Uberior Investments Limited

Annual report and financial statements

2021

Member of the Lloyds Banking Group

Strategic report

For the year ended 31 December 2021

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

Principal activities and future developments

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

Business review

During the year the Company managed investments for value. On the basis that the Company is an investment holding company, its performance is considered in respect of the underlying investment portfolio performance and valuations. As such, the key financial performance indicators relate to dividend income from subsidiaries and investment value (FVTPL and FVOCI assets). Further to the before mentioned, borrowed funds are also considered a key financial performance indicator for the Company.

The Company's profit before tax for the financial year is £103,740,000 (2020: profit of £63,200,000). This is largely generated through gain on valuation movements (deducting impairments) of £111,122,000 (2020: gain of £48,943,000). There is also income from investments of £4,803,000 (2020: £26,648,000).

The Balance Sheet shows a net asset position of £391,630,000 (2020: £262,479,000).

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

The Company has no employees (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, forming part of LBG's Equity division. As a wholly owned subsidiary, the Directors ensure that the strategy, priorities, processes and practices of the Company are fully aligned where required to those of LBG, ensuring that the interests of LBG as the Company's sole shareholder are duly acknowledged. Further information in respect of the relationship of LBG with its shareholders is included within the Strategic Report within the LBG Annual Report and financial statements for 2021, available on the LBG website.

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 22 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

Key performance indicators ("KPIs")

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

KPI	Movement	Analysis
Dividend income from subsidiaries	Decreased by £21,984,000 (2021: £4,232,000, 2020: £26,216,000)	*A dividend from Uberior ENA Limited was received in the current year, and a dividend from LBG Brazil was received in the prior year.*
Investment value (FVTPL and FVOCI Assets)	Increased by £149,468,000 (2021: £747,423,000, 2020: £597,954,000)	*Movement includes FVTPL additions of £39,126,000 and FV movements of £111,097,000, which is offset by disposals of (£947,000). There has also been FV movements in FVOCI investments of £192,000.*
Borrowed funds	Increased by £40,103,000 (2021: £457,409,000 2020: £417,306,000)	*Movement is due to additional funding received from LBGEIL of £87,800,000, which is offset by repayments of (£47,549,000) and FX movements on the LBGEIL Euro hedging loan of +£149,000.*

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

N S Burnett
Director
17th August 2022

Directors' report

For the year ended 31 December 2021

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

General information

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

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

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

Dividends

No dividends were paid or proposed during the year ended 31 December 2021 (2020: £nil).

Going concern

The financial statements have been prepared on a going concern basis. There is a net asset position of £391,630,000 (2020: £262,479,000).

The directors are satisfied that it is the intention of Lloyds Banking Group plc 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.

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 The Mound, Edinburgh, United Kingdom, EH1 1YZ.

Directors

The current directors of the Company are listed below.

N S Burnett
M S J Daly

The following changes have taken place between the beginning of the reporting period and the approval of the Annual report and financial statements:

M M De Vries	(resigned 15 December 2021)
M S J Daly	(appointed 15 December 2021)

Directors' report (continued)
For the year ended 31 December 2021

Information included in the Strategic report

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

Directors' indemnities

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

Statement of directors' responsibilities

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

Directors' confirmations

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

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

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:

N S Burnett
Director
17th August 2022

Income statement

For the year ended 31 December 2021

	Note	**2021 £'000**	2020 £'000
Other income	3	**157**	65
Income from investments	4	**4,803**	26,648
Changes in fair value of investments	5	**111,097**	64,054
Total income		**116,057**	90,767
Impairment gain/(losses)	6	**25**	(15,111)
Finance costs	7	**(11,791)**	(12,047)
Other operating expenses	8	**(551)**	(589)
Profit before tax		**103,740**	63,020
Taxation	9	**25,218**	(17,425)
Profit for the year		**128,958**	45,595

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		**128,958**	45,595
Other comprehensive income/(expense)			
Items that will not subsequently be reclassified to profit or loss:			
Movement in Investments classified as fair value through other comprehensive income			
- changes in fair value	15	**193**	(1,160)
Total other comprehensive income/(expense)		**193**	(1,160)
Total comprehensive income for the year attributable to owners of the parent		**129,151**	44,435

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

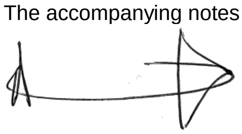
All results derive from continuing operations.

Balance sheet

As at 31 December 2021

	Note	**2021** **£'000**	2020 £'000
ASSETS			
Cash and cash equivalents	11	**34,312**	40,128
Trade and other receivables	12	**127**	122
Investment in associate undertaking	13	**5,269**	5,269
Investments	15	**748,417**	598,923
Investment in subsidiary undertakings	14	**65,409**	65,409
Current tax asset		**2,360**	-
Deferred tax asset	16	**98**	-
Total assets		**855,992**	709,851
LIABILITIES			
Borrowed funds	17	**457,409**	417,306
Trade and other payables	18	**240**	238
Intercompany creditor	19	**6,713**	6,274
Current tax liability		**-**	810
Deferred tax liability	16	**-**	22,744
Total liabilities		**464,362**	447,372
EQUITY			
Share capital	20	**2,000**	2,000
Fair value through other comprehensive income reserve	20	**(1,866)**	(2,059)
Retained earnings		**391,496**	262,538
Total equity		**391,630**	262,479
Total equity and liabilities		**855,992**	709,851

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



N S Burnett
Director
17th August 2022

Statement of changes in equity

For the year ended 31 December 2021

	Share capital	Fair value through other comprehensive income reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000
At 1 January 2020	2,000	(899)	216,943	218,044
Profit for the year	-	-	45,595	45,595
Other comprehensive expense for the year	-	(1,160)	-	(1,160)
At 31 December 2020	**2,000**	**(2,059)**	**262,538**	**262,479**
At 1 January 2021	2,000	(2,059)	262,538	262,479
Profit for the year	-	-	128,958	128,958
Other comprehensive income for the year	-	193	-	193
At 31 December 2021	**2,000**	**(1,866)**	**391,496**	**391,630**

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 (used in)/generated from operating activities		
Profit before tax	**103,740**	63,020
Adjustments for:		
Financing income	**(10)**	(65)
Impairment reversal/(losses)	**(25)**	15,111
Changes in fair value of investments	**(111,097)**	(64,270)
Finance costs	**11,791**	12,047
Changes in working capital:		
Changes in trade and other receivables	**(5)**	-
Changes in trade and other payables	**2**	(26)
Changes in intercompany creditors	**439**	6,131
Cash generated from operating activities	**4,835**	31,948
Finance costs paid	**(11,808)**	(11,125)
Finance income received	**-**	55
Tax paid	**(794)**	(3,134)
Net cash (used in)/generated from operating activities	**(7,767)**	17,744
Cash flows used in investing activities		
Interest received from investments	**10**	10
Acquisition of investments	**(39,126)**	(39,625)
Proceeds from sale of investments	**947**	16,901
Net cash used in investing activities	**(38,169)**	(22,714)
Cash flows generated from financing activities		
Proceeds from borrowings	**87,352**	30,000
Repayment of borrowings	**(47,096)**	(14,081)
Net cash generated from financing activities	**40,256**	15,919
Change in Cash and cash equivalents	**(5,680)**	10,949
Effect of exchange rate fluctuations	**(136)**	109
Cash and cash equivalents at start of year	**40,128**	29,070
Cash and cash equivalents at end of year (see note 11)	**34,312**	40,128
Cash and cash equivalents comprise		
Cash at bank	**34,312**	40,128

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.

In the preparation of these financial statements the Balance sheet has been arranged in order of liquidity.

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 25. 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 historical cost convention except for certain financial assets and liabilities measured at fair value, and, on a going concern basis. There is a net asset position of £391,630,000 (2020: £262,479,000).

The directors are satisfied that it is the intention of Lloyds Banking Group plc 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).

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

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

1. Accounting policies (continued)

1.2 Income recognition (continued)

Foreign currency

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

Exchange gains and losses arising from the translation of monetary assets and liabilities at the exchange rate prevailing at the Balance sheet date are recognised in the Statement of comprehensive income. 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.

Dividend income

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

Income and expense from financial instruments

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

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

1.3 Other income

Other income represents interest received on Debt securities held at amortised cost and bank interest received.

1.4 Expenses recognition

Finance costs

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

1. Accounting policies (continued)

1.5 Financial assets and liabilities

Management determines the classification of its financial assets and financial liabilities at initial recognition. Financial assets comprise Amounts due from group undertakings, Debt securities held at amortised cost, Equity securities and Cash and cash equivalents. Financial liabilities comprise Amounts due to group undertakings, Trade payables and Other Creditors.

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

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

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

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

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

Investments in debt securities held at amortised cost

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

Financial instruments held at fair value through profit or loss

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

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

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

They are initially recognised at fair value and transaction costs are expensed in the 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.

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

1. Accounting policies (continued)

1.5 Financial assets and liabilities (continued)

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.

1.6 Impairment

Impairment of financial assets

An impairment charge in the income statement 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.

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

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

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

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

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

Notes to the financial statements (continued)

For the year ended 31 December 2021

1. Accounting policies (continued)

1.7 Dividends paid

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

1.8 Cash and cash equivalents

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

1.9 Taxation, including deferred income taxes

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

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

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

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

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

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

1.10 Investments

Investment in associated undertakings

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

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

Investment in subsidiary undertakings

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

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

1. Accounting policies (continued)

1.11 Other financial liabilities

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

1.12 Borrowings

Borrowings are recognised initially at fair value, being their issue proceeds net of transaction costs incurred. These instruments are subsequently stated at amortised cost using the effective interest rate method.

2. Critical accounting estimates and judgements in applying accounting policies

The preparation of 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. The fair value of financial instruments categorised as level 3 is determined using valuation techniques including discounted cash flow analysis and valuation models. These valuation techniques involve management judgement and estimates, the extent of which depends on the complexity of the instrument and the availability of market observable information.

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 £748,417,000 of financial assets (2020: £598,923,000) as Level 3 financial instruments.

Fair value is defined as the value at which assets, liabilities or positions could be closed out or sold in a transaction with a willing and knowledgeable counterparty. Fair value is based upon Cash flow models which use, wherever possible, independently sourced market parameters such as interest yield curves and currency rates. Other factors are also considered, such as counterparty credit quality and liquidity. See note 22.9 for sensitivity analysis.

3. Other income

	2021 £'000	2020 £'000
Interest received from investments held at amortised cost	**10**	11
Bank interest received	**-**	54
Foreign exchange gain	**147**	-
	157	65

4. Income from investments

	2021 £'000	2020 £'000
Income received from Equity securities	**571**	432
Dividends received from subsidiary and associate undertakings	**4,232**	26,216
	4,803	26,648

5. Changes in fair value of investments

	2021 £'000	2020 £'000
Equity securities	**111,097**	64,054

6. Impairment gain/(losses)

	2021 £'000	2020 £'000
Subsidiaries (note 14)	**-**	(15,082)
Debt securities held at amortised cost	**25**	(29)
	25	(15,111)

7. Finance costs

	2021 £'000	2020 £'000
Group interest paid	11,791	11,130
Foreign exchange loss	**-**	899
Other finance costs	**-**	18
	11,791	**12,047**

Finance costs comprise interest payable on borrowings, bank service charges, 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. Other operating expenses

	2021 £'000	2020 £'000
Legal and professional fees	**73**	113
Other expenses	**478**	476
	551	589

Fees payable to the Company's auditors for the audit of the financial statements of £29,925 (2020: £28.500) have been borne by the ultimate parent company and are not recharged to the Company.

The Company has no employees (2020: nil).

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

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

9. Taxation

	2021 £'000	2020 £'000
a) Analysis of charge for the year		
UK corporation tax:		
- Current tax on taxable profit for the year	**2,324**	(768)
- Adjustments in respect of prior years	**52**	20
Current tax credit/(charge)	**2,376**	(748)
UK deferred tax:		
- Origination and reversal of timing differences	**22,867**	(15,963)
- Impact of deferred tax rate change	**(25)**	(714)
Deferred tax credit/(charge) (see note 16)	**22,842**	(16,677)
Tax charge	**25,218**	(17,425)

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 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	**103,740**	63,020
Tax charge thereon at UK corporation tax rate of 19.00% (2020: 19.00%)	**(19,711)**	(11,974)
Factors affecting charge:		
- Effect of change in tax rate and related impacts	**(25)**	(714)
- Disallowed and non-taxable items	**926**	2,292
- Adjustments in respect of prior years	**52**	20
- Non taxable fair value and other movements	**43,976**	(7,049)
Tax charge on profit on ordinary activities	**25,218**	(17,425)
Effective rate	**24.31%**	(27.65%)

10. Dividends

No dividends were paid or proposed during the year ended 31 December 2021 (2020: £nil).

11. 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	**34,312**	40,128

12. Trade and other receivables

	2021 £'000	2020 £'000
Current		
Amounts due from group undertakings (see note 21)	**127**	122

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

13. Investment in associate undertaking

	2021 £'000	2020 £'000
Cost		
Cost brought forward	**6,023**	7,210
Disposals	**-**	(1,187)
Cost at 31 December	**6,023**	6,023
Provision for impairment		
Provision brought forward	**(754)**	(1,941)
Disposals	**-**	1,187
Provision at 31 December	**(754)**	(754)
Carrying value of investments at 31 December	**5,269**	5,269

Investment in associate undertaking	**Company interest**	**Principal activities**	**Registered Address**
Europa Property Company (Northern) Limited	35%	Non-Financial Corporations	Europa House 20 Esplanade, Scarborough, North Yorkshire, YO11 2AQ
Intelligent Processing Solutions Limited	20%	Financial Institute	Enigma, Wavendon Business Park, Milton Keynes, England, MK17 8LX
LBG Brazil Administracao LTDA	31%	Financial Institute	Avenida Jurubatuba 73, 8° Andar, Vila Cordeiro, São Paulo, SP, CEP, 04583-100, Brazil

14. Investment in subsidiary undertakings

	2021 £'000	2020 £'000
Cost		
Cost brought forward	**80,491**	80,491
Cost at 31 December	**80,491**	80,491
Provision for impairment		
Provision brought forward	**(15,082)**	-
Impairment charge	**-**	(15,082)
Provision at 31 December	**(15,082)**	(15,082)
Carrying value of investments at 31 December	**65,409**	65,409

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

14. Investment in subsidiary undertakings (continued)

Subsidiary undertakings	Company interest	Principal activities	Registered Address
Bank of Scotland Capital Funding LP	100%	Dissolved 08/11/21	Sanne Group, 13 Castle Street, St Helier, JE4 5UT, Jersey
HBOS Capital Funding No 1 LP	100%	Dissolved 22/12/21	Sanne Group, 13 Castle Street, St Helier, JE4 5UT, Jersey
Uberior Equity Limited	100%	Investment	The Mound, Edinburgh, EH1 1YZ
Uberior Fund Investment Limited	100%	Investment	The Mound, Edinburgh, EH1 1YZ
Uberior Ventures Limited	100%	Investment	The Mound, Edinburgh, EH1 1YZ
Uberior Infrastructure Investments Limited	100%	Investment	The Mound, Edinburgh, EH1 1YZ
Prestonfield Investments Limited	100%	Investment	The Mound, Edinburgh, EH1 1YZ
Horizon Capital 2000 Limited	100%	Investment	The Mound, Edinburgh, EH1 1YZ
Uberior Trading Limited	100%	Investment	The Mound, Edinburgh, EH1 1YZ
Lloyds Bank MTCH Limited	100%	Investment	25 Gresham Street, London, EC2V 7HN
Uberior ENA Limited	100%	Investment	The Mound, Edinburgh, EH1 1YZ
BOS Mistral Limited	100%	Investment	Charterhall House, Charterhall Drive, Chester, CH88 3AN

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

Notes to the financial statements (continued)

For the year ended 31 December 2021

14. Investment in subsidiary undertakings (continued)

Indirect subsidiaries are:

Subsidiary undertakings	Company interest	Principal activities	Registered Address
West Craigs Limited	100%	Ownership and development of land	The Mound, Edinburgh, EH1 1YZ
Uberior (Moorfield) Limited	100%	Investment	The Mound, Edinburgh, EH1 1YZ
BOS (USA) Inc.	100%	Non-Trading	The Corporation Trust Company, 1209 Orange Street, Wilmington, DE 19801
BOS (USA) Fund Investments Inc.	100%	Non-Trading	The Corporation Trust Company, 1209 Orange Street, Wilmington, DE 19801
Uberior Co-Investments Limited	100%	Investment	The Mound, Edinburgh, EH1 1YZ
Uberior Infrastructure Investments (No. 2) Limited	100%	Investment	25 Gresham Street, London, EC2V 7HN
Uberior Europe Limited	100%	Investment	The Mound, Edinburgh, EH1 1YZ
Uberior Ventures Australia PTY Limited	100%	Investment	Governor Macquarie Tower, 1 Farrer Place, Sydney, NSW 2000
ADF No.1 PTY Limited	100%	Investment	Governor Macquarie Tower, 1 Farrer Place, Sydney, NSW 2000

15. Investments

	2021 £'000	2020 £'000
Investments		
Debt securities held at amortised cost	**994**	969
Equity securities	**747,423**	597,954
	748,417	598,923
Statement of comprehensive income impairment loss in the year		
Debt securities held at amortised cost	**(25)**	(29)

Debt securities held at amortised cost

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

	Stage 1 £'000	**Stage 2 £'000**	**Stage 3 £'000**	**Total £'000**
Balance as at 1 January 2021	**969**	**-**	**-**	**969**
Gross debt securities held at amortised cost	**969**	**-**	**-**	**969**
Less: allowance for losses on debt securities held at	**25**	**-**	**-**	**25**
Net debt securities held at amortised cost	**994**	**-**	**-**	**994**

15. Investments (continued)

	2021	2020
	£'000	£'000
Gross Debt securities held at amortised cost		
As at 1 January	**1,485**	2,566
Exchange translation	**-**	72
Disposals	**-**	(1,153)
As at 31 December	**1,485**	1,485
Provision for impairment		
As at 1 January	**516**	1,568
Exchange translation	**-**	72
(Charge)/reversal for the year	**(25)**	29
Disposals	**-**	(1,153)
As at 31 December	**491**	516
Net Debt securities held at amortised cost	**994**	969

Equity securities

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	**596,413**	**1,541**	**597,954**
Movement in FVOCI equity securities	**-**	**193**	**193**
Changes to fair value	**111,097**	**-**	**111,097**
Additions	**39,126**	**-**	**39,126**
Disposals	**(947)**	**-**	**(947)**
At 31 December 2021	**745,689**	**1,734**	**747,423**

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	509,642	2,701	512,343
Movement in FVOCI equity securities	-	(1,160)	(1,160)
Changes to fair value	64,054	-	64,054
Additions	39,625	-	39,625
Disposals	(16,908)	-	(16,908)
At 31 December 2020	596,413	1,541	597,954

15. Investments (continued)

The Company has a number of significant holdings that are accounted for as fair value investments. If these holdings were accounted for as associates the Company would have recognised additional profit for the year of £100,155,000 (2020: loss of £32,971,000) and a share of net assets of £701476,000 as at 31 December 2021 (2020: £440,605,000). Significant holdings which are material to the Company are disclosed below:

Company	% of capital held
BoS Mezzanine Partners Fund, L.P.	50%
BGF Group plc	25%

16. Deferred tax asset/(liability)

The movement in the Deferred tax asset/(liability) is as follows:

	2021 £'000	2020 £'000
Brought forward	**(22,744)**	(6,067)
Credit/(charge) for the year (see note 9)	**22,842**	(16,677)
Transfers from other group undertakings	**-**	-
At 31 December	**98**	(22,744)

The deferred tax credit/(charge) in the Income statement comprises the following temporary differences:

	2021 £'000	2020 £'000
Fair value and other movements	**22,842**	(16,677)

Deferred tax asset/(liability) comprises:	2021 £'000	2020 £'000
Fair value and other movements	**98**	(22,744)

The Finance Act 2016 reduced the main rate of corporation tax to 17% with effect from 1 April 2020. This reduction was superseded by The 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.

The 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.

A deferred tax asset of £16,791,000 relating to capital losses has not been recognised on the basis that the Company has insufficient forecast chargeable gains to recover the asset in future periods. Once crystallised following disposal of the assets, capital losses can be carried forward indefinitely.

17. Borrowed funds

	2021 £'000	2020 £'000
Amounts due to group undertakings (see note 21)	**457,409**	417,306

Notes to the financial statements (continued)

For the year ended 31 December 2021

18. Trade and other payables

	2021 £'000	2020 £'000
Trade payables	**240**	238

	2021 £'000	2020 £'000
Trade payables: amounts falling due within one year		
Amounts due to group undertakings (see note 21)	**40**	40
Other creditors	**200**	198
Total current trade payables	**240**	**238**

19. Intercompany creditor

	2021 £'000	2020 £'000
Amounts due to group undertakings (see note 21)	**6,713**	6,274

20. Capital and reserves

Share capital

	2021 £'000	2020 £'000
Allotted, issued and fully paid		
2,000,000 ordinary shares of £1 each	**2,000**	2,000

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

Fair value through other comprehensive income reserve

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

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

21. Related party transactions

The Company is controlled by LBG Equity Investments Limited. 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 £'000	2020 £'000
Amounts due from group undertakings		
Bank of Scotland plc (see note 12)	**127**	122
Amounts due to group undertakings		
Bank of Scotland plc	**3**	4
LBG Equity Investments Limited	**457,409**	417,306
Lloyds Bank plc	**40**	40
Lloyds TSB MTCH Limited	**4,425**	4,217
BoS Mistral Ltd	**2,281**	2,049
Lloyds UDT Limited	**4**	4
Total Amounts due to group undertakings (see notes 17, 18 & 19)	**464,162**	423,620
Cash and cash equivalents held with group undertakings		
Bank of Scotland plc	**34,312**	40,128
Interest expense		
LBG Equity Investments Limited	**11,791**	11,132
Interest income		
Bank of Scotland plc (see note 3)	**-**	54
Dividends received from subsidiary and associate undertakings		
LBG Brazil Administracao LTDA	**4,232**	-
Uberior ENA Limited	**-**	26,216
Total Dividends received from subsidiary and associate undertakings (see note 4)	**4,232**	26,216

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

The Company has a loan facility with LBGEIL to provide credit up to £500,000,000. The loan facility is due to expire on 31 December 2038. As at 31 December 2021 the Company had used £455,000,000 of the facility. On 30 June 2021 the Company repaid £45,000,000 and received an additional £85,000,000. *£45,000,000 was due to be repaid on 31 December 2021 but this has been extended until 2025. Going forward it is expected that the Company will repay another £45,000,000 in June 2022 and December 2022, and will borrow an additional £90,000,000 by 30 June 2022.

The Company paid interest on LBGEIL borrowings of £11,791,000 (2020: £11,132,000) on which interest rates of between 1.95% and 3.29% (2020: 0.86% and 3.29%) were charged.

The Company earned interest of £nil on bank deposits (2020: £54,000). The interest rates applied during the year were 0% (2020: bate rate minus 0.30%).

Key management personnel

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

22. Financial risk management

The Company's operations expose it to a variety of financial risks: credit risk, liquidity risk, market risk (including interest rate risk, exchange risk, and equity risk).

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

22.1 Credit risk

Credit risk management

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

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

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

Credit risk mitigation

- Credit principles and policy: Group Risk sets out the group credit principles and policy according to which credit risk is managed, which in turn is the basis for divisional and business unit credit policy. Principles and policy are reviewed regularly and any changes are subject to a review and approval process. Business unit policy includes lending guidelines, which define the responsibilities of lending officers and provide a disciplined and focused benchmark for credit decisions.
- Concentration risk: Credit risk management includes portfolio controls on certain industries, sectors and product lines that reflect risk appetite and which operate at a divisional level. Credit policy is aligned to risk appetite and restricts exposure to certain high risk and more vulnerable sectors. At a divisional level, exposures are monitored to prevent excessive concentration of risk. These concentration risk controls are not necessarily in the form of a maximum limit on lending but may instead require new business in concentrated sectors to fulfil additional hurdle requirements.
- Stress testing and scenario analysis at a divisional level: The credit portfolio is also subjected to stress testing and scenario analysis, to simulate outcomes and calculate their associated impact.

Financial assets subject to credit risk

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

	2021	2020
	£'000	£'000
Trade and other receivables	**127**	122
Cash and cash equivalents	**34,312**	40,128
	34,439	40,250

22. Financial risk management (continued)

22.2 Liquidity risk

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

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

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

As at 31 December 2021

	Up to 1 month £'000	**1-3 months £'000**	**3-12 months £'000**	**1-5 years £'000**	**Total £'000**
Interest - bearing loans and borrowings	**-**	**-**	**92,409**	**365,000**	**457,409**
Trade and other payables	**40**	**-**	**200**	**-**	**240**
Undrawn financial commitments	**-**	**69,495**	**-**	**-**	**69,495**
At 31 December	**40**	**69,495**	**92,609**	**365,000**	**527,144**

As at 31 December 2020

	Up to 1 month £'000	1-3 months £'000	3-12 months £'000	1-5 years £'000	Total £'000
Interest - bearing loans and borrowings	-	-	45,062	372,244	417,306
Trade and other payables	40	-	198	-	238
Undrawn financial commitments	9,906	17,083	76,875	-	103,864
At 31 December	9,946	17,083	122,135	372,244	521,408

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

22.3 Market risk

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

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

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

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

22. Financial risk management (continued)

22.4 Interest rate risk

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

The Company paid interest on LBGEIL borrowings of £11,791,000 (2020: £11,132,000) on which interest rates of between 1.95% and 3.29% (2020: 0.86% and 3.29%) were charged.

Interest rate risk - sensitivity analysis

The sensitivity analysis is based on the Company's LBGEIL borrowings and takes account of movement in the market interest rates available at the time a deal is completed. A 1.34% (2020: 2.43%) increase or decrease is used to assess the possible change in Interest expense. This rate is appropriate as this is the movement between rates available in the year.

If the market rate increased by 1.34% (2020: 2.43%) and all other variables remain constant this would increase Interest expense by £6,097,000 (2020: £10,085,000) and accordingly decrease Interest expense by £6,097,000 (2020: £10,085,000) if the market rate decreased by the same amount.

22.5 Business risk

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

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

22.6 Foreign currency risk

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

The Company operates a fair value hedge to mitigate the foreign exchange risk arising from the fair value through profit and loss instruments. This risk is hedged through a net portfolio of foreign currency fixed interest borrowings and deposits with £2,351,000 foreign currency fixed interest term loans being designated in a fair value hedge relationship at year end (2020: £2,244,000).

The fair value hedge results in foreign exchange gains or losses on the hedged portion of FVTPL assets classified in the Statement of comprehensive income against the foreign exchange gain or loss of borrowings designated in a hedge relationship.

The following net ineffectiveness on fair value hedge was recognised throughout the year:

	2021	2020
	£'000	£'000
Foreign exchange (loss)/gain on hedging instrument	**149**	(801)
Foreign exchange gain/(loss) on hedged item	**(180)**	877
Net ineffectiveness on fair value hedge	**(31)**	76

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

22. Financial risk management (continued)

22.7 Equity risk

Equity risk exists from the Company's exposure to unlisted equity securities. The Company undertakes a full assessment of each entity's potential for value creation prior to entering into a new transaction. Thereafter the performance of each investment is continually monitored and action taken as deemed appropriate in the circumstances. Further information about the Company's sensitivity to changes in the fair value of equity investments is set out below and in Note 22.9 to the financial statements. At the reporting date the carrying value of equity investments amounted to £747,423,000 (2020: £597,955,000). 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. The table below sets out the sensitivity of PBT and the fair value through other comprehensive income reserve (before tax) to a 10% fall in fair value of equity investments as at the Balance sheet date.

	Profit before tax 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
Unlisted equity investments	**74,569**	**173**	59,641	154

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

The underlying investment sector has concentrations around Retail and Professional Services: 18% (2020: 18%) and Manufacturing: 15% (2020: 17%), but is otherwise well diversified over a variety of investment sectors.

Geographic exposure is wholly within the UK (100%; 2020: 100%) and there is an insignificant market concentration outside of the European Union at the fund manager level.

22.8 Financial strategy

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

22.9 Fair values of financial assets and liabilities

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

Fair value of financial assets carried at fair value

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

Fair value hierarchy

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

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

22. Financial risk management (continued)

22.9 Fair values of financial assets and liabilities (continued)

Level 3 portfolios

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

The tables below provide an analysis of the financial assets of the Company that are carried at fair value in the Company's Balance sheet, grouped into Levels 1 to 3 based on the degree to which the inputs to fair value are observable.

At 31 December 2021	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Financial assets at fair value through profit and loss	**-**	**-**	**745,689**	**745,689**
Financial assets at fair value through other comprehensive income	**-**	**-**	**1,734**	**1,734**
	-	**-**	**747,423**	**747,423**

At 31 December 2020	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets at fair value through profit and loss	-	-	596,413	596,413
Financial assets at fair value through other comprehensive income	-	-	1,541	1,541
	-	-	597,954	597,954

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

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

22. Financial risk management (continued)

22.9 Fair values of financial assets and liabilities (continued)

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	**745,689**	**76,363**	**(76,306)**	596,413	54,456	(82,628)
Financial assets at fair value through other comprehensive income						
Equity Securities	**1,734**	**347**	**(347)**	1,541	-	(308)
	747,423	**76,710**	**(76,653)**	597,954	54,456	(82,936)

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. Favourable movements in respect of financial assets at fair value through other comprehensive income would be recognised in other comprehensive income.

Equity investments (including venture capital)

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

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

Equity investments (including venture capital)

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

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

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

22. Financial risk management (continued)

22.10 Capital disclosures

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

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

23. Contingent liabilities and financial commitments

The Group has an open matter in relation to a claim for group relief of losses incurred in its former Irish banking subsidiary, which ceased trading on 31 December 2010. In 2013 HMRC informed the Group that its interpretation of the UK rules means that the group relief is not available. In 2020, HMRC concluded their enquiry into the matter and issued a closure notice. The Group's interpretation of the rules has not changed and hence it has appealed to the First Tier Tax Tribunal, with a hearing expected in 2023. If the final determination of the matter by the judicial process is that HMRC's position is correct, management estimate that this would result in an increase in current tax liabilities for the company of approximately £19,014,000 (including interest). The Group, having taken appropriate advice, does not consider that this is a case where additional tax will ultimately fall due.

As at 31 December 2021, the Company has undrawn commitments in private equity funds of £69,495,000 (2020: £103,864,000). Of these, the main undrawn commitments are described below:

Business Growth Fund (£68,218,000, 2020: £102,500,000)

In May 2011, the Group agreed, together with The Royal Bank of Scotland plc (and three other non-related parties), to commit up to £300,000,000 each of equity investment by subscribing for shares in the Business Growth Fund plc which is the company created to fulfil the role of the Business Growth Fund as set out in the British Bankers' Association Taskforce Report of October 2010. In January 2017, each party agreed to commitment of up to an additional £250,000,000 with an annual review of what would be committed for the next year. At 31 December 2021, the Group had invested £481,782,000 (2020: £442,657,000) in the Business Growth Fund and carried the investment at a fair value of £667,169,000 (2020: £562,157,000). Agreed commitments totalled £68,218,000 at 31 December 2021.

Other Funds (£1,277,000, 2020: £1,364,000)

The remaining undrawn commitments are related to the following investments - BoS Mezzanine Partners Fund LP (£1,227,000, 2020: £1,314,000) and Scottish Loan Fund LP (£50,000, 2020: £50,000).

24. Post balance sheet events

There are no post balance sheet events requiring disclosure in these financial statements.

25. 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.

26. Ultimate parent undertaking and controlling party

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

Independent auditor's report to the members of Uberior Investments Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Uberior 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 26.

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.

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

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.

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

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 investments which are recognised at fair value using unobservable inputs. We tested the design and implementation of key controls over valuation process. With support of our valuation specialists, we 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 Uberior 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 and directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic and directors' report have 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 and the 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.

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