Uberior Investments Limited

Annual report and accounts
for the year ended 31 December 2019

Registered office

The Mound
Edinburgh
United Kingdom
EH1 1YZ

Registered number

SC073998

Current directors

M M De Vries
N S Burnett

Company Secretary

D D Hennessey

Strategic report
For the year ended 31 December 2019

The directors present their Strategic report and the audited financial statements of Uberior Investments Limited (the "Company") for the year ended 31 December 2019.

Principal activities and future developments

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

Business Review

During the year the Company managed investments for value. On the basis that the Company is an investment holding company, its performance is considered in respect of the underlying investment portfolio performance and valuations. As such, the key financial performance indicators relate to dividend income from subsidiaries, investment gains on disposals and valuation movements taken to profits, including impairments. Further to the before mentioned, borrowed funds are also considered a key financial performance indicator for the Company.

The Company's profit before tax for the financial year is £43,778,000 (2018: profit of £74,915,000). This is largely generated through gain on valuation movements (including impairments) of £48,610,000 (2018: gain of £9,926,000). This is partially offset by financing costs of £10,932,000 (2018: £4,766,000).

The Balance Sheet shows a net asset position of £218,044,000 (2018: £182,541,000). During the year the Company disposed of investments totalling £72,014,000 (2018: £34,770,000) which generated gains on disposal of £nil (2018: £nil). Investment additions in the year totalled £50,526,000 (2018: £139,259,000).

The Company's actions are governed by the Codes of Business Responsibility of the ultimate parent undertaking, Lloyds Banking Group plc, which set out clear guidelines for responsible behaviour across the business, including human rights, social, ethical and environmental responsibilities. These guidelines can be viewed in the consolidated annual report and financial statements of Lloyds Banking Group plc.

The Company has no employees (2018: none) and therefore the Directors have not commented on employee matters.

Section 172(1) Statement and Statement of Engagement with Stakeholders

In accordance with the Companies Act 2006 (the 'Act') (as amended by the Companies (Miscellaneous Reporting) Regulations 2018), the Directors provide the following statement describing how they have had regard to the matters set out in section172(1) of the Act, when performing their duty to promote the success of the Company under section 172. Further details on key actions in this regard are also contained within the Directors' Report on page 3.

In accordance with the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended by the Companies (Miscellaneous Reporting) Regulations 2018), the following statement also provides details of how the Directors have engaged with and had regard to the interests of key stakeholders. The Company is a subsidiary of Lloyds Banking Group plc ('LBG'), and as such follows many of the processes and practices of LBG, which are further referred to in this statement where relevant.

The Directors' acknowledge that one of the primary responsibilities of the Board is to ensure the strategy of the Company, as aligned to that of LBG, achieves long-term success and generates sustainable returns, central to which is ensuring engagement with stakeholders, and considering in all instances the long-term implications of decisions made, acting at all times to maintain the highest possible standards of conduct. This approach has during the course of the year been central to the activities of the Directors, as discussed below.

<u>Shareholders</u>

The Company is a wholly owned subsidiary of LBG, forming part of LBG's Equity division. As a wholly owned subsidiary, the Directors ensure that the strategy, priorities, processes and practices of the Company are fully aligned where required to those of LBG, ensuring that the interests of LBG as the Company's sole shareholder are duly acknowledged. Further information in respect of the relationship of LBG with its shareholders is included within the Strategic Report within the LBG Annual Report and Accounts for 2019, available on the LBG website.

<u>Communities and the Environment</u>

The Directors acknowledge that the Company, as part of one of the largest retail and commercial financial services providers in the UK, has responsibilities to invest in the communities in which it operates, to help them prosper economically and build social cohesion by tackling disadvantage. The Company participates in all related LBG initiatives, with the Directors' ensuring the Company plays an appropriate role in LBG's related Helping Britain Prosper Plan. Further information in respect of the LBG approach to engaging with and contributing to the communities in which it operates is included within the Strategic Report within the LBG Annual Report and Accounts for 2019. Additional information on LBG's Helping Britain Prosper Plan is available on the LBG website.

The Responsible Business Committee of the LBG Board is responsible for overseeing LBG's performance, including that of the Company, as a Responsible Business, by providing oversight of and support for LBG's strategy and plans for embedding responsible business as part of both LBG's and the Company's purpose to Help Britain Prosper. Priorities during the year have included ongoing focus on three key areas aligned to LBG's Bank of the Future strategy. These included consideration of the progress of the Lloyds Bank Academy and the external initiative 'future.now', both designed to boost digital skills in the UK. Progress against agreed sustainability strategy was also considered, where consistent progress was made in achieving targets. Consideration was also given to the relationship between LBG and its charitable foundations, in particular the work they do in the communities in which LBG and the Company operate. Further information in respect of LBG's and the Company's Responsible Business activities is included on pages 26 to 35 of the LBG Annual Report and Accounts for 2019, available on the LBG website, along with further discussion of the work of LBG's Responsible Business Committee.

<u>Suppliers</u>

The Company's approach to supplier management is part of that of LBG, which works with around 3,100 active suppliers of varying sizes, most in professional services sectors such as IT, cyber, operations, management consultancy, legal, HR, marketing and communication. The Company and LBG seek to improve the experience of suppliers, with feedback regularly sought on related assurance processes to ensure continual improvement in the process. Suppliers are also encouraged to express their satisfaction or otherwise, and have access to LBG and the Company's whistleblowing service.

In 2019 LBG's supplier expenditure was £5.9 billion, with 95 per cent of third party suppliers being located in the UK. Importance is placed on having the right supplier framework to operate responsibly. LBG's Sourcing & Supply Chain Management Policy applies to all businesses, divisions, and subsidiaries of LBG, including the Company, with the Directors assuming ultimate responsibility for its application as relevant to the Company. This Policy has been designed to assist in managing the inherent risk in outsourcing services, and dealing with third party suppliers. Suppliers are required to adhere to relevant LBG policies and comply with LBG's Code of Supplier Responsibility which can be found on the LBG website. This defines expectations for responsible business behaviour, underpinning the efforts of the Company and LBG to share and extend good practice. All material contracts are subject to rigorous cost management governance with regular review of key supplier risks.

Principal risks and uncertainties

From the perspective of the Company, the principal risks and uncertainties are managed within the framework established for the Group and are not managed separately for the Company. Further details of the Company's and Group's risk management policy are contained in note 22 to the financial statements.

In the context of operational resilience, the Company is assessing the risks associated with the current global health issue Covid-19 and continues to analyse the impacts. However, it is difficult at this stage to quantify risks and the degree to which they might crystallise. In addition, Covid-19 could have an adverse impact across risks including our operational risk, funding and liquidity.

Strategic report (continued)
For the year ended 31 December 2019

Key performance indicators ("KPIs")

The directors monitor the performance of the Company by reference to KPIs as listed below

KPI	Movement	Analysis
Dividend income from subsidiaries	Reduced by £65,369,000 (2019: £nil, 2018: £65,369,000)	*No dividends were received in the current year as the credit risk appetite calculations in subsidiaries suggested that the payment of dividends would not be appropriate.*
Investment value (FVTPL and FVOCI Assets)	Increased by £68,280,000 (2019: £512,343,000, 2018: £444,063,000)	*This movement is partly due to additions within existing FVTPL investments of £47,318,000. There has also been FV movement of £26,209,000 in FVTPL and (£510,000) in FVOCI. These movements have been partially offset by FVTPL disposals of (£4,737,000).*
Borrowed funds	Decreased by £24,355,000 (2019: £400,722,000, 2018: £425,077,000)	*The movement in borrowed funds is mostly due to the repayment of £20,628,000 of LBGEIL funding, which was possible following the disposal of the Loans & Advances investment, and a decrease in the use of a hedging Euro loan facility of £3,865,000.*

Approved by the board of directors and signed on its behalf by:

N S Burnett
Director

29 June 2020

Directors' report
For the year ended 31 December 2019

The directors present their report and the audited financial statements of Uberior Investments Limited ("the Company") for the year ended 31 December 2019.

General Information

The Company is a limited company incorporated and domiciled in Scotland (registered number: SC073998).

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

The Company is funded entirely by other companies within the Lloyds Banking Group ("the Group").

Dividends

No dividends were paid or proposed during the year ended 31 December 2019 (2018: £72,590,000).

Going concern

The financial statements have been prepared on a going concern basis. There is a net asset position of £218,044,000 (2018: £182,541,000).

The Company is also covered by the letter of support from the Group dated 19 February 2020 that covers LBG Equity Investments and all its subsidiaries, which confirms that any additional liabilities will be borne by the ultimate parent company if required.

As a result, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the annual report and financial statements.

Directors

The current directors of the Company are shown on the front cover.

The following change has taken place between the beginning of the reporting period and the approval of the Annual report and accounts:

A Hulme	(resigned 9 March 2020)
M M De Vries	(appointed 10 March 2020)

Information included in the Strategic report

The disclosures for Principal risks and uncertainties, Key performance indicators and Section 172(1) related matters that would otherwise be required to be disclosed in the Directors' report can be found in the Strategic report on page 1 and 2.

Directors' indemnities

Lloyds Banking Group plc has granted to the directors of the Company a deed of indemnity through deed poll which constituted 'qualifying third party indemnity provisions' for the purposes of the Companies Act 2006. The deed was in force during the whole of the financial year and at the date of approval of the financial statements or from the date of appointment in respect of directors who join the board of the Company during the financial year. Directors no longer in office but who served on the board of the Company at any time in the financial year have the benefit of this contract of indemnity during that period of service. The indemnity remains in force for the duration of the directors' periods of office. The deed indemnifies the directors to the maximum extent permitted by law. Deeds for existing directors are available for inspection at the registered office of Lloyds Banking Group plc. In addition, the Group has in place appropriate directors and officers liability insurance cover which was in place throughout the financial year.

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial
- make judgements and accounting estimates that are reasonable and prudent; 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 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.

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.

Directors' confirmations

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and

- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

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

Approved by the board of directors and signed on its behalf by:

N S Burnett
Director

29 June 2020

Income statement
For the year ended 31 December 2019

	Note	2019 £'000	2018 £'000
Other income	3	**5,819**	3,966
Income from investments	4	**889**	66,036
Changes in fair value of investments	5	**26,209**	11,938
Total income		**32,917**	81,940
Impairment gain/(losses)	6	**22,401**	(2,012)
Finance costs	7	**(10,932)**	(4,766)
Other operating expenses	8	**(608)**	(247)
Profit before tax		**43,778**	74,915
Taxation	9	**(7,765)**	(7,780)
Profit for the year		**36,013**	67,135
Attributable to:			
Owners of the parent		**36,013**	67,135
Profit for the year		**36,013**	67,135

Statement of comprehensive income
For the year ended 31 December 2019

	Note	2019 £'000	2018 £'000
Profit for the year attributable to owners of the parent		**36,013**	67,135
Other comprehensive (expense)/income			
Items that will not subsequently be reclassified to profit or loss:			
Movement in investments classified as fvoci			
- changes in fair value	15	**(510)**	(389)
Total other comprehensive income		**(510)**	(389)
Total comprehensive income for the year attributable to owners of the parent		**35,503**	66,746

The accompanying notes to the financial statements are an integral part of these financial statements.

Balance sheet
As at 31 December 2019

	Note	2019 £'000	2018 £'000
ASSETS			
Cash and cash equivalents	11	**29,070**	42,489
Trade and other receivables	12	**122**	122
Investment in associate undertaking	13	**5,269**	6,456
Investment in subsidiary undertakings	14	**80,491**	80,491
Investments	15	**513,341**	484,131
Total assets		**628,293**	613,689
LIABILITIES			
Borrowed funds	17	**400,579**	425,073
Trade and other payables	18	**265**	4
Intercompany creditor	19	**143**	4
Current tax liability	9	**3,195**	4,575
Deferred tax liability	16	**6,067**	1,492
Total liabilities		**410,249**	431,148
EQUITY			
Share capital	20	**2,000**	2,000
Fair value through other comprehensive income reserve		**(899)**	(389)
Retained earnings		**216,943**	180,930
Total equity		**218,044**	182,541
Total equity and liabilities		**628,293**	613,689

The accompanying notes to the financial statements are an integral part of these financial statements.

The financial statements were approved by the board of directors and were signed on its behalf by:

N S Burnett
Director

29 June 2020

Statement of changes in equity
For the year ended 31 December 2019

	Share capital £'000	Other reserves £'000	Retained earnings £'000	Total equity £'000
At 1 January 2018	2,000	-	186,385	188,385
Profit for the year	-	(389)	67,135	66,746
Dividend paid to equity holders of the Company	-	-	(72,590)	(72,590)
At 31 December 2018	**2,000**	**(389)**	**180,930**	**182,541**
As at 1 January 2019	2,000	(389)	180,930	182,541
Profit for the year	-	(510)	36,013	35,503
Dividend paid to equity holders of the Company	-	-	-	-
At 31 December 2019	**2,000**	**(899)**	**216,943**	**218,044**

The accompanying notes to the financial statements are an integral part of these financial statements.

Cash flow statement
For the year ended 31 December 2019

	2019 £'000	2018 £'000
Cash flows generated from/(used in) operating activities		
Profit/(loss) before tax	43,778	74,915
Adjustments for:		
Financing income	(5,810)	(3,447)
Impairments	(22,401)	2,012
Changes in fair value of investments	(26,209)	(11,938)
Movement in provisions	-	(519)
Finance costs	10,932	4,766
Changes in working capital:		
Changes in trade and other receivables	-	(14)
Changes in trade and other payables	261	-
Changes in intercompany creditors	139	-
Cash generated from operating activities	690	65,775
Interest paid	(11,555)	(4,278)
Interest received	226	-
Tax received	-	4,589
Tax paid	(4,569)	-
Net cash (used in)/generated from operating activities	(15,208)	66,086
Cash flows generated from/(used in) investing activities		
Interest received from investments	10	10
Acquisition of investments	(47,318)	(134,413)
Proceeds from sale of investments	4,738	34,770
Proceeds from loans and advances held at amortised cost repayment	67,457	-
Net cash generated from/(used in) investing activities	24,887	(99,633)
Cash flows (used in)/generated from financing activities		
Dividends paid to equity shareholders	-	(72,590)
Proceeds from borrowings	15,544	416,538
Repayment of borrowings	(39,415)	(108,542)
Net cash (used in)/generated from financing activities	(23,871)	235,406
Change in Cash and cash equivalents	(14,192)	201,859
Effect of exchange rate fluctuations	773	(93)
Net bank overdrafts at beginning of year	42,489	(159,277)
Cash and cash equivalents at end of year	29,070	42,489
Cash and cash equivalents comprise		
Cash at bank	29,070	42,489
Cash and cash equivalents	29,070	42,489

The accompanying notes to the financial statements are an integral part of these financial statements.

Notes to the financial statements
For the year ended 31 December 2019

1. Accounting policies

1.1 Basis of preparation

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

These financial statements have been prepared in accordance with applicable IFRSs as adopted by the European Union and the Companies Act 2006 applicable to companies reporting under IFRSs. IFRSs comprise accounting standards prefixed IFRS issued by the International Accounting Standards Board ("IASB") and those prefixed IAS issued by the IASB's predecessor body, as well as interpretations issued by the IFRS Interpretations Committee ("IFRS IC") and its predecessor body.

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

These separate financial statements contain information about the Company and do not contain consolidated financial information as the parent of a group. The Company has taken advantage of the exemptions under IFRS 10 Consolidated Financial Statements and Section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements. The Company and its subsidiaries are included in the consolidated financial statements of the Company's ultimate parent company.

The financial statements have been prepared on a going concern basis. There is a net asset position of £218,044,000 (2018: £182,541,000).

The Company is also covered by the letter of support from the Group dated 19 February 2020 that covers LBG Equity Investments and all its subsidiaries, which confirms that any additional liabilities will be borne by the ultimate parent company if required.

As a result, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the annual report and financial statements.

1.2 Income recognition

Revenue

Interest income and expense are recognised in the Income Statement for all interest-bearing financial instruments, using the effective interest method where it can be reliably estimated and recognised on a cash basis where it cannot be reliably measured. The effective interest method is a method of calculating the amortised cost of a financial asset or liability and of allocating the interest income or interest expense over the expected life of the financial instrument. The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability.

The effective interest rate is calculated on initial recognition of the financial asset or liability by estimating the future cash flows after considering all the contractual terms of the instrument but not future credit losses. The calculation includes all amounts expected to be paid or received by the Company including expected early redemption fees and related penalties and premiums and discounts that are an integral part of the overall return. Direct incremental transaction costs related to the acquisition, issue or disposal of a financial instrument are also taken into account in the calculation. Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss (see Note 1.6).

Fees and commission income which are not an integral part of the effective interest rate are generally recognised in the Income Statement within 'Other income' as the related service is provided.

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.

Foreign currency

The financial statements are presented in Sterling which is the Company's functional and presentation currency. Foreign currency transactions are translated into Sterling at the exchange rate prevailing at the date of the transaction. Exchange gains and losses resulting from the settlement of such transactions are recognised in the Statement of comprehensive income.

Exchange gains and losses arising from the translation of monetary assets and liabilities at the exchange rate prevailing at the Balance sheet date 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 financial assets designated at fair value through other comprehensive income are included in equity, unless designated in a fair value hedging relationship where it is recognised in the Statement of comprehensive income together with foreign currency translation differences on the hedging instrument.

Hedge accounting

The Company applies fair value hedge accounting to hedge foreign exchange exposure on the equity instruments designated at fair value through profit and loss. 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 transactions 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 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 equity instrument. The net hedge ineffectiveness is recognised in the Statement of comprehensive income in 'Finance costs'.

Dividend income

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

Income and expense from financial instruments

Interest income and expense are recognised in the Income statement for all interest bearing financial instruments, including loans and advances held at amortised cost, using the effective interest rate method. The effective interest rate method is a method of calculating the amortised cost of a financial asset or liability and of allocating the interest income or interest expense to a period of account. The effective interest rate is the rate that discounts the estimated future cash payments or receipts over the expected life of the instrument to the net carrying amount of the financial asset or financial liability.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised on the net lending balance using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

1. Accounting policies (continued)

1.3 Other income

Other income mostly represents the release of suspended interest on the previously held loans and advances held at amortised cost investment upon repayment. The remaining balance consists of interest received on Debt securities held at amortised cost, monitoring fees, bank interest received and foreign exchange movements.

1.4 Expenses recognition

Finance costs

Interest expense for all interest bearing financial instruments is recognised in the Income statement as it accrues, within finance costs.

1.5 Financial assets and liabilities

Management determines the classification of its financial assets and financial liabilities at initial recognition. Financial assets comprise Amounts due from group undertakings, Loans and advances held at amortised cost, Debt securities held at amortised cost, Equity securities, Other trade receivables, Other debtors and Cash and cash equivalents. Financial liabilities comprise Amounts due to group undertakings, Bank overdraft and Trade and other payables.

On initial recognition, financial assets are classified as measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss, depending on the Group's business model for managing the financial assets and whether the cash flows represent solely payments of principal and interest. The Group assesses its business models at a portfolio level based on its objectives for the relevant portfolio, how the performance of the portfolio is managed and reported, and the frequency of asset sales. Financial assets with embedded derivatives are considered in their entirety when considering their cash flow characteristics. The Group reclassifies financial assets when and only when its business model for managing those assets changes.

A reclassification will only take place when the change is significant to the Group's operations and will occur at a portfolio level and not for individual instruments; reclassifications are expected to be rare. Equity investments are measured at fair value through profit or loss unless the Group elects at initial recognition to account for the instruments at fair value through other comprehensive income. For these instruments, principally strategic investments, dividends are recognised in profit or loss but fair value gains and losses are not subsequently reclassified to profit or loss following derecognition of the investment.

Financial assets are derecognised when the contractual right to receive cash flows from those assets has expired or when the Group has transferred its contractual right to receive the cash flows from the assets and either: substantially all of the risks and rewards of ownership have been transferred; or the Group has neither retained nor transferred substantially all of the risks and rewards, but has transferred control.

Financial liabilities are derecognised when the obligation is discharged, cancelled or expires.

Financial assets and liabilities held on the balance sheet are organised by liquidity, with those deemed most liquid presented first.

Investments in debt securities held at amortised cost

Debt securities held at amortised cost not quoted on active market are classified as loans and receivables. They are initially recognised at fair value plus directly related incremental transaction costs and are subsequently carried on the Balance sheet at amortised cost using the effective interest rate method less provision for impairment. Income on Debt securities held at amortised cost is recognised on an effective interest rate basis where it can be reliably estimated and recognised upon receipt where it cannot be reliably estimated and recorded as Investment income in the Income statement.

Financial instruments held at fair value through profit or loss

Financial assets are classified at fair value through profit or loss where they do not meet the criteria to be measured at amortised cost or fair value through other comprehensive income or where they are designated at fair value through profit or loss to reduce an accounting mismatch.

Trading securities, which are Debt securities held at amortised cost and equity shares acquired principally for the purpose of selling in the short term or which are part of a portfolio which is managed for short-term gains, do not meet these criteria and are also measured at fair value through profit or loss. Financial assets measured at fair value through profit or loss are recognised in the balance sheet at their fair value. Fair value gains and losses together with interest coupons and dividend income are recognised in the income statement within investment income.

The fair values of assets and liabilities traded in active markets are based on current bid and offer prices respectively. If the market is not active the Group establishes a fair value by using valuation techniques.

They are initially recognised at fair value and transaction costs are expensed in the Income Statement. Financial instruments measured at fair value through profit or loss are carried on the Balance sheet at fair value. Any gains and losses arising from change in fair value are recognised in the Income Statement within changes in fair value of investments in the period in which they occur.

Financial instruments held at fair value through other comprehensive income

Financial assets that are held to collect contractual cash flows and for subsequent sale, where the assets' cash flows represent solely payments of principal and interest, are recognised in the balance sheet at their fair value, inclusive of transaction costs. Gains and losses arising from changes in fair value are recognised directly in other comprehensive income, until the financial asset is either sold or matures, at which time the cumulative gain or loss previously recognised in other comprehensive income is recognised in the income statement other than in respect of equity shares, for which the cumulative revaluation amount is transferred directly to retained profits. Interest calculated using the effective interest method and foreign exchange gains and losses on assets denominated in foreign currencies are recognised in the income statement. In addition, the Group recognises a charge for expected credit losses in the income statement. As the asset is measured at fair value, the charge does not adjust the carrying value of the asset, it is reflected in other comprehensive income.

1.6 Impairment

Impairment of financial assets

The impairment charge in the income statement includes the change in expected credit losses and certain fraud costs. Expected credit losses are recognised for loans and advances held at amortised cost, other financial assets held at amortised cost, financial assets measured at fair value through other comprehensive income, and certain loan commitments and financial guarantee contracts. Expected credit losses are calculated by using an appropriate probability of default, adjusted to take into account a range of possible future economic scenarios, and applying this to the estimated exposure of the Group at the point of default after taking into account the value of any collateral held or other mitigants of loss and including the impact of discounting using the effective interest rate.

At initial recognition, allowance (or provision in the case of some loan commitments and financial guarantees) is made for expected credit losses resulting from default events that are possible within the next 12 months (12-month expected credit losses). In the event of a significant increase in credit risk, allowance (or provision) is made for expected credit losses resulting from all possible default events over the expected life of the financial instrument (lifetime expected credit losses). Financial assets where 12-month expected credit losses are recognised are considered to be Stage 1; financial assets which are considered to have experienced a significant increase in credit risk are in Stage 2; and financial assets which have defaulted or are otherwise considered to be credit impaired are allocated to Stage 3.

1. Accounting policies (continued)

1.6 Impairment (continued)

Impairment of financial assets (continued)

An assessment of whether credit risk has increased significantly since initial recognition considers the change in the risk of default occurring over the remaining expected life of the financial instrument. The assessment is unbiased, probability-weighted and uses forward-looking information consistent with that used in the measurement of expected credit losses. In determining whether there has been a significant increase in credit risk, the Group uses quantitative tests based on relative and absolute probability of default ("PD") movements linked to internal credit ratings together with qualitative indicators such as watch lists and other indicators of historic delinquency. However, unless identified at an earlier stage, the credit risk of financial assets is deemed to have increased significantly when more than 30 days past due. Where the credit risk subsequently improves such that it no longer represents a significant increase in credit risk since origination, the asset is transferred back to Stage 1.

Assets are transferred to Stage 3 when they have defaulted or are otherwise considered to be credit impaired. IFRS 9 contains a rebuttable presumption that default occurs no later than when a payment is 90 days past due.

In certain circumstances, the Group will renegotiate the original terms of a customer's loan, either as part of an ongoing customer relationship or in response to adverse changes in the circumstances of the borrower. In the latter circumstances, the loan will remain classified as either Stage 2 or Stage 3 until the credit risk has improved such that it no longer represents a significant increase since origination (for a return to Stage 1), or the loan is no longer in default (for a return to Stage 2). Renegotiation may also lead to the loan and associated allowance being derecognised and a new loan being recognised initially at fair value.

A loan or advance held at amortised cost is normally written off, either partially or in full, against the related allowance when the proceeds from realising any available security have been received or there is no realistic prospect of recovery and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of impairment losses recorded in the income statement. For both secured and unsecured retail balances, the write-off takes place only once an extensive set of collections processes has been completed, or the status of the account reaches a point where policy dictates that continuing concessions are no longer appropriate.

1.7 Dividends paid

Dividends on ordinary shares are recognised through equity in the period in which they are paid.

1.8 Cash and cash equivalents

For the purposes of the Balance sheet and Cash flow statement, Cash and cash equivalents with related undertaking comprise balances with less than three months' maturity.

1.9 Taxation, including deferred income taxes

Tax expense comprises current and deferred tax. Current and deferred tax are charged or credited in the Statement of comprehensive income except to the extent that the tax arises from a transaction or event which is recognised, in the same or a different period, outside the Statement of comprehensive income (either in other comprehensive income, directly in equity, or through a business combination), in which case the tax appears in the same statement as the transaction that gave rise to it.

Current tax is the amount of corporate income taxes expected to be payable or recoverable based on the profit for the period as adjusted for items that are not taxable or not deductible, and is calculated using tax rates and laws that were enacted or substantively enacted at the Balance sheet date.

Current tax includes amounts provided in respect of uncertain tax positions when management expects that, upon examination of the uncertainty by Her Majesty's Revenue and Customs (HMRC) or another tax authority, it is more likely than not that an economic outflow will occur. Provisions reflect management's best estimate of the ultimate liability based on their interpretation of tax law, precedent and guidance, informed by external tax advice as necessary. Changes in facts and circumstances underlying these provisions are reassessed at each Balance sheet date, and the provisions are re-measured as required to reflect current information.

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Balance sheet. Deferred tax is calculated using tax rates and laws that have been enacted or substantively enacted at the Balance sheet date, and which are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax liabilities are generally recognised for all taxable temporary differences but not recognised for taxable temporary differences arising on investments in subsidiaries, associates and joint arrangements where the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future. Deferred tax liabilities are not recognised on temporary differences that arise from goodwill which is not deductible for tax purposes.

Deferred tax assets are recognised to the extent it is probable that taxable profits will be available against which the deductible temporary differences can be utilised, and are reviewed at each Balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are not recognised in respect of temporary differences that arise on initial recognition of assets and liabilities acquired other than in a business combination. Deferred tax is not discounted.

1.10 Investments

Investment in associated undertakings

Investment in associated undertakings is stated in the Balance sheet at cost less any provision for impairment.

Investment in associated undertakings are reviewed for impairment losses at the end of each period and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the Income statement for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's net realisable value and value in use. For the purposes of assessing impairment, investments are grouped at the lowest level at which cash flows are separately monitored by management.

Investment in subsidiary undertakings

Investment in subsidiary undertakings is stated in the Balance sheet at cost less any provision for impairment.

Investment in subsidiary undertakings is reviewed for impairment losses at the end of each period and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the Income statement for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's net realisable value and value in use. For the purposes of assessing impairment, investments are grouped at the lowest level at which cash flows are separately monitored by management.

1. Accounting policies (continued)

1.11 Other financial liabilities

Other financial liabilities are initially recognised at fair value less directly attributable transaction costs and subsequently measured at amortised cost. In practice, the carrying value of these balances equates to the fair value due to the short term nature of the amounts included within other financial liabilities.

1.12 Borrowings

Borrowings 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 rate method.

2. Critical accounting estimates and judgements in applying accounting policies

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although those estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

The following are critical accounting estimates that the directors have made in the process of applying the company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

Fair value of financial instruments

The Company categorises financial instruments carried on the Balance sheet at fair value using a three level hierarchy. Financial instruments categorised as level 1 are valued using quoted market prices and therefore there is minimal judgement applied in determining fair value. However the fair value of financial instruments categorised as level 2 and, in particular, level 3 is determined using valuation techniques including discounted cash flow analysis and valuation models. These valuation techniques involve management judgement and estimates, the extent of which depends on the complexity of the instrument and the availability of market observable information.

Valuation techniques for Level 2 financial instruments use inputs that are based on observable market data. Level 3 financial instruments 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. At 31 December 2019 the Company classified £512,343,000 of financial assets (2018: £444,063,000) as Level 3 financial instruments.

Fair value is defined as the value at which assets, liabilities or positions could be closed out or sold in a transaction with a willing and knowledgeable counterparty. Fair value is based upon Cash flow models which use, wherever possible, independently sourced market parameters such as interest yield curves and currency rates. Other factors are also considered, such as counterparty credit quality and liquidity.

Valuation of assets fair valued through other comprehensive income

Financial instruments classified as fair value through other comprehensive income are carried at fair value which is determined as the amount for which the instruments could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Management judgement is required in determining the appropriate classification of financial instruments.

Allowance for impairment losses

The calculation of the Group's expected credit loss (ECL) allowances and provisions against loan commitments and guarantees under IFRS 9 requires the Group to make a number of judgements, assumptions and estimates. The most significant are set out below.

Definition of default

The probability of default ("PD") of an exposure, both over a 12 month period and over its lifetime, is a key input to the measurement of the ECL allowance. Default has occurred when there is evidence that the customer is experiencing significant financial difficulty which is likely to affect the ability to repay amounts due. The definition of default adopted by the Group is described in note 1.6 Impairment of financial assets.

Lifetime of an exposure

The PD of a financial asset is dependent on its expected life. A range of approaches, segmented by product type, has been adopted by the Group to estimate a product's expected life. Changes to the assumed expected lives of the Group's assets could have a material effect on the ECL allowance recognised by the Group.

Significant increase in credit risk

Performing assets are classified as either Stage 1 or Stage 2. An ECL allowance equivalent to 12 months expected losses is established against assets in Stage 1; assets classified as Stage 2 carry an ECL allowance equivalent to lifetime expected losses. Assets are transferred from Stage 1 to Stage 2 when there has been a significant increase in credit risk (SICR) since initial recognition.

The Group uses a quantitative test together with qualitative indicators to determine whether there has been a SICR for an asset.

The setting of precise trigger points combined with risk indicators requires judgement. The use of different trigger points may have a material impact upon the size of the ECL allowance.

Origination PDs

The assessment of whether there has been a significant increase in credit risk is a relative measure, dependent on an asset's PD at origination. For assets existing at 1 January 2018, the initial application date of IFRS 9, this information is not, generally, available and consequently management judgement has been used to determine a reasonable basis for estimating the original PD. Management used various information sources, including regulatory PDs and credit risk data available at origination, or where this is not available the first available data. In addition, the Group has not created a forward looking view of PDs at initial recognition for the back book as to do so would involve the use of hindsight and could introduce the risk of bias. The use of proxies and simplifications is not considered to materially impact the ECL allowance on transition.

Impairment of investments

As explained in the accounting policy, investment securities are continually reviewed at the specific investment level for impairment. Impairment is recognised when there is objective evidence that a specific financial asset is impaired. Objective evidence of impairment might include a significant or prolonged decline in market value below the original cost of a financial asset and, in the case of Debt securities held at amortised cost, non-receipt of due interest or principal repayment, a breach of covenant within the security's terms and conditions or a measurable decrease in the estimated future cash flows since their initial recognition. The disappearance of active markets, declines in market value and ratings downgrades do not in themselves constitute objective evidence of impairment and, unless a default has occurred on a debt security, the determination of whether or not objective evidence of impairment is present at the Balance sheet date requires the exercise of management judgement.

Notes to the financial statements (continued)
For the year ended 31 December 2019

2. Critical accounting estimates and judgements in applying accounting policies (continued)

Deferred Tax

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

3. Other income

	2019 £'000	2018 £'000
Investment interest received from investments held at amortised cost	**4,629**	3,447
Bank interest received	**226**	-
Other financing income	**955**	-
Other income	**9**	519
	5,819	3,966

4. Income from investments

Income from investments relates to income received on the Company's equity instruments of £889,000 (2018: £667,000) and dividends received from its subsidiary undertakings of £nil (2018: £65,369,000).

5. Changes in fair value of investments

	2019 £'000	2018 £'000
Equity securities	**26,209**	11,938
	26,209	11,938

6. Impairment gain/(losses)

	2019 £'000	2018 £'000
Subsidiaries	**-**	(2,012)
Debt securities held at amortised cost	**(1)**	-
Loans and advances held at amortised cost	**23,590**	-
Associates	**(1,188)**	-
	22,401	(2,012)

7. Finance costs

Finance 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. 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.

8. Other operating expenses

	2019 £'000	2018 £'000
Legal and professional fees	**106**	247
Other expenses	**502**	-
	608	247

Fees payable to the company's auditors for the audit of the financial statements of £32,500 (2018: £32,500) have been borne by the ultimate parent company and are not recharged to the company.

The Company has no employees (2018: nil).

The Directors, who are considered to be key management, received no remuneration in respect of their services to the Company. The emoluments of the Directors are paid by a fellow group undertaking on behalf of the ultimate parent, Lloyds Banking Group plc, which makes no recharge to the Company. The Directors are also directors of a number of other subsidiaries of the Group and are also substantially engaged in managing their respective business areas within the Group, it is therefore not possible to make an accurate apportionment of Directors emoluments in respect of their services to each of the subsidiaries. Accordingly, these financial statements include no emoluments in respect of the Directors.

9. Taxation

a) Analysis of credit/(charge) for the year

	2019 £'000	2018 £'000
UK corporation tax:		
- Current tax on taxable profit for the year	**(3,188)**	(4,575)
- Adjustments in respect of prior years	**(2)**	-
Current tax credit/(charge)	**(3,190)**	(4,575)
UK deferred tax:		
- Origination and reversal of timing differences	**(5,113)**	(3,380)
- Due to change in UK corporation tax rate	**538**	175
Deferred tax credit/(charge) (see note 16)	**(4,575)**	(3,205)
Tax credit/(charge)	**(7,765)**	(7,780)

Corporation tax is calculated at a rate of 19.00% (2018: 19.00%) of the taxable profit for the year.

b) Factors affecting the tax credit/(charge) for the year

A reconciliation of the charge that would result from applying the standard UK corporation tax rate to the profit before tax to the actual tax charge for the year is given below:

	2019 £'000	2018 £'000
Profit before tax	**43,778**	74,915
Tax charge thereon at UK corporation tax rate of 19.00% (2018: 19.00%)	**(8,318)**	(14,233)
Factors affecting credit:		
- Origination and reversal of timing differences	**(133)**	(5,862)
- Due to change in UK corporation tax rate	**538**	175
- Disallowed and non-taxable items	**150**	12,140
- Adjustments in respect of prior years	**(2)**	-
Tax credit/(charge) on profit on ordinary activities	**(7,765)**	(7,780)
Effective rate	**17.74%**	10.38%

10. Dividends

No dividends were paid or proposed during the year ended 31 December 2019 (2018: £72,590,000).

11. Cash and cash equivalents

Cash and cash equivalents for the purposes of the Cash flow statement include the following:

	2019 £'000	2018 £'000
Cash at bank, held with group undertakings	**29,070**	42,489
	29,070	42,489

12. Trade and other receivables

	2019 £'000	2018 £'000
Current		
Amounts due from group undertakings (see note 21)	**122**	122
	122	122

Amounts due from group undertakings is unsecured, non-interest bearing and repayable on demand.

13. Investment in associate undertakings

	2019 £'000	2018 £'000
Cost		
Cost brought forward	**7,213**	757
Additions	**-**	6,456
Cost at 31st December	**7,213**	7,213
Provision for impairment		
Provision brought forward	**(757)**	(757)
Impairment charge	**(1,187)**	-
Provision at 31st December	**(1,944)**	(757)
Carrying value of investments at 31st December	**5,269**	**6,456**

Investment in associate undertakings	**Company interest**	**Principal activities**	**Registered Address**
Europa Property Company (Northern) Limited	35%	Non-Financial Corporations	Europa House 20 Esplanade, Scarborough, North Yorkshire, YO11 2AQ
Intelligent Processing Solutions Limited	20%	Financial Institute	Building 6 Chiswick Park, 566 Chiswick High Road, London, United Kingdom, W4 5HR
LBG Brazil Administracao LTDA	31%	Financial Institute	Avenida Jurubatuba 73, 8° Andar, Vila Cordeiro, São Paulo, SP, CEP, 04583-100, Brazil
Travellers Cheques Associates Ltd	36%	Financial Intermediation	Belgrave House, 76 Buckingham Palace Road, London, SW1W 9AX

14. Investment in subsidiary undertakings

	2019 £'000	2018 £'000
Cost		
Cost brought forward	**80,491**	29,855
Additions	**-**	52,648
Disposals	**-**	-
Impairment	**-**	(2,012)
Cost at 31 December	**80,491**	80,491
Carrying value of investments at 31 December	**80,491**	80,491

Investment in subsidiary undertakings is stated at cost less impairment. As permitted by section 611 of the Companies Act 2006, where the relief afforded under section 612 of the Companies Act 2006 applies, cost is the aggregate of the nominal value of the relevant number of the Company's shares and the fair value of any other consideration given to acquire the share capital of the subsidiaries.

Subsidiary undertakings	**Company interest**	**Principal activities**	**Registered Address**
Bank of Scotland Capital Funding LP	100%	Debt Issuance	Sanne Group, 13 Castle Street, St Helier, JE4 5UT, Jersey
HBOS Capital Funding LP - Dissolved 11/03/2019	100%	Investment / Debt Issuance	Sanne Group, 13 Castle Street, St Helier, JE4 5UT, Jersey
HBOS Capital Funding No 1 LP	100%	Investment / Debt Issuance	Sanne Group, 13 Castle Street, St Helier, JE4 5UT, Jersey
Lloyds Bank MTCH Limited	100%	Investment	25 Gresham Street, London, EC2V 7HN
Uberior Equity Limited	100%	Investment	The Mound, Edinburgh, EH1 1YZ
Uberior Fund Investment Limited	100%	Investment	The Mound, Edinburgh, EH1 1YZ
Uberior Ventures Limited	100%	Investment	The Mound, Edinburgh, EH1 1YZ
Uberior Infrastructure Investments	100%	Investment	The Mound, Edinburgh, EH1 1YZ
Prestonfield Investments Limited	100%	Investment	The Mound, Edinburgh, EH1 1YZ
Horizon Capital 2000 Ltd	100%	Investment	The Mound, Edinburgh, EH1 1YZ
Uberior Trading Limited	100%	Investment	The Mound, Edinburgh, EH1 1YZ
Uberior ENA Limited	100%	Investment	The Mound, Edinburgh, EH1 1YZ
BOS Mistral Limited	100%	Investment	Charterhall House, Charterhall Drive, Chester, CH88 3AN

The Company's interest in each of these entities is in the form of ordinary share capital. The proportion of the voting rights in the subsidiary undertaking held directly by the Company do not differ from the proportion of ordinary shares held.

15. Investments

	2019 £'000	2018 £'000
Investments		
Loans and advances held at amortised cost	-	39,069
Debt securities held at amortised cost	998	999
Equity securities	512,343	444,063
	513,341	484,131

Income statement impairment charge/(gain) in the year		
Loans and advances held at amortised cost	(23,590)	-
Debt securities held at amortised cost	-	-

Loans and advances held at amortised cost

The movement in Loans and advances held at amortised cost can be summarised as follows:

	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
As at 31 December 2018	-	-	39,069	39,069
Balance as at 1 January 2019	-	-	39,069	39,069
Net increase (decrease) in loans and advances held at amortised cost	-	-	(39,069)	(39,069)
Gross loans and advances held at amortised cost	-	-	-	-
Less: allowance for losses on loans and advances held at amortised cost	-	-		-
Net loans and advances held at amortised cost	-	-	-	-

	2019 £'000	2018 £'000
As at 1 January	39,069	35,632
Additions	3,208	4,847
Disposal	(67,277)	-
Impairment reversal/(charge)	23,590	-
Interest released/(suspended)	1,410	(1,410)
As at 31 December	-	39,069

Debt securities held at amortised cost

The movement in Debt securities held at amortised cost, classified as Loans and receivables, can be summarised as follows:

	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
As at 31 December 2018	-	-	2,625	2,625
Balance as at 1 January 2019	-	-	2,625	2,625
Exchange and other adjustments	-	-	(59)	(59)
Gross debt securities held at amortised cost	-	-	2,566	2,566
Less: allowance for losses on debt securities held at amortised cost	-	-	(1,568)	(1,568)
Net debt securities held at amortised cost	-	-	998	998

15. Investments (continued)

	2019 £'000	2018 £'000
Gross Debt securities held at amortised cost		
As at 1 January	**2,625**	2,613
Exchange translation	**(59)**	12
Additions	**-**	-
Disposals	**-**	-
As at 31 December	**2,566**	2,625
Provision for impairment		
As at 1 January	**1,626**	1,613
Exchange translation	**(59)**	12
Charge/(credit) for the year	**1**	-
IFRS 9 Day 1 Adjustment	**-**	1
Disposals	**-**	-
As at 31 December	**1,568**	1,626
Net Debt securities held at amortised cost	**998**	999

Equity securities

The movement in Equity securities can be summarised as follows:

For the year ended 31 December 2019	**Designated at fair value through profit and loss £'000**	**Designated at fair value through other comprehensive income £'000**	**Total £'000**
At 1 January 2019	**440,852**	**3,211**	**444,063**
Movement in FVOCI equity securities	**-**	**(510)**	**(510)**
Changes to fair value	**26,209**	**-**	**26,209**
Additions	**47,318**	**-**	**47,318**
Disposals	**(4,737)**	**-**	**(4,737)**
At 31 December 2019	**509,642**	**2,701**	**512,343**

For the year ended 31 December 2018	Designated at fair value through profit and loss £'000	Designated at fair value through other comprehensive income £'000	Total £'000
At 1 January 2018	12,125	379,847	391,972
IFRS 9 transfer of AFS securities	379,847	(379,847)	-
Movement in FVOCI equity securities	-	(389)	(389)
Changes to fair value	11,942	-	11,942
Additions	71,708	3,600	75,308
Disposals	(34,770)	-	(34,770)
At 31 December 2018	440,852	3,211	444,063

The Company has a number of significant holdings that are accounted for as fair value investments. If these holdings were accounted for as associates the Company would have recognised additional profit for the year of £17,976,000 (2018: £16,834,000) and a share of net assets of £3,341,000 as at 31 December 2019 (2018: £381,371,000). Significant holdings which are material to the Company are disclosed below:

Company	**% of capital held**
BoS Mezzanine Partners Fund, L.P.	50%
BGF Group plc	24%

16. Deferred tax liability

The movement in the Deferred tax liability is as follows:

	2019 £'000	2018 £'000
Brought forward	**(1,492)**	(4,238)
Charge for the year (see note 9)	**(4,575)**	(3,205)
	(6,067)	(7,443)
Amount charged to equity		
- Available-for-sale financial assets	**-**	5,951
At 31 December	**(6,067)**	(1,492)

The deferred tax charge in the Income statement comprises the following temporary differences:

	2019 £'000	2018 £'000
Other temporary differences	**(4,575)**	(3,205)
	(4,575)	(3,205)

Deferred tax liability comprises:	2019 £'000	2018 £'000
Other temporary differences	**(6,067)**	(1,492)
	(6,067)	(1,492)

The Finance Act 2016 reduced the main rate of corporation tax to 17% with effect from 1 April 2020. Within the March 2020 budget, the UK government stated its intention to maintain the corporation tax rate at 19 per cent with effect from 1 April 2020. This intention to maintain the corporation tax rate was enacted under the Provisional Collection of Taxes Act 1968 on 17 March 2020.

Had this rate change been substantively enacted at 31 December 2019, the effect would have been to increase net deferred tax liabilities by £714,000.

17. Borrowed funds

	2019 £'000	2018 £'000
Amounts due to group undertakings (see note 21)	**400,579**	425,073
	400,579	425,073

18. Trade and other payables

	2019 £'000	2018 £'000
Trade payables	**265**	**4**
	265	**4**

Creditors

	2019 £'000	2018 £'000
Creditors: amounts falling due within one year		
Amounts due to group undertakings (see note 21)	**46**	4
Accruals and deferred income	**18**	-
Other creditors	**201**	-
Total current creditors	**265**	**4**

19. Intercompany Creditor

	2019 £'000	2018 £'000
Amounts due to group undertakings (see note 21)	**143**	**4**
	143	**4**

20. Capital and reserves

Share capital

	2019 £'000	2018 £'000
Allotted, issued and fully paid		
2,000,000 ordinary shares of £1 each	**2,000**	2,000

All ordinary shares rank pari passu in all respects including the right to receive all dividends and other distributions declared, made or paid on the ordinary share capital of the Company.

Fair value through other comprehensive income reserve

The fair value through other comprehensive income reserve includes the cumulative net change in the fair value of financial instruments designated at fair value through other comprehensive income, until the investment is derecognised by disposal or impaired and is transferred to profit or loss.

21. Related party transactions

The Company is controlled by LBG Equity Investments. A number of transactions are entered into with related parties in the normal course of business. These include loan and fee transactions. A summary of the outstanding balances at the year end and the related expense for the year are set out below. Please note that the 2018 figures have been restated to align to the more detailed breakdown in the current year.

	2019 £'000	Restated 2018 £'000
Amounts due from group undertakings		
Bank of Scotland	**122**	122
Total Amounts due from group undertakings (see note 12)	**122**	122
Amounts due to group undertakings		
Bank of Scotland plc	**4**	19,419
LBG Equity Investments Limited	**400,579**	405,658
Lloyds Bank plc	**42**	-
Lloyds TSB MTCH Limited	**139**	-
Lloyds UDT Limited	**4**	4
Total Amounts due to group undertakings (see notes 17, 18 & 19)	**400,768**	425,081
Cash and cash equivalents held with group undertakings		
Bank of Scotland plc	**29,070**	42,489
Interest expense		
Bank of Scotland plc	**68**	2,086
LBG Equity Investments Limited	**10,864**	658
Lloyds Bank plc	**-**	1,485
Total Interest expense	**10,932**	4,229
Interest income		
Bank of Scotland plc	**226**	-
Total Interest expense	**226**	-

The above balances are unsecured in nature and are expected to be settled in cash or by cash equivalents. Transactions in the year are those reflected through the Income statement.

The company paid £68,000 bank related interest in the year (2018: £2,086,000). The interest rates applied during the year were base rate plus 1.50%.

The company paid interest on LBGEIL borrowings of £10,864,000 (2018: £658,000) on which interest rates of between 0.86% and 3.29% (2018: 1.40% and 3.17%) were charged.

The company earned interest of £226,000 on bank deposits (2018: £0). The interest rates applied during the year were base rate minus 0.30%.

Key management personnel

Key management personnel are those persons having authority and responsibility for planning and controlling the activities of the Company. Accordingly, key management is comprised of the directors of the Company and LBG Equity Investments. There were no transactions between the Company and key management personnel during the current or preceding year. Key management personnel are employed by other companies within the Group and consider that their services to the Company are incidental to their other activities within the Group.

22. Financial risk management

The Company's operations expose it to a variety of financial risks: credit risk, liquidity risk, market risk (including interest rate risk, exchange risk, and equity risk). Responsibility for the control of overall risk lies with the board of directors, operating within a management framework established by LBG Equity Investments, and the ultimate parent, Lloyds Banking Group plc. Interest rate hedges are used to mitigate interest rate risk relating to a proportion of the Company's intercompany borrowings. The remaining interest rate and liquidity risk faced by the Company is in substance managed and borne by other group undertakings which fund the Company and credit risk is carefully monitored by the Retail Division's credit committee and credit functions. Market risk is managed by the Company through the terms negotiated in commercial agreements and management regularly reviewing its portfolio of leases for impairment. Business risk is managed through regular reporting and oversight.

A description of the Company's financial assets/liabilities and associated accounting is provided in note 1.

22.1 Credit risk

Credit risk management

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 held at amortised cost into the Company's asset portfolio.

In measuring the credit risk of loans and advances held at amortised cost, the Company reflects three components: (i) the 'probability of default' by the client or counterparty on its contractual obligations; (ii) current exposures to the counterparty and their likely future development, from which the Company derives the 'exposure at default'; and (iii) the likely recovery ratio on the defaulted obligations (the 'loss given default').

Cash and cash equivalents and Amounts due from other group undertakings are held with other companies within the Group. The credit risk associated with these financial assets is not considered to be significant.

Credit risk mitigation

- Credit principles and policy: Group Risk sets out the group credit principles and policy according to which credit risk is managed, which in turn is the basis for divisional and business unit credit policy. Principles and policy are reviewed regularly and any changes are subject to a review and approval process. Business unit policy includes lending guidelines, which define the responsibilities of lending officers and provide a disciplined and focused benchmark for credit decisions.

- Concentration risk: Credit risk management includes portfolio controls on certain industries, sectors and product lines that reflect risk appetite and which operate at a divisional level. Credit policy is aligned to risk appetite and restricts exposure to certain high risk and more vulnerable sectors. At a divisional level, exposures are monitored to prevent excessive concentration of risk. These concentration risk controls are not necessarily in the form of a maximum limit on lending but may instead require new business in concentrated sectors to fulfil additional hurdle requirements.

- Stress testing and scenario analysis at a divisional level: The credit portfolio is also subjected to stress testing and scenario analysis, to simulate outcomes and calculate their associated impact.

Financial assets subject to credit risk

The maximum exposure to credit risk arising on the Company's financial assets at the reporting date is disclosed in the table below and equates to carrying value.

	2019 £'000	2018 £'000
Loans and advances held at amortised cost	**-**	39,069
Trade and other receivables	**122**	122
Cash and cash equivalents	**29,070**	42,489
	29,192	81,680

Allowance for loans and advances held at amortised cost which are impaired

	2019 £'000	2018 £'000
Brought forward	**64,249**	59,402
Charge for year (including recoveries)	**(64,249)**	4,847
At 31 December	**-**	64,249

	2019 £'000	2018 £'000
Brought forward	**(25,180)**	(23,770)
Movement in provision	**25,180**	(1,410)
At 31 December	**-**	(25,180)

The criteria used to determine that there is objective evidence of an impairment is disclosed in note . All Loans and advances held at amortised cost are individually assessed for impairment.

22.2 Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its obligations as they fall due. To manage this risk extensive borrowing facilities are available from within the

The Company is funded entirely by companies within the Group. Such funding is repayable over the following 4 years. New loans will be granted to meet additional funding requirements, and there is no expectation that full repayment will be made.

22. Financial risk management (continued)

22.2 Liquidity risk (continued)

The table below sets out the cash flows payable by the Company in respect of Amounts due to related undertakings, by remaining contractual undiscounted repayments of principal and interest, at the Balance sheet date. All other financial liabilities are repayable on demand.

As at 31 December 2019

	Up to 1 month £'000	1-3 months £'000	3-12 months £'000	1-5 years £'000	Total £'000
Interest - bearing loans and borrowings	-	-	47,830	352,749	400,579
Trade and other payables	66	-	199	-	265
Intercompany creditor	4	-	-	139	143
Undrawn financial commitments	10,346	17,708	79,688	-	107,742
At 31 December	10,416	17,708	127,717	352,888	508,729

As at 31 December 2018

	Up to 1 month £'000	1-3 months £'000	3-12 months £'000	1-5 years £'000	Total £'000
Interest - bearing loans and borrowings	19,415	-	45,658	360,000	425,073
Trade and other payables	4	-	-	-	4
Intercompany creditor	4	-	-	-	4
Undrawn financial commitments	14,609	17,500	78,750	-	110,859
At 31 December	34,032	17,500	124,408	360,000	535,940

All other funding is repayable on demand, although there is no expectation that such a demand would be made. All other financial liabilities are repayable on demand.

22.3 Market risk

The Company is exposed to market risk, which is analysed below in notes 22.4 to 22.7

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 interest rate, foreign exchange and equity risk.

22.4 Interest rate risk

Interest rate risk is the risk of financial loss as a result of adverse movements in interest rates, and arises largely because of timing differences between the repricing of financial assets and liabilities. Interest rate risk is managed at a divisional level, however the Company is exposed to interest rate fluctuations due to factors outside the Company, and as a result a sensitivity analysis has been prepared to illustrate the impact of a change in the rates.

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.

22.5 Business risk

Business risk is the risk that the Company's earnings are adversely impacted by a suboptimal business strategy or the suboptimal implementation of the strategy. In assessing business risk consideration is given to internal and external factors such as products, funding, resource capability and economic, political and regulatory factors.

Through regular reports and oversight business risk is managed by corrective actions to plans and reductions in exposures where necessary.

22.6 Foreign currency risk

Foreign exchange risk arises on monetary financial assets (included in "investments", and "cash and cash equivalents") and borrowings denominated in a currency other than Pounds Sterling. The currency giving rise to this risk is the Euro. The Company follows a policy of ensuring that all foreign currency financial assets are matched with borrowings in the same currency, thus minimal sensitivity to foreign exchange exposure is considered to exist.

The Company operates a fair value hedge to mitigate the foreign exchange risk arising from the fair value through profit and loss instruments. This risk is hedged through a net portfolio of foreign currency fixed interest borrowings and deposits with £15,544,000 foreign currency fixed interest term loans being designated in a fair value hedge relationship at year end (2018: £19,415,000).

The fair value hedge results in foreign exchange gains or losses on the hedged portion of FVTPL assets classified in the 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:

	2019 £'000	2018 £'000
Foreign exchange gain on hedging instrument	923	549
Foreign exchange loss on hedged item	(1,015)	(120)
Net ineffectiveness on fair value hedge	(92)	429

22. Financial risk management (continued)

22.6 Foreign currency risk

Foreign exchange risk arises on investments and borrowings denominated in a currency other than Sterling. The currencies giving rise to this risk are Euros and US Dollars.

22.7 Equity risk

Equity risk exists from the Company's exposure to unlisted equity securities. The Company undertakes a full assessment of each entity's potential for value creation prior to entering into a new transaction. Thereafter the performance of each investment is continually monitored and action taken as deemed appropriate in the circumstances. Further information about the Company's sensitivity to changes in the fair value of equity investments is set out below and in Note 22.9 to the financial statements. At the reporting date the carrying value of equity investments amounted to £512,343,000 (2018: £444,063,000). 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 fair value through other comprehensive income investments will be recognised in other comprehensive income through the fair value through comprehensive income reserve, unless the investment is deemed to be impaired and changes in fair value are taken to the Income Statement. The table below sets out the sensitivity of PBT and the fair value through other comprehensive income reserve (before tax) to a 10% fall in fair value of equity investments as at the Balance sheet date.

	Profit before tax 2019 £'000	**Fair value through other comprehensive income reserves 2019 £'000**	Profit before tax 2018 £'000	Fair value through other comprehensive income reserves 2018 £'000
Unlisted equity investments	**50,964**	**270**	44,085	321
	50,964	**270**	44,085	321

The investment portfolio remains well diversified across fund managers and underlying investment sector.

The underlying investment sector has concentrations around Retail and Professional Services: 20% (2018: 26%) and Manufacturing: 16% (2018: 13%), but is otherwise well diversified over a variety of investment sectors.

Geographic exposure is wholly within the UK (100%; 2018: 100%) and there is an insignificant market concentration outside of the European Union at the fund manager level.

22.8 Financial strategy

The Company uses financial instruments to mitigate interest rate risk. However, the Company does not trade in financial instruments.

22.9 Fair values of financial assets and liabilities

The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Fair value of financial assets carried at fair value

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.

Fair value hierarchy

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 listed 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.

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 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 provide 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 inputs to fair value are observable.

At 31 December 2019	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Financial assets at fair value through profit and loss	-	-	**513,412**	**513,412**
Financial assets at fair value through other comprehensive income	-	-	**2,701**	**2,701**
	-	-	**516,113**	**516,113**

22. Financial risk management (continued)

22.9 Fair values of financial assets and liabilities (continued)

At 31 December 2018	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets at fair value through profit and loss	-	-	440,852	440,852
Financial assets at fair value through other comprehensive income	-	-	3,211	3,211
	-	-	444,063	444,063

For a reconciliation from the opening balances to the closing balances for fair value movement in Level 3 of the fair value hierarchy, see note 15.

Although the Company believes that its estimates of fair values are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. 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 2019			As at 31 December 2018	
	Fair Value £'000	**Favourable changes £'000**	**Unfavourable changes £'000**	Fair value £'000	Favourable changes £'000	Unfavourable changes £'000
Financial assets at fair value through profit or loss						
Equity Securities	**509,642**	**45,239**	**(69,452)**	440,852	38,946	(49,790)
Financial assets at fair value through other comprehensive						
Equity Securities	**2,701**	**-**	**(270)**	3,211	247	(247)
	512,343	**45,239**	**(69,722)**	444,063	39,193	(50,037)

Both favourable and unfavourable movements in respect of financial assets at fair value through profit or loss would be recognised in the Income Statement. Favourable movements in respect of financial assets at fair value through other comprehensive income would be recognised in other comprehensive income.

The main instruments 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 fair value through other comprehensive income. These investments are valued using different techniques as a result of the variety of investments across the portfolio in accordance with the Group's valuation policy and are calculated using International Private Equity and Venture Capital Guidelines.

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

- A number of earnings multiples are used in valuing the portfolio including price earnings, earnings before interest and tax and earnings before interest, tax, depreciation and amortisation (EBITDA). The particular multiple selected being appropriate for the type of business being valued and is derived by reference to the current market-based multiple. Consideration is given to the risk attributes, growth prospects and financial gearing of comparable businesses when selecting an appropriate multiple, and as such this multiple has been considered in establishing the possible alternatives above.

- Discounted cash flow valuations use estimated future cash flows, usually based on management forecasts, with the application of appropriate exit yields or terminal multiples and discounted using rates appropriate to the specific investment, business sector or recent economic rates of return. Recent transactions involving the sale of similar businesses may sometimes be used as a frame of reference in deriving an appropriate multiple. The rates of discount applied have been considered in establishing the possible alternatives above.

- For fund investments the most recent capital account value calculated by the fund manager is used as the basis for the valuation and adjusted, if necessary, to align valuation techniques with the Group's valuation policy. In line with International Private Equity and Venture Capital Guidelines the values of underlying investments in these portfolios have been considered, and possible alternatives considered on both a positive and negative basis.

22.10 Capital disclosures

The Company's objectives when managing capital are to safeguard the entity's ability to continue as a going concern, provide an adequate return to its shareholders through pricing products and services commensurately with the level of risk and, indirectly, to support the Group's regulatory capital requirements.

The Company's capital comprises all components of equity, movements in which appear in the Statement of changes in equity. The Company receives its funding requirements from its fellow group undertakings and does not raise funding externally.

23. Contingent liabilities and financial commitments

The Group provides for potential tax liabilities that may arise on the basis of the amounts expected to be paid to tax authorities. This includes open matters where Her Majesty's Revenue and Customs (HMRC) adopt a different interpretation and application of tax law which might lead to additional tax. The Group has an open matter in relation to a claim for group relief of losses incurred in its former Irish banking subsidiary, which ceased trading on 31 December 2010. In 2013 HMRC informed the Group that their interpretation of the UK rules, permitting the offset of such losses, denies the claim; if HMRC's position is found to be correct management estimate that this would result in an increase in current tax liabilities for the company of approximately £18,192,000 (including interest). The Group does not agree with HMRC's position and, having taken appropriate advice, does not consider that this is a case where additional tax will ultimately fall due.

As at 31 December 2019, the Company has undrawn commitments in private equity funds of £107,742,000 (2018: £110,859,000). Of these, the main undrawn commitments are described below:

Business Growth Fund (£106,250,000)

In May 2011, the Group agreed, together with The Royal Bank of Scotland plc (and three other non-related parties), to commit up to £300,000,000 each of equity investment by subscribing for shares in the Business Growth Fund plc which is the company created to fulfil the role of the Business Growth Fund as set out in the British Bankers' Association Taskforce Report of October 2010. In January 2017 each party agreed to commitment of up to an additional £250,000,000 with an annual review of what would be committed for the next year. At 31 December 2019, the Group had invested £403,032,000 (2018: £355,782,000) in the Business Growth Fund and carried the investment at a fair value of £437,454,000 (2018: £363,862,000). Agreed commitments totalled £106,250,000 at 31 December 2019.

Other Funds (£1,492,000)

The remaining undrawn commitments are related to the following investments - BoS Mezzanine Partners Fund LP (£1,442,000) and Scottish Loan Fund LP (£50,000).

24. Post balance sheet events

Since the balance sheet date there has been a global pandemic from the outbreak of Covid-19 which is causing widespread disruption to financial markets and normal patterns of business activity across the world, including the UK. The Directors assess this event to be a non-adjusting post balance sheet event. In view of its currently evolving nature, the Directors are only able to give an estimate of its financial effect. The estimated effect, to the date these accounts were signed, would be a reduction in investment values of circa £50,000,000 - £100,000,000.

25. Future developments

The following pronouncement will be relevant to the Company but was not effective at 31 December 2019 and has not been applied in preparing these financial statements.

Pronouncement	Nature of change	Effective date
Definition of Material – Amendments to IAS 1 and IAS 8	The IASB has made amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors which use a consistent definition of materiality throughout International Financial Reporting Standards and the Conceptual Framework for Financial Reporting, clarify when information is material and incorporate some of the guidance in IAS 1 about immaterial information. In particular, the amendments clarify: - that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole, and - the meaning of 'primary users of general purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.	1 January 2020
Revised Conceptual Framework for Financial Reporting	The IASB has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect. Key changes include: - increasing the prominence of stewardship in the objective of financial reporting - reinstating prudence as a component of neutrality - defining a reporting entity, which may be a legal entity, or a portion of an entity - revising the definitions of an asset and a liability - removing the probability threshold for recognition and adding guidance on derecognition - adding guidance on different measurement basis, and - stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements. No changes will be made to any of the current accounting standards. However, entities that rely on the Framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised Framework from 1 January 2020. These entities will need to consider whether their accounting policies are still appropriate under the revised Framework.	1 January 2020
Amendments to other accounting standards	The IASB has issued a number of minor amendments to IFRSs effective 1 January 2020 (including IFRS 3 Business Combinations and IAS 1 Presentation of Financial Statements).	Annual periods beginning on or after 1 January 2020

These amendments are not expected to have a significant impact on the Group.

26. Ultimate parent undertaking and controlling party

The immediate parent company is LBG Equity Investments Limited (incorporated in England and Wales). The company regarded by the directors as the ultimate parent company and controlling party is Lloyds Banking Group plc (incorporated in Scotland), which is also the parent undertaking of the largest group of undertakings for which group financial statements are drawn up and of which the Company is a member. Copies of the financial statements of both companies may be obtained from Group Secretariat, Lloyds Banking Group plc, 25 Gresham Street, London, EC2V 7HN. The Lloyds Banking Group plc financial statements may be downloaded via www.lloydsbankinggroup.com.

Independent Auditors' report to the member of Uberior Investments Limited

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its profit and cash flows for the year then ended;

- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and

- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and accounts (the "Annual Report"), which comprise: the balance sheet as at 31 December 2019; the income statement, the statement of comprehensive income, the cash flow statement, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities set out on page 3, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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

Independent Auditors' report to the member of Uberior Investments Limited (continued)

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Mark Hoskyns-Abrahall (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers
Chartered Accountants and Statutory Auditors
Edinburgh
29 June 2020