

Registered Number 3436151

BOS (SHARED APPRECIATION MORTGAGES (SCOTLAND) NO. 3) LIMITED
ANNUAL REPORT AND ACCOUNTS
YEAR ENDED 31 December 2012



**BOS (SHARED APPRECIATION MORTGAGES (SCOTLAND) NO. 3) LIMITED
DIRECTORS AND COMPANY INFORMATION**

DIRECTORS

Ian Gordon Stewart
Tracey Anne Hill

COMPANY SECRETARY

Paul Gittins

REGISTERED OFFICE

Trinity Road
Halifax
West Yorkshire
HX1 2RG

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
7 More London Riverside
London
SE1 2RT

**BOS (SHARED APPRECIATION MORTGAGES (SCOTLAND) NO. 3) LIMITED
DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2012**

The directors present their annual report and the audited financial statements for BOS (Shared Appreciation Mortgages (Scotland) NO 3) Limited (the "Company") for the year ended 31 December 2012

Principal Activity

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.

The Company is a subsidiary undertaking of BOS and ultimately Lloyds Banking Group plc ("LBG").

RESULTS AND DIVIDENDS

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

During the year the directors recommended payment of a dividend at a rate of £250,000 per £1 ordinary share. The total dividend paid was £250,000 (2011: £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.

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.

POLICY AND PRACTICE ON PAYMENT OF CREDITORS

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

Following the sale of the mortgage loans, the Company has not been trading and all expenses incurred are reimbursed by the mortgage owners as part of the service to receive and distribute cash.

The Company owed no money to trade creditors at 31 December 2012 or at 31 December 2011.

DIRECTORS

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

Ian Gordon Stewart
Tracey Anne Hill

**BOS (SHARED APPRECIATION MORTGAGES (SCOTLAND) NO. 3) LIMITED
DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)**

THIRD PARTIES 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 directors' report and financial statements

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

EMPLOYEES

The Company has employed no staff during the year ended 31 December 2012 or the previous year

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

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 International Financial Reporting Standards (IFRSs) as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements

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

Statement of disclosure of information to auditors

So far as the directors are aware, there is no relevant audit information of which the Company's auditors are unaware, and the directors have taken all the steps that they ought to have taken as directors in order to make themselves 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(2) of the Companies Act 2006

**BOS (SHARED APPRECIATION MORTGAGES (SCOTLAND) NO. 3) LIMITED
DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)**

INDEPENDENT AUDITORS

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

GOING CONCERN

The directors are satisfied that the Company has adequate resources to continue to operate for the foreseeable future and is financially sound. For this reason, they continue to adopt the going concern basis in preparing the accounts

By Order of the Board



Paul Gittins
Secretary

Trinity Road
Halifax
West Yorkshire
HX1 2RG

DATE 22 March 2013

BOS (SHARED APPRECIATION MORTGAGES (SCOTLAND) NO 3) LIMITED

**INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF
BOS (SHARED APPRECIATION MORTGAGES (SCOTLAND) NO. 3) LIMITED**

We have audited the financial statements of BOS (Shared Appreciation Mortgages (Scotland) NO 3) Limited for the year ended 31 December 2012 which comprise 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 3, 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 annual report 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 reports.

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 result 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.

BOS (SHARED APPRECIATION MORTGAGES (SCOTLAND) NO. 3) LIMITED

**INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF
BOS (SHARED APPRECIATION MORTGAGES (SCOTLAND) NO. 3) LIMITED
(CONTINUED)**

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

A handwritten signature in black ink, appearing to read 'S. Berryman'.

Scott Berryman (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

DATE 22 March 2013

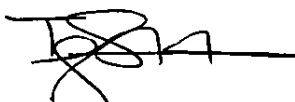
BOS (SHARED APPRECIATION MORTGAGES (SCOTLAND) NO. 3) LIMITED
BALANCE SHEET AS AT 31 DECEMBER 2012

	Notes	2012 £	2011 £
Assets			
Cash and cash equivalents		380,675	416,319
Trade and other receivables	2	1	1
Total assets		380,676	416,320
Equity and liabilities			
Trade and other payables	3	282,546	68,190
Total liabilities		282,546	68,190
Share capital	4	1	1
Retained profits		98,129	348,129
Shareholders' equity		98,130	348,130
Total equity and liabilities		380,676	416,320

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. 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 directors approved the financial statements on 22 March 2013.


 Ian Gordon Stewart
 Director

The accompanying notes on pages 10 to 16 are an integral part of the financial statements.

BOS (SHARED APPRECIATION MORTGAGES (SCOTLAND) NO. 3) LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2012

	Share capital £	Retained profits £	Total £
Balance at 1 Jan 2012	1	348,129	348,130
Result / total comprehensive income for the year	-	-	-
Dividends paid during the year	-	(250,000)	(250,000)
Balance at 31 Dec 2012	1	98,129	98,130

	Share capital £	Retained profits £	Total £
Balance at 1 Jan 2011	1	348,129	348,130
Result / total comprehensive income for the year	-	-	-
Balance at 31 Dec 2011	1	348,129	348,130

The accompanying notes on pages 10 to 16 are an integral part of the financial statements

BOS (SHARED APPRECIATION MORTGAGES (SCOTLAND) NO. 3) LIMITED
CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2012

	2012	2011
	£	£
Operating Activities		
Amounts received on behalf of mortgage owners	1,870,198	2,150,845
Amounts paid to mortgage owners	(1,655,842)	(2,114,334)
Net cash flows from operating activities	214,356	36,511
Financing Activities		
Dividends paid	(250,000)	-
Net cash flows from financing activities	(250,000)	-
Net (decrease) / increase in cash and cash equivalents	(35,644)	36,511
Cash and cash equivalents at start of year	416,319	379,808
Cash and cash equivalents at end of year	380,675	416,319

The cash flow statement is presented using the direct method of preparation

The accompanying notes on pages 10 to 16 are an integral part of the financial statements

BOS (SHARED APPRECIATION MORTGAGES (SCOTLAND) NO. 3) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

1. SIGNIFICANT ACCOUNTING POLICIES

BOS (Shared Appreciation Mortgages (Scotland) NO 3) Limited is a company domiciled and incorporated in the United Kingdom

(a) Statement of compliance

The financial statements for the year ended 31 December 2012 have been prepared in accordance with International Financial Reporting Standards (IFRSs) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) 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.

The financial statements also comply with the relevant provisions of Part XV 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 the 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 cash and liquid resources and various other receivables and payables that arise directly from its operations.

These financial instruments are classified in accordance with the principles of IAS 39 as described below.

(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 within "loans and receivables" in accordance with IAS 39 and income is being recorded using the effective interest method.

BOS (SHARED APPRECIATION MORTGAGES (SCOTLAND) NO. 3) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) 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.

(d) Dividends

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

(e) Trade and other payables

Trade and other payables are stated at cost or at amortised cost if deemed to be a financial liability.

2. TRADE AND OTHER RECEIVABLES

	2012 £	2011 £
Amount due from BOS	1	1
	<u> </u>	<u> </u>

3. TRADE AND OTHER PAYABLES

	2012 £	2011 £
Accruals and deferred income	282,546	68,190
	<u> </u>	<u> </u>

Accruals and deferred income relate to amounts collected on behalf of the mortgage owners and awaiting distribution in the following months.

4. SHARE CAPITAL

	2012 £	2011 £
Authorised		
100 ordinary shares of £1 each	100	100
	<u> </u>	<u> </u>
Allotted, called up and fully paid		
1 ordinary share of £1	1	1
	<u> </u>	<u> </u>

BOS (SHARED APPRECIATION MORTGAGES (SCOTLAND) NO. 3) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

5. MANAGEMENT OF RISK

The principal risk 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 will be 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 a 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.

BOS (SHARED APPRECIATION MORTGAGES (SCOTLAND) NO. 3) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

5. MANAGEMENT OF RISK (CONTINUED)

5(c) Fair values

All assets and liabilities within the Balance Sheet are recognised on an amortised cost basis that is considered to be a close approximation to fair value

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

During the year there was a dividend paid to BOS for £250,000 (2011 £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 Group

	LBG and subsidiary undertakings	LBG and subsidiary undertakings
At 31 December or for the year then ended	2012 £	2011 £
Balance Sheet		
Assets		
Cash and cash equivalents	380,675	416,319
Trade and other receivables	1	1
Liabilities		
Trade and other payables	(1,939)	(1,667)
Equity		
Dividends paid in the year	(250,000)	-

BOS (SHARED APPRECIATION MORTGAGES (SCOTLAND) NO. 3) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

7. FUTURE ACCOUNTING PRONOUNCEMENTS

The following pronouncements will be relevant to the Company but are not applicable for the year ending 31 December 2012 and have not been applied in preparing these financial statements. The full impact of these accounting changes is being assessed by the Company.

Pronouncement	Nature of change	IASB effective date
Amendments to IAS 1 Presentation of Financial Statements – <i>'Presentation of Items of other Comprehensive Income'</i>	Requires entities to group items presented in other income on the basis of whether they are potentially reclassified to profit or loss subsequently	Annual periods beginning on or after 1 July 2012
Amendments to IFRS 7 <i>Financial Instruments Disclosures – Offsetting Financial Assets and Financial Liabilities (1)</i>	Requires an entity to disclose information to enable users of its financial statements to evaluate the effect or potential effect of netting arrangements on the entity's balance sheet	Annual periods beginning on or after 1 January 2013
IFRS 10 <i>Consolidated Financial Statements (1)</i>	Supersedes IAS 27 <i>Consolidated and Separate Financial Statements and SIC-12 Consolidation – Special Purpose Entities</i> and establishes the principles for when the Group controls another entity and therefore is required to consolidate the other entity in the Group's financial statements	Annual periods beginning on or after 1 January 2013
IFRS 12 <i>Disclosure of Interests in Other Entities (1)</i>	Requires an entity to disclose information that enables users of financial statements to evaluate the nature of, and risks associated with, its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows	Annual periods beginning on or after 1 January 2013

BOS (SHARED APPRECIATION MORTGAGES (SCOTLAND) NO. 3) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

7. FUTURE ACCOUNTING PRONOUNCEMENTS (CONTINUED)

Pronouncement	Nature of change	IASB effective date
IFRS 13 <i>Fair Value Measurement</i>	Defines fair value, sets out a framework for measuring fair value and requires disclosures about fair value measurements. It applies to IFRSs that require or permit fair value measurements or disclosures about fair value measurements.	Annual periods beginning on or after 1 January 2013
Amendment to IAS 32 <i>Financial Instruments Presentation</i> – 'Offsetting Financial Assets and Financial Liabilities' (1)	Inserts application guidance to address inconsistencies identified in applying the offsetting criteria used in the standard. Some gross settlement systems may qualify for offsetting where they exhibit certain characteristics akin to net settlement.	Annual periods beginning on or after 1 January 2014
IFRS 9 <i>Financial Instruments</i> (1), (2)	Replaces those parts of IAS 39 <i>Financial Instruments Recognition and Measurement</i> relating to the classification, measurement and derecognition of financial assets and liabilities. IFRS 9 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 instruments and eliminated the available-for-sale financial asset and held-to-maturity investment categories in IAS 39. The requirements for financial liabilities and derecognition are broadly unchanged from IAS 39.	Annual periods beginning on or after 1 January 2015

(1) As at 28 February 2013, these pronouncements with the exception of IFRS 9 have all received 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, as well as a reconsideration of classification and measurement. 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.

BOS (SHARED APPRECIATION MORTGAGES (SCOTLAND) NO 3) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

8. 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 accounts of both companies may be obtained from Group Secretariat, Lloyds Banking Group plc, 25 Gresham Street, London EC2V 7HN.

9. DIVIDENDS

	2012 £	2011 £
Ordinary shares		
£250,000 per £1 share	250,000	-