SC063024

THE BRITISH LINEN COMPANY LIMITED

DIRECTOR'S REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

THE BRITISH LINEN COMPANY LIMITED

DIRECTOR AND COMPANY INFORMATION

DIRECTOR

P R Grant

COMPANY SECRETARY

Lloyds Secretaries Limited

REGISTERED OFFICE

The Mound
EDINBURGH
EH1 1YZ

BANKERS

Bank of Scotland plc
Head Office
The Mound
EDINBURGH
EH1 1YZ

DIRECTOR'S REPORT
Company Registered Number SC063024

The Director presents their report and financial statements of The British Linen Company Limited ("the Company") for the year ended 31 December 2015.

The Company qualifies as a small company in accordance with Sections 381-382 of the Companies Act 2006 (the "Act") and the Director's Report has therefore been prepared taking into consideration the provisions of Part 15 of the Act.

INCORPORATION

The Company is registered and domiciled in Scotland.

PARENT UNDERTAKING

The Company is a wholly owned subsidiary of Bank of Scotland plc. The ultimate parent undertaking and controlling party is Lloyds Banking Group plc, a company incorporated in Scotland.

PRINCIPAL ACTIVITIES

The Company's previous activities have been integrated into the wider Lloyds Banking Group plc with the result that the Company is no longer active.

RESULTS AND DIVIDENDS

The Company was dormant throughout the year and in the previous year, accordingly no Statement of Comprehensive Income, no Statement of Changes in Equity nor Statement of Cash Flows have been prepared.

The Director does not recommend payment of a dividend in 2015 (2014: £nil).

DIRECTORS

The Director at the date of this report is as stated on page 1.

HBOS Directors Limited resigned from their position as Directors of the Company post financial year end on 29th January 2016.

The Directors had no interest in any material contract or arrangement with the Company during or at the end of the year.

During the year under review, the Directors did not receive any remuneration from the Company in respect of qualifying services to the Company.

DIRECTORS' INDEMNITIES

Lloyds Banking Group plc has granted to the Directors of the Company a deed of indemnity through deed poll which constituted 'qualifying third party indemnity provisions' for the purposes of the Act. The deed was in force during the whole of the financial year and at the date of approval of the financial statements. The indemnity remains in force for the duration of a Directors period of office. The deed indemnifies the Directors to the maximum extent permitted by law. The deed for the existing Director is available for inspection at the registered office of Lloyds Banking Group plc. In addition, Lloyds Banking Group plc has in place appropriate Directors and Officers Liability Insurance cover which was in place throughout the financial year.

DIRECTOR'S REPORT (CONTINUED)
Company Registered Number SC063024

RISK MANAGEMENT

The key risks and uncertainties faced by the Company are managed within the framework established for the Lloyds Banking Group plc group of companies ("the Group"). Exposure to credit risk, interest rate risk, foreign exchange risk, equity risk and liquidity risk arises in the normal course of the Company's business. These risks are discussed below and supplementary qualitative and quantitative information is explained in Note 4 'Financial instruments'. The Company is funded by its intermediate parent undertaking and as a result liquidity risk is managed within the Group.

EMPLOYEES

The Company has employed no staff during the year ended 31 December 2015 or the previous year.

STATEMENT OF DIRECTOR'S RESPONSIBILITIES AND STRATEGIC REPORTS

The Director is responsible for preparing the Director's report and strategic reports and the financial statements in accordance with applicable law and regulations.

Company law requires the Director to prepare financial statements for each financial year. Under that law the Director has prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Director 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 Director is 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Director is 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 GOING CONCERN

As set out in the statement of compliance in Note 1 Significant accounting policies in the notes to the financial statements, the Director is satisfied that the Company has adequate resources to continue in business for the foreseeable future and consequently the going concern basis is appropriate in preparing the financial statements.

On behalf of the Board

P R Grant
Director

BALANCE SHEET
AS AT 31 DECEMBER

	Note	2015 £000	2014 £000
Assets			
Amount due by Bank of Scotland plc	2	**5,841**	5,841
Total assets		**5,841**	5,841
Equity			
Share capital	3	**5,000**	5,000
Capital redemption reserve		**841**	841
Total equity		**5,841**	5,841
Total equity and liabilities		**5,841**	5,841

The notes on page 6 to 9 form part of these financial statements.

For the year ending 31 December 2015 the Company was entitled to exemption from audit under section 480 of the Companies Act 2006 relating to dormant companies.

No members have required the Company to obtain an audit of its financial statements for the year in question in accordance with section 476 of the Companies Act 2006.

The Director acknowledges his responsibility for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of financial statements.

Approved by the Board and signed on its behalf by:

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P R Grant
Director

Company Registered Number SC063024

NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2015

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements were authorised for issue by the Director

(a) Primary financial statements

In the year ended 31 December 2015 there was no income receivable (2014: £nil) nor were there any costs incurred, including Director's remuneration (2014: £nil). The company has no employees and the costs of services are borne by the intermediate parent undertaking. Therefore the following primary financial statements have not been prepared: Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows.

(b) Statement of compliance

The financial statements for the year ended 31 December 2015 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 financial statements also comply with the relevant provisions of Part 15 of the Companies Act 2006.

The Director is satisfied that the Company has adequate resources to continue in business for the foreseeable future and consequently the going concern basis has been used in preparing these financial statements.

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.

The accounting policies set out below have been applied consistently throughout the year under review.

(c) Accounting pronouncements effective in 2015

There were no new or amended standards which became effective in the year which have an impact on the financial statements of the Company.

NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2015

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Future accounting developments

The following pronouncements are not applicable for the year ending 31 December 2015 and have not been applied in preparing these financial statements. Save as disclosed below, the full impact of these accounting changes is being assessed by the Company.

Pronouncement	Nature of change	IASB effective date
IFRS 9 *Financial Instruments*[1]	Replaces IAS 39 *Financial Instruments: Recognition and Measurement.* IFRS 9 requires financial assets to be classified into one of three measurement categories, fair value through profit and loss, fair value through other comprehensive income 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. These changes are not expected to have a significant impact on the Company. IFRS 9 also replaces the existing 'incurred loss' impairment approach with an expected credit loss approach. This change is likely to result in an increase in the Company's balance sheet provisions for credit losses although the extent of any increase will depend upon, amongst other things, the composition of the Company's lending portfolios and forecast economic conditions at the date of implementation. In February 2015, the Basel Committee on Banking Supervision published a consultative document outlining supervisory expectations regarding sound credit risk practices associated with implementing and applying an expected credit loss accounting framework. A final version is expected to be issued at the end of 2015. The hedge accounting requirements of IFRS 9 are more closely aligned with risk management practices and follow a more principle-based approach than IAS 39. The revised requirements are not expected to have a significant impact on the Company.	Annual periods beginning on or after 1 January 2018
IFRS 15 *Revenue from Contracts with Customers*[1]	Replaces IAS 18 *Revenue* and IAS 11 *Construction Contracts.* IFRS 15 establishes principles for reporting useful information about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised at an amount that reflects the consideration to which the entity expects to be entitled in exchange for goods and services. Financial instruments, leases and insurance contracts are out of scope and so this standard is not expected to have a significant impact on the Company.	Annual periods beginning on or after 1 January 2018

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

NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2015

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Cash and cash equivalents

Cash and cash equivalents consisted of cash balances at banks that were freely available.

(f) Other receivables

Other receivables are stated at cost less provision for impairment.

(g) Dividends

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

(h) Capital management

As the Company has no significant operations, the Director does not consider capital management to be necessary.

2. AMOUNTS DUE BY BANK OF SCOTLAND PLC

	2015	2014
	£000	£000
Amounts due by parent	**5,841**	5,841

3. SHARE CAPITAL

	2015	2014
	£000	£000
Issued, called up and fully paid	**5,000**	5,000

At 31 December 2015 the issued share capital comprised 5,000,000 ordinary shares of £1 each (2014: 5,000,000).

4. FINANCIAL RISK MANAGEMENT

(a) Credit risk

Credit risk is the risk of financial loss from a counterparty's failure to settle financial obligations as they fall due. The maximum exposure to credit risk at the Balance Sheet date is £5,841,000 (2014: £5,841,000). This amount is due by Bank of Scotland plc and the credit risk is considered to be better than satisfactory.

The table below sets out the maximum exposure to credit risk at the Balance Sheet date.

	2015	2014
	£000	£000
Amount due by Bank of Scotland plc	**5,841**	5,841

NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2015

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

Amounts due by Bank of Scotland plc are classified within "loans and receivables" in accordance with IAS 39 and are carried at amortised cost, whereby any indication of impairment would result in an immediate write-down of the carrying value. These instruments consist of an inter-company receivable balance with the Group and have an internal credit rating of better than satisfactory. At the reporting date none of these balances were considered past due or impaired, neither were there any financial assets that would otherwise be past due or impaired had their terms not have been renegotiated.

(b) Fair values

The Company's financial statements have been prepared under the historical cost convention.

No calculation of fair value has been prepared for the Company's financial instruments, as the carrying amount is viewed as a reasonable approximation of fair value.

(c) Offsetting

The Company has no financial assets or financial liabilities which are subject to offsetting, enforceable master netting arrangements or similar agreements.

5. RELATED PARTY TRANSACTIONS

The Company has a related party relationship with its immediate parent company Bank of Scotland plc.

Details of the related party transactions during the year are disclosed below.

	Lloyds Banking Group plc and subsidiary undertakings 2015 £000	Lloyds Banking Group plc and subsidiary undertakings 2014 £000
Assets		
Amount due by Bank of Scotland plc	**5,841**	5,841

6. PARENT UNDERTAKING AND CONTROLLING PARTY

As at 31 December 2015 the Company's immediate parent was Bank of Scotland plc. The company regarded by the Director as the ultimate parent company at 31 December 2015 was Lloyds Banking Group plc, a limited liability company incorporated and domiciled in Scotland, which was 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 was the parent undertaking of the smallest such group of undertakings.

Copies of the consolidated annual report and accounts of both companies may be obtained from the Group's head office at 25 Gresham Street, London EC2V 7HN or downloaded via www.lloydsbankinggroup.com.

NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2015

7. CONTINGENT LIABILITIES

The Company provides for potential tax liabilities that may arise on the basis of the amounts expected to be paid to tax authorities. This includes open matters where Her Majesty's Revenue and Customs ('HMRC') adopt a different interpretation and application of tax law which might lead to additional tax. A number of Group companies, including the Company, have an open matter in relation to a claim for group relief of losses incurred in a former Irish banking subsidiary of the Group, which ceased trading on 31 December 2010. In the second half of 2013 HMRC informed the Group that their interpretation of the UK rules, permitting the offset of such losses, denies these claims; if HMRC's position is found to be correct, management estimate that this would result in an increase on the Company's current tax liability of approximately £8,442. The Group does not agree with HMRC's position and, having taken appropriate advice, does not consider that this is a case where additional tax will ultimately fall due to the Company.