THE MORTGAGE BUSINESS PUBLIC LIMITED COMPANY

COMPANY REGISTRATION NUMBER: 01997277

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

Registered Office:
Trinity Road
Halifax
United Kingdom
HX1 2RG

Member of Lloyds Banking Group plc

THE MORTGAGE BUSINESS PUBLIC LIMITED COMPANY

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015

The Directors present their strategic report for The Mortgage Business Public Limited Company (the "Company") for the year ended 31 December 2015 a Company registered in England, for the year ended 31 December 2015. The Company is a subsidiary of Lloyds Banking Group plc (the "Group").

Review of strategy and business model

The principal activity of the Company is the administration of residential mortgages. In 2008 the Company withdrew from the secured mortgage market and no longer offers new mortgages, other than further drawdowns on existing loans. Also in 2008 the Company entered into a securitisation arrangement with Deva Financing plc, a special purpose entity created for this purpose. The risks and rewards of the securitised assets are substantially retained by the Company and continue to be recognised in the Statement of Financial Position.

Review of the business

The results for the year are set out in the Statement of Comprehensive Income on page 8. The Company's profit before tax for the financial year was £104,187k (2014: £116,286k) which has reduced compared to the prior year mainly due to a provision for the repayment of fees applicable to mortgage accounts.

The performance of the Company is assessed by management using key performance indicators based on the performance of the mortgage portfolio. These primarily consist of interest received and impairment provisions on loans and advances to customers.

Interest receivable in the year was £326,175k which decreased from £358,133k in 2014 due to loans to customers steadily reducing to £7,275,409k in the year (2014: £8,083,066k) as the mortgage book continues to run off.

The charge to the Statement of Comprehensive Income for impairment losses for 2015 is £23,199k compared to £54,742k in 2014. The impairment provision has increased from £209,949k in 2014 to £211,587k in 2015.

In 2008 the Company withdrew from the secured mortgage market and no longer offers new mortgages, other than further drawdowns on existing loans. The Company's future performance is therefore aligned with the performance of the remaining mortgage book.

In 2013 the Company undertook a funding arrangement with Bank of Scotland plc ("BoS plc"). A total of £8,600,000k was received from BoS plc for this funding arrangement. The current amounts outstanding on this new arrangement and the rates applied are detailed in note 15 of these financial statements.

Principal risks and uncertainties

The key risks and uncertainties faced by the Company are managed within the framework established for the Group. The key risks surrounding credit, liquidity, markets and operations are discussed in note 16.

Future developments

The principal activity of the Company is the administration of residential mortgages. In 2008 the Company withdrew from the secured mortgage market and no longer offers new mortgages. The Company continues to administer a decreasing mortgage book and there are no current plans to change this in the future.

Gender of directors and employees

The Directors of the Company as listed on page 4 are all male.

Employees

The Company has no employees (2014: none). It uses the services of its immediate parent undertaking for which a management charge, included in administrative expenses, is made.

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015

General

The Directors do not consider there to be any further material issues which need to be included in this Strategic Report.

On behalf of the board

AR Brindley
Director

Date 22nd April 2016

THE MORTGAGE BUSINESS PUBLIC LIMITED COMPANY

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015

The Directors present their report and the audited financial statements for The Mortgage Business Public Limited Company (the "Company"), a Company registered in England, for the year ended 31 December 2015. The Company is a subsidiary of Lloyds Banking Group plc (the "Group").

Dividends

An interim dividend of £598,500k was agreed by the directors and paid in 2015 (2014: £nil).

Directors and Company Secretary

The Directors of the Company who were in office during the year and up to the date of signing the financial statements were as follows:
SJ Noakes (Resigned 30.10.15)
RW Fletcher
PL Baker
AR Brindley (Appointed 13.08.15)
C Gowland (Appointed 30.10.15)

The Company Secretary who served during the year was:
P Gittins

Directors' Responsibilities Statement

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

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

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at the time of 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.

Each of the Directors, whose names are listed above, confirm that:

- to the best of each Director's knowledge the Company financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Company; and
- the Directors' Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

Statement on Going Concern

The Company is reliant on funding provided by Bank of Scotland plc ("BoS plc") which is a subsidiary of Lloyds Banking Group plc. 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 and, accordingly, the financial statements have been prepared on a going concern basis.

Policy and Practice on Payment of Suppliers

The Company follows "The Better Payment Practice Code" published by the Department for Business Innovation and Skills (BIS) regarding the making of payments to suppliers. A copy of the code and information about it may be obtained from the BIS Publications Order Line 0845 0150 010 quoting ref. URN 04/606.

The Company's policy is to agree terms of payment with suppliers and these normally provide for settlement within 30 days after the date of the invoice, except where other arrangements have been negotiated. It is the policy of the Company to abide by the agreed terms of payment, provided the supplier performs according to the terms of the contract.

Directors' Indemnities

Lloyds Banking Group plc has granted to the Directors of the Company, including former directors who retired during the year, a deed of indemnity through deed poll which constituted 'qualifying third party indemnity provisions' for the purposes of the Companies Act 2006. The deed was in force during the whole of the financial year and at the date of approval of the financial statements or from the date of appointment in respect of the Director who joined the Board of the Company during the financial year. Directors no longer in office but who served on the Board of the Company at any time in the financial year had the benefit of this contract of indemnity during that period of service. The indemnity remains in force for the duration of a Director's period of office. The deed indemnifies the Directors to the maximum extent permitted by law. The Deed for existing Directors is available for inspection at the registered office of Lloyds Banking Group plc. In addition, the Group has in place appropriate Directors and Officers Liability Insurance cover which was in place throughout the financial year.

Principal risks and uncertainties

Principal risks and uncertainties are discussed in Strategic report on page 2 and note 16.

Future developments

Future developments are discussed in Strategic report on page 2.

Independent Auditors

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

Disclosure of Information to Auditors

Each Director in office at the date of this report confirms that:

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

This confirmation is given, and should be interpreted, in accordance with the provisions of section 418 of the Companies Act 2006.

On behalf of the board

AR Brindley
Director

22nd April 2016

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE MORTGAGE BUSINESS PUBLIC LIMITED COMPANY
REPORT ON THE FINANCIAL STATEMENTS

Our opinion
In our opinion, The Mortgage Business Public Limited Company's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited
The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the statement of financial position as at 31 December 2015;
- the statement of comprehensive income for the year then ended;
- the statement of cash flows for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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

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

OPINION ON THE OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

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

OTHER MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Adequacy of accounting records and information and explanations received
Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

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

THE MORTGAGE BUSINESS PUBLIC LIMITED COMPANY

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE MORTGAGE BUSINESS PUBLIC LIMITED COMPANY
RESPONSIBILITES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

Our responsibilities and those of the directors
As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

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

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

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

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

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

D Brydon

Daniel Brydon (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
22nd April 2016

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015 £000	2014 £000
Interest receivable and similar income	2	326,175	358,133
Interest payable and similar charges	3	(176,139)	(185,690)
Net interest receivable		**150,036**	**172,443**
Fee and commission income	4	792	1,300
Total income		**150,828**	**173,743**
Administrative expenses	5	(23,442)	(2,715)
Trading profit		**127,386**	**171,028**
Impairment losses on loans and advances	11	(23,199)	(54,742)
Profit before taxation	6, 7	**104,187**	**116,286**
Taxation charge	7	(21,097)	(24,996)
Profit for the year and total comprehensive income		**83,090**	**91,290**

All profit / total comprehensive income is attributable to continuing operations.

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

THE MORTGAGE BUSINESS PUBLIC LIMITED COMPANY

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015

	Note	2015 £000	2014 £000
Assets			
Current assets			
Loans and advances to Group companies	13	6,061,321	7,867,725
Loans and advances to customers	11	216,001	194,441
Other receivables		-	1,108
		6,277,322	**8,063,274**
Non current assets			
Loans and advances to customers	11	6,847,821	7,678,676
Deferred tax asset	9	-	78
		6,847,821	**7,678,754**
Total assets		**13,125,143**	**15,742,028**
Current liabilities			
Amounts owed to Group companies	13	6,616,297	14,931,082
Current tax liabilities		45,936	24,917
Provisions	14	20,300	-
Other liabilities		1,570	547
		6,684,103	**14,956,546**
Non current liabilities			
Amounts owed to Group companies		6,170,968	-
		6,170,968	**-**
Total liabilities		**12,855,071**	**14,956,546**
Equity			
Share capital	12	10,000	10,000
Retained earnings		260,072	775,482
Total equity		**270,072**	**785,482**
Total equity and liabilities		**13,125,143**	**15,742,028**

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

THE MORTGAGE BUSINESS PUBLIC LIMITED COMPANY

STATEMENT OF CHANGES IN EQUITY
AS AT 31 DECEMBER 2015

	Note	Share Capital £000	Retained Earnings £000	Total Equity £000
Balance at 1 January 2014		**10,000**	**684,192**	**694,192**
Profit for the year and total comprehensive income		-	91,290	91,290
Balance at 31 December 2014		**10,000**	**775,482**	**785,482**
Profit for the year and total comprehensive income		-	83,090	83,090
Dividend	10	-	(598,500)	(598,500)
Balance at 31 December 2015		**10,000**	**260,072**	**270,072**

THE MORTGAGE BUSINESS PUBLIC LIMITED COMPANY

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2015

	2015 £000	2014 £000
Cash flows from operating activities		
Profit before taxation	104,187	116,286
Adjustments for:		
Increase in other payables	21,323	522
Decrease in net loans and advances to customers	809,295	962,183
Decrease in other receivables	1,108	599
Decrease/ (increase) in loans and advances to Group companies	879,752	(263,370)
Decrease in amounts owed to Group companies	(95,538)	(94,815)
Cash generated by operations	**1,720,127**	**721,405**
Income taxes paid	-	(19,182)
Net cash generated from operating activities	**1,720,127**	**702,223**
Cash flows from financing activities		
(Increase)/ decrease in amounts owed by Deva Financing plc	(1,427,388)	814,444
(Decrease)/increase in amounts owed to Deva Financing plc	(806,173)	2,364
Decrease in deposit with BoS plc	542,107	654,992
Decrease in repurchase liability with BoS plc	(542,107)	(654,992)
Decrease in other financing owed to BoS plc	(700,000)	(700,000)
Increase/(decrease) in other financing owed by BoS plc	1,811,934	(819,031)
Dividends Paid	(598,500)	0
Net cash used in financing activities	**(1,720,127)**	**(702,223)**
Net movement in cash and cash equivalents	-	-
Cash and cash equivalents at 1 January	-	-
Cash and cash equivalents at 31 December	**-**	**-**

The financial statements on pages 8 to 11 were approved by the board of Directors on 22nd April 2016 and signed on its behalf by:

AR Birindley
Director

1 ACCOUNTING POLICIES

The financial statements have been prepared on a going concern basis, in accordance with the Companies Act 2006 applicable to companies reporting under IFRS as adopted by the EU and the accounting policies have been consistently applied. IFRS comprises accounting standards prefixed IFRS issued by the International Accounting Standards Board (IASB) and those International Accounting Standards (IAS) issued by the IASB's predecessor body as well as interpretations issued by the International Financial Reporting Standards Interpretations Committee (IFRS IC) and its predecessor body. The EU endorsed version of IAS 39 'Financial Instruments: Recognition and Measurement' relaxes some of the hedge accounting requirements; the Company has not taken advantage of this relaxation, and therefore there is no difference in application to the Company between IFRS as adopted by the EU and IFRS as issued by the IASB. The Company is incorporated and domiciled in England and Wales.

The Company has adopted the following amendments to standards and interpretations which became effective for financial years beginning on or after 1 January 2015. None of these amendments to standards or interpretations has had a material impact on these financial statements.

(i) *Amendments to IAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities* - the amendments to IAS 32 clarify the requirements for offsetting financial instruments and address inconsistencies identified in applying the offsetting criteria used in the standard.

(ii) *IFRIC 21 Levies* - this interpretation clarifies that the obligating event that gives rise to a liability to pay a government levy is the activity that triggers the payment of the levy as set out in the relevant legislation and that an entity's expectation of operating in a future period, irrespective of the difficulties involved in exiting a market, does not create a constructive obligation to pay a levy.

Details of those IFRS pronouncements which will be relevant to the Company but which were not effective at 31 December 2015 and which have not been applied in preparing these financial statements are given in note 16.

The financial information has been prepared under the historical cost convention, modified by the revaluation of certain assets.

The principal accounting policies applied in the preparation of these financial statements are set out below.

a) Revenue Recognition

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

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

1 ACCOUNTING POLICIES (continued)

b) Financial Assets and Liabilities

Loans and Receivables
Loans and receivables include loans and advances to customers and eligible assets. Loans and receivables are initially recognised when cash is advanced to the borrowers at fair value inclusive of transaction costs. Financial assets classified as loans and receivables are accounted for at amortised cost using the effective interest method less provision for impairment.

The Company has entered into securitisation and similar transactions to finance certain loans and advances to customers. These loans and advances to customers continue to be recognised by the Company, together with a corresponding liability for the funding.

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 method.

An exchange of financial liabilities on substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The difference between the carrying amount of a financial liability extinguished and the new financial liability is recognised in profit or loss together with any related costs or fees incurred.

Derecognition of Financial Assets and Liabilities
Financial assets are derecognised when the contractual right to receive cash flows from those assets has expired or when the Company has transferred its contractual right to receive the cash flows from the assets and either:

- substantially all of the risks and rewards of ownership have been transferred; or
- the Company has neither retained nor transferred substantially all the risks and rewards, but has not retained control.

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation is discharged, cancelled or expires).

Impairment of Financial Assets
At each year end date the Company assesses whether, as a result of one or more events occurring after initial recognition and prior to the year end date, there is objective evidence that a financial asset or group of financial assets has become impaired.

The criteria that the Company uses to determine that there is objective evidence of an impairment loss include:

- Delinquency in contractual payments of principal and/or interest;
- Indications that the borrower or group of borrowers is experiencing significant financial difficulty;
- Restructuring of debt to reduce the burden on the borrower;
- Breach of loan covenants or conditions; and
- Initiation of bankruptcy or individual voluntary arrangement proceedings.

For impaired debt instruments which are classified as loans and receivables, impairment losses are recognised in subsequent periods when it is determined that there has been a further negative impact on expected future cash flows. A reduction in fair value caused by general widening of credit spreads would not, of itself, result in additional impairment.

1 ACCOUNTING POLICIES (continued)

b) Impairment of Financial Assets (continued)

The estimated period between a loss occurring and its identification is determined by local management for each identified portfolio. In general, the periods used vary between two months and twelve months.

If there is objective evidence that an impairment loss has been incurred, an allowance is established which is calculated as the difference between the Statement of financial position carrying value of the asset and the present value of estimated future cash flows discounted at that asset's original effective interest rate. Allowances are calculated for loans and advances to customers as a group of assets taking into account historic cash flow experience.

If there is no objective evidence of individual impairment the asset is included in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment. Segmentation takes into account such factors as the type of asset, industry, geographical location, collateral type, past-due status and other relevant factors. These characteristics are relevant to the estimation of future cash flows for groups of such assets as they are indicative of the borrower's ability to pay all amounts due according to the contractual terms of the assets being evaluated. Future cash flows are estimated on the basis of the contractual cash flows of the assets in the Company and historical loss experience for assets with similar credit risk characteristics. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Company to reduce any differences between loss estimates and actual loss experience.

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 (as a result of the customer's insolvency or other reason) 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.

c) Taxation

Current income tax which is payable on taxable profits is recognised as an expense in the period in which the profits arise.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates that have been enacted or substantially enacted by the year end date which are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised where it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax is provided on temporary differences arising from investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the difference will not reverse in the foreseeable future. Income tax payable on profits is recognised as an expense in the period in which those profits arise. The tax effects of losses available for carry forward are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

Deferred and current tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

1 ACCOUNTING POLICIES (continued)

d) Critical accounting estimates and judgements

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Due to the inherent uncertainty in making estimates, actual results reported in future periods may be based upon amounts which differ from those estimates. Estimates, judgements and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The Company makes judgements and estimates in the preparation of the results and financial position, however none of these are deemed to be critical.

At 31 December 2015 gross loans and receivables of the Company totalled £7,275,409k (2014: £8,083,066k) against which impairment allowances of £211,587k (2014: £209,949k) had been made. The Company's accounting policy for losses arising on financial assets classified as loans and receivables is described in note 1b; this note also provides an overview of the methodologies applied.

The allowance for impairment losses on loans and receivables is management's best estimate of losses incurred in the portfolio at the Statement of financial position date. Impairment allowances are made up of two components, those determined individually and those determined collectively.

Individual impairment allowances are generally established against wholesale lending portfolios. The determination of individual impairment allowances requires the exercise of considerable judgement by management involving matters such as local economic conditions and the resulting trading performance of the customer, and the value of the security held, for which there may not be a readily accessible market. In particular, significant judgement is required by management in the current economic environment in assessing the borrower's cash flows and debt servicing capability together with the realisable value of real estate collateral. The actual amount of the future cash flows and their timing may differ significantly from the assumptions made for the purposes of determining the impairment allowances and consequently these allowances can be subject to variation as time progresses and the circumstances of the customer become clearer.

Collective impairment allowances are generally established for smaller balance homogenous portfolios such as the retail portfolios. The collective impairment allowance is also subject to estimation uncertainty and in particular is sensitive to changes in economic and credit conditions, including the interdependency of house prices, unemployment rates, interest rates, borrowers' behaviour, and consumer bankruptcy trends. It is, however, inherently difficult to estimate how changes in one or more of these factors might impact the collective impairment allowance.

e) Deemed loan from Deva Financing plc

Under IFRS, if a transferor retains substantially all the risks and rewards associated with the transferred assets, the transaction is accounted for as a financing transaction, notwithstanding that it is a sale transaction from a legal perspective. The Directors of the Company have concluded that the Company has retained substantially all the risks and rewards of the pool of mortgage loans and as a consequence the Company continues to recognise the mortgage loans on its Statement of financial position.

The initial amount of the deemed loan from Deva Financing plc corresponds to the consideration paid by Deva Financing plc for the mortgage loans less the subordinated loan granted by the Company. Deva Financing plc recognises principal and interest cash flows from the underlying pool of mortgage loans only to the extent that it is entitled to retain such cash flows. Additionally, the Directors of the Company consider that the subordinated loan does not meet the definition of a liability as Deva Financing plc will repay the subordinated loan to the Company only if it first receives an equivalent amount from the Company.

The deemed loan to the Company from Deva Financing plc is classified within "amounts owed to group companies". The initial measurement is at fair value with subsequent measurement being at amortised cost using the effective interest method. The effective interest on the deemed loan is calculated with reference to the interest earned on the beneficial interest in the mortgage portfolio.

1 ACCOUNTING POLICIES (continued)

f) Provisions

Provisions are recognised in respect of present obligations arising from past events where it is probable that outflows of resources will be required to settle the obligations and they can be reliably estimated.

2 INTEREST RECEIVABLE AND SIMILAR INCOME

Interest income, all of which arose from activities within the United Kingdom, represents finance charges earned on mortgage loan agreements together with income from associated services and income earned on amounts due from group companies.

The interest income and profit before tax are attributable to one continuing activity, the provision of mortgage loans and associated services.

The components of interest receivable and similar income are as follows:

	2015 £000	2014 £000
Mortgage interest receivable on unimpaired lending	263,580	300,305
Mortgage interest receivable on impaired lending	13,372	11,757
Interest receivable on deposit with BoS plc	34,721	37,464
Interest receivable on other intercompany amounts owed by BoS plc	14,502	8,607
Interest receivable and similar income	326,175	358,133

3 INTEREST PAYABLE AND SIMILAR CHARGES

	2015 £000	2014 £000
Interest payable on other intercompany amounts owed to BoS plc	141,418	148,226
Interest payable on repurchase with BoS plc	34,721	37,464
Interest payable	176,139	185,690

4 FEE AND COMMISSION INCOME

The components of fee and commission income are as follows:

	2015 £000	2014 £000
Fees and additional income	792	1,300
Fee and commission income	792	1,300

5 ADMINISTRATIVE EXPENSES

	2015 £000	2014 £000
Management charge	2,697	2,238
Other administrative expenses	20,745	477
	23,442	2,715

5 ADMINISTRATIVE EXPENSES (continued)

In the course of its business, TMB plc will, through it's ultimate parent, Lloyds Banking Group, be engaged in discussions with the PRA, FCA and other UK regulators and other governmental authorities on a range of matters. Complaints and claims are also received from customers in connection with its past conduct and, where significant, provisions are held against the costs expected to be incurred as a result of the conclusions reached. During 2015, £20.3m (2014: £0.0m) has been provided for in respect of matters relating to TMB plc for repayment of fees applicable to mortgage accounts. The ultimate financial effect, which could be different from the current provision, of these matters will only be known once they have been resolved, the timing of which is uncertain.

The Company has no employees (2014: none). It uses the services of its immediate parent undertaking for which a management charge, included in administrative expenses, is made.

6 PROFIT BEFORE TAXATION

Profit before taxation is stated after charging the following items	2015 £000	2014 £000
Impairment losses on loans or advances	23,199	54,742

7 TAXATION CHARGE

(a) Analysis of charge in year

	2015 £000	2014 £000
UK corporation tax		
Current tax	21,019	24,917
Deferred tax - (as per note 8 below)	78	79
Total taxation charge	21,097	24,996

(b) Factors affecting the taxation charge for the year

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the Company as follows:

	2015 £000	2014 £000
Profit before taxation	104,187	116,286
Tax charge at UK corporation tax rate of 20.25% (2014: 21.5%)	21,098	25,002
Effect of rate change and related impacts	(1)	(6)
Total taxation in statement of comprehensive income	21,097	24,996

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

The Finance Act 2015 which was substantively enacted on 26 October 2015 included legislation to reduce the corporation tax rate applicable from 1 April 2017 to 19 per cent and from 1 April 2020 to 18 per cent.

8 CONTINGENT TAX LIABILITY

The Company provides for potential tax liabilities that may arise on the basis of the amounts expected to be paid to tax authorities. This includes open matters where Her Majesty's Revenue and Customs ('HMRC') adopt a different interpretation and application of tax law which might lead to additional tax.

8 CONTINGENT TAX LIABILITY (continued)

A number of Group companies, including the Company, have an open matter in relation to a claim for group relief of losses incurred in a former Irish banking subsidiary of the Lloyds Banking Group plc, which ceased trading on 31 December 2010. In the second half of 2013 HMRC informed the Lloyds Banking Group plc that their interpretation of the UK rules, permitting the offset of such losses, denies these claims; if HMRC's position is found to be correct, management estimate that this would result in an increase in the Company's current tax liability of approximately £21,800k. The Lloyds Banking Group plc does not agree with HMRC's position and, having taken appropriate advice, does not consider that this is a case where additional tax will ultimately fall due on the Company.

9 DEFERRED TAX ASSET

Deferred tax assets are attributable to the following:

	2015 £000	2014 £000
Deferred tax asset brought forward	78	157
Release of deferred tax asset	(79)	(85)
Effect of rate change and related impacts	1	6
Deferred tax asset carried forward	-	78

The deferred tax asset was recognised in relation to the general provision held prior to transition to IFRS from UK GAAP and is to be released to the income statement over a period of ten years. The Finance Act 2013 (the Act) was substantively enacted on 2 July 2013. The Act further reduced the main rate of corporation tax to 21 per cent with effect from 1 April 2014 and 20 per cent with effect from 1 April 2015.

The Finance Act 2015 which was substantively enacted on 26 October 2015 included legislation to reduce the corporation tax rate applicable from 1 April 2017 to 19 per cent and from 1 April 2020 to 18 per cent.'

10 DIVIDENDS

A dividend was agreed by the directors and paid in 2015 as follows:

	2015 £000	2014 £000
Equity – ordinary		
Interim paid (2015): 5,985p (2014: nil) per £1 share	598,500	-
	598,500	-

The £598,500k dividend was agreed by the directors and paid in 2015. No dividends were proposed or paid in 2014.

11 LOANS AND ADVANCES TO CUSTOMERS

	2015 £000	2014 £000
Loans and advances to customers before impairment	7,275,409	8,083,066
Impairment provision	(211,587)	(209,949)
Loans and advances to customers net of impairment	7,063,822	7,873,117

11 LOANS AND ADVANCES TO CUSTOMERS (continued)

	2015 £000	2014 £000
Provision for impairment as at 1 January	209,949	226,069
New impairment less releases	23,199	54,742
Amounts written off	(21,561)	(70,862)
Provision for impairment as at 31 December	211,587	209,949

12 SHARE CAPITAL

	2015 £000	2014 £000
Authorised, issued and fully paid up		
10 million (2014: 10 million) Ordinary shares of £1 each at 31 December	10,000	10,000

Ordinary shares carry one vote each.

13 LOANS AND ADVANCES AND AMOUNTS OWED TO GROUP COMPANIES

	2015 £000	2014 £000
Current assets		
Intercompany loans and borrowings	274,792	1,154,543
Deposit with BoS plc	4,350,554	4,892,661
Amounts owed by Deva Financing plc	1,435,975	8,587
Other intercompany amounts owed by BoS plc	-	1,811,934
	6,061,321	7,867,725
Current liabilities		
Intercompany loans and borrowings	476,776	572,314
Repurchase liability with BoS plc	4,350,554	4,892,661
Amounts owed to Deva Financing plc	1,159,935	1,966,107
Other intercompany amounts owed to BoS plc	629,032	7,500,000
	6,616,297	14,931,082
Non current liabilities		
Other intercompany amounts owed to BoS plc	6,170,968	-
Total liabilities	12,787,265	14,931,082

Interest on the deposit and the repurchase liability with BoS plc is charged at 3 month Libor plus margin. For amounts owed by Deva Financing plc, the effective interest on this deemed loan is calculated with reference to the interest earned on the beneficial interest in the mortgage portfolio. No interest is charged on amounts owed to Deva Financing plc although a notional interest is payable representing fees and charges, refer to the Related Party Transaction note 18.

Interest on the other intercompany amount due from BoS plc is charged at 3 month rolling average Libor. Funding arrangement was undertaken in January 2013. Interest charged at 3 month Libor plus margin.

Interest on the other inter-company loans and borrowings with Lloyds Banking Group plc companies is charged at 3 month rolling average Libor and is repayable on demand.

The period over which these amounts are payable is detailed in note 16 of these financial statements.

14 PROVISIONS

	2015 £000s	2014 £000s
Provision as at 1 January	-	-
Charge for the Year	20,300	-
Utilised	-	-
Provision as at 31 December	20,300	-

In 2015 a provision has been made in the financials statements in respect of repayments to customers. Refer to Administrative Expenses note 5. The provision represents an estimate of the likely future outflows to settle claims against the Company and the costs associated with processing these claims.

15 SECURITISATION

Loans and advances to customers include residential mortgage balances that have been securitised but not derecognised, the carrying values of which are set out below together with any related liabilities. These are not derecognised because the Company remains exposed to the majority of the risk of any default in respect of them.

Securitisation	Type of Loan	2015 Gross assets securitised £000	2015 Notes in issue £000	2014 Gross assets securitised £000	2014 Notes in issue £000
Deva Financing plc	UK residential mortgages	4,375,146	4,350,554	4,900,659	4,892,661

In keeping with normal market practice, the Company enters into securities lending transactions and repurchase agreements, whereby cash and securities are temporarily received or transferred as collateral. Where the securities sold subject to repurchase or pledged as collateral are retained on the Statement of financial position the funds received under these arrangements are recognised as liabilities.

The risks and rewards of the securitised assets are substantially retained by the Company and continue to be recognised on the Statement of financial position. At the year end £4,350,554k of assets were subject to repurchase agreements (2014: £4,892,661k).

16 FINANCIAL INSTRUMENTS

The primary risks affecting the Company through its use of financial instruments are: credit risk; market risk, which includes interest rate risk; and liquidity risk. The following additional disclosures provide quantitative information about the risks within financial instruments held or issued by the Company.

CREDIT RISK

The Company's credit risk exposure arises in the UK.

The maximum credit risk exposure of the Company in the event of other parties failing to perform their obligations are detailed below. No account is taken of any collateral held and the maximum exposure to loss in considered to be the Statement of financial position carrying amount.

16 FINANCIAL INSTRUMENTS (continued)

Credit Risk (continued)

		To Group companies		To Customers	
		2015	**2014**	**2015**	**2014**
		£000	**£000**	**£000**	**£000**
Neither past due nor impaired		6,061,320	7,867,725	6,319,414	6,958,847
Past due but not impaired		-	-	554,707	680,393
Impaired	- no provision held	-	-	41,794	32,843
	- provision held	-	-	359,494	410,983
Gross loans and advances		6,061,320	7,867,725	7,275,409	8,083,066
Impairment provision		-	-	(211,587)	(209,949)
Net loans and advances		6,061,320	7,867,725	7,063,822	7,873,117

Loans and advances which are neither past due nor impaired

	To Group companies		To Customers	
	2015	**2014**	**2015**	**2014**
	£000	**£000**	**£000**	**£000**
Good quality	6,061,320	7,867,725	6,272,297	6,835,776
Satisfactory quality	-	-	46,058	117,837
Lower quality	-	-	1,000	3,774
Below standard, but not impaired	-	-	59	1,460
Total	6,061,320	7,867,725	6,319,414	6,958,847

Classifications of lending incorporate expected recovery levels for mortgages, as well as probabilities of default assessed using internal rating models. Good quality lending includes the lower assessed default probabilities and all loans with low expected losses in the event of default, with other categories reflecting progressively higher risks and lower expected recoveries.

Loans and advances which are past due but not impaired

	To Group companies		To Customers	
	2015	**2014**	**2015**	**2014**
	£000	**£000**	**£000**	**£000**
0-30 days	-	-	240,392	291,396
30-60 days	-	-	130,246	145,613
60-90 days	-	-	75,659	102,748
90-180 days	-	-	108,410	140,636
Total	-	-	554,707	680,393

A financial asset is 'past due' if a customer has failed to make a payment when contractually due.

Impaired loans and advances to customers
Loans and advances are deemed to be impaired if they are in arrears by 180 days or more. Loans and advances to customers of £401,288k (2014: £443,826k) are all in arrears by over 180 days. No amounts to Group companies are impaired (2014: £nil).

16 FINANCIAL INSTRUMENTS (continued)

An analysis by loan-to-value ratio of the Company's residential mortgage lending is provided below. The value of collateral used in determining the loan-to-value ratios has been estimated based upon the last actual valuation, adjusted to take into account subsequent movements in house prices, after making allowance for indexation error and dilapidations.

	2015 £000	2014 £000
Less than 70%	3,799,549	3,156,850
70% to 80%	1,347,275	1,706,632
80% to 90%	1,165,145	1,531,860
90% to 100%	558,710	1,029,371
Over 100%	404,730	658,353
Total	7,275,409	8,083,066

Repossessed Collateral

During 2015 the company obtained assets as a result of the enforcement of collateral held as security, as follows:

	2015 Carrying Amount £000	2014 Carrying Amount £000
Nature of assets		
- Residential Property	31,139	113,493

The Company does not take physical possession of properties or other assets held as collateral and uses external agents to realise the value as soon as practicable, generally at auction, to settle indebtedness. Any surplus funds are returned to the borrower or are otherwise dealt with in accordance with appropriate insolvency regulations.

LIQUIDITY RISK

The Company is deemed to have low exposure to the risk of being unable to meet its financial obligations as they fall due or only being able to do so at an unacceptably high cost. This is because the Company is funded by companies within Lloyds Banking Group plc and, as a result, liquidity risk is managed within the Group.

The liquidity table below is a contractual maturity analysis for all financial liabilities, based on the earliest date the entity could be expected to repay the amounts owed.

Loans from Group companies
2015

Carrying Value £000	Contractual repayment value £000	Less than 1 month £000	Between 1-3 months £000	Between 3-12 months £000	Between 1-5 years £000	5 years or more £000
12,787,265	12,787,265	6,287,265	-	329,032	4,170,968	2,000,000

Loans from Group companies
2014

Carrying Value £000	Contractual repayment value £000	Less than 1 month £000	Between 1-3 months £000	Between 3-12 months £000	Between 1-5 years £000	5 years or more £000
14,931,082	14,931,082	7,731,082	-	700,000	4,300,000	2,200,000

16 FINANCIAL INSTRUMENTS (continued)

INTEREST RATE RISK

The Directors regard the primary market risk faced by the Company to be adverse movements in interest rates impacting upon interest receivable on Loans and Advances to customer and therefore interest rate margins. Interest rate risk exists where the Company's financial assets and liabilities have interest rates set under different bases or are reset at different times.

The risk is managed using an earnings at risk methodology.

A sensitivity analysis has been performed as at 31 December 2015 to assess the impact on interest margins being 50 base points higher or lower with all other variables held constant. The Company has taken a prudent approach to this analysis by assuming that any base point movement would be completely reflected in all variable products. The net effect on the Company's income statement would be as shown in the table below:

	-50bps £000	Profit before Taxation £000	+50bps £000
2015	65,714	104,187	142,660
2014	73,425	116,286	159,147

In respect of income-earning financial assets and interest-bearing financial liabilities, the following table indicates the periods in which they re-price:

2015	Less than 1 Year £000	Between 1-2 Years £000	Between 2-5 Years £000	5 years or more £000	Total £000
Loans and advances to customers	216,001	257,648	798,790	5,791,381	7,063,822
Interest-bearing loans and borrowings	6,616,297	1,816,129	2,354,839	2,000,000	12,787,265

2014	Less than 1 Year £000	Between 1-2 Years £000	Between 2-5 Years £000	5 years or more £000	Total £000
Loans and advances to customers	194,441	236,454	931,404	6,510,818	7,873,117
Interest-bearing loans and borrowings	8,431,082	1,200,000	3,100,000	2,200,000	14,931,082

16 FINANCIAL INSTRUMENTS (continued)

FAIR VALUES

Financial instruments include financial assets and financial 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.

The fair values together with the carrying amounts shown in the Statement of Financial Position for financial instruments are as follows:

	Carrying amount 2015	Carrying amount 2014	Fair value 2015	Fair value 2014
	£000	£000	£000	£000
Loans and advances to customers	7,063,822	7,873,117	7,084,379	7,900,775

The carrying amount of loans and advances to Group companies and amounts owed to Group companies represent a reasonable approximation of fair value.

The Company has provided loans and advances to customers on fixed, tracker and variable rate bases. The carrying value of the variable rate loans is assumed to be their fair value. For fixed and tracker rate lending, fair value is estimated by discounting anticipated cash flows (including interest at contractual rates) at market rates for similar loans offered by the Company and other financial institutions.

IFRS 13 defines a fair value hierarchy that categorises the inputs and valuation techniques used into three levels:

- Level 1 fair value measurements are those derived from unadjusted quoted prices in active markets for identical assets or liabilities
- 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 market data
- Level 3 valuations 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 valuations require significant management judgement in determining appropriate assumptions.

The fair value of loans and advances to customers is considered to represent a level 3 valuation.

FINANCIAL ASSETS AND LIABILITIES AVAILABLE FOR OFFSETTING

Within the loans and advances and amounts owed to group companies note 13, all current asset and current liability amounts are shown gross. Amounts available for offsetting in accordance with IAS32 are offset within these financial statements.

CAPITAL

The managed capital of the Company constitutes total equity. These consist entirely of issued ordinary share capital and retained profit.

The Company is authorised and regulated by the Financial Conduct Authority ('FCA') and is subject to the FCA's capital resource requirements as set out by the FCA. Capital is actively managed at an appropriate level of frequency and regulatory capital levels are a key factor in the Company's budgeting and planning processes.

All FCA capital requirements imposed on the Company during the year were met.

17 TRANSFERS OF FINANCIAL ASSETS

The Company enters into repurchase and securities lending transactions in the normal course of business that do not result in derecognition of the financial assets concerned. In all cases the transferee has the right to sell or repledge the assets concerned to the transferor.

As set out within note 15, included within loans and receivables are loans securitised under the Group's securitisation programmes. The Company retains all or a majority of the risks and rewards associated with these loans and they are retained on the Company's statement of financial position. Assets transferred into the securitisation programmes are not available to be used by the Company during the term of those arrangements. The table below sets out the carrying values of the transferred assets and associated liabilities. For securitisation programmes, the associated liabilities represent the external notes in issue (note 15).

		Carrying value of transferred assets £000	Carrying value of associated liabilities £000
Securitisation Programmes			
Loans and advances to customers	**At 31 December 2015**	4,350,554	4,350,554
Loans and advances to customers	**At 31 December 2014**	4,892,661	4,892,661

18 RELATED PARTY TRANSACTIONS

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of an entity. The Company's key management personnel are its Directors, who consider that their duties in respect of the Company are incidental to their Group responsibilities. No Director entered into transactions with the Company in the year.

As disclosed in note 5, a recharge is made by the immediate parent company to cover the costs of administration and other services provided to the Company. The auditors remuneration of £50k (2014: £50k) was borne by the parent company.

Banking transactions are entered into by the Company with Lloyds Banking Group plc and its subsidiaries in the normal course of business and on normal commercial terms.

Amounts owed to Group Companies

	2015 £000	2014 £000
At 1 January	14,931,082	16,378,524
Interest charged during the year	176,139	185,690
Repayments during the year	(2,319,955)	(1,633,132)
At 31 December	12,787,265	14,931,082

Loans and advances to Group Companies

	2015 £000	2014 £000
At 1 January	7,867,725	8,254,760
Interest received during the year	43,721	46,072
Repayments during the year	(1,850,125)	(433,107)
At 31 December	6,061,321	7,867,725

18 RELATED PARTY TRANSACTIONS (continued)

During the year, in addition to those transactions disclosed separately in the financial statements, the Company had the following transactions with related parties:

	2015 £000	2014 £000
Included within interest payable and similar charges:		
Notional interest payable to Deva Financing plc	59	66
Interest payable to BoS plc	176,080	185,624
	176,139	185,690
Included within interest receivable and similar income:		
Interest receivable from BoS plc	34,721	46,071
Included within administrative expenses:		
Management recharge from BoS plc	2,697	2,238

19 FUTURE ACCOUNTING DEVELOPMENTS

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

Pronouncement	Nature of change	IASB effective date
IFRS 9 *Financial Instruments*[1]	Replaces IAS 39 *Financial Instruments*: Recognition and Measurement. IFRS 9 requires financial assets to be classified into three measurement categories, fair value through profit and loss, fair value through other comprehensive income and amortised cost, on the basis of the objectives of the entity's business model for managing its financial assets and the contractual cash flow characteristics of the instruments. The requirements for derecognition are broadly unchanged from IAS 39. The standard also retains most of the IAS 39 requirements for financial liabilities except for those designated at fair value through profit or loss whereby that part of the fair value change attributable to the entity's own credit risk is recorded in other comprehensive income. The classification and measurement change is not expected to have a significant impact on the Company. IFRS 9 also replaces the existing IAS 39 'incurred loss' impairment approach with an expected credit loss approach. Loan commitments and financial guarantees not measured at fair value through profit or loss are also in scope. Those changes may result in an increase in the Company's Statement of financial position provisions for credit losses at the initial application date (1 January 2018) depending upon the composition of the Company's amortised cost financial assets, as well as the general economic conditions and the future outlook.	Annual periods beginning on or after 1 January 2018
IFRS 15 *Revenue from Contracts with Customers*[1]	Replaces IAS 18 *Revenue* and IAS 11 *Construction Contracts*. IFRS 15 establishes principles for reporting useful information about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised at an amount that reflects the consideration to which the entity expects to be entitled in exchange for goods and services. Financial instruments, leases and insurance contracts are out of scope and so this standard is not expected to have a significant impact on the Company.	Annual periods beginning on or after 1 January 2017

[1] As at April 2016, these pronouncements are awaiting EU endorsement.

20 ULTIMATE HOLDING COMPANY

The Company's immediate parent company is Bank of Scotland plc. The company regarded by the Directors as the ultimate parent company is Lloyds Banking Group plc, a limited liability company incorporated and domiciled 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. Bank of Scotland plc is the parent undertaking of the smallest group of undertakings. Copies of the Group financial statements of both companies may be obtained from Group Secretariat, Lloyds Banking Group plc, 25 Gresham Street, London EC2V 7HN.