

British Linen Leasing (London) Limited

**Annual report and financial statements
for the year ended 31 October 2019**

Registered office

The Mound
Edinburgh
EH1 1YZ

Registered number

SC097232

Current directors

C G Dowsett
J R Turner
K Turner

Company Secretary

A E Mulholland



Member of Lloyds Banking Group

Directors' report

For the year ended 31 October 2019

The directors present the Annual report and the audited financial statements of British Linen Leasing (London) Limited ("the Company") for the year ended 31 October 2019.

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

Review of Business

The Company is a private company limited by shares incorporated and domiciled in Scotland, United Kingdom (registered number: SC097232).

During the year, the principal activity of the Company was the provision of asset finance to third parties through finance lease transactions and this is likely to continue for the foreseeable future.

The results of the Company show a profit before taxation of £1,000 (2018: £51,000) for the year as set out in the Statement of comprehensive income on page 3.

The Company has shareholder's equity of £996,000 (2018: £862,000).

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

Principal risks and uncertainties

From the perspective of the Company, the principal risks and uncertainties are managed within the framework established for the Group and are not managed separately for the Company. Further details of the Company's and Group's risk management policy are contained in note 14 to the financial statements.

In the context of operational resilience, the Company is assessing the risks associated with the current global health issue Covid-19 and continues to analyse the impacts. However, it is difficult at this stage to quantify risks and the degree to which they might crystallise. In addition, Covid-19 could have an adverse impact across risks including our credit portfolio, operational risk, funding and liquidity.

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.

Dividends

The directors did not authorise or pay any dividends this year (2018: £nil).

Going concern

The financial statements have been prepared on a going concern basis. There is a net asset position of £996,000 (2018: £862,000).

The Company is also covered by the letter of support from the Lloyds Banking Group plc dated 19 February 2020 that covers Bank of Scotland plc, and all its subsidiaries, which confirms that any additional liabilities will be borne by the ultimate parent company if required.

As a result, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the Annual report and financial statements.

Directors

The current directors of the Company are shown on the front cover.

There have been no changes to directors between the beginning of the reporting year and the approval of the Annual report and financial statements.

No director had any interest in any material contract or arrangement with the Company during or at the end of the period.

Directors' indemnities

Lloyds Banking Group plc has granted to 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 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, Lloyds Banking Group has in place appropriate directors' and officers' liability insurance cover which was in place throughout the financial year.

Directors' report (continued)

For the year ended 31 October 2019

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

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 year. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- 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;
- make judgements and accounting estimates that are reasonable and prudent; 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 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.

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.

Statement of disclosure of information to auditor

In accordance with Section 418 of the Companies Act 2006, in the case of each director in office at the date the Directors' report is approved:

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

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

Approved by the board of directors and signed on its behalf by:



C G Dowsett
Director

29 April 2020

Statement of comprehensive income

For the year ended 31 October 2019

	Note	2019 £'000	2018 £'000
Finance income	3	622	696
Finance costs	4	(571)	(645)
		51	51
Impairment	5	(50)	-
Profit before tax	6	1	51
Taxation	7	141	(28)
Profit after tax and total comprehensive income for the year		142	23

The accompanying notes are an integral part of these financial statements.

Balance sheet

As at 31 October 2019

	Note	2019 £'000	2018 £'000
ASSETS			
Amounts due from group undertakings	8	1,046	718
Finance lease receivables	9	13,273	15,710
Total assets		14,319	16,428
LIABILITIES			
Amounts due to group undertakings	10	10,549	12,236
Deferred tax liability	11	2,774	3,330
Total liabilities		13,323	15,566
EQUITY			
Share capital	12		
Retained earnings		996	862
Total equity		996	862
Total equity and liabilities		14,319	16,428

The accompanying notes are an integral part of these financial statements.

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



C G Dowsett
Director

29 April 2020

Statement of changes in equity

For the year ended 31 October 2019

		Share capital	Retained earnings	Total equity
	Note	£'000	£'000	£'000
Balance at 1 November 2017		-	839	839
Comprehensive income				
Profit for the year		-	23	23
<hr/>				
At 31 October 2018		-	862	862
Adjustment on adoption of IFRS 9	15	-	(8)	(8)
<hr/>				
Balance at 1 November 2018		-	854	854
Comprehensive income				
Profit for the year		-	142	142
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At 31 October 2019		-	996	996

The accompanying notes are an integral part of these financial statements.

Cash flow statement

For the year ended 31 October 2019

	Note	2019 £'000	2018 £'000
Profit before tax		1	51
Adjustment for: Impairment		50	-
<hr/>			
Operating cash flows before movements in working capital		51	51
Decrease in receivables		2,377	2,061
Increase in payables		59	54
<hr/>			
Cash generated from operations		2,487	2,166
Tax paid		(351)	(523)
<hr/>			
Net cash generated from operations		2,136	1,643
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Cash flows used in financing activities			
Decrease in bank borrowings		(1,808)	(1,575)
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Net cash used in financing activities		(1,808)	(1,575)
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Net increase in cash and cash equivalents		328	68
Cash and cash equivalents at beginning of year		718	650
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Cash and cash equivalents at end of year		1,046	718
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Cash and cash equivalents are comprised of:			
Cash at bank	8	968	641
Bank deposit	8	78	77

The accompanying notes are an integral part of these financial statements.

Notes to the financial statements

For the year ended 31 October 2019

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 in both years presented, unless otherwise stated.

These financial statements have been prepared in accordance with applicable IFRSs as adopted by the European Union, under the historical cost convention, 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 IFRS Interpretations Committee ("IFRS IC") and its predecessor body.

In preparation of these financial statements the Balance sheet has been arranged in order of liquidity.

The following new IFRS pronouncement relevant to the Company has been adopted in these financial statements:

- (i) IFRS 9 'Financial Instruments': Annual improvement to IFRSs (issued December 2016) - 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 or 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. IFRS 9 also replaces the existing 'incurred loss' impairment approach with an expected credit loss approach. 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.

Details of those pronouncements which will be relevant to the Company but which were not effective at 31 October 2019 and which have not been applied in preparing these financial statements are given in note 17. No standards have been early adopted.

The financial statements have been prepared on a going concern basis. There is a net asset position of £996,000 (2018: £862,000).

The Company is also covered by the letter of support from the Lloyds Banking Group plc dated 19 February 2020 that covers Bank of Scotland plc, and all its subsidiaries, which confirms that any additional liabilities will be borne by the ultimate parent company if required.

As a result, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the Annual report and financial statements.

1.2 Income recognition

Income and expense from financial instruments

Interest income and expense are recognised in the Statement of comprehensive income for all interest bearing financial instruments 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. The effective interest rate is the rate that discounts the estimated future cash payments or receipts over the expected life of the instrument to the net carrying amount of the financial asset or financial liability.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised on the net lending balance using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Lease classification

Lease agreements are classified as finance leases if the lease agreements transfer substantially all of the risks and rewards of ownership to the lessee; all other leases are classified as operating leases.

When assets are leased under a finance lease, the net present value of the lease payments plus any guaranteed residual value payments, where applicable, is recognised as a receivable within finance lease receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance lease income.

Finance lease income

Finance lease income is recognised over the lease term using the net investment method so as to reflect a constant periodic rate of return on the Company's net investment in the lease. Initial direct incremental costs attributed to negotiating and arranging the lease are included in the initial measurement of the finance lease receivable thus reducing the amount of income recognised over the lease term.

When calculating the effective interest rate, the future cash flows are estimated after considering all the contractual terms of the agreement but not future credit losses. The calculation includes all amounts received or paid by the Company that are an integral part of the overall return such as acceptance and, where relevant, early settlement fees as well as direct incremental transaction costs related to the acquisition, issue or disposal of a financial instrument and all other premiums or discounts.

Notes to the financial statements

For the year ended 31 October 2019

1. Accounting policies (continued)

1.3 Financial assets and liabilities

Financial assets comprise Amounts due from group undertakings and Finance lease receivables. Financial liabilities comprise Amounts due to group undertakings.

On initial recognition, financial assets and liabilities are classified as measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss, depending on the Company's business model for managing the financial assets and whether the cash flows represent solely payments of principal and interest. The Company assesses its business models at a portfolio level based on its objectives for the relevant portfolio, how the performance of the portfolio is managed and reported, and the frequency of asset sales. The Company reclassifies financial assets and liabilities when and only when its business model for managing those assets or liabilities changes.

A reclassification will only take place when the change is significant to the Company's operations and will occur at a portfolio level and not for individual instruments; reclassifications are expected to be rare.

Financial assets are derecognised when the contractual right to receive cash flows from those assets has expired or when the Company has transferred its contractual right to receive the cash flows from the assets and either: substantially all of the risks and rewards of ownership have been transferred; or the Company has neither retained nor transferred substantially all of the risks and rewards, but has transferred control.

Financial liabilities are derecognised when the obligation is discharged, cancelled or expires.

1.4 Impairment of financial assets and lease receivables

At initial recognition, allowance (or provision in the case of some loan commitments and financial guarantees) is made for expected credit losses resulting from default events that are possible within the next 12 months (12-month expected credit losses). In the event of a significant increase in credit risk, allowance (or provision) is made for expected credit losses resulting from all possible default events over the expected life of the financial instrument (lifetime expected credit losses). Financial assets where 12-month expected credit losses are recognised are considered to be Stage 1; financial assets which are considered to have experienced a significant increase in credit risk are in Stage 2; and financial assets which have defaulted or are otherwise considered to be credit impaired are allocated to Stage 3.

The Company has not adopted the simplified expected credit loss model for its lease receivables, as allowed by IFRS 9, paragraph 5.5.15. Instead, the general expected credit loss model has been applied to financial assets and lease receivables.

1.5 Cash and cash equivalents

For the purposes of the Cash flow statement, cash and cash equivalents comprise cash and amounts due from banks with original maturities of less than three months.

1.6 Foreign currency translation

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in pounds sterling, which is the Company's functional and presentation currency.

1.7 Taxation, including deferred income taxes

Tax expense comprises current and deferred tax. Current and deferred tax are charged or credited in the Statement of comprehensive income except to the extent that the tax arises from a transaction or event which is recognised, in the same or a different period, outside the Statement of comprehensive income (either in other comprehensive income, directly in equity, or through a business combination), in which case the tax appears in the same statement as the transaction that gave rise to it.

Current tax is the amount of corporate income taxes expected to be payable or recoverable based on the profit for the period as adjusted for items that are not taxable or not deductible, and is calculated using tax rates and laws that were enacted or substantively enacted at the Balance sheet date.

Current tax includes amounts provided in respect of uncertain tax positions when management expects that, upon examination of the uncertainty by Her Majesty's Revenue and Customs (HMRC) or other tax authority, it is more likely than not that an economic outflow will occur. Provisions reflect management's best estimate of the ultimate liability based on their interpretation of tax law, precedent and guidance, informed by external tax advice as necessary. Changes in facts and circumstances underlying these provisions are reassessed at each Balance sheet date, and the provisions are re-measured as required to reflect current information.

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Balance sheet. Deferred tax is calculated using tax rates and laws that have been enacted or substantively enacted at the balance sheet date, and which are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Notes to the financial statements

For the year ended 31 October 2019

1.7 Taxation, including deferred income taxes (continued)

Deferred tax liabilities are generally recognised for all taxable temporary differences but not recognised for taxable temporary differences arising on investments in subsidiaries, associates and joint arrangements where the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future. Deferred tax liabilities are not recognised on temporary differences that arise from goodwill which is not deductible for tax purposes.

Deferred tax assets are recognised to the extent it is probable that taxable profits will be available against which the deductible temporary differences can be utilised, and are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are not recognised in respect of temporary differences that arise on initial recognition of assets and liabilities acquired other than in a business combination. Deferred tax is not discounted.

2. 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 year. Although those estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

In the course of preparing these financial statements, no critical judgements have been made in the process of applying the Company's accounting policies, other than those involving estimations which are disclosed separately below.

The following are critical accounting estimates that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

Deferred tax

Estimation of income taxes includes the assessment of recoverability of deferred tax assets. Deferred tax assets are only recognised to the extent they are considered more likely than not to be recoverable based on existing tax laws and forecasts of future taxable profits against which the underlying tax deductions can be utilised.

Allowance for impairment losses

In the year under IFRS 9, the Company's accounting policy for impairment on the lease receivables is described in note 1.4.

The calculation of the Company's expected credit loss (ECL) allowances and provisions against financial assets and lease receivable balances under IFRS 9 requires the Company to make a number of judgements, assumptions and estimates. The most significant are set out below.

The calculation of the Company's expected credit loss (ECL) allowances and provisions against loan commitments and guarantees under IFRS 9 requires the Company to make a number of judgements, assumptions and estimates. The most significant are set out below.

- Definition of default

The probability of default ("PD") of an exposure, both over a 12 month period and over its lifetime, is a key input to the measurement of the ECL allowance. Default has occurred when there is evidence that the customer is experiencing significant financial difficulty which is likely to affect the ability to repay amounts due.

- Lifetime of an exposure

The PD of a financial asset is dependent on its expected life. A range of approaches, segmented by product type, has been adopted by the Company to estimate a product's expected life. These include using the full contractual life and taking into account behavioural factors such as early repayments and lease extensions. Changes to the assumed expected lives of the Company's assets could have a material effect on the ECL allowance recognised by the Company.

- Significant increase in credit risk

Performing assets are classified as either Stage 1 or Stage 2. An ECL allowance equivalent to 12 months' expected losses is established against assets in Stage 1; assets classified as Stage 2 carry an ECL allowance equivalent to lifetime expected losses. Assets are transferred from Stage 1 to Stage 2 when there has been a significant increase in credit risk (SICR) since initial recognition.

The Company uses a quantitative test together with qualitative indicators to determine whether there has been a SICR for an asset. Financial assets and lease receivables are assumed to have suffered a SICR if they are more than 30 days past due.

Notes to the financial statements

For the year ended 31 October 2019

2. Critical accounting estimates and judgements in applying accounting policies (continued)

Allowance for impairment losses (continued)

The Company uses a quantitative test together with qualitative indicators to determine whether there has been a SICR for an asset. With the exception of UK mortgages, all financial assets are assumed to have suffered a SICR if they are more than 30 days past due.

The setting of precise trigger points combined with risk indicators requires judgement. The use of different trigger points may have a material impact upon the size of the ECL allowance.

- Origination PDs

The assessment of whether there has been a significant increase in credit risk is a relative measure, dependent on an asset's PD at origination. For assets existing at 1 January 2018, the initial application date of IFRS 9, this information is not generally available and consequently management's judgement has been used to determine a reasonable basis for estimating the original PD. Management used various information sources, including regulatory PDs and credit risk data available at origination, or where this is not available the first available data. In addition, the Company has not created a forward looking view of PDs at initial recognition for the back book as to do so would involve the use of hindsight and could introduce the risk of bias. Where applicable, the use of proxies and simplifications is not considered to materially impact the ECL allowance on transition

3. Finance income

	2019 £'000	2018 £'000
Finance lease income	621	696
Interest receivable on bank deposits from other group companies	1	-
	622	696

Finance lease income represents the income component of finance lease receivables earned in the year, being finance lease rentals less capital repayment.

4. Finance costs

	2019 £'000	2018 £'000
Interest payable on bank loans to other group companies	571	645
	571	645

5. Impairment

	2019 £'000	2018 £'000
Impairment of finance lease receivables (Note 14.1)	50	-
	50	-

Notes to the financial statements

For the year ended 31 October 2019

6. Profit before tax

Fees payable to the Company's auditors for the audit of the financial statements of £6,000 (2018: £6,000) have been borne by the ultimate parent company and are not recharged to the Company.

The Company has no employees (2018: nil).

The directors, who are considered to be key management, received no remuneration in respect of their services to the Company. The emoluments of the directors are paid by a fellow Group undertaking on behalf of the ultimate parent, Lloyds Banking Group plc, which makes no recharge to the Company. The directors are also directors of a number of other subsidiaries of the Group and are also substantially engaged in managing their respective business areas within the Group. Given this, it is not possible to make an accurate apportionment of directors' emoluments in respect of their services to each of the subsidiaries. Accordingly, these financial statements include no emoluments in respect of the directors.

7. Taxation

	2019 £'000	2018 £'000
a) Analysis of credit/(charge) for the year		
UK corporation tax:		
- Current tax payable on taxable profit for the year	(413)	(351)
Current tax charge	(413)	(351)
UK deferred tax:		
- Origination and reversal of timing differences	413	341
- Impact of deferred tax rate change	141	(18)
Deferred tax credit (see note 11)	554	323
Tax credit/(charge)	141	(28)

Corporation tax is calculated at a rate of 19.00% (2018: 19.00%) of the taxable profit for the year.

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

A reconciliation of the charge that would result from applying the standard UK corporation tax rate to the profit before tax to the actual tax credit/(charge) for the year is given below:

	2019 £'000	2018 £'000
Profit before tax	1	51
Tax charge thereon at UK corporation tax rate of 19.00% (2018: 19.00%)	-	(10)
Factors affecting charge:		
- Effect of reduction in tax rate and related impacts	141	(18)
Tax credit/(charge) on profit on ordinary activities	141	(28)
Effective rate	14100.00%	54.90%

Notes to the financial statements

For the year ended 31 October 2019

8. Amounts due from group undertakings

	2019 £'000	2018 £'000
Cash at bank	968	641
Bank deposits	78	77
	1,046	718

Cash at bank is unsecured, non interest bearing and repayable on demand. For further details please refer to note 13.

Bank deposits of £78,000 (2018: £77,000) are unsecured, interest bearing and repayable on maturity (see note 13).

9. Finance lease receivables

	2018 £'000
Finance lease receivables	15,710
Adjustment on adoption of IFRS 9 (note 15)	(10)
Net finance lease receivables	15,700

	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Gross finance lease receivables at 31 October 2018	15,710	-	-	15,710
Balance as at 1 November 2018	15,710	-	-	15,710
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Net decrease in finance lease receivables	(2,377)	-	-	(2,377)
Gross finance lease receivables at 31 October 2019	13,333	-	-	13,333
Less: allowance for losses finance lease receivables	(60)	-	-	(60)
Net finance lease receivables	13,273	-	-	13,273

	2019 £'000	2018 £'000
Finance lease receivables	13,333	15,710
Gross finance lease receivables	13,333	15,710
Less: allowance for losses finance lease receivables (note 14.1)	(60)	-
Net finance lease receivables	13,273	15,710

	Minimum lease payments		Present value of minimum lease payments	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Amounts receivable under finance leases				
Within 1 year	3,618	3,500	2,655	2,368
2-5 years inclusive	12,203	15,890	10,618	13,342
After 5 years	-	-	-	-
	15,821	19,390	13,273	15,710
Less: Unearned finance income	(2,548)	(3,680)		
Present value of minimum lease payments receivable	13,273	15,710		

The fair value of the Company's finance lease receivables at 31 October 2019 is estimated at £12,149,000 (2018: £14,023,000).

Notes to the financial statements

For the year ended 31 October 2019

10. Amounts due to group undertakings

	2019 £'000	2018 £'000
Bank borrowings	8,244	10,051
Interest payable	718	660
Tax payable	413	351
Amounts due to fellow-group companies	1,174	1,174
	10,549	12,236

Bank borrowings of £8,244,000 (2018: £10,051,000) are unsecured, interest bearing and repayable on maturity (note 13).

All other balances within amounts due to group undertakings of £2,305,000 (2018: £2,185,000) are unsecured, non interest bearing and payable on demand.

11. Deferred taxation liability

The movement in the Deferred taxation liability is as follows:

	2019 £'000	2018 £'000
At 1 January	3,330	3,653
Transition to IFRS 9	(2)	-
At 1 January under IFRS 9	3,328	3,653
Deferred taxation movement for the year	(413)	(341)
Impact of tax rate change thereon	(141)	18
At 31 October 2019	2,774	3,330

The deferred tax credit in the Statement of comprehensive income comprises the following:

	2019 £'000	2018 £'000
Accelerated capital allowances on assets leased to customers	(554)	(323)
Deferred tax credit	(554)	(323)

Deferred taxation liability comprises:

	2019 £'000	2018 £'000
Accelerated capital allowances	(2,774)	(3,330)
	(2,774)	(3,330)

Within the March 2020 budget, the UK government stated its intention to maintain the corporation tax rate at 19 per cent on 1 April 2020. Had this rate change been substantively enacted at 31 October 2019, the effect would have been to increase net deferred tax liabilities by £326,000.

12. Share capital

	2019 £	2018 £
Allotted, issued and fully paid		
100 ordinary shares of £1 each	100	100

Notes to the financial statements

For the year ended 31 October 2019

12. Share capital (continued)

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 shareholder 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 makes 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 Company's parent may adjust the amount of dividends to be paid to the shareholder, return capital to the shareholder, issue new shares, or enter into debt financing.

The Company's capital comprises all components of equity, movements in which appear in the Statement of changes in shareholder's equity.

13. Related party transactions

The Company's immediate parent company is British Linen Leasing Limited. The Company regarded by the directors as the ultimate parent company and 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 company of the smallest such group of undertakings. Copies of the group financial statements may be downloaded via www.lloydsbankinggroup.com.

The Company's related parties include other companies in the Group and the Company's key management personnel. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, which is determined to be the Company's directors, who are listed on the cover of these financial statements.

A summary of the outstanding balances at the year end and the related income and expense for the year are set out below.

				2019	2018
				£'000	£'000
Amounts due from group undertakings					
Nature of transaction	Related party	Repayment	Interest		
Cash at bank	Bank of Scotland plc	No fixed date	N/A	968	641
Bank deposit	Bank of Scotland plc	15/01/2020	0.69%	78	77
Total Amounts due from group undertakings (note 8)				1,046	718

				2019	2018
				£'000	£'000
Amounts due to group undertakings					
Nature of transaction	Related party	Repayment	Interest		
Bank borrowings	Bank of Scotland plc	26/10/2023	5.07%	8,244	10,051
Interest payable	Bank of Scotland plc	No fixed date	N/A	718	660
Tax payable	Bank of Scotland plc	No fixed date	N/A	413	351
Amounts due to fellow group companies	British Linen Shipping Limited	No fixed date	N/A	1,174	1,174
Total Amounts due to group undertakings (note 10)				10,549	12,236

There were no doubtful debts or bad debt expenses relating to the above balances incurred during the year.

The Company paid interest on bank borrowings of £571,000 (2018: £645,000) on which interest rates of between 0.68% and 5.07% (2018: 0.51% and 5.07%) were charged. Bank borrowings are not guaranteed and there are no inter-company guarantees in place.

The Company earned interest on bank deposits of £1,000 (2018: £1,000) on which interest rates of between 0.67% and 0.83% (2018: between 0.28% and 0.71%) were received.

The Company paid taxation of £351,000 (2018: £523,000) during the year to fellow subsidiary undertakings.

The registered offices of related parties are noted below:

Related party	Related party relationship	Registered address
Bank of Scotland plc	Intermediate parent company	The Mound, Edinburgh, EH1 1YZ
British Linen Shipping Limited	Immediate parent company	The Mound, Edinburgh, EH1 1YZ

Notes to the financial statements

For the year ended 31 October 2019

14. Financial risk management

The Company's operations expose it to credit risk, liquidity risk, market risk and interest rate risk; it is not exposed to any significant foreign exchange risk. Responsibility for the control of overall risk lies with the board of directors, operating within a management framework established by Lloyds Banking Group, and the ultimate parent, Lloyds Banking Group plc.

14.1 Credit risk

Credit risk management

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. The credit risk associated with finance leases and trade receivables is managed through the application of strict underwriting criteria, determined by the Groups credit committee and credit functions. Significant credit exposures are measured and reported on a regular basis. Impairment provisions are provided for losses expected to be incurred at the Balance sheet date, using the basis of assessment discussed in note 1.4 and 2.

The credit risk associated with Amounts due from group undertakings is not considered to be significant.

Credit risk mitigation

- Credit principles and policy: Group Risk sets out the group credit principles and policy according to which credit risk is managed, which in turn is the basis for divisional and business unit credit policy. Principles and policy are reviewed regularly and any changes are subject to a review and approval process. Business unit policy includes lending guidelines, which define the responsibilities of lending officers and provide a disciplined and focused benchmark for credit decisions.
- Concentration risk: Credit risk management includes portfolio controls on certain industries, sectors and product lines that reflect risk appetite and which operate at a divisional level. Credit policy is aligned to risk appetite and restricts exposure to certain high risk and more vulnerable sectors. At a divisional level, exposures are monitored to prevent excessive concentration of risk. These concentration risk controls are not necessarily in the form of a maximum limit on lending but may instead require new business in concentrated sectors to fulfil additional hurdle requirements.
- Stress testing and scenario analysis at a divisional level: The credit portfolio is also subjected to stress testing and scenario analysis, to simulate outcomes and calculate their associated impact.

Maximum credit exposure

The maximum exposure to credit risk arising on the Company's financial assets at the reporting date is disclosed in the table below and equates to carrying value.

	2019 £'000	2018 £'000
Finance lease receivables	13,333	15,710
Amounts due from group undertakings	1,046	718
Total credit risk exposure	14,379	16,428

The credit risk associated with cash at bank, bank deposits and interest receivable are held with other companies within the Group. The credit risk associated with these financial assets is not considered to be significant.

Credit quality of assets

The analysis of lending has been prepared based on the division in which the asset is held; with the business segment in which the exposure is recorded reflected in the ratings system applied. All probabilities of default (PDs) include forward-looking information and are based on 12 month values, with the exception of credit impaired.

	Grade	IFRS 9 PD%
Good quality	1 - 10	0.00 - 0.50
Satisfactory quality	11 - 14	0.51 - 3.00
Lower quality	15 - 18	3.01 - 20.00
Below standard, but not impaired	19	20.01 - 99.99
Credit impaired	20 - 23	100

Notes to the financial statements

For the year ended 31 October 2019

14. Financial risk management (continued)

14.1 Credit risk (continued)

	2019 £'000	2018 £'000
Stage 1		
Good quality	-	15,710
Satisfactory quality	13,333	-
Lower quality	-	-
Below standard, but not impaired	-	-
	13,333	15,710
Stage 2		
Good quality	-	-
Satisfactory quality	-	-
Lower quality	-	-
Below standard, but not impaired	-	-
	-	-
Stage 3		
Credit-impaired	-	-
	-	-
Total	13,333	15,710

Analysis of movement in the allowance for impairment losses by stage

In respect of drawn balances	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
At 31 October 2018	-	-	-	-
Adjustment on adoption of IFRS 9	(10)	-	-	(10)
Balance as at 1 November 2018	(10)	-	-	(10)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Impact of transfers between stages	-	-	-	-
Charge for the year	(50)	-	-	(50)
At 31 October 2019	(60)	-	-	(60)

In respect of	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Finance lease receivables	(60)	-	-	(60)
Total	(60)	-	-	(60)

Notes to the financial statements

For the year ended 31 October 2019

14. Financial risk management (continued)

14.2 Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its obligations as they fall due.

The Company is funded entirely by companies within the Group. Such funding is payable on demand, although there is no expectation that such a demand would be made. All other financial liabilities are payable on demand.

The liquidity profile of financial liabilities at the year end was as follows:

As at 31 October 2019

	On demand £'000	Up to 1 month £'000	1-3 months £'000	3-12 months £'000	1-5 years £'000	Total £'000
Bank borrowings	-	-	-	-	8,243	8,243
Other liabilities	2,301	-	-	-	5	2,306
	2,301	-	-	-	8,248	10,549

As at 31 October 2018

	On demand £'000	Up to 1 month £'000	1-3 months £'000	3-12 months £'000	1-5 years £'000	Total £'000
Bank borrowings	-	-	-	-	10,051	10,051
Other liabilities	2,177	-	-	-	8	2,185
	2,177	-	-	-	10,059	12,236

The fair value of current liabilities approximates their carrying values.

Bank borrowings and the associated interest payable upon them are borrowed long term and all borrowings are advanced by a fellow subsidiary undertaking of Lloyds Banking Group plc.

14.3 Interest rate risk

Interest rate risk is the risk that the future cash flows and fair values of a financial instrument may fluctuate because of changes in market interest rates.

The Company takes into account the exposure on fluctuations in the prevailing levels of market interest rates on its cash flows when structuring its operations by ensuring the interest terms of its finance income is matched to the variable interest terms of the borrowing used to finance the leasing portfolio. As such the Company has no material exposure to financial risk arising from changes in market interest 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%.

Based on the balance sheet carrying values a +/- 25 basis point change in interest rates will increase/reduce finance costs by £21,000 (2018: £25,000).

14.4 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company's transactions are all denominated in pounds sterling and as such the Company has no exposure to foreign currency risk.

Notes to the financial statements

For the year ended 31 October 2019

15. Transition to IFRS 9

15.1 Impact of Transition

The following table summarises the adjustments arising on the adoption of IFRS 9 to the Company's Balance sheet as at 1 November 2018.

	As at 31 October 2018	IFRS 9: Classification and measurement	IFRS 9: Impairment	Total IFRS 9 impact on transition	Adjusted as at 1 November 2018
	£'000	£'000	£'000	£'000	£'000
ASSETS					
Finance lease receivables	15,710	-	(10)	(10)	15,700
Amounts due from group undertakings	718	-	-	-	718
Total assets	16,428	-	(10)	(10)	16,418
LIABILITIES					
Amounts due to group undertakings	12,236	-	-	-	12,236
Deferred tax liability	3,330	-	(2)	(2)	3,328
Total liabilities	15,566	-	(2)	(2)	15,564
EQUITY					
Share capital	-	-	-	-	-
Retained earnings	862	-	(8)	(8)	854
Total equity	862	-	(8)	(8)	854
Total equity and liabilities	16,428	-	(10)	(10)	16,418

15.2 Impairment

The Company adopted IFRS 9 from 1 November 2018. In accordance with the transition requirements of IFRS 9, comparative information for 2018 has not been restated and transitional adjustments have been accounted for through Retained earnings as at 1 November 2018 and as a result Retained earnings reduced by £8,000, driven on the effects of additional impairment provisions following the implementation of the ECL methodology.

The following table summarises the impact of the transitional adjustment on the Company's loss allowances at 1 November 2018.

	IAS 39 allowance as at 31 October 2018	Transitional adjustments to loss allowance	IFRS 9 loss allowance at 1 November 2018
	£'000	£'000	£'000
Finance lease receivables	-	(10)	(10)
Total	-	(10)	(10)

Notes to the financial statements

For the year ended 31 October 2019

16. Implementation of IFRS 9 Financial Instruments

This note explains the impact of the adaptation of IFRS 9 Financial Instruments on the Company's financial statements.

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of the financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

Classification and measurement

IFRS 9 requires financial assets to be classified into one of three measurement categories, fair value through profit or loss, fair value through other comprehensive income or amortised cost.

Financial assets will be measured at amortised cost if they are held within a business model the objective of which is to hold financial assets in order to collect contractual cashflows, and their contractual cashflows represent solely payments of principle and interest. Financial assets will be measured at fair value through other comprehensive income if they are held within a business model the objective of which is achieved by collecting contractual cashflows and selling financial assets and their contractual cashflows represent solely payments of principle and interest. Financial assets not meeting either of these two business models; and all equity instruments (unless designated at inception to fair value through other comprehensive income); and all derivatives are measured at fair value through profit and loss.

An entity may, at initial recognition, designate a financial asset as measures at fair value through profit and loss if doing so eliminates or significantly reduces an accounting mismatch.

Impairment

IFRS 9 replaces the existing "incurred loss" impairment approach with an expected credit loss ("ECL") model resulting in earlier recognition of credit losses compared with IAS 39. The ECL model has three stages. Entities are required to recognise a 12 month expected loss allowance on initial recognition (stage 1) and a lifetime expected loss allowance when there has been a significant increase in credit risk since initial recognition (stage 2). Stage 3 requires objective evidence that an asset is credit impaired, which is similar to the guidance on incurred losses in IAS 39.

Impact on the financial statements

The Company has adopted IFRS 9 from 1 November 2018. In accordance with the transition requirements of IFRS 9, comparative information for 2018 has not been restated and transitional adjustments have been accounted for through retained earnings as at 1 November 2018.

17. Future developments

The following pronouncement will be relevant to the Company but was not effective at 31 October 2019 and has not been applied in preparing these financial statements.

Pronouncement	Nature of change	Effective date
IFRS 16 'Leases'	<p>Replaces IAS 17 'Leases' and is effective for annual periods beginning on or after 1 January 2019. Accounting as a lessor will remain aligned to the current approach under IAS 17; however for lessee accounting there will no longer be a distinction between finance and operating leases. The transition will result in the recognition of right of use assets and lease liabilities in respect of leased properties previously accounted for as operating leases; there will be no impact on shareholders' equity.</p> <p>The impact of this pronouncement has been assessed by the Company with the view that the financial statements will not be materially impacted.</p>	Annual periods beginning on or after 1 January 2019

18. Events since the Balance sheet date

Since the Balance sheet date there has been a global pandemic from the outbreak of Covid-19 which is causing widespread disruption to financial markets and normal patterns of business activity across the world, including the UK. The directors assess this event to be a non-adjusting post Balance sheet event. In view of its currently evolving nature, the directors are unable to estimate its financial and other effects.

INDEPENDENT AUDITORS' REPORT TO THE BRITISH LINEN LEASING (LONDON) LIMITED

Report on the audit of the financial statements

Opinion

In our opinion, British Linen Leasing (London) Limited's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 October 2019 and of its profit 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.

We have audited the financial statements, included within the Annual report and Financial statements (the "Annual Report"), which comprise: the Balance sheet as at 31 October 2019; the Statement of comprehensive income, the Cash flow statement, the Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

INDEPENDENT AUDITORS' REPORT TO THE BRITISH LINEN LEASING (LONDON) LIMITED (CONTINUED)

Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report for the year ended 31 October 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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.

Other required reporting

Companies Act 2006 exception reporting

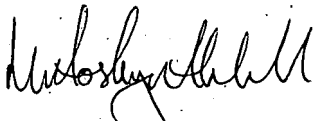
Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

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 take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.



Mark Hoskyns-Abraham (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors

Edinburgh
29 April 2020