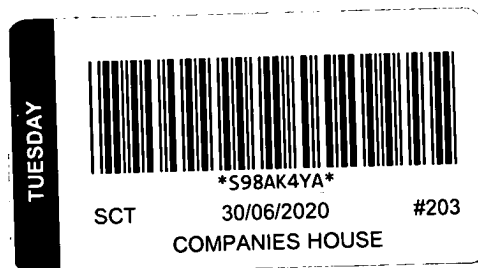


Company Registered No: 02148808

LOMBARD BUSINESS FINANCE LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 30 June 2019



CONTENTS	Page
OFFICERS AND PROFESSIONAL ADVISERS	1
DIRECTORS' REPORT	2
INDEPENDENT AUDITOR'S REPORT	5
STATEMENT OF COMPREHENSIVE INCOME	8
BALANCE SHEET	9
STATEMENT OF CHANGES IN EQUITY	10
NOTES TO THE FINANCIAL STATEMENTS	11

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS: I J Isaac
J A Pattara

COMPANY SECRETARY: RBS Secretarial Services Limited

REGISTERED OFFICE: 250 Bishopsgate
London
EC2M 4AA

INDEPENDENT AUDITOR: Ernst & Young LLP
The Paragon
Counterslip
Bristol
BS1 6BX

Registered in England and Wales

DIRECTORS' REPORT

The Directors of Lombard Business Finance Limited ("the Company") present their report together with the audited financial statements for the year ended 30 June 2019.

CHANGE OF REGISTERED OFFICE

On 25 November 2019, the Registered Office of the Company changed from 280 Bishopsgate, London, EC2M 4RB to 250 Bishopsgate, London, EC2M 4AA.

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. Post balance sheet events are described in note 14 to the financial statements.

Financial performance

The retained profit for the year was £85k (2018: £17k) and this was transferred to reserves. No dividend was paid during the year (2018: £155k).

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 maturity, interest rate and liquidity. 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 Lombard North Central PLC. These are denominated in sterling which is the functional currency and carry no significant financial risk.

The Company's assets mainly comprise lease receivables which would expose it to market, interest rate 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.

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

Interest rate risk

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

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

DIRECTORS' REPORT

Principal risks and uncertainties (continued)

Credit Risk

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 Royal Bank of Scotland Group plc's (Group) Credit Risk Management Framework are set out below:

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

Liquidity risk

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

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

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

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

DIRECTORS AND COMPANY SECRETARY

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

From 1 July 2018 to date the following changes have taken place:

	Appointed	Resigned
Directors		
P E Lord	-	11 October 2018

DIRECTORS' RESPONSIBILITIES STATEMENT

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

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

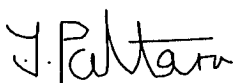
- so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Director has taken all the steps that they ought to have taken to make themselves aware of any relevant audit information, and to establish that the Company's auditor is aware of that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

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

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:



J A Pattara
Director
Date: 30 June 2020

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

Opinion

We have audited the financial statements of Lombard Business Finance Limited ("the Company") for the year ended 30 June 2019 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 14, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2019 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.

Emphasis of matter – Effects of Covid-19

We draw attention to Notes 1 and 14 of the financial statements, which describes the economic and social disruption the company is facing as a result of Covid-19, which is impacting financial markets and personnel available for work and being able to access offices. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

Other information

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matter prescribed by the Companies Act 2006

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

- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' Report.

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

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

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

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.

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.


Ernst & Young LLP.

Robin Enstone (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Bristol
Date ²⁰June 2020

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 June 2019

		2019	2018
	Note	£'000	£'000
Income from continuing operations			
Turnover	3	149	339
Cost of sales		(17)	(108)
Depreciation of property, plant and equipment		-	(53)
Operating expenses	4	(4)	(90)
Operating profit		128	88
Finance costs	5	(41)	(59)
Profit before tax		87	29
Tax charge	6	(2)	(12)
Profit and total comprehensive income for the year		85	17

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


Total comprehensive income for the year of £85k (2018: £17k) was wholly attributable to the owners of the Company.

BALANCE SHEET
 as at 30 June 2019

	Note	2019 £'000	2018 £'000
Non-current assets			
Finance lease receivables	7	684	1,233
Current assets			
Finance lease receivables	7	641	948
Trade and other receivables	8	2	5
Prepayments, accrued income and other assets	9	198	-
		841	953
Total assets		1,525	2,186
Current liabilities			
Borrowings	10	911	1,588
Accruals, deferred income and other liabilities	11	44	313
		955	1,901
Non-current liabilities			
Deferred tax liability	6	229	29
		229	29
Total liabilities		1,184	1,930
Equity			
Called up share capital	12	-	-
Profit and loss account		341	256
Total equity		341	256
Total liabilities and equity		1,525	2,186

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

The financial statements were approved by the Board of Directors on June 2020 and signed on its behalf by:



J A Pattara
 Director
 30 June 2020

STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2019

	Share capital £'000	Profit and loss account £'000	Total £'000
At 1 July 2017	-	394	394
Profit for the year	-	17	17
Dividends paid	-	(155)	(155)
At 30 June 2018	-	256	256
Profit for the year	-	85	85
At 30 June 2019	-	341	341

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

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

There remains significant uncertainty regarding the developments of the pandemic and the future economic recovery. The most likely expected financial impact is in respect of the Company's profitability, assets, operations and liquidity which management continues to monitor.

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

- under Financial Reporting Standard (FRS) 101 Reduced Disclosure Framework in accordance with the recognition and measurement principles of International Financial Reporting Standards issued by the IASB and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB as adopted by the EU (together IFRS); and
- on the historical cost basis.

The Company has early adopted all of the amendments to FRS 101 as a result of the Triennial review 2017 amendments with effect from 1 July 2018.

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 IFRS7 "Financial Instruments: Disclosure" and IFRS13 "Fair Value Measurement".

Where required, equivalent disclosures are given in the Group accounts, these accounts are available to the public and can be obtained as set out in note 13.

NOTES TO THE FINANCIAL STATEMENTS**1. Accounting policies (continued)****Adoption of IFRS 9**

The Company's accounting policies have changed on the adoption of IFRS 9 "Financial Instruments" with effect from 1 July 2018. There has been no restatement of prior years and no material impact to the Company's equity at 1 July 2018.

Other changes to IFRS that were effective from 1 July 2018 have had no material effect on the Company's financial statements for the year ended 30 June 2019.

b) Revenue recognition

Turnover comprises income from finance leases and operating leases and arose in the United Kingdom from continuing activities.

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

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

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

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

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

Secondary period income is recognised in line with IFRS 15 "Revenue from contracts with customers" in the period in which it occurs.

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.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies (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 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) 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.

e) Financial instruments

On initial recognition, financial instruments are measured at fair value. Subsequently they are measured at amortised cost.

Amortised cost assets – have to meet both the following criteria:

- the asset is held within a business model whose objective is solely to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset are solely payments of principal and interest on the outstanding balance.

Amortised cost liabilities – all liabilities that are not subsequently measured at fair value are measured at cost.

Reclassifications – financial liabilities cannot be reclassified. Financial assets are only reclassified where there has been a change in the business model.

Business model assessment – business models are assessed at portfolio level, being the level at which they are managed. This is expected to result in the most consistent classification of assets because it aligns with the stated objectives of the portfolio, its risk management, and the ability to monitor sales of assets from a portfolio. The criteria for classifying cash flows as solely principal and interest are assessed against the contractual terms of a facility, with attention to leverage features; prepayment and extension terms; and triggers that might reset the effective rate of interest.

e) Impairment of financial assets

At June 2019, under IFRS 9 each financial asset or portfolio of loans measured at amortised cost is assessed for impairment. Loss allowances are forward looking, based on 12 month expected credit losses where there has not been a significant increase in credit risk rating, otherwise allowances are based on lifetime expected losses.

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

The costs of loss allowances on assets held at amortised cost are presented as impairments in the income statement. Financial assets are presented gross of allowances except where the asset has been wholly or partially written off.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies (continued)

In 2018 under IAS 39 the Company assessed whether there was any objective evidence that a financial asset or group of financial assets classified as loans and receivables was impaired. A financial asset or portfolio of financial assets was impaired and an impairment loss incurred if there was objective evidence that an event or events since initial recognition of the asset had adversely affected the amount or timing of future cash flows from the asset.

f) Derecognition

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

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

2. Critical accounting policies and key sources of estimation uncertainty

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

Loan impairment provisions

In the financial year, the loan impairment provisions were established in accordance with IFRS 9. Accounting policy 1(f) sets out how the expected loss approach was applied. A loan is impaired when there is objective evidence that the cash flows will not occur in the manner expected when the loan is advanced. Such evidence includes changes in the credit rating of the borrower, the failure to make payments in accordance with the loan agreement; significant reductions in the value of any security, breach of limits or covenants; and observable data about relevant macroeconomic measures.

Leased assets

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

3. Turnover

	2019 £'000	2018 £'000
Finance lease income	103	144
Operating lease rental income	11	73
Sale of operating lease assets	35	122
	<u>149</u>	<u>339</u>

4. Operating expenses

	2019 £'000	2018 £'000
Commission payable	2	3
Management fees	1	83
Bad debt charge	1	4
	<u>4</u>	<u>90</u>

Management fees

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

NOTES TO THE FINANCIAL STATEMENTS

4. Operating expenses (continued)

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 £5,000 (2018: £5,000) were charged in the financial statements of Lombard North Central PLC.

5. Finance costs

	2019 £'000	2018 £'000
Interest on loans from Group companies	41	59

6. Tax

	2019 £'000	2018 £'000
Current tax:		
UK corporation tax (credit)/charge for the year	(198)	112
	<u>(198)</u>	<u>112</u>

Deferred taxation:

Charge/(credit) for the year	200	(106)
Under provision in respect of prior periods	-	6
	<u>200</u>	<u>(100)</u>

Tax charge for the year	<u>2</u>	<u>12</u>
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The actual tax charge differs from the expected tax charge computed by applying the standard rate of UK corporation tax of 19% (2018: 19%) as follows:

	2019 £'000	2018 £'000
Expected tax (credit)/charge	17	6
Effect of lower deferred tax to standard rate	(15)	-
Adjustments in respect of prior periods	-	6
	<u>2</u>	<u>12</u>

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

Deferred tax (assets)/ liabilities comprise:

	Capital allowances £'000	Other £'000	Total £'000
At 1 July 2017	128	1	129
Credit to income statement	(100)	-	(100)
At 30 June 2018	28	1	29
Charge to income statement	200	-	200
At 30 June 2019	<u>228</u>	<u>1</u>	<u>229</u>

7. Finance lease receivables

	Within 1 year £'000	Between 1 and 5 years £'000	After 5 years £'000	Total £'000
2019				
Future minimum lease payments	632	771	-	1,403
Unearned finance income	(19)	(87)	-	(106)
Others	28	-	-	28
Carrying value	<u>641</u>	<u>684</u>	<u>-</u>	<u>1,325</u>
2018				
Future minimum lease payments	947	1,299	104	2,350
Unearned finance income	(29)	(144)	(26)	(199)
Others	30	-	-	30
Carrying value	<u>948</u>	<u>1,155</u>	<u>78</u>	<u>2,181</u>
			2019 £'000	2018 £'000
Current			641	948
Non-current			684	1,233
			<u>1,325</u>	<u>2,181</u>

No new finance lease agreements were entered into during the current year (2018: £nil). The portfolio is due to mature fully within 5 years (2018: 6 years).

The average effective interest rate in relation to finance lease agreements approximates 5.45% (2018: 5.40%).

There were no contingent rentals recognised in income in the year (2018: none).

8. Trade and other receivables

	2019 £'000	2018 £'000
Other receivables	<u>2</u>	<u>5</u>

9. Prepayments, accrued income and other assets

	2019 £'000	2018 £'000
Group relief receivable	<u>198</u>	<u>-</u>

10. Borrowings

	2019 £'000	2018 £'000
Amounts due to parent company	<u>911</u>	<u>1,588</u>

11. Accruals, deferred income and other liabilities

	2019 £'000	2018 £'000
Corporation tax payable	-	250
Deferred income	6	30
Value Added Tax payable	38	24
Accruals	-	9
	<u>44</u>	<u>313</u>

NOTES TO THE FINANCIAL STATEMENTS

12. Share capital

	2019 £	2018 £
Authorised:		
1,000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
Alloted, called up and fully paid:		
100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>

13. Related parties

UK Government

The UK Government through HM Treasury is the ultimate controlling party of Group. 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 June 2019

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 Legal, Governance and Regulatory Affairs, The Royal Bank of Scotland, Gogarburn, PO Box 1000, Edinburgh, EH12 1HQ.

On 14 February 2020 the ultimate parent company, The Royal Bank of Scotland Group plc, announced its intention to rename to NatWest Group plc later in 2020.

14. Post balance sheet events

- a) The directors consider Covid-19 to be a non-adjusting post balance sheet event and as such no adjustments have been made to the measurement of assets and liabilities as at 30 June 2019. Refer to note 1(a) for the director's assessment of the impact on the Company. While there remains significant uncertainty regarding the developments of Covid-19 and the future economic recovery, a precise estimate of its financial effect, cannot be made at the date of issue of the financial statements. There could be an impact on profitability, assets, operations, liquidity and the directors continue to monitor this, however, at this stage do not consider there to be any material issues for the Company.
- b) In the Budget on 11 March 2020, the UK Government announced that the main rate of UK corporation tax, planned to be reduced to 17%, will now be maintained at 19% with effect from 1 April 2020. The change to the tax rate has been substantively enacted on the 17 March 2020. The impact of the post balance sheet date change in tax rate is estimated as giving rise to a tax charge of £17k because temporary differences are now expected to unwind at 19%. This adjustment will be recognised in the accounts for 30 June 2020.