

UBERIOR ENERGY INVESTMENTS LIMITED

REPORT & FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

MEMBER OF LLOYDS BANKING GROUP

Company number SC314241



Directors

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

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 Energy Investments Limited ('the Company') for the year ended 31 December 2010.

Incorporation

The Company was incorporated on 8 January 2007.

Business review and principal activities

The Company operates as an investment holding company and there has been no change in that activity during the year. The Company also continued to manage investments acquired in previous years.

Results and dividends

The loss for the year after tax for the Company to 31 December 2010 was £1,055,688 (2009: profit £2,041,603). The Directors do not recommend the payment of a dividend in 2010 (2009: £nil).

Future outlook

The Company remains committed to the business of holding investments and will continue to manage new and existing investments 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 ('the Group'). Exposure to credit risk, interest rate risk, foreign exchange risk and equity risk arise in the normal course of the Company's business. These risks are discussed below and supplementary qualitative and quantitative information is provided by 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 group 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 Lloyds Banking Group plc policy ensuring that all foreign currency investments are matched with borrowings in the same currency, thus no material foreign exchange sensitivity to foreign exchange exposure is considered to exist. The currencies which give rise to the Company's foreign exchange risk are Euro and US Dollars.

Equity risk

Equity risk exists from the Company's exposure to unlisted equity shares. The Company undertakes a full assessment of each entity's potential for value creation prior to entering into a new transaction. Thereafter the performance of each investment is continually monitored and action taken as deemed appropriate in the circumstances. Further information about the Company's sensitivity to changes in the fair value of equity investments is provided in note 17.

Key performance indicators

Given the straightforward nature of the business, the Company's Directors are of the opinion that analysis using KPIs is not necessary for the understanding of the development, performance or position of the business.

Going concern

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

REPORT OF THE DIRECTORS (continued)**Directors' indemnities**

In terms of section 236 of the Companies Act 2006, the directors disclosed on page 2 have been granted Qualifying Third Party Indemnity Provisions by Lloyds Banking Group plc.

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:

Director	Date of Appointment	Date of Resignation
A W Géczy	24 March 2010	-
T C Murphy	24 March 2010	-
C Richards	-	24 March 2010
G R Shankland	-	26 May 2010
Y E Sharp	-	30 June 2010

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

Policy and practice on payment of creditors

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.

The Company owed £33,666 (2009: £119,929) to trade creditors as at 31 December 2010, the number of days required to be shown in this report, to comply with the provisions of the Companies Act 2006, is 30 (2009: 30).

Auditors and disclosure of information to auditors

By elective resolution, PricewaterhouseCoopers LLP was reappointed as auditors for the Company.

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,



K M Bothwell
Director

23rd September 2011

Company number: SC314241

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

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

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU).

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

- select suitable accounting policies and then apply them consistently;
- make 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 the front page of the Annual Report and financial statements confirm that:

- to the best of each Directors 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 ENERGY INVESTMENTS LIMITED

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

Respective responsibilities of directors and auditors

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

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2010 and its loss and cashflows there ended.
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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



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

26 September 2011

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

	Notes	2010 £	2009 £
Investment income	3	16,244	7,936
		<u>16,244</u>	<u>7,936</u>
(Loss) / profit on disposal of investments		(695,341)	2,820,604
Administrative expenses	4	(421,864)	(982,776)
Other expenses	5	(8,280)	(8,164)
Net other expenses		<u>(8,280)</u>	<u>(8,164)</u>
Operating (loss)/profit before financing costs		<u>(1,109,241)</u>	<u>1,837,600</u>
Financing costs	6	(197,867)	(86,996)
Net financing costs		<u>(197,867)</u>	<u>(86,996)</u>
(Loss) / profit before tax		(1,307,108)	1,750,604
Income tax credit	7	251,420	290,999
(Loss) / profit after tax for the year		<u>(1,055,688)</u>	<u>2,041,603</u>
Attributable to:			
Equity holders		<u>(1,055,688)</u>	<u>2,041,603</u>
(Loss) / profit for the year		<u>(1,055,688)</u>	<u>2,041,603</u>

The notes on pages 12 to 26 form part of these financial statements.

STATEMENT OF OTHER COMPREHENSIVE INCOME**For the year ended 31 December 2010**

	Notes	2010 £	2009 £
(Loss) / profit for the year		(1,055,688)	2,041,603
Other comprehensive income:			
Movements in available for sale financial assets, net of tax:			
- changes in fair value		1,034,652	(2,100,337)
- realised (losses)/profits recognised in Income Statement		(544,163)	2,830,914
- movements in deferred tax		(135,411)	(102,939)
Currency translation differences		26,907	(37,475)
Other comprehensive income/(loss) for the year, net of tax		<u>381,985</u>	<u>590,163</u>
Total comprehensive income for the year		<u>(673,703)</u>	<u>2,631,766</u>
Attributable to:			
Owners of the parent		<u>(673,703)</u>	<u>2,631,766</u>
Total comprehensive income for the year		<u>(673,703)</u>	<u>2,631,766</u>

Items in the statement above are disclosed net of tax.


The notes on pages 12 to 26 form part of these financial statements.

BALANCE SHEET**As at 31 December 2010**

	Notes	2010 £	2009 £
Assets			
Investments	9	9,343,087	15,986,787
Income tax recoverable	8	551,021	299,600
Total non-current assets		<u>9,894,108</u>	<u>16,286,387</u>
Cash and cash equivalents	11	14,827,535	-
Amounts due from group undertakings	14	-	100,000
Total current assets		<u>14,827,535</u>	<u>100,000</u>
Total assets		<u>24,721,643</u>	<u>16,386,387</u>
Equity			
Issued capital	12	1	1
Reserves		644,008	262,023
Retained earnings		(565,479)	490,209
Total equity		<u>78,530</u>	<u>752,233</u>
Liabilities			
Deferred tax liabilities	10	238,350	102,939
Amounts due to group undertakings	15	1,287,905	-
Total non-current liabilities		<u>1,526,255</u>	<u>102,939</u>
Bank overdrafts	11	3,946,126	902,210
Trade and other payables	13	33,666	119,929
Amounts due to group undertakings	15	19,137,066	14,509,076
Total current liabilities		<u>23,116,858</u>	<u>15,531,215</u>
Total liabilities		<u>24,643,113</u>	<u>15,634,154</u>
Total equity and liabilities		<u>24,721,643</u>	<u>16,386,387</u>

The notes on pages 12 to 26 form part of these financial statements.

The financial statements on pages 7 to 11 were approved by the Board of Directors and were signed on 23rd September 2011 on its behalf by:


K M Bothwell
Director

STATEMENT OF CHANGES IN EQUITY**As at 31 December 2010**

	Share capital £	AFS reserves £	Retained earnings £	Total Equity £
Balance at 1 January 2009	1	(328,140)	(1,551,394)	(1,879,533)
Comprehensive income				
Profit after taxation	-	-	2,041,603	2,041,603
Other comprehensive income				
Available for sale financial assets	-	590,163	-	590,163
Total other comprehensive income	-	590,163	-	590,163
Total comprehensive income	-	590,163	2,041,603	2,631,766
Balance at 1 January 2010	1	262,023	490,209	752,233
Comprehensive income				
Loss after taxation	-	-	(1,055,688)	(1,055,688)
Other comprehensive income				
Available for sale financial assets	-	381,985	-	381,985
Total other comprehensive income	-	381,985	-	381,985
Total comprehensive income	-	381,985	(1,055,688)	(673,703)
Balance at 31 December 2010	1	644,008	(565,479)	78,530

The notes on pages 12 to 26 form part of these financial statements.

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

	Note	2010	2009
		£	£
Cash flows from operating activities			
Operating (loss) / profit before financing costs		(1,109,241)	1,837,600
(Decrease) / increase in trade and other payables		(95,423)	116,991
Decrease in amounts due from Parent company		100,000	-
Increase in amounts due from Group undertakings		-	6,522
Loss/(profit) on disposals per Income Statement		695,341	(2,820,604)
Exchange rate movement		13,308	(1,188)
Cash generated from operations		(396,015)	(860,679)
Interest paid		(142,075)	(85,737)
Income taxes paid		-	(361,803)
Net cash outflow from operating activities		(538,090)	(1,308,219)
Cash flows from investing activities			
Proceeds from sale of investments		13,927,426	5,738,069
Acquisition of investments		(7,742,405)	(8,262,774)
Net cash inflow / (outflow) from investing activities		6,185,021	(2,524,705)
Cash flows from financing activities			
Increase in borrowings		6,136,688	7,257,454
Net cash inflow from financing activities		6,136,688	7,257,454
Decrease in cash and cash equivalents		11,783,619	3,424,530
Cash and cash equivalents at 1 January		(902,210)	(4,326,740)
Cash and cash equivalents at 31 December	11	10,881,409	(902,210)

The notes on pages 12 to 26 form part of these financial statements.

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

Uberior Energy Investments Limited (the "Company") is a company domiciled in the UK.

The financial statements were authorised for issue by the directors on 23rd September 2011.

(a) Financial statements

The financial statements of Uberior Energy 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 statutory financial statements set out on pages 7 to 26 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 values: financial instruments classified at available 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'. Require the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control; any remaining interest in an investee is remeasured to fair value in determining the gain or loss recognised in profit or loss where control over the investee is lost.
- IAS 36 'Impairment of Assets'. The amendment clarifies that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment, as defined by paragraph 5 of 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 recognised in Other Comprehensive Income and 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 and term deposits 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.

(h) Trade and other receivables

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

(i) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash and non-mandatory balances with central banks and amounts due from banks with a maturity of less than three months less bank overdraft.

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

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 asset previously recognised in profit or loss) 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) Borrowings

Amounts due to group undertakings (which include deposits from banks, customer accounts, debt securities in issue and subordinated liabilities) are recognised initially at fair value, being their issue proceeds net of transaction costs incurred. These instruments are subsequently stated at amortised cost using the effective interest method.

(l) Dividends

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

(m) Trade and other payables

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

(n) Financing costs

Financing costs comprise interest payable on borrowings and foreign exchange gains and losses in relation to balances not included within the fair value hedge, for example current accounts.

(o) Revenue recognition

Interest income and expense are recognised in the Income Statement for all interest-bearing financial instruments, except for those classified at fair value through profit or loss, using the effective interest method.

Fees and commissions which are not an integral part of the effective interest rate are generally recognised when the service has been provided.

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

(p) 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.

Notes to the financial statements (continued)**1. Significant accounting policies (continued)****(p) Taxation (continued)**

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 cash flow hedges, which are charged or credited directly to equity, is also credited or charged directly to equity and is subsequently recognised 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.

(q) 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 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.

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 £9,343,087 of financial assets (2009: £15,986,787) as level 3 financial instruments.

The largest asset class classified as level 3 is the Company's 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.

Notes to the financial statements (continued)**1. Significant accounting policies (continued)****(q) Critical accounting estimates and judgements (continued)****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 and 2011, 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.

3. Investment income

	2010 £	2009 £
Income from:		
Available for sale investments – dividend income	16,244	7,936
	<u>16,244</u>	<u>7,936</u>

4. Administrative expenses

	2010 £	2009 £
Other Management fees	(421,864)	(982,776)
	<u>(421,864)</u>	<u>(982,776)</u>

5. Other expenses

	2010 £	2009 £
Bank charges	(55)	-
Audit fees	(8,225)	(8,164)
	<u>(8,280)</u>	<u>(8,164)</u>

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

6. Financing costs

	2010 £	2009 £
Interest expense	(151,235)	(85,808)
Foreign exchange:	(46,632)	(1,188)
Net financing costs	<u>(197,867)</u>	<u>(86,996)</u>

Notes to the financial statements (continued)**7. Income tax credit recognised in the Income Statement**

	2010 £	2009 £
Current year	171,295	299,600
Adjustments for prior years	80,125	(8,601)
Total income tax credit tax in Income Statement	<u>251,420</u>	<u>290,999</u>

Reconciliation of effective tax rate

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

Reconciliation of effective tax rate

	2010 £	2009 £
(Loss) / profit before tax	(1,307,108)	1,750,604
Income tax using corporation tax rate of 28% (2009:28%)	<u>365,990</u>	<u>(490,169)</u>
Tax losses where no deferred tax provided	(194,695)	789,769
Adjustments to tax in respect of previous periods	80,125	(8,601)
Total income tax credit in Income Statement	<u>251,420</u>	<u>290,999</u>

8. Current tax assets and liabilities

The current tax asset of £551,021 (2009: asset £299,600) represents the amount of income tax receivable in respect of current and prior periods and which will be settled via Group Relief.

9. Investments

	2010 Available for sale £	2009 Available for sale £
Gross investments		
Equity shares – unlisted	9,343,087	15,986,787
	<u>9,343,087</u>	<u>15,986,787</u>
Total investments		
Comprising:		
Equity shares – unlisted	9,343,087	15,986,787
	<u>9,343,087</u>	<u>15,986,787</u>

The movement in investments can be summarised as follows:

	2010 Available for sale £	2009 Available for sale £
At 1 January	15,986,787	10,690,168
Additions	7,742,405	8,262,774
Disposals	(14,622,767)	(2,917,464)
Changes to fair value in available for sale investments	517,396	693,102
Exchange Movement (see note 16)	(280,734)	(741,793)
As at 31 December	<u>9,343,087</u>	<u>15,986,787</u>

Notes to the financial statements (continued)**10. Deferred tax asset and liabilities****Recognised deferred tax assets and liabilities**

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2010	2009	2010	2009	2010	2009
	£	£	£	£	£	£
Equity shares – available for sale	-	-	(238,350)	(102,939)	(238,350)	(102,939)
Tax liabilities	-	-	(238,350)	(102,939)	(238,350)	(102,939)

Movement in temporary differences in the year:

For the year ended 31 December 2010	Balance at 1 Jan £	Recognised in income £	Recognised in reserves £	Balance at 31 Dec £
Equity shares – available for sale	(102,939)	-	(135,411)	(238,350)
	(102,939)	-	(135,411)	(238,350)
For the year ended 31 December 2009	Balance at 1 Jan £	Recognised in income £	Recognised in reserves £	Balance at 31 Dec £
Equity shares – available for sale	-	-	(102,939)	(102,939)
	-	-	(102,939)	(102,939)

Deferred tax assets of £187,742 (2009: £Nil) relating to assets carried at fair value have not been recognised on the basis that the Company has insufficient forecast taxable profits to recover the asset in future periods. Capital losses can be carried forward indefinitely.

The Finance (No 2) Act 2010 included legislation to reduce the main rate of corporation tax from 28 per cent to 27 per cent with effect from 1 April 2011. As a result the company's deferred tax liability reduced by £8,828, resulting in a credit to the income statement of £8,828 and a credit to other comprehensive income of £8,828.

In his Budget speech on 23 March 2011 the Chancellor announced a further reduction in the rate of corporation tax to 26 per cent with effect from 1 April 2011. This further reduction was enacted under the Provisional Collection of Taxes Act 1968 on 29 March 2011. The Finance Act 2011 includes legislation to reduce the main rate of corporation tax from 26 per cent to 25 per cent with effect from 1 April 2012. The total reduction from 27 per cent to 25 per cent is estimated to reduce the net deferred tax liability by a further £17,656 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 cent per annum to 23 per cent 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.

11. Cash and cash equivalents

	2010 £	2009 £
Term Deposits	12,945,325	-
Bank balances	1,882,210	-
Bank overdraft	(3,946,126)	(902,210)
Cash and cash equivalents in the statement of cash flows	10,881,409	(902,210)

Notes to the financial statements (continued)**12. Capital and reserves**

The distributable reserves of the Company are managed through the Group Capital and Funding Policy in order to maximise capital efficiency within the Lloyds Banking Group plc. Dividends are paid from reserves available for distribution to the parent undertaking as reported by the previously approved annual accounts according to parameters set out at a Group level so as to avoid any build up of reserve balances within the Company.

Share capital

	Ordinary shares 2010 £	Ordinary shares 2009 £
On issue at 1 January and 31 December 2010	1	1

At 31 December 2010, the authorised share capital comprised 1,000 (£1) Ordinary Shares, of which 1 share is in issue. All of the issued shares are fully paid.

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

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 either through disposal or becomes impaired.

13. Trade and other payables

	2010 £	2009 £
Trade creditors	-	103,648
Audit fees	8,225	8,225
Amounts due to group undertakings	8,225	-
Accrued interest	17,216	8,056
Total trade and other payables	33,666	119,929

14. Amounts due from group undertakings

	2010 £	2009 £
Debtors	-	100,000
Amounts due from group undertakings	-	100,000

15. Amounts due to group undertakings

	2010 £	2009 £
Amounts due to group undertakings due within one year	19,137,066	14,509,076
Amounts due to group undertakings due more than one year	1,287,905	-
Amounts due to group undertakings	20,424,971	14,509,076

Terms and debt repayment schedule

The unsecured bank facility is payable to the company's intermediate parent undertaking, Bank of Scotland plc. The facility bears interest at USD and Euro Libor and is repriced on a monthly basis.

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, principally from investment activities that bring debt securities into the Company's asset portfolio. The table below sets out the maximum exposure to credit risk at the Balance Sheet date.

	2010 £	2009 £
On Balance Sheet		
Cash and cash equivalents	14,827,535	-
Due from Group Undertakings	-	100,000
	14,827,535	100,000
Off Balance Sheet items:		
Loan commitments and other credit related liabilities (see note 18)	19,129,000	17,800,000

Exposures consist of inter-company balances with the Lloyds Banking Group plc.

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)

At the reporting date, the Company's exposure to market risk arose from all of the above.

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 the Net Interest Income (NII) sensitivity which measures how much of the current projection for the next 12 months' NII would alter if different assumptions are made about the future levels of interest rates.

The table below sets out the sensitivity of the Company's net interest income (NII) over a 12 month period to an immediate up and down 25 basis points change to all interest rates as at the Balance Sheet date.

	2010 £	2009 £
Impact of +25 bps shift	(51,062)	(36,273)
Impact of -25 bps shift	51,062	36,273

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 NII.

Notes to the financial statements (continued)**16. Financial instruments (continued)****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 by a proportion of the foreign currency fixed interest net term loans and deposits with £7,479,646 foreign currency fixed interest term loans being designated in a fair value hedge relationship at year end (2009: £14,509,076 of foreign currency fixed interest term loans).

The fair value hedge results in foreign exchange gains or losses on 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 during the year:

	<u>2010</u> £	<u>2009</u> £
Foreign exchange gain on hedging instrument	220,793	741,793
Foreign exchange loss on hedged item	(280,734)	(741,793)
Net ineffectiveness on fair value hedge	<u>(59,941)</u>	<u>-</u>

The fair value hedge is subject to quarterly testing for effectiveness in line with the Company's hedging documentation, which has been prepared in accordance with IAS 39. The hedge is highly effective based on it meeting the criteria for effectiveness in each quarterly test.

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 £9,343,087 (2009: £15,986,787). For investments carried at fair value through profit or loss changes in fair value would have a direct impact on profit before tax (PBT) whereas available for sale investments will be recognised in other comprehensive income through the available for sale reserve, unless the investment is deemed to be impaired and 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.

	<u>2010</u> AFS Reserve £	<u>2009</u> AFS Reserve £
Listed equity investments	-	-
Unlisted equity investments	(934,309)	(1,598,679)
	<u>(934,309)</u>	<u>(1,598,679)</u>

The investment sector has concentrations around Oil & Gas (80%). Geographic exposure is within the US (60%) and the UK (31%).

Liquidity risk

Liquidity risk is the risk that the Company does not have sufficient financial resources to meet its obligations when they fall due, or will have to do so at excessive cost. This risk can arise from mismatches in the timing of cash flows relating to assets, liabilities and off-Balance Sheet instruments. The Company's short term liquidity requirements are supported by a facility with another Lloyds Banking Group plc company subject to internal limits. Overall liquidity of the Lloyds Banking Group plc 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 month £	1-3 months £	3-12 months £	1-5 years £	Over 5 years £	Total £
Cash and cash equivalents	3,946,126	-	-	-	-	3,946,126
Amounts due to group undertakings	17,212,151	-	1,970,191	1,402,476	-	20,584,818
Trade and other payables	2,084	16,450	-	15,132	-	33,666
Total liabilities	21,160,361	16,450	1,970,191	1,417,608	-	24,564,610

As at 31 December 2009	Up to 1 month £	1-3 months £	3-12 months £	1-5 years £	Over 5 years £	Total £
Cash and cash equivalents	902,210	-	-	-	-	902,210
Amounts due to group undertakings	14,509,076	-	-	-	-	14,509,076
Trade and other payables	111,704	8,225	-	-	-	119,929
Total liabilities	15,522,990	8,225	-	-	-	15,531,215

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 securities available-for-sale	9	9,343,087	9,343,087	15,986,787	15,986,787
Cash and cash equivalents	11	(3,946,126)	(3,946,126)	(902,210)	(902,210)
Trade and other payables	13	(33,666)	(33,666)	(119,929)	(119,929)
Amounts due from group undertakings	14	14,827,535	14,827,535	100,000	100,000
Amounts due to group undertakings	15	(20,424,971)	(20,594,663)	(14,509,076)	(14,509,076)
		<u>(234,141)</u>	<u>(403,833)</u>	<u>555,572</u>	<u>555,572</u>
Unrecognised losses			<u>(169,692)</u>		-

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 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 facilities**

The fair value of unsecured bank facilities with no stated maturity date is the amount repayable on demand.

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

- Trade and other receivables / payables**

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

- Amounts due to and from group undertakings**

For amounts due from Group undertakings, the notional amount is deemed to reflect the fair value. The estimated fair value of amount payable to Group is calculated using a cash flow model discounted using interest rates for debts with similar maturities.

Fair value of financial instruments carried at fair value

The table 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.

Valuation hierarchy	Level 1	Level 2	Level 3	Total
At 31 December 2010	£	£	£	£
Available for sale financial assets	-	-	9,343,087	9,343,087
Financial assets	-	-	9,343,087	9,343,087

Valuation hierarchy	Level 1	Level 2	Level 3	Total
At 31 December 2009	£	£	£	£
Available for sale financial assets	-	-	15,986,787	15,986,787
Financial assets	-	-	15,986,787	15,986,787

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

Level 1 portfolios

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

Level 2 portfolios

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

Level 3 portfolios

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

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

	Available for sale 2010 £	Available for sale 2009 £
At 1 January	15,986,787	8,371,762
Gains/(losses) recognised in:		
- Other comprehensive income	517,396	693,101
Additions	7,742,405	8,262,774
Exchange movement	(280,734)	(741,793)
Disposals	(14,622,767)	(599,057)
At 31 December	9,343,087	15,986,787

Notes to the financial statements (continued)

17. Fair values (continued)

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

	Available for sale 2010 £	Available for sale 2009 £
Total losses included in Income Statement for the year:		
Foreign exchange movement	(280,734)	(741,793)
	<u>(280,734)</u>	<u>(741,793)</u>
Total losses included in other comprehensive income for the year:		
Changes to fair value in available for sale investments	(186,682)	730,577
Foreign exchange movement	26,907	(37,475)
	<u>(159,775)</u>	<u>693,102</u>
Total gains included in other comprehensive income for the year, for assets held at the end of the reporting year:		
Changes to fair value in available for sale investments	702,912	730,577
Foreign exchange movement	(6,953)	(37,475)
	<u>695,959</u>	<u>693,102</u>
Amounts included within loss for the year that relate to assets held at year end:		
Foreign exchange movement	(280,734)	(741,791)
	<u>(280,734)</u>	<u>(741,791)</u>

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 £
Available for sale financial assets						
Equity Investments	9,343,087	662,140	(306,830)	15,986,787	1,132,592	(524,834)
Financial Assets	<u>9,343,087</u>	<u>662,140</u>	<u>(306,830)</u>	<u>15,986,787</u>	<u>1,132,592</u>	<u>(524,834)</u>

Of the favourable figures from the table above £662,140 would be recognised in other comprehensive income (2009: £1,132,592) and of the unfavourable £306,830 would be recognised in other comprehensive income (2009: £524,834).

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.

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

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.

18. Financial commitments

At 31 December 2010, the Company had committed £19,129,000 (2009: £36,609,732) in direct investments of which £8,777,000 (2009: £20,247,274) was undrawn.

19. Related parties

The Company has a related party relationship with its intermediate parent company Bank of Scotland plc. The company also has a related party relationship with its immediate parent, Uberior Investments plc.

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

The balance due to and from Bank of Scotland are shown within the notes to the accounts. Details of the related party transactions during the year are disclosed in the table below.

Nature of transaction	Outstanding balance at 1 Jan 2010	Outstanding balance at 31 Dec 2010	Income/expense included in income statement for the year ended 31 Dec 2010	Disclosure in financial statements
	£	£	£	
Bank overdraft	902,210	3,946,126	-	Cash and cash equivalents
Unsecured bank facility	14,509,076	20,424,971	-	Amounts due to group undertakings
Interest payable	-	17,216	151,235	Financing expenses
Other payable to Group Undertaking	-	8,225	8,225	Audit fees payable
Amounts due from Group Undertaking	100,000	14,827,535	-	Amounts due from group undertakings

20. Parent undertaking

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 plc which is incorporated in Scotland. Lloyds Banking Group plc has produced consolidated accounts for the year ended 31 December 2010. Copies of the annual report and financial statements of Lloyds Banking Group plc for the year ended 31 December 2010 may be obtained from Lloyds Banking Group plc's head office at 25 Gresham Street, London, EC2V 7HN.

The Company's immediate parent undertaking is Uberior Investments Plc. Uberior Energy Investments Ltd will pay the 2010 audit fee of £8,225 (2009: £8,164).