Company Registered No: 02354214

LOMBARD VENTURE FINANCE LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2012

RBS Secretariat
The Royal Bank of Scotland Group plc
PO Box 1000
Gogarburn
Edinburgh
EH12 1HQ

DIRECTORS' REPORT AND FINANCIAL STATEMENTS 2012

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS:	A Gadsby N T J Clibbens
SECRETARY:	RBS Secretarial Services Limited
REGISTERED OFFICE:	3 Princess Way Redhill Surrey RH1 1NP
AUDITOR:	Deloitte LLP London

Registered in England and Wales

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 31 December 2012

ACTIVITIES AND BUSINESS REVIEW

This directors' report has been prepared in accordance with the special provisions available to companies entitled to the small companies exemption

Activity

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

Review of the year

Financial performance

The retained loss for the year was £2,000 (2011 retained profit £7,000) and this was transferred to reserves No dividend was paid during the year (2011 £nil)

Principal risks and uncertainties

The company is funded by facilities from its immediate parent, Lombard North Central PLC

The company's financial risk management objectives and policies regarding the use of financial instruments are set out in note 10 to these financial statements

Going concern

The directors, having a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future, have prepared the financial statements on a going concern basis

DIRECTORS AND SECRETARY

The present directors and secretary, who have served throughout the year except where noted below, are listed on page 2

From 1 January 2012 to date the following changes have taken place

	Appointed	Resigned
Director		
A D Baldock		31 August 2012
A D Barnard		31 May 2013
A Gadsby	31 May 2013	
Secretary		
K Daly		11 January 2012
A Williamson	22 February 2012	14 September 2012
RBS Secretarial Services Limited	14 September 2012	

DIRECTORS' REPORT (continued)

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare a directors' report and financial statements for each financial year and the directors have elected to prepare them in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union Under company law the directors 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 for the financial year of the company In preparing these financial statements, under International Accounting Standard 1, the directors are required to

- select suitable accounting policies and then apply them consistently,
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information,
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions of the entity's financial position and performance, 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

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

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

N T J Clibbens
Director
Date 15 July 2013

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

We have audited the financial statements of Lombard Venture Finance Limited ('the company') for the year ended 31 December 2012 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity, the cash flow statement and the related notes 1 to 14 The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union

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 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 2012 and of its loss for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006

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 VENTURE FINANCE LIMITED (continued)

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 in preparing the directors' report

Russell Davis FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor,
London, United Kingdom
7 August 2013

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2012

	Notes	2012 £'000	2011 £'000
Continuing operations			
Revenue	3	17	20
Operating expenses	4	(20)	(10)
(Loss)/profit before tax		(3)	10
Tax credit/(charge)	6	1	(3)
(Loss)/profit and total comprehensive (loss)/profit for the year		(2)	7

The accompanying notes form an integral part of these financial statements

BALANCE SHEET
as at 31 December 2012

	Notes	2012 £'000	2011 £'000
Current assets			
Loans receivable	7	35	32
Prepayments, accrued income and other assets	8	1	2
Total assets		36	34
Current liabilities			
Current tax liabilities		4	-
Accruals, deferred income and other liabilities	9	1	1
Total liabilities		5	1
Equity			
Share capital	11	-	-
Retained earnings		31	33
Total equity		31	33
Total liabilities and equity		36	34

The accompanying notes form an integral part of these financial statements

The financial statements were approved by the Board of Directors on 15th July 2013 and signed on its behalf by

N T J Clibbens
Director

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2012

	Share capital £'000	Retained earnings £'000	Total £'000
At 1 January 2011	-	26	26
Profit for the year	-	7	7
At 31 December 2011	-	33	33
Loss for the year	-	(2)	(2)
At 31 December 2012	**-**	**31**	**31**

Total comprehensive loss for the year of £2,000 (2011 profit of £7,000) was wholly attributable to the owners of the company

The accompanying notes form an integral part of these financial statements

CASH FLOW STATEMENT
for the year ended 31 December 2012

	2012 £'000	2011 £'000
Operating activities		
(Loss)/profit for the year before tax	(3)	10
Operating cash flows before movements in working capital	(3)	10
Increase in loans receivable	(3)	(38)
Decrease in trade and other receivables	-	3
Increase in prepayments, accrued income and other assets	(1)	-
Increase in accruals, deferred income and other liabilities	-	1
Net cash used in operating activities before tax	(7)	(24)
Group relief received	7	24
Net cash flows from operating activities	-	-
Net cash flows from investing activities	-	-
Net cash flows from financing activities	-	-
Net increase in cash and cash equivalents	-	-
Cash and cash equivalents at beginning of year	-	-
Cash and cash equivalents at end of year	-	-

The accompanying notes form an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies

a) Presentation of accounts

The accounts are prepared on a going concern basis and in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB (together IFRS) as adopted by the European Union (EU)

The accounts 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 accounts are presented in accordance with the Companies Act 2006

Adoption of new and revised standards

There are a number of changes to IFRS that were effective from 1 January 2012 They have had no material effect on the company's financial statements for the year ended 31 December 2012

b) Revenue recognition

Revenue from finance 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 has been a reduction in the estimated unguaranteed residual value, income allocation is revised and any reduction in respect of amounts accrued is recognised immediately

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

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 Other contracts 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

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. Accounting policies (continued)

e) Financial assets

On initial recognition, financial assets are classified as 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, 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

f) 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

g) 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

h) Obligations under finance leases

Assets held under finance leases are recognised as assets at the present value of the minimum lease payments determined at the inception of the lease The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability Finance charges are charged directly to profit or loss

i) Accounting developments

There are a number of changes to IFRS that were in issue but not yet effective The adoption of these changes in future periods is not expected to have a material effect on the company's accounting policies or financial statements

NOTES TO THE FINANCIAL STATEMENTS (continued)

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. Revenue

	2012 £'000	2011 £'000
Finance lease income	17	18
Other revenue	-	2
	17	20

4. Operating expenses

	2012 £'000	2011 £'000
Commission payable	2	4
Bad debt credits	(3)	-
Management fees	3	6
Other charges	18	-
	20	10

Staff costs, number of employees and directors' emoluments

All staff and directors were employed by The Royal Bank of Scotland plc, the accounts for which contain full disclosure of employee benefit expenses incurred in the period including share based payments and pensions The company has no employees and pays a management charge for services provided by other group companies The directors of the company do not receive remuneration for specific services provided to the company

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. Operating expenses (continued)

Management fees

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

5. 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 £6,000 (2011 £6,000) were charged in the financial statements of Lombard North Central PLC

6. Tax

	2012 £'000	2011 £'000
Current taxation		
Tax (credit)/charge for the year	(1)	3

The actual tax (credit)/charge matches the expected tax (credit)/charge computed by applying the blended rate of UK corporation tax of 24 5% (2011 blended tax rate 26 5%)

7. Loans and receivables

	2012 £'000	2011 £'000
Current		
Amounts owed by group undertakings	35	32

8. Prepayments, accrued income and other assets

	2012 £'000	2011 £'000
Current		
Group relief receivable	-	2
Other assets	1	-
	1	2

9. Accruals, deferred income and other liabilities

	2012 £'000	2011 £'000
Value added tax payable	1	1

NOTES TO THE FINANCIAL STATEMENTS (continued)

10. Financial instruments and risk management

(i) Categories of financial instruments

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

2012	Loans and receivables £'000	Non financial assets/ liabilities £'000	Total £'000
Assets			
Loans receivable	35	-	35
Prepayments, accrued income and other assets	-	1	1
	35	1	36
Liabilities			
Current tax liabilities	-	4	4
Accruals, deferred income and other liabilities	-	1	1
	-	5	5
Equity			31
			36

2011	At amortised cost £'000	Non financial assets/ liabilities £'000	Total £'000
Assets			
Loans receivable	32	-	32
Prepayments, accrued income and other assets	-	2	2
	32	2	34
Liability			
Accruals, deferred income and other liabilities	-	1	1
Equity			33
			34

NOTES TO THE FINANCIAL STATEMENTS (continued)

10. Financial instruments and risk management (continued)

(ii) Financial risk management

The principal risks associated with the company's businesses are as follows

Interest rate risk

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

The financial liabilities of the company consist of amounts due to group undertakings and third party trade payables The amounts due to group undertakings do not have any significant interest rate risk as they are due primarily on demand The third party trade payables do not have any significant interest rate risk as the company follows the policy and practice on payment of creditors determined by the Royal Bank of Scotland Group plc as detailed in the directors' report

Currency risk

The company has no currency risk as all transactions and balances are denominated in sterling

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 group undertakings 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

11. Share capital

	2012 £	2011 £
Authorised:		
1,000 Ordinary shares of £1	**1,000**	1,000
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

12. Capital resources

The company's capital consists of equity comprising issued share capital and retained earnings The company is a member of The Royal Bank of Scotland group of companies which has regulatory disciplines over the use of capital In the management of capital resources, the company is governed by the group's policy which is to maintain a strong capital base it is not separately regulated The group has complied with the FSA's capital requirements throughout the year

13. Commitment and contingent liabilities

The company, together with other members of the group, 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 consist solely of UK Corporation tax and value added tax

14. Related parties (continued)

Group undertakings

The company's immediate parent company is Lombard North Central PLC, a company incorporated in Great Britain and registered in England and Wales As at 31 December 2012 The Royal Bank of Scotland plc heads the smallest group in which the company is consolidated, a company incorporated in Great Britain and registered in Scotland Copies of the consolidated accounts may be obtained from RBS Secretariat, Gogarburn, PO Box 1000, Edinburgh EH12 1HQ

The company's ultimate holding company is The Royal Bank of Scotland Group plc, a company incorporated in Great Britain and registered in Scotland As at 31 December 2012, 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 RBS Secretariat, Gogarburn, PO Box 1000, Edinburgh EH12 1HQ

Net expenses paid	**2012**	2011
	£'000	£'000
Royal Bank Leasing	**5**	-

Net amounts receivable	**2012**	2011
	£'000	£'000
Lombard North Central PLC	**35**	32