Registered number: 6747856

TRINITY FINANCING PLC

Annual report and financial statements
for the year ended 31 December 2017

DIRECTORS AND COMPANY INFORMATION

Directors

Claudia Wallace
Intertrust Directors 1 Limited
Intertrust Directors 2 Limited

Company Secretary

Intertrust Corporate Services Limited

Registered Office

35 Great St. Helen's
London
EC3A 6AP

Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
7 More London Riverside
London
SE1 2RT

Strategic Report
For the year ended 31 December 2017

The directors present their Strategic Report for Trinity Financing plc ("the Company") for the year ended 31 December 2017.

Principal activities

The principal activity of the Company is to issue Asset Backed Floating Rate Notes denominated in sterling and with a final maturity date of 12 February 2064 (together the "Notes"), use the proceeds from the issuance to acquire an interest in a portfolio of mortgage loans from Bank of Scotland plc ("BOS" and "Originator") and to enter into financial arrangements in that connection. The Notes are listed on the London Stock Exchange. No future changes in activity are envisaged.

Under IAS39, 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 BOS has retained substantially all the risks and rewards of the pool of mortgage loans and as a consequence, the Company does not recognise the mortgage loans on its balance sheet but rather a deemed loan to Originator. The initial amount of the deemed loan to Originator corresponds to the consideration paid by the Company for the mortgage loans less the subordinated loan granted by BOS.

The activities of the Company are conducted primarily by reference to a series of securitisation transaction documents (the "Programme Documentation"). The securitisation structure has been established as a means of raising finance for BOS and subsequently Lloyds Banking Group plc ("LBG"), the ultimate controlling party under IFRS. The Programme Documentation sets out the workings of the transaction and the principal risks to the holders of the Notes. As such, these have not been reproduced in full in the financial statements.

The Company is a wholly owned subsidiary of Trinity Financing Holdings Limited, a company registered in England and Wales. Trinity Financing Holdings Limited holds the Company's entire issued share capital of 50,000 ordinary shares of £1 each (49,998 shares are quarter paid and 2 are fully paid). The shares of Trinity Financing Holdings Limited are held on a discretionary trust basis by Intertrust Corporate Services Limited ("Intertrust CS") for the benefit of certain charities.

Business review

The results for the year are set out on page 6. The profit after taxation for the year amounted to £4,041 (2016: £4,003). Total equity as at 31 December 2017 was £47,000 (2016: £43,000).

Profits on a cashflow basis are determined under the Programme Documentation. The Company has the right to a profit before tax of £5,004 from the available revenue receipts per accounting year.

During the year £535.2m of Notes were repaid in line with mortgage redemptions (2016: £662.7m). The Company has made all necessary interest payments on the Notes in accordance with the scheduled payment dates for the year ended 31 December 2017.

Key Performance Indicators (KPIs)

A defined set of KPIs for the securitisation transaction are set out in the Programme Documentation. An extract of these is shown in note 10 of the financial statements.

The Board is responsible for assessing the risk of irregularities, where caused by fraud or error in the financial reporting and ensuring that the processes are in place for the timely identification of internal and external matters with a potential effect on financial reporting.

In order to assist the mitigation of key risks, there is a monthly meeting with programme managers. This meeting analyses and discusses the KPIs for the month and identifies any issues or required changes. Any such issues are then reported, further discussed and collectively agreed in accordance with the Programme Documentation that governs the transaction.

Performance against the KPIs include the excess spread on the mortgage loan portfolio as the first line of credit enhancement to the Notes, the losses that have occurred and the level of arrears in the underlying mortgages, the rate of repayment of the loans within the mortgage loan portfolio and an analysis of the characteristics of the underlying mortgages in the mortgage loan portfolio.

A primary key performance indicator used by management in assessing the performance of the Company is the monitoring of actual cashflows against planned cashflows.

At the time of issue each series and class of Notes is assigned a credit rating which reflects the likelihood of full and timely payment to the Noteholders of interest on each interest payment date and the payment of principal on the final maturity date. A rating may be subject to revision, suspension or withdrawal at any time by the rating agencies if the Company's circumstances change.

Any change in the credit rating assigned to a Note would be used as an indicator as to the performance of the Company. No downgrade in credit ratings has been applied to the Company's Notes in the year under review and subsequently up to the date of approval of these financial statements.

The Company's tax charge is based on the permanent tax regime for securitisation companies.

Risk management

The majority of the Company's assets and liabilities have been classified as financial instruments in accordance with IAS 32 "Financial Instruments: Presentation". The Company's financial instruments comprise a deemed loan to the Originator of the mortgages (equivalent to the value of its investment in the mortgages), cash and cash equivalents, Notes issued and various other receivables and payables.

The principal risks and uncertainties for the Company arise from the Company's financial instruments. These are credit risk, liquidity risk and interest rate risk. These and other risks which may affect the Company's performance are detailed below. Further analysis of the risks facing the Company in relation to its financial instruments and the Company's financial risk management policies is provided in note 10 of the financial statements.

Strategic Report (continued)

For the year ended 31 December 2017

Risk management (continued)

Credit Risk

Credit risk arises on the individual loans within the mortgage loan portfolio which are in turn secured on the underlying UK residential properties. The performance of the mortgage loans, secured on UK residential properties, is influenced by the economic environment and the UK housing market.

To mitigate this risk a general reserve balance is maintained subject to available cash to ensure the Company can meet its obligations on the Notes. The requirement to use the reserve ledger would only arise in the event that there was no longer sufficient excess spread available which is currently due to the Originator in the form of deferred consideration. Excess spread arises on the remaining income from the deemed loan to Originator after all interest is paid on the Notes and third party expenses have been settled.

In addition BOS has made available £10m by way of a Liquidity Facility to the Company in the event that the Company has insufficient funds available to meet its obligations to pay interest and / or principal. The Company has not drawn on this facility since inception.

Liquidity risk

The ability of the Company to meet its obligations to make principal and interest payments on the Notes and to meet its operating and administrative expenses is dependent on the amount and timing of the interest and principal repayments on the mortgage loans which underlie the loan to the Originator.

The Company has made all necessary payments on the Notes in accordance with the scheduled repayment dates for the year ended 31 December 2017.

An optional redemption in full or in part is available to the Company should it wish to repay any of the Notes earlier than the expected maturity date. Noteholders must be informed by giving not more than 60 or less than 30 days' notice.

Interest rate risk

Interest rate risk exists where assets and liabilities have interest rates set under a different basis or which reset at different times. The Company minimises

As part of the financing arrangement the Company acquires a beneficial interest in mortgage loans and enters into an interest rate basis swap with BOS under which it exchanges the fixed rate income received on the mortgages for a London Interbank Offered Rate (LIBOR)-based interest flow in order to settle interest due on the Notes.

Operational risks

The Company is also exposed to operational risks through a number of contracts with third parties who have agreed to provide operational support to the Company in accordance with the Programme Documentation. Intertrust Management Limited ("Intertrust Management") has been appointed to provide corporate services in accordance with a corporate services agreement. Citibank N.A. London Branch acts as the paying agent and the agent bank. BOS has been appointed to act as account bank and cash manager on behalf of the Company.

Business risks

The principal business risks of the Company are set out in a number of asset and non-asset trigger events in the Programme Documentation. There are additional triggers including some which relate to the underlying performance of the mortgage pool. The occurrence of trigger events may lead to a different priority of payments of the Notes in accordance with established priorities. There have been no such trigger events since inception of the Programme.

As approved by the Board of Directors and signed on its behalf by:

Helena Whitaker
Per pro Intertrust Corporate Services Limited
As Company Secretary

Registered office
35 Great St. Helen's
London
EC3A 6AP

26 April 2018

Directors' Report

For the year ended 31 December 2017

The directors present their annual report and the audited financial statements of the Company for the year ended 31 December 2017.

Directors and directors' interests

The directors who served during the year and / or up to the date of signing the financial statements were as follows:

Intertrust Directors 1 Limited
Intertrust Directors 2 Limited
Claudia Wallace

Claudia Wallace, Intertrust Directors 1 Limited and Intertrust Directors 2 Limited are also all directors of Trinity Financing Holdings Limited. None of the directors has any beneficial interest in the ordinary share capital of the Company. None of the directors had any interest in any material contract or arrangement with the Company either during or at the end of the year.

Company Secretary

The company secretary during the year, and subsequently, was Intertrust Corporate Services Limited.

Statement of directors' responsibilities in respect of the financial statements

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

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

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

The directors are 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.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to auditors

In accordance with Section 418(2) of the Companies Act 2006, in the case of each director in office at the date the 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

- the directors has 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.

Directors' indemnities

Qualifying third party indemnity provisions for the benefit of the directors were in force during the year under review and remain in force as at the date of approval of the annual report and financial statements.

Employees

The Company had employed no staff during the year ended 31 December 2017 or the previous year. None of the directors received any emoluments from the Company in the current or previous year

Future Developments

The mortgage portfolio will continue to unwind over its estimated life and the Company will continue to pay down the Notes from the redemption funds received on this portfolio.

No new note issuances are envisaged in the Company.

Dividends

The directors do not recommend the payment of a dividend for the year ended 31 December 2017 (2016: £ nil).

Directors' Report (continued)

For the year ended 31 December 2017

Risk Management

Further details on the risks facing the Company and how these risks are managed are detailed in the Strategic Report.

Corporate governance

The directors have been charged with governance in accordance with the Programme Documentation detailing the mechanism and structure of the transaction. The governance structure of the Company is such that the key policies have been predetermined at the time of issuance and the operational roles have been assigned to third parties with their roles strictly governed by the Programme Documentation.

The Programme Documentation provides for procedures that have been designed for safeguarding assets against unauthorised use or disposition; for maintaining proper accounting records; and for the reliability and usefulness of financial information used within the business or for publication. Such procedures are designed to manage rather than eliminate the risk of failure to achieve business objectives whilst enabling them to comply with the regulatory obligations.

Due to the nature of the securities which have been issued, the Company is largely exempt from the requirements of the Financial Conduct Authority pertaining to the Disclosure and Transparency Rules (DTR) 7.1 Audit Committees and 7.2 Corporate Governance Statements (save for the rule DTR 7.2.5 requiring a description of the features of the internal control and risk management systems), which would otherwise require the Company respectively, to have an audit committee in place and include a corporate governance statement in the Directors' Report. The directors are therefore satisfied that there is no requirement for an audit committee or a supervisory body entrusted to carry out the functions of an audit committee or to publish a corporate governance statement.

From the perspective of the Company, the daily operational internal controls and risk management systems are integrated with those of LBG, the Company's ultimate controlling party. Therefore additional information may be found in section 'Internal Control' of the 2017 Annual Report of LBG, which does not form part of this report. Details of where to get access to the 2017 Annual Report of LBG can be found in note 13.

Independent auditors

Pricewaterhouse Coopers LLP have indicated their willingness to continue in office until the next annual general meeting. Pursuant to section 489 of the Companies Act 2006, a resolution for the re-appointment of PricewaterhouseCoopers LLP as auditors of the company will be proposed at the forthcoming annual general meeting.

Statement of going concern

PricewaterhouseCoopers LLP have indicated their willingness to continue in office until the next annual general meeting. Pursuant to section 489 of the Companies Act 2006 a resolution for the re- appointment of PricewaterhouseCoopers LLP as auditors of the Company will be proposed at the forthcoming annual general meeting.

As approved by the Board of Directors and signed on its behalf by:

Helena Whitaker
Per pro Intertrust Corporate Services Limited
As Company Secretary

Registered Office
35 Great St. Helen's
London
EC3A 6AP

26 April 2018

Statement of comprehensive income
For the year ended 31 December 2017

	Note	2017 £'000	2016 £'000
Interest receivable and similar income	2	3,912	9,102
Interest payable and similar charges	3	(3,855)	(9,051)
Net interest income		57	51
Operating expenses	4	(52)	(46)
Profit before tax		5	5
Taxation	5	(1)	(1)
Profit for the financial year / total comprehensive income attributable to equity holders		4	4

The profit shown above is derived from continuing operations. The Company operates in a single business segment and all of the Company's activities are in the UK.

The accompanying notes on pages 10 to 19 are an integral part of the financial statements.

Balance sheet
As at 31 December 2017

	Note	2017 £'000	2016 £'000
Assets			
Cash and cash equivalents		281,590	277,551
Deemed loan to Originator	6	274,411	813,875
Total assets		556,001	1,091,426
Liabilities			
Debt securities in Issue	7	555,949	1,091,377
Current tax liability	5	1	1
Trade and other payables	8	4	5
Total liabilities		555,954	1,091,383
Equity			
Share capital	9	13	13
Retained earnings		34	30
Total equity		47	43
Total equity and liabilities		556,001	1,091,426

The financial statements on pages 6 to 19 were approved by the Board of Directors on 26 April 2018 and were signed on its behalf by:

Helena Whitaker
Per pro Intertrust Directors 1 Limited
As Director

The accompanying notes on pages 10 to 19 are an integral part of the financial statements.

Statement of changes in equity
For the year ended 31 December 2017

	Share capital £'000	Retained earnings £'000	Total equity £'000
At 1 January 2017	13	30	43
Profit for the financial year / total comprehensive income for the year	-	4	4
At 31 December 2017	13	34	47
At 1 January 2016	13	26	39
Profit for the financial year / total comprehensive income for the year	-	4	4
At 31 December 2016	13	30	43

The accompanying notes on pages 10 to 19 are an integral part of the financial statements.

Cash flow statement

For the year ended 31 December 2017

	2017 £'000	2016 £'000
Operating Activities		
External audit fees paid	(5)	(5)
Administration expenses paid	(48)	(41)
Tax paid	(1)	(1)
Net cash outflows used in operating activities	(54)	(47)
Investing Activities		
Cash received from Originator	542,447	636,706
Bank interest received	929	1,483
Net cash inflows generated from investing activities	543,376	638,189
Financing Activities		
Principal repayments on debt securities in issue	(535,169)	(662,706)
Interest on debt securities in issue	(4,114)	(9,978)
Net cash outflows used in investing financing activities	(539,283)	(672,684)
Net increase/(decrease) in cash and cash equivalents	4,039	(34,542)
Change in cash and cash equivalents	4,039	(34,542)
Cash and cash equivalents at start of year	277,551	312,093
Cash and cash equivalents at end of year	281,590	277,551

The cash flow statement is presented using the direct method.

The accompanying notes on pages 10 to 19 are an integral part of the financial statements.

Notes to the financial statements
For the year ended 31 December 2017

1. Significant Accounting policies

Trinity Financing plc ("the Company") is a public limited liability company domiciled in England and Wales and governed by the Companies Act 2006.

(a) Basis of preparation

The financial statements for the year ended 31 December 2017 have been prepared in accordance with International Financial Reporting Standards (IFRSs) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) as adopted by the European Union.

The standards applied by the Company are those endorsed by the European Union and effective at the date the financial statements are approved by the Board. All accounting policies have been consistently applied in the financial statements.

There are no new or amended accounting standards that have required a change to accounting policies for the year.

The financial statements have been prepared in accordance with the Companies Act 2006 as applicable to companies using IFRS and comply with the relevant provisions of Part 15 of the Companies Act 2006.

The financial statements have been prepared using the going concern basis. On behalf of the directors the programme managers have reviewed the expected future cash flows and believe they are adequate to meet the anticipated payments due in accordance with the Programme Documentation. The directors believe that the Company has additional safeguards in place to cover any unexpected issues which may arise including access to a general cash reserve and the ability to defer payment in certain circumstances.

The financial statements are presented in sterling which is the Company's functional and presentation currency and have been prepared on the historical cost basis. Cash and deemed loans are recognised initially at fair value less directly related incremental transaction costs. They are stated at amortised cost with any difference between cost and redemption value being recognised in the Statement of Comprehensive Income over the period of the borrowings on an effective interest basis.

(b) Interest income and interest payable

Interest receivable and similar income and interest payable and similar charges have been calculated 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. When calculating the effective interest rate, the future cashflows are estimated after considering all the contractual terms of the instrument.

(c) Accrued interest

Accrued interest has been incorporated within the deemed loan to Originator and within the outstanding balance of debt securities in issue on the balance sheet. An analysis between principal and accrued interest can be found in note 6 and note 7 respectively.

(d) Taxation

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

The Company's tax charge is based on the permanent tax regime for securitisation companies. Tax is calculated based on cash reserves maintained throughout the year.

(e) Financial instruments

The Company's financial instruments comprise a deemed loan to BOS, Notes issued, other receivables and payables and cash and liquid resources. The main purpose of these financial instruments is to raise finance for BOS. These financial instruments are classified in accordance with the principles of IAS 39 as described below.

Notes to the financial statements (continued)

For the year ended 31 December 2017

1. Significant Accounting policies (continued)

(e)(i) Deemed loan to Originator

Under IFRSs, 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 BOS has retained substantially all the risks and rewards of the pool of mortgage loans and as a consequence, the Company does not recognise the mortgage loans in its balance sheet but rather a deemed loan to Originator, where recourse to BOS is limited to the cashflows from the mortgage loans and any additional credit enhancement provided by BOS.

The initial amount of the deemed loan to BOS corresponds to the consideration paid by the Company for the mortgage loans less the subordinated loan granted by BOS. The Company recognises principal and interest cashflows from the underlying pool of mortgage loans only to the extent that it is entitled to retain such cashflows. Cashflows attributable to BOS are not recognised by the Company.

The deemed loan to Originator is classified within "loans and receivables" and is recognised initially at fair value less any directly related incremental transaction costs. The deemed loan is stated at amortised cost with any difference between cost and redemption value being recognised in the Statement of Comprehensive Income over the period of the borrowings on an effective interest basis.

Derivative financial instruments

Interest rate risk associated with the deemed loan to Originator is managed by means of an interest rate swap with BOS, which requires the Company to pay the fixed income on the beneficial interest in the mortgage portfolio and receive payments based on a rate linked to the three-month Sterling LIBOR.

This swap is not recognised separately as a financial instrument as the amounts payable under the swap reflect interest flows from the mortgage loans which are not recognised by the Company for accounting purposes. Instead, the deemed loan to BOS is recognised with an effective interest rate which reflects the amount received under the swap based on LIBOR.

Impairment of financial assets

At each Balance Sheet date the Company assesses whether, as a result of one or more events occurring after initial recognition, there is objective evidence that the deemed loan to Originator has become impaired.

Delinquencies and defaults on the underlying securitised assets will not result in an impairment loss if the cash flows from the asset pool are still expected to be sufficient to meet BOS's obligations under the limited recourse loan to the Company.

If there is objective evidence that an impairment loss has been incurred, an allowance account is established which is calculated as the difference between the balance sheet carrying value of the deemed loan asset and the present value of estimated future cashflows discounted at that loan's original effective interest rate.

(e)(ii) Cash & cash equivalents

The Company holds a guaranteed investment contract bank account ("GIC") and a transaction bank account with the same provider. These bank accounts are held in the Company's name and meet the definition of cash and cash equivalents. For the purposes of the cashflow statement, cash and cash equivalents comprise cash and amounts due from banks with a maturity of less than three months. As the cash can only be used to meet certain specific liabilities and is not available to be used with discretion, it is viewed as restricted cash. These bank accounts are classified as "loans and receivables" in accordance with IAS 39 and income is being recorded using the effective interest method.

(e)(iii) Debt securities in issue

Debt securities in issue are recognised initially at fair value less directly related incremental transaction costs. Subsequent to initial recognition, debt securities in issue are stated at amortised cost with any difference between cost and redemption value being recognised in the Statement of Comprehensive Income over the period of the borrowings on an effective interest basis.

(f) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

The directors of the Company consider that the entity has only one geographical and one business segment and therefore does not produce segmental disclosure.

Notes to the financial statements (continued)

For the year ended 31 December 2017

1. Significant Accounting policies (continued)

(g) Critical accounting estimates and judgements

The preparation of the financial statements necessarily requires the exercise of judgement both in the application of accounting policies and in the selection of assumptions used in the calculation of accounting estimates. These judgements are reviewed on an ongoing basis and are continually evaluated based on historical experience and other factors. The most significantly affected components of the financial statements and associated critical judgements are as follows:

Effective interest rate method

In calculating the effective interest rate of financial instruments the Company takes into account interest received or paid, fees and commissions paid or received, expected early redemptions and related penalties and premiums and discounts on acquisition or issue that are integral to the yield as well as incremental transaction costs.

Fair value

All assets and liabilities are recognised on an amortised cost basis. The fair value of these assets and liabilities is considered to be a close approximation to amortised cost.

Impairment of deemed loan to Originator

The Company's accounting policy for losses arising on the deemed loan to Originator classified as loans and receivables is described in note 1(e)(i). The allowance for impairment losses on loans and receivables is management's best estimate of losses incurred in the portfolio at the balance sheet date. In determining whether impairment has occurred at the balance sheet date the Company considers whether there is any observable data indicating that there has been a measurable decrease in the estimated future cashflows or their timings. Where this is the case, the impairment loss is the difference between the carrying value of the loan and the present value of the estimated future cashflows discounted at the loan's original effective interest rate.

At 31 December 2017, impairment allowances against the deemed loan totalled £nil (2016: £nil).

(h) Dividends

Dividends on ordinary shares are recognised in equity in the year in which they are declared.

(i) Capital Management

The Company is not subject to externally imposed capital requirements in the current and prior year. The Company manages its ordinary share capital in order that there is sufficient capital, in the opinion of the directors, to support the transactions and level of business undertaken by the Company.

2. Interest receivable and similar income

	2017 £'000	2016 £'000
Interest receivable on deemed loan to Originator	2,983	7,619
Bank interest receivable	929	1,483
	3,912	9,102

3. Interest payable and similar charges

	2017 £'000	2016 £'000
Interest payable on debt securities in issue	3,855	9,051
	3,855	9,051

4. Operating expenses

	2017 £'000	2016 £'000
Audit fees	4	5
Administration charges	48	41
	52	46

The Company has no employees (2016: none) and none of the directors received any emoluments from the Company in the current or previous year.

Audit fees relate to the statutory audit. There are no fees payable to the auditors and their associates for services other than the statutory audit. The audit fee for the Company and Trinity Financing Holdings Limited for the current year is £3,000 net of VAT (2016: £4,000).

Notes to the financial statements (continued)

For the year ended 31 December 2017

5. Taxation

	2017 £'000	2016 £'000
Current Tax		
Corporation tax charge for the year at a rate of 19.25% (2016: 20.00%)	1	1
Total tax charge	1	1

	2017 £'000	2016 £'000
Reconciliation of effective tax rate		
The tax assessed for the year is equal to the standard average rate of corporation tax in the UK of 19.25% (2016: 20.00%)		
Profit before tax	5	5
Profit before tax multiplied by the standard average rate of corporation tax in the UK of 19.25% (2016: 20.00%)	1	1
Total tax charge in the Statement of Comprehensive Income	1	1

The current tax liability of £963 (2016: £1,000) represents the net amount of income tax payable in respect of the current and prior year.

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

The Finance Act 2016, which was substantively enacted on 6 September 2016, further reduced the corporate tax rate to 17% with effect from 1 April 2020.

6. Deemed Loan to Originator

	2017 £'000	2016 £'000
Principal	273,927	813,132
Interest	484	743
Total	274,411	813,875

The mortgage portfolio, which is accounted for as a deemed loan to Originator and in which the Company holds a beneficial interest, is held by BOS. The mortgage loans are secured on residential properties in England, Wales and Scotland. Mortgages in the pool have to fulfil certain criteria. If they fail to do so they are removed from the pool and the pool is replenished. with assets that do meet the criteria.

The loan is expected to be repaid on the final maturity date of the Notes and is therefore deemed to be non-current.

7. Debt securities in Issue

	2017 £'000	2016 £'000
Principal		
Principal (GBP - priced against 3 month GBP LIBOR +0.12%)	555,465	1,090,634
Interest		
Interest payable on debt securities	484	743
Total	555,949	1,091,377

Debt securities in issue at 31 December 2017 comprise the floating rate Notes issued by the Company in connection with the securitisation of mortgages originated by BOS. For more information about the Company's exposure to risk, see note 10.

A balance of £533m (2016: £637m) is expected to be repaid within 12 months (this may not be the case in practice).

There have been no defaults in the payment of principal and interest or other breaches with respect to liabilities in the current or previous year.

Notes to the financial statements (continued)

For the year ended 31 December 2017

8. Trade and other payables

	2017 £'000	2016 £'000
Accruals and deferred income	4	5
	4	5

All accruals and deferred income are expected to be settled within 12 months of the balance sheet date.

9. Share capital

	2017 £'000	2016 £'000
Issued, allotted, called up and paid		
2 (2016: 2) ordinary shares of £1 each (fully paid)	2	2
49,998 (2016: 49,998) ordinary shares of £1 each(one quarter paid)	12,499	12,499
	12,501	12,501

10. Management of risk

The main risks arising from the Company's financial instruments are credit risk, liquidity risk and interest rate risk. However considerable resource is given to maintaining effective controls to manage, measure and mitigate each of these risks and therefore there is minimal sensitivity to risk. Further detailed analysis of the risks facing the Company in relation to its financial instruments is provided below.

The directors do not consider there is a capital management risk as adequate solvency and capital levels are maintained.

The Company's exposure to risk on its financial instruments and the management of such risk is largely determined at the inception of the securitisation transaction. The Company's activities and the role of each party to the transaction are clearly defined and documented. Cashflow modelling, including multiple stress scenarios, is carried out as part of the structuring of the transaction, and as such is required by the rating agencies. In addition an interest rate swap is entered into with the Originator as part of the securitisation transaction to hedge interest rate risk arising in the transaction including the obligations under the Notes. The derivative counterparty is selected as a highly rated, regulated financial institution and this reduces the risk of default and loss for the Company.

10(a). Credit risk

Credit risk arises where there is a possibility that a counterparty may default on its financial obligations resulting in a loss to the Company.

The ability of the Company to meet its obligations to make principal and interest payments on the Notes and to meet its operating and administrative expenses is dependent on funds being received on the deemed loan. The primary credit risk of the Company therefore relates to the credit risk associated with the securitised pool of mortgages originated by BOS.

The likelihood of defaults in the mortgage pool and the amounts that may be recovered in the event of default are related to a number of factors and may vary according to characteristics and product type. Significant changes in the economy, or in the performance of a particular geographical region that represents a concentration in the securitised assets, could also affect the cashflows from the mortgage pool.

To mitigate this risk, credit enhancement is provided by way of excess spread, an unrated Z loan and a reserve fund as explained below. The income on the mortgage pool is expected to exceed the Company's expenses and the interest payable on the Notes. This excess income (excess spread) is available to make good any reduction in the principal balance of the mortgage pool which may arise as a result of defaults by customers.

For December 2017, the post interest rate swap yield was 3.13% (2016: 3.00%).

The reserve fund can be used in certain circumstances to meet any deficit in revenue or to repay amounts of principal. Therefore, delinquencies and defaults on the underlying securitised assets will not result in a default on the Notes as long as they do not exceed the credit enhancement provided by the excess spread and reserve fund.

The Company's share of losses in the mortgage pool covered by excess spread in the year to 31 December 2017 were £2,399,286 (2016: £1,916,346). There have been no principal drawings on the reserve fund which is fully funded and at 31 December 2017 was £167,150,000 (2016: £167,000,000).

The Z loan is subordinated to the general reserve fund in the revenue priority of payments and as such may not be fully repaid if the losses on the underlying mortgages are higher than the excess spread. Non-payment of interest or principal on the unrated Z loan does not constitute an event of default on the Company. This unrated Z loan amounted to £1,500,000,000 at 31 December 2017 (2016: £1,500,000,000).

The Company has a concentration of risk to the Originator. The underlying mortgage assets of the securitisation are all in the UK market. The nature of the residential mortgage portfolio means there is no significant counterparty credit risk in relation to the underlying mortgage pool.

Notes to the financial statements (continued)

For the year ended 31 December 2017

10. Management of risk (continued)

10(a). Credit risk (continued)

An impairment charge on the deemed loan will only be considered when all the excess spread available has been utilised to cover the mortgage losses. Until that point, any specific mortgage losses will be netted against the mortgage interest, with a corresponding adjustment to deferred consideration. Therefore, there is no effect on the overall yield on the deemed loan to Originator. The directors consider that the pool of mortgage loans will be sufficient to recover the full amount of this deemed loan.

The Company assesses its counterparties for credit risk before contracting with them. Credit rating is the main method used to measure credit risk. In accordance with the criteria of the rating agencies that rate the Notes, the Programme Documentation contains various rating triggers linked to each counterparty, which require certain actions to be taken if triggers are breached.

	Counterparty	Rating as at Date 31 December 2017	Rating as at date of Approval of Financial statements
		S&P	S&P
Account bank	Bank of Scotland plc	Long term: A Short term: A-1	Long term: A Short term: A-1
Servicer	Bank of Scotland plc	Long term: A Short term: A-1	Long term: A Short term: A-1
Interest rate swap provider	Bank of Scotland plc	Long term: A Short term: A-1	Long term: A Short term: A-1

Financial assets subject to credit risk

The maximum exposure to credit risk arising on the Company's financial assets at the reporting date equates to carrying value. At the balance sheet date all financial assets subject to credit risk were neither past due nor impaired.

The Company meets its obligation on the Notes issued from the cashflows it receives from the pool of mortgage loans. As a consequence, the credit quality of the mortgage loans indicates the capacity of the Company to service its payments, although the mortgages remain on the balance sheet of BOS and the structure of the securitisation provides for other credit enhancements.

Securitised mortgage assets

Securitised mortgage loans can be analysed according to the rating systems used by the Company and Originator when assessing customers and counterparties. The total mortgage portfolio balance against which the deemed loan to Originator is ultimately secured has been analysed below.

For the purposes of the Company's disclosures regarding credit quality, securitised mortgage loans subject to credit risk have been analysed as follows:

	2017 £'000	2016 £'000
Neither past, due nor impaired	1,858,855	2,335,777
Past due but not impaired	124,391.	171,442
Impaired	126,191	134,209
	2,109,437	2,641,428

Securitised loans and advances which are past due, but not impaired:

Days past due	2017 £'000	2016 £'000
Past due 0-30 days	49,878	69,385
Past due 30 to 60 days	23,765	34,922
Past due 60 to 90 days	16,916	22,378
Past due 90 to 180 days	33,832	44,757
	124,391	171,442

In respect of the Originator's secured mortgage portfolio, 'past due' is when a borrower has failed to make a payment when contractually due. The definition of impaired loans is those which are six months or more in arrears (or certain cases where the borrower is bankrupt or is in possession).

Notes to the financial statements (continued)
For the year ended 31 December 2017

10. Management of risk (continued)
10(a). Credit risk (continued)

The number and value of loans currently in arrears will have a bearing on the receipt of cash by the Company. Key indicators are as follows:

- At 31 December 2017 2,256 accounts were in arrears by three or more months which represented 8.39% of the mortgage pool (31 December 2016: 2,558 accounts, 7.62%).

- At 31 December 2017 the number of properties in possession amounted to 29 (31 December 2016: 27 properties).

Collateral held against retail mortgage lending comprises residential properties.

10(b). Interest rate risk

Interest rate risk exists where assets and liabilities have interest rates set under a different basis or which reset at different times.

The deemed loan to Originator, the Notes and the cash and cash equivalents are exposed to cashflow interest rate risk caused by floating interest rates that are reset periodically. The underlying mortgage pool comprises loans which are subject to variable rates of interest set by Lloyds based on general interest rates and competitive considerations, loans which track the Bank of England base rate and loans which are subject to fixed rates of interest.To mitigate the changes in interest rate that would result in the interest cashflows from the mortgage pools being insufficient to meet the LIBOR based payments on the Notes the Company entered into an interest rate basis swap with BOS to manage the Company's exposure to interest rate risk.

The interest rate basis swap reduces the sensitivity to movements in interest rates. The swap is not separately recognised or valued in the financial statements as it forms part of the deemed loan to Originator.

Under the terms of the swap, the Company pays the interest received from the mortgage pool and receives a LIBOR based rate for three-month Sterling deposits.

10(c). Liquidity risk

The Company's ability to meet payments on the Notes and Z loan as they fall due is dependent on the timely receipt of funds from the deemed loan to Originator which may be delayed due to the level of repayment on the underlying mortgage portfolio (see 10(d) prepayment risk below).

Principal repayment of the Notes matches principal repayment of the underlying mortgage portfolio. Therefore the repayment of the Notes is dependent on the level of prepayments within the mortgage portfolio (see 10(a) Credit risk above 10(d) Prepayment risk below).

The Company is only required to make payments on the Notes to the extent that it has received sufficient cashflows from the underlying mortgage pool, subject to the final legal maturity date of the Notes of 12 February 2064.

For 2017, it has been assumed that the average expected life of the Notes issued by the Company will end eleven years after their original issue. This may not be the case in practice. The final legal maturity date of the Notes is 12 February 2064.

BOS has been engaged to make available £10m by way of a liquidity facility to Trinity Financing plc in the event that the Company has insufficient funds available to meet its obligations to pay interest and/or principal.

2017	Carrying Value	Contractual repayment value	<1 month	1-3 months	3 months - 1 year	1-5 years	>5 years
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Principal							
Debt securities in issue	555,465	555,465	-	133,192	399,576	22,697	-
Trade and other payables	4	4	-	4	-	-	-
Interest payable							
Interest payable on debt securities in issue	484	2,374	-	918	1,418	38	-
	555,953	557,843	-	134,114	400,994	22,735	-

Notes to the financial statements (continued)

For the year ended 31 December 2017

10. Management of risk (continued)

10(c). Liquidity Risk (continued)

2016	Carrying Value	Contractual repayment value	<1 month	1-3 months	3 months - 1 year	1-5 years	>5 years
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Principal							
Debt securities in issue	1,090,634	1,090,634	-	159,177	477,530	453,927	-
Trade and other payables	5	5	-	5	-	-	-
Current tax liability	-	-	-	-	-	-	-
Interest payable							
Interest payable on debt securities in issue	743	5,620	-	1,439	3,034	1,147	-
	1,091,382	1,096,259	-	160,621	480,564	455,074	-

10(d). Prepayment risk

In the normal course of business a proportion of borrowers repay their loan in advance of the contractual maturity. As a result the weighted average life of the deemed loan and of the Notes is likely to be significantly less than that implied by the contractual maturity dates of the mortgage pool.

The terms of the Notes specify that payments on the Notes will only be made to the extent that sufficient cashflows have been received from the Company's assets.

The rate of prepayment of loans is influenced by a wide variety of economic, social and other factors, including prevailing mortgage market interest rates, the availability of alternative financing programmes, local and regional economic conditions and homeowner mobility. In the event that prepayment rates on the mortgage pool reduce, principal repayments on the deemed loan and on the Notes may be spread over a longer period.

The Principal Prepayment Rate ("PPR") for the underlying mortgage pool as detailed within the Investor Report is as follows:

	Monthly PPR %	1 month annualised %	3 month annualised %	12 month annualised %
31 December 2017	2.55	26.66	23.83	20.33
31 December 2016	1.82	19.77	19.87	19.32

10(e). Fair values

Financial instruments held at amortised cost

The fair values of the Company's main financial instruments are detailed below:

Deemed loan to Originator

The carrying value of the variable rate loans is assumed to be their fair value. The deemed loan to Originator includes an interest rate swap which is not recognised separately. The swap accrual is based on variable rates (one-month LIBOR rates).

Cash and cash equivalents, deemed loan to Originator and other receivables are recognised on an amortised cost basis. The fair value of these assets is considered to be a close approximation to amortised cost.

Notes to the financial statements (continued)

For the year ended 31 December 2017

10. Management of risk (continued)

10(e). Fair values (continued)

Trade and other payables

Trade and other payables are recognised on an amortised cost basis. The fair value of these liabilities is considered to be a close approximation to amortised cost due to the short term nature of these liabilities.

Debt securities in issue

The debt securities in issue are recognised on an amortised cost basis. The fair value of these liabilities is considered to be a close approximation to amortised cost due being held for internal purposes and not transacted in the open market.

11. Related party transactions

The Company pays a fee to Intertrust Management Limited ("Intertrust Management") for the provision of corporate administration services, including director services. The total fees paid to Intertrust Management for providing services to the Company and its parent, Trinity Financing Holdings Limited, during the year amounted to £15,187 for the year ended 31 December 2017 (2016: £18,909).

The Company pays cash management and mortgage loan servicing fees to BOS for the provision of services defined under the Programme Documentation.

The Company pays cash management and mortgage loan servicing fees to Bank of Scotland plc ("BOS") for the provision of services defined under the Programme Documentation.

BOS has provided the Company with subordinated loans and is the counterparty to an interest rate swap agreement.

Intertrust Management provides corporate administration services, including director services, pursuant to a corporate services agreement with the Company.

During the year, the Company undertook the transactions set out below with related parties.

At 31 December	Parent 2017 £'000	Other Related Parties 2017 £'000	Parent 2016 £'000	Other Related Parties 2016 £'000
Interest receivable and similar income				
Income from deemed loan to Originator	2,983	-	7,619	-
Bank interest receivable	929	-	1,483	-
Interest payable and similar charges				
Interest on debt securities in issue	3,855	-	9,051	-
Operating Expenses	-	15	-	19
Assets				
Cash and cash equivalents	281,590	-	277,551	-
Deemed loan to Originator	274,411	-	813,875	-
Liabilities				
Debt securities in issue	555,465	-	1,090,634	-
Interest payable on debt securities in issue	484	-	743	-

Trinity Financing Holdings Limited holds one fully paid and 49,998 partly paid £1 ordinary shares in Trinity Financing plc and Intertrust Nominees Limited holds one fully paid ordinary share on behalf of Trinity Financing Holdings Limited.

Notes to the financial statements (continued)
For the year ended 31 December 2017

12. Future Accounting Pronouncements

The following pronouncements are not applicable for the year ended 31 December 2017 and have not been applied in preparing these financial statements. Save for IFRS 9 'Financial Instruments', 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 other minor amendments, as at 26th April 2018 these pronouncements have been endorsed by the EU.

IFRS 9 Financial Instruments
IFRS 9 replaces IAS 39 'Financial Instruments: Recognition and Measurement' and is effective for annual periods beginning on or after 1 January 2018. The Company has chosen 1 January 2018 as its initial application date of IFRS 9 and will not restate comparative periods.

Classification and measurement
IFRS 9 requires financial assets to be classified into one of three measurement categories, fair value through profit or loss, fair value through other comprehensive income or amortised cost. Financial assets will be measured at amortised cost if they are held within a business model the objective of which is to hold financial assets in order to collect contractual cash flows, and their contractual cash flows represent solely payments of principal and interest. Financial assets will be measured at fair value through other comprehensive income if they are held within a business model the objective of which is achieved by both collecting contractual cash flows and selling financial assets and their contractual cash flows represent solely payments of principal and interest. Financial assets not meeting either of these two business models; and all equity instruments (unless designated at inception to fair value through other comprehensive income); and all derivatives are measured at fair value through profit or loss. An entity may, at initial recognition, designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch.

Impairment
IFRS 9 replaces the existing 'incurred loss' impairment approach with an expected credit loss ('ECL') model resulting in earlier recognition of credit losses compared with IAS 39. The ECL model has three stages. Entities are required to recognise a 12 month expected loss allowance on initial recognition (stage 1) and a lifetime expected loss allowance when there has been a significant increase in credit risk since initial recognition (stage 2). Stage 3 requires objective evidence that an asset is credit-impaired, which is similar to the guidance on incurred losses in IAS 39.

The Company has conducted an analysis of these changes and does not consider there to be any significant impact to either classification and measurement or impairment of applying IFRS 9.

Minor amendments to other accounting standards
The IASB has issued a number of minor amendments to IFRSs effective 1 January 2018 (including IFRS 2 Share-based Payment) and effective 1 January 2019 (including IAS 12 Income Taxes and IFRIC 23 Uncertainty over Income Tax Treatments). These revised requirements are not expected to have a significant impact on the Company.

13. Parent undertaking and controlling party

The immediate parent undertaking is Trinity Financing Holdings Limited, a company registered in England and Wales. The issued share in Trinity Financing Holdings Limited is held by Intertrust Corporate Services Limited on a discretionary trust basis for the benefit of certain charities.

The Company meets the definition of a special purpose entity under IFRSs.

In accordance with IFRS 10 Consolidated Financial Statements, the Company's financial statements are consolidated within the group financial statements of LBG for the year ended 31 December 2017.

The parent undertaking, which is the parent undertaking of the smallest group to consolidate these financial statements is BOS. Copies of the consolidated annual report and accounts of BOS may be obtained from LBG Group Secretariat, Lloyds Banking Group plc, 25 Gresham Street, London EC2V 7HN or downloaded via www.lloydsbankinggroup.com.

The ultimate parent undertaking and controlling party is LBG, which is the parent undertaking of the largest group to consolidate these financial statements. Copies of the consolidated annual report and accounts of LBG may be obtained from LBG's head office at 25 Gresham Street, London EC2V 7HN or downloaded via www.lloydsbankinggroup.com.

Independent auditors' report to the members of Trinity Financing plc

Report on the audit of the financial statements

Opinion

In our opinion, Trinity Financing plc's financial statements:
• give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit and cash flows for the year then ended;
• have been properly prepared in accordance with IFRSs as adopted by the European Union; and
• have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2017; the statement of comprehensive income, the cash flow statement, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to those charged with governance.

Basis for opinion

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

Independence

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

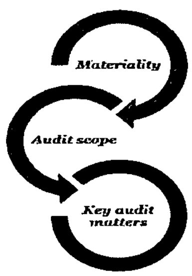
To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the company.

We have provided no non-audit services to the company in the period from 1 January 2017 to 31 December 2017.

Our audit approach

Overview

• Overall materiality: £5,560,010 (2016: £10,914,260), based on 1% of total assets.



• The Company is a special purpose vehicle that forms part of a securitisation structure, established primarily as a means of raising wholesale funding for Bank of Scotland plc ("BOS") and subsequently Lloyds Banking Group plc ("LBG") the ultimate parent undertaking. LBG manages the securitisation transaction in its role as administrator, servicer of the underlying mortgage loans and cash manager.
• We tailored the scope of our audit to ensure that we performed sufficient work to enable us to opine on the annual report and financial statements, ensuring audit procedures were performed in respect of every material financial statements line item.
• In establishing the overall approach to the audit, we determined the type of work that needed to be performed by us taking into account the accounting processes and controls in place at LBG as administrator and servicer, and the industry in which the Company operates.
• We obtained an understanding of the control environment in place at the administrator and adopted a controls and substantive testing approach.

Our key audit matters which involved the greatest allocation of our resources' effort comprise:
• The risk of errors in the priority or payments (the "Waterfalls") due to a lack of understanding of the transaction.
• The risk of management override of controls in order to overstate the performance of the asset pool and mask breaches of trigger events.

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

We gained an understanding of the legal and regulatory framework applicable to the company and the industry in which it operates, and considered the risk of acts by the company which were contrary to applicable laws and regulations, including fraud. We designed audit procedures to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. We focused on laws and regulations that could give rise to a material misstatement in the company's financial statements, including, but not limited to, the Companies Act 2006 and the underlying legal documents and agreements governing this securitisation transaction. Our tests included, but were not limited to, management inquiries, review of board meeting minutes, and review and testing where applicable of the transaction documents. There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

We did not identify any key audit matters relating to irregularities, including fraud. As in all of our audits we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Independent auditors' report to the members of Trinity Financing plc (continued)

Report on the audit of the financial statements (continued)

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	**How our audit addressed the key audit matter**
Errors in the priority or payments (the "Waterfalls") due to a lack of understanding of the transaction Due to the complexity of the securitisation structure contractual terms and the special purpose nature of the entity, the Waterfalls present a pervasive risk to the overall accounting for the entity.	We understood the design of the securitisation structure through discussions with management and review of primary contractual documentation. We reviewed all investor reports and minutes of board meetings for the year to identify and investigate any unusual trends or incidents that would indicate a misstatement in the preparation and calculation of the Waterfalls.
If the Waterfalls are incorrectly processed, there is a risk that interest expense and principal balances payable to investors are not appropriately calculated and settled, and the cash flows returned to the seller as excess spread are incorrect. While the entity is well-established with management who are experienced in calculating Waterfalls, there is also an independent 3rd party paying agent who calculates the expected payments in parallel. Due to the complexity and pervasive nature of the Waterfalls, this was an area of focus in our audit.	We tested the design and operating effectiveness of management's Waterfalls calculation and preparation control through: • Discussion with management and by review of Waterfalls working papers for consistency with the base prospectus; and • Inspection of supporting documentation and recalculation of relevant data points for a sample of Waterfalls in the year. We performed substantive testing over this sample of Waterfalls to ensure no errors were made in Waterfalls preparation, including agreeing cash balances and transactions to cash account records, and agreeing cash collections balances agreed to system reports. We additionally tested key system reports to validate that pool assets were completely and accurately identified in source system to support the cash collections as presented in the Waterfalls working papers.
Risk of management override of controls in order to overstate the performance of the asset pool and mask breaches of trigger events. The contractual terms of the structure include specific 'trigger events' which mandate actions by the various parties to the deal in the event that certain conditions are reached, typically relating to the performance of the securitised asset pool or payments made through the Waterfalls.	We understood the design of the securitisation structure through inquiries with management and review of primary contractual documentation. We reviewed all investor reports and minutes of board meetings for the year to identify and investigate any unusual trends or incidents that would indicate a misstatement in the preparation and calculation of the Waterfalls.
The severity of breaches varies depending on the specific trigger event, but could result in accelerated repayment terms, or higher interest rates, and as such the impact on the financial statements can be pervasive and significant. Management are not incentivised via profit, as special purpose entities of this type are not profit-oriented, with profit contractually pre-determined. However as financial reporting and asset servicing are controlled by Lloyds Banking Group management, there is a risk that management by-pass controls for two reasons: • To conceal evidence that would show trigger events have occurred; and • To mask underperformance of the securitised asset pool which could result in a trigger event occurring by manually overriding system-driven asset flagging and cash flow balances.	We tested the design and operating effectiveness of management's monitoring of trigger events on a sample basis for breaches by reviewing governance documentation and minutes, and re-performing a sample of triggers. We tested the design and operating effectiveness of management's Waterfalls calculation and preparation control through: • Discussion with management and by review of waterfalls working papers for consistency with the base prospectus; and • Inspection of supporting documentation and recalculation of relevant data points for a sample of Waterfalls in the year.
We have therefore focussed our audit procedures on risk assessment reviews to identify unusual trends, the calculation and monitoring of trigger events and the manual preparation of the Waterfalls.	We performed substantive testing over this sample of Waterfalls to ensure no inappropriate manual adjustments were made in Waterfalls preparation, including agreeing cash balances and transactions to cash account records, and agreeing cash collections balances agreed to system reports.

Independent auditors' report to the members of Trinity Financing plc (continued)

Report on the audit of the financial statements (continued)

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which it operates.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall materiality	£5,560,010 (2016: £10,914,260).
How we determined it	1% of total assets.
Rationale for benchmark applied	The entity is a not-for-profit whose main priority is to remit the cash received in respect of its assets so as to repay its liabilities. As such total assets is considered an appropriate benchmark. Where total assets is used, if the company is a public interest entity, a rule of thumb of up to 1% can be applied. We have deemed this to be a public interest entity and have therefore applied 1% due to the fact the entity has listed debt.

We agreed with those charged with governance that we would report to them misstatements identified during our audit above £278,001 (2016: £545,713) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:
• the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
• the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

Reporting on other information

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

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

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

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

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Independent auditors' report to the members of Trinity Financing plc (continued)

Report on the audit of the financial statements (continued)

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:
• we have not received all the information and explanations we require for our audit; or
• adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
• certain disclosures of directors' remuneration specified by law are not made; or
• the financial statements are not in agreement with the accounting records and returns.
We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Lloyds Banking Group Audit Committee, we were appointed by the directors on 15 May 2009 to audit the financial statements for the year ended 31 December 2009 and subsequent financial periods. The period of total uninterrupted engagement is 9 years, covering the years ended 31 December 2009 to 31 December 2017.

The audit of Lloyds Banking Group and its subsidiaries was tendered in 2014 and we were re-appointed with effect from 1 January 2016. There will be a mandatory rotation of Lloyds Banking Group for the 2021 audit.

Jessica Miller

Jessica Miller (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
26 April 2018