

Company Registered No: 00909939

LOMBARD LESSORS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 31 March 2021

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LOMBARD LESSORS LIMITED

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS:

I J Isaac
J A Pattara
J D Taylor

COMPANY SECRETARY:

NatWest Group Secretarial Services Limited
(formerly RBS Secretarial Services Limited)

REGISTERED OFFICE:

250 Bishopsgate
London
England
EC2M 4AA

INDEPENDENT AUDITOR:

Ernst & Young LLP
The Paragon
Counterslip
Bristol
BS1 6BX

Registered in England and Wales

LOMBARD LESSORS LIMITED

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STRATEGIC REPORT**ACTIVITIES AND BUSINESS REVIEW****Activity**

The principal activity of Lombard Lessors Limited (the "Company") continues to be the provision of credit finance by way of leasing.

The Company is a subsidiary of NatWest Group plc (formerly known as The Royal Bank of Scotland Group plc) which provides the Company with direction and access to all central resources it needs and determines policies in all key areas such as finance, risk, human resources or environment. For this reason, the directors believe that performance indicators specific to the Company are not necessary or appropriate for an understanding of the development, performance or position of the business. The annual reports of NatWest Group plc review these matters on a group basis. Copies can be obtained from Legal, Governance and Regulatory Affairs, NatWest Group plc, Gogarburn, Edinburgh, PO Box 1000 EH12 1HQ, the Registrar of Companies or at www.natwestgroup.com.

"Group" means NatWest Group plc, its subsidiaries and associated undertakings.

Review of the year**Business review**

The directors are satisfied with the Company's performance in the year. During the year a review was carried out over the activities of the immediate parent company, Lombard North Central PLC and its subsidiaries. As a result of that review a decision was made that the Company ceased to take on new business with effect from 1 January 2021. The Company will continue to trade over existing business as it runs down.

Financial performance

The Company's financial performance is presented on pages 10 to 12.

Turnover decreased by £427k (2020: £626k) and expenses, including cost of sales and depreciation, decreased by £1,610k (2020: increased by £861k). After impairment provisions of £965k (2020: £1,843k) and finance costs of £70k (2020: £776k), the profit after tax for the year was £3,123k (2020: £456k).

No dividend was paid during the year (2020: nil).

At the end of the year, the balance sheet showed total assets of £122,724k (2020: £160,936k), including income-generating assets comprising finance lease receivables of £34,248k (2020: £48,646k) representing a decrease of 30%. Total shareholders' funds were £7,387k (2020: £4,264k). The net book value of property, plant and equipment was £83,700k compared with £107,368k at the end of the previous year.

Principal risks and uncertainties

The Company seeks to minimise its exposure to financial risks other than credit risk.

Management focuses on both the overall balance sheet structure and the control, within prudent limits, of risk arising from mismatches, including currency, maturity, interest rate and liquidity. It is undertaken within limits and other policy parameters set by the Group Asset and Liability Management Committee.

The Company is funded by facilities from Lombard North Central PLC. These are denominated in sterling which is the functional currency and carry no significant financial risk.

The Company's assets mainly comprise property, plant and equipment on which it has exposure to asset risk on the residual value. The Company also has lease receivables which would expose it to market, interest rate, liquidity, operational and credit risk.

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STRATEGIC REPORT**Principal risks and uncertainties (continued)**

The principal risks associated with the Company are as follows:

Market risk

Market risk is the potential for loss as a result of adverse changes in risk factors including interest rates, foreign currency and equity prices together with related parameters such as market volatilities.

The principal market risk to which the Company is exposed to is interest rate risk.

Interest rate risk

Finance lease receivables are based on fixed and floating rates. These are funded primarily through balances owed to Group undertakings, which are also a mix of fixed and floating rates. The repricing maturity profile of the financial assets of the Company may be different to that of the associated borrowings and hence give potential exposure to interest rate risk.

The Company manages interest rate risk by monitoring the consistency in the interest rate profile of its assets and liabilities and limiting any repricing mismatches.

Credit risk

Credit risk management seeks to match the risk of credit failure to price of credit on granting a facility whilst maintaining credit risk exposure in line with approved appetite for the risk that customers will be unable to meet their obligations to the Company.

The key principles of the Group's Credit Risk Management Framework are set out below:

- Approval of all credit exposure is granted prior to any advance or extension of credit.
- An appropriate credit risk assessment of the customer and credit facilities is undertaken prior to approval of credit exposure. This includes a review of, amongst other things, the purpose of credit and sources of repayment, compliance with affordability tests, repayment history, capacity to repay, sensitivity to economic and market developments and risk-adjusted return.
- Credit risk authority is delegated by the Board and specifically granted in writing to all individuals involved in the granting of credit approval. In exercising credit authority, the individuals act independently of any related business revenue origination.
- All credit exposures, once approved, are effectively monitored and managed and reviewed periodically against approved limits. Lower quality exposures are subject to a greater frequency of analysis and assessment.

Liquidity risk

Liquidity risk arises where assets and liabilities have different contractual maturities. Management focuses on risk arising from the mismatch of maturities across the balance sheet and from undrawn commitments and other contingent obligations.

The Company manages its liquidity risk by having access to Group funding.

Residual value risk

Residual value risk is the risk that the value of a lease asset at the end of the lease term is less than estimated at inception of the lease contract and thus the Company may be subject to losses on disposal of the lease asset. The Company manages this risk through an in-house residual value setting and forecasting process which governs minimum standards for management and mitigation of residual value risks. Residual values are established by reference to various sources of independent and proprietary knowledge. The Company monitors the asset risk exposure and its pricing level against current and expected future market development on a continuous basis and adjusts its residual values for new leases accordingly. Other methods of managing this risk include the use of buybacks, guarantees and split-risk arrangements and charging for asset impairment such as excess mileage or damages.

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STRATEGIC REPORT**Principal risks and uncertainties (continued)****Operational risk**

Operational risk is the risk of unexpected losses attributable to human error, systems failures, fraud or inadequate internal financial controls and procedures. The Company manages this risk, in line with the Group framework, through systems and procedures to monitor transactions and positions, the documentation of transactions and periodic review by internal audit. The Company also maintains contingency facilities to support operations in the event of disasters.

Directors' Duties and Engagement with Stakeholders**Stakeholder engagement and s.172(1) statement**

NatWest Group recognises the importance of engaging with stakeholders and understanding their views, to help inform strategy and board discussions and decision-making. This section of the Strategic report describes how the directors have had regard to the matters set out in section 172(1) (a) to (f), and forms the directors' statement required under section 414CZA, of the Companies Act 2006.

The company is a wholly owned subsidiary of NatWest Group plc. As such, its operations are aligned to the strategy and purpose of NatWest Group plc and it follows the policies and procedures of NatWest Group plc, as applicable. This is reflected, as appropriate, in the disclosures below.

Our Stakeholders

The company's key stakeholders and the engagement methods used by directors to understand their views and interests are set out below.

The Company's key stakeholder is its sole shareholder, Lombard North Central plc, which manages the relationships with other stakeholders on behalf of the Company.

The Company's indirect stakeholders are customers of all sizes, from small family run businesses to large commercial enterprises, a panel of selected asset finance brokers, NatWest employees ("colleagues", being full time, part time, contractors and agency staff employed by NatWest Group) engaged on Company related work, and suppliers who support the Company in the provision of elements of its products and services.

Customers

During the year, the board received regular updates on customer issues through Net Promoter Scores. The Board were also regularly updated on the nature and extent of COVID-19 support provided to customers.

Colleagues

Information on how NatWest Group engages with colleagues can be found in the NatWest Group plc 2020 Annual Report and Accounts. This includes details of the NatWest Group Colleague Advisory Panel, colleague opinion surveys, the NatWest Group Academy, the People Pledge, our wellbeing strategy and NatWest Group's inclusion guidelines and policies.

Suppliers

The Board is mindful of the role suppliers play in ensuring a reliable service is delivered to customers, and of the importance of relationships with key suppliers, particularly in the current environment. Information on NatWest Group's Supplier Charter, Modern Slavery Act Statement and Human Rights statement can be found in the NatWest Group plc 2020 Annual Report and Accounts.

Community and environment

The Company actively adopts the NatWest Group's purpose of championing potential, helping people, families and businesses to thrive. In particular the Company is supporting customers to take action on the risks and opportunities climate change presents and to transition to a low carbon economy. Details of NatWest Group's engagement with communities and its response on climate change can be found in the NatWest Group plc 2020 Annual Report and Accounts. Please also refer to the NatWest Group plc's 2020 Climate-related Disclosure Report and ESG Supplement available on natwestgroup.com.

LOMBARD LESSORS LIMITED**00909939****STRATEGIC REPORT****Directors' Duties and Engagement with Stakeholders (continued)****How stakeholder interests have influenced decision-making**

Relevant stakeholder interests, including those of colleagues, customers, suppliers and others are considered by the board during its discussions and when it takes decisions. In making its decisions, the board also considers the need to maintain a reputation for high standards of business conduct, and the long-term consequences of its decisions.

All decisions taken by the board during the financial year were routine in nature but took account of relevant stakeholder interests, as appropriate.

Further details on how NatWest Group plc engages with its stakeholders can be found in the NatWest Group plc 2020 Annual Report and Accounts and on natwestgroup.com.

Going concern

These financial statements are prepared on a going concern basis, see note 1(a) on page 13.

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare a Strategic report, Directors' report and financial statements for each financial year. Under that law, the directors have elected to prepare the financial statements in accordance with Financial Reporting Standard (FRS) 101 Reduced Disclosure Framework, and must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs at the end of the year and the profit or loss of the Company for that year. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether FRS 101 has been followed; and
- make an assessment of the Company's ability to continue as a going concern.

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 to enable them to ensure that the Strategic report, Directors' report and financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

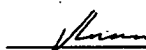
DISCLOSURE OF INFORMATION TO AUDITOR

Each of the directors at the date of approval of this report confirms that:

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

This confirmation is given and shall be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Approved by the Board of Directors and signed on its behalf


 Ian Isaac (Mar 4, 2022 12:39 GMT)

I J Isaac
 Director
 Date: 4 March 2022

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DIRECTORS' REPORT

The Strategic report includes the review of the year, risks, directors' responsibility statement and disclosure of information to auditors. Details of the board's engagement with customers, suppliers and others, and how these stakeholders' interests have influenced board decision making are set out on page 5 of the Strategic report which includes a section 172(1) statement.

DIRECTORS AND SECRETARY

The present directors and secretary, who have served throughout the year except where noted below, are listed on page 1.


From 1 April 2020 to date the following changes have taken place:

	Appointed	Resigned
Directors		
A P Parry	-	22 July 2021
J D Taylor	22 July 2021	-

AUDITOR

Ernst & Young LLP has expressed its willingness to continue in office as auditor.

Approved by the Board of Directors and signed on its behalf:


Ian Isaac (Mar 4, 2022 12:39 GMT)

I J Isaac
Director
Date: 4 March 2022

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LOMBARD LESSORS LIMITED

Opinion

We have audited the financial statements of Lombard Lessors Limited (the "Company") for the year ended 31 March 2021 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 18, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 31 March 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. 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.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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 course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LOMBARD LESSORS LIMITED

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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.

Auditor's 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 auditor's 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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LOMBARD LESSORS LIMITED

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud (continued)

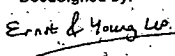
Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are those that relate to the reporting framework (FRS 101 and the Companies Act 2006) and the relevant direct tax compliance regulation in the United Kingdom and the Consumer Credit Act 1974 (as amended by the Consumer Credit Act 2006). In addition, the Company is required to comply with laws and regulations relating to its operations, including health and safety, employees, anti-bribery and corruption and General Data Protection Regulation ('GDPR').
- We understood how the Company is complying with those frameworks by making inquiries of senior management and those responsible for legal and compliance matters for their awareness of any non-compliance with laws and regulations and to understand how the Company maintains and communicates its policies as well as through the evaluation of corroborating documentation. We also reviewed minutes of the Board and the Risk Forum and gained an understanding of the Company's governance framework.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved making inquiries of those charged with governance and senior management as to their awareness of any non-compliance of laws or regulations, inquiring about the policies that have been established to prevent non-compliance with laws and regulations, inquiring about the Company's methods of enforcing and monitoring compliance with such policies and reviewing the complaints logs.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the risk of management override and by assuming revenue, specifically topside adjustments to revenue, to be subject to fraud risk. We considered the controls the Company has established to address the risks identified by the directors or that otherwise seek to prevent, deter, or detect fraud, including in a remote-working environment; and how management monitors these controls. Where this risk was considered to be higher, we performed audit procedures to address each identified fraud risk. Our audit procedures also included testing a sample of manual journals to verify the transactions were appropriate and supported by source documentation.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:

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Robin Enstone (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Bristol
Date 2022

LOMBARD LESSORS LIMITED**00909939****STATEMENT OF COMPREHENSIVE INCOME**
for the year ended 31 March 2021

	Notes	2021 £'000	2020 £'000
Income from continuing operations			
Turnover	3	26,086	26,513
Cost of sales		(1,690)	(2,840)
Depreciation of property, plant and equipment	8	(18,937)	(18,888)
Operating expenses	4	(568)	(1,077)
Impairment losses	5	(965)	(1,843)
Operating profit		3,926	1,865
Finance costs	6	(70)	(776)
Profit before tax		3,856	1,089
Tax charge	7	(733)	(633)
Profit and total comprehensive income for the year		3,123	456

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

LOMBARD LESSORS LIMITED


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BALANCE SHEET
as at 31 March 2021

	Notes	2021 £'000	2020 £'000
Non current assets			
Property, plant and equipment	8	83,700	107,368
Finance lease receivables	9	22,186	35,730
		105,886	143,098
Current assets			
Finance lease receivables	9	12,062	12,916
Trade and other receivables	11	573	110
Inventories	12	2,629	605
Prepayments, accrued income and other assets	13	1,574	4,207
		16,838	17,838
Total assets		122,724	160,936
Current liabilities			
Amounts due to Group companies	14	104,908	149,988
Accruals, deferred income and other liabilities	15	5,765	2,760
Current tax liability		1,983	-
		112,656	152,748
Non-current liabilities			
Deferred tax liabilities	7	2,681	3,924
Total liabilities		115,337	156,672
Equity			
Called up share capital	16	-	-
Retained earnings		7,387	4,264
Total Equity		7,387	4,264
Total liabilities and equity		122,724	160,936

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

The financial statements were approved by the Board of Directors on 4 March 2022 and signed on its behalf by:


Ian Isaac (Mar 4, 2022 12:39 GMT)

I J Isaac
Director

LOMBARD LESSORS LIMITED**00909939****STATEMENT OF CHANGES IN EQUITY**
for the year ended 31 March 2021

	Share Capital	Retained earnings	Total
	£'000	£'000	£'000
At 1 April 2019	-	3,808	3,808
Profit for the financial year	-	456	456
At 31 March 2020	-	4,264	4,264
Profit for the financial year	-	3,123	2,957
At 31 March 2021	-	7,387	7,221

Total comprehensive income for the year of £3,123k (2020: £456k) was wholly attributable to the owners of the Company.

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

LOMBARD LESSORS LIMITED

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NOTES TO THE FINANCIAL STATEMENTS**1. Accounting policies****a) Preparation and presentation of accounts**

These financial statements are prepared:

- on a going concern basis which were assessed over 12 months from the date of their approval and under Financial Reporting Standard (FRS) 101 *Reduced Disclosure Framework*; and
- on the historical basis

In the first quarter of 2020, the World Health Organisation declared the Covid-19 outbreak to be a pandemic. Many governments, including the UK, have taken stringent measures to contain and/or delay the spread of the virus. Actions taken in response to the spread of Covid-19 have resulted in severe disruption to business operations and a significant increase in economic uncertainty, with more volatile asset prices and currency exchange rates, and a marked decline in long-term interest rates in developed economies.

The NatWest Holdings Group (the "Group") has a well-developed business continuity plan which includes pandemic response, enabling the Group to quickly adapt to these unprecedented circumstances and continue as a viable business.

Management continue to monitor further impacts on profitability, assets, operations, liquidity however, at this stage do not consider there to be any additional material issues for the Company.

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for 12 months from the date of their approval and have prepared the financial statements on a going concern basis. This conclusion is based on the director's assessment of the Company's financial position, including the parental letter of support provided by the immediate parent company. The directors, in relying on this support, have considered the immediate parent company's ability to provide this support with no issues noted.

The Company meets the definition of a qualifying entity under FRS 100 Application of Financial Reporting Requirements issued by the Financial Reporting Council.

The Company is incorporated in the UK and registered in England and Wales and the financial statements are presented:

- in accordance with the Companies Act 2006;
- in sterling which is the functional currency of the Company; and
- with the benefit of the disclosure exemptions permitted by FRS 101 with regard to:
 - comparative information in respect of certain assets;
 - cash-flow statement;
 - standards not yet effective;
 - related party transactions; and
 - disclosure requirements of IFRS 7 "Financial Instruments: Disclosure" and IFRS 13 "Fair Value Measurement".

Where required, equivalent disclosures are given in the Group accounts of NatWest Group plc, these accounts are available to the public and can be obtained as set out in note 18.

The changes to IFRS that were effective from 1 April 2020 have had no material effect on the Company's Financial Statements for the year ended 31 March 2021.

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NOTES TO THE FINANCIAL STATEMENTS**Accounting policies (continued)****b) Revenue recognition**

Turnover comprises income from finance leases, operating leases and other services and arises in the United Kingdom from continuing activities.

Finance lease income is allocated to accounting periods so as to give a constant periodic rate of return before tax on the net investment. Unguaranteed residual values are subject to regular review, if there is a reduction in the estimated unguaranteed residual value, income allocation is revised and any reduction in respect of amounts accrued is recognised immediately.

Rental income during the primary period of operating leases is recognised in the income statement on a straight-line basis over the lease term unless another systematic basis better represents the time pattern of the asset's use.

Rental income during the secondary period income is recognised in line with IFRS 15 'Revenue' in the period which arises.

Revenue from the sale of rental assets is recognised on transfer of ownership.

Fee income in respect of lending arrangements is considered integral to the yield and is included in the effective interest rate on these arrangements.

Fees in respect of services are recognised as the right to consideration accrues through the performance of each distinct service obligation to the customer. The arrangements are generally contractual and the cost of providing the service is incurred as each service is performed. The price is usually fixed and always determinable.

Interest income or expense relates to financial instruments measured at amortised cost using the effective interest rate method. Negative effective interest accruing to financial assets is presented in interest payable.

c) Taxation

Income tax expense or income, comprising current tax and deferred tax, is recorded in the profit and loss account except income tax on items recognised outside profit or loss which is credited or charged to other comprehensive income or to equity as appropriate.

Current tax is income tax payable or recoverable in respect of the taxable profit or loss for the year arising in income, other comprehensive income or in equity. Provision is made for current tax at rates enacted or substantively enacted at the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable in respect of temporary differences between the carrying amount of an asset or liability for accounting purposes and its carrying amount for tax purposes. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered. Deferred tax is not recognised on temporary differences that arise 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 calculated using tax rates expected to apply in the periods when the assets will be realised or the liabilities settled, based on tax rates and laws enacted, or substantively enacted, at the balance sheet date.

d) Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Where an item of property, plant and equipment comprises major components having different useful lives, they are accounted for separately.

The depreciable amount is the cost of an asset less its residual value. Land is not depreciated. Depreciation is charged to profit or loss on a straight-line basis so as to write-off the depreciable amount of property, plant and equipment (including assets owned and let on operating leases) over their estimated useful lives.

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NOTES TO THE FINANCIAL STATEMENTS**1. Accounting policies (continued)****d) Property, plant and equipment (continued)**

Estimated useful lives are as follows:

Assets held for use in operating leases – over the term of the lease.

The residual value and useful life of property, plant and equipment are reviewed at each balance sheet date and updated for any changes to previous estimates.

e) Impairment of property, plant and equipment

At each reporting date, the Company assesses whether there is any indication that its property, plant and equipment are impaired. If any such indication exists, the Company estimates the recoverable amount of the asset and the impairment loss if any. The recoverable amount of an asset is the higher of its fair value less cost to sell and its value in use. Value in use is the present value of future cash flows from the asset or cash generating unit discounted at a rate that reflects market interest rates adjusted for risks specific to the asset or cash-generating unit that have not been taken into account in estimating future cash flows. If the recoverable amount of the asset is less than its carrying value, an impairment loss is recognised immediately in profit or loss and the carrying value of the asset reduced by the amount of the loss.

f) Inventories

Operating lease assets that are routinely marketed for sale at the end of their leases are reclassified as inventories and are held at lower of their carrying amount or net realisable value. Proceeds from sales are reported as revenue. On disposal, the book value of assets that are classified as inventories is charged to cost of sales.

g) Leases

Finance lease contracts are those which transfer substantially all the risks and rewards of ownership of an asset to a customer. All other contracts with customers to lease assets are classified as operating leases.

Finance lease receivables are measured at the net investment in the lease, comprising the minimum lease payments and any unguaranteed residual value discounted at the interest rate implicit in the lease. Turnover includes finance lease income recognised at a constant periodic rate of return before tax on the net investment. Unguaranteed residual values are subject to regular review; if there is a reduction in their value, income allocation is revised and any reduction in respect of amounts accrued is recognised immediately.

Rental income from operating leases is recognised in turnover on a straight-line basis over the lease term unless another systematic basis better represents the time pattern of the asset's use. Operating lease assets are included within Property, plant and equipment and depreciated over their useful lives.

h) Financial instruments

Financial instruments are classified either by product, by business model or by reference to the IFRS default classification.

Classification by product relies on specific designation criteria which are applicable to certain classes of financial assets or circumstances where accounting mismatches would otherwise arise. Classification by business model reflects how the Company manages its financial assets to generate cash flows. A business model assessment determines if cash flows result from holding financial assets to collect the contractual cash flows; from selling those financial assets; or both.

The product classifications apply to financial assets that are either designated at fair value through profit or loss, or to equity investments designated as at fair value through other comprehensive income. In all other instances, fair value through profit or loss is the default classification and measurement category for financial assets.

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NOTES TO THE FINANCIAL STATEMENTS**1. Accounting policies (continued)****h) Financial instruments (continued)**

Regular way purchases of financial assets classified as amortised cost, are recognised on the settlement date; all other regular way transactions in financial assets are recognised on the trade date.

All financial instruments are measured at fair value on initial recognition.

All liabilities not subsequently measured at fair value are measured at amortised cost.

Most financial assets are held to collect the contractual cash flows that comprise solely payments of principal and interest and are measured at amortised cost.

i) Impairment of financial assets

At each balance sheet date each financial asset or portfolio of loans measured at amortised cost or at fair value through other comprehensive income, issued financial guarantee and loan commitment is assessed for impairment. Loss allowances are forward looking, based on 12 month expected credit losses where there has not been a significant increase in credit risk rating, otherwise allowances are based on lifetime expected losses.

Expected credit losses are a probability-weighted estimate of credit losses. The probability is determined by the risk of default which is applied to the cash flow estimates. In the absence of a change in credit rating, allowances are recognised when there is reduction in the net present value of expected cash flows. On a significant increase in credit risk, allowances are recognised without a change in the expected cash flows, although typically expected cash flows do also change; and expected credit losses are rebased from 12 month to lifetime expectations.

On restructuring a financial asset without causing derecognition of the original asset the revised cash flows are used in re-estimating the credit loss. Where restructuring causes derecognition of the original financial asset, the fair value of the replacement asset is used as the closing cash flow of the original asset.

The costs of loss allowances on assets held at amortised cost are presented as impairments in the income statement.

j) Derecognition

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired or when it has been transferred and the transfer qualifies for derecognition in accordance with IFRS 9 "Financial Instruments".

A financial liability is removed from the balance sheet when the obligation is discharged, cancelled, or expires.

2. Critical accounting policies and key sources of estimation uncertainty

The reported results of the Company are sensitive to the accounting policies, assumptions and estimates that underlie the preparation of its financial statements. In accordance with their responsibilities for these financial statements, the estimates the directors consider most important to the portrayal of the Company's performance and financial condition are discussed below.

Loan impairment provisions

At March 2021 the loan impairment provisions have been established in accordance with IFRS 9. Accounting policy 1(i) sets out how the expected loss approach is applied. At 31 March 2021, gross loans and advances to customers totalled £36,649k (2020: £50,885k) and customer loans and receivables impairment provisions amounted to £1,828k (2020: £2,138k). A loan is impaired when there is objective evidence that the cash flows will not occur in the manner expected when the loan is advanced. Such evidence includes changes in the credit rating of the borrower, the failure to make payments in accordance with the loan agreement; significant reductions in the value of any security, breach of limits or covenants; and observable data about relevant macroeconomic measures.

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NOTES TO THE FINANCIAL STATEMENTS**2. Critical accounting policies and key sources of estimation uncertainty (continued)****Residual values**

The Company assesses objective evidence for impairment of residual values at each balance sheet date adjusting the depreciation recognised on operating leases amount accordingly. An impairment loss is incurred and measured as the shortfall between the carrying value of the residual interest and the discounted value of the estimated future cash flows, including cash flows from guarantors. Unguaranteed residual values are subject to regular review, if there is a reduction in the finance lease receivables estimated unguaranteed residual value, income allocation is revised and any reduction in respect of amounts accrued is recognised immediately.

Leased assets

Judgement is required in the classification of a lease at inception and after any material amendment to assess whether substantially all the significant risks and rewards of ownership accrue to the lessor or the lessee.

3. Turnover

	2021 £'000	2020 £'000
Finance lease income	1,862	1,678
Operating lease rental income	22,245	21,928
Sale of former operating lease assets	1,963	2,884
Other revenue	16	23
	<u>26,086</u>	<u>26,513</u>

4. Operating expenses

	2021 £'000	2020 £'000
Commission payable	5	15
Management fees	563	1,031
Other charges	-	31
	<u>568</u>	<u>1,077</u>

Management fees

Management fees include the costs of staff and directors borne by other members of the Group, none of which can be apportioned meaningfully in respect of services to the Company. These are re-charged on an annual basis by Lombard North Central PLC.

Auditor's remuneration

There was no charge in either the current or prior year's financial statements for auditor's remuneration as the fees of £12k (2020: £11k) were charged in the financial statements of Lombard North Central PLC.

5. Impairment losses

	2021 £'000	2020 £'000
Impairment (gains)/losses on finance lease and trade receivables	(105)	1,077
Impairment losses on property plant and equipment	1,070	766
	<u>965</u>	<u>1,843</u>

6. Finance cost

	2021 £'000	2020 £'000
Interest on loans from Group companies	<u>70</u>	<u>776</u>

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NOTES TO THE FINANCIAL STATEMENTS**7. Tax**

	2021 £'000	2020 £'000
Current taxation:		
UK corporation tax charge for the year	1,983	1,143
Over provision in respect of prior periods	(7)	(184)
Current tax charge for the period	<u>1,976</u>	<u>959</u>
Deferred taxation:		
Credit for the year	(1,250)	(516)
Under provision in respect of prior periods	7	190
	<u>(1,243)</u>	<u>(326)</u>
Tax charge for the year	<u>733</u>	<u>633</u>

The actual tax charge differs from the expected tax charge computed by applying the standard rate of UK corporation tax of 19% (2020: 19%) as follows:

	2021 £'000	2020 £'000
Expected tax charge	733	207
Non deductible items	-	11
Increase in deferred tax liabilities following change in rate of UK corporation tax	-	409
Adjustments in respect of prior periods	-	6
Actual tax charge for the year	<u>733</u>	<u>633</u>

Deferred Tax

Net deferred tax liability comprised:

	Capital allowances £'000	IFRS 9 transition £'000	Other £'000	Total £'000
At 1 April 2019	4,253	(6)	3	4,250
(Credit)/charge to profit and loss	(329)	6	(3)	(326)
At 31 March 2020	3,924	-	-	3,924
Credit to profit and loss	(1,243)	-	-	(1,243)
At 31 March 2021	<u>2,681</u>	<u>-</u>	<u>-</u>	<u>2,681</u>

The UK Corporation tax rate applicable to the company from 1 April 2020 is 19%. The closing deferred tax assets and liabilities have been calculated at 19%.

It was announced in the UK Government's Budget on 3 March 2021 that the main UK corporation tax rate will increase to 25% from 1 April 2023. This change was substantively enacted on 24 May 2021. As a result, existing temporary differences on which deferred tax has been provided may unwind in periods subject to the 25% rate. The impact of the post balance sheet date change in tax rate is estimated to give rise to a reduction in deferred tax liability of £767,000.

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NOTES TO THE FINANCIAL STATEMENTS**8. Property, plant and equipment**

	Property, plant and equipment £'000
2021	
Cost	
At 1 April 2020	170,772
Transfer to inventories	(17,346)
At 31 March 2021	<u>153,426</u>
Accumulated depreciation and impairment	
At 1 April 2020	63,404
Depreciation charge for the year	18,937
Impairment losses for the year	1,070
Transfer to inventories	(13,685)
At 31 March 2021	<u>69,726</u>
Net book value	
At 31 March 2021	<u>83,700</u>
At 31 March 2020	<u>107,368</u>

Security

No property, plant and equipment has been pledged as security for liabilities of the Company (2020: none).

9. Finance lease receivables

	2021 £'000	2020 £'000
Amounts included in income statement for finance leases		
Finance income on the net investment in leases	<u>1,862</u>	1,678
Amount receivable under finance leases		
Within 1 year	11,776	13,449
1 to 2 years	11,257	11,788
2 to 3 years	6,482	12,294
3 to 4 years	2,388	6,850
4 to 5 years	1,107	2,655
After 5 years	72	2,569
Lease payments total	33,082	49,605
Unguaranteed residual values	2,651	1,652
Unearned income	(1,645)	(2,847)
Other	1,896	2,153
Present value of minimum lease payments receivable	35,984	50,563
Impairments	(1,736)	(1,917)
Net investment in finance leases	<u>34,248</u>	48,646
	2021 £'000	2020 £'000
Due within one year	12,062	12,916
Due after more than one year	22,186	35,730
	<u>34,248</u>	48,646

LOMBARD LESSORS LIMITED**00909939****NOTES TO THE FINANCIAL STATEMENTS****9. Finance lease receivables (continued)**

During the year the Company did not enter in to any new lease agreements, though there were add-ons to existing agreements of £46k (2020: new finance lease business totalled £28k). The portfolio is due to mature fully within 7 years (2020: 7 years).

The average effective interest rate in relation to finance lease agreements approximates 2.91% (2020: 3.26%).

10. Operating lease arrangements

Nature of operating lease assets in the balance sheet:

	2021 £'000	2020 £'000
Transportation	71,229	90,493
Construction	2,114	2,629
Cars and light commercial vehicles	3,902	6,257
Production equipment	367	580
Trailers	3,165	4,984
Other	2,923	2,425
	83,700	107,368

The following table shows undiscounted lease receipts from operating leases:

	2021 £'000	2020 £'000
Within 1 years	18,392	23,151
1 to 2 years	12,090	19,147
2 to 3 years	7,705	11,670
3 to 4 years	2,850	7,470
4 to 5 years	867	2,764
After 5 years	191	902
Total	42,095	65,104

	2021 £'000	2020 £'000
Amounts recognised in income statement for operating leases		
Lease income	22,245	21,928

11. Trade and other receivables

	2021 £'000	2020 £'000
Trade receivables	573	101
Other receivables	-	9
	573	110

12. Inventories

	2021 £'000	2020 £'000
Former operating lease assets	2,629	605

Inventories comprise former operating leased assets which have been returned to the Company prior to sale.

LOMBARD LESSORS LIMITED**00909939****NOTES TO THE FINANCIAL STATEMENTS****13. Prepayments, accrued income and other assets**

	2021 £'000	2020 £'000
Prepayments	7	3
Accrued income	1,567	-
Group relief receivable	-	337
Value added tax recoverable	-	3,867
	1,574	4,207

14. Amounts due to Group companies

	2021 £'000	2020 £'000
Parent: Lombard North Central PLC	104,908	149,988

15. Accruals, deferred income and other liabilities

	2021 £'000	2020 £'000
Accruals	184	77
Deferred income	2,639	2,683
Value added tax payable	2,942	-
	5,765	2,760

16. Share capital

	2021 £	2020 £
Authorised:		
20,000 ordinary shares of £0.25 each	5,000	5,000
Allotted, called up and fully paid:		
Equity shares		
100 ordinary shares of £0.25 each	25	25

17. Commitments and contingent liabilities**Capital support deed**

The Company, together with certain other subsidiaries of NatWest Holdings Limited, is party to a capital support deed (CSD) relevant to the Group. Under the terms of the CSD, the Company may be required, if compatible with its legal obligations, to make distributions on, or repurchase or redeem, its ordinary shares. The amount of this obligation is limited to the Company's immediately accessible funds or assets, rights, facilities or other resources that, using best efforts, are reasonably capable of being converted to cleared, immediately available funds (the Company's available resources). The CSD also provides that, in certain circumstances, funding received by the Company from other parties to the CSD becomes immediately repayable, such repayment being limited to the Company's available resources.

LOMBARD LESSORS LIMITED**00909939****NOTES TO THE FINANCIAL STATEMENTS****18. Related parties****UK Government**

The UK Government through HM Treasury is the ultimate controlling party of NatWest Group plc. Its shareholding is managed by UK Government Investments Limited, a company it wholly-owns and as a result, the UK Government and UK Government controlled bodies are related parties of the Company.

The Company enters into transactions with these bodies on an arms' length basis; they include the payment of taxes including UK corporation tax and Value added tax; together with transactions undertaken in the normal course of business.

Group companies

At 31 March 2021

The Company's immediate parent was:	Lombard North Central PLC
The smallest consolidated accounts including the Company were prepared by:	National Westminster Bank Plc
The ultimate parent company was:	NatWest Group plc

All parent companies are incorporated in the UK. Copies of their accounts may be obtained from Legal, Governance and Regulatory Affairs, NatWest Group plc, Gogarburn, PO Box 1000, Edinburgh EH12 1HQ.