currency investments are matched with borrowings in the same currency, thus no material foreign exchange exposure is considered to exist. The currencies which give rise to the Company's foreign exchange risk are US Dollars and Euros.

### Equity risk

Equity risk exists from the Company's exposure to listed and unlisted 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 in note 17.

### Going concern

As set out in note 2 - 'Principles underlying going concern assumption' - 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.

**REPORT OF THE DIRECTORS (continued)****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.

**Performance**

The Company's loss before tax for the financial year is £19,813,572 (2009: loss £212,775,415). This represents a decrease in loss before tax of 91%.

The current year has seen a higher volume of investment disposals resulting in profits on disposal of £50,003,254 being recognised in the Income Statement. This compares to £3,064,321 of profits on disposal recognised in 2009. The Company aims to hold each investment for the appropriate time period which will maximise returns to the Group and therefore profits recognised on disposals can fluctuate year on year.

The Balance Sheet shows net liabilities of £315,070,252 in 2010 compared to net liabilities of £420,707,935 in 2009. This decrease is mainly attributable to an increase in investment valuation due to improved economic conditions.

The Company performance is considered in respect of the underlying investment portfolio performance and valuations. These are reviewed through the relevant committees of the Lloyds Banking Group plc Equity Governance Framework.

**Directors and their interests**

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

<b>Director</b>	<b>Date of Appointment</b>	<b>Date of Resignation</b>
A W Géczy	24 March 2010	-
T C Murphy	24 March 2010	-
G R A Shankland	-	24 March 2010
J B Molony	16 December 2010	-

The 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 £5,288 to trade payables as at 31 December 2010 (2009: £5,288), the number of days required to be shown in this report, to comply with the provisions of the Companies Act 2006, is 30 days (2009: 30 days). This bears the same proportion to the number of days in the year as the aggregate of the amounts owed to trade payables at 31 December 2010 bears to the aggregate of the amounts invoiced by suppliers during the year.

**REPORT OF THE DIRECTORS (continued)****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,



Director *J B MOLONY* 22 June 2011

Company Number: SC272465

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

**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND 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 they have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments 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 FUND INVESTMENTS LIMITED**

We have audited the financial statements of Uberior Fund Investments Limited for the year ended 31 December 2010 which comprise of the Income Statement, Balance Sheet, the Statement of Comprehensive Income, the Statement of Cash Flow, the Statement of Changes in Equity, the Accounting Policies 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 6, 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 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 31st 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 requirements of the Companies Act 2006.

**Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**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.



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

22 June 2011

**INCOME STATEMENT****For the year ended 31 December 2010**

	<b>Note</b>	<b>2010 £</b>	<b>2009 £</b>
Investment income	3	7,888,089	856,258
Interest received	3	85,590	1,939,484
		<u>7,973,679</u>	<u>2,795,742</u>
Administrative expenses	4	(24,327,550)	(25,380,286)
Other expenses	5	(5,527)	(5,288)
<b>Net operating expenses</b>		<u>(24,333,077)</u>	<u>(25,385,574)</u>
<b>Profit on disposal of investments</b>		50,003,254	3,064,321
Amounts written off investments	9	(17,987,971)	(149,787,707)
<b>Operating profit/(loss) before financing costs</b>		<u>15,655,885</u>	<u>(169,313,218)</u>
Financing costs	6	(35,469,457)	(43,462,197)
<b>Loss before tax</b>		<u>(19,813,572)</u>	<u>(212,775,415)</u>
Income tax credit	7	22,879,781	48,553,984
<b>Profit/(loss) after tax for the year</b>		<u>3,066,209</u>	<u>(164,221,431)</u>
<b>Attributable to:</b>			
Equity holders		3,066,209	(164,221,431)
<b>Profit/(loss) for the year</b>		<u>3,066,209</u>	<u>(164,221,431)</u>

The notes on pages 13 to 29 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**

	<b>Note</b>	<b>2010 £</b>	<b>2009 £</b>
<b>Profit/(loss) for the year</b>		3,066,209	(164,221,431)
<b>Other comprehensive income:</b>			
Movements in available for sale financial assets:			
- changes in fair value		195,242,065	129,154,843
- impairments recognised in Income Statement		(2,105,023)	22,976,529
- realised profits recognised in Income Statement		(47,326,320)	(2,213,428)
- movements in deferred tax	11	(34,646,462)	(40,233,210)
Currency translation differences		(8,592,786)	459,533
<b>Other comprehensive income for the year</b>		<u>102,571,474</u>	<u>110,144,267</u>
<b>Total comprehensive income/(loss) for the year</b>		<u>105,637,683</u>	<u>(54,077,164)</u>
<b>Attributable to:</b>			
Equity holders		105,637,683	(54,077,164)
<b>Total comprehensive income/(loss) for the year</b>		<u>105,637,683</u>	<u>(54,077,164)</u>


The notes on pages 13 to 29 form part of these financial statements.

**BALANCE SHEET****As at 31 December 2010**

	Note	2010 £	2009 £
<b>Assets</b>			
Investments	9	1,079,265,912	1,021,892,347
<b>Total non-current assets</b>		<u>1,079,265,912</u>	<u>1,021,892,347</u>
Investments held for sale	10	257,533,452	-
Cash and cash equivalents	12	2,035,883	64,982,910
Income tax receivable	7	18,147,727	34,253,624
<b>Total current assets</b>		<u>277,717,062</u>	<u>99,236,534</u>
<b>Total assets</b>		<u>1,356,982,974</u>	<u>1,121,128,881</u>
<b>Equity</b>			
Issued capital	13	1	1
Available for Sale Reserves		201,415,114	98,843,640
Retained earnings		(516,485,367)	(519,551,576)
<b>Total equity</b>		<u>(315,070,252)</u>	<u>(420,707,935)</u>
<b>Liabilities</b>			
Interest-bearing loans and borrowings	14	436,244,185	654,210,365
Deferred tax liability	11	19,194,839	9,312,437
<b>Total non-current liabilities</b>		<u>455,439,024</u>	<u>663,522,802</u>
Bank overdraft	12	638,229,608	646,661,435
Interest-bearing loans and borrowings	14	575,145,373	227,147,756
Trade and other payables	15	3,239,221	4,504,823
<b>Total current liabilities</b>		<u>1,216,614,202</u>	<u>878,314,014</u>
<b>Total liabilities</b>		<u>1,672,053,226</u>	<u>1,541,836,816</u>
<b>Total equity and liabilities</b>		<u>1,356,982,974</u>	<u>1,121,128,881</u>

The notes on pages 13 to 29 form part of these financial statements.

Approved by the Board of Directors on 22 June 2011 and signed on its behalf by:

  
 J B Molony  
 Director

**STATEMENT OF CHANGES IN EQUITY****For the year ended 31 December 2010**

	<b>Share capital £</b>	<b>Available for sale reserve £</b>	<b>Retained earnings £</b>	<b>Total equity £</b>
<b>Balance at 1 January 2009</b>	1	(11,300,627)	(355,330,145)	(366,630,771)
<b>Loss for the year</b>				
Loss after taxation	-	-	(164,221,431)	(164,221,431)
<b>Other comprehensive income</b>				
Fair value gain on available for sale financial assets	-	109,684,734	-	109,684,734
Currency translation differences on available for sale financial assets	-	459,533	-	459,533
Total other comprehensive income	-	110,144,267	-	110,144,267
<b>Total comprehensive income/(loss)</b>	-	110,144,267	(164,221,431)	(54,077,164)
<b>Balance at 1 January 2010</b>	1	98,843,640	(519,551,576)	(420,707,935)
<b>Profit for the year</b>				
Profit after taxation	-	-	3,066,209	3,066,209
<b>Other comprehensive income</b>				
Fair value gain on available for sale financial assets	-	111,164,260	-	111,164,260
Currency translation differences on available for sale financial assets	-	(8,592,786)	-	(8,592,786)
Total other comprehensive income	-	102,571,474	-	102,571,474
<b>Total comprehensive income/(loss)</b>	-	102,571,474	3,066,209	105,637,683
<b>Balance at 31 December 2010</b>	1	201,415,114	(516,485,367)	(315,070,252)

The notes on pages 13 to 29 form part of these financial statements.

**STATEMENT OF CASH FLOWS****For the year ended 31 December 2010**

	<b>Note</b>	<b>2010 £</b>	<b>2009 £</b>
<b>Cash flows from operating activities</b>			
Operating profit / (loss) before financing costs		15,655,885	(169,313,218)
Increase in trade & other payables		-	113
Profit on disposal of investments		(50,003,254)	(3,064,321)
Amounts written off investments	9	17,987,971	149,787,707
Exchange movement		773,099	(443,960)
<b>Cash generated from operations</b>		<u>(15,586,299)</u>	<u>(23,033,679)</u>
Interest paid		(36,384,581)	(46,762,692)
Income taxes reimbursement		14,221,619	108,586
<b>Net cash from operating activities</b>		<u>(37,749,261)</u>	<u>(69,687,785)</u>
<b>Cash flows from investing activities</b>			
Acquisition of investments	9	(381,026,430)	(287,341,001)
Disposal of investments		216,593,170	27,753,115
<b>Net cash from investing activities</b>		<u>(164,433,260)</u>	<u>(259,587,886)</u>
<b>Cash flows from financing activities</b>			
Increase / (decrease) in borrowings		130,031,437	(216,778,226)
Exchange rate movements on borrowings		18,385,684	82,015,866
<b>Net cash from financing activities</b>		<u>148,417,121</u>	<u>(134,762,360)</u>
Decrease in cash and cash equivalents		(53,765,400)	(464,038,031)
Cash and cash equivalents at 1 January		(581,678,525)	(95,534,474)
Exchange rate movements on cash held		(749,800)	(22,106,020)
<b>Cash and cash equivalents at 31 December</b>	12	<u>(636,193,725)</u>	<u>(581,678,525)</u>

The notes on pages 13 to 29 form part of these financial statements.

**Notes to the financial statements****1. Significant accounting policies**

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

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

**(a) Financial statements**

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

**(b) Statement of compliance**

The 2010 financial statements set out on pages 8 to 29 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. 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 classified as available for sale, financial instruments held for sale and financial instruments designated at fair values through the profit and 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'. Requires 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 IFRIC 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.

<i>Pronouncement</i>	<i>Nature of change</i>	<i>IASB effective date</i>
IFRS 9 <i>Financial Instruments: Classification and Measurement</i>	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.	Annual periods beginning on or after 1 January 2013
	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.	
Amendment to IAS 32 <i>Financial Instruments: Presentation – Classification of Rights Issues</i>	Requires rights issues denominated in a currency other than the functional currency of the issuer to be classified as equity regardless of the currency in which the exercise price is denominated.	Annual periods beginning on or after 1 February 2010.
IFRIC 19 <i>Extinguishing Financial Liabilities with Equity Instruments</i>	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 <i>Related Party Disclosures</i>	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 <i>Financial Instruments: Disclosures – Disclosures-Transfer of Financial Asset</i>	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) Foreign currency**

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

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary items denominated in foreign currencies are translated with the closing rate as at the reporting date. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement. Non-monetary assets that are measured at fair value are translated using the exchange rate at the date that the fair value was determined.

Translation differences on non-monetary financial instruments classified as available for sale financial assets are included in the available for sale reserve in equity, unless designated in a fair value hedging relationship where it is recognised in the Income Statement together with foreign currency translation differences on the hedging instrument.

**(f) Hedge accounting**

The Company applies fair value hedge accounting to hedge foreign exchange exposure on the impaired historic cost of available for sale equity instruments. At the inception of a hedging relationship, the Company documents the relationship between the hedging instruments and the hedged items, its risk management objective and its strategy for undertaking the hedge. The Company also requires a documented assessment, both at hedge inception and on an ongoing basis, of whether or not the hedging instruments that are used in hedging transaction are highly effective in offsetting the changes in fair value of the hedged items attributable to the hedged risks.

Foreign currency gains and losses on foreign currency borrowings that are designated and qualify as fair value hedges are recorded in the Income Statement, together with the gain or loss on the hedged portion of the available for sale asset. The net hedge ineffectiveness is recognised in the Income Statement in 'Financing costs'.

**(g) Investments****Available for sale financial assets**

Equity shares that are not classified at fair value through profit or loss are classified as available for sale financial assets and are recognised in the Balance Sheet at their fair value, inclusive of transaction costs. Gains and losses arising from changes in the fair value of investments classified as available for sale are recognised directly in other comprehensive income, until the financial asset is either sold, becomes impaired or matures, at which time the cumulative gain or loss previously recognised in other comprehensive income is recognised in the Income Statement.

**Investments held for sale**

Investments are classified as assets held for sale continue to be measured in accordance with their IAS 39 classification when their carrying amount is likely to be recovered principally through a sale transaction and a sale is considered to be highly probable.

**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.

**(h) Trade and other receivables**

Trade and other receivables are stated at their cost less impairment losses.

**Notes to the financial statements (continued)****1. Significant accounting policies (continued)****(i) 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 the Group with an original maturity of three months or less.

**(j) Impairment of financial assets****Available for sale financial assets**

The Company assesses at each Balance Sheet date whether there is objective evidence that an available for sale financial asset is impaired. This assessment involves reviewing whether there has been a significant or prolonged decline in the fair value of the asset below its cost, as further described in critical accounting estimates at note 1(r).

When a decline in the fair value of a financial asset classified as available-for-sale has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss (measured as the difference between the acquisition cost and current fair value, less any impairment loss on that asset previously recognised) is reclassified from equity to the Income Statement. Impairment losses recognised in the Income Statement on available for sale financial assets are not reversed through the Income Statement.

**(k) Interest bearing borrowings**

Interest bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the Income Statement over the period of the borrowings on an effective interest basis. Interest bearing borrowings are derecognised from the Balance Sheet upon settlement of all monies due in connection with such borrowings or forgiveness by the lender of all indebtedness.

**(l) Dividends**

Dividends are recognised in the period in which they are paid.

**(m) Trade and other payables**

Trade and other payables are stated at cost.

**(n) Financing costs**

Financing costs comprise interest payable on borrowings, foreign exchange gains and losses and net ineffectiveness on fair value hedges.

**(o) Management fees**

Management fees payable to funds are included as an expense within administrative expenses. Fees payable are charged to the Income Statement as incurred.

**(p) Revenue recognition**

Fees and commission income are recognised in the Income Statement as the related service is provided. Dividend income is recognised when the right to receive payment is established.

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



**Notes to the financial statements (continued)****1. Significant accounting policies (continued)****(q) 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 Group 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 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 group 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.

**(r) 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 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.

**Valuation and impairment of financial instruments**

In determining whether an impairment loss has been incurred in respect of an available for sale financial asset, the Company performs an objective review of the current financial circumstances and future prospects of the issuer and, in the case of equity shares, considers whether there has been a significant or prolonged decline in the fair value of that asset below its cost. This consideration requires management judgement. Among factors considered by the Company is whether the decline in fair value is a result of a change in the quality of the asset or a downward movement in the market as a whole.

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.

**Notes to the financial statements (continued)****1. Significant accounting policies (continued)****(r) Critical accounting estimates and judgements (continued)**

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 £1,307,212,791 of financial assets (2009: £1,008,711,133) as level 3 financial instruments.

The largest asset class classified as level 3 is the Company's available for sale (AFS) 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.

**Deferred tax**

The recognition of deferred tax assets requires management judgement in determining the extent and amount which should be recognised. Estimates of future taxable income/profits are made and management judgement is exercised as to whether these estimates indicate if the deferred tax asset can be recovered and when.

**2. Going concern – Principles underlying going concern assumption**

The Company is reliant on funding provided by Bank of Scotland plc. Notwithstanding the improvement in market liquidity during 2010, the Company's ultimate parent company, Lloyds Banking Group plc, continues to be reliant on UK Government sponsored measures to maintain its wholesale funding position. The Directors are satisfied that it is the intention of Lloyds Banking Group plc that its subsidiaries, including the Company, will continue to receive funding in the future and, accordingly, the financial statements have been prepared on a going concern basis (see note 21).

**3. Investment and interest income**

	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Income from available for sale investment securities	7,888,089	856,258
Interest received on corporation tax	-	10,198
Interest received on term deposits	85,590	1,929,286
	<u>7,973,679</u>	<u>2,795,742</u>

**4. Administrative expenses**

	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Management fees	<u>24,327,550</u>	<u>25,380,286</u>

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 Lloyds Banking Group plc and are also substantially engaged in the managing of their respective business areas within Wholesale Division of Lloyds Banking Group plc. Given this, it is not possible to make an accurate apportionment of Directors emoluments in respect of the 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 plc.

**5. Other expenses**

	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Bank charges	239	-
Audit fees	5,288	5,288
	<u>5,527</u>	<u>5,288</u>

**Notes to the financial statements (continued)****6. Financing costs**

	2010 £	2009 £
Interest expense	35,118,979	42,746,223
Foreign exchange:		
Net ineffectiveness on fair value hedge (see note 16)	373,779	272,014
Other	(23,301)	443,960
Total foreign exchange	350,478	715,974
Financing costs	35,469,457	43,462,197

**7. Income tax (charge)/credit recognised in the Income Statement**

	2010 £	2009 £
<b>Current tax</b>		
Current year credit at a rate of 28% (2009: 28%)	511,168	17,636,558
Adjustments for prior year	(2,395,447)	(3,347)
Total current tax (charge)/credit in Income Statement	(1,884,279)	17,633,211
<b>Deferred tax</b>		
Deferred tax credit for the year	26,826,500	30,920,773
Impact of change in tax rate	(2,062,440)	-
	24,764,060	30,920,773
	22,879,781	48,553,984

**Reconciliation of effective tax rate**

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

	2010 £	2009 £
Loss before tax	(19,813,572)	(212,775,415)
Income tax using the corporation tax rate of 28% (2009: 28%)	5,547,800	59,577,116
Non deductible expenses - impairment of investment securities	21,789,868	(11,019,785)
Change in rate	(2,062,440)	-
Prior year adjustment	(2,395,447)	(3,347)
Total income tax recoverable	22,879,781	48,553,984

**Current tax assets and liabilities**

The current tax asset of £18,147,727 (2009: £34,253,624) represents the net amount of income taxes receivable in respect of current and prior years.

**8. Investment in subsidiaries**

The value of investments in subsidiary undertakings is nil (2009: nil).

Details of the subsidiary undertaking, which is incorporated in the UK, is noted below:

Name of Company	Principle Business	% of Ordinary Shares
Uberior Co-Investments Limited	Investment	100

**Notes to the financial statements (continued)****9. Investments available for sale**

The movement in available for sale equity securities can be summarised as follows:

	2010 £	2009 £
At 1 January	1,021,892,347	818,832,229
Exchange translation	(18,759,463)	(60,181,859)
Changes to fair value in available for sale investments	137,217,937	150,377,477
Amounts written off investments	(17,987,971)	(149,787,707)
Additions	381,026,430	287,341,001
Disposals	(166,589,916)	(24,688,794)
	1,336,799,364	1,021,892,347
Transfer to investments held for sale	(257,533,452)	-
As at 31 December	1,079,265,912	1,021,892,347

**10. Investments held for sale**

The movement in investments held for sale can be summarised as follows:

	2010 £	2009 £
As at 1 January	-	-
Transfer in from assets designated as available for sale	257,533,452	-
As at 31 December	257,533,452	-

The transfers into this category relate to a specific portfolio of funds identified for disposal by management. A sale agreement was reached prior to year end however the sale was contingent upon obtaining GP consent. This consent was obtained and transactions completed during January and February 2011 (note 21).

£71,982,715 of Cumulative Other Comprehensive Income has been recognised as at 31 December 2010 in the Available for Sale Reserve in respect of these assets.

The income and expenses directly relating to this portfolio for the year contributed a profit of £5,397,368 to the net loss before tax for the year.

**11. Deferred tax assets and liabilities****Recognised deferred tax assets and liabilities**

Deferred tax assets and liabilities are attributes to the following:

	Balance at 1 Jan 2010 £	Recognised in income £	Recognised in equity £	Balance at 31 Dec 2010 £
Available for sale equities	(9,312,437)	24,764,060	(34,646,462)	(19,194,839)
Tax assets/(liabilities)	(9,312,437)	24,764,060	(34,646,462)	(19,194,839)
	Balance at 1 Jan 2009 £	Recognised in income £	Recognised in equity £	Balance at 31 Dec 2009 £
Available for sale equities	-	30,920,773	(40,233,210)	(9,312,437)
Tax assets/(liabilities)	-	30,920,773	(40,233,210)	(9,312,437)

**Notes to the financial statements (continued)****11. Deferred tax assets and liabilities (continued)**

Deferred tax assets of £87,336,693 (2009: £113,362,452) have not been recognised in respect of capital losses carried forward as there are no predicted future capital profits. Capital losses can be carried forward indefinitely.

Movement in temporary differences in the year:

<b>For the year ended 31 Dec 2010</b>	<b>Balance at 1 Jan £'000</b>	<b>Recognised in income £'000</b>	<b>Recognised in equity £'000</b>	<b>Balance at 31 Dec £'000</b>
Other	30,920,773	24,764,060	-	55,684,833
Available for sale equities	(40,233,210)	-	(34,646,462)	(74,879,672)
<b>Total</b>	<b>(9,312,437)</b>	<b>24,764,060</b>	<b>(34,646,462)</b>	<b>(19,194,839)</b>
<b>For the year ended 31 Dec 2009</b>	<b>Balance at 1 Jan £'000</b>	<b>Recognised in income £'000</b>	<b>Recognised in equity £'000</b>	<b>Balance at 31 Dec £'000</b>
Other	-	30,920,773	-	30,920,773
Available for sale equities	-	-	(40,233,210)	(40,233,210)
<b>Total</b>	<b>-</b>	<b>30,920,773</b>	<b>(40,233,210)</b>	<b>(9,312,437)</b>

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. As a result the company's deferred tax liability reduced by £710,920, resulting in a charge to the Income Statement of £2,062,401 and a credit to other comprehensive income of £710,920.

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 additional reduction to 26% is not estimated to have a significant effect on deferred tax assets and liabilities as at 31 December 2010 and will be reflected in the financial statements for the year ended 31 December 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. The effect of these further changes upon the Company's deferred tax balances cannot be reliably quantified at this stage.

**12. Cash and cash equivalents**

	<b>2010 £</b>	<b>2009 £</b>
Term deposits	-	61,792,608
Bank deposits	2,035,883	3,190,302
	<u>2,035,883</u>	<u>64,982,910</u>
Bank overdrafts	(638,229,608)	(646,661,435)
Cash and cash equivalents in the statement of cash flows	<u>(636,193,725)</u>	<u>(581,678,525)</u>

The bank overdraft is an interest free facility provided by another Lloyds Banking Group plc company and is repayable on demand.

**Notes to the financial statements (continued)****13. 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 Group. Dividends are paid from reserves available for distribution to the parent undertaking as reported by the previously approved annual financial statements according to parameters set out at a Group level so as to avoid any build up of reserve balances within the Company. Other reserves, such as those arising on the revaluation of assets classified as 'available for sale' that are recognised in other comprehensive income and accumulated in equity, are not managed as part of capital.

<b>Share capital</b>	<b>Ordinary shares</b>	
	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Issued for cash	1	1
On issue at 31 December	1	1

At 31 December 2010, the authorised share capital comprised 1 Ordinary Share.

The holder of the Ordinary Share is entitled to receive dividends as declared from time to time and is entitled to vote at meetings of the Company.

**Available for sale reserve**

The available for sale value reserve includes the cumulative net changes in the fair value of available for sale investments until the investment is derecognised through disposal or becomes impaired.

**14. Interest-bearing loans and borrowings**

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings. For more information about the Company's exposure to interest rate and foreign currency risk, see note 16.

	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
<b>Non-current liabilities</b> Unsecured bank loans	436,244,185	654,210,365
<b>Current liabilities</b> Current portion of unsecured bank loans	575,145,373	227,147,756
<b>Total</b>	1,011,389,558	881,358,121

**Terms and debt repayment schedule**

The term loans and bank overdrafts are unsecured and represent amounts due to the Company's intermediate parent undertaking, Bank of Scotland plc. The term loans fall due for repayment at various dates between January 2011 and November 2013. Interest is fixed on each loan at the date the loan is advanced to the Company, with rates ranging from 0.28% to 5.26% (2009: 0.23% and 5.26%).

**15. Trade and other payables**

	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Audit fees	5,288	5,288
Accrued interest	3,233,933	4,499,535
	3,239,221	4,504,823

**Notes to the financial statements (continued)****16. 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. The table below sets out the maximum exposure to credit risk at the Balance Sheet date.

	2010 £	2009 £
<b>On Balance Sheet:</b>		
Cash and cash equivalents	2,035,883	64,982,910
	<u>2,035,883</u>	<u>64,982,910</u>

**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.

Interest rate exposure is concentrated primarily within the UK money markets. The principal internal control metric is interest expense sensitivity which measures how much of the current projection for the next 12 months' interest expense would alter if different assumptions are made about the future levels of interest rates.

As the Company does not incur an interest charge in its bank overdraft and all term deposits and interest bearing loans and borrowings are of fixed interest rates, it is not considered to have any significant interest rate exposure. The sensitivity of the Company's net interest expense over a 12 month period to an immediate up and down of 25 basis points change to all market interest rates as at the Balance Sheet date has been calculated as being insignificant.

The measure, however, is simplified in that it assumes all interest rates, for all currencies and maturities move at the same time and by the same amount. Also, it does not recognise the impact of management actions that, in the event of an adverse rate movement, could reduce the impact on interest expense.

**Foreign exchange risk**

Foreign exchange risk arises on investments, short term deposits and borrowings denominated in a currency other than Sterling. The currencies giving rise to this risk are US Dollars and Euros. The Company follows a policy of ensuring that all foreign currency investments are matched with borrowings in the same currency. When there is impairment of available for sale non monetary assets the impairment is calculated in functional currency and therefore includes some of the impact of foreign currency translation.

The Company operates a fair value hedge to hedge the foreign exchange risk arising from the impaired historic cost of available for sale equity instruments. This risk is hedged through a net portfolio of foreign currency borrowings and deposits, with £1,011,389,558 of borrowings being designated in a fair value hedge relationship at year end (2009: £881,358,121 of borrowings and £61,792,608 of term deposits).

**Notes to the financial statements (continued)****16. Financial instruments (continued)**

The fair value hedge results in foreign exchange gains or losses on the hedged portion of available for sale assets being transferred out of available for sale reserve in equity and classified in Income Statement against the foreign exchange gain or loss of borrowings designated in a hedge relationship. The following net ineffectiveness on fair value hedge was recognised throughout the year:

	2010 £	2009 £
Foreign exchange gain on hedging instrument	18,385,684	59,909,845
Foreign exchange loss on hedged item	(18,759,463)	(60,181,859)
Net ineffectiveness on fair value hedge	(373,779)	(272,014)

**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 17.

At the reporting date the carrying value of equity investments amounted to £1,336,799,364 (2009: £1,021,892,347). For available for sale and held for sale investments, changes in fair value will be recognised in other comprehensive income through the available for sale (AFS) reserve, unless the investment is deemed to be impaired with changes in fair value taken to the Income Statement. The table below sets out the sensitivity of the AFS reserve (before tax) to a 10% fall in fair value of equity investments as at the Balance Sheet date.

	2010 PBT £	2010 AFS reserve £	2009 PBT £	2009 AFS reserve £
Unlisted equity investments	23,874,030	62,313,050	16,960,364	83,910,749
Listed equity investments	-	2,958,658	-	1,318,121
Held for sale unlisted equity instruments	2,031,872	42,502,327	-	-
	25,905,902	107,774,035	16,960,364	85,228,870

The fund investment portfolio remains well diversified across major concentration indicators: fund type, fund manager and underlying investment volume.

The underlying investment sector has concentrations around Manufacturing (20%), Finance (13%) and Residential Housing Rentals (12%), but is otherwise well diversified over a variety of other sectors.

Geographic exposure is predominantly within the European Union (53%) and the UK (20%) and there is an insignificant market concentration outside of the European Union at the fund manager level.

**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.



**Notes to the financial statements (continued)****16. Financial instruments (continued)**

The table below sets out the cash flows payable by the Company in respect of financial liabilities, by remaining contractual undiscounted repayments of principal and interest at the Balance Sheet date.

As at 31 December 2010	Up to 1 mth £	1-3 mths £	3-12 mths £	1-5 yrs £	Total £
Bank overdrafts	638,229,608	-	-	-	638,229,608
Interest bearing loans and borrowings	340,295,080	77,138,859	181,992,174	455,290,857	1,054,716,970
Trade and other payables	-	5,288	-	-	5,288
Total liabilities	978,524,688	77,144,147	181,992,174	455,290,857	1,692,951,866

As at 31 December 2009	Up to 1 mth £	1-3 mths £	3-12 mths £	1-5 yrs £	Total £
Bank overdrafts	646,661,435	-	-	-	646,661,435
Interest bearing loans and borrowings	4,309,283	56,287,752	198,885,443	701,128,125	960,610,603
Trade and other payables	-	5,288	-	-	5,288
Total liabilities	650,970,718	56,293,040	198,885,443	701,128,125	1,607,277,326

**17. 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 shares available for sale	9	1,079,265,912	1,079,265,912	1,021,892,347	1,021,892,347
Investments held for sale	10	257,533,452	257,533,452	-	-
Cash and cash equivalents	12	2,035,883	2,035,883	64,982,910	64,982,910
Bank overdrafts	12	(638,229,608)	(638,229,608)	(646,661,435)	(646,661,435)
Unsecured bank facilities	14	(1,011,389,558)	(1,038,190,173)	(881,358,121)	(912,943,468)
Trade and other payables	15	(3,239,221)	(3,239,221)	(4,504,823)	(4,504,823)
		(314,023,140)	(340,823,755)	(445,649,122)	(477,234,469)
Unrecognised losses			(26,800,615)		(31,585,347)

**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.

- Equity securities**

Fair value of unlisted equity securities is calculated in accordance with the International Private Equity Venture Capital guidelines. For fund investments, the capital account value per the most recent fund manager report is taken and then adjusted for any specific disagreement in relation to the valuation of underlying investments. For direct investments, a valuation is calculated using a methodology based on applying comparable sector multiples to the investment's sustainable earnings.

- Bank facilities**

The fair value of unsecured bank facilities with no stated maturity date is the amount repayable on demand. The estimated fair value of fixed interest bearing facilities and other facilities with no quoted market price is calculated using a cash flow model discounted using interest rates for debts with similar maturities.

- Trade and other payables**

For 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.

- Held for Sale**

The assets identified above as held for sale relate to the detail in Note 10 and are valued in line with those categorisations.

**Notes to the financial statements (continued)****17. Fair values (continued)****Fair value of financial instruments carried at fair value**

The tables below provides an analysis 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:

<b>Valuation hierarchy At 31 December 2010</b>	<b>Level 1 £</b>	<b>Level 2 £</b>	<b>Level 3 £</b>	<b>Total £</b>
Available for sale financial assets	29,586,573	-	1,049,679,339	1,079,265,912
Investments held for sale	-	-	257,533,452	257,533,452
Financial assets	29,586,573	-	1,307,212,791	1,336,799,364

<b>Valuation hierarchy At 31 December 2009</b>	<b>Level 1 £</b>	<b>Level 2 £</b>	<b>Level 3 £</b>	<b>Total £</b>
Available for sale financial assets	13,181,214	-	1,008,711,133	1,021,892,347
Investments held for sale	-	-	-	-
Financial assets	13,181,214	-	1,008,711,133	1,021,892,347

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.

**Notes to the financial statements (continued)****17. Fair values (continued)**

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

	<b>Available for sale</b>	<b>Held for sale</b>	<b>Total financial assets</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>At 31 December 2008</b>	<b>811,436,567</b>	<b>-</b>	<b>811,436,567</b>
Gains/(losses) recognised in:			
- Income Statement	(197,790,656)	-	(197,790,656)
- Other comprehensive income	150,061,169	-	150,061,169
Additions and transfers	269,692,847	-	269,692,847
Disposals	(24,688,794)	-	(24,688,794)
<b>At 31 December 2009</b>	<b>1,008,711,133</b>	<b>-</b>	<b>1,008,711,133</b>
Gains/(losses) recognised in:			
- Income Statement	(35,519,373)	-	(35,519,373)
- Other comprehensive income	124,637,921	-	124,637,921
Additions	375,973,026	-	375,973,026
Transfer to held for sale	(257,533,452)	257,533,452	-
Disposals	(166,589,916)	-	(166,589,916)
<b>At 31 December 2010</b>	<b>1,049,679,339</b>	<b>257,533,452</b>	<b>1,307,212,791</b>

During 2010 there were no investment securities which were transferred into or out of Level 3 of the fair value hierarchy.

Total gains or losses included in profit or loss for the year in the above tables are presented in the Income Statement as follows.

	<b>Available for sale 2010</b>	<b>Available for sale 2009</b>
	<b>£</b>	<b>£</b>
Total losses included in Income Statement for the year:		
Amounts written off investments	(17,108,233)	(138,950,262)
Foreign exchange movement	(18,411,140)	(58,840,394)
	<u>(35,519,373)</u>	<u>(197,790,656)</u>
Total gains included in other comprehensive income for the year:		
Amounts written off investments	133,445,828	150,607,057
Foreign exchange movement	(8,807,907)	(545,888)
	<u>124,637,921</u>	<u>150,061,169</u>
Amounts included within loss for the year that relate to assets held at year end:		
impairments	(17,108,233)	(138,950,262)
foreign exchange movement	(18,411,140)	(58,840,394)
	<u>(35,519,373)</u>	<u>(197,760,656)</u>
Total gains included in other comprehensive income for the year, for assets held at the end of the year:		
Changes to fair value in available for sale investments	133,445,828	150,607,057
Foreign exchange movement	(8,807,907)	(545,888)
	<u>124,637,921</u>	<u>150,061,169</u>

**Notes to the financial statements (continued)****17. 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
	£	£	£	£	£	£
Equity Investments	1,307,212,791	90,156,727	(53,658,385)	1,008,711,133	118,963,806	-
<b>Financial Assets</b>	<b>1,307,212,791</b>	<b>90,156,727</b>	<b>(53,658,385)</b>	<b>1,008,711,133</b>	<b>118,963,806</b>	<b>-</b>

Of the favourable figures from the table above, there would be no Income Statement impact (2009: £9,805,000) and of the unfavourable £3,253,440 would be recognised in the Income Statement (2009: £nil).

Of the favourable figures from the table above £90,156,727 would be recognised in other comprehensive income (2009: £109,158,806) and of the unfavourable £50,404,945 would be recognised in other comprehensive income (2009: £nil).

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 or as available for sale financial assets. 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)****18. Financial commitments**

As at 31 December 2010, the Company has committed £2,556 million (2009: £2,852m) as a limited partner in private equity funds of which £788 million (2009: £1,325m) is undrawn.

**19. Related parties**

The Company's immediate parent undertaking is Uberior Investments plc. The Company has a related party relationship with its intermediate parent company Bank of Scotland plc.

Uberior Co-Investments Limited is a subsidiary of Uberior Fund Investments Limited.

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 and details of the related party transactions during the period are disclosed in the table below:

Nature of transaction	Outstanding balance at 31 December 2009 £	Outstanding balance at 31 December 2010 £	Income/(expense) included in Income Statement for the year ended 31 December 2010 £	Disclosure in financial statement
Bank account	3,190,302	2,035,883	-	Cash and cash equivalents
Term deposit	61,792,608	-	-	Cash and cash equivalents
Bank overdraft	(646,661,435)	(638,229,608)	-	Bank overdraft
Term loans	(881,358,121)	(1,011,389,558)	-	Interest-bearing loans and borrowing
Interest payable	(4,499,535)	(3,233,933)	(35,118,979)	Financing costs
Interest income	-	-	85,590	Investment and interest income

**20. 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 accounts of Lloyds Banking Group plc for the year ended 31 December 2010 may be obtained from Lloyds Banking Group's head office at 25 Gresham Street, London, EC2V 7HN.

**21. Post balance sheet events****Held for sale**

Subsequent to the year end the majority of the assets classified as held for sale as at 31 December 2010 have been disposed resulting in a net gain of £70.1m being recognised in the Income Statement.

**Forgiveness**

Subsequent to the year end, the company's intermediate parent company, Bank of Scotland plc, agreed to unconditionally and irrevocably release the Company from its obligations to repay the sum of £258,362,061 in respect of the bank overdraft position held by the Company. This has been recognised as a capital contribution in the period subsequent to the year end, resulting in an increase in the total equity position of £258,362,061.