

**Company Registered No: 01102135**

**LOMBARD NORTH CENTRAL LEASING LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**For the year ended 30 September 2018**

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**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS:**

I J Isaac  
J A Pattara

**COMPANY SECRETARY:**

RBS Secretarial Services Limited

**REGISTERED OFFICE:**

280 Bishopsgate  
London  
EC2M 4RB

**INDEPENDENT AUDITOR:**

Ernst & Young LLP  
The Paragon  
Counterslip  
Bristol  
BS1 6BX

**Registered in England and Wales**

**DIRECTORS' REPORT****ACTIVITIES AND BUSINESS REVIEW**

The 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.

**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 retained profit for the year was £49k (2017: £81k) and this was transferred to reserves. A final dividend of £131k (2017: £87k) was paid during the 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 market, interest rate, credit and operational. It is undertaken within limits and other policy parameters set by the Group Asset and Liability Management Committee (Group ALCO).

The Company is funded by facilities from National Westminster Bank Plc. These are denominated in sterling which is the functional currency and carry no significant financial risk.

The Company's assets mainly comprise lease receivables and loans and receivables which would expose it to market, 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 re-pricing 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.

**Credit risk**

Credit risk is the risk that companies, financial institutions, individuals and other counterparties will be unable to meet their obligations to the Company.

All material loans receivable are with group companies. Although credit risk arises this is not considered to be significant and no amounts are past due.

**DIRECTORS' 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 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 made such enquiries as they considered appropriate, and 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 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 2017 to date the following changes have taken place:

	<b>Appointed</b>	<b>Resigned</b>
<b>Directors</b>		
I J Isaac	11 October 2018	-
P E Lord	-	11 October 2018

**DIRECTORS' REPORT****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 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 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.

**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:



I J Isaac  
Director  
7<sup>th</sup> June 2019

# **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 2018 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 11, 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 2018 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**

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.

## **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.

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

### **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' exemption in preparing the directors' report and from the requirements to prepare a strategic report.

### **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.



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

**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.

*Andrew R. Blackmore*

**Andrew Blackmore** (Senior Statutory Auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
Bristol

Date: *14 June 2019*

**STATEMENT OF COMPREHENSIVE INCOME**  
for the year ended 30 September 2018

	Notes	2018 £'000	2017 £'000
<b>Income from continuing operations</b>			
Turnover	3	70	113
Operating expenses	4	(10)	(12)
<b>Operating profit</b>		60	101
Finance income	5	1	-
<b>Profit before tax</b>		61	101
Tax charge	6	(12)	(20)
<b>Profit and total comprehensive income for the financial year</b>		<u>49</u>	<u>81</u>

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

Total comprehensive income for the year of £49k (2017: £81k) was wholly attributable to the equity holders of the Company.

**BALANCE SHEET**

as at 30 September 2018

	Notes	2018 £'000	2017 £'000
<b>Non-current assets</b>			
Deferred tax assets	6	14	16
<b>Current assets</b>			
Finance lease receivables	7	10	13
Loans and receivables	8	268	308
		<b>278</b>	<b>321</b>
<b>Total assets</b>		<b>292</b>	<b>337</b>
<b>Current liabilities</b>			
Accruals, deferred income and other liabilities	9	99	62
		<b>99</b>	<b>62</b>
<b>Equity</b>			
Called up share capital	10	1	1
Profit and loss account		192	274
<b>Total equity</b>		<b>193</b>	<b>275</b>
<b>Total liabilities and equity</b>		<b>292</b>	<b>337</b>

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 7<sup>th</sup> June 2019 and signed on its behalf by:



I J Isaac  
Director

**STATEMENT OF CHANGES IN EQUITY**  
for the year ended 30 September 2018

	Share capital £'000	Profit and loss account £'000	Total £'000
<b>At 1 October 2016</b>	1	280	281
Profit for the year	-	81	81
Dividends paid	-	(87)	(87)
<b>At 30 September 2017</b>	1	274	275
Profit for the year	-	49	49
Dividends paid	-	(131)	(131)
<b>At 30 September 2018</b>	<b>1</b>	<b>192</b>	<b>193</b>

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 International Accounting Standards Board (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 has early adopted all of the amendments to FRS 101 as a result of the Triennial review 2017 amendments with effect from 1 October 2017.

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 The Royal Bank of Scotland Group plc, these accounts are available to the public and can be obtained as set out in note 11.

The changes to IFRSs that were effective from 1 October 2017 have had no material effect on the Company's financial statements for the year ended 30 September 2018.

**b) Revenue recognition**

Turnover comprises income from finance leases 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.

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 or expense on financial instruments that are measured at amortised cost is determined using the effective interest rate method. The effective interest rate allocates the interest income or interest expense over the expected life of the asset or liability at the rate that exactly discounts all estimated future cash flows to equal the instrument's initial carrying amount. Reversals cannot exceed the impairment originally charged. 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. Negative effective interest accruing to financial assets is presented in interest payable.

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

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

**c) Taxation**

Income tax expense or income, comprising current tax and deferred tax, is recorded in the Statement of Comprehensive Income 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)).

**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.

**NOTES TO THE FINANCIAL STATEMENTS**

**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 factors the directors consider most important to the portrayal of the Company's performance and financial condition are discussed below.

**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**

	2018 £'000	2017 £'000
Finance lease income	70	113

**4. Operating expenses**

	2018 £'000	2017 £'000
Management fees	6	8
Bad debts charge	4	4
	10	12

**Directors' emoluments**

The Company does not remunerate directors nor can remuneration from elsewhere in the group be apportioned meaningfully in respect of their services to the Company. There are no other staff.

**Management fees**

Management fees 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 £10,000 (2017: £6,000) were charged in the financial statements of Lombard North Central PLC.

**5. Finance income**

	2018 £'000	2017 £'000
Interest on loans from group undertakings	1	-

NOTES TO THE FINANCIAL STATEMENTS

6. Tax

	2018 £'000	2017 £'000
<b>Current tax:</b>		
UK corporation tax charge for the year	10	18
<b>Deferred tax:</b>		
Charge for the year	2	2
Tax charge for the year	12	20

The actual tax charge in the current and prior year do not differ from the expected tax charge computed by applying the standard rate of UK corporation tax of 19% (2017: blended rate 19.5%).

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

Deferred tax

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

	Capital allowances £'000
<b>At 1 October 2016</b>	18
Charge to income	(2)
<b>At 30 September 2017</b>	16
Charge to income	(2)
<b>At 30 September 2018</b>	14

7. Finance lease receivables

	2018 £'000	2017 £'000
Rental debtors	10	13

The Company has not entered into any new finance lease agreements during the year (2017: none) 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 (2017: nil).

8. Loans and receivables

	2018 £'000	2017 £'000
Amounts owed by group undertakings	268	308



NOTES TO THE FINANCIAL STATEMENTS

9. Accruals, deferred income and other liabilities

	2018 £'000	2017 £'000
Deferred income	57	-
Value added tax payable	17	19
Corporation tax payable	25	43
	<u>99</u>	<u>62</u>

10. Share capital

	2018 £'000	2017 £'000
<b>Authorised:</b>		
1,000 ordinary shares of £1	<u>1</u>	<u>1</u>
<b>Allotted, called up and fully paid:</b>		
Equity shares		
1,000 ordinary shares of £1	<u>1</u>	<u>1</u>

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

11. 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 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 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**

At 30 September 2018

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:	The Royal Bank of Scotland Group plc

All parent companies are incorporated in the UK. Copies of their accounts may be obtained from Corporate Governance and Regulatory Affairs, The Royal Bank of Scotland, Gogarburn, PO Box 1000, Edinburgh, EH12 1HQ.