SC063024

THE BRITISH LINEN COMPANY LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

THE BRITISH LINEN COMPANY LIMITED

DIRECTORS AND COMPANY INFORMATION

DIRECTORS

HBOS Directors Limited
P R Grant

COMPANY SECRETARY

Lloyds Secretaries Limited

REGISTERED OFFICE

The Mound
EDINBURGH
EH1 1YZ

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
7 More London Riverside
LONDON
SE1 2RT

BANKERS

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

DIRECTORS' REPORT
Company Registered Number SC063024

The Directors present their report and audited financial statements of The British Linen Company Limited ("the "Company") for the year ended 31 December 2013.

The Company qualifies as a small company in accordance with sections 381-382 of the Companies Act 2006 (the "Act"). The Directors' report has therefore been prepared taking into consideration the entitlement to small companies exemptions provided in sections 414B (as incorporated into the Act by the Strategic Report and Directors' Report Regulations 2013) and 415A of the Act.

INCORPORATION

The Company is registered and domiciled in Scotland.

PRINCIPAL ACTIVITIES

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have been integrated into the wider Lloyds Banking Group plc (the "Group"), with the result that the Company is no longer active.

RESULTS AND DIVIDENDS

The results for the year are set out on page 7. The result after tax for the Company for the year to 31 December 2013 was £nil (2012: profit after tax £33,000). An interim dividend of £247,591.74 was proposed by the Directors for the financial year ended 31 December 2013 (2012: £nil). The interim dividend declared in the year was paid in full during the year ended 31 December 2013.

FUTURE DEVELOPMENTS

During the year under review the Directors decided not to liquidate the Company, so the non-going concern basis of preparation adopted in the prior year financial statements is no longer appropriate.

The Directors do not envisage any changes in activity in the foreseeable future and do not propose to wind up or liquidate the Company at this time.

No adjustments to assets or liabilities were required to be made in these financial statements arising from this change in basis of preparation. All assets continue to be classified as current on the Balance Sheet.

DIRECTORS

The Directors at the date of this report are as stated on page 1.

No Director had any 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.

THIRD PARTY INDEMNITY

The Group 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. Directors no longer in office but who served on the Board of the Company at any time in the financial year had the benefit of this contract of indemnity during that period of service. The indemnity remains in force for the duration of a Director's period of office. The deed indemnifies the Directors to the maximum extent permitted by law. The deed for existing Directors is available for inspection at the registered office of Lloyds Banking Group plc. In addition, the Group has in place appropriate Directors and Officers Liability Insurance cover which was in place throughout the financial year.

DIRECTORS' REPORT (CONTINUED)
Company Registered Number SC063024

RISK MANAGEMENT

The Company's financial instruments comprise an amount due from Bank of Scotland plc, which has been classified as a financial instrument in accordance with IAS 32 "Financial Instruments: Presentation". The principal risk arising from the Company's financial instruments is credit risk.

At the Balance Sheet date, the key risks and uncertainties faced by the Company are managed within the framework established for the Group. Exposure to credit risk arises in the normal course of the Company's business. This risk is discussed below and supplementary qualitative and quantitative information is provided in note 9 to the financial statements.

Credit risk

Credit exposure arises principally from an amount due from Bank of Scotland plc, another Group company.

EMPLOYEES

The Company has employed no staff during the year ended 31 December 2013 or the 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 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 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.

INDEPENDENT AUDITORS AND DISCLOSURE OF INFORMATION TO AUDITORS

PricewaterhouseCoopers LLP are deemed to be reappointed as auditors under Section 487(2) of the Companies Act 2006.

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/she ought to have taken as a Director in order to make himself/herself 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.

DIRECTORS' REPORT (CONTINUED)
Company Registered Number SC063024

STATEMENT OF GOING CONCERN

During the year under review the Directors decided not to liquidate the Company, so the non-going concern basis of preparation adopted in the prior year financial statements is no longer appropriate.

As set out in the statement of compliance of the significant accounting policies section of the notes to the financial statements, the Directors are 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

20 June 2014

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE BRITISH LINEN COMPANY LIMITED

REPORT ON THE FINANCIAL STATEMENTS

Our opinion

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the company's affairs as at 31 December 2013 and of its result and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and
- have been prepared in accordance with the requirements of the Companies Act 2006.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The financial statements, which are prepared by The British Linen Company Limited, comprise:

- the balance sheet as at 31 December 2013;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). 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 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE BRITISH LINEN COMPANY LIMITED (CONTINUED)

OTHER MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to prepare financial statements in accordance with the small companies' regime, take advantage of the small companies' exemption in preparing the Directors' Report and take advantage of the small companies exemption from preparing a Strategic Report. We have no exceptions to report arising from this responsibility

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

Our responsibilities and those of the directors

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 ISAs (UK & 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 members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

M Newman

Michael Newman (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors

7 More London Riverside
London
SE1 2RT

23 June 2014

THE BRITISH LINEN COMPANY LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	2013 £'000	2012 £'000
Interest receivable	3	-	17
Net interest income		-	17
Operating expenses	2	-	-
Profit before tax for the year		-	17
Taxation	4	-	16
Profit after tax for the year		-	33
Attributable to:			
Equity shareholders		-	33
		-	33

There are no items of comprehensive income which have not already been presented in arriving at the result/profit for the year. Accordingly, the result/profit for the year is the same as total comprehensive income for the year.

The result/profit shown above is derived from continuing operations.

The notes on page 11 to 16 form part of these financial statements.

THE BRITISH LINEN COMPANY LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2013

	Note	2013 £'000	2012 £'000
Assets			
Amount due by Bank of Scotland plc	6	**5,841**	-
Cash and cash equivalents	7	**-**	6,089
Total assets		**5,841**	6,089
Equity			
Share capital	8	**5,000**	5,000
Capital redemption reserve		**841**	841
Retained earnings		**-**	248
Total equity		**5,841**	6,089
Total equity and liabilities		**5,841**	6,089

The notes on page 11 to 16 form part of these financial statements.

Approved by the Board on 20 June 2014 and signed on its behalf by:

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P R Grant
Director

Company Registered Number SC063024

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2013

	Share capital	**Capital redemption reserve**	**Retained earnings**	**Total equity**
	£'000	**£'000**	**£'000**	**£'000**
Balance at 1 January 2013	**5,000**	**841**	**248**	**6,089**
Profit after tax for the year	**-**	**-**	**-**	**-**
Dividends	**-**	**-**	**(248)**	**(248)**
Balance at 31 December 2013	**5,000**	**841**	**-**	**5,841**

	Share capital	Capital redemption reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000
Balance at 1 January 2012	5,000	841	215	6,056
Profit after tax for the year	-	-	33	33
Balance at 31 December 2012	5,000	841	248	6,089

The capital redemption reserve was created by a transfer from distributable retained earnings as part of a share buy back exercise on 30 June 2000.

The notes on pages 11 to 16 form part of these financial statements.

THE BRITISH LINEN COMPANY LIMITED

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	2013 £'000	2012 £'000
Cash flows from operating activities			
Operating profit before tax		-	17
Adjustments for:			
Interest income	3	-	(17)
Cash generated from operations		-	-
Income taxes paid		-	-
Net cash from operating activities		-	-
Cash flows from investing activities		-	-
Net cash from investing activities		-	-
Cash flows from financing activities			
Dividend paid	5	**(248)**	-
Cash payment to parent	6	**(5,841)**	-
Interest received		-	17
Net cashflows (used in)/from financing activities		(6,089)	17
Net (decrease)/ increase in cash and cash equivalents		(6,089)	17
Cash and cash equivalents at 1 January		6,089	6,072
Cash and cash equivalents at 31 December	7	-	6,089

The notes on page 11 to 16 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements were authorised for issue by the Directors on 10 June 2014.

1 (a) Statement of compliance

The financial statements for the year ended 31 December 2013 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 Directors are 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.

1 (b) Accounting pronouncements effective in 2013

The Company has adopted the following new standards and amendments to standards which became effective for financial years beginning on or after 1 January 2013. None of these standards or amendments to standards has had a material impact on these financial statements.

Changes in accounting policy

(i) IFRS 13 *Fair Value Measurement*
IFRS 13 has been applied with effect from 1 January 2013. IFRS 13 defines fair value as the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. IFRS 13 requires that the fair value of a non-financial asset is determined based on the highest and best use of the asset, and that the fair value of a liability reflects its non-performance risk. These changes had no significant impact on the measurement of the Company's assets and liabilities. The IFRS 13 disclosures are given in note 9 Financial Risk Management to the financial statements.

Other presentation and disclosure changes

In addition to the accounting policy change discussed above, on 1 January 2013 the Company adopted the following new standards and amendments to standards which impact the presentation and disclosures in these financial statements; none of these has had a material impact on the primary financial statements.

- Amendments to IAS 1 *Presentation of Financial Statements – 'Presentation of Items of Other Comprehensive Income'*
  The amendments to IAS 1 require entities to group items presented in other comprehensive income on the basis of whether they may potentially be reclassified to profit or loss subsequently. The Company has no items of comprehensive income which have not already been presented in arriving at the profit for the year. Therefore no revision is required to the statement of other comprehensive income in these financial statements as a result of the new requirements.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1 (b) Accounting pronouncements effective in 2013 (continued)

- Amendments to IFRS 7 *Financial Instruments: Disclosures – 'Disclosures – Offsetting Financial Assets and Financial Liabilities'*
  The amendments to IFRS 7 require entities to disclose information to enable users of the financial statements to evaluate the effect or potential effect of netting arrangements on the balance sheet. These disclosures are given in note 9 Financial Risk Management to the financial statements.

1 (c) Future accounting developments

The following pronouncements may have a significant effect on the Company's financial statements but are not applicable for the year ending 31 December 2013 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
Amendment to IAS 32 *Financial Instruments: Presentation – 'Offsetting Financial Assets and Financial Liabilities'*	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.
Amendments to IAS 39 *Financial Instruments: Recognition and Measurement – 'Novation of Derivatives and Continuation of Hedge Accounting'* [1]	Provides relief from discontinuing hedge accounting in circumstances where a derivative designated as a hedging instrument is novated to a central counterparty as a consequence or introduction of laws or regulations.	Annual periods beginning on or after 1 January 2014.
IFRIC 21 *Levies* [1]	Clarifies that the obligating event that gives rise to a liability to pay a government levy is the activity that triggers the payment of the levy as set out in the relevant legislation. An entity does not have a constructive obligation to pay a levy that will be triggered by operating in future periods.	Annual periods beginning on or after 1 January 2014.
IFRS 9 *Financial Instruments* [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 and hedge accounting. 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 derecognition are broadly unchanged from IAS 39. The standard also retains most of the IAS 39 requirements for financial liabilities except for those designated at fair value through profit or loss whereby that part of the fair value change attributable to the entity's own credit risk is recorded in other comprehensive income. The hedge accounting requirements are more closely aligned with risk management practices and follow a more principle-based approach.	Date yet to be determined.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Future accounting developments (continued)

(1) As 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. Further changes to IFRS 9 are expected dealing with impairment of financial assets measured at amortised cost, which will be based on expected rather than incurred credit losses, and limited amendments to classification and measurement which include the introduction of a third measurement category, fair value through other comprehensive income. Until all stages of the replacement project are complete, it is not possible to determine the overall impact on the financial statements.

(d) Revenue recognition

Interest receivable has been accounted for on an accruals basis. The cash and cash equivalent balance ceased to earn interest on 16 July 2012.

(e) Taxation

Current income tax which is payable/receivable on taxable profits/losses is recognised as an expense/credit in the period in which the profits/losses arise. The current tax charge/credit is calculated on the basis of the tax laws enacted or substantively enacted at the Balance Sheet date.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax is determined using tax rates that have been enacted or substantively enacted by the Balance Sheet date which are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised where it is probable that future taxable profit will be available against which the temporary differences can be utilised. The tax effects of losses available for carry forward are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

(f) Cash and cash equivalents

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

(g) Other receivables

Other receivables are stated at cost less provision for impairment.

(h) Dividends

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

(i) Capital management

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

2. OPERATING EXPENSES

	2013	2012
	£'000	£'000
Total operating expenses	-	-

For both 2013 and 2012, the auditors' fee of £500 has been borne by Bank of Scotland plc.

3. INTEREST RECEIVABLE

	2013 £'000	2012 £'000
Bank interest receivable	-	17

The Company's cash and cash equivalent balances generated variable interest income until 16 July 2012. On 16 July 2012 the bank accounts became non-interest bearing.

4. TAXATION

	2013 £'000	2012 £'000
Current tax		
Current year	-	-
Adjustment in respect of prior year	-	(16)
Taxation in the statement of comprehensive income	-	(16)

Reconciliation of effective tax rate A reconciliation of the charge that would result from applying the standard UK corporation tax rate to profit before tax to the tax charge for the year is given below:	2013 £'000	2012 £'000
Profit before tax	-	17
Profit multiplied by the standard rate of corporation tax in the UK of 23.25% (2012: 24.5%)	-	4
Effects of:		
Losses claimed for nil payment	-	(4)
Adjustment in respect of prior year	-	(16)
Total tax credit	-	(16)

In 2012 group relief of £4k was surrendered by a fellow Group undertaking for no payment.

Factors affecting future tax charge

The Finance Act 2012, which was substantively enacted on 3 July 2012, included legislation to reduce the main rate of corporation tax from 24 per cent to 23 per cent with effect from 1 April 2013. In addition, the Finance Act 2013, which was substantively enacted on 2 July 2013, included legislation to reduce the main rate of corporation tax to 21 per cent with effect from 1 April 2014 and 20 per cent with effect from 1 April 2015.

5. DIVIDENDS TO SHAREHOLDERS

	2013 £'000	2012 £'000
Dividends paid	**248**	-

During the year dividends amounting to £247,591.74 (£0.0495 per share) were paid relating to interim dividends declared in the current financial year.

6. AMOUNTS DUE BY BANK OF SCOTLAND PLC

	2013 £'000	2012 £'000
Amounts due by parent	5,841	-

7. CASH AND CASH EQUIVALENTS

	2013 £'000	2012 £'000
Cash and cash equivalents in the cash flow statement	-	6,089

On 9 July 2013 the Directors declared an interim dividend of £0.0495 per share and on 29 July 2013 the interim dividend of £247,591.74 was paid.

On 29 July 2013 the remaining £5,841,000 cash held in bank was transferred to the Company's immediate parent, Bank of Scotland plc, and a non-interest bearing inter-company receivable was recognised. The Company's bank accounts with Bank of Scotland plc were closed.

8. SHARE CAPITAL

	2013 £'000	2012 £'000
Issued, called up and fully paid	5,000	5,000

At 31 December 2013 the issued share capital comprised 5,000,000 ordinary shares of £1 each (2012: 5,000,000).

9. 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 (2012: nil). 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.

	2013 £'000	2012 £'000
Amount due by Bank of Scotland plc	5,841	-
Cash and cash equivalents	-	6,089

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.

9. FINANCIAL RISK MANAGEMENT (CONTINUED)

(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.

10. RELATED PARTY TRANSACTIONS

The Company has a related party relationship with its immediate parent company Bank of Scotland plc. Until 29 July 2013 a number of banking transactions are entered into with Bank of Scotland plc in the normal course of business including deposits. On 29 July 2013 the remaining £5,841,000 cash held in bank was transferred to the Company's immediate parent, Bank of Scotland plc, and an inter-company receivable was recognised. The Company's bank accounts with Bank of Scotland plc were closed.

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

	Lloyds Banking Group plc and subsidiary undertakings 2013 £'000	Lloyds Banking Group plc and subsidiary undertakings 2012 £'000
Interest receivable		
Bank interest receivable	-	17
Assets		
Amount due by Bank of Scotland plc	**5,841**	-
Cash and cash equivalents	-	6,089

In both 2013 and 2012 the auditors' remuneration of £500 for this Company has been borne by the immediate parent undertaking Bank of Scotland plc.

Group relief was surrendered in 2012 for no payment as per note 4.

11. PARENT UNDERTAKING AND CONTROLLING PARTY

As at 31 December 2013 the Company's immediate parent was Bank of Scotland plc. The company regarded by the Directors as the ultimate parent company at 31 December 2013 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 annual report and financial statements of both Companies may be obtained from Group Secretariat, Lloyds Banking Group plc, The Mound, Edinburgh, EH1 1YZ.