UBERIOR VENTURES LIMITED

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

MEMBER OF LLOYDS BANKING GROUP





Company Number SC235067

Directors

A J N Hewitt
F J Gibson
N S Burnett

Company Secretary

P Gittins

Registered Office

The Mound
Edinburgh
EH1 1YZ

Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Atria One
144 Morrison Street
Edinburgh
EH3 8EX

Bankers

Bank of Scotland plc
Head Office
The Mound
Edinburgh
EH1 1YZ

**STRATEGIC REPORT**
**For the year ended 31 December 2015**

The Directors submit their strategic report on Uberior Ventures Limited ("the Company") for the year ended 31 December 2015.

Principal activity 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. The business is funded by the Company's intermediate parent undertaking. 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. These are reviewed through the relevant committees of the Group Equity Governance Framework. As such, the key financial performance indicators relate to investment income and investment gains on disposal.

During the year, the Company's obligation in relation to certain shareholder loan agreements was removed resulting in the recognition of investment income of £10,843,000 (2014: £nil). The Company did not receive any dividends from subsidiaries and jointly controlled entities (2014: £375,000). Other investment income generated by the Company amounted to £482,000 (2014: £289,000).

Investment disposals generated gains of £760,000 (2014: £26,000). The Company aims to hold each investment for the appropriate time period which will maximise returns to the Group therefore profits on disposal can fluctuate year on year.

The Company regularly assesses the requirement for impairment of investment securities. A reversal of impairment of £28,000 was recognised in 2015 (2014: £2,906,000), the movement is driven by fluctuations in the underlying performance of investments.

The Balance Sheet reflects a net asset position of £13,193,000 (2014: £3,571,000). The movement is driven by profit for the year.

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 (2014: none) and therefore the Directors have not commented on employee matters.

Risk management

The key risks and uncertainties faced by the Company are managed within the framework established for the Lloyds Banking Group plc group of companies ("the Group"). Exposure to credit, interest rate, foreign exchange, liquidity and equity risks arise in the normal course of the Company's business. These risks are explained in Note 18 to the financial statements.

On behalf of the Board,

N S Burnett
Director
16 August 2016

Company Number SC235067

**DIRECTORS' REPORT**
**For the year ended 31 December 2015**

Directors

The Directors submit their report and audited financial statements of Uberior Ventures Limited ("the Company") for the year ended 31 December 2015.

Incorporation

The Company was incorporated in Scotland on 7 August 2002.

Parent undertaking

The Company is a wholly owned subsidiary of Uberior Investments Limited. The ultimate parent undertaking and controlling party is Lloyds Banking Group plc, a company incorporated in Scotland.

Results and dividends

The profit after tax for the year is £9,621,000 (2014: £5,757,000). No dividends are recommended for the current year (2014: £134,000,000).

Going concern

As set out in Note 3 'Going concern – Principles underlying going concern assumption' of the notes to the financial statements, the Directors are satisfied that the Company has adequate resources to continue in business for the foreseeable future and consequently the going concern basis continues to be appropriate in preparing the financial statements.

Directors and their interests

The Directors at the date of this report are as stated on page 2.

Dates of appointments and resignations during the year, or subsequent to the year end, are as follows:

| Director | Date of appointment | Date of resignation |
|---|---|---|
| B S Anderson | - | 10 February 2015 |
| F J Gibson | 23 July 2015 | - |
| P S Dickson | - | 1 June 2016 |
| N S Burnett | 1 June 2016 | - |

The other Directors served throughout the year.

No Director had any interest in any material contract or arrangement with the Company during or at the end of the year.

Directors' indemnities

The Group has granted to the Directors of the Company, including former Directors who resigned during the year, 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 the Directors who joined 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 had the benefit of this contract of indemnity during that period of service. The indemnity remains in force for the duration of a Director's period of office. The deed indemnifies the Directors to the maximum extent permitted by law. The deed for existing Directors is 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.

**DIRECTORS' REPORT (continued)**
**For the year ended 31 December 2015**

Independent Auditors and disclosure of information to Independent Auditors

PricewaterhouseCoopers LLP are deemed to be reappointed as auditors under Section 487(2) of the Companies Act 2006.

In accordance with Section 418 of the Companies Act 2006, in the case of each Director in office at the date the Report of the Directors is approved:

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

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

Statement of Directors' Responsibilities

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable International Financial Reporting Standards (IFRSs) as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of the Board,

N S Burnett
Director
16 August 2016

Company Number SC235067

Registered Office
The Mound
EDINBURGH
EH1 1YZ

# *Independent auditors' report to the members of Uberior Ventures Limited*

## Report on the financial statements

### Our opinion

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the company's affairs as at 31 December 2015 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.

This opinion is to be read in the context of what we say in the remainder of this report.

### What we have audited

The financial statements, which are prepared by Uberior Ventures Limited, comprise:

- the Statement of Comprehensive Income for the year ended 31 December 2015;
- the Balance Sheet as at 31 December 2015;
- the Statement of Changes in Equity for the year then ended;
- the Cash Flow Statement for the year then ended and;
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.

In applying the financial reporting framework, the Directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

### What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Directors; and
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Report and Financial Statements (the "Annual Report") to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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

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

# *Independent auditors' report to the members of Uberior Ventures Limited (continued)*

## Other matters on which we are required to report by exception

### Adequacy of accounting records and information and explanations received

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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

### Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

## Responsibilities for the financial statements and the audit

### Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Mark Hoskyns-Abrahall (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Edinburgh
16 August 2016

[illegible]

## STATEMENT OF COMPREHENSIVE INCOME
**For the year ended 31 December 2015**

| | Note | **2015** **£000** | 2014 £000 |
|---|---|---|---|
| Investment income | 4 | **11,324** | 664 |
| Profit on disposal of investments | | **760** | 26 |
| Other income | 6 | **-** | 81 |
| Finance income | 8 | **-** | 476 |
| **Total income** | | **12,084** | 1,247 |
| Administrative expenses | 5 | **(23)** | (61) |
| Reversal of impairments | 7 | **28** | 2,906 |
| **Profit before tax** | | **12,089** | 4,091 |
| Income tax (charge) / credit | 9 | **(2,468)** | 1,666 |
| **Profit for the year and total comprehensive income attributable to owners of the parent for the year** | | **9,621** | 5,757 |

The notes on pages 12 to 27 are an integral part of these financial statements.

The profit and total comprehensive income attributable to the owners of the parent for the year arises from the Company's continuing operations.

**BALANCE SHEET**
**As at 31 December 2015**

| | Note | 2015 £000 | 2014 £000 |
|---|---|---|---|
| **Assets** | | | |
| Investment in subsidiary undertakings | 12 | **1** | 1 |
| Investments in jointly controlled entities | 11 | - | - |
| Investments in associates | 10 | - | - |
| Investments | 13 | - | - |
| Income tax receivable | 9 | - | 1,898 |
| Cash and cash equivalents | 15 | **16,199** | 12,988 |
| **Total assets** | | **16,200** | 14,886 |
| **Equity** | | | |
| Capital reserve | 16 | **968,010** | 968,010 |
| Accumulated losses | | **(954,817)** | (964,438) |
| **Total equity** | | **13,193** | 3,571 |
| **Liabilities** | | | |
| Trade and other payables | 17 | **558** | 11,315 |
| Income tax payable | 9 | **2,449** | - |
| **Total liabilities** | | **3,007** | 11,315 |
| **Total equity and liabilities** | | **16,200** | 14,886 |

The notes on pages 12 to 27 are an integral part of these financial statements.

The financial statements on pages 8 to 27 were approved by the Board of Directors and were signed on its behalf by:

N S Burnett
Director
16 August 2016

Company number: SC235067

**STATEMENT OF CHANGES IN EQUITY**
**For the year ended 31 December 2015**

| | Capital Reserve £000 | Accumulated Losses £000 | Total Equity £000 |
|---|---|---|---|
| **Balance at 1 January 2014** | 968,010 | (836,196) | 131,814 |
| **Profit for the year** | | | |
| Profit after taxation | - | 5,757 | 5,757 |
| **Total comprehensive income** | - | 5,757 | 5,757 |
| **Dividends paid** | - | (134,000) | (134,000) |
| **Balance at 1 January 2015** | **968,010** | **(964,438)** | **3,571** |
| **Profit for the year** | | | |
| Profit after taxation | - | **9,621** | **9,621** |
| **Total comprehensive income** | - | **9,621** | **9,621** |
| **Balance at 31 December 2015** | **968,010** | **(954,817)** | **13,193** |

The notes on pages 12 to 27 are an integral part of these financial statements.

## CASH FLOW STATEMENT
**For the year ended 31 December 2015**

| | Note | 2015 £000 | 2014 £000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit before tax | | **12,089** | 4,091 |
| Reversal of impairments | 7 | **(28)** | (2,906) |
| Profit on disposal of investments | | **(760)** | (26) |
| Finance income | 8 | **-** | (476) |
| Movement in accrued investment income | | **-** | (69) |
| Changes in working capital: | | | |
| Decrease in trade and other payables | | **(10,757)** | - |
| Decrease in trade and other receivables | | **-** | 1,032 |
| **Cash generated from operations** | | **544** | 1,646 |
| Interest received | | **-** | 531 |
| Income taxes received / ( paid) | | **1,879** | (5,248) |
| **Net cash generated from / (used in) operating activities** | | **2,423** | (3,071) |
| **Cash flows from investing activities** | | | |
| Proceeds from the sale of investments | | **788** | 4,825 |
| **Net cash generated from investing activities** | | **788** | 4,825 |
| **Cash flows from financing activities** | | | |
| Dividends paid to equity shareholders | | **-** | (134,000) |
| **Net cash used in financing activities** | | **-** | (134,000) |
| Increase / (decrease) in cash and cash equivalents | | **3,211** | (132,246) |
| Cash and cash equivalents at 1 January | | **12,988** | 145,234 |
| **Cash and cash equivalents at 31 December** | 15 | **16,199** | 12,988 |

The notes on pages 12 to 27 are an integral part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS**
**For the year ended 31 December 2015**

**1. Significant accounting policies**

Uberior Ventures Limited ("the Company") is a company incorporated and domiciled in Scotland.

The financial statements were authorised for issue by the Directors on 16 August 2016

**(a) Financial statements**

The financial statements of Uberior Ventures Limited comprise the Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity and Cash Flow Statement together with the related notes to the financial statements. The financial statements are presented in pounds sterling which is the Company's functional and presentational currency.

**(b) Statement of compliance**

The 2015 statutory financial statements set out on pages 8 to 28 have been prepared in accordance with International Financial Reporting Standards ('IFRS') and interpretations issued by the International Financial Reporting Interpretations Committee ('IFRIC') as adopted by the European Union and the Companies Act 2006 applicable to companies reporting under IFRS. The standards applied by the Company are those endorsed by the European Union and effective at the date the financial statements are approved by the Board. Consequently, the financial statements comply with International Financial Reporting Standards.

The Company is exempt by virtue of section 400 of the Companies Act 2006 and similar exemptions available under *IFRS 10 'Consolidated Financial Statements'* from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

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

**(c) Basis of preparation**

The financial statements have been prepared under the historical cost basis except the following assets and liabilties which are stated at their fair value: financial instruments classified as available-for-sale.

The Company has not adopted any new standards during the year.

**(d) Future accounting developments**

The following pronouncements may have a significant effect on the Company's financial statements but are not applicable for the year ending 31 December 2015 and have not been applied in preparing these financial statements. Save as disclosed below, the full impact of these accounting changes is being assessed by the Company.

**NOTES TO THE FINANCIAL STATEMENTS**
**For the year ended 31 December 2015**

**1. Significant accounting policies (continued)**

**(d) Future accounting developments (continued)**

| Pronouncement | Nature of change | IASB effective date |
|---|---|---|
| IFRS 9 *Financial Instruments* [1] | IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 requires financial assets to be classified into one of three measurement categories, fair value through profit or loss, fair value through other comprehensive income and amortised cost, on the basis of the objectives of the entity's business model for managing its financial assets and the contractual cash flow characteristics of the instruments. These changes are not expected to have a significant impact on the company.<br><br>IFRS 9 also replaces the existing 'incurred loss' impairment approach with an expected credit loss approach. This change is likely to result in an increase in the Company's balance sheet provisions for credit losses although the extent of any increases will depend upon, amongst other things, the composition of the Company's lending portfolios and forecast economic conditions at the date of implementation. In February 2015, the Basel Committee on Banking Supervision published a consultative document outlining supervisory expectations regarding sound credit risk practices associated with implementing and applying an expected credit loss accounting framework. A final version is expected to be issues at the end of 2015.<br><br>The hedge accounting requirements of IFRS 9 are more closely aligned with risk management practices and follow a more principle-based approach than IAS 39. The revised requirements are not expected to have a significant impact on the Company. | Annual periods beginning on or after 1 January 2018 |
| IFRS 15 *Revenue from Contracts with Customers* [1] | IFRS 15 replaces IAS 18 Revenue and IAS 11 Construction Contracts. IFRS 15 establishes principles for reporting useful information about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised at an amount that reflects the consideration to which the entity expects to be entitled in exchange for goods and services. Financial instruments, leases and insurance contracts are out of scope and so this standard is not expected to have a significant impact on the Company. | Annual periods beginning on or after 1 January 2018 |

1 As at as the date of this report, these pronouncements are awaiting EU endorsement.

**(e) Foreign currency**

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

Translation differences on available-for-sale non-monetary financial assets, such as equity shares, are included in the available- for- sale reserve in equity.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**
**For the year ended 31 December 2015**

**1. Significant accounting policies (continued)**

**(f) Investments**

**Jointly controlled entities and associates**
Jointly controlled entities are joint arrangements over which the Company has joint control with other parties and has rights to the net assets of the arrangements. Associates are entities over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the entity, but is not control or joint control of those policies, and is generally achieved through holding between 20 per cent and 50 per cent of the voting share capital of the entity.

The Company records such investments at historic cost less impairment.

**Investments in subsidiary undertakings**
Subsidiaries are entities controlled by the Company. The Company controls an entity when it has power over the entity, is exposed to, or has rights to, variable returns from its involvement with the entity, and has the ability to affect those returns through the exercise of its power. This generally accompanies a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls an entity. The Company reassesses whether or not it controls an entity if facts and circumstances indicate that there are changes to any of these factors. Details of the principal subsidiaries are given in Note 12 to the financial statements.

Subsidiaries comprise equity investments in, and capital contributions, to subsidiary entities.

**(g) Trade and other receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less impairment losses.

**(h) Cash and cash equivalents**

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

**(i) Impairment of financial assets**

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or portfolio of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

*Financial assets carried at amortised cost* – the criteria that the Company uses to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the company, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including adverse changes in the payment status of borrowers in the portfolio; and national or local economic conditions that correlate with defaults on the assets in the portfolio.

If there is objective evidence that an impairment loss on a financial asset or group of financial assets has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognised in the Income Statement.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**
**For the year ended 31 December 2015**

**1. Significant accounting policies (continued)**

**(i) Impairment of financial assets (continued)**

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event after the impairment was recognised, the previously recognised impairment loss is reversed in the Income Statement.

*Financial assets designated as available-for-sale* – in addition to the criteria noted above, in the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the asset below its cost is also evidence that the assets are impaired. When a decline in the fair value of a financial asset classified as available-for-sale has been recognised in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss – measured as the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in the Income Statement– is removed from other comprehensive income and recognised in the Income Statement. If, in a subsequent period, the fair value increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the Income Statement, the impairment loss is reversed through other comprehensive income.

**(j) Impairment of non-financial assets**

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment losses are recognised in the Income Statement.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

At the end of each reporting period the Company assesses whether there is any indication that an impairment loss recognised in prior periods may no longer exist or may have decreased. If any such indicator exists, and there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment was recognised, the previously recognised impairment loss is reversed through the Income Statement. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

*Jointly controlled entities and associates* - In assessing whether there is any indication that an asset may be impaired, the Company considers, as a minimum, the following indications:

- during the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use;
- significant changes with an adverse effect on the entity have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the entity operates or in the market to which an asset is dedicated;
- market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially;
- evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

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

**(k) Trade and other payables**

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**
**For the year ended 31 December 2015**

**1. Significant accounting policies (continued)**

**(l) Revenue recognition**

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, 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 1(i) above).

Fees and commissions which are not an integral part of the effective interest rate are generally recognised when the related service has been provided within other income in the Income Statement.

Dividend income in the Income Statement as income from investment in associates, income from investment in jointly controlled entities, income from investment in subsidiary undertakings and investment income.

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

**(m) Finance income**

Finance income relates to interest receivable on cash and cash equivalents, deposits and other assets. Interest income is recognised in the Income Statement as it accrues, using the effective interest method. The effective interest rate is established on initial recognition of the financial asset and is not subsequently revised.

**(n) Taxation**

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

Deferred tax is recognised in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax is determined using tax rates that have been enacted or substantially enacted by the Balance Sheet date which are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised where it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax is provided on temporary differences arising from investments, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the difference will not reverse in the foreseeable future. The tax effects of losses available for carry forward are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised. Deferred tax related to fair value re-measurement of available-for-sale investments, which are charged or credited to the statement of comprehensive income, is also credited or charged to the Statement of Comprehensive Income and is subsequently reclassified to the Income Statement together with the deferred gain or loss.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**
**For the year ended 31 December 2015**

**1. Significant accounting policies (continued)**

**(n) Taxation (continued)**

Deferred and current tax assets and liabilities are offset when they arise in the same tax reporting group and where there is both a legal right of offset and the intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

**(o) Financial assets**

**(i) Classification**
The Company determines the classification of its financial assets at initial recognition. The classification depends on the purpose for which the financial assets were acquired. The Company has classified its financial assets into the following categories: loans and receivables and available-for-sale.

**Loans and receivables**
Debt securities not quoted in an 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 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.

The Company's loans and receivables comprise 'Investments in debt securities', 'Trade and other receivables' and 'Cash and cash equivalents' in the Balance Sheet (Notes 1(g)(h)).

**Available-for-sale**
All other investment securities are classified as available-for-sale. They are initially recognised at fair value plus directly related incremental transaction costs and are subsequently carried on the Balance Sheet at fair value. Unrealised gains or losses arise from changes in the fair values and are recognised in the Statement of Comprehensive Income and accumulated in the available-for-sale reserve, except for impairment losses which are recognised immediately in the Income Statement as impairment on investment securities. Income from equity shares is credited to investment income. On sale or maturity, previously unrealised gains and losses are reclassified from other comprehensive income to profit or loss on disposal of equity investments.

**(ii) Recognition and measurement**
Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

**(p) Financial liabilities**

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

**Other financial liabilities**
Other financial liabilities are included in current liabilities, except for maturities greater than 12 months after the reporting date. The Company's other financial liabilities comprise, 'Trade and other payables' (notes 1(k)).

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

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

**NOTES TO THE FINANCIAL STATEMENTS (continued)**
**For the year ended 31 December 2015**

**1. Significant accounting policies (continued)**

**(q) Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

**(r) Capital reserve**

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

**2. Critical accounting estimates and judgements**

The preparation of financial statements requires management to make judgements, estimates and assumptions in applying the accounting policies that affect the reported amounts of assets, liabilities, income and expenses. Due to the inherent uncertainty in making estimates, actual results reported in future periods may be based upon amounts which differ from those estimates. Estimates, judgements and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. The significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty in these financial statements, which together are deemed critical to the Company's results and financial position, are discussed below.

**Critical judgements in applying the entity's accounting policies**
The critical judgements that have been made in the process of applying the Company's accounting policies are addressed below.

**(a) Designation of financial instruments**

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

- Non-derivative financial assets, other than those held for trading, where there is no active market and which have fixed or determinable payments are classified as 'loans and receivables';
- The Company has chosen not to designate any financial assets as 'held to maturity';
- All other financial assets are classified as 'available-for-sale';
- All other financial liabilities are classified as 'at amortised cost'.

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

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

**(b) Impairment of investments**

As explained in the accounting policy, investment securities are continually reviewed at the specific investment level for impairment. Impairment is recognised when there is objective evidence that a specific financial asset is impaired. Objective evidence of impairment might include a significant or prolonged decline in market value below the original cost of a financial asset 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 2015**

**2. Critical accounting estimates and judgements (continued)**

**(c) Fair values**

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. Examples of objective evidence of impairment are highlighted in note 1(i), the determination of whether or not objective impairment is present requires the exercise of management judgement.

**(d) Deferred tax**

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

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

The Directors are satisfied that it is the intention of the Group that its subsidiaries including the Company will continue to have access to adequate liquidity and capital resources for the foreseeable future and, accordingly, the financial statements have been prepared on a going concern basis.

**4. Investment income**

| | 2015 | 2014 |
|---|---|---|
| | **£000** | £000 |
| Income from: | | |
| Investment in Joint Ventures | **5,039** | 399 |
| Investment in Associates | **6,278** | 185 |
| Loans and receivables | **7** | 80 |
| | **11,324** | 664 |

During the year, the Company's obligation in relation to certain shareholder loan agreements was removed resulting in the recognition of investment income of £10,843,000 (2014: £nil).

**5. Administrative expenses**

| | 2015 | 2014 |
|---|---|---|
| | **£000** | £000 |
| Legal & professional fees | **23** | 61 |

For the year ended 31 December 2015 and 31 December 2014, the audit fee has been accrued and paid centrally by the Company's intermediate parents, Bank of Scotland plc, which makes no recharge to the Company.

The Company has no employees (2014: 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 Lloyds Banking Group plc and are also substantially engaged in managing their respective business areas within Lloyds Banking Group plc, it is therefore not possible to make an accurate apportionment of Directors emoluments in respect of their services to each of the subsidiaries. Accordingly, these financial statements include no emoluments in respect of the Directors.

**6. Other income**

| | 2015 | 2014 |
|---|---|---|
| | **£000** | £000 |
| Fee and commission income | **-** | 81 |

**NOTES TO THE FINANCIAL STATEMENTS (continued)**
**For the year ended 31 December 2015**

**7. Reversal of impairments**

| | Note | 2015 £000 | 2014 £000 |
|---|---|---|---|
| Net reversal of impairments of jointly controlled entities | 11 | 5 | 2,925 |
| Net reversals/(impairments) of investments | 13 | 23 | (19) |
| | | 28 | 2,906 |

**8. Finance income**

| | Note | 2015 £000 | 2014 £000 |
|---|---|---|---|
| Interest receivable on deposits with related parties | 19 | - | 501 |
| Other interest receivable | | - | (24) |
| | | - | 476 |

**9. Income tax charge / (credit)**

**Recognised in the income statement**

| | 2015 £000 | 2014 £000 |
|---|---|---|
| **Current tax** | | |
| Current tax on profit for the year | 2,449 | 178 |
| Adjustments in respect of prior years | 19 | (1,844) |
| | 2,468 | (1,666) |
| **Total income tax charge / (credit)** | 2,468 | (1,666) |

The Finance Act 2013 was substantively enacted on 2 July 2013. The Act further reduced the main rate of corporation tax to 21% with effect from 1 April 2014 and 20% with effect from 1 April 2015.

The Finance (No. 2) Act 2015 which was substantively enacted on 26 October 2015. The Act reduced the main rate of corporation tax to 19% from 1 April 2017 and 18% from 1 April 2020.

On 16 March 2016, the Government announced that the corporation tax rate applicable from 1 April 2020 would be 17%. The proposed reductions in the rate of corporation tax are expected to be enacted, and the impact accounted for, during 2016.

The income tax charge is higher (2014: lower) than the standard rate of corporation tax in the UK applied to the profit for the year due to the following factors:

| | 2015 £000 | 2014 £000 |
|---|---|---|
| Profit before tax | 12,089 | 4,091 |
| Profit multiplied by the standard rate of corporation tax in the UK of 20.25% (2014: 21.5%) | 2,448 | 880 |
| Income not chargeable for corporation tax purposes | - | (81) |
| Book gains covered by capital losses/indexation/substantial shareholdings | - | (5) |
| Amounts written off investment securities | - | (616) |
| Disallowed items | 1 | - |
| Adjustments in respect of prior years | 19 | (1,844) |
| **Total income tax charge / (credit)** | 2,468 | (1,666) |

The current tax payable of £2,449,000 (2014: £1,898,000 receivable) represents the amount of income taxes payable in respect of current and prior years.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**
**For the year ended 31 December 2015**

**10. Investment in associates**

The Company holds a number of investments in associates. In both the current year and prior year these had been fully impaired with no movements in the year.

**11. Investment in jointly controlled entities**

| | 2015 £000 | 2014 £000 |
|---|---|---|
| At 1 January | - | 18 |
| Disposals | (5) | (2,943) |
| Reversal of impairments in the income statement | 5 | 2,925 |
| At 31 December | - | - |

Investment in jointly controlled entities at 31 December 2015 of £13,395,000 (2014: £13,407,000) includes equity securities considered impaired and which have a provision of £13,395,000 (2014: £13,407,000).

**12. Investment in subsidiary undertakings**

| | 2015 £000 | 2014 £000 |
|---|---|---|
| At 1 January | 1 | - |
| Additions | - | 1 |
| At 31 December | 1 | 1 |

Details of the Company's subsidiaries are as follows:

| Name of subsidiary | Proportion of ownership | Principal business | Incorporated | Reporting date of financial statements |
|---|---|---|---|---|
| Uberior Europe Limited | 100% | Investment holding company | UK | 31 December |
| Uberior Ventures Australia Pty Ltd | 100% | Investment holding company | Australia | 30 June |

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. Investments**

| | 2015 £000 | 2014 £000 |
|---|---|---|
| **Investments** | | |
| Debt securities | - | - |
| | - | - |
| **Income statement impairment reversal /(impairment charge) in the year** | | |
| Debt securities | 23 | (19) |
| | 23 | (19) |

**NOTES TO THE FINANCIAL STATEMENTS (continued)**
**For the year ended 31 December 2015**

**13. Investments (continued)**

**Debt securities**

The movement in debt securities classified as loans and receivables can be summarised as follows:

| | 2015 | 2014 |
|---|---|---|
| | £000 | £000 |
| **Gross debt securities** | | |
| As at 1 January | 30,724 | 32,513 |
| Additions | - | 3,024 |
| Disposals | (2,155) | (4,813) |
| As at 31 December | 28,569 | 30,724 |
| **Provision for impairment** | | |
| As at 1 January | (30,724) | (30,705) |
| Impairment reversal / (impairment charge) | 23 | (19) |
| Release of provisions on disposal | 2,132 | - |
| As at 31 December | (28,569) | (30,724) |
| **Net debt securities** | | |
| As at 31 December | - | - |

All assets have been individually assessed for impairment. The gross debt security value of £28,569,000 (2014: £30,724,000) includes £28,569,000 (2014: £30,724,000) of investments which are considered impaired, and which have a provision for impairment of £28,569,000 (2014: £30,724,000) to reduce their carrying value in accordance with the accounting policy detailed in Note 1(i) to the financial statements. No collateral was held.

**14. Deferred tax assets and liabilities**

**Recognised deferred tax assets and liabilities**
There were no deferred tax assets and liabilities, nor movement in temporary differences reported in either 2014 or 2015.

The Finance Act 2013 was substantively enacted on 2 July 2013. The Act further reduced the main rate of corporation tax to 21% with effect from 1 April 2014 and 20% with effect from 1 April 2015.

The Finance (No. 2) Act 2015 which was substantively enacted on 26 October 2015. The Act reduced the main rate of corporation tax to 19% from 1 April 2017 and 18% from 1 April 2020.

On 16 March 2016, the Government announced that the corporation tax rate applicable from 1 April 2020 would be 17%. The proposed reductions in the rate of corporation tax are expected to be enacted, and the impact accounted for, during 2016.

Deferred tax assets of £7,490,000 (2014: £4,950,000) relating to assets carried at amortised cost or fair value have not been recognised on the basis that the Company has insufficient forecast taxable profits to recover the asset in future periods. Once crystallised following the disposal of the assets, capital losses can be carried forward indefinitely.

**15. Cash and cash equivalents**

| | 2015 | 2014 |
|---|---|---|
| | £000 | £000 |
| Bank deposits | 16,199 | 12,988 |

**NOTES TO THE FINANCIAL STATEMENTS (continued)**
**For the year ended 31 December 2015**

## 16. Capital and reserves

### Capital risk management

The distributable reserves of the Company are managed through the Lloyds Banking Group plc Capital and Funding Policy in order to maximise capital efficiency within the Group. Dividends are paid from reserves available for distribution to the parent undertaking as reported by the previously approved annual report and financial statements according to parameters set out at a Group level so as to avoid any build up of reserve balances within the Company. Other reserves, such as those arising on the revaluation of assets classified as 'available-for-sale' that are recognised in other comprehensive income and accumulated in equity, are not managed as part of capital.

### Share capital

At 31 December 2015, the issued share capital comprised one £1 Ordinary Share (2014: one).

As permitted by the Companies Act 2006, the Company has removed references to authorised share capital from its articles of association

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

### Capital reserve

During 2011 the Company's intermediate parent company, Bank of Scotland plc, agreed to unconditionally and irrevocably release the Company from its obligations to repay the sum of £968,010,000 in respect of the bank overdraft position held by the Company. This was recognised as a capital contribution in the capital reserve during 2011 and represents a realised profit for distributable reserves purposes.

## 17. Trade and other payables

| | 2015 | 2014 |
|---|---|---|
| | £000 | £000 |
| VAT payable | 85 | - |
| Amounts due to related parties | 473 | - |
| | 558 | 11,315 |

## 18. Financial instruments

The Company's activities expose it to a variety of financial risks: credit risk, market risk (including interest rate risk, foreign exchange risk and equity risk) and liquidity risk and these risks are managed within the framework established for the Group.

Risk management within 'the Group is carried out by a central treasury department ('Group Treasury'). Group Treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Group provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

### Credit Risk

Credit risk is the risk of financial loss from a counterparty's failure to settle financial obligations as they fall due. Credit exposures arise in the normal course of the Company's business, principally from investment activities that bring debt securities into the Company's asset portfolio. The table below sets out the maximum exposure to credit risk at the Balance Sheet date.

| | Note | 2015 £000 | 2014 £000 |
|---|---|---|---|
| Bank deposits | 15 | 16,199 | 12,988 |
| | | 16,199 | 12,988 |

Cash and cash equivalents representing inter-company balances within the Group have an internal credit rating of better than satisfactory.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**
**For the year ended 31 December 2015**

**18. Financial instruments (continued)**

**Market risk**
Market risk is defined as the potential loss in value or earnings of the Company arising from changes in external market factors such as:

- Interest rates (interest rate risk)
- Foreign exchange rates (foreign exchange risk)
- Equity markets (equity risk)

At the reporting date, the Company's exposure to market risk arose from equity risk.

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

Debt securities have both fixed and variable interest rates which respond to prevailing market rates of interest. These securities are funded by a non-interest bearing bank account provided by another Group company.

Accordingly, the Company does not consider itself to have any significant interest rate exposures.

**Foreign exchange risk**
Foreign exchange risk arises on monetary financial assets (included in 'Amounts due to subsidiary undertakings' and 'Cash and cash equivalents') and borrowings denominated in a currency other than Sterling. The currencies 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.

**Equity risk**
Equity risk exists from the Company's exposure to listed and unlisted equity shares. The Company undertakes a full assessment of each entities 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.

At the reporting date the carrying value of equity investments amounted to £nil (2014: £nil). Unrealised gains/losses arising from changes in fair value of available-for-sale investments will be taken to other comprehensive income through the available-for-sale ('AFS') reserve except for impairment losses which are recognised immediately in the Income Statement.

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

Geographic exposure is within the UK and Australia.

**Liquidity risk**
Liquidity risk is the risk that the Company does not have sufficient financial resources to meet its obligations when they fall due, or will have to do so at excessive cost. This risk can arise from mismatches in the timing of cash flows relating to assets, liabilities and off-Balance Sheet instruments. The Company's short term liquidity requirements are supported by a facility with another Group company subject to internal limits. Overall liquidity of the Group plc is managed centrally.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**
**For the year ended 31 December 2015**

**18. Financial instruments (continued)**

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

| **As at 31 December 2015 On-balance sheet** | **Up to 1 month £000** | **1-3 months £000** | **3-12 months £000** | **1-5 years £000** | **Over 5 years £000** | **Total £000** |
|---|---|---|---|---|---|---|
| Trade and other payables | **558** | - | - | - | - | **558** |
| **Total liabilities** | **558** | - | - | - | - | **558** |

| As at 31 December 2014 **On-balance sheet** | Up to 1 month £000 | 1-3 months £000 | 3-12 months £000 | 1-5 years £000 | Over 5 years £000 | Total £000 |
|---|---|---|---|---|---|---|
| Trade and other payables | 11,315 | - | - | - | - | 11,315 |
| **Total liabilities** | 11,315 | - | - | - | - | 11,315 |

**Fair values**
The fair values together with the carrying amounts shown in the Balance Sheet are as follows:

| | Note | **2015 Carrying amount £000** | **2015 Fair value £000** | 2014 Carrying amount £000 | 2014 Fair value £000 |
|---|---|---|---|---|---|
| Cash and cash equivalents | 15 | **16,199** | **16,199** | 12,988 | 12,988 |
| Trade and other payables | 17 | **(558)** | **(558)** | (11,315) | (11,315) |
| | | **15,641** | **15,641** | 1,672 | 1,672 |
| Unrecognised gains | | | - | | - |

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

**Trade and other payables**
For payables with a remaining life of less than one year, the notional amount is deemed to reflect the fair value.

**Cash and cash equivalents**
The fair value of cash and cash equivalents repayable on demand is considered to be equal to their carrying value.

**Equity securities**
Fair value of equity securities classified as available-for-sale is calculate in accordance with the valuation policy. This allows for an earnings multiple approach, net asset value approach, or discounted cash-flow approach to be taken; dependent on the sector and circumstances of each investee company.

The main inputs and assumptions under each method at 31 December 2015 and 31 December 2014 are as follows:

- Earnings multiple approach - based on maintainable earnings and appropriate valuation multiple. The valuation multiples are based on the median of comparator company multiples which are then discounted as appropriate. It is reasonably possible that an alternative discount factor could be applied to the multiple used in these valuations.

- Net asset value approach - valuation of assets and liabilities of the company. Depending on the individual circumstances of the company involved this may be based on most recent management accounts, financial statements and recent property valuations or most recent fund manager report, adjusted appropriately for estimated property valuation movements, timing and recoverability issues. It is reasonably possible that alternative adjustments to the net asset value or property values could apply in these valuations.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**
**For the year ended 31 December 2015**

**18. Financial instruments (continued)**

**Estimation of fair values (continued)**

- Discounted cash-flow approach - estimated future cash-flow projections predominantly based on management forecasts with application of discount/sensitivity if deemed appropriate, exit yields/terminal multiples and discount rates determined based on knowledge of the investments, sector information and rates used in recent valuations. It is reasonably possible that an alternative discount factor or exit yields/terminal multiples could apply in these valuations.

**Offsetting**
The Company has no financial assets or financial liabilities which are subject to offsetting, enforceable master netting arrangements or similar agreements.

**19. Related parties**

The Company has a related party relationship with its intermediate parent company Bank of Scotland plc. A number of banking transactions are entered into with Bank of Scotland plc in the normal course of business including loans and deposits. The Company also has related party relationships with fellow subsidiary undertakings. The relationships with subsidiary undertakings have arisen due to the provision of funding to these companies.

Details of the related party transactions during the year are disclosed below.

**(a) Transactions with Bank of Scotland plc:**

| **Nature of transaction** | | **Balance at 31 December 2015** | Balance at 31 December 2014 | **Income included in income statement for the year ended 31 December 2015** | Income/ (expense) included in income statement for the year ended 31 December 2014 | **Disclosure in financial statements** |
|---|---|---|---|---|---|---|
| | **Note** | **£000** | £000 | **£000** | £000 | |
| Bank balances | 15 | **16,199** | 12,988 | - | - | Cash and cash equivalents |
| Interest receivable on bank deposit | 8 | - | - | - | 501 | Finance income |

The income tax payable/receivable by the Company relates to group relief payable/receivable to/from its intermediate parent undertaking. The outstanding balance at the end of the year was a payable of £2,449,000 (2014: £1,898,000 receivable).

**(b) Transactions with associates**

| **Nature of transaction** | | **Balance at 31 December 2015** | Balance at 31 December 2014 | **Income included in income statement for the year ended 31 December 2015** | Income included in income statement for the year ended 31 December 2014 | **Disclosure in financial statements** |
|---|---|---|---|---|---|---|
| | **Note** | **£000** | £000 | **£000** | £000 | |
| Amounts due to associates | 17 | - | (6,111) | - | - | Trade and other payables |
| Investment income | 4 | - | - | **6,278** | 185 | Investment income from associates |

**NOTES TO THE FINANCIAL STATEMENTS (continued)**
**For the year ended 31 December 2015**

**19. Related parties (continued)**

**(c) Transactions with jointly controlled entities**

| Nature of transaction | Note | Balance at 31 December 2015 £000 | Balance at 31 December 2014 £000 | Income included in income statement for the year ended 31 December 2015 £000 | Income included in income statement for the year ended 31 December 2014 £000 | Disclosure in financial statements |
|---|---|---|---|---|---|---|
| Fee and commission income from jointly controlled entities | 6 | - | - | - | 81 | Other income |
| Amounts due to jointly controlled entities | 17 | (473) | (5,204) | - | - | Trade and other payables |
| Investment income | 4 | - | - | 5,039 | 399 | Investment income from jointly controlled entities |

**20. Contingent liabilities**

HMRC have raised an enquiry regarding impairments on debt amounts lent to partnerships by this company. Should HMRC be successful the impairments may not be deductible for tax purposes generating a tax liability. The company estimates that any potential tax liability could be in the region of £34,000,000, subject to any subsequent reversals of impairments previously charged. As at the date of signing, the enquiry continues and the company, having taken appropriate advice, remains confident that the treatment of the impairments as deductible for tax purposes remains appropriate. Accordingly, no provision is made in the accounts in respect of this potential liability.

**21. Parent undertakings**

The immediate parent undertaking is Uberior Investments Limited.

The parent undertaking, which is the parent undertaking of the smallest group to consolidate these financial statements is Bank of Scotland plc.

The ultimate parent undertaking and controlling party is Lloyds Banking Group plc, which is the parent undertaking of the largest group to consolidate these financial statements. Financial statements of both companies may be from Lloyds Banking Group's head office at 25 Gresham Street, London EC2V 7HN or downloaded from www.lloydsbankinggroup.com.