Company Registered No: 02148808

LOMBARD BUSINESS FINANCE LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 30 June 2018

CONTENTS

OFFICERS AND PROFESSIONAL ADVISERS

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

Registered in England and Wales

DIRECTORS' REPORT

The directors of Lombard Business Finance Limited ("the Company") present their report together with the audited financial statements for the year ended 30 June 2018.

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

The Company is a subsidiary of The Royal Bank of Scotland 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 The Royal Bank of Scotland Group plc review these matters on a group basis. Copies can be obtained from Corporate Governance and Regulatory Affairs, The Royal Bank of Scotland Group plc, Gogarburn, Edinburgh, EH12 1HQ, the Registrar of companies or at www.rbs.com.

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

FINANCIAL PERFORMANCE

The Company's financial performance is presented in the Statement of Comprehensive Income on page 7. The profit on ordinary activities before taxation for the year was £29k (2017: £357k). The retained profit for the year was £17k (2017: £269k).

A final dividend of £155k (2017: £560k) was paid during the year.

At the end of the year total assets were £2,186k (2017: £3,307k).

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 market, interest rate, credit, liquidity, residual value and operational. It is undertaken within limits and other policy parameters set by the RBS Asset and Liability Management Committee (RBS ALCO).

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

The Company's financial assets mainly comprise lease receivables which would expose it to market, interest rate and credit risk. It also has exposure to asset risk on the residual value of property, plant and equipment.

The principal risks associated with the Company are as follows:

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

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

The Company manages interest rate risk by monitoring the consistency in the interest rate profile of its assets and liabilities, and limiting any repricing mismatches – see note 15.

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 group's Credit Risk Management Framework are set out below:

- Approval of all credit exposure is granted prior to any advance or extension of credit;
- An appropriate credit risk assessment of the customer and credit facilities is undertaken prior to approval of credit exposure. This includes a review of, amongst other things, the purpose of credit and sources of repayment, compliance with affordability tests, repayment history, capacity to repay, sensitivity to economic and market developments and risk-adjusted return;
- Credit risk authority is delegated by the Board and specifically granted in writing to all individuals involved in the granting of credit approval. In exercising credit authority, the individuals act independently of any business revenue origination; 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 is the risk that the Company is unable to meet its financial obligations as and when they fall due.

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

Residual value risk
Residual value risk is the risk that the value of lease assets at the end of the lease term is less than estimated at inception of the lease contract and thus the Company may be subject to losses on disposal of the lease assets.

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

GOING CONCERN

The directors, having made such enquiries as they considered appropriate, and having a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, have prepared the financial statements on a going concern basis.

DIRECTORS AND 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 2017 to date the following changes have taken place:

	Appointed	Resigned
Directors		
P E Lord	-	11 October 2018

DIRECTORS' REPORT

DIRECTORS' RESPONSIBILITIES STATEMENT

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether FRS 101 has been followed; and
- make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the Directors' Report and financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

DISCLOSURE OF INFORMATION TO AUDITOR

Each of the Directors at the date of approval of this report confirms that:

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

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

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.Potter 29.3.19
Director
Date: 2019

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 2018 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 17, 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 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Other information

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

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

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

We have nothing to report in this regard.

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.

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

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

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

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Andrew R. Blackmore

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

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 June 2018

Income from continuing operations	Notes	2018 £'000	2017 £'000
Turnover	3	339	965
Cost of sales		(108)	(385)
Depreciation of property, plant and equipment	7	(53)	(51)
Operating expenses	4	(90)	(94)
Operating profit		88	435
Finance costs	5	(59)	(78)
Profit on ordinary activities before tax		29	357
Tax charge	6	(12)	(88)
Profit and total comprehensive income for the financial year		17	269

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

Total comprehensive income for the year of £17k (2017: £269k) was wholly attributable to the owners of the Company.

BALANCE SHEET
as at 30 June 2018

	Notes	2018 £'000	2017 £'000
Fixed and non-current assets			
Finance lease receivables	8	1,233	2,047
Property, plant and equipment	7	-	94
		1,233	2,141
Current assets			
Finance lease receivables	8	948	1,127
Trade and other receivables	10	5	24
Inventories	11	-	15
		953	1,166
Total assets		2,186	3,307
Creditors: amounts falling due within one year			
Borrowings	12	1,588	2,356
Accruals, deferred income and other liabilities	13	313	428
		1,901	2,784
Total assets less current liabilities		285	523
Creditors: amounts falling due after more than one year			
Deferred tax liability	14	29	129
Total liabilities		1,930	2,913
Equity: capital and reserves			
Called up share capital	16	-	-
Profit and loss account		256	394
Total shareholders' funds		256	394
Total liabilities and shareholders' funds		2,186	3,307

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 29 March 2019 and signed on its behalf by:

Y. Pallis

Director

STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2018

	Share capital £'000	Profit and loss account £'000	Total £'000
At 1 July 2016	-	685	685
Profit for the year	-	269	269
Dividends paid	-	(560)	(560)
At 30 June 2017	-	394	394
Profit for the year	-	17	17
Dividends paid	-	(155)	(155)
At 30 June 2018	-	**256**	**256**

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

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies

a) Preparation and presentation of financial statements

These financial statements are prepared:

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

The Company meets the definition of a qualifying entity under FRS 100 Application of Financial Reporting Requirements issued by the Financial Reporting Council.

The Company is incorporated in the UK and registered in England and Wales and the financial statements are presented:

- in accordance with the Companies Act 2006:
- in sterling which is the functional currency of the Company: and
- with the benefit of the disclosure exemptions permitted by FRS 101 with regard to:
    - comparative information in respect of certain assets;
    - cash-flow statement;
    - standards not yet effective and
    - related party transactions.

Where required, equivalent disclosures are given in the group accounts of The Royal Bank of Scotland Group plc, these accounts are available to the public and can be obtained as set out in note 17.

The few changes to IFRS that were effective from 1 July 2017 have had no material effect on the Company's Financial Statements for the year ended 30 June 2018.

b) Revenue recognition

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

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

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.

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 provisions of services to customers.

Fee income in respect of lending arrangements is considered integral to the yield and is included in the effective interest rate on these arrangements.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies (continued)

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

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

c) Taxation
Income tax expense or income, comprising current tax and deferred tax, is recorded in the Statement of Comprehensive Income except income tax on items recognised outside profit or loss which is credited or charged to other comprehensive income or to equity as appropriate.

Current tax is income tax payable or recoverable in respect of the taxable profit or loss for the year arising in income or in equity. Provision is made for current tax at rates enacted or substantively enacted at the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable in respect of temporary differences between the carrying amount of an asset or liability for accounting purposes and its carrying amount for tax purposes. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered. Deferred tax is not recognised on temporary differences that arise from initial recognition of an asset or liability in a transaction (other than a business combination) that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is calculated using tax rates expected to apply in the periods when the assets will be realised or the liabilities settled, based on tax rates and laws enacted, or substantively enacted, at the balance sheet date.

d) 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. 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies (continued)

f) Inventories

Operating lease assets that are routinely marketed for sale at the end of their leases are reclassified as inventories and are held at lower of their carrying amount or net realisable value. Proceeds from sales are reported as revenue. On disposal the book value of assets that are classified as inventories is charged to cost of sales.

g) 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.

Operating lease assets are included within Property, plant and equipment and depreciated over their useful lives (see accounting policy 1(d)).

h) Financial assets

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

Loans and receivables

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

i) Impairment of financial assets

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

j) Financial liabilities

On initial recognition financial liabilities are classified as amortised cost and measured using the effective interest method (see accounting policy 1(b)).

k) Derecognition

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired or when it has been transferred and the transfer qualifies for derecognition in accordance with IAS 39 "Financial Instruments : Recognition and Measurement".

A financial liability is removed from the balance sheet when the obligation is discharged, or 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 factors the directors consider most important to the portrayal of the Company's performance and financial condition are discussed below.

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

Residual values
The Company assesses objective evidence for impairment of residual values at each balance sheet date adjusting the depreciation recognised on operating leases amount accordingly. An impairment loss is incurred and measured as the shortfall between the carrying value of the residual interest and the discounted value of the estimated future cash flows, including cash flows from guarantors. Unguaranteed residual values are subject to regular review. If there is a reduction in the finance lease receivables estimated unguaranteed residual value, income allocation is revised and any reduction in respect of amounts accrued is recognised immediately.

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

	2018 £'000	2017 £'000
Finance lease income	144	212
Operating lease rental income	73	368
Sale of operating lease assets	122	385
	339	965

4. Operating expenses

	2018 £'000	2017 £'000
Commission payable	3	4
Bad debt charge	4	7
Management fees	83	83
	90	94

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

Management recharge
Management charges relate to the Company's share of group resources such as the use of IT platforms, staff and a share of central resources. These are re-charged on an annual basis by Lombard North Central plc.

Auditor's remuneration
There was no charge in either the current or prior year's financial statements for auditor's remuneration as the fees of £5,000 (2017: £6,000) were charged in the financial statements of Lombard North Central plc.

5. Finance costs

	2018 £'000	2017 £'000
Interest on loans from group undertakings	59	78

6. Tax

	2018 £'000	2017 £'000
Current tax:		
UK corporation tax charge for the year	112	148
Deferred tax:		
Credit for the year	(106)	(94)
Under provision in respect of prior periods	6	34
	(100)	(60)
Tax charge for the year	12	88

The actual tax charge differs from the expected tax charge computed by applying the standard rate of UK corporation tax of 19% (2017: blended rate 19.75%) as follows:

	2018 £'000	2017 £'000
Expected tax charge	6	70
Increase/(decrease) in deferred tax liability following change in applicable rate of UK corporation tax	-	(16)
Adjustments in respect of prior periods	6	34
Actual tax charge for the year	12	88

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.

7. Property, plant and equipment

2018	Assets held for use in operating leases £'000
Cost	
At 1 July 2017	385
Transfer to inventories	(281)
At 30 June 2018	104
Accumulated depreciation and impairment	
At 1 July 2017	291
Depreciation charge for the year	53
Transfer to inventories	(240)
At 30 June 2018	104
Net book value	
At 30 June 2018	-
At 30 June 2017	94

8. Finance lease receivables

2018	Within 1 year £'000	Between 1 and 5 years £'000	After 5 years £'000	Total £'000
Future minimum lease payments	947	1,299	104	2,350
Unearned finance income	(29)	(144)	(26)	(199)
Other	30	-	-	30
Present value of minimum lease payments receivable	948	1,155	78	2,181
2017				
Future minimum lease payments	1,074	2,134	215	3,423
Unearned finance income	(37)	(245)	(57)	(339)
Other	90	-	-	90
Present value of minimum lease payments receivable	1,127	1,889	158	3,174

	2018 £'000	2017 £'000
Due within one year	948	1,127
Due after more than one year	1,233	2,047
	2,181	3,174

No new finance lease agreements were entered into during the current year (2017: £nil). The portfolio is due to mature fully within 6 years (2017: 7 years).

The average effective interest rate in relation to finance lease agreements approximates 5.40% (2017: 5.38%).

There were no contingent rentals recognised in income in the year (2017: none).

9. Operating lease arrangements

At the balance sheet date the Company had no future minimum lease rentals receivable under non-cancellable operating leases (2017: nil).

Nature of operating lease assets in the balance sheet:

	2018 £'000	2017 £'000
Cars and light commercial vehicles	-	91
Others	-	3
	-	94

10. Trade and other receivables

	2018 £'000	2017 £'000
Trade receivables	-	16
Other receivables	5	8
	5	24

NOTES TO THE FINANCIAL STATEMENTS

11. Inventories

	2018 £'000	2017 £'000
Former operating lease assets	-	15

12. Borrowings

	2018 £'000	2017 £'000
Loans from group undertakings	**1,588**	2,356

13. Accruals, deferred income and other liabilities

	2018 £'000	2017 £'000
Corporation tax payable	**250**	298
Deferred income	**30**	6
Value Added Tax payable	**24**	78
Accruals	**9**	46
	313	428

14. Deferred tax

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

	Capital allowances £'000	Other £'000	Total £'000
At 1 July 2016	188	1	189
Credit to income	(60)	-	(60)
At 30 June 2017	128	1	129
Credit to income	**(100)**	**-**	**(100)**
At 30 June 2018	**28**	**1**	**29**

NOTES TO THE FINANCIAL STATEMENTS

15. Financial instruments and risk management

(i) Categories of financial instrument

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

2018 Assets	Loans and receivables £'000	At amortised cost £'000	Finance leases £'000	Non financial assets/ liabilities £'000	Total £'000
Finance lease receivables	-	-	2,181	-	2,181
Trade and other receivables	5	-	-	-	5
	5	-	2,181	-	2,186
Liabilities					
Borrowings	-	1,588	-	-	1,588
Accruals, deferred income and other liabilities	-	-	-	313	313
Deferred tax liability	-	-	-	29	29
	-	1,588	-	342	1,930
Equity					256
					2,186

2017 Assets	Loans and receivables £'000	At amortised cost £'000	Finance leases £'000	Non financial assets/ liabilities £'000	Total £'000
Property, plant and equipment	-	-	-	94	94
Finance lease receivables	-	-	3,174	-	3,174
Trade and other receivables	24	-	-	-	24
Inventories	-	-	-	15	15
	24	-	3,174	109	3,307
Liabilities					
Borrowings	-	2,356	-	-	2,356
Accruals, deferred income and other liabilities	-	-	-	428	428
Deferred tax liability	-	-	-	129	129
	-	2,356	-	557	2,913
Equity					394
					3,307

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

NOTES TO THE FINANCIAL STATEMENTS

15. Financial instruments and risk management (continued)

(ii) Financial risk management

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

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 repricing mismatches.

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

The following tables indicate financial assets and liabilities that are exposed to interest rate:

2018	Fixed rate £'000	Variable rate £'000	Non-interest earning £'000	Total £'000
Financial assets				
Finance lease receivables	2,181	-	-	2,181
Trade and other receivables	-	-	5	5
	2,181	-	5	2,186
Financial liabilities				
Borrowings	945	643	-	1,588
	945	643	-	1,588
Net financial assets/(liabilities)	1,236	(643)	5	598

2017	Fixed rate £'000	Variable rate £'000	Non-interest earning £'000	Total £'000
Financial assets				
Finance lease receivables	3,174	-	-	3,174
Trade and other receivables	-	-	24	24
	3,174	-	24	3,198
Financial liabilities				
Borrowings	1,336	1,020	-	2,356
	1,336	1,020	-	2,356
Net financial assets/(liabilities)	1,838	(1,020)	24	842

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

If interest rates had been 0.5% higher and all other variables were held constant, the Company's profit before tax for the year would have decreased by £3,000 (2017: £5,000). This is mainly due to the Company's exposure to interest rates on its variable rate borrowings. There would be no other impact on equity.

NOTES TO THE FINANCIAL STATEMENTS

15. Financial instruments and risk management (continued)

(ii) Financial risk management (continued)

Credit quality

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

2018 Probability of default	Finance lease receivables £'000	Trade and other receivables £'000	Total £'000
0%-0.05%	2,178	-	2,178
Accruing past due	3	-	3
Non-accrual	-	5	5
	2,181	5	2,186

2017 Probability of default	Finance lease receivables £'000	Trade and other receivables £'000	Total £'000
0%-0.05%	3,168	-	3,168
Accruing past due	6	-	6
Non-accrual	-	24	24
	3,174	24	3,198

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

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

2018	1 - 29 days £'000	30 - 59 days £'000	60 - 89 days £'000	Total £'000
Finance lease receivables	2	-	1	3
2017				
Finance lease receivables	2	4	-	6

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

Financial liabilities

The Company's intra-group liabilities may in certain circumstances become repayable on demand.

16. Share capital

	2018 £	2017 £
Authorised:		
1,000 ordinary shares of £1 each	1,000	1,000
Allotted, called up and fully paid:		
Equity shares		
100 ordinary shares of £1 each	100	100

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

NOTES TO THE FINANCIAL STATEMENTS

17. Related parties

UK Government

The UK Government through HM Treasury is the ultimate controlling party of The Royal Bank of Scotland Group plc. Its shareholding is managed by UK Government Investments Limited, a company it wholly-owns and as a result, the UK Government and UK Government controlled bodies are related parties of the Company.

The Company enters into transactions with these bodies on an arm's length basis; they include the payment of taxes including UK corporation tax and value added tax; together with transactions undertaken in the normal course of business.

Group undertakings

At 30 June 2018

The Company's immediate parent was:	Lombard North Central PLC
The smallest consolidated accounts including the company were prepared by:	National Westminster Bank Plc
The ultimate parent company was:	The Royal Bank of Scotland Group plc

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