

Bavarian Mortgages No. 5 Limited

Directors' report and financial statements For the year ended 31 December 2012

Registered office

Trinity Road
Halifax
West Yorkshire
HX1 2RG

Registered number

2523852

Directors

M J P Jones
R A Purdy

Company secretary

Paul Gittins



A24OKS97

A07

22/03/2013

#282

COMPANIES HOUSE

Member of Lloyds Banking Group

Directors' report

For the year ended 31 December 2012

The directors present their report and the audited financial statements of Bavarian Mortgages No 5 Limited for the year ended 31 December 2012

Business review

Principal activities

Bavarian Mortgages No 5 Limited ("the Company") is a limited company incorporated and domiciled in England and Wales (registered number 2523852)

The principal activity of the Company was that of a holding company for Parkgate Insurance Limited, incorporated in the Republic of Ireland. This subsidiary undertaking was put into members voluntary liquidation during 2011.

The Company's results for the year show a loss before tax of £16,000 (2011 profit before tax of £3,966,000)

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

Future outlook

Following the liquidation of the Company's subsidiary undertaking, Parkgate Insurance Limited, the Company is now expected to become dormant.

Principal risks and uncertainties

From the perspective of the Company, the principal risks and uncertainties are managed within the framework established for the Group and are not managed separately for the Company. Further details of the Company's and Group's risk management policy are contained in note 2 to the financial statements.

Key performance indicators ("KPIs")

Given the straightforward nature of the business, the Company's directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business.

Policy and practice on payment of suppliers

The Company follows "The Prompt Payment Code" published by the Department for Business Innovation and Skills (BIS) regarding the making of payments to suppliers. Information about the "Prompt Payment Code" may be obtained by visiting www.promptpaymentcode.org.uk.

The Company's policy is to agree terms of payment with suppliers and these normally provide for settlement within 30 days after the date of the invoice, except where other arrangements have been negotiated.

It is the policy of the Company to abide by the agreed terms of payment, provided the supplier performs according to the terms of the contract.

As no amounts are owed to trade creditors as at 31 December 2012, the number of days required to be shown in this report, to comply with the provisions of the Companies Act 2006, is nil (2011 nil).

Dividends

No dividends were paid or proposed during the year ended 31 December 2012 (2011 £nil).

Donations

During the year the Company donated £nil (2011 £nil) for charitable purposes and community projects.

Directors

The names of the current directors are shown on the cover.

The following changes have taken place during the year and since the year end:

A B Lenman	(resigned 22 August 2012)
R A Purdy	(appointed 22 August 2012)

Directors' report (continued)

For the year ended 31 December 2012

Directors' indemnities

The directors have the benefit of a deed of indemnity which constitutes a "qualifying third party indemnity provision". These deeds are in force during the whole of the financial year (or from the date of appointment in respect of directors who join the board during the financial year). The indemnities remain in force at the date of signing the financial statements. Deeds for existing directors are available for inspection at the registered office of Lloyds Banking Group plc.

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations.

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to auditors

Each director in office at the date of this report confirms that

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

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

Independent auditors

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

On behalf of the board



R A Puri
Director

14 March 2013

Independent auditors' report to the member of Bavarian Mortgages No. 5 Limited

We have audited the financial statements of Bavarian Mortgages No. 5 Limited for the year ended 31 December 2012 which comprise the Statement of comprehensive income, the Balance sheet, the Statement of changes in equity, the Cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRSs") as adopted by the European Union.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of directors' responsibilities set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's member 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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' report and financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2012 and of its loss 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

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

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



Nathan Irwin (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
31 Great George Street
Bristol
BS1 5QD

14 March 2013

Statement of comprehensive income

For the year ended 31 December 2012

	Note	2012 £'000	2011 £'000
Other (expense)/income	4	(16)	66
Other operating income	5	-	3,900
<hr/>			
(Loss)/profit before tax		(16)	3,966
Taxation	7	-	15
<hr/>			
(Loss)/profit for the year attributable to owners of the parent, being total comprehensive (expense)/income		(16)	3,981
<hr/>			

The notes on pages 8 to 12 are an integral part of these financial statements

Balance sheet

As at 31 December 2012

	Note	2012 £'000	2011 £'000
ASSETS			
Other current assets	8	20,075	20,126
Total assets		20,075	20,126
LIABILITIES			
Borrowed funds	9	7,056	7,056
Current tax liability		-	35
Total liabilities		7,056	7,091
EQUITY			
Share capital	10	13	13
Retained profits		13,006	13,022
Total equity		13,019	13,035
Total equity and liabilities		20,075	20,126

The notes on pages 8 to 12 are an integral part of these financial statements

The financial statements on pages 4 to 12 were approved by the board of directors and were signed on its behalf by



R A Purdy
Director

14 March 2013

Statement of changes in equity

For the year ended 31 December 2012

	Share capital £'000	Retained profits £'000	Total £'000
At 1 January 2011	13	9,041	9,054
Total comprehensive income for the year	-	3,981	3,981
At 31 December 2011	13	13,022	13,035
Total comprehensive expense for the year	-	(16)	(16)
At 31 December 2012	13	13,006	13,019

The notes on pages 8 to 12 are an integral part of these financial statements

Cash flow statement

For the year ended 31 December 2012

	2012 £'000	2011 £'000
Cash flows generated from operating activities		
(Loss)/profit before tax	(16)	3,966
Changes in operating assets and liabilities		
- net decrease in Investment in subsidiary undertaking	-	10,222
- net decrease/(increase) in Amounts due from group undertakings	51	(14,188)
Cash generated from operations	35	-
Taxes paid via group relief	(35)	-
Net cash generated from operating activities	-	-
Net increase in cash and cash equivalents	-	-
Cash and cash equivalents at beginning of year	-	-
Cash and cash equivalents at end of year	-	-

The notes on pages 8 to 12 are an integral part of these financial statements

Notes to the financial statements

For the year ended 31 December 2012

1. Accounting policies

1.1 Basis of preparation

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to both years presented, unless otherwise stated.

These financial statements have been prepared in accordance with applicable IFRSs as adopted by the European Union and the Companies Act 2006 applicable to companies reporting under IFRSs. IFRSs comprise accounting standards prefixed IFRS issued by the International Accounting Standards Board ("IASB") and those prefixed IAS issued by the IASB's predecessor body as well as interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") and its predecessor body.

There have been no new IFRS pronouncements relevant to the Company requiring adoption in these financial statements.

Details of those pronouncements which will be relevant to the Company but which were not effective at 31 December 2012 and which have not been applied in preparing these financial statements are given in note 15.

These separate financial statements contain information about the Company and do not contain consolidated financial information as the parent of a group. The Company has taken advantage of the exemptions under IAS 27 Consolidated and Separate Financial Statements and Section 400 of Companies Act 2006 from the requirement to prepare consolidated financial statements. The Company and its subsidiary are included in the consolidated financial statements of the Company's ultimate parent company.

The financial statements have been prepared on a going concern basis as detailed in the Directors' report and under the historical cost convention.

1.2 Income recognition

Dividend income is recognised in the period it is received.

Gains on liquidation of subsidiary undertaking will be recognised when they can be reliably measured. This is deemed to be when the appointed liquidator confirms the value of the distributions as they fall due.

1.3 Financial assets and liabilities

Financial assets comprise Amounts due from group undertakings. Financial liabilities comprise Amounts due to group undertakings.

Financial assets and liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are derecognised when the rights to receive cash flows, or obligations to pay cash flows, have expired.

1.4 Taxation

Current tax which is payable or receivable on taxable profits or losses is recognised as an expense or credit in the period in which the profits or losses arise.

Tax assets and liabilities are offset when they arise in the same tax reporting group and where there is both a legal right of offset and the intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

1.5 Foreign currency translation

Foreign currency transactions are translated into sterling using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in the Statement of comprehensive income.

1.6 Cash and cash equivalents

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

Notes to the financial statements (continued)

For the year ended 31 December 2012

2. Risk management policy

The Company's operations do not expose it to any significant credit risk, liquidity risk or interest rate risk as its transactions are substantially intra-group, it is also not exposed to any market risk or foreign exchange risk. Responsibility for the control of overall risk lies with the board of directors, operating within a management framework established by the intermediate parent, Bank of Scotland plc and the ultimate parent, Lloyds Banking Group plc.

3. Critical accounting estimates and judgements in applying accounting policies

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although those estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

There are no significant estimates or judgements that have been used in the preparation of these financial statements.

4. Other (expense)/income

	2012 £'000	2011 £'000
(Loss)/gain on liquidation of Investment of subsidiary undertaking	(16)	66

In May 2011 Parkgate Insurance Limited, the Company's wholly owned subsidiary, was put into members voluntary liquidation.

The final payment was not received until 2012 and was lower than originally anticipated due to movements in the EURO foreign exchange rate, resulting in a loss being recorded in 2012.

5. Other operating income

	2012 £'000	2011 £'000
Income from shares in subsidiary undertaking	-	3,900

In December 2010 an interim dividend of £3,000,000 was declared by Parkgate Insurance Limited, the Company's wholly owned subsidiary. The amount has been recognised in 2011 as it was paid in January 2011 following regulatory approval.

In May 2011 Parkgate Insurance Limited declared and paid a final dividend of £900,000 to the Company, before it was put into members voluntary liquidation. Therefore no dividend was paid in 2012.

6. Other operating expenses

Fees payable to the Company's auditors for the audit of the financial statements of £1,000 (2011: £1,000) have been borne by a fellow subsidiary undertaking and are not recharged to the Company. Accounting and administration services are provided by a fellow subsidiary undertaking and are not recharged to the Company.

No director received any fees or emoluments during the year (2011: £nil). The directors are employed by other companies within the Lloyds Banking Group and consider that their services to the Company are incidental to their other responsibilities within the Group (see also note 11).

Notes to the financial statements (continued)

For the year ended 31 December 2012

7. Taxation

	2012 £'000	2011 £'000
a) Analysis of (charge)/credit for the year		
UK corporation tax		
- Current tax on (loss)/profit for the year	-	-
- Current tax (charge)/credit on profit from prior year *	-	15
	-	15

* In 2011 this is due to apportionment of subsidiary's profit under CFC rules

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

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

	2012 £'000	2011 £'000
(Loss)/profit before tax	(16)	3,966
Tax (credit)/charge thereon at UK corporation tax rate of 24.5% (2011: 26.5%)	(4)	1,051
Factors affecting (credit)/charge		
- Non-taxable income	-	(1,051)
- Apportionment of subsidiary's profit under CFC rules from prior year	-	15
- Non recoverable losses	4	-
Tax on (loss)/profit on ordinary activities	-	15

On 21 March 2012, the Government announced a reduction in the rate of corporation tax to 24% with effect from 1 April 2012. This reduction was enacted under the Provisional Collection of Taxes Act 1968 on 26 March 2012. In addition, the Finance Act 2012 which passed into law on 3 July 2012, included legislation to reduce the main rate of corporation tax from 24% to 23% from 1 April 2013.

8. Other current assets

	2012 £'000	2011 £'000
Amounts due from group undertakings (see note 11)	20,075	20,126

Amounts due from group undertakings are unsecured, non-interest bearing and repayable on demand. The fair value of amounts due from group undertakings is equal to their carrying amounts.

9. Borrowed funds

	2012 £'000	2011 £'000
Amounts due to group undertakings (see note 11)	7,056	7,056

Amounts due to group undertakings are unsecured, non-interest bearing and repayable on demand, although there is no expectation that such a demand would be made. The fair value of amounts due to group undertakings is equal to their carrying value.

Notes to the financial statements (continued)

For the year ended 31 December 2012

10. Share capital

	2012 £'000	2011 £'000
Allotted, issued and paid		
2 ordinary shares of £1 each (fully paid up)	-	-
49,998 ordinary shares of £1 each (partly paid up as to 25%)	13	13
	13	13

At 31 December 2012, the authorised share capital of the Company was £50,000 divided into 50,000 ordinary shares of £1 each

The holders of all ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company

The immediate parent company is Birmingham Midshires Mortgage Services Limited. The company regarded by the directors as the ultimate parent company is Lloyds Banking Group plc (incorporated in Scotland), which is also the parent undertaking of the largest group of undertakings for which group financial statements are drawn up and of which the Company is a member. Bank of Scotland plc is the parent undertaking of the smallest such group of undertakings. Copies of the financial statements of both companies may be obtained from Group Secretariat, Lloyds Banking Group plc, 25 Gresham Street, London, EC2V 7HN.

11 Related party transactions

The Company is controlled by Bank of Scotland plc. A number of transactions are entered into with related parties in the normal course of business. A summary of the outstanding balances at the year are set out below.

	2012 £'000	2011 £'000
Amounts due from group undertakings		
Bank of Scotland plc	20,075	19,897
Parkgate Insurance Limited	-	229
Total amounts due from group undertakings (see note 8)	20,075	20,126
Amounts due to group undertakings		
Birmingham Midshires Mortgage Services Limited	7,056	7,056
Total amounts due to group undertakings (see note 9)	7,056	7,056

During 2011 the Company received two dividends from its subsidiary undertaking, Parkgate Insurance Limited (see note 5).

Key management personnel

Key management personnel are those persons having authority and responsibility for planning and controlling the activities of the Company. Accordingly, key management comprise the directors of the Company and the members of the Lloyds Banking Group plc board. There were no transactions between the Company and key management personnel during the current or preceding year. Key management personnel are employed by other companies within the Lloyds Banking Group and consider that their services to the Company are incidental to their other activities within the Group.

UK Government

In January 2009, the UK Government through HM Treasury became a related party of the Company following its subscription for ordinary shares issued under a placing and open offer. At 31 December 2012, HM Treasury held a 39.2 per cent (2011: 40.2 per cent) interest in the ordinary share capital of Lloyds Banking Group plc and consequently HM Treasury remained a related party of the Company during the year ended 31 December 2012.

Notes to the financial statements (continued)

For the year ended 31 December 2012

12 Capital disclosures

The Company's objectives when managing capital are to safeguard the entity's ability to continue as a going concern, provide an adequate return to its shareholders and, indirectly, to support the Group's regulatory capital requirements

The Company's parent manages the Company's capital structure and advises the board of directors to consider making adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the board of directors may adjust the amount of dividends to be paid to shareholders, return capital to shareholders, issue new shares, or sell assets

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

13. Contingent liabilities and capital commitments

There were no contingent liabilities or contracted capital commitments at the balance sheet date (2011: £nil)

14. Post balance sheet events

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

15. Future developments

The following pronouncements will be relevant to the Company but were not effective at 31 December 2012 and have not been applied in preparing these financial statements

Pronouncement	Nature of change	Effective date
Improvements to IFRSs (issued May 2012) ¹	Sets out minor amendments to IFRS standards as part of the annual improvements process. Most amendments clarified existing practice	Annual periods beginning on or after 1 January 2013
IFRS 12 Disclosure of Interests in Other Entities	Sets out disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities	Annual periods beginning on or after 1 January 2014
IFRS 13 Fair value Measurement	Sets out a single IFRS framework for the measurement of fair value and the related disclosure requirements	Annual periods beginning on or after 1 January 2013
IFRS 9 Financial Instruments Classification and Measurement ^{1 & 2}	Replaces those parts of IAS 39 Financial Instruments Recognition and Measurement relating to the classification, measurement and derecognition of financial assets and liabilities. Requires financial assets to be classified into two measurement categories, fair value and amortised cost, on the basis of the objectives of the entity's business model for managing its financial assets and the contractual cash flow characteristics of the instrument. The available-for-sale financial asset and held-to-maturity categories in the existing IAS 39 will be eliminated. The requirements for financial liabilities and derecognition are broadly unchanged from IAS 39	Annual periods beginning on or after 1 January 2015

1 At the date of this report, these pronouncements are awaiting EU endorsement.

2 IFRS 9 is the initial stage of the project to replace IAS 39. Future stages are expected to result in amendments to IFRS 9 to deal with changes to the impairment of financial assets measured at amortised cost and hedge accounting. Until all stages of the replacement project are complete, it is not possible to determine the overall impact on the financial statements of the replacement of IAS 39.

The full impact of these pronouncements is being assessed by the Company. However, the initial view is that none of these pronouncements are expected to cause any material adjustments to the reported numbers in the financial statements.