Company Registered No: 01102135

LOMBARD NORTH CENTRAL LEASING LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 30 September 2017

LOMBARD NORTH CENTRAL LEASING LIMITED **01102135**

CONTENTS

LOMBARD NORTH CENTRAL LEASING LIMITED 01102135

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS:	P E Lord J A Pattara
COMPANY SECRETARY:	RBS Secretarial Services Limited
REGISTERED OFFICE:	280 Bishopsgate London EC2M 4RB
INDEPENDENT AUDITOR:	Ernst & Young LLP Statutory Auditor The Paragon Counterslip Bristol BS1 6BX

Registered in England and Wales

DIRECTORS' REPORT

The directors of Lombard North Central Leasing Limited ("the Company") present their Annual Report and the audited financial statements for the year ended 30 September 2017.

ACTIVITIES AND BUSINESS REVIEW

This Directors' Report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption and therefore does not include a Strategic Report.

Principal activity
The principal activity of the Company continues to be the provision of credit finance by way of leasing.

Review of the year

Business review
The directors are satisfied with the Company's performance in the year. The Company will be guided by its shareholders in seeking further opportunities for growth.

FINANCIAL PERFORMANCE

The Company's financial performance is presented in the Profit and Loss Account on page 8. The operating profit before taxation for the year was £101k (2016: £107k). The retained profit for the year was £81k (2016: £85k).

A dividend of £87k (2016: £100k) was paid during the year.

At the end of the year total assets were £337k (2016: £341k).

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 RBS Asset and Liability Management Committee (RBS ALCO).

The Company is funded by facilities from Lombard North Central Plc. These are denominated in the functional currency and carry no significant financial risk other than interest rate risk.

The Company's financial assets mainly comprise loans and receivables which would expose it to market risk, interest rate risk and credit risk.

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.

Interest rate risk
Structural interest rate risk arises where assets and liabilities have different repricing maturities.

The Company manages interest rate risk by monitoring the consistency in the interest rate profile of its assets and liabilities, and limiting any re-pricing mismatches

DIRECTORS' REPORT
PRINCIPAL RISKS AND UNCERTAINTIES (continued)

Credit risk
The objective of credit risk management is to enable the Company to achieve appropriate risk versus reward performance 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 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.

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 RBS 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.

GOING CONCERN

The directors, having a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, have prepared the financial statements on a going concern basis.

DIRECTORS AND COMPANY SECRETARY

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

From 1 October 2016 to date the following changes have taken place:

	Appointed	Resigned
Directors		
J Higginbotham	-	21 February 2017
J A Pattara	07 February 2017	-

DIRECTORS' REPORT

DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare a 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 period. 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 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
- the director has 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.

INDEPENDENT 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:

P E Lord
Director
Date: 27 March 2018

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LOMBARD NORTH CENTRAL LEASING LIMITED

Opinion

We have audited the financial statements of Lombard North Central Leasing Limited ('the Company') for the year ended 30 September 2017 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 14, 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 state of the Company's affairs as at 30 September 2017 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.

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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LOMBARD NORTH CENTRAL LEASING LIMITED

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.

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.

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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matter 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 directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has 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 directors' report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies' exemptions from preparing a strategic report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LOMBARD NORTH CENTRAL LEASING LIMITED

Responsibilities of directors

As explained more fully in the directors' responsibilities statement on page 4, 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.

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.

Andrew R. Blackmore

Andrew Blackmore (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Bristol, United Kingdom
28 March 2018

PROFIT AND LOSS ACCOUNT
for the year ended 30 September 2017

Income from continuing operations	Notes	2017 £'000	2016 £'000
Turnover	3	**113**	117
Operating expenses	4	**(12)**	(11)
Operating profit		**101**	106
Finance income	5	**-**	1
Profit on ordinary activities before tax		**101**	107
Tax charge	6	**(20)**	(22)
Profit and total comprehensive income for the financial year		**81**	85

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

The Company had no recognised income or expenses in the financial year or preceding financial year other than those dealt with in the Profit and Loss Account.

BALANCE SHEET
as at 30 September 2017

	Notes	2017 £'000	2016 £'000
Fixed and non current assets			
Deferred tax assets	11	16	18
Current assets			
Finance lease receivables	8	13	25
Loans and receivables	9	308	298
		321	323
Total assets		337	341
Creditors: amounts falling due within one year			
Accruals, deferred income and other liabilities	10	62	60
		62	60
Total liabilities		62	60
Equity: capital and reserves			
Called up share capital	13	1	1
Profit and loss account		274	280
Total shareholders' funds		275	281
Total liabilities and shareholders' funds		337	341

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

The financial statements of the Company were approved by the Board of Directors on 27 March 2018 and signed on its behalf by:

P E Lord
Director

STATEMENT OF CHANGES IN EQUITY
for the year ended 30 September 2017

	Note	Share capital £'000	Profit and loss account £'000	Total £'000
At 1 October 2015		1	295	296
Profit for the year		-	85	85
Dividends paid	7	-	(100)	(100)
At 30 September 2016		1	280	281
Profit for the year		-	81	81
Dividends paid	7	-	(87)	(87)
At 30 September 2017		1	274	275

Total comprehensive income for the year of £81k (2016: £85k) was wholly attributable to the equity holders of the Company.

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

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies

a) Preparation and presentation of financial statements
These financial statements are prepared:
- on a going concern basis;
- under Financial Reporting Standard (FRS) 101 Reduced Disclosure Framework in accordance with the recognition and measurement principles of International Financial Reporting Standards issued by the IASB and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB as adopted by the EU (together IFRS); and
- on the historical cost basis.

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; and
    - related party transactions.

Where required, equivalent disclosures are given in the group accounts of The Royal Bank of Scotland Group plc, these accounts are available to the public and can be obtained as set out in note 14.

The few changes to IFRSs that were effective from 1 October 2016 have had no material effect on the Company's financial statements for the year ended 30 September 2017.

b) Revenue recognition
Revenue from finance leases is recognised in accordance with the Company's policies on leases (see below). Revenue 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.

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 provision of services to customers.

Interest income on financial assets that are classified as loans and receivables and interest expense on financial liabilities other than those at fair value through profit or loss are determined using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability (or group of financial assets or liabilities) and of allocating the interest income or interest expense over the expected life of the asset or liability. The effective interest rate is the rate that exactly discounts estimated future cash flows to the instrument's initial carrying amount. Calculation of the effective interest rate takes into account fees payable or receivable, that are an integral part of the instrument's yield, premiums or discounts on acquisition or issue, early redemption fees and transaction costs. All contractual terms of a financial instrument are considered when estimating future cash flows.

Secondary period income is recognised in line with IAS 18 'Revenue' in the period which it occurs.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies (continued)

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 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) Financial assets

On initial recognition, financial assets are classified into loans and receivables or finance lease receivable.

Loans and receivables

Non-derivative financial assets with fixed or determinable repayments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are initially recognised at fair value plus directly related transaction costs, and subsequently measured at amortised cost using the effective interest method (see accounting policy 1(b)) less any impairment losses.

e) Impairment of financial assets

The Company assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets classified as loans and receivables is impaired. A financial asset or portfolio of financial assets is impaired and an impairment loss incurred if there is objective evidence that an event or events since initial recognition of the asset have adversely affected the amount or timing of future cash flows from the asset.

f) Leases

Contracts to lease assets are classified as finance leases if they transfer substantially all the risks and rewards of ownership of the asset to the customer; all other contracts with customers to lease assets are classified as operating leases.

Finance lease receivables are stated in the balance sheet at the amount of the net investment in the lease being the minimum lease payments and any unguaranteed residual value discounted at the interest rate implicit in the lease.

g) Financial liabilities

All financial liabilities are measured at amortised cost using the effective interest method (see accounting policy 1(b)).

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies (continued)

h) 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 IAS 39 "Financial Instruments : Recognition and Measurement".

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. UK company law and IFRS require the directors, in preparing the Company's financial statements, to select suitable accounting policies, apply them consistently and make judgements and estimates that are reasonable and prudent. In the absence of an applicable standard or interpretation, IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors', requires management to develop and apply an accounting policy that results in relevant and reliable information in the light of the requirements and guidance in IFRS dealing with similar and related issues and the IASB's Framework for the Preparation and Presentation of Financial Statements. The judgements and assumptions involved in the Company's accounting policies that are considered by the directors to be the most important to the portrayal of its financial condition are discussed below. The use of estimates, assumptions or models that differ from those adopted by the Company would affect its reported results.

Loan impairment provisions

The Company's loan impairment provisions are established to recognise incurred impairment losses in its portfolio of loans classified as loans and receivables and carried at amortised cost. A loan is impaired when there is objective evidence that events since the loan was granted have affected expected cash flows from the loan. The impairment loss is the difference between the carrying value of the loan and the present value of estimated future cash flows at the loan's original effective interest rate.

3. Turnover

	2017 £'000	2016 £'000
Finance lease income	113	117

4. Operating expenses

	2017 £'000	2016 £'000
Management fees	8	8
Bad debts charge	4	3
	12	11

Staff costs, number of employees and directors' emoluments

All staff and directors were employed by group companies and the accounts of The Royal Bank of Scotland Group plc contain full disclosure of employee benefit expenses incurred in the period including share based payments and pensions. The Company has no employees and pays a management charge for services provided by other group companies. The directors of the Company do not receive remuneration for specific services provided to the Company.

4. Operating expenses (continued)

Management recharge
Management charges relate to the Company's share of group resources such as the use of IT platforms, staff and a share of central resources. 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 £6,000 (2016: £6,000) were charged in the financial statements of Lombard North Central PLC.

5. Finance income

	2017 £'000	2016 £'000
Interest on loans from group undertakings	-	1

6. Tax

	2017 £'000	2016 £'000
Current tax:		
UK corporation tax charge for the year	18	19
Deferred tax:		
Charge for the year	2	3
Tax charge for the year	20	22

The actual tax charge in the current and prior year does not differ from the expected tax charge computed by applying the blended rate of UK corporation tax of 19.5% (2016: 20%).

In recent years the UK Government has steadily reduced the rate of UK corporation tax, with the latest rates substantively at balance sheet date standing at 20% with effect from 1 April 2015, 19% from 1 April 2017 and 17% from 1 April 2020. The closing deferred tax assets and liabilities have been calculated taking in to account that existing temporary differences may unwind in periods subject to the reduced rates.

7. Ordinary dividends

	2017 £'000	2016 £'000
Interim dividends paid	87	100

Dividends of £131k have been paid since 30 September 2017.

8. Finance lease receivables

	2017 £'000	2016 £'000
Rental debtors	13	25

The Company has not entered into any new finance lease agreements during the year (2016: nil), and has no future minimum lease payments, unearned finance income and impairment provision on its rental debtors.

There were no contingent rentals recognised as income in the year (2016: none).

NOTES TO THE FINANCIAL STATEMENTS

9. Loans and receivables

	2017 £'000	2016 £'000
Amounts owed by group undertakings	308	298

10. Accruals, deferred income and other liabilities

	2017 £'000	2016 £'000
Value added tax payable	19	19
Corporation tax payable	43	41
	62	60

11. Deferred tax

The following are the major tax assets recognised by the Company and the movements thereon.

	Capital allowances £'000
At 1 October 2015	21
Charge to income	(3)
At 30 September 2016	18
Charge to income	(2)
At 30 September 2017	16

12. Financial instruments and risk management

(i) Categories of financial instrument

The following tables analyse the Company's financial assets and liabilities in accordance with the categories of financial instruments in IAS 39 "Financial Instruments, Recognition and Measurement". Assets and liabilities outside the scope of IAS 39 are shown separately.

2017	Loans and receivables £'000	Finance lease receivables £'000	Non financial assets/ liabilities £'000	Total £'000
Assets				
Deferred tax asset	-	-	16	16
Finance lease receivables	-	13	-	13
Loans and receivables	308	-	-	308
	308	13	16	337
Liabilities				
Accruals, deferred income and other liabilities	-	-	62	62
	-	-	62	62
Equity				275
				337

12. Financial instruments and risk management (continued)

(i) Categories of financial instrument (continued)

2016	Loans and receivables £'000	Finance lease receivables £'000	Non financial assets/ liabilities £'000	Total £'000
Assets				
Deferred tax asset	-	-	18	18
Finance lease receivables	-	25	-	25
Loans and receivables	298	-	-	298
	298	25	18	341
Liabilities				
Accruals, deferred income and other liabilities	-	-	60	60
	-	-	60	60
Equity				281
				341

The fair value of financial instruments that are not carried at fair value on the balance sheet is not considered to be materially different to the carrying amounts.

(ii) Financial risk management

The principal risks associated with the Company's businesses are as follows:

Interest rate risk
Structural interest rate arises where assets and liabilities have different re-pricing maturities.

Finance lease receivables may be based on fixed and/or floating rates. These are funded primarily through balances owed to group undertakings which are due primarily on demand and on a variable rate basis. The repricing maturity profile of the financial assets of the Company may be different from that of the associated borrowings and hence give potential exposure to interest rate risk.

The interest profile of the Company's financial assets and financial liabilities is as follows:

2017	Fixed rate £'000	Variable rate £'000	Total £'000
Financial assets			
Finance lease receivables	13	-	13
Loans and receivables	-	308	308
	13	308	321

2016	Fixed rate £'000	Variable rate £'000	Total £'000
Financial assets			
Finance lease receivables	25	-	25
Loans and receivables	-	298	298
	25	298	323

12. Financial instruments and risk management (continued)

(ii) Financial risk management (continued)

The sensitivity analysis below has been determined based on the exposure to interest rates at the balance sheet date. The analysis is prepared on the assumption that the balances receivable at the balance sheet date were receivable for the whole year.

If interest rates had been 0.5% higher and all other variables were held constant, the Company's profit before tax for the year would have increased by £1,500 (2016: £1,500). This is mainly due to the Company's exposure to interest rates on its variable rate balances of loans and receivables. There would be no other impact on equity.

Credit quality

The table below provides an analysis of the credit quality of third party financial assets and commitments based on the probability of default.

2017	Finance lease receivables £'000	Loans and receivables £'000	Total £'000
Probability of default			
0%-0.05%	-	308	308
Accruing past due	13	-	13
	13	308	321

2016	Finance lease receivables £'000	Loans and receivables £'000	Total £'000
Probability of default			
0%-0.05%	-	298	298
Accruing past due	25	-	25
	25	298	323

Probability of default is the likelihood that a customer will fail to make full and timely repayment of credit obligations over a one year time horizon.

The following assets were past due and not considered impaired at the balance sheet date:

2017	1 - 29 days £'000	30 - 59 days £'000	60 - 89 days £'000	More than 90 days £'000	Total £'000
Finance lease receivables	10	1	-	2	13
2016					
Finance lease receivables	23	2	-	-	25

The Company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

13. Share capital

	2017 £'000	2016 £'000
Authorised:		
1,000 ordinary shares of £1	1	1
Allotted, called up and fully paid:		
Equity shares		
1,000 ordinary shares of £1	1	1

The Company has one class of ordinary shares which carry no right to fixed income.

14. Related parties

UK Government
The UK Government through HM Treasury is the ultimate controlling party of The Royal Bank of Scotland Group plc. Its shareholding is managed by UK Financial 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 arm's 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 undertakings
The Company's immediate parent company is Lombard North Central PLC, a company incorporated in the United Kingdom and registered in England and Wales.

As at 30 September 2017, National Westminster Bank Plc, a company incorporated in the UK and registered in England and Wales, heads the smallest group in which the Company is consolidated. Copies of the consolidated accounts may be obtained from Corporate Governance and Regulatory Affairs, The Royal Bank of Scotland Group plc, Gogarburn, Edinburgh, EH12 1HQ.

The Company's ultimate holding company is The Royal Bank of Scotland Group plc which is incorporated in the United Kingdom and registered in Scotland. As at 30 September 2017, The Royal Bank of Scotland Group plc heads the largest group in which the Company is consolidated. Copies of the consolidated financial statements may be obtained from Corporate Governance and Regulatory Affairs, The Royal Bank of Scotland Group plc, Gogarburn, PO Box 1000, Edinburgh EH12 1HQ.