UBERIOR FUND INVESTMENTS LIMITED

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

MEMBER OF LLOYDS BANKING GROUP

Company Number: SC272465

Directors
P S Dickson
J Digges
G J McDonald

Secretary
Lloyds Secretaries Limited

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 plc
Head Office
The Mound
Edinburgh
EH1 1YZ

DIRECTORS' REPORT
For the year ended 31 December 2012

The Directors, as listed on page 2, submit their report and audited financial statements of Uberior Fund Investments Limited ('the Company') for the year ended 31 December 2012.

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 of 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, Bank of Scotland plc.

Results and dividends
The profit after tax for the year is £157,676,089 (2011: £37,541,576). The Directors do not recommend the payment of a dividend in 2012 (2011: nil).

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

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 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 19 to the Financial Statements.

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 company with interest being charged at agreed rates within the Group. Consequently, the Company is exposed to some interest rate risk. Interest rate risk is not considered to be significant.

Foreign exchange risk
Foreign exchange risk arises on investments and borrowings denominated in a currency other than Sterling. The Company follows the Lloyds Banking Group policy in ensuring that all foreign currency investments are hedged with borrowings in the same currency. The currencies giving rise to the Company's foreign exchange risk during the year were Euros and US Dollars. Further information about the Company's sensitivity to changes in foreign exchange rates is set out in Note 19 to the Financial Statements.

Equity risk
Equity risk arises 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 19 to the Financial Statements.

Liquidity risk
The Company is funded by its intermediate parent undertaking and as a result liquidity risk is managed within the Lloyds Banking Group.

DIRECTORS' REPORT (continued)
For the year ended 31 December 2012

Going concern
As set out in Note 3 - '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' indemnities
The Directors have the benefit of a contract of indemnity which constitutes a "qualifying third party indemnity provision". This contract was in force during the financial year and remains in force.

Performance
The Company's profit before tax for the financial year is £203,581,364 (2011: £42,324,478), an increase in profit of £161,256,886.

During the year the Company disposed of a number of investments, as part of a wider transaction within Lloyds Banking Group, which generated an overall profit on disposal of £245,557,444 (2011: £123,955,900). The Company aims to hold each investment for the appropriate time period which will maximise returns to the Lloyds Banking Group and therefore profits recognised on disposals can fluctuate year on year.

The Company continues to assess the requirement for impairment of its investments and during the year £23,651,680 (2011: £32,695,443) was charged to the Income Statement.

The Balance Sheet shows a net liability position of £54,247,212 (2011: £15,722,940). This movement is attributable to the disposal of a number of investments which in turn has generated positive cash flows and reduced the level of borrowings which was offset by fair value movements and impairments to the underlying portfolio of investments. Further, during 2012 the Company's intermediary parent, Bank of Scotland plc, agreed to unconditionally and irrevocably release the Company from its obligations to repay the sum of £451,790 (2011: £258,362,061) in respect of the bank overdraft position of the Company. In line with the treatment in 2011, this was recognised as a capital contribution with a corresponding increase in the total equity position

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.

Post balance sheet events
Refer to Note 24 to the financial statements for detail on post balance sheet events.

Directors and their interests
The Directors at the date of this report are as stated on page 2. The Directors dates of appointment or resignation during the year, or subsequent to the year end, are as follows:

Director	Date of Resignation	Date of Appointment
A J Cumming	6 February 2012	-
T C Murphy	15 June 2012	-
K M Bothwell	2 July 2012	-
P S Dickson	-	2 July 2012
A W Géczy	16 January 2013	-
J B Molony	18 February 2013	-
J Digges	-	11 July 2013

The other Director 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.

DIRECTORS' REPORT (continued)
For the year ended 31 December 2012

Independent Auditors and disclosure of information to Independent Auditors
PricewaterhouseCoopers LLP are deemed to be reappointed 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.

Statement of Directors' responsibilities
The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- 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.

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 Directors is approved:

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

(b) he/she has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

On behalf of the Board,

P S Dickson
Director

11 October 2013
Company Number: SC272465
Registered Office: Level 1, Citymark, 150 Fountainbridge, Edinburgh, EH3 9PE.

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 2012 which comprise of the Income Statement, the Statement of Comprehensive Income, Balance Sheet, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Respective responsibilities of Directors and auditors
As explained more fully in the Directors' Responsibilities Statement set out on page 5, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements
In our opinion the financial statements:
- give a true and fair view of the state of the Company's affairs as at 31st December 2012 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Report of the Directors 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.

Mark Hoskyns-Abrahall (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Edinburgh
11 October 2013

INCOME STATEMENT
For the year ended 31 December 2012

	Note	2012 £	2011 £
Investment income	*4*	**8,437,901**	8,177,202
Profit on disposal of investments		**245,557,444**	123,955,900
Amounts written off investments	*11*	**(23,651,680)**	(32,695,443)
Administrative expenses	*6*	**(14,171,248)**	(24,904,176)
Other income	*5*	**16,172**	26,456
Other expenses	*7*	**(235)**	(49,499)
Net other income/(expenses)		**15,937**	(23,043)
Operating profit before financing costs		**216,188,354**	74,510,440
Financing costs	*8*	**(12,606,989)**	(32,185,962)
Profit before tax		**203,581,365**	42,324,478
Income tax charge	*9*	**(45,905,276)**	(4,782,902)
Profit after tax for the year		**157,676,089**	37,541,576
Attributable to:			
Equity shareholder		**157,676,089**	37,541,576
Profit for the year		**157,676,089**	37,541,576

The notes on pages 12 to 34 are an integral 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 2012

	Note	2012 £	2011 £
Profit for the year		**157,676,089**	37,541,576
Other comprehensive loss:			
Movements in available-for-sale financial assets:			
- changes in fair value		**3,937,802**	136,572,819
- amounts recognised in the Income Statement		**(254,527,966)**	(130,168,208)
		(250,590,164)	6,404,611
Currency translation difference, before tax		**(11,411,759)**	(9,554,229)
Movements in deferred tax	*13*	**65,349,772**	6,593,293
Other comprehensive (loss)/income for the year		**(196,652,151)**	3,443,675
Total comprehensive (loss)/income for the year		**(38,976,062)**	40,985,251
Attributable to:			
Equity shareholder		**(38,976,062)**	40,985,251
Total comprehensive (loss)/income for the year		**(38,976,062)**	40,985,251

The notes on pages 12 to 34 are an integral part of these financial statements.

BALANCE SHEET
As at 31 December 2012

	Note	2012 £	2011 £
Assets			
Investments	*11*	**204,691,851**	1,216,590,622
Total non-current assets		**204,691,851**	1,216,590,622
Bank balances	*14*	**11,871,655**	8,838,061
Trade and other receivables	*15*	**13,437**	-
Current income tax asset	*9*	**2,714,492**	-
Total current assets		**14,599,584**	8,838,061
Total assets		**219,291,435**	1,225,428,683
Equity			
Issued capital	*16*	**1**	1
Capital reserve	*16*	**258,813,851**	258,362,061
Available-for-sale reserve		**8,206,638**	204,858,789
Retained earnings		**(321,267,702)**	(478,943,791)
Total equity		**(54,247,212)**	(15,722,940)
Liabilities			
Interest-bearing loans and borrowings	*17*	**-**	12,941,215
Deferred tax liability	*13*	**143,275**	15,054,404
Total non-current liabilities		**143,275**	27,995,619
Bank overdraft	*14*	**76,365,020**	312,883,063
Interest-bearing loans and borrowings	*17*	**185,178,326**	891,310,436
Current income tax liability	*9*	**-**	1,191,215
Trade and other payables	*18*	**11,852,026**	7,771,290
Total current liabilities		**273,395,372**	1,213,156,004
Total liabilities		**273,538,647**	1,241,151,623
Total equity and liabilities		**219,291,435**	1,225,428,683

The notes on pages 12 to 34 are an integral part of these financial statements.

Approved by the Board on 11 October 2013 and signed on its behalf by:-

P S Dickson
Director

Company Number: SC272465

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2012

	Share capital	Capital reserve	Available-for-sale reserve	Retained earnings	Total equity
	£	£	£	£	£
Balance at 1 January 2011	1	-	201,415,114	(516,485,367)	(315,070,252)
Comprehensive income Profit for the year	-	-	-	37,541,576	37,541,576
Other comprehensive income	-	-	3,443,675	-	3,443,675
Total comprehensive income	-	-	3,443,675	37,541,576	40,985,251
Total contributions from owners of the Company	-	258,362,061	-	-	258,362,061
Balance at 1 January 2012	**1**	**258,362,061**	**204,858,789**	**(478,943,791)**	**(15,722,940)**
Comprehensive income **Profit for the year**	**-**	**-**	**-**	**157,676,089**	**157,676,089**
Other comprehensive (loss)	**-**	**-**	**(196,652,151)**	**-**	**(196,652,151)**
Total comprehensive income/(loss)	**-**	**-**	**(196,652,151)**	**157,676,089**	**(38,976,062)**
Total contributions from owners of the Company	**-**	**451,790**	**-**	**-**	**451,790**
Balance at 31 December 2012	**1**	**258,813,851**	**8,206,638**	**(321,267,702)**	**(54,247,212)**

The notes on pages 12 to 34 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS
For the year ended 31 December 2012

	Note	2012 £	2011 £
Cash flows from operating activities			
Operating profit before financing costs		**216,188,354**	74,510,440
Adjustments for :-			
Increase in trade and other payables		**1,317,131**	22,432
Increase in trade and other receivables		**(13,437)**	-
Profit on disposal of investments		**(245,557,444)**	(123,955,900)
Amounts written off investments	11	**23,651,680**	32,695,443
Interest received	5	**(16,172)**	(26,456)
Foreign exchange loss on operating activities		**-**	(284,425)
Cash used in operations		**(4,429,888)**	(17,038,466)
Interest received	5	**16,172**	26,456
Interest paid		**(18,079,022)**	(27,592,293)
Amounts received in respect of income taxes		**627,660**	17,008,896
Net cash used in operating activities		**(21,865,078)**	(27,595,407)
Cash flows from investing activities			
Acquisition of investments	11	**(159,767,772)**	(230,781,746)
Proceeds from sale of investments		**1,102,407,886**	407,936,833
Net cash from investing activities		**942,640,114**	177,155,087
Cash flows from financing activities			
Decrease in borrowings		**(681,930,298)**	(76,030,379)
Capital contribution from intermediary parent	16	**451,790**	258,362,061
Net cash (used in)/from financing activities		**(681,478,508)**	182,331,682
Net increase in cash and cash equivalents		**239,296,528**	331,891,362
Cash and cash equivalents at 1 January		**(304,045,002)**	(636,193,725)
Exchange rate movements on cash held		**255,109**	257,361
Cash and cash equivalents at 31 December	14	**(64,493,365)**	(304,045,002)

The notes on pages 12 to 34 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2012

1. Significant accounting policies

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

The financial statements were authorised for issue by the Directors on 11 October 2013.

(a) Financial Statements

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

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

(b) Statement of compliance

The 2012 statutory financial statements set out on pages 7 to 34 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 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, except that the following assets and liabilities are stated at their fair value: financial instruments classified as available-for-sale ('AFS') and financial instruments held for sale.

The Company has adopted the following new standards and amendments to standards which became effective for financial years beginning on or after 1 January 2012. Neither of these standards or amendments had a material impact on these financial statements.

- *Disclosures – Transfers of Financial Assets (Amendments to IFRS 7).* Requires disclosures in respect of all transferred financial assets that are not derecognised in their entirety and transferred assets that are derecognised in their entirety but with which there is continuing involvement.
- *Deferred Tax: Recovery of Underlying Assets (Amendment to IAS 12).* Introduces a rebuttable presumption that investment property measured at fair value is recovered entirely through sale and that deferred tax in respect of such investment property is recognised on that basis.

(d) IFRS and IFRIC not yet applied

The following pronouncements may have a significant effect on the Company's financial statements but are not applicable for the year ended 31 December 2012 and have not been applied in preparing these financial statements. Save as disclosed below, the full impact of these accounting changes is being assessed by the Company.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2012

1. Significant accounting policies (continued)

(d) IFRS and IFRIC not yet applied (continued)

Pronouncement	Nature of change	IASB effective date
Amendments to IAS 1 Presentation of Financial Statements – '*Presentation of Items of Other Comprehensive Income*'	Requires entities to group items presented in other comprehensive income on the basis of whether they are potentially reclassified to profit or loss subsequently.	Annual periods beginning on or after 1 July 2012.
Amendments to IFRS 7 *Financial Instruments: Disclosures – 'Disclosures– Offsetting Financial Assets and Financial Liabilities'*.	Requires an entity to disclose information to enable users of its financial statements to evaluate the effect or potential effect of netting arrangements on the entity's balance sheet.	Annual and interim periods beginning on or after 1 January 2013.
IFRS 12 *Disclosure of Interests in Other Entities*	Requires an entity to disclose information that enables users of financial statements to evaluate the nature of, and risks associated with, its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.	Annual periods beginning on or after 1 January 2013.
IFRS 13 *Fair Value Measurement*	Defines fair value, sets out a framework for measuring fair value and requires disclosures about fair value measurements. It applies to IFRSs that require or permit fair value measurements or disclosures about fair value measurements.	Annual and interim periods beginning on or after 1 January 2013.
Amendment to IAS 32 *Financial Instruments: Presentation – 'Offsetting Financial Assets and Financial Liabilities'*	Inserts application guidance to address inconsistencies identified in applying the offsetting criteria used in the standard. Some gross settlement systems may qualify for offsetting where they exhibit certain characteristics akin to net settlement.	Annual periods beginning on or after 1 January 2014.
IFRS 9 *Financial Instruments*[1]	Replaces those parts of IAS 39 *Financial Instruments: Recognition and Measurement* relating to the classification, measurement and derecognition of financial assets and liabilities. IFRS 9 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 instruments. The available-for-sale financial asset and held-to-maturity investment categories in 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 2015.

[1] 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, as well as a reconsideration of classification and measurement. 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. At the date of this report, this pronouncement is awaiting EU endorsement.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2012

1. Significant accounting policies (continued)

(e) Foreign currency

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such 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 the portfolio of interest bearing term loans 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

Investments in subsidiary undertakings

Subsidiaries include entities over which the Company has the power to govern the financial and operating policies which 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 another entity. Details of the principal subsidiaries are given in Note 10 to the financial statements. Subsidiaries comprise equity investments in, and capital contributions to, subsidiary entities. These are carried at cost less impairment provisions.

Investments in equity securities

All investment securities are classified as available-for-sale. They are initially recognised at fair value plus directly related incremental transaction costs and subsequently carried on the balance sheet at fair value. Unrealised gains and losses arising from changes in the fair values are recognised in the statement of other comprehensive income and accumulated in the Available-for-sale reserve, until the financial asset is either sold or matures, at which time the previously unrecognised gains and losses are reclassified from other comprehensive income to other operating income in the Income Statement. Impairment losses are recognised immediately in the Income Statement as impairment on investment securities. Income from available-for-sale assets is recognised in the Income Statement within Investment Income in the period in which they occur.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2012

1. Significant accounting policies (continued)

(g) Investments (continued)

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.

(h) Financial assets
(i) Classification
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: available-for-sale financial assets and loans and receivables.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Company's loans and receivables comprise of 'Investments in debt securities', 'Trade and other receivables' and 'Bank balances' in the balance sheet (Notes 1((i),(j)).

Available-for-sale
Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period. The Company's available-for-sale assets comprise 'Investments in equity securities' in the balance sheet (Note 1(g)).

(ii) Recognition and measurement
Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. 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 ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method less provision for impairment. Available-for-sale financial assets are subsequently carried at fair value.

(i) Trade and other receivables
Trade and other receivables are classified as current assets if collection is due within one year or less. If not, they are presented as non-current assets. Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less impairment losses.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2012

1. Significant accounting policies (continued)

(k) Financial liabilities

(i) Classification
The Company determines the classification of its financial liabilities at initial recognition. The classification depends on the purpose for which the financial liabilities were issued. The Company has classified its financial liabilities in the following category: other financial liabilities.

Other financial liabilities
Other financial liabilities are included in current liabilities, except for maturities greater than 12 months after the reporting date. These are classified as non-current liabilities. The Company's other financial liabilities comprise of 'Bank overdraft', 'Interest-bearing loans and borrowings' and 'Trade and other payables' in the balance sheet (Notes 1(j), 1(l) and (m)).

(ii) Recognition and measurement
Other financial liabilities are recognised when the Company becomes party to the contractual provisions of the financial instrument. A financial liability is removed from the balance sheet when it is extinguished, that is when the obligation is discharged, cancelled or expired.

Other financial liabilities are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(l) Interest bearing loans and 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 loans 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.

(m) Trade and other payables
Trade and other payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

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

(o) Capital reserve
When the Company receives consideration from its owner without a contractual obligation to repay (a capital contribution or gift), this is treated as an increase in equity and recorded in the capital reserve. Capital contributions or gifts are considered realised profits for distributable reserves purposes when received as qualifying consideration.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2012

1. Significant accounting policies (continued)

(p) Revenue recognition
Dividend income is recognised when the right to receive payment is established and recognised in the income statement as 'Investment income'.

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.

Interest income is recognised in the Income Statement as it accrues, using the effective interest method.

(q) 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.

(r) Impairment of assets
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.

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 Income Statement.

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 Income Statement.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2012

1. Significant accounting policies (continued)

(r) Impairment of assets (continued)

Financial assets designated as available-for-sale – in addition to the criteria noted above, in the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the asset below its cost, is also evidence that the assets are impaired.

When a decline in the fair value of a financial asset classified as available-for-sale has previously been recognised in other comprehensive income 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 financial asset previously recognised in the Income Statement) is removed from other comprehensive income and recognised in the Income Statement. If, in a subsequent period, the fair value increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the Income Statement, the impairment loss is reversed through other comprehensive income / (loss).

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 income statement.

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 income statement. 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.

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

In respect of investments in subsidiaries this assessment can include reviewing factors such as solvency, profitability and cash flows generated by the subsidiary.

(s) Financing costs
Financing costs comprise interest payable on borrowings, net ineffectiveness on fair value hedge and foreign exchange gains and losses in relation to balances not included within the fair value hedge, for example current accounts. Interest payable is recognised in the Income Statement using the effective interest rate method. The effective interest rate is established on initial recognition of the financial liability and is not subsequently revised.

(t) Taxation
Current income tax which is payable/receivable on taxable profits/losses is recognised as an expense/credit in the period in which the profits/losses arise. The current income tax charge/credit is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2012

1. Significant accounting policies (continued)

(t) Taxation (continued)

Deferred tax is recognised in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the 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, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the difference will not reverse in the foreseeable future. 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, which are charged or credited to the Statement of Comprehensive Income, is also credited or charged directly to the Statement of Comprehensive Income and is subsequently reclassified in 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.

(u) 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.

2. 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.

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

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2012

2. Critical accounting estimates and judgements (continued)

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.

(a) Designation of financial instruments
The Company has classified its financial instruments in accordance with IAS 39 *Financial Instruments: Recognition and Measurement*. In some instances the classification is prescribed whilst in others the Company is able to exercise judgement in determining the classification as follows:

- Non-derivative financial assets, other than those held for trading, where there is no active market and which have fixed or determinable payments are classified as 'loans and receivables';
- The Company has chosen not to designate any financial assets as 'held to maturity';
- A financial asset acquired principally for the purpose of selling in the short term and derivatives are classified as at 'fair value through profit and loss';
- All other financial assets are classified as 'available-for-sale'; and
- All other financial liabilities are classified as 'at amortised cost'.

The accounting treatment of these financial instruments is set out in the relevant accounting policy.

Critical accounting estimates and assumptions
The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(b) 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.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2012

2. Critical accounting estimates and judgements (continued)

(c) Fair values

Management judgement is required in determining the categorisation, in accordance with IFRS 7, 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 minimal judgement is applied in determining fair value. However, the fair value of financial instruments categorised in level 2 and, in particular, level 3 is determined using valuation techniques including discounted cash flow analysis and valuation models. These require management judgement and therefore contain significant estimation uncertainty. In particular significant judgement is required by management in determining appropriate assumptions to be used for level 3 financial instruments. At 31 December 2012 the Company classified £204,691,851 of financial assets (2011: £1,216,590,622) as level 3 financial instruments.

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

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. Management uses its judgement to select appropriate valuation models and further judgements are exercised when assessing the inputs to, and outcomes from, the valuation model.

(d) Deferred tax

Deferred tax assets and liabilities require management judgement in determining the amounts to be recognised. In particular, when assessing the extent to which deferred tax assets should be recognised consideration is given to the timing, nature and level of future taxable income. The recognition of deferred tax assets relating to tax losses carried forward relies on profit projections and taxable profit forecasts prepared by management, where a number of assumptions are required based on the levels of growth in profits and the reversal of deferred tax balances.

3. Going concern – Principles underlying going concern assumption

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

4. Investment income	**2012**	2011
	£	£
Income from available-for-sale equity securities	**8,437,901**	8,177,202

5. Other income	**2012**	2011
	£	£
Interest received on term deposits	**16,172**	25,955
Bank interest	-	501
	16,172	26,456

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2012

6. Administrative expenses

	2012	2011
	£	£
Management fees	**14,171,248**	24,904,176

The Company has no employees. 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 Lloyds Banking Group plc and are also substantially engaged in the managing of their respective business areas within Lloyds Banking Group plc. It is therefore not possible to make an accurate apportionment of Directors emoluments in respect of the services to each of the subsidiaries. Accordingly, these 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.

7. Other expenses

	2012	2011
	£	£
Bank charges	**235**	666
Audit fees payable	**-**	48,833
	235	49,499

For the year ended 31 December 2012, the audit fee has been accrued and paid centrally by the Company's ultimate parent, Lloyds Banking Group plc, which makes no recharge to the Company.

For the year ended 31 December 2011, the audit fee was agreed and paid centrally by the Company's intermediate parent, Bank of Scotland plc. The balance shown of £48,833 represents the amount internally allocated to the Company in relation to this fee for the year ended 31 December 2011.

8. Financing costs

	Note	2012	2011
		£	£
Interest expense		**12,188,493**	32,101,930
Foreign exchange:			
Net ineffectiveness on fair value hedge	19	**861,891**	56,967
Other		**(443,395)**	27,065
Total foreign exchange		**418,496**	84,032
Financing costs		**12,606,989**	32,185,962

9. Taxation

	2012	2011
	£	£
Current tax		
Current year credit / (charge)	**4,489,478**	(2,373,934)
Adjustments to prior year	**43,889**	43,890
	4,533,367	(2,330,044)
Deferred tax		
Deferred tax charge for the year	**(49,191,830)**	(5,350,794)
Deferred tax credit in respect of prior years	**-**	7,257,452
Impact of change in tax rate	**(1,246,813)**	(4,359,516)
	(50,438,643)	(2,452,858)
	(45,905,276)	(4,782,902)

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2012

9. Taxation (continued)

Reconciliation of effective tax rate

The income tax charge is lower (2011: tax charge is lower) than the standard rate of corporation tax in the UK of 24.5% (2011: 26.5%) applied to the loss for the year due to the following factors:

	2012 £	2011 £
Profit before tax	**203,581,365**	42,324,479
Income tax using the corporation tax rate of 24.5% (2011: 26.5%)	**(49,877,434)**	(11,215,987)
Non deductible expenses - impairment of investment securities	**(5,794,662)**	(14,015,086)
Change in rate	**(1,246,813)**	(4,359,516)
Prior year adjustment	**43,889**	7,301,342
Book gains covered by indexation/SSE	**10,969,744**	17,506,345
Total income tax charge	**(45,905,276)**	(4,782,902)

Current income tax assets and liabilities

The current income tax asset of £2,714,492 (2011: current income tax liability £1,191,215) represents the net amount of income taxes receivable/payable in respect of current and prior years.

10. Investment in subsidiary undertakings

	2012 £	2011 £
Cost	**1,000**	1,000
Provision	**(1,000)**	(1,000)
Fair Value	**-**	-

The value of investments in subsidiary undertakings is nil (2011: nil).

Details of the subsidiary undertaking, is noted below:

Name of subsidiary	Proportion of ownership	Principal business	Reporting date of financial statements	Incorporated
Uberior Co-Investments Ltd	100	Investment holding company	31 December	UK

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

11. Investments

	2012 £	2011 £
Investments		
Equity securities – available-for-sale	**204,691,851**	1,216,590,622
Income statement impairment charge in the year:		
Equity securities – available-for-sale	**(23,651,680)**	(32,695,443)

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2012

11. Investments (continued)

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

	2012	2011
	£	£
At 1 January	**1,216,590,622**	1,079,265,912
Foreign exchange movement	**(49,560,249)**	(40,718,723)
Movements in available-for-sale reserve	**(250,590,164)**	76,541,712
Amounts written off investments	**(23,651,680)**	(32,695,443)
Additions	**159,767,772**	230,781,746
Disposals	**(847,864,450)**	(96,584,582)
As at 31 December	**204,691,851**	1,216,590,622

12. Investments held for sale

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

	2012	2011
	£	£
As at 1 January	-	257,533,452
Movements in available-for-sale reserve	-	(70,137,101)
Disposals	-	(187,396,351)
As at 31 December	-	-

13. Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		**Liabilities**		**Net**	
	2012	2011	**2012**	2011	**2012**	2011
	£	£	**£**	£	**£**	£
Other timing differences	**2,793,332**	53,231,975	-	-	**2,793,332**	53,231,975
Equity securities – available-for-sale	-	-	**(2,936,607)**	(68,286,379)	**(2,936,607)**	(68,286,379)
Totals	**2,793,332**	53,231,975	**(2,936,607)**	(68,286,379)	**(143,275)**	(15,054,404)

Movement in temporary differences during the year

	Balance at 1 Jan 2012	**Recognised in income**	**Recognised in equity**	**Balance at 31 Dec 2012**
	£	**£**	**£**	**£**
Other timing differences	**53,231,975**	**(50,438,643)**	**-**	**2,793,332**
Equity securities – available-for-sale	**(68,286,379)**	**-**	**65,349,772**	**(2,936,607)**
Total	**(15,054,404)**	**(50,438,643)**	**65,349,772**	**(143,275)**

For the year ended 31 Dec 2011	Balance at 1 Jan 2011	Recognised in income	Recognised in equity	Balance at 31 Dec 2011
	£	£	£	£
Other timing differences	55,684,833	(2,452,858)	-	53,231,975
Equity securities – available-for-sale	(74,879,672)	-	6,593,293	(68,286,379)
Total	(19,194,839)	(2,452,858)	6,593,293	(15,054,404)

Deferred tax assets of £22,851,984 (2011: £70,594,558) have not been recognised in respect of unrealised capital losses carried forward as there are no predicted future capital profits. Once crystallised on disposal capital losses can be carried forward indefinitely.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2012

13. Deferred tax assets and liabilities (continued)

On 21 March 2012, the Government announced that the corporation tax rate applicable from 1 April 2012 would be 24 per cent. This change passed into legislation on 26 March 2012. In addition, the Finance Act 2012, which was substantively enacted on 3 July 2012, included legislation to reduce the main rate of corporation tax from 24 per cent to 23 per cent with effect from 1 April 2013. The change in the main rate of corporation tax from 25 per cent to 23 per cent has resulted in a reduction in the Company's net deferred tax liability at 31 December 2012 of £310,432, comprising the £1,246,813 charge included in the income statement and a £1,557,245 credit included in equity.

14. Cash and cash equivalents	**2012**	2011
	£	£
Bank balances	**11,871,655**	8,838,061
Bank overdrafts	**(76,365,020)**	(312,883,063)
Cash and cash equivalents	**(64,493,365)**	(304,045,002)

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

15. Trade and other receivables	**2012**	2011
	£	£
Amounts due by third parties	**13,437**	-
	13,437	-

16. Capital and reserves

Capital risk management
The distributable reserves of the Company are managed through the Lloyds Banking 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 report and accounts according to parameters set out at a Lloyds Banking Group plc 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.

Share capital	**Ordinary shares**	
	2012	2011
	£	£
Issued for cash	**1**	1
In issue and fully paid at 1 January and 31 December	**1**	1

At 31 December 2012, the authorised share capital comprised 1,000 £1 ordinary share (2011: £1,000).

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.

Capital reserve
During 2012, a capital contribution of £451,790 was received from the Company's intermediate parent company, Bank of Scotland plc. This is further to the agreement by Bank of Scotland plc to unconditionally and irrevocably release the Company from its obligations to repay the sum of £258,362,061 during 2011 in respect of the bank overdraft position held by the Company. These amounts have been recognised as capital contributions in the capital reserve and represent a realised profit for distributable reserves purposes totalling £258,813,851 (2011: £258,362,061).

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2012

16. Capital and reserves (continued)

Available-for-sale reserve
The available-for-sale reserve includes the cumulative net change in the fair value of available-for-sale investments until the investment is derecognised by disposal or impaired through the income statement.

17. 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 19 to the Financial Statements.

	2012	2011
	£	£
Non-current liabilities		
Unsecured bank loans	-	12,941,215
Current liabilities		
Current portion of unsecured bank loans	**185,178,326**	891,310,436
	185,178,326	904,251,651

The carrying amount of the Company's borrowings denominated in Euros are £172,807,218 (2011: £823,359,531) and the carrying amounts denominated in US Dollars £12,371,108 (2011: £80,892,120).

Terms and debt repayment schedule
The term loans 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 2013 and May 2013. Interest is fixed on each loan at the date the loan is advanced to the Company, with rates ranging from 0.05% to 5.26% (2011: 0.25% to 5.26%).

18. Trade and other payables

	2012	2011
	£	£
Accrued audit fee	-	27,720
Accrued interest	**1,521,183**	7,743,570
Management fees payable	**1,344,851**	-
Amounts due to related parties	**8,985,992**	-
	11,852,026	7,771,290

19. 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 2012

19. Financial instruments (continued)

Credit risk
Credit risk is the risk of financial loss from 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.

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

	Note	2012 £	2011 £
On balance sheet:			
Bank balances	14	**11,871,655**	8,838,061
Trade and other receivables	15	**13,437**	-
		11,885,092	8,838,061

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.

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.

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 hedged with borrowings in the same currency.

The Company operates a fair value hedge to mitigate 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 £185,178,326 of borrowings (2011: £904,251,651) and £8,410,145 of deposits (2011: £nil) being designated in a fair value hedge relationship at year end.

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:

	2012 £	2011 £
Foreign exchange gain on hedging instrument	**37,286,599**	31,107,528
Foreign exchange loss on hedged item	**(38,148,490)**	(31,164,495)
Net ineffectiveness on fair value hedge	**(861,891)**	(56,967)

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2012

19. Financial instruments (continued)

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 20 to the Financial Statements.

At the reporting date the carrying value of equity investments amounted to £204,691,851 (2011: £1,216,590,622). For available-for-sale and (AFS) investments, changes in fair value will be recognised in other comprehensive income through the 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.

	2012 PBT	**2012 AFS reserve**	2011 PBT	2011 AFS reserve
	£	**£**	£	£
Unlisted equity securities	**8,046,175**	**12,096,370**	28,717,578	88,960,351
Listed equity securities	**326,640**	**-**	-	3,981,133
	8,372,815	**12,096,370**	28,717,578	92,941,484

The underlying investment sector has concentrations around Real Estate, 54% (2011: 0%) and Financial Services, 13% (2011: 21%), but is otherwise well diversified over a variety of other sectors.

Geographic exposure is predominantly within Europe 54% (2011: 43%), the UK 42% (2011: 34%) and the USA 4% (2011: 18%).

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 company within the Group subject to internal limits. Overall liquidity of the Group is managed centrally.

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 2012	**Up to 1 mth**	**1-3 mths**	**3-12 mths**	**1-5 yrs**	**Total**
	£	**£**	**£**	**£**	**£**
On balance sheet					
Bank overdraft	**76,365,020**	**-**	**-**	**-**	**76,365,020**
Interest-bearing loans and borrowings	**58,650,523**	**115,234,885**	**13,680,548**	**-**	**187,565,956**
Trade and other payables	**-**	**1,344,851**	**8,985,992**	**-**	**10,330,843**
Off balance sheet					
Undrawn financial commitments	**31,248,534**	**-**	**-**	**-**	**31,248,534**
Total liabilities	**166,264,077**	**116,579,736**	**22,666,540**	**-**	**305,510,353**

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2012

19. Financial instruments (continued)

Liquidity risk (continued)

As at 31 December 2011	Up to 1 mth	1-3 mths	3-12 mths	1-5 yrs	Total
	£	£	£	£	£
Bank overdraft	312,883,063	-	-	-	312,883,063
Interest-bearing loans and borrowings	6,470,982	608,058,734	293,633,915	13,929,659	922,093,290
Trade and other payables	-	27,720	-	-	27,720
Off balance sheet					
Undrawn financial commitments	498,443,900	-	-	-	498,443,900
Total liabilities	817,797,945	608,086,454	293,633,915	13,929,659	1,733,447,973

20. Fair values

The fair values together with the carrying amounts shown in the balance sheet are as follows:

	Note	**Carrying amount 2012**	**Fair value 2012**	Carrying amount 2011	Fair value 2011
		£	**£**	£	£
Equity securities - available-for-sale	*11*	**204,691,851**	**204,691,851**	1,216,590,622	1,216,590,622
Trade and other receivables	*15*	**13,437**	**13,437**	-	-
Bank balances	*14*	**11,871,655**	**11,871,655**	8,838,061	8,838,061
Bank overdraft	*14*	**(76,365,020)**	**(76,365,020)**	(312,883,063)	(312,883,063)
Interest-bearing loans and borrowings		**(186,699,509)**	**(187,125,522)**	(904,251,651)	(907,024,184)
Trade and other payables		**(10,330,843)**	**(10,330,843)**	(7,771,290)	(7,771,290)
		(56,818,429)	**(57,244,442)**	522,679	(2,249,854)
Unrecognised losses			**(426,013)**		(2,772,533)

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

- **Equity securities – available-for-sale**
  Fair value of listed securities is based on quoted market prices at the balance sheet date without any deduction for transaction costs.

  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 balances / bank overdraft**
  The fair value of bank balances and the bank overdraft repayable on demand is considered to be equal to their carrying value.
- **Interest-bearing loans and borrowings**
  The fair value is calculated based on discounted expected future principal and interest cash flows.
- **Trade and other receivables/payables**
  For receivables/payables with a remaining life of less than one year, the notional amount is deemed to reflect the fair value. All other payables are discounted to determine the fair value.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2012

20. Fair values (continued)

Fair value of financial instruments carried at fair value

The tables below provides an analysis of the financial assets of the Company that are carried at fair value in the Company's balance sheet, grouped into levels 1 to 3 based on the degree to which the fair value is observable:

Valuation hierarchy	**Level 1**	**Level 2**	**Level 3**	**Total**
At 31 December 2012	**£**	**£**	**£**	**£**
Available-for-sale financial assets	**-**	**-**	**204,691,851**	**204,691,851**

Valuation hierarchy	Level 1	Level 2	Level 3	Total
At 31 December 2011	£	£	£	£
Available-for-sale financial assets	-	-	1,216,590,622	1,216,590,622

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 equity shares, 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 judgement in determining appropriate assumptions, including earnings multiples and estimated future cash flows.

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

	Available-for-sale	**Held for sale**	**Total financial assets**
	£	**£**	**£**
At 31 December 2010	1,079,265,912	257,533,452	1,336,799,364
Gains/(losses) recognised in:			
- Income Statement	(52,809,510)	(11,050,427)	(63,859,937)
- Other comprehensive income	55,937,054	(59,086,672)	(3,149,618)
Additions	230,781,746	-	230,781,746
Disposals	(96,584,580)	(187,396,353)	(283,980,933)
	137,324,710	(257,533,452)	(120,208,742)
At 31 December 2011	1,216,590,622	-	1,216,590,622
Gains/(losses) recognised in:			
- Income Statement	**(61,800,170)**	-	**(61,800,170)**
- Other comprehensive income	**(262,001,923)**	-	**(262,001,923)**
Additions	**159,767,772**	-	**159,767,772**
Disposals	**(847,864,450)**	-	**(847,864,450)**
	(1,011,898,771)	-	**(1,011,898,771)**
At 31 December 2012	**204,691,851**	-	**204,691,851**

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2012

20. Fair values (continued)

Fair value of financial instruments carried at fair value (continued)

During 2012 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 for the year in the above tables are presented in the Income Statement as follows.

	Total 2012 £	Total 2011 £
Total losses included in Income Statement for the year:		
Amounts written off investments	**(23,651,680)**	(32,695,443)
Foreign exchange movement	**(38,148,490)**	(31,164,494)
	(61,800,170)	(63,859,937)
Total losses included in Other comprehensive income for the year:		
Movements in available-for-sale reserve	**(250,590,164)**	6,404,611
Foreign exchange movement	**(11,411,759)**	(9,554,229)
	(262,001,923)	(3,149,618)
Amounts included within loss for the year that relate to the assets held at year end:		
Amounts written off investments	**(7,038,385)**	(32,695,443)
Foreign exchange movement	**(7,685,186)**	(20,114,067)
	(14,723,571)	(52,809,510)
Total gains included in Other comprehensive income for the year, for assets held at year end:		
Movements in available-for-sale reserve	**(22,708,746)**	60,878,314
Foreign exchange movement	**(3,002,545)**	(4,941,260)
	(25,711,291)	55,937,054

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 2012			As at 31 December 2011		
	Fair value £	**Favourable changes £**	**Unfavourable changes £**	Fair value £	Favourable changes £	Unfavourable changes £
Financial assets	**204,691,851**	**22,409,970**	**(3,070,365)**	1,216,590,622	122,555,539	(59,165,353)

Of the favourable figures from the table above, there would be no Income Statement impact (2011: £nil) and of the unfavourable £1,877,543 would be recognised in the Income Statement (2011: £12,072,977).

Of the favourable figures from the table above £22,409,970 would be recognised in other comprehensive income (2011: £122,555,539) and of the unfavourable £1,192,822 would be recognised in other comprehensive income (2011: £47,092,376).

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2012

20. Fair values (continued)

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 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 LBG 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 LBG 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.

21. Financial commitments

As at 31 December 2012, the Company has undrawn commitments in respect of private equity fund investments of £31,248,534 (2011: £498,443,900).

22. Related parties

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2012

22. Related parties (continued)

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	Balance at 31 December 2011	**Balance at 31 December 2012**	**Income/ (expense) included in Income Statement for the year ended 31 December 2012**	Income/ (expense) included in Income Statement for the year ended 31 December 2011	**Disclosure in Financial Statement**
	£	**£**	**£**	£	
Bank balances	8,838,061	**11,871,655**	-	-	Cash and cash equivalents
Bank overdrafts	(312,883,063)	**(76,365,020)**	-	-	Cash and cash equivalents
Term loans	(904,251,651)	**(185,178,326)**	-	-	Interest bearing loans and borrowing
Interest income	-	-	**16,172**	26,456	Other income
Interest payable	(7,743,570)	**(1,521,183)**	**(12,188,493)**	(32,101,930)	Trade and other payables / Financing costs
Accrued audit fee	(27,720)	-	-	(48,833)	Trade and other payables / Other expenses
Capital contribution	258,362,061	**258,813,851**	-	-	Capital reserve
Legal fees paid by intermediary parent	-	-	**(8,985,992)**	-	Profit on disposal of investments
Legal fees due to intermediary parent	-	**(8,985,992)**	-	-	Trade and other payables

Transactions with fellow subsidiary undertakings

The income tax receivable by the Company relates to group relief receivable from fellow subsidiary undertakings. The outstanding tax asset receivable at the end of the year was £2,714,492 (2011: payable £1,191,215).

During the period the Company also acquired investments from Uberior Energy Investments Limited for £12,250,659.

23. Parent undertakings

The immediate parent undertaking is Uberior Investments Limited. The ultimate parent undertaking and controlling party is Lloyds Banking Group plc, a company incorporated in Scotland. Lloyds Banking Group plc is the parent undertaking of the largest group of undertakings to consolidate these financial statements at 31 December 2012. The annual report and accounts of Lloyds Banking Group plc are available from 25 Gresham Street, London EC2V 7HN. Bank of Scotland plc is the parent undertaking of the smallest group of undertakings to consolidate these financial statements. The annual report and accounts of Bank of Scotland plc can be obtained from The Mound, Edinburgh EH1 1YZ.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2012

24. Post balance sheet events

The Finance Act 2013 was substantively enacted on 2 July 2013. The Act further reduces the rate of corporation tax to 21 per cent with effect from 1 April 2014 and 20 per cent with effect from 1 April 2015. The impact of the corporation tax reductions to 21 and 20 per cent will be reflected in the financial statements for the year ended 31 December 2013. The effect of these rate reductions on the Company's deferred tax balance is estimated to be a reduction in the net deferred tax liability of approximately £18,688.