LBG Equity Investments Limited

Annual report and financial statements

2021

Member of Lloyds Banking Group

Strategic report

For the year ended 31 December 2021

The directors present their Strategic report and the audited financial statements of LBG Equity Investments Limited (the "Company") for the year ended 31 December 2021.

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. 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 investment income, investment value (FVTPL and FVOCI assets) and Amounts due to/from Group undertakings.

The results of the Company show a profit before tax of £443,074,000 for the year ended 31 December 2021 (2020: £273,296,000 profit) as it continues to help deliver the next stage of the Lloyds Banking Group plc ("LBG") strategy.

The Balance Sheet shows a net asset position of £730,165,000 (2020: £731,440,000).

The Company’s actions are governed by the Codes of Business Responsibility of the ultimate parent undertaking, LBG, 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 LBG.

The Company has no employees (2020: none) and therefore the Directors have not commented on employee matters.

Section 172(1) statement

In accordance with the Companies Act 2006 ("the Act"), for the year ended 31 December 2021, the directors provide the following statement describing how they have had regard to the matters set out in section 172(1) of the Act, when preforming their duty to promote the success of the Company under section 172. The Directors remain mindful in all their deliberations of the long-term consequences of their decisions, as well as the importance of maintaining a reputation for high standards of business conduct and taking account of the views of key stakeholders. Further details on key actions in this regard are also contained within the Directors’ Report on page 4.

Section 172(1) statement and statement of engagement with stakeholders

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

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

Shareholders

The Company is a wholly owned subsidiary of LBG. As a wholly owned subsidiary, the directors ensure that the strategy, priorities, processes and practices of the Company are fully aligned where required to those of LBG, ensuring that the interests of LBG as the Company's sole shareholder are duly acknowledged. Further information in respect of the relationship of LBG with its shareholders is included within the Strategic Report within the LBG Annual Report and Financial Statements for 2021, which does not form part of this report, available on the LBG website.

Section 172(1) statement and statement of engagement with stakeholders (continued)

Communities and the environment

The Directors acknowledge that the Company, as part of one of the largest retail and commercial financial services providers in the UK, has responsibilities to invest in the communities in which it operates, to help them prosper economically and build social cohesion by tackling disadvantage. The Company participates in all related LBG initiatives, with the Directors' ensuring the Company plays an appropriate role in LBG's related Helping Britain Prosper Plan. Further information in respect of the LBG approach to engaging with and contributing to the communities in which it operates is included within the Strategic Report within the LBG Annual Report and Financial Statements for 2021. Additional information on LBG's Helping Britain Prosper Plan is available on the LBG website.

The Responsible Business Committee of the LBG Board is responsible for overseeing LBG's performance, including that of the Company, as a Responsible Business, by providing oversight of and support for LBG's strategy and plans for embedding responsible business as part of both LBG's and the Company's purpose to Help Britain Prosper. Priorities during the year have included ongoing focus on three key areas aligned to LBG's Bank of the Future strategy. These included consideration of the progress of the Lloyds Bank Academy and the external initiative 'future. Now', both designed to boost digital skills in the UK. Progress against agreed sustainability strategy was also considered, where consistent progress was made in achieving targets. Consideration was also given to the relationship between LBG and its charitable foundations, in particular the work they do in the communities in which LBG and the Company operate. Further information in respect of LBG's and the Company's Responsible Business activities is included in the LBG Annual Report and Financial Statements for 2021, available on the LBG website, along with further discussion of the work of LBG's Responsible Business Committee.

Principal risks and uncertainties

From the perspective of the Company, the principal risks and uncertainties are managed within the framework established for the Group and are not managed separately for the Company. Further details of the Company's and Group's risk management policy are contained in note 24 to the financial statements.

The global pandemic from the outbreak of COVID-19 is causing widespread disruption to financial markets and normal patterns of business activity across the world, including in the UK. Measures taken to contain the health impacts of the COVID-19 pandemic are resulting in adverse impacts on economic activity across the world, and the duration for which such measures will remain in place is uncertain. The impact on the economy is currently highly uncertain in both its depth and length, and may go beyond current forecasts of scale of loss of output and recession in the UK and globally.

The Company has not been directly impacted by COVID-19 but the directors continue to monitor for further developments however at this stage they do not anticipate any material issues for the Company.

The Company is part of the wider Lloyds Banking Group, and, at that level, following the United Kingdom's ("UK") vote to leave the European Union ("EU") and the UK's subsequent exit from the EU on the 31 December 2020, consideration of many of the potential implications has been undertaken. Work continues to address the impact of the EU exit at the level of the Lloyds Banking Group, as well as for the Company, upon customers, colleagues and products.

The Company has not been directly impacted by UK's exit from the EU but the directors will continue to monitor for further developments however at this stage they do not anticipate any material issues for the Company.

The Russian invasion of Ukraine, beginning in February 2022, has increased tensions between members of the North Atlantic Treaty Organisation (NATO) and Russia and caused sanctions to be imposed. This could have significant adverse economic effects on financial markets and on energy costs and may also result in increased cyber-attacks and an increase in costs associated with such cyber-attacks, all of which could have a materially adverse effect on the Company's results of operations, financial conditions or prospects. The Company will continue to monitor the situation and risks to the business.

Strategic report (continued)

For the year ended 31 December 2021

Section 172(1) statement and statement of engagement with stakeholders (continued)

Key performance indicators ("KPIs")

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

KPI	Movement	Analysis
Investment income	Increased by £234,741,000 (2021: £469,221,000, 2020: £234,480,000)	*This movement is mostly due to a increase in dividends received from Lloyds Development Capital (LDC) (2021: £450,000,000 / 2020: 225,000,000) offset by a decrease in dividends received from VISA Inc. (2021: 2,054,000 / 2020: £3,489,000). In 2021 the Company received £9,223,000 from LBG Brazil Administracao LTDA and £7,944,000 from Schroder Wealth Holdings Limited, compared to £5,991,000 received from Scottish Widows Schroders Wealth Holdings in 2020.*
Investment valuation (FVTPL and FVOCI Assets)	Increased by £69,977,000 (2021: £369,287,000, 2020: £299,310,000)	*This movement includes acquisitions of new investments of £9,326,000 (additions of FVTPL Debt securities of £1,447,000 and additions of FVOCI investments of £7,879,000) net fair value movements of £63,090,000 (increase in FVTPL Equity of £2,112,000 (incl. fx), FVTPL Debt securities of £488,000, and FVOCI of £60,490,000), offset by disposals of FVTPL Debt Securities of £2,439,000.*
Amounts due from group undertakings	Decreased by £40,137,000 (2021: £1,714,743,000, 2020: £1,754,880,000)	*The decrease is largely due to a net decrease in funding provided to LDC of £140,858,000 and Uberior Infrastructure Investments 2 Limited of £5,000,000, offset by an increase in funding provided to Uberior Investments Limited of £40,102,000, plus new funding given to Lloyds Bank Corporate Markets plc (LBCM) of £50,003,000, to West Craigs Limited of £7,126,000 and to Citra Living Properties (No. 1) Limited (Citra) of £10,018,000.*
Amounts due to group undertakings	Increased by £50,618,000 (2021: £2,608,300,000, 2020: £2,557,682,000)	*£641,842,000 of previous borrowings matured during 2021 and an additional £704,000,000 of Borrowings were taken out. The overall Borrowed funds levels is carefully managed to maintain overall cashflow levels, and considers funding requirements to group undertakings and facilitates the purchase of new investments.*

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

S A Byron
Director
16 August 2022

Directors' report

For the year ended 31 December 2021

The directors present their Annual report and the audited financial statements of LBG Equity Investments Limited ("the Company") for the year ended 31 December 2021.

General information

The Company is a private limited company, limited by shares, incorporated and domiciled in England and Wales, United Kingdom (registered number: 02412574).

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 plc ("LBG").

Dividends

A dividend of £500,000,000, representing a dividend of £1.25 per share, was declared and paid during the year (2020: £nil).

Going concern

The financial statements have been prepared on a going concern basis. There is a net asset position of £730,165,000 (2020: £731,440,000).

The directors are satisfied that it is the intention of LBG that its subsidiaries, including the Company, will continue to have access to adequate liquidity and capital resources for the foreseeable future, being a least 12 months from the date of approval of the financial statements. It has been confirmed that amounts due to group undertakings will not be called in the next 12 months. The financial statements have therefore been prepared on a going concern basis.

Principal risks and uncertainties

From the perspective of the Company, the principal risks and uncertainties are managed within the framework established for the Group and are not managed separately for the Company. Further details of the Company's and Group's risk management policy are contained in note 24 to the financial statements.

Post balance sheet events

Since the balance sheet date, the Company has invested another £90m in its subsidiary Citra Living Properties (No. 1) Limited. In the normal course of business there has also been £50m cancelled from the LBCM deposit, and Lloyds Development Capital (Holdings) Limited funding has reduced by £90m. These are deemed to be non-adjusting post balance sheet events.

Future developments

See strategic report for this information.

Streamlined energy and carbon reporting disclosure

The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 ("The 2018 Regulations") came into effect on 1 April 2019. The 2018 Regulations impose requirements on large companies as defined by sections 465 and 466 of the Companies Act 2006 to prepare an equivalent report to the Directors' Report (the "Energy and Carbon Report") for each financial year including their energy and carbon information. Though the Company is within scope for Streamlined Energy and Carbon Reporting ("SECR"), the Directors have elected for an exemption from SECR based on LBG's consolidated financial statements providing sufficient SECR details for all its subsidiaries.

Registered office

The Company's registered office is 25 Gresham Street, London, EC2V 7HN.

Directors

The current directors of the Company are shown below.

S A Byron
W L D Chalmers
A T Rougier

There have been no changes to directors between the beginning of the reporting period and the approval of the Annual report and financial statements.

Directors' report (continued)

For the year ended 31 December 2021

Directors' indemnities

LBG 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 LBG. 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 in respect of the financial statements

The directors are responsible for preparing the Annual 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 elected to prepare the financial statements in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB). 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, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

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.

Disclosure of information to auditors

In the case of each director in office at the date the directors’ report is approved:

- so far as the directors are 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.

Independent auditors

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

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

S A Byron
Director
16 August 2022

Income statement

For the year ended 31 December 2021

	Note	**2021 £'000**	2020 £'000
Income from investments	3	**469,221**	234,480
Changes in fair value of investments	4	**442**	76,713
Finance income	5	**45,451**	61,917
Other income	6	**3,129**	2,913
Total income		**518,243**	376,023
Finance costs	7	**(75,097)**	(92,478)
Impairment gains/(losses)	8	**385**	(8,725)
Loss on disposal of investments	9	**-**	(1,066)
Other operating expenses	10	**(457)**	(458)
Profit before tax		**443,074**	273,296
Taxation	11	**(124)**	(46,216)
Profit for the year		**442,950**	227,080

Statement of comprehensive income

For the year ended 31 December 2021

	Note	2021 £'000	2020 £'000
Profit for the year attributable to owners of the parent		**442,950**	227,080
Other comprehensive income/(expenses)			
Items that may subsequently be reclassified to profit or loss:			
Movement in fair value through other comprehensive income financial assets:			
- changes in fair value	16	**60,490**	(51,084)
- tax charge	11	**(4,715)**	(135)
		55,775	(51,219)
Total comprehensive income for the year attributable to owners of the parent		**498,725**	175,861

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

All results derive from continuing operations.

Balance sheet

As at 31 December 2021

	Note	2021 £'000	2020 £'000
Current assets			
Cash and cash equivalents	12	**118,821**	194,270
Trade and other receivables	13	**1,714,743**	1,754,880
Current tax asset		**5,065**	-
Derivative financial assets	17	**1,193**	2,475
Non-current assets			
Investment in jointly controlled entities and associate undertakings	14	**254,030**	215,782
Investment in subsidiary undertakings	15	**898,973**	885,111
Investments	16	**369,287**	299,310
Total assets		**3,362,112**	3,351,828
Current liabilities			
Borrowed funds	18	**774,980**	659,481
Trade and other payables	19	**42**	51
Derivative financial liability		**125**	5
Non-current liabilities			
Borrowed funds	18	**1,833,320**	1,898,201
Current tax liability		**-**	48,225
Deferred tax liability	20	**23,480**	14,425
Total liabilities		**2,631,947**	2,620,388
EQUITY			
Share capital	21	**400,000**	400,000
Other reserves		**5,626**	(50,149)
Retained earnings		**324,539**	381,589
Total equity		**730,165**	731,440
Total equity and liabilities		**3,362,112**	3,351,828

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:

S A Byron
Director
16 August 2022

Statement of changes in equity

For the year ended 31 December 2021

	Share capital £'000	Other reserves £'000	Retained earnings £'000	Total equity £'000
At 1 January 2020	300,000	1,070	151,977	453,047
Total comprehensive income for the year	-	(48,687)	227,080	178,393
Share capital addition	100,000	-		100,000
Transfer (to)/from retained earnings	-	(2,532)	2,532	-
At 31 December 2020	400,000	(50,149)	381,589	731,440
As at 1 January 2020	**400,000**	**(50,149)**	**381,589**	**731,440**
Total comprehensive income for the year	-	55,775	442,950	498,725
Dividend paid to equity holders of the Company	-	-	(500,000)	(500,000)
At 31 December 2021	**400,000**	**5,626**	**324,539**	**730,165**

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

Cash flow statement

For the year ended 31 December 2021

	2021 £'000	2020 £'000
Cash flows generated from operating activities		
Profit before tax	**443,074**	**273,296**
Adjustments for:		
Finance income	**(45,451)**	(61,917)
Impairment losses	**(385)**	8,725
Changes in fair value of investments	**(442)**	(76,713)
Finance costs	**75,097**	92,478
Changes in working capital:		
Changes in trade and other receivables	**40,157**	32,650
Changes in trade and other payables	**(9)**	2
Cash generated from operations	**512,041**	268,521
Finance costs paid	**(76,401)**	(98,833)
Finance income received	**45,398**	48,774
Income taxes (paid)/received	**(49,076)**	7,681
Net cash generated from operating activities	**431,962**	226,143
Cash flows (used in)/generated from investing activities		
Acquisition of investments	**(76,667)**	(22,687)
Proceeds from sale of investments	**17,670**	357,510
Net cash (used in)/generated from investing activities	**(58,997)**	334,823
Cash flows used in financing activities		
Additional share capital	**-**	100,000
Dividends paid	**(500,000)**	-
Loan repayments/proceeds from borrowings	**52,235**	(599,424)
Net cash used in financing activities	**(447,765)**	(499,424)
Change in cash and cash equivalents	**(74,800)**	61,542
Effect of exchange rate fluctuations	**(649)**	1,125
Cash and cash equivalents at beginning of year	**194,270**	131,603
Cash and cash equivalents at end of year (see note 12)	**118,821**	194,270
Cash and cash equivalents comprise		
Cash at bank	**118,821**	194,270

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 2021

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 United Kingdom adopted international accounting standards and International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB"). IFRSs comprise accounting standards prefixed IFRS by the 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.

No new IFRS pronouncements that had a material impact have been adopted in these financial statements.

Details of those pronouncements which will be relevant to the Company but which were not effective at 31 December 2021 and which have not been applied in preparing these financial statements are given in note 27. No standards have been early adopted.

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.

These financial statements have been prepared under the historic cost modified by revaluation of financial assets and financial liabilities held at fair value through profit and loss.

The financial statements have been prepared on a going concern basis. There is a net asset position of £730,165,000 (2020: £731,440,000).

The directors are satisfied that it is the intention of LBG that its subsidiaries, including the Company, will continue to have access to adequate liquidity and capital resources for the foreseeable future. It has been confirmed that amounts due to group undertakings will not be called in the next 12 months. The financial statements have therefore been prepared on a going concern basis.

1.2 Income recognition

Revenue

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

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

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

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount and are recognised within 'Gain or loss on disposal of investments' in the Statement of comprehensive income.

1. Accounting policies (continued)

1.2 Income recognition (continued)

Foreign currency

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

Exchange gains and losses arising from the translation of monetary assets and liabilities at the exchange rate prevailing at the Balance sheet date are recognised in the Income statement. Non-monetary assets that are measured at fair value are translated using the exchange rate at the date that the fair value was determined.

Translation differences on non-monetary financial instruments classified as financial assets designated at fair value through other comprehensive income are included in equity, unless designated in a fair value hedging relationship where it is recognised in the Statement of comprehensive income together with foreign currency translation differences on the hedging instrument.

Income and expense from financial instruments

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

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

1.3 Expenses recognition

Finance costs

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

1.4 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 and Cash and cash equivalents. Financial liabilities comprise of Amounts due to group undertakings.

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 Company's business model for managing the financial assets and whether the cash flows represent solely payments of principal and interest. The Company 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 are considered in their entirety when considering their cash flow characteristics. The Company 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 Company'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 Company 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 Company 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 Company has neither retained nor transferred substantially all of the risks and rewards, but has transferred control.

1. Accounting policies (continued)

1.4 Financial assets and liabilities (continued)

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.

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.

Financial assets measured at fair value through profit or loss are recognised in the balance sheet at their fair value.

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 Statement of comprehensive income. 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 Statement of comprehensive income 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 Statement of comprehensive income 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 Statement of comprehensive income. In addition, the Group recognises a charge for expected credit losses in the Statement of comprehensive income. 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.

1.5 Derivative financial instruments

The Company enters into derivative financial instruments to manage its exposure to foreign exchange rate risk.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each Balance sheet date. The resulting gain or loss is recognised in equity in Other reserves.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability.

IFRS 9 requires all derivative financial instruments to be recognised initially at fair value on the Balance sheet and to be re-measured to fair value at subsequent reporting dates. Where the value of the derivative is positive, it is carried as a derivative asset and where negative, as a derivative liability. The gain or loss on remeasurement to fair value is recognised immediately in the Statement of comprehensive income.

The Company uses derivative financial instruments to manage its exposure to foreign exchange rate risk arising from operational, financing and investing activities. In accordance with its treasury policy, the Company does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

1. Accounting policies (continued)

1.6 Impairment

Impairment of financial assets

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

1.7 Dividends paid

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

1.8 Cash and cash equivalents

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

1.9 Taxation, including deferred income taxes

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

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

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

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

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

Deferred tax assets are recognised to the extent it is probable that taxable profits will be available against which the deductible temporary differences can be utilised, and are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. In certain cases where forecast profits are not expected to be sufficient to support the recognition of a deferred tax asset on a standalone entity basis, further consideration has been given to the availability of UK group relief with connected companies to support the recognition.

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.

Notes to the financial statements (continued)

For the year ended 31 December 2021

1. Accounting policies (continued)

1.10 Investments

Investment in jointly controlled entities and associated undertakings

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

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

Investment in subsidiary undertakings

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

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

1.11 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 the Company's financial statements in accordance with IFRS 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.

The Company has made no critical judgements. The following are critical accounting estimates that the directors have made in the process of applying the company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

Fair value of financial instruments

The Company categorises financial instruments carried on the Balance sheet at fair value using a three level hierarchy. Financial instruments categorised as level 1 are valued using quoted market prices and therefore there is minimal judgement applied in determining fair value. However the fair value of financial instruments categorised as level 2 and, in particular, level 3 is determined using valuation techniques including discounted cash flow analysis and valuation models. Valuation techniques for level 2 financial instruments use inputs that are based on observable market data. Level 3 financial instruments are those where the instrument's valuation is not based on observable market data. These valuation techniques involve management judgement and estimates, the extent of which depends on the complexity of the instrument and the availability of market observable information.

Valuation techniques for Level 2 financial instruments use inputs that are based on observable market data. Level 3 financial instruments are those where at least one input which could have a significant effect on the instrument's valuation is not based on observable market data. At 31 December 2021 the Company classified £369,287,000 of financial assets (2020: £299,310,000) as Level 3 financial instruments.

Notes to the financial statements (continued)
For the year ended 31 December 2021

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

Fair value of financial instruments (continued)

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. See note 24.7 for sensitivity analysis.

3. Income from investments

	2021 £'000	2020 £'000
UK:		
Dividend income - subsidiary undertakings	**459,223**	225,000
Dividend income - joint ventures	**-**	5,991
Dividend income - fair value through other comprehensive income	**7,944**	-
	467,167	230,991
USA:		
Dividend income - other equity investments	**2,054**	3,489
	469,221	234,480

4. Changes in fair value of investments

	2021 £'000	2020 £'000
Equity securities	**(46)**	74,807
Debt securities held at fair value through profit & loss	**488**	1,906
	442	76,713

5. Finance income

	2021 £'000	2020 £'000
Group interest received	**45,418**	48,886
Funding fees received	**-**	11,520
Derivatives	**-**	3
Foreign exchange gain	**-**	1,508
Accrued interest on debt securities	**33**	-
	45,451	61,917

6. Other income

	2021 £'000	2020 £'000
Fees and commission	**3,129**	2,913

Notes to the financial statements (continued)

For the year ended 31 December 2021

7. Finance costs

	2021	2020
	£'000	£'000
Group interest paid	**74,784**	92,014
Foreign exchange loss	**83**	-
Losses on foreign exchange forward	**215**	447
Other finance costs	**15**	17
	75,097	92,478

Finance costs comprise interest payable on borrowings and foreign exchange losses. Interest payable is recognised in the Statement of comprehensive income 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. Impairment gains/(losses)

	2021	2020
	£'000	£'000
Subsidiaries	**(25)**	17
Intercompany loan	**410**	(8,742)
	385	(8,725)

9. Loss on disposal of investments

	2021	2020
	£'000	£'000
Subsidiaries	**-**	1,066

There is no gain or loss on disposal of jointly controlled entities and subsidiaries.

10. Other operating expenses

	2021	2020
	£'000	£'000
Other expenses	**457**	458

Fees payable to the Company's auditors for the audit of the financial statements of £49,350 (2020: £47,000) have been borne by another Group company and are not recharged to the Company.

The Company has no employees (2020: none).

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, LBG, 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.

Notes to the financial statements (continued)
For the year ended 31 December 2021

11. Taxation

	2021 £'000	2020 £'000
a) Analysis of credit/(charge) for the year		
UK corporation tax:		
- Current tax on taxable profit for the year	**5,025**	(48,678)
- Adjustments in respect of prior years	**(503)**	131
Foreign tax:		
- Withholding tax on income	**(306)**	(523)
Current tax credit/(charge)	**4,216**	(49,070)
UK deferred tax:		
- Origination and reversal of timing differences	**16**	4,871
- Due to change in UK corporation tax rate	**(4,471)**	(2,017)
- Adjustments in respect of prior years	**115**	-
Deferred tax (charge)/credit	**(4,340)**	2,854
Tax charge	**(124)**	(46,216)

Corporation tax is calculated at a rate of 19.00**%** (2020: 19.00%) of the taxable profit for the year.

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

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

	2021 £'000	2020 £'000
Profit before tax	**443,074**	273,296
Tax charge thereon at UK corporation tax rate of 19.00% (2020: 19.00%)	**(84,184)**	(51,926)
Factors affecting credit:		
- Adjustments in respect of prior years	**(388)**	131
- Due to change in UK corporation tax rate	**(4,471)**	(2,017)
- Disallowed and non-taxable items	**89,225**	42,691
- Unrelieved foreign taxes	**(306)**	(523)
- Other	**-**	(34,572)
Tax charge on profit on ordinary activities	**(124)**	(46,216)
Effective rate	**(0.03%)**	(16.91%)

11. Taxation (continued)

c) Tax effects relating to Other comprehensive income/(expenses)

The tax effect relating to Other comprehensive income/(expenses) is as follows:

	Before tax amount £'000	Tax (charge)/ credit £'000	Net of tax amount £'000
2021			
Movements in Financial assets held at fair value	**60,490**	**(4,715)**	**55,775**
Other comprehensive income/(expenses) for the year	**60,490**	**(4,715)**	**55,775**
2020			
Movements in Financial assets held at fair value	(51,084)	(135)	(51,219)
Other comprehensive income/(expenses) for the year	(51,084)	(135)	**(51,219)**

12. Cash and cash equivalents

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

	2021 £'000	2020 £'000
Cash at bank, held with group undertakings	**118,686**	194,063
Cash at bank, held with external parties	**135**	207
	118,821	194,270

13. Trade and other receivables

	2021 £'000	2020 £'000
Amounts due from group undertakings (see note 22)	**1,714,743**	1,754,880

Amounts due from group undertakings are unsecured, interest bearing and repayable on maturity. £648,435,000 (2020: £635,135,000) will be repaid during the next 12 months, and the remaining £1,066,308,000 (2020: £1,119,745,000) within 1 - 5 years.

14. Investment in jointly controlled entities and associate undertakings

For the year ended 31 December 2021	Jointly controlled £'000	Associate undertakings £'000	Total £'000
Cost			
Cost brought forward	**191,878**	**23,904**	**215,782**
Additions	**19,795**	**20,762**	**40,557**
Disposals	**(2,309)**	**-**	**(2,309)**
Cost at 31 December	**209,364**	**44,666**	**254,030**
Provision for impairment			
Provision brought forward	**-**	**-**	**-**
Provision at 31 December	**-**	**-**	**-**
Carrying value of investments at 31 December	**209,364**	**44,666**	**254,030**

14. Investment in jointly controlled entities and associate undertakings (continued)

For the year ended 31 December 2020	Jointly controlled entities £'000	Associate undertakings £'000	Total £'000
Cost			
Cost brought forward	189,378	11,200	200,578
Additions	2,500	12,704	15,204
Cost at 31 December	191,878	23,904	215,782
Provision for impairment			
Provision brought forward	-	-	-
Provision at 31 December	-	-	-
Carrying value of investments at 31 December	191,878	23,904	215,782

Investment in jointly controlled entities	**Company interest**	**Principal activities**	**Registered address**
Scottish Widows Schroder Wealth Holdings Limited	50.10%	Financial Services	25 Gresham Street, London, United Kingdom, EC2V 7HN
Housing Growth Partnership II LP	50.00%	Financial Services	25 Gresham Street, London, United Kingdom, EC2V 7HN

Investment in associate undertaking	**Company interest**	**Principal activities**	**Registered address**
Thought Machine Group Limited	10.07%	Software Development	5 New Street Square, London, EC4A 3TW
Loyalty Angels Ltd	4.90%	Software Development	2 Queens Square, Lyndhurst Road, Ascot, Berkshire, England, SL5 9FE

15. Investment in subsidiary undertakings

	2021 £'000	2020 £'000
Cost		
Cost brought forward	**885,111**	885,767
Additions	**29,223**	12,052
Disposals	**(15,361)**	(15,379)
Impairment reversal/(charge)	**-**	2,671
Cost at 31 December	**898,973**	885,111
Carrying value of investments at 31 December	**898,973**	885,111

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.

Notes to the financial statements (continued)

For the year ended 31 December 2021

15. Investment in subsidiary undertakings (continued)

Subsidiary undertakings	Company interest	Principal activities	Registered Address
Lloyds Development Capital (Holdings) Limited	100.00%	Investment Holding Company	25 Gresham Street, London, EC2V 7HN
Uberior Investments Limited	100.00%	Investment Holding Company	The Mound, Edinburgh, EH1 1YZ
Housing Growth Partnership GP LLP	90.00%	GP to Small Authorised UK AIFM	25 Gresham Street, London, EC2V 7HN
Housing Growth Partnership LP	50.00%	LP to Small Authorised UK AIFM	25 Gresham Street, London, EC2V 7HN
Housing Growth Partnership Manager Limited	100.00%	Small Authorised UK AIFM	25 Gresham Street, London, EC2V 7HN
MBNA Europe Holdings Limited	100.00%	Investment Holding Company	Stansfield House, Chester Business Park, Chester, CH4 9QQ
MBNA Global Services Limited	100.00%	Dormant	Stansfield House, Chester Business Park, Chester, CH4 9QQ
Mainsearch Company Limited	100.00%	Dormant	Stansfield House, Chester Business Park, Chester, CH4 9QQ
Lloyds Engine Capital (No 1) US LLC	100.00%	Lessor of aircraft engines	1095 Avenue of the America's, 34th Floor, New York, NY 10036, United States
LBG Brazil Administracao LTDA	68.51%	Lloyds Bank Brazilian Subsidiary	Avenida Jurubatuba 73, 8° Andar, Vila Cordeiro, São Paulo, SP, CEP, 04583-100, Brazil
Lloyds International PTY Limited	100.00%	Australian Business Holding Company	Minter Ellison, Governor Maquarie Tower, Level 40, 1 Farrer place, Sydney NSW, Australia
Katrine Leasing Limited	100.00%	In Liquidation	47 Espanade, St Helier, Jersey, JE1 0BD

Notes to the financial statements (continued)

For the year ended 31 December 2021

16. Investments

	2021	2020
	£'000	£'000
Investments		
Equity securities	**367,840**	297,359
Debt securities	**1,447**	1,951
	369,287	299,310

The movement in Equity securities can be summarised as follows:

For the year ended 31 December 2021	**Designated at fair value through profit and loss** £'000	**Designated at fair value through other comprehensive income** £'000	**Total** £'000
At 1 January 2021	**132,914**	**164,445**	**297,359**
Exchange translation	**2,158**	**-**	**2,158**
Movements in FVOCI equity securities	**-**	**60,490**	**60,490**
Changes to fair value	**(46)**	**-**	**(46)**
Additions	**-**	**7,879**	**7,879**
At 31 December 2021	**135,026**	**232,814**	**367,840**

For the year ended 31 December 2020	Designated at fair value through profit and loss £'000	Designated at fair value through other comprehensive income £'000	Total £'000
At 1 January 2020	381,628	223,915	605,543
Exchange translation	2,209	-	2,209
Movements in FVOCI equity securities	-	(48,551)	(48,551)
Changes to fair value	74,807	-	74,807
Additions	-	8,135	8,135
Disposals	(325,730)	(19,054)	(344,784)
At 31 December 2020	132,914	164,445	297,359

Notes to the financial statements (continued)
For the year ended 31 December 2021

16. Investments (continued)

	2021 £'000	2020 £'000
Debt securities held at fair value through profit & loss		
As at 1 January	**1,951**	12,750
Changes to fair value	**488**	1,906
Additions	**1,447**	-
Disposals	**(2,439)**	(12,705)
As at 31 December	**1,447**	1,951

17. Derivative financial assets

	31 December 2021		31 December 2020	
	Notional amount £'000	**Fair value assets £'000**	Notional amount £'000	Fair value assets £'000
Exchange rate contracts:				
- Forwards	**114,867**	**1,193**	114,226	2,475

A forward foreign exchange contract is an agreement to buy or sell a specified amount of currency on a specified future date at an agreed

The notional amount of the contract does not represent the Company's exposure to credit risk which is limited to the current cost of replacing contracts with a positive value to the Company should the company default.

18. Borrowed funds

	2021 £'000	2020 £'000
Current		
Amounts due to group undertakings (see note 22)	**774,980**	659,481
Non-current		
Amounts due to group undertakings (see note 22)	**1,833,320**	1,898,201
	2,608,300	2,557,682

Amounts due to group undertakings are unsecured, interest bearing and repayable on maturity (see note 24.2).

19. Trade and other payables

	2021 £'000	2020 £'000
Amounts due to group undertakings (see note 22)	**38**	34
Accruals and deferred income	**4**	17
	42	51

20. Deferred tax liability

The movement in the Deferred tax liability is as follows:

	2021 £'000	2020 £'000
Brought forward	**14,425**	17,144
(Credit)/charge for the year (see note 11)	**4,340**	(2,854)
	18,765	14,290
Amount charged to equity		
- FV via OCI	**4,715**	135
At 31 December	**23,480**	**14,425**

The deferred tax charge in the period comprises the following temporary differences:

	2021 £'000	2020 £'000
Fair value and other movements	**4,340**	(2,854)

Deferred tax liability comprises:

	2021 £'000	2020 £'000
Fair value and other movements	**23,480**	14,425

Finance Act 2016 reduced the main rate of corporation tax to 17% with effect from 1 April 2020. This reduction was superseded by Finance Act 2020 which was enacted on 22 July 2020, and maintained the main rate of corporation tax at 19% with effect from 1 April 2020.

Finance Act 2021, which received Royal Assent on 10 June 2021, increases the rate of corporation tax from 19% to 25% with effect from 1 April 2023.

21. Share capital

	2021 £'000	2020 £'000
Allotted, issued and fully paid		
400,000,002 ordinary shares of £1 each (2020: 400,000,002 ordinary shares)	**400,000**	400,000

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

Notes to the financial statements (continued)
For the year ended 31 December 2021

22. 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 set out below.

	2021	2020
	£'000	£'000
Amounts due from group undertakings		
Lloyds Development Capital (Holdings) Limited	**1,160,187**	1,301,045
Uberior Investments Limited	**457,408**	417,306
Uberior Infrastructure Investments (No. 2) Limited	**30,001**	35,001
Citra Living Limited	**10,018**	-
West Craigs Limited	**7,126**	-
Lloyds Bank Corporate Markets plc	**50,003**	-
Lloyds Engine Capital No. 1	**-**	1,528
Total Amounts due from group undertakings (see note 13)	**1,714,743**	1,754,880

The lending to other group undertakings is unsecured and has a blended fixed interest rate of 3.44% (2020: 2.29%).

	2021	2020
	£'000	£'000
Amounts due to group undertakings		
LBG	**2,608,300**	2,557,682
Bank of Scotland Structured Asset Finance Limited	**-**	1
Lloyds Bank plc	**38**	33
Total Amounts due to group undertakings (see note 18 and 19)	**2,608,338**	2,557,716

The borrowing from other group undertakings is unsecured and is a combination of a blended fixed interest rate of 2.79% (2020: 2.42%).

Cash and cash equivalents held with group undertakings		
Lloyds Bank plc (see note 12)	**118,686**	194,063
Dividend income - subsidiary undertakings		
Lloyds Development Capital (Holdings) Limited	**450,000**	225,000
LBG Brazil Administracao LTDA	**9,223**	-
Total Dividend income - subsidiary undertakings (see note 3)	**459,223**	225,000
Interest income		
Lloyds Development Capital (Holdings) Limited	**32,596**	36,719
Uberior Investments Limited	**11,803**	11,088
Uberior Infrastructure Investments (No. 2) Limited	**535**	820
Lloyds Engine Capital No. 1	**90**	259
West Craigs Limited	**373**	-
Other	**21**	-
Total Interest income (see note 5)	**45,418**	48,886
Interest expense		
LBG (see note 7)	**74,784**	92,014

23. Related undertakings

In compliance with Section 409 of the Companies Act 2006, the following comprises a list of all indirect subsidiary undertakings of the Company, as at 31 December 2021:

Name of undertaking	Class of shareholding	% Held	Country of incorporation	
LDC (Managers) Limited	Ordinary	100.00%	England and Wales	(i)
LDC (General Partners) Limited	Ordinary	100.00%	England and Wales	(i)
LDC (Nominees) Limited	Ordinary	100.00%	England and Wales	(i)
LDC I LP	n/a	100.00%	England and Wales	(i)
LDC II LP	n/a	100.00%	England and Wales	(i)
LDC III LP	n/a	100.00%	England and Wales	(i)
LDC IV LP	n/a	100.00%	England and Wales	(i)
LDC V LP	n/a	100.00%	England and Wales	(i)
LDC VI LP	n/a	100.00%	England and Wales	(i)
LDC VII LP	n/a	100.00%	England and Wales	(i)
LDC VIII LP	n/a	100.00%	Scotland	(viii)
LDC IX LP	n/a	100.00%	England and Wales	(i)
Uberior ENA Limited	Ordinary	100.00%	Scotland	(iii)
Lloyds Bank MTCH Limited	Ordinary	100.00%	England and Wales	(iv)
Bank of Scotland Mistral Limited	Ordinary	100.00%	England and Wales	(iv)
Uberior Fund Investments Limited	Ordinary	100.00%	Scotland	(iii)
Uberior Ventures Limited	Ordinary	100.00%	Scotland	(iii)
BOS Edinburgh No. 1 Limited	Ordinary	Dissolved 23/03/20	Scotland	(iii)
Prestonfield Investments Limited	Ordinary	100.00%	Scotland	(iii)
Uberior Equity Limited	Ordinary	100.00%	Scotland	(iii)
Horizon Capital 2000 Limited	Ordinary	100.00%	Scotland	(iii)
Uberior Infrastructure Investments Limited	Ordinary	100.00%	Scotland	(iii)
Uberior Trading Limited	Ordinary	100.00%	Scotland	(iii)
Housing Growth Partnership Limited	Ordinary	100.00%	Scotland	(iv)
MBNA Europe Finance Limited	Ordinary	100.00%	Jersey	(v)
MBNA Receivables Limited	Ordinary	100.00%	Jersey	(vi)
Scottish Widows Schroder Personal Wealth Limited	Ordinary	50.10%	England and Wales	(iv)
Scottish Widows Schroder Personal Wealth (ACD)	Ordinary	100.00%	England and Wales	(iv)
MBNA Indian Services Private Limited	Ordinary	Dissolved 29/02/20	India	(vii)
Prestbury Investments Limited	Ordinary	100.00%	England and Wales	(ix)
Peony Leasing Limited	Ordinary	Dissolved 22/01/21	England and Wales	(x)
Hedge End Place Hold Co Limited	Ordinary	100.00%	England and Wales	(iv)
Citra Living Properties (No. 1) Limited	Ordinary	100.00%	England and Wales	(iv)

Registered office
(i) One Vine Street, London, W1K 0AH
(ii) 41/F, Bank of China Tower, 1 Garden Road,
(iii) The Mound, Edinburgh, EH1 1YZ
(iv) 25 Gresham Street, London, EC2V 7HN
(v) Glategny Court, PO Box 140, Glantegny Esplanade, St Peter Port, Guernsey, GY 3HQ
(vi) 26 New Street, St Helier, Jersey, JE2 3RA
(vii) The Residency, 7th Floor, 133/1 Residency Road, Bangalore, 560025, India
(viii) 39 Queens Road, Aberdeen, AB15 4ZN
(ix) Cavendish House, 18 Cavendish Square, London, W1G 0PJ
(x) 1 More London Place, London, SE1 2AF

Financial guarantee

The Company has provided a guarantee to a developer on behalf of Citra with respect to assets under construction. If Citra fails to make a payment under the contractual terms when it is due, the Company will make that payment directly to the developer on Citra's behalf.

24. Financial risk management

The Company's operations expose it to credit risk, liquidity risk, markets risk, interest rate risk, foreign exchange risk and equity risk. Responsibility for the control of overall risk lies with the board of directors, operating within a management framework established by LBG, and the ultimate parent, LBG.

24.1 Credit risk

Credit risk management

Credit risk is the risk of financial loss from a counterparty's failure to settle financial obligations as they fall due. Credit exposures arise in the normal course of the Company's business, principally from investment activities that bring debt securities into the Company's asset portfolio.

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

Credit risk mitigation

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

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

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

- Credit risk also arises from debt securities. The credit risk exposure is limited to the current cost of replacing contracts with a positive value.

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.

	2021 £'000	2020 £'000
Trade and other receivables	**1,714,743**	1,754,880
Cash and cash equivalents	**118,821**	194,270
Debt securities held at fair value through profit and loss	**1,447**	1,951
	1,835,011	1,951,101

Notes to the financial statements (continued)

For the year ended 31 December 2021

24. Financial risk management (continued)

24.2 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 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 2021

	Up to 1 month	**1-3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Amounts due to group undertakings	**17,058**	**320,500**	**442,500**	**1,828,242**	**-**	**2,608,300**

As at 31 December 2020

	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Amounts due to group undertakings	19,538	163,415	476,528	1,898,201	-	2,557,682

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.

24.3 Market risk

The Company is exposed to market risk, which is analysed below in notes 24.4 to 24.7.

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

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

At the reporting date, the Company's exposure to market risk arose from interest rate, foreign exchange and equity risk.

24.4 Interest rate risk

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

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

24. Financial risk management (continued)

24.4. Interest rate risk (continued)

Interest rate risk - sensitivity analysis

The sensitivity analysis is based on the Company's lending and borrowings and takes account of movement in the market interest rates available at the time a deal is completed. A 4.62% (2020: 4.38%) increase or decrease is used to assess the possible change in Interest expense. A 11.99% (2020: 2.65%) increase or decrease is used to assess the possible change in Interest income. These rates are appropriate as these are the movements between rates available in the year.

If the market rate increased by 11.99% (2020: 2.65%) and all other variables remain constant this would increase Interest income by £205,598,000 (2020: £46,436,000) and accordingly decrease Interest income by £205,598,000 (2020: £46,436,000) if the market rate decreased by the same amount.

If the market rate increased by 4.62% (2020: 4.38%) and all other variables remain constant this would increase Interest expense by £120,503,000 (2020: £114,584,000) and accordingly decrease Interest expense by £120,503,000 (2020: £114,584,000) if the market rate decreased by the same amount.

24.5 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.

24.6 Foreign currency risk

Foreign exchange risk arises on monetary financial assets (included in "investments", and "cash and cash equivalents") and borrowings denominated in a currency other than Pounds Sterling. The currency giving rise to this risk is the US Dollar. 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. When there is an impairment of a fair value through other comprehensive income non monetary asset the impairment is calculated in functional currency and therefore includes some of the impact of foreign currency translation.

Foreign currency risk - sensitivity analysis

The sensitivity analysis is based on the Company's investments denominated in US dollars and considers movements in foreign exchange rates between US dollars and Sterling. A 0.09% (2020: 0.13%) change in the foreign currency rate has been used to assess the sensitivity in the Income statement. This rate is appropriate as it is the movement between rates in the year.

If US dollars strengthen against Sterling by 0.09%, this would approximately decrease the Profit before tax by £128,000 (2020: £132,914,000), and accordingly increase the Profit before tax by £128,000 (2020: £132,914,000) if US dollars worsen against Sterling by the same percentage.

24.7 Equity risk

Equity risk exists from the Company's exposure to 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 24.9 to the financial statements. At the reporting date the carrying value of equity investments amounted to £367,840,000 (2020: £297,359,000). For investments carried at fair value through profit or loss changes in fair value would have a direct impact on profit before tax (PBT) whereas fair value through other comprehensive income investments will be recognised in other comprehensive income through the fair value through comprehensive income reserve, unless the investment is deemed to be impaired and changes in fair value are taken to the Statement of comprehensive income.

24. Financial risk management (continued)

24.7 Equity risk (continued)

The table below sets out the sensitivity of PBT and the fair value through other comprehensive income reserve (before tax) to a 10.00% fall in fair value of equity investments as at the Balance sheet date.

	Profit before tax 2021 £'000	**Fair value through other comprehensive income reserves 2021 £'000**	Profit before tax 2020 £'000	Fair value through other comprehensive income reserves 2020 £'000
Equity investments	**13,503**	**23,281**	13,291	16,444

The underlying investment sector has concentrations around Financial Services (89%, 2020: 96%) and Financial Technology (11%, 2020: 4%).

Geographic exposure is within the USA (37%; 2020: 45%) and UK (63%; 2020: 55%).

24.8 Financial strategy

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

24.9 Fair values of financial assets and liabilities

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

Fair value of financial assets carried at fair value

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

Fair value hierarchy

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

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

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

Notes to the financial statements (continued)

For the year ended 31 December 2021

24. Financial risk management (continued)

24.9 Fair values of financial assets and liabilities (continued)

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

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 2021	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Financial assets at fair value through profit and loss	**-**	**-**	**136,473**	**136,473**
Financial assets at fair value through other comprehensive income	**-**	**-**	**232,814**	**232,814**
Derivative	**-**	**-**	**1,193**	**1,193**
	-	**-**	**370,480**	**370,480**

At 31 December 2020	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets at fair value through profit and loss	-	-	134,865	134,865
Financial assets at fair value through other comprehensive income	-	-	164,445	164,445
Derivative	-	-	2,475	2,475
	-	-	301,785	301,785

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 hierarchy:

	Derivatives £'000	**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 2021	**2,475**	**134,865**	**164,445**	**299,310**
Gains/(losses) recognised in:				
- Income Statement	**-**	**2,600**	**-**	**2,600**
- Other comprehensive income	**-**	**-**	**60,490**	**60,490**
Additions	**-**	**1,447**	**7,879**	**9,326**
Disposals	**(1,282)**	**(2,439)**	**-**	**(2,439)**
At 31 December 2021	**1,193**	**136,473**	**232,814**	**369,287**
For assets held at the end of the reporting year:				
Total gains included in Income statement during the year	**-**	**2,600**	**-**	**2,600**
Total gains included in Other comprehensive income during the year	**-**	**-**	**60,490**	**60,490**

24. Financial risk management (continued)

24.9 Fair values of financial assets and liabilities (continued)

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

	Derivatives £'000	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 2020	1,756	394,378	223,915	618,293
Gains/(losses) recognised in:				
- Income Statement	-	78,922	-	78,922
- Other comprehensive income	-	-	(48,551)	(48,551)
Additions	719	-	8,135	8,135
Disposals	-	(338,435)	(19,054)	(357,489)
At 31 December 2020	2,475	134,865	164,445	299,310
For assets held at the end of the reporting year:				
Total gains included in Income statement during the year	-	78,922	-	78,922
Total (losses) included in Other comprehensive income during the year	-	-	(48,551)	(48,551)

Although the Company believes that its estimates of fair values are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. The valuation techniques used for unlisted equities and venture capital investments vary depending on the nature of the investment. Further details of these are given below. As these factors differ for each investment depending on the nature of the valuation technique used and the inputs there is no single common factor that could be adjusted to provide a reasonable alternative valuation for these investments portfolios.

Changing one or more of the unobservable inputs used to reasonably possible alternative assumptions would have the following effects:

	As at 31 December 2021			As at 31 December 2020		
	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	**135,026**	**38,021**	**(45,963)**	132,914	39,303	(45,118)
Debt securities	**1,447**	**724**	**(724)**	1,951	59	(59)
Financial assets at fair value through other comprehensive income						
Equity securities	**232,814**	**13,306**	**(13,306)**	164,445	5,554	(5,554)
	369,287	**52,051**	**(59,993)**	299,310	44,916	(50,731)

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

The main instruments where Level 3 valuations have been used are described below:

24. Financial risk management (continued)

24.9 Fair values of financial assets and liabilities (continued)

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

Equity investments

Unlisted equities and fund investments are accounted for as financial assets at fair value through profit or loss or fair value through other comprehensive income. These investments are valued using different techniques as a result of the variety of investments across the portfolio in accordance with the Group's valuation policy and are calculated using International Private Equity and Venture Capital Guidelines.

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

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

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

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

All other assets and liabilities

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.

24.10 Derivative financial instruments

The principal derivatives used by the Company are foreign exchange forwards to hedge against fluctuations in foreign exchange rates. A forward foreign exchange contract is an agreement to buy or sell a specified amount of currency on a specified future date at an agreed rate.

Under a foreign exchange forward contract, the Company agrees to purchase a specified amount of foreign currency at an agreed exchange rate at a particular future date. Such contracts enable the Company to mitigate the risk of changing foreign exchange rates on the investments held in a foreign currency.

The notional principal amounts of the outstanding foreign exchange forward contracts are £114,867,000 ($153,300,000) (2020: £114,226,000, $152,500,000). These notional amounts may change over time in line with the changes in investment value. The terms on the derivatives provide for net settlement of fixed exchange rates payable of 1.332595 and 1.347815 (2020: 1.33408 and 1.366405).

The fair value of foreign exchange forwards at the reporting date is determined by comparing the exchange rate at that date to the contractual exchange rate.

The table below analyses the fixed amount payable on the forward by the due date.

	Contractual cash flows	
	2021 £'000	2020 £'000
1 to 3 months	**114,867**	114,226

24. Financial risk management (continued)

24.11 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.

25. Contingent liabilities and financial commitments

The Company has provided a guarantee to a developer on behalf of Citra with respect to assets under construction. If Citra fails to make a payment under the contractual terms when it is due, the Company will make that payment directly to the developer on Citra's behalf.

Under the terms of the purchase agreement for one of the Company's investments, it is possible that a top-up payment may be required at the end of 2022, based on underlying performance in the same period. Based on the latest approved forecast at the balance sheet date, no payment is expected to be required.

We are not aware of any other contingent liabilities.

26. Post balance sheet events

Since the balance sheet date, the Company has invested another £90m in its subsidiary Citra Living Properties (No. 1) Limited. In the normal course of business there has also been £50m cancelled from the LBCM deposit, and Lloyds Development Capital (Holdings) Limited funding has reduced by £90m. These are deemed to be non-adjusting post balance sheet events.

27. Future developments

The following pronouncements are not applicable for the year ending 31 December 2021 and have not been applied in preparing these financial statements. Save as disclosed below, the impact of these accounting changes is still being assessed by the Company and reliable estimates cannot be made at this stage.With the exception of certain minor amendments, as at the date of signing these financial statements these pronouncements have been endorsed for use in the United Kingdom.

Minor amendments to other accounting standards

The IASB has issued a number of minor amendments to IFRSs effective 1 January 2022 and in later years (including IFRS 9 Financial Instruments and IAS 37 Provisions, Contingent Liabilities and Contingent Assets). These amendments are not expected to have a significant impact on the Company.

28. Ultimate parent undertaking and controlling party

The immediate parent company is Lloyds Banking Group plc (incorporated in Scotland). 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 and smallest 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 https://www.lloydsbankinggroup.com/investors/financial-downloads.html.

Independent auditor's report to the members of LBG Equity Investments Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of LBG Equity Investments Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity;
- the cash flow statement; and
- the related notes 1 to 28

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom adopted international accounting standards and IFRSs as issued by the IASB.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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 course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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 in this regard.

Responsibilities of 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, and for such internal control as the directors 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.

Auditor's 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 auditor's 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 auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud
Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act and UK tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As result of performing the above, we identified the greatest potential for fraud in the following areas, and our specific procedures performed to address it are described below:

- Valuation of investments: We identified a significant risk over the valuation of Level 3 investments which are recognised at fair value using unobservable inputs. We tested the design and implementation of key controls over the valuation process. With the support of our valuation specialists, we also tested the inputs and valuation as at 31 December 2021.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

Independent auditor's report to the members of LBG Equity Investments Limited (continued)

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report has been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report and directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

P Cawley

Paul Cowley CA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Glasgow, United Kingdom
16 August 2022