Prestonfield Investments Limited

Annual report and accounts
for the year ended 31 December 2019

Registered office

The Mound
Edinburgh
United Kingdom
EH1 1YZ

Registered number

SC433725

Current directors

M S J Daly
N S Burnett

Company Secretary

D D Hennessey

Member of Lloyds Banking Group

Directors' report
For the year ended 31 December 2019

The directors present their report and the audited financial statements of Prestonfield 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: SC433725).

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").

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, valuation movements taken to profits, including impairments, and to a lesser extent income received from investments. 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 £1,304,000 (2018: profit of £3,255,000). The decrease in profit is due to no dividend being received from its subsidiary during the year (2019: £nil, 2018: £2,720,000).

During the year the Company received income from investments (excluding dividends) generating gains of £1,300,000 (2018: £574,000).

The Balance Sheet shows a total asset position of £7,316,000 (2018: £6,229,000). No dividends were paid to the parent company in 2019 (2018: £10,140,000).

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.

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 18 to the financial

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.

Dividends

No dividends were paid during the year to its immediate parent Company Uberior Investments Limited (2018: £10,140,000).

Going concern

The financial statements have been prepared on a going concern basis. There is a net asset position of £7,115,000 (2018: £6,008,000).

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 S J Daly	Appointed 10 March 2020

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 accounts 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 statements;
- 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

Statement of comprehensive income
For the year ended 31 December 2019

	Note	2019 £'000	2018 £'000
Income from investments	3	**1,300**	3,294
Changes in fair value of investments	4	**3**	(8)
Finance income	6	**4**	-
Total income		**1,307**	3,286
Impairment (losses)	5	**(3)**	(31)
Profit before tax		**1,304**	3,255
Taxation	9	**(197)**	317
Profit for the year		**1,107**	3,572
Attributable to:			
Owners of the parent		**1,107**	3,572
Profit for the year		**1,107**	3,572

Balance sheet
As at 31 December 2019

	Note	2019 £'000	2018 £'000
ASSETS			
Cash and cash equivalents	11	**1,545**	643
Investments	14	**5,769**	5,584
Deferred tax asset	15	**2**	2
Total assets		**7,316**	6,229
LIABILITIES			
Current tax liability		**201**	221
Total liabilities		**201**	221
EQUITY			
Retained earnings		**7,115**	6,008
Total equity		**7,115**	6,008
Total equity and liabilities		**7,316**	6,229

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

	Available-for-sale reserves	Retained earnings	Total equity
	£'000	£'000	£'000
At 1 January 2018	-	12,576	12,576
Profit for the year			
Profit after tax for the year	-	3,572	3,572
Total comprehensive income	-	16,148	16,148
Dividend paid	-	(10,140)	(10,140)
At 31 December 2018	-	**6,008**	**6,008**
As at 1 January 2019	-	6,008	6,008
Profit for the year	-	1,107	1,107
At 31 December 2019	-	**7,115**	**7,115**

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

	Note	2019 £'000	2018 £'000
Cash flows used in operating activities			
Profit before tax		**1,304**	3,255
Adjustments for:			
Income from joint ventures and associates		**(1,078)**	-
Impairments		**3**	31
Changes in fair value of investments		**(3)**	8
Movement in accrued investment income	3	**(220)**	(574)
Dividends received	3	**-**	(2,720)
Interest Receivable		**(4)**	-
Other income		**(2)**	-
Cash generated from operations			
Interest received		**4**	-
Tax paid		**(218)**	-
Net cash used in operating activities		**(214)**	-
Cash flows generated from investing activities			
Proceeds from sale of investments		**38**	-
Dividends received		**-**	2,720
Proceeds from joint ventures and associates		**1,078**	-
Net cash generated from investing activities		**1,116**	2,720
Cash flows used in financing activities			
Dividends paid		**-**	(10,140)
Net cash used in financing activities		**-**	(10,140)
Change in Cash and cash equivalents		**902**	(7,420)
Exchange gain/(loss) on cash and cash equivalents		**-**	-
Cash and cash equivalents at beginning of year		**643**	8,063
Cash and cash equivalents at end of year		**1,545**	643
Cash and cash equivalents comprise			
Cash at bank		**1,545**	643
Cash and cash equivalents		**1,545**	643

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 £7,115,000 (2018: £6,008,000).

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 1.5).

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.

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 Statement of comprehensive income 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

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 Expenses recognition

Finance costs

Interest expense for all interest bearing financial instruments is recognised in the Statement of comprehensive income as it accrues, within finance

1.4 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, Other trade receivables, Other debtors, Investments 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 not quoted on active market are held at amortised cost. 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. Accounting policies (continued)

1.5 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 advancesheld 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.

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 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.

1.6 Dividends paid

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

1.7 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.

1.8 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.

1. Accounting policies (continued)

1.8 Taxation, including deferred income taxes (continued)

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.

1.9 Investments

Investment in joint ventures and associated undertakings

Investment in joint ventures and 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 Statement of comprehensive income 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

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 Statement of comprehensive income 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.

1.10 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.

1.11 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:

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.

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.

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

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 £8,000 of financial assets (2018: £40,000) 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.

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, 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

3. Income from investments

	2019 £'000	2018 £'000
Income from:		
Debt securities held at amortised cost	220	574
Income from joint ventures and associates	1,078	-
Dividends received	-	2,720
Other Income	2	-
	1,300	3,294

4. Changes in fair value of investments

	2019 £'000	2018 £'000
Equity securities at fair value through profit or loss	3	(8)
	3	(8)

5. Impairment (losses)

	2,019 £'000	2,018 £'000
Debt Securities held at amortised cost	(3)	(31)
	(3)	(31)

6. Finance income

	2019 £'000	2018 £'000
Interest received	4	-
	4	-

Finance income comprises interest received on the Company's bank balance.

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. Administrative Expenses

Fees payable to the company's auditors for the audit of the financial statements of £12,500 (2018: £12,500) 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

	2019 £'000	2018 £'000
a) Analysis of charge/(credit) for the year		
UK corporation tax:		
- Current tax on taxable profit for the year	**201**	100
- Adjustments in respect of prior years	**(4)**	(413)
Current tax charge/(credit)	**197**	(313)
UK deferred tax:		
- Origination and reversal of timing differences (see Note 14)	**-**	(4)
Deferred tax credit (see note 15)	**-**	(4)
Tax charge/(credit)	**197**	(317)

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 charge/(credit) 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	**1,304**	3,255
Tax charge thereon at UK corporation tax rate of 19.00% (2018: 19.00%)	**248**	618
Factors affecting charge:		
- Non-taxable items	**(45)**	(517)
- Book gains covered by capital losses/indexation/substantial shareholdings	**-**	-
- Other adjustments	**(2)**	(5)
- Adjustments in respect of prior years	**(4)**	(413)
Tax charge/(credit) on profit on ordinary activities	**197**	(317)
Effective rate	**15.1%**	(9.7%)

10. Dividends

In 2019, no dividends were paid (2018: £10,140,000).

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	**1,545**	643
	1,545	643

12. Investment in subsidiary undertakings

	2019 £	2018 £
Cost		
Cost brought forward	1	1
Cost at 31 December	1	1
Carrying value of investments at 31 December	1	1

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
Uberior (Moorfield) Limited	100%	Investment Holding Company	The Mound, Edinburgh, EH1 1YZ

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.

13. Investment in jointly controlled entities

All investments in joint ventures and associates are held at nil value at year end (2018: £nil). Details of the Company's joint ventures are as follows:

Subsidiary undertakings	Company interest	Principal activities	Registered Address
FHR European Ventures LLP	50%	Investment Dormant Company	78 Cannon Street, London, EC4N 6AF
Prestbury 1 Limited Partnership	27%	Dormant Company	18 Cavendish Square, London, W1G 0P.

14. Investments

	2019 £'000	2018 £'000
Investments		
Debt securities held at amortised cost	5,761	5,544
Equity securities	8	40
	5,769	5,584
Income statement impairment charge/(reversal) in the year		
Loans and advances held at amortised cost	-	(37)
	-	-

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	-	-	37	37
Balance as at 1 January 2019	-	-	37	37
Gross loans and advances	-	-	37	37
Less: allowance for losses on loans and advances	-	-	-	-

14. Investments (continued)

Loans and advances held at amortised cost (continued)

	2019 £'000	2018 £'000
As at 1 January	-	37
Impairment	-	(37)
As at 31 December	-	-

Debt securities held at amortised cost

The movement in Debt securities 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	**5,544**	**-**	**-**	**5,544**
Adjustment on adoption of IFRS 9	**-**	**-**	**-**	**-**
Balance as at 1 January 2019	**5,544**	**-**	**-**	**5,544**
Transfers to Stage 3	**(5,544)**	**-**	**5,544**	**-**
Net increase (decrease) in debt securities	**-**	**-**	**220**	**220**
Gross debt securities	**-**	**-**	**5,764**	**5,764**
Less: allowance for losses on debt securities	**-**	**-**	**(3)**	**(3)**
Net debt securities held at amortised cost	**-**	**-**	**5,761**	**5,761**

The asset has moved from stage 1 to stage 3 following the granting of a further extension to the repayment date

	2019 £'000	2018 £'000
Gross debt securities held at amortised cost		
As at 1 January	**5,552**	4,978
Additions	**220**	574
As at 31 December	**5,772**	5,552
Provision for impairment		
As at 1 January	**8**	14
Charge/(credit) for the year	**3**	(6)
As at 31 December	**11**	8
Net debt securities held at amortised cost	**5,761**	5,544

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	**40**	**-**	**40**
Changes to fair value	**3**	**-**	**3**
Disposals	**(35)**	**-**	**(35)**
At 31 December 2019	**8**	**-**	**8**

14. Investments (continued)

Equity securities (continued)

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	-	48	48
Released to income statement	48	(48)	-
Changes to fair value	(8)	-	(8)
At 31 December 2018	40	-	40

15. Deferred tax asset

The movement in the Deferred tax asset is as follows:

	2019 £'000	2018 £'000
Brought forward	**2**	(4)
Impact of transition to IFRS 9	**-**	2
Restated brought forward	**-**	(2)
Current year movement	**-**	4
At 31 December	**2**	2

Deferred tax asset comprises:

	2019 £'000	2018 £'000
Other temporary differences	**2**	2
	2	2

Deferred tax assets of £52,178 (2018: £58,924) have not been recognised in respect of unrealised capital losses carried forward as there are no predicted future capital profits. Once crystallised following the disposal of the assets, capital losses can be carried forward indefinitely.

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.

The effect of this proposed rate change on the Company's deferred tax balances has been assessed and is not significant.

16. Capital and reserves

Share capital

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

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.

17. Related party transactions

The Company is controlled by Lloyds Banking Group plc. 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

Transactions with subsidiary undertakings

Dividends received from subsidiary undertakings	**2019 £'000**	2018 £'000
Uberior (Moorfield) Limited	-	2,720
Total Amounts due from group undertakings	-	2,720

	2019 £'000	2018 £'000
Cash and cash equivalents held with group undertakings		
Bank of Scotland plc	**1,545**	643

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 Statement of comprehensive income.

The company earned interest of £4,000 on bank deposits (2018: £nil). 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 Lloyds Banking Group plc. 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.

18. 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 Lloyds Banking Group plc, 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.

18.1 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

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
- 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.

18. Financial risk management (continued)

18.1 Credit risk (continued)

Credit concentration - Loans and advances held at amortised cost

The underlying investment sector has concentrations around Real Estate geographically located in the United Kingdom.

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	2018
	£'000	£'000
Financial assets held at amortised cost	**5,761**	5,544
Cash and cash equivalents	**1,545**	643
	7,306	6,187

18.2 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 Group.

The Company is funded entirely by companies within the Group. Such 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.

The Company is funded entirely by companies within the Group. The table below sets out the cash flows payable by the Company in respect of Borrowed funds, by remaining contractual undiscounted repayments of principal and interest, at the Balance sheet date.

The table below sets put 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**
Income tax payable	-	-	**239**	-	**239**
	-	-	**239**	-	**239**

As at 31 December 2018

	Up to 1 month £'000	1-3 months £'000	3-12 months £'000	1-5 years £'000	Total £'000
Income tax payable	-	-	220	-	220
	-	-	220	-	220

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.

18.3 Market risk

The Company is exposed to market risk, which is analysed below in notes 18.4 to 18.6.

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.

18. Financial risk management (continued)

18.4 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

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

As the Company's interest-bearing loans and borrowings have fixed interest rates, it is not considered to have any significant interest rate exposure.

18.5 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.

18.6 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 18.8 to the financial statements. At the reporting date the carrying value of equity investments amounted to £8,373 (2018: £39,872). For investments carried at fair value through profit or loss changes in fair value would have a direct impact on profit before tax (PBT). The table below sets out the sensitivity of PBT to a 10% fall in fair value of equity investments as at the Balance sheet date.

	Profit before tax 2019 £'000	Profit before tax 2018 £'000
Unlisted equity investments	1	4
	1	4

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

The underlying investment sector has concentrations around Real Estate: 100% (2018: 100%).

Geographic exposure is wholly within the UK (100%; 2018: 100%).

18.7 Financial strategy

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

18.8 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.

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

18. Financial risk management (continued)

18.8 Fair values of financial assets and liabilities (continued)

Fair value hierarchy (continued)

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

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	-	-	8	8
	-	-	8	8

At 31 December 2018	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets at fair value through profit and loss	-	-	40	40
	-	-	40	40

The following table shows the reconciliation from the opening balances to the closing balances for fair value movement in Level 3 of the fair value

	Financial assets at fair value through profit and loss £'000	**Financial assets at fair value through other comprehensive income £'000**	**Total £'000**
At 1 January 2019	40	-	40
Gains/(losses) recognised in:			
- Income Statement	3	-	3
- Disposals	(35)	-	(35)
At 31 December 2019	8	-	8
For assets held at the end of the reporting year:			
Total gains/(losses) included in Income statement during the year	3	-	3

18. Financial risk management (continued)

18.8 Fair values of financial assets and liabilities (continued)

	Financial assets at fair value through profit and loss £'000	Financial assets at fair value through other comprehensive income £'000	Total £'000
At 1 January 2018	-	48	48
IFRS 9 transfer of AFS	48	(48)	0
Gains/(losses) recognised in:			
- Income Statement	(8)	0	(8)
At 31 December 2018	40	-	40
For assets held at the end of the reporting year:			
Total gains/(losses) included in Income statement during the year	(8)	-	(8)

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

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	**8**	**1**	**(1)**	40	4	(4)
	8	**1**	**(1)**	40	4	(4)

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.

18. Financial risk management (continued)

18.8 Fair values of financial assets and liabilities (continued)

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

Fair values of Loans and advances held at amortised cost are considered to be level 2 in the valuation hierarchy as their fair value is estimated by discounting anticipated cash flows (including interest at contractual rates) at market rates for similar loans prevailing at the Balance sheet date.

The aggregated fair value of Loans and advances held at amortised cost is approximately £nil (2018: £nil).

The directors consider that there are no significant differences between the carrying amounts shown in the Balance sheet and the fair value.

The carrying value of Debtors and all other financial assets and liabilities is considered an approximation of fair value.

19. 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.

20. Contingent liabilities and financial commitments

As at 31 December 2019, the Company has undrawn commitments in investment securities of £nil (2018: £nil).

21. 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 have no impact on the financial position of the Company.

22. 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.

23. Ultimate parent undertaking and controlling party

The immediate parent company is Uberior Investments Limited. 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 Prestonfield Investments Limited

Report on the audit of the financial statements

Opinion

In our opinion, Prestonfield 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 statement of comprehensive income, the cash flow statement, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

Reporting on other information

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

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

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

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

Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' report for the year ended 31 December 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 Directors' report.

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

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.

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.

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to take advantage of the small companies exemption from preparing a strategic report. 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