

Registered number: 03457750

BOS (SHARED APPRECIATION MORTGAGES) NO. 5 PLC

Annual report and financial statements
for the year ended 31 December 2019



DIRECTORS AND COMPANY INFORMATION

Directors

Johan Robin Charles Von Schmidt Auf Altenstadt
Emma Louise Lawrence

Company secretary

Alyson Elizabeth Mulholland

Registered office

Trinity Road
Halifax
HX1 2RG

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
2 Glass Wharf
Bristol
BS2 0RF

Strategic report

For the year ended 31 December 2019

The directors present their Strategic report and the audited financial statements for BOS (Shared Appreciation Mortgages) No.5 plc (the "Company") for the year ended 31 December 2019.

Principal activities

The principal activity of the Company is to act as an agent for collecting and distributing the cash flows earned on certain mortgage loans on behalf of the mortgage owners. These mortgage loans were sold by the Company in 2009. However, the legal title of the mortgages is still retained within the Company with Bank of Scotland plc ("BOS") acting as administrator of these mortgages.

Key performance indicators

The only transactions passing through the Company are the cash flows received on the mortgage loans and amounts accumulate until cleared each month to the mortgage owners. Therefore, there are no key performance indicators which are relevant to the Company's performance.

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 cash and liquid resources and various other receivables and payables that arise directly from its operations.

The directors consider that the Company's limited financial instruments bear only low risk. Further information of the Company's approach to risk management is provided in note 5.

As approved by the board of directors and signed on behalf of the board:



Johan Robin Charles Von Schmidt Auf Altenstadt
Director

Trinity Road
Halifax
HX1 2RG

DATE: 29th October 2020

Directors' report

For the year ended 31 December 2019

The directors present their annual report and the audited financial statements for BOS (Shared Appreciation Mortgages) No.5 plc for the year ended 31 December 2019.

Directors

The directors of the Company during the year, and up to the date of signing the financial statements, were:

Emma Louise Lawrence
Janet Turner (resigned 26 March 2019)
Johan Robin Charles Von Schmidt Auf Altenstadt (appointed 26 March 2019)

Company secretary

The following change has taken place between the beginning of the reporting period and the date of signing the financial statements:

Alyson Elizabeth Mulholland (appointed 11 November 2019)
David Dermot Hennessey (resigned 11 November 2019)

Results and dividends

The principal activity of the Company is to act as an agent for collecting and distributing cash. It has not traded in the current or previous year.

No new mortgages were acquired or originated by the Company in the year.

The directors did not recommend the payment of a dividend during the year or at 31 December 2019 (2018: £Nil).

Business review and future developments

No new mortgage loans are expected to be advanced. Cash will however continue to be collected on behalf of the mortgage owners.

Following the UK's exit from the EU, significant negotiation is now required on the terms of the future trade agreement. As a result, the possibility of a limited or no deal at the end of the transition period remains and could manifest in prolonged business uncertainty across the UK, including in the financial services sector. This continued lack of clarity over the UK's relationship with the EU and other foreign countries, and on-going challenges in the Eurozone, including weak growth, raise additional uncertainty for the UK's economic outlook. There also remains the possibility of a further referendum on Scottish independence. The Company is part of the wider Lloyds Banking Group, and, it is at that level that consideration of the many potential implications this may have has been undertaken. Work continues to assess the impact of EU exit at the level of the Lloyds Banking Group, as well as for the Company, upon customers, colleagues and products. This assessment includes all legal, regulatory, tax, finance and capital implications. No impact is expected for the Company.

There has been a global pandemic from the outbreak of Coronavirus which is causing widespread disruption to financial markets and normal patterns of business activity across the world, including the UK. In view of its currently evolving nature, the directors are unable to estimate its financial and other effects. The directors have assessed this to be a non-adjusting post balance sheet event. It is also deemed to have no impact on our going concern assessment.

Key performance indicators

The only transactions passing through the Company are the cash flows received on the mortgage loans and amounts accumulate until cleared each month to the mortgage owners. Therefore, there are no key performance indicators which are relevant to the Company's performance.

Directors' indemnities

LBG has granted to the directors of the Company, (including former directors who have resigned in 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 the directors' period of office. The deed indemnifies the directors to the maximum extent permitted by law.

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

- select suitable accounting policies and then apply them consistently;
- 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 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.

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.

Directors' confirmations

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

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

Directors' report (continued)

For the year ended 31 December 2019

Employees

The Company had no employees during the year ended 31 December 2019 or the previous year.

None of the directors received any emoluments from the Company in the current or previous year.

Independent auditors

The company regarded by the directors as the ultimate controlling party is Lloyds Banking Group plc ("LBG"). The Company's directors give the LBG audit committee the authority to appoint the auditors of the Company. PricewaterhouseCoopers LLP are deemed to be re-appointed as auditors under section 487(2) of the Companies Act 2006.

Statement of going concern

The Company has continued to perform in line with the programme documentation and the directors are satisfied that it is the intention of LBG that its subsidiaries, including the Company, will continue to have access to adequate liquidity and capital resources for the foreseeable future and, accordingly, the financial statements have been prepared on a going concern basis.

As approved by the board of directors and signed on behalf of the board:



Johan Robin Charles Von Schmidt Auf Altenstadt
Director

Trinity Road
Halifax
HX1 2RG

DATE: 29th October 2020

Balance sheet

As at 31 December 2019

	Note	2019 £	Restated* 2018 £
Assets			
Cash and cash equivalents		150,822	304,314
Trade and other receivables	2	49,999	49,999
Total assets		200,821	354,313
Equity and liabilities			
Trade and other payables	3	74,892	228,384
Total liabilities		74,892	228,384
Share capital	4	50,000	50,000
Retained earnings		75,929	75,929
Total equity		125,929	125,929
Total equity and liabilities		200,821	354,313

Statement of comprehensive income

The Company has not traded in the current year or previous year and therefore has made neither a profit nor a loss for the year ended 31 December 2019 or the previous year. The Company had no other recognised gains or losses during the year or the previous year. The Company has therefore not prepared a Statement of comprehensive income.

The financial statements on pages 5 to 10 were approved by the board of directors on 29th October 2020 and were signed on behalf of the board by:



Johan Robin Charles Von Schmidt Auf Altenstadt
Director

The accompanying notes on pages 8 to 10 are an integral part of the financial statements.

* The prior year comparatives have been restated to reflect an immaterial adjustment. Further information on this restatement can be found in note 3.

Statement of changes in equity
For the year ended 31 December 2019

	Share capital £	Retained earnings £	Total equity £
Balance at 1 January 2019	50,000	75,929	125,929
Result for the financial year	-	-	-
Balance at 31 December 2019	50,000	75,929	125,929
	Share capital £	Retained earnings £	Total equity £
Balance at 1 January 2018 - restated *	50,000	75,929	125,929
Result for the financial year	-	-	-
Balance at 31 December 2018 - restated *	50,000	75,929	125,929

The accompanying notes on pages 8 to 10 are an integral part of the financial statements.

* The prior year comparatives have been restated to reflect an immaterial adjustment. Further information on this restatement can be found in note 3.

Cash flow statement

For the year ended 31 December 2019

	2019 £	2018 £
Operating activities		
Amounts received on behalf of mortgage owners	1,596,947	3,384,110
Amounts paid to mortgage owners	(1,750,439)	(3,213,486)
	<hr/>	<hr/>
Net cash (used in) / generated from operating activities	(153,492)	170,624
	<hr/>	<hr/>
Net (decrease) / increase in Cash and cash equivalents	(153,492)	170,624
Cash and cash equivalents at start of year	304,314	133,690
	<hr/>	<hr/>
Cash and cash equivalents at end of year	150,822	304,314
	<hr/>	<hr/>

The Cash flow statement is presented using the direct method.

The accompanying notes on pages 8 to 10 are an integral part of the financial statements.

Notes to the financial statements

For the year ended 31 December 2019

1. Significant accounting policies

The Company is a public limited liability company domiciled in England and incorporated in the United Kingdom under the Companies Act 2006.

(a) Basis of preparation

The financial statements for the year ended 31 December 2019 have been prepared in accordance with EU adopted International Financial Reporting Standards (IFRSs) and interpretations issued by the IFRS Interpretations Committee (IFRS IC). 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 in the year applicable to the Company.

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

Due to the nature of the Company's business, acting as agent to receive and distribute cash received on behalf of mortgage owners, the directors are satisfied for the financial statements to be prepared using the going concern basis.

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.

(b) Financial instruments

The Company's financial instruments comprise of cash and liquid resources and various other receivables and payables that arise directly from its operations.

(b)(i) Cash and cash equivalents

The Company holds bank accounts with BOS, its parent undertaking. These accounts are held in the Company's name and meet the definition of cash and cash equivalents.

These bank accounts are classified as "loans and receivables" in accordance with IFRS 9 and income is being recorded using the effective interest method.

(c) Critical accounting judgements and estimates

The directors consider that there are no critical accounting estimates and judgements.

(d) Auditors' remuneration

The audit fee for the current year, net of VAT, was £3,000 (2018: £3,000). The audit fees for the Company are borne by BOS.

(e) Trade and other payables

Trade and other payables are stated at cost.

(f) Trade and other receivables

Trade and other receivables are stated at amortised cost.

(g) 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. Trade and other receivables

	2019 £	2018 £
Amounts due from BOS	49,999	49,999

Amounts due from BOS are repayable on demand.

3. Trade and other payables

	2019 £	Restated* 2018 £
Trade payables	74,892	228,384

Trade payables relate to amounts collected on behalf of the mortgage owners which are due for distribution in the month following receipt of the funds. All balances are due within 12 months of the Balance sheet date.

* The prior year comparatives have been restated, as illustrated in the table below, to reflect an immaterial adjustment for a historic payable which didn't have a contractual obligation and has been adjusted to Retained earnings. This adjustment has had £Nil impact on Cash and cash equivalents.

Balances as at 1 January and 31 December	Original amount 2018	Adjustment 2018	Restated amount 2018
Liabilities			
Trade and other payables	228,734	(350)	228,384
Equity			
Retained earnings	75,579	350	75,929

Notes to the financial statements (continued)

For the year ended 31 December 2019

4. Share capital

	2019 £	2018 £
Authorised		
50,000 (2018: 50,000) ordinary shares of £1 each	50,000	50,000
Allotted and called up		
50,000 (2018: 50,000) ordinary shares of £1 each	50,000	50,000

5. Management of risk

The principal risks arising from the Company's financial instruments is credit risk. Further detailed analysis of this risk and other risks are provided below.

The Company's exposure to risk on its financial instruments has been significantly reduced following the sale of the mortgage portfolio and repayment of the inter-company loans in 2009. Any financial risk due to defaults on the mortgage accounts now lies with BOS as, under the terms of the sale, BOS is required to repurchase those loans that no longer fall within the relevant criteria.

The directors do not consider that there is a capital management risk in light of the Company's business model which is to act as an agent for the collection and distribution of cash.

5(a). Credit risk

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

However, the Company's exposure to credit risk is minimal as the Company's only assets are cash held in a bank account provided by BOS, the Company's immediate parent undertaking, together with an amount receivable from BOS in respect of the share capital issued. The maximum exposure to credit risk arising on the Company's financial assets at the reporting date equates to carrying value.

5(b). Liquidity risk

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due or can do so only at an unacceptably high cost. The Company is not subject to liquidity risk as the Company's activities are limited to receiving monies on behalf of the mortgage owners in its capacity as an agent and all monies are distributed to the mortgage owners within the following month.

5(c). Fair values

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

6. Related parties

The Company is a subsidiary undertaking of BOS and ultimately LBG.

The Company pays BOS all interest earned in respect of the mortgage loans which did not meet the relevant criteria of the sale.

The Company also pays BOS any funds that are received in respect of mortgage loan principal and associated appreciation rights, as and when any of those loans redeem.

No dividend was paid during the year (2018: £Nil).

The Company places funds on deposit with BOS but receives no interest thereon.

During the year the Company undertook the following transactions with companies in the LBG:

	Parent 2019 £	Parent 2018 £
Balance sheet		
Assets		
Cash and cash equivalents	150,822	304,314
Trade and other receivables	49,999	49,999
Liabilities		
Trade and other payables	21,258	174,788

7. Future accounting pronouncements

The following pronouncement is not applicable for the year ending 31 December 2019 and has not been applied in preparing these financial statements. The impact of this accounting change is still being assessed by the Company and reliable estimates cannot be made at this stage. At the date of signing these financial statements, this pronouncement had been endorsed by the EU.

Minor amendments to other accounting standards

The IASB has issued a number of minor amendments to IFRSs effective 1 January 2020 (including IFRS 3 Business Combinations and IAS 1 Presentation of Financial Statements). These amendments are not expected to have a significant impact on the Company.

Notes to the financial statements (continued)

For the year ended 31 December 2019

8. Post balance sheet events

Since the Balance sheet date there has been a global pandemic from the outbreak of Coronavirus which is causing widespread disruption to financial markets and normal patterns of business activity across the world, including the UK. The directors assess this event to be a non-adjusting post balance sheet event. In view of its currently evolving nature, the directors are unable to estimate its financial and other effects.

9. Contingent liabilities

During the ordinary course of business the Company is subject to complaints and threatened or actual legal proceedings (including class or group action claims) brought by or on behalf customers as well as legal and regulatory reviews, challenges, investigations and enforcement actions. All such material matters are periodically reassessed, with the assistance of external professional advisers where appropriate, to determine the likelihood of the Company incurring a liability. In those instances where it is concluded that it is more likely than not that a payment will be made, a provision is established to management's best estimate of the amount required at the relevant balance sheet date. In some cases it will not be possible to form a view, for example because the facts are unclear or because further time is needed properly to assess the merits of the case, and no provisions are held in relation to such matters. In these circumstances, specific disclosure in relation to a contingent liability will be made where material.

However the Company does not currently expect the final outcome of any such case to have a material adverse effect on its financial position, operations or cash flows.

10. Parent undertaking and controlling party

The Company's immediate parent company is Bank of Scotland plc. The company regarded by the directors as the ultimate controlling party 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 such 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 or downloaded via www.lloydsbankinggroup.com.

Independent auditors' report to the members of BOS (Shared Appreciation Mortgages) No. 5 plc

Report on the audit of the financial statements

Opinion

In our opinion, BOS (Shared Appreciation Mortgages) No. 5 plc's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its result 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.

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 2019, the cash flow statement, and 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.

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, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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.

We have nothing to report in respect of the above matters.

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 2019 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 in respect of the financial statements set out on page 3, 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.

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.

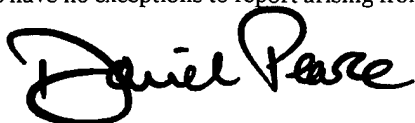
Other required reporting

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.



Daniel Pearce (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol

29 October 2020