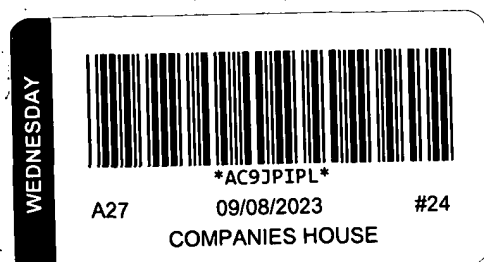


Company Registered No: 01829405

LOMBARD LEASE FINANCE LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
For the year ended 31 December 2022



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LOMBARD LEASE FINANCE LIMITED

01829405

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS:

I A Ellis
E M Mayes
L McKirkle

COMPANY SECRETARY:

NatWest Group 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

DIRECTORS' REPORT**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.

Activity

The principal activity of Lombard Lease Finance Limited ("the Company") continues to be the provision of fixed asset finance usually involving individually structured facilities.

The Company is a subsidiary of NatWest 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. A copy of the NatWest Group annual report is available at www.natwestgroup.com and on Companies House website. A copy can also be requested from Legal, Governance and Regulatory Affairs, NatWest Group, Gogarburn, Edinburgh, PO Box 1000, EH12 1HQ.

"NatWest Group" comprises NatWest Group plc, its subsidiary and associated undertakings.

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 on pages 8 to 10.

The loss for the year was £797k (2021: £1,542k) and this was transferred from reserves.

The company paid half yearly fixed cumulative preference dividends of £224,700 each in 2022 and 2021.

There has been a decrease in turnover year on year primarily due to a change in tax rate in 2022 which was increased from 19% to 25% and was substantively enacted in 2021. This resulted in an increase in amortisation in 2022 and an increase in the deferred tax balance.

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 NatWest Group Asset and Liability Management Committee.

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

The Company's assets mainly comprise finance lease receivables which would expose it to interest rate, liquidity, market and credit risk except that the counterparties are NatWest Group companies and all material loans receivable are with NatWest Group and therefore credit risk is not considered significant.

The principal risks identified are as follows:

Market risk

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

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

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.

DIRECTORS' REPORT**Principal risk and uncertainties (continued)****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 NatWest Group's credit risk management framework provides oversight and challenge of frontline credit risk management activities. Governance activities include:

- Defining credit risk appetite measures for the management of concentration risk and credit policy to establish the key causes of risk in the process of providing credit and the controls that must be in place to mitigate them.
- Approving and monitoring operational limits for business segments and credit limits for customers.
- Oversight of the first line of defence to ensure that credit risk remains within the appetite set by the board and that controls are being operated adequately and effectively.
- Assessing the adequacy of Expected Credit Losses ("ECL") provisions including approving key International Financial Reporting Standard ("IFRS") 9 inputs (such as significant increase in credit risk (SICR) thresholds) and any necessary in-model and post model adjustments through NatWest Group and business unit provisions and model committees.
- Development and approval of credit grading models.

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.

Going concern

These financial statements are prepared on a going concern basis, see note 1(a) on page 11.

DIRECTORS AND SECRETARY

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

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 101 Reduced Disclosure Framework ("FRS 101") 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:

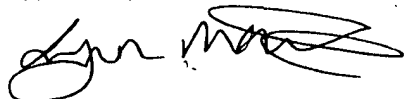
- so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware; and
- directors have taken all the steps that they ought to have taken to make themselves aware of any relevant audit information, and to establish that the Company's auditor is aware of that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



L McKirkle
Director

Date: 4 August 2023

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LOMBARD LEASE FINANCE LIMITED

Opinion

We have audited the financial statements of Lombard Lease Finance Limited ("the Company") for the year ended 31 December 2022 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 19, 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 December 2022 and of its loss for the year then ended; and
- 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. 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 AUDITOR'S REPORT TO THE MEMBERS OF LOMBARD LEASE FINANCE 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 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 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; 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 set out 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.

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 Company and management.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LOMBARD LEASE FINANCE LIMITED

- 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 (Financial Reporting Standard FRS 101 – Reduced Disclosure framework and the Companies Act 2006) and the relevant direct tax compliance regulation in the United Kingdom.
- We understood how the Company is complying with those frameworks by making inquiries of management, those charged with governance, internal audit and those responsible for legal and compliance matters. We corroborated our inquiries through review of meeting minutes of the Board.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the controls that the Company has established to address the risks identified by the entity and to prevent or detect fraud, including in a remote-working environment; and how management monitors these controls. We considered management's incentives and opportunities for fraudulent manipulation of the financial statements, including management override of control. We tested the appropriateness of journal entries recorded in the general ledger and evaluated the business rationale for significant and/or unusual transactions. We verified that the journals selected, where appropriate, are supported by appropriate source documentation.
- 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 to understand if they were aware of any non-compliance with laws and regulations affecting the 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.

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.



Richard Page (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Bristol

Date: 7 August 2023

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2022

		2022	2021
	Notes	£'000	£'000
Income from continuing operations			
Turnover	3	1,556	8,183
Operating income	4	85	8
Operating expenses	5	(29)	(140)
Impairment (losses)/reversal	6	(4)	5
Operating profit		1,608	8,056
Finance costs	7	(2,482)	(1,073)
(Loss)/profit on ordinary activities before tax		(874)	6,983
Tax credit/(charge)	8	77	(8,525)
Loss and total comprehensive loss for the year		(797)	(1,542)


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

BALANCE SHEET
as at 31 December 2022

	Notes	2022 £'000	2021 £'000
Non-current assets			
Finance lease receivables	9	177,720	179,346
		177,720	179,346
Current assets			
Finance lease receivables	9	11,068	11,083
Trade and other receivables	10	19	19
Prepayments, accrued income and other assets	11	29	-
Cash at bank		17,100	17,041
		28,216	28,143
Total assets		205,936	207,489
Current Liabilities			
Borrowings	12	2,749	1,081
Trade and other payables	13	5,727	6,032
Current tax liabilities		-	1,553
Accruals, deferred income and other liabilities	14	2,484	765
		10,960	9,431
Non-current liabilities			
Borrowings	12	150,548	153,216
Deferred tax liabilities	8	29,545	29,162
Preference shares	15	14,980	14,980
		195,073	197,358
Total liabilities		206,033	206,789
Equity			
Share capital	16	1	1
Retained earnings		(98)	699
Total equity		(97)	700
Total liabilities and equity		205,936	207,489

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 4 August 2023 and signed on its behalf by:



L. McKirkle
Director

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2022

	Share Capital £'000	Retained earnings £'000	Total £'000
At 1 January 2021	1	2,241	2,242
Loss for the financial year	-	(1,542)	(1,542)
At 31 December 2021	1	699	700
Loss for the financial year	-	(797)	(797)
At 31 December 2022	<u>1</u>	<u>(98)</u>	<u>(97)</u>

Total comprehensive loss for the year of £797k (2021: £1,542k) was wholly attributable to the owners 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 accounts**

The directors have prepared the financial statements:

- on a going concern basis after assessing principal risks and other relevant evidence over the twelve months from the date the financial statements are approved and under FRS 101 *Reduced Disclosure Framework*; and
- on a 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;
 - related party transactions;
 - certain disclosure certain disclosures from IFRS 15 "Revenue from Contracts with Customers" and IFRS 16 "Leases"; 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 January 2022 have had no material effect on the Company's financial statements for the year ended 31 December 2022.

b) Revenue recognition

Turnover comprises income from finance leases, loans 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.

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.

Interest income and expense are recognised in the income statement using the effective interest rate method for all financial instruments measured at amortised cost, debt instruments measured as fair value through other comprehensive income and the effective part of any related accounting hedging instruments. Finance lease income is recognised at a constant periodic rate of return before tax on the net investment on the lease.

Other interest relating to financial instruments measured at fair value is recognised as part of the movement in fair value on 31 December 2022.

IFRS requires rental income to be calculated using the interest rate at inception of the lease; variations from that rate are presented as contingent rentals.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies (continued)

c) Taxation

Tax encompassing current tax and deferred tax is recorded in the profit and loss account except when taxable items are recognised in other comprehensive income or equity.

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 their recovery is probable. Deferred tax is not recognised on temporary differences that arise from initial recognition of an asset or a 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) Leases

As lessor

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.

e) Financial instruments

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

Financial assets are classified into measurement categories either, by business model, by product or by reference to the IFRS default classification.

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.

Financial assets that are held to collect the contractual cash flows and comprise solely of payments of principal and interest are measured at amortised cost. Financial assets managed under a business model of both to collect contractual cash flows (comprising solely of payments of principal and interest), and to sell are measured at fair value through other comprehensive income.

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. 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.

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

NOTES TO THE FINANCIAL STATEMENTS**1. Accounting policies (continued)****f) Impairment of financial assets: expected credit losses**

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. Any change in impairment is reported in the profit and loss account. 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.

ECL 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. Following a significant increase in credit risk, ECL are adjusted from 12 months to lifetime. This will lead to a higher impairment charge.

On restructuring where a financial asset is not derecognised 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.

Where, in the course of the orderly realisation of a loan, it is exchanged for equity shares or property, the exchange is accounted for as the sale of the loan and the acquisition of equity securities or investment property. Where the Company's acquired interest is in equity shares, relevant policies for control, associates and joint ventures apply.

g) Derecognition

A financial asset is derecognised (removed from the balance sheet) 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.

A financial liability is removed from the balance sheet when the obligation is paid, or is 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

In 2022 the loan impairment provisions were established in accordance with IFRS 9. Accounting policy 1(f) sets out how the expected loss approach was applied. At 31 December 2022, gross finance lease receivables totalled £208,250k (2021: £219,477) and customer loan impairment provisions amounted to £5k (2021: £1k). A loan is impaired when there is objective evidence that the cash flows will not occur in the manner expected when the loan is advance. 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.

NOTES TO THE FINANCIAL STATEMENTS

3. Turnover

	2022 £'000	2021 £'000
Finance lease income:		
Rents receivable	10,907	10,258
Contingent rental expense	(7,979)	(7,890)
Amortisation	(1,372)	5,815
	<u>1,556</u>	<u>8,183</u>

The Company did not enter into any new leasing transactions during the year (2021: nil).

4. Operating Income

	2022 £'000	2021 £'000
Profit on disposal of leases	80	-
Fee income	5	8
	<u>85</u>	<u>8</u>

On 23 December 2022, one lease was terminated at gain of £80k, which had a nil NBV.

5. Operating expenses

	2022 £'000	2021 £'000
Audit fees	22	22
Management fees	6	117
Other charges	1	1
	<u>29</u>	<u>140</u>

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.

6. Impairment (losses)/ reversal

	2022 £'000	2021 £'000
Impairment (losses)/reversal on finance leases	(4)	5

7. Finance costs

	2022 £'000	2021 £'000
Interest on loans from group companies	2,033	624
Preference dividend	449	449
	<u>2,482</u>	<u>1,073</u>

NOTES TO THE FINANCIAL STATEMENTS

8. Tax

	2022 £'000	2021 £'000
Current taxation:		
UK corporation tax (credit)/charge for the year	(460)	1,049
Deferred taxation:		
Charge for the year	379	364
Impact of rate changes	4	7,112
	383	7,476
Tax (credit)/charge for the year	(77)	8,525

The actual tax (credit)/charge differs from the expected tax (credit)/charge computed by applying the standard rate of UK corporation tax of 19% (2021: 19%) as follows:

	2022 £'000	2021 £'000
Expected tax (credit)/charge	(166)	1,327
Non-deductible items	85	85
Increase in deferred tax liability following change in rate of UK Corporation Tax	4	7,112
Transfer pricing adjustments	-	1
Actual tax (credit)/charge for the year	(77)	8,525

The UK Corporation Tax rate for the year was 19%. On 24 May 2021 the UK Government substantively enacted an increase in the UK Corporation Tax rate from 19% to 25% with effect from 1 April 2023. Closing deferred tax assets and liabilities have therefore been calculated taking into account this change of rate and the applicable period when the deferred tax assets and liabilities are expected to crystallise.

Net deferred tax liability comprises:

	Capital allowances £'000
1 January 2021	21,686
Charge to comprehensive income	7,476
At 31 December 2021	29,162
Charge to comprehensive income	383
At 31 December 2022	29,545

NOTES TO THE FINANCIAL STATEMENTS

9. Finance lease receivables

	2022 £'000	2021 £'000
Amount receivable under finance leases		
Within 1 year	11,213	11,227
1 to 2 years	159,225	11,213
2 to 3 years	37,812	159,225
3 to 4 years	-	37,812
Lease payments total	208,250	219,477
Unearned income	(19,457)	(29,047)
Present value of lease payments	188,793	190,430
Impairments	(5)	(1)
Net investment in finance lease receivables	188,788	190,429
	2022 £'000	2021 £'000
Due within one year	11,068	11,083
Due after more than one year	177,720	179,346
	188,788	190,429

The Company has two finance lease agreements for equipment. The leases have an average term of 20 years (2021: 25 years). The average effective interest rate in relation to finance lease agreements approximates 5.2% (2021: 5.2%).

10. Trade and other receivables

	Due within one year	
	2022 £'000	2021 £'000
Amount receivable from parent Royal Bank Leasing Limited	19	19

11. Prepayments, accrued income and other assets

	2022 £'000	2021 £'000
Group relief receivable from group undertakings	29	-

12. Borrowings

	2022 £'000	2021 £'000
Loans from group undertakings	153,297	154,297
Current - on demand or within one year	2,749	1,081
Non-current		
- between one and two years	121,316	2,668
- between two and five years	29,232	150,547
- after five years	-	1
	150,548	153,216

The Company has the following unsecured borrowing from Group companies greater than five years:
Floating rate borrowing: £ nil (2021: £1k).

13. Trade and other payables

	Due within one year	
	2022 £'000	2021 £'000
Value Added Tax payable	6	28
Other payables	5,721	6,004
	5,727	6,032

NOTES TO THE FINANCIAL STATEMENTS

14. Accruals, deferred income and other liabilities

	2022 £'000	2021 £'000
Accruals	2,479	755
Deferred income	5	10
	<u>2,484</u>	<u>765</u>

15. Preference shares

	2022 £'000	2021 £'000
Due after one year:		
Preference shares due after five years	<u>14,980</u>	<u>14,980</u>

Upon winding up of the Company, preference shareholders will receive the right to a fixed part of the capital or otherwise to participate in the distribution of the Company's assets. The preference shares do carry the right to a fixed dividend but do not carry any voting rights. The Company has authorised 20,000,000 redeemable cumulative 3% preference shares of £1 classified as liabilities, of which 14,980,000 are issued and fully paid. Post balance sheet events in this regard are set out in note 19.

16. Share capital

	2022 £'000	2021 £'000
Authorised:		
Equity shares		
1,000 ordinary shares of £1 each	<u>1</u>	<u>1</u>
Allotted, called up and fully paid:		
Equity shares		
1,000 ordinary shares of £1 each	<u>1</u>	<u>1</u>

The Company has one class of ordinary shares which carry no right to fixed income. Post balance sheet events in this regard are set out in note 19.

17. Commitments and contingent liabilities

The Company, together with certain other subsidiaries of NatWest Holdings Limited, is party to a capital support deed (CSD) relevant to NatWest Holdings Limited and its subsidiaries ("NatWest Holdings Group"). Under the terms of the CSD, the Company may be required, if the conditions set forth in the CSD are met, to declare and make a distribution of cash to its members, repurchase or redeem its members' shares for cash, and/or undertake a reduction or other reorganisation of its capital in order to maximise its distributable profits available for undertaking such distribution or repurchase or redemption of shares. The amount of this obligation is limited to the Company's resources that comprise cleared, 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 due and repayable, such repayment being limited to the Company's available resources.

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.

Cash at bank relates to amounts with a group bank and other balances with group companies are shown in notes 10 and 12.

NOTES TO THE FINANCIAL STATEMENTS

18. Related parties (continued)

Group companies

At 31 December 2022

The Company's immediate parent was:	Royal Bank Leasing Limited
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.

19. Post balance sheet events

On 30 June 2023 the company's shareholder approved the re-designation of the preference shares in issue to ordinary shares and adopted new articles of association removing the Company's authorised share capital limit.