

Company Registered No: 01919512

LOMBARD VEHICLE MANAGEMENT (1) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2014

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS:

**P A Murray
P E Lord**

SECRETARY:

RBS Secretarial Services Limited

REGISTERED OFFICE:

**135 Bishopsgate
London
EC2M 3UR**

INDEPENDENT AUDITOR:

**Deloitte LLP
Chartered Accountants and Statutory Auditor
Birmingham
United Kingdom**

Registered in England and Wales

DIRECTORS' REPORT

The directors of Lombard Vehicle Management (1) Limited ("the Company") present their report together with the audited financial statements for the year ended 31 December 2014.

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.

Principal activity

Historically the principal activity of the Company was that of vehicle leasing.

FINANCIAL PERFORMANCE

The Company's financial performance is presented in the Profit and Loss Account on page 7. The profit before taxation for the year was £nil (2013: £1,192,000). The retained loss for the year was £19,000 (2013: profit for the year was £852,000).

A dividend of £100,000 was paid during the year (2013: £4,950,000). No further dividends are proposed in respect of 2014.

At the end of the year total assets were £339,000 (2013: £430,000).

PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS

As explained in note 1, in the year ended 31 December 2014 the Company has changed from reporting under International Financial Reporting Standards (IFRS) adopted by the EU to Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) as issued by the Financial Reporting Council which the Company has adopted early. This change has not had a material effect on the financial statements.

PRINCIPAL RISKS AND UNCERTAINTIES

The Company seeks to minimise its exposure to financial risks.

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 Group 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.

The principal risks associated with the Company are as follows:

Interest rate risk

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

The financial assets of the Company consist of amounts due from group undertakings which do not have any significant interest rate risk as they are repayable on demand.

Currency risk

The Company has no currency risk as all transactions and balances are denominated in Sterling.

DIRECTORS' REPORT**PRINCIPAL RISKS AND UNCERTAINTIES (continued)****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.

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 loans and receivables are with the parent undertaking. Although credit risk arises this is not considered to be significant and no amounts owed are past due.

Liquidity risk

The Company has no material liquidity risk as it has access to group funding.

Operational risk

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

Going concern

The Company ceased to trade in the previous period and is not expected to trade in the foreseeable future. These events did not require the Company to remeasure, reclassify or adjust the settlement date of any assets or liabilities. IAS 1.25 'Presentation of Financial Statements' describes the preparation of financial statements in such circumstances as being other than on a going concern basis.

DIRECTORS AND SECRETARY

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

From 1 January 2014 to date the following changes have taken place:

	Appointed	Resigned
Directors		
D S Jones-Molyneux		3 March 2014
N T J Clibbens	3 March 2014	27 February 2015
P E Lord	27 February 2015	
A P Gadsby		11 May 2015

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 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 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:

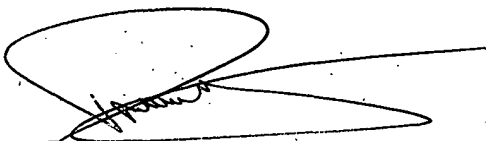
- so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that they ought to have taken to make themselves aware of any relevant audit information, and to establish that the Company's auditor is aware of that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

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

INDEPENDENT AUDITOR

Deloitte LLP has expressed its willingness to continue in office as auditor.

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



P A Murray

Director

Date: July 2015

3/9/2015

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LOMBARD VEHICLE MANAGEMENT (1) LIMITED

We have audited the financial statements of Lombard Vehicle Management (1) Limited ('the Company') for the year ended 31 December 2014 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 14. The financial reporting framework that has been applied in their preparation is applicable law and Financial Reporting Standard 101 Reduced Disclosure Framework.

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2014 and of its loss for the year then ended;
- have been properly prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter – Financial statements prepared other than on a going concern basis

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements, which explains that the financial statements have been prepared on a basis other than that of a going concern.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LOMBARD VEHICLE
MANAGEMENT (1) LIMITED**

Matters on which we are required to report by exception

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 from preparing a Strategic Report or in preparing the directors' report.



Matthew Perkins (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor,
Birmingham, United Kingdom

14 Sep 2015

PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2014

	Notes	2014 £'000	2013 £'000
Discontinued operations			
Turnover	3	-	7,558
Depreciation of property, plant and equipment		-	(2,440)
Other operating income	4	-	950
Other operating expenses	5	-	(4,512)
Operating result/profit		-	1,556
Finance costs	6	-	(364)
Result/Profit on ordinary activities before tax		-	1,192
Tax charge	8	(19)	(340)
(Loss)/profit for the financial year		(19)	852

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

BALANCE SHEET

as at 31 December 2014

	Notes	2014 £'000	2013 £'000
Current assets			
Amounts owed by group undertaking	10	339	430
Total assets		339	430
Creditors: amounts falling due within one year			
Amounts owed to group undertaking	11	304	-
Current tax liabilities		-	276
		304	276
Total liabilities		304	276
Equity: Capital and reserves			
Called up share capital	12	-	-
Profit and loss account		35	154
Total shareholders' funds		35	154
Total liabilities and shareholders' funds		339	430

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 2/9/15 July 2015 and signed on its behalf by:


P. A. Murray
Director

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2014

	Share capital £'000	Profit and loss account £'000	Total £'000
At 1 January 2013	-	4,252	4,252
Profit for the year	-	852	852
Dividends paid	-	(4,950)	(4,950)
At 31 December 2013	-	154	154
Loss for the year	-	(19)	(19)
Dividends paid	-	(100)	(100)
At 31 December 2014	-	35	35

Total comprehensive loss for the year of £19,000 (2013: income for the year of £852,000) 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 financial statements**

These financial statements are prepared on an other than going concern basis and have been prepared in accordance with applicable International Financial Reporting Standards issued by the International Accounting Standards Board and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB as adopted by the EU (together IFRS) and under Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101). The Company meets the definition of a qualifying entity under FRS 100 Application of Financial Reporting Requirements issued by the Financial Reporting Council.

Accordingly, in the year ended 31 December 2014 the Company has undergone transition from reporting under IFRS adopted by the EU to FRS 101 as issued by the Financial Reporting Council which the Company has adopted early. The transition is not considered to have had a material effect on the financial statements.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, capital resources, presentation of a 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 plc, these accounts are available to the public and can be obtained as set out in note 14.

The financial statements are prepared on the historical cost basis.

The Company's financial statements are presented in Sterling which is the functional currency of the Company.

The Company is incorporated in the UK and registered in England and Wales. The Company's financial statements are presented in accordance with the Companies Act 2006.

There are a number of changes to IFRS that were effective from 1 January 2014. They have had no material effect on the Company's financial statements for the year ended 31 December 2014.

b) Revenue recognition

Revenue from finance leases and operating leases is recognised in accordance with the Company's policies on leases (see below). Revenue arose in the United Kingdom from discontinued activities.

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

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

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 provisions of services to customers.

c) Taxation

Income tax expense or income, comprising current tax and deferred tax, is recorded in the income statement 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.

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

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 calculated using tax rates expected to apply in the periods when the assets will be realised or the liabilities settled, based on tax rates and laws enacted, or substantively enacted, at the balance sheet date.

d) Property, plant and equipment

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

Depreciation is charged to profit or loss on a straight-line basis so as to write-off the depreciable amount of property, plant and equipment (including assets owned and let on operating leases) over their estimated useful lives.

The depreciable amount is the cost of an asset less its residual value.

Estimated useful lives are as follows:

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

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

e) Impairment of property, plant and equipment

At each reporting date, the Company assesses whether there is any indication that its property, plant and equipment are impaired. If any such indication exists, the Company estimates the recoverable amount of the asset and the impairment loss if any.

f) Financial assets

On initial recognition, financial assets are classified into held-to-maturity investments; held-for-trading; designated as at fair value through profit or loss; loans and receivables; or available-for-sale financial assets.

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, except those that are classified as available-for-sale or as held-for-trading, or designated as at fair value through profit or loss. Loans and receivables are initially recognised at fair value plus directly related transaction costs. They are subsequently measured at amortised cost using the effective interest method less any impairment losses.

g) 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 held-to-maturity, available-for-sale or 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.

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.

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. 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

	2014 £'000	2013 £'000
Finance lease income	-	142
Operating lease rental income	-	7,281
Other revenue	-	135
	<u>-</u>	<u>7,558</u>

4. Other operating income

	2014 £'000	2013 £'000
Service rental income	-	805
Other income	-	145
	<u>-</u>	<u>950</u>

NOTES TO THE FINANCIAL STATEMENTS

5. Other operating expenses

	2014 £'000	2013 £'000
Commission payable	-	4
Bad debt charge	-	96
Loss on disposal of property, plant and equipment	-	1,630
Management fees	-	2,688
Auditor's remuneration - audit services	-	6
Other charges	-	88
	<u>-</u>	<u>4,512</u>

Other charges include amounts of £nil (2013: £506,000) arising from the release of provisions no longer required as a result of the cessation of trade.

Management fees payable

Management fees payable related to the Company's share of group resources such as the use of IT platforms, staff and a share of central resources as well as a share of costs associated with the run-down of the Company, including redundancy costs. These were re-charged by Lombard North Central PLC and Lombard Vehicle Management Limited.

6. Finance costs

	2014 £'000	2013 £'000
Interest on loans from group undertakings	<u>-</u>	<u>364</u>

7. Profit before tax

Profit before tax is stated after charging:

	2014 £'000	2013 £'000
Loss on disposal of property, plant and equipment	<u>-</u>	<u>1,630</u>
Auditor's remuneration:		
Fees payable to the Company's auditors for the audit of the Company's annual accounts	<u>-</u>	<u>6</u>

There was no charge in the current year for auditor's remuneration as the fees of £5,000 were charged in the financial statements of Lombard North Central PLC.

NOTES TO THE FINANCIAL STATEMENTS

8. Tax

	2014 £'000	2013 £'000
Current tax:		
UK corporation tax charge for the year	-	6,158
Under provision in respect of prior periods	19	-
	<u>19</u>	<u>6,158</u>
Deferred tax:		
Credit for the year	-	(5,818)
	-	<u>(5,818)</u>
Tax charge for the year	<u>19</u>	<u>340</u>

The actual tax charge differs from the expected tax charge computed by applying the blended rate of UK corporation tax of 21.5% (2013: 23.3%) as follows :)

	2014 £'000	2013 £'000
Expected tax charge	-	277
Reduction in deferred tax following change in rate of UK corporation tax	-	63
Adjustments in respect of prior periods	19	-
Actual tax charge for the year	<u>19</u>	<u>340</u>

Changes to tax rates and capital allowances announced up to 31 December 2014 are not expected to have a material effect on the Company.

9. Ordinary dividends

	2014 £'000	2013 £'000
Final dividend paid	<u>100</u>	<u>4,950</u>

10. Amounts owed by group undertaking

	2014 £'000	2013 £'000
Amounts owed by group undertaking	<u>339</u>	<u>430</u>

11. Amounts owed to group undertaking

	2014 £'000	2013 £'000
Amounts owed to group undertaking	<u>304</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS

12. Share capital

	2014 £	2013 £
Authorised:		
100 ordinary shares of £1	100	100
Allotted, called up and fully paid:		
Equity shares		
100 ordinary shares of £1	100	100

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

13. Commitment and contingent liabilities

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

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 arms' length basis; they include the payment of taxes including UK corporation tax and value added tax; together with transactions undertaken in the normal course of business.

Group undertakings

The Company's immediate parent company is Lombard North Central PLC, a company incorporated in UK and registered in England and Wales. As at 31 December 2014, The Royal Bank of Scotland plc heads the smallest group in which the Company is consolidated, a company incorporated in UK and registered in Scotland. Copies of the consolidated accounts may be obtained from Corporate Governance and Secretariat, 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, a company incorporated in UK and registered in Scotland. As at 31 December 2014, The Royal Bank of Scotland Group plc heads the largest group in which the Company is consolidated. Copies of the consolidated accounts may be obtained from Corporate Governance and Secretariat, The Royal Bank of Scotland Group plc, Gogarburn, Edinburgh, EH12 1HQ.