Glosstrips Limited

Directors' report and financial statements
For the year ended 29 February 2012

Registered office

Level 1, Citymark
150 Fountainbridge
Edinburgh
EH3 9PE

Registered number

SC053015

Directors

J Edwards
M J D Griffiths
J O Trace

Company secretary

P Gittins

Member of Lloyds Banking Group

Directors' report

For the year ended 29 February 2012

The directors present their report and the audited financial statements of Glosstrips Limited for the year ended 29 February 2012.

Business review

Principal activities

Glosstrips Limited ("the Company") is a limited company incorporated and domiciled in Scotland (registered number: SC053015).

The principal activity of the Company is to act as a partner in a partnership which provides finance and associated services.

The Company's results for the year show a Profit before tax of £909 (2011: £1,053) and Net interest expense of £281 (2011: £276).

The immediate parent company, Bank of Scotland plc, provides funding to the Company.

Future outlook

The Company continues to receive partnership income derived from secondary rentals. The partnership is not writing new business. The loan book of the partnership will continue to decline as secondary periods come to an end and are not extended. Income received by the Company will coincide with this decline. There are no other expected changes in the nature and extent of the Company's operations.

Principal risks and uncertainties

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the Lloyds TSB Asset Finance Division ("the Division") and are not managed separately for the Company. Further details of the Company's and Division'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. KPIs are monitored and reported at a divisional level.

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 29 February 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 29 February 2012 (2011: £nil).

Going concern

The directors are satisfied that it is the intention of Lloyds Banking Group plc that its subsidiaries, including the Company, will continue to receive funding in the future and, accordingly, the financial statements have been prepared on a going concern basis.

Directors' report

For the year ended 29 February 2012

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:

J O Trace	(appointed 18 April 2011)
M J D Griffiths	(appointed 18 April 2011)
J Edwards	(appointed 9 December 2011)
J A Holme	(resigned 9 December 2011)

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 these 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

J O Trace
Director

30 / 8 / 2012

Independent auditors' report to the member of Glosstrips Limited

We have audited the financial statements of Glosstrips Limited for the year ended 29 February 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 29 February 2012 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.

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.

N Rummings

Neil Rummings (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
One Kingsway
Cardiff
CF10 3PW
30 August 2012

Statement of comprehensive income

For the year ended 29 February 2012

	Note	2012 £	2011 £
Interest expense		**(281)**	(276)
Income from Investment in partnership		**1,190**	1,329
Profit before tax	4	**909**	1,053
Taxation	7	**(238)**	(295)
Profit for the year attributable to owners of the parent, being total comprehensive income		**671**	758

The notes on pages 8 to 14 are an integral part of these financial statements.

Balance sheet

As at 29 February 2012

	Note	2012 £	2011 £
ASSETS			
Other current assets	8	**31,998**	30,808
Investment in partnership	9	**50**	50
Total assets		**32,048**	30,858
LIABILITIES			
Borrowed funds	10	**51,777**	51,496
Current tax liability		**533**	295
Total liabilities		**52,310**	51,791
EQUITY			
Share capital	11	**100**	100
Retained losses		**(20,362)**	(21,033)
Total equity		**(20,262)**	(20,933)
Total equity and liabilities		**32,048**	30,858

The notes on pages 8 to 14 are an integral part of these financial statements.

The financial statements on pages 4 to 14 were approved by the board of directors and were signed on its behalf by:

J O Trace
Director

30 / 8 /2012

Statement of changes in equity

For the year ended 29 February 2012

	Share capital £	Retained losses £	Total £
At 1 March 2010	100	(21,791)	(21,691)
Total comprehensive income for the year	-	758	758
At 28 February 2011	**100**	**(21,033)**	**(20,933)**
Total comprehensive income for the year	-	671	671
At 29 February 2012	**100**	**(20,362)**	**(20,262)**

The notes on pages 8 to 14 are an integral part of these financial statements.

Cash flow statement

For the year ended 29 February 2012

	2012 £	Restated 2011 £
Cash flows generated from/(used in) operating activities		
Profit before tax	**909**	1,053
Adjustments for:		
- Interest expense	**281**	276
Cash generated from operations	**1,190**	1,329
Interest paid	**(281)**	(276)
Corporation tax paid	**-**	(2,183)
Net cash generated from/(used in) operating activities	**909**	(1,130)
Cash flows (used in)/from financing activities		
(Repayment of)/Proceeds from balances with group undertakings	**(909)**	1,130
Net cash (used in)/from financing activities	**(909)**	1,130
Net movement 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 14 are an integral part of these financial statements.

The 2011 comparatives have been restated to reclassify certain cashflows in order to provide a clearer understanding of the Company's cash flows.

Notes to the financial statements
For the year ended 29 February 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.

The following new IFRS pronouncements relevant to the Company have been adopted in these financial statements:

(i) Amendments to IAS 24 Related Party Disclosures. Simplifies the definition of a related party and provides a partial exemption from the disclosure requirements for related party transactions with government related entities. As the amendments only result in reduced disclosures, the amendments have not had any impact for amounts recognised in these financial statements.

(ii) Improvements to IFRSs (issued May 2010). Sets out minor amendments to IFRS standards as part of annual improvements process. Most amendments clarified existing practice. The application of these new interpretations has not had any impact for amounts recognised in these financial statements.

Details of those pronouncements which will be relevant to the Company but which were not effective at 29 February 2012 and which have not been applied in preparing these financial statements are given in note 17.

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 and expense recognition

Interest expense is recognised in the Statement of comprehensive income using the effective interest rate method. The effective interest rate method is a method of calculating the amortised cost of a financial asset or liability and of allocating the interest income or interest expense to a period of account.

Income from Investment in partnership is recognised in the period in which it is received.

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.

Interest bearing financial assets and liabilities are recognised and measured at amortised cost inclusive of transaction costs, using the effective interest rate method.

1.4 Investment in partnership

Investment in partnership comprises investments in, and capital contributions to the partnership entity. This is carried at cost less impairment provisions. At each reporting date an assessment is undertaken to determine if there is any indication of impairment. This assessment can include reviewing factors such as the solvency, profitability and cash flows generated by the partnership. If there is an indication of impairment an estimate of the recoverable amount is made, being the higher of the net realisable value and value in use. If the carrying value exceeds the recoverable amount then a provision for impairment is made to reduce the carrying value to the recoverable amount.

1.5 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.

Notes to the financial statements (continued)

For the year ended 29 February 2012

2. Risk management policy

The Company's operations expose it to liquidity risk, interest rate risk, and business risk; it is not exposed to any significant foreign exchange risk, credit risk or market risk. Responsibility for the control of overall risk lies with the board of directors, operating within a management framework established by the immediate parent, Bank of Scotland plc, and the ultimate parent, Lloyds Banking Group plc. The interest rate and liquidity risk faced by the Company is in substance managed and borne by other group undertakings which fund the Company. Business risk is managed through regular reporting and oversight.

2.1 Liquidity risk

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

Liquidity risks are managed as part of the Group by the immediate parent company, Bank of Scotland plc, in consultation with the board of directors. Monthly reviews of funding positions are undertaken to anticipate any shortfalls.

2.2 Interest rate risk

Interest rate risk is the risk of financial loss as a result of adverse movements in interest rates, and arises largely because of timing differences between the repricing of financial assets and liabilities. Interest rate risk is managed at a divisional level, however the Company is exposed to interest rate fluctuations due to factors outside the Company, and as a result a sensitivity analysis has been provided in note 13.

2.3 Business risk

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

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

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.

Other than the potential for impairment of Investment in partnership (see note 1.4) there are no significant estimates or judgements that have been used in the preparation of the financial statements.

4. Profit before tax

The following items have been included in arriving at Profit before tax

	2012 £'000	2011 £'000
Income		
Income from Investment in partnership (see note 12)	**1,190**	1,329
Expenses		
Group interest expense (see note 12)	**(281)**	(276)

The Company has a 50% shareholding in IBOS Securities partnership and is entitled to 50% of the partnership's annual profits. The Group interest expense arises on Borrowed funds from Bank of Scotland plc.

Fees payable to the Company's auditors for the audit of the financial statements of £3,000 (2011: £2,000) have been borne by a fellow subsidiary undertaking and are not recharged to the Company.

5. Staff costs

The Company did not employ any persons during the year (2011: none).

Notes to the financial statements (continued)
For the year ended 29 February 2012

6. Directors' emoluments

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 12).

7. Taxation

	2012	2011
	£	£
a) Analysis of charge for the year		
UK corporation tax:		
- Current tax on taxable profit for the year	**238**	295

Corporation tax is calculated at a rate of 26.2% (2011: 28.0%) of the taxable profit for the year.

b) Factors affecting the tax charge for the year

The tax on the Company's Profit before tax does not differ from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the Company as follows:

	2012	2011
	£	£
Profit before tax	**909**	1,053
Tax charge thereon at UK corporation tax rate of 26.2% (2011: 28.0%)	**238**	295
Tax on profit on ordinary activities	**238**	295
Effective rate	26.2%	28.0%

The UK Government announced on 23 March 2011 that the headline rate of corporation tax would be reduced from 28% by 2% on 1 April 2011 and 1% each year thereafter until it reaches 23%. On 22 March 2012 the UK Government announced that on 1 April 2012 the headline rate of corporation tax would be reduced by 2% rather than 1% to 24%, and 1% each year thereafter until it reaches 22%.

These rate changes will affect the amount of future cash tax payments to be made by the Company in the future.

8. Other current assets

	2012	2011
	£	£
Amounts due from group undertakings (see note 12)	**31,998**	30,808

Amounts due from group undertakings represent the Company's current account in the partnership and are unsecured, non-interest bearing and repayable on demand.

Notes to the financial statements (continued)
For the year ended 29 February 2012

9. Investment in partnership

	2012 £	2011 £
Cost	**50**	50

The partnership earns income from secondary lease rentals.

	Share in partnership	Accounting reference date
IBOS securities	50%	29 February

A summary of the unaudited financial position and results of IBOS Securities is set out below:

	2012 £	2011 £
Net interest income	**2,380**	2,658
Net assets	**100**	100
Total liabilities	**70,511**	67,287

10. Borrowed funds

	2012 £	2011 £
Amounts due to group undertakings (see note 12)	**51,777**	51,496

Amounts due to group undertakings are unsecured and repayable on demand, although there is no expectation that such a demand would be made. Interest is charged at Bank of England base rate.

11. Share capital

	2012 £	2011 £
Allotted, issued and fully paid		
100 ordinary shares of £1 each	**100**	100

At 29 February 2012, the authorised share capital of the Company was £100 divided into 100 shares of £1 each.

The immediate parent company is Bank of Scotland plc (incorporated in Scotland). 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 accounts 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 accounts of both companies may be obtained from Group Secretariat, Lloyds Banking Group plc, 25 Gresham Street, London, EC2V 7HN.

12. 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. These include loan transactions. A summary of the outstanding balances at the year end and the related income and expense for the year are set out below.

	2012 £	2011 £
Amounts due from group undertakings		
IBOS Securities (see note 8)	**31,998**	30,808

Notes to the financial statements (continued)

For the year ended 29 February 2012

12. Related party transactions (continued)

Amounts due to group undertakings		
Bank of Scotland plc (see note 10)	**51,777**	51,496
Interest expense		
Bank of Scotland plc (see note 4)	**281**	276
Income from investment in partnership		
IBOS Securities (see note 4)	**1,190**	1,329

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.

13. Financial risk management

A description of the nature and mitigation of key risks facing the Company is provided in note 2. A description of the Company's financial assets/liabilities and associated accounting is provided in note 1.

13.1 Liquidity risk

The Company is funded entirely by companies within the Group. Such funding is repayable on demand, although there is no expectation that such a demand would be made.

13.2 Interest rate risk

Interest rate risk is managed at a divisional level. As the Company is exposed to interest rate fluctuations a sensitivity analysis has been prepared to illustrate the impact of a change in the rates.

Interest rate risk - sensitivity analysis

The sensitivity analysis is based on the Company's Amounts due to group undertakings and takes account of movement in the Bank of England base rate which is the basis for the interest rate on intercompany balances. A 0.25% increase or decrease is used to assess the possible change in Interest expense. This rate is appropriate as the Bank of England base rate generally increases or decreases in increments of 0.25%.

If the base rate increased by 0.25% and all other variables remain constant this would increase Interest expense by £129 (2011: £49) and accordingly decrease Interest expense by £129 (2011: £49) if the base rate decreased by the same amount.

The Company receives a share of partnership profits, which are subject to interest rate risk being the net of fixed and variable rate income from lease agreements and variable rate interest on its funding from group companies.

13.3 Financial strategy

The Company does not trade in financial instruments, nor does it use derivatives.

Notes to the financial statements (continued)
For the year ended 29 February 2012

13. Financial risk management (continued)

13.4 Fair values of financial assets and liabilities

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

The directors consider that there are no significant differences between the carrying amounts shown in the Balance sheet and the fair value.

14. Capital disclosures

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

The Company's 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.

15. Contingent liabilities and capital commitments

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

16. Post balance sheet events

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

17. Future developments

The following pronouncements will be relevant to the Company but were not effective at 29 February 2012 and have not been applied in preparing these financial statements.

Pronouncement	Nature of change	Effective date
IFRS 11 Joint Arrangements [1]	Provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form.	Annual periods beginning on or after 1 January 2013.
IFRS 12 Disclosure of Interests in Other Entities [1]	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 2013.
IFRS 13 Fair value Measurement [1]	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.

Notes to the financial statements (continued)
For the year ended 29 February 2012

17. Future developments (continued)

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 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.