Company Registered No: 02354214

LOMBARD VENTURE FINANCE LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2014

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS:	A Holden P E Lord
SECRETARY:	RBS Secretarial Services Limited
REGISTERED OFFICE:	135 Bishopsgate London EC2M 3UR
INDEPENDENT AUDITOR:	Deloitte LLP Chartered Accountants and Statutory Auditor Hill House 1 Little New Street London EC4A 3TR United Kingdom

Registered in England and Wales

DIRECTORS' REPORT

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

ACTIVITIES AND BUSINESS REVIEW

The Directors' Report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption and therefore does not include a Strategic Report.

Activity

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

FINANCIAL PERFORMANCE

The Company's financial performance is presented in the Profit and Loss Account on page 7. The profit before taxation for the year was £17,000 (2013: £11,000). The retained profit for the year was £13,000 (2013: £8,000).

At the end of the year total assets were £59,000 (2013: £44,000).

PRINCIPAL RISKS AND UNCERTAINTIES

The Company seeks to minimise its exposure to financial risks.

Management focuses on both the overall balance sheet structure and the control, within prudent limits, of risk arising from mismatches, including currency, maturity, interest rate and liquidity. It is undertaken within limits and other policy parameters set by the RBS Asset and Liability Management Committee (RBS ALCO).

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

The principal risks associated with the Company are as follows:

Interest rate risk

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

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

Currency risk

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

Credit risk

Credit risk is the risk that companies, financial institutions, individuals and other counterparties will be unable to meet their obligations to the Company.

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

DIRECTORS' REPORT

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

Liquidity risk

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

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.

Operational risk

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

Going Concern

The 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 1.

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

Directors		
N T J Clibbens	-	27 February 2015
P E Lord	27 February 2015	-
A Holden	11 May 2015	-
A P Gadsby	-	11 May 2015

DIRECTORS' REPORT

DIRECTORS' RESPONSIBILITIES STATEMENT

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

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

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

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

DISCLOSURE OF INFORMATION TO AUDITOR

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

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

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

INDEPENDENT AUDITOR

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

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

A Holden
Director
Date: 5 August 2015

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 2014 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 12. The financial reporting framework that has been applied in their preparation is applicable law and Financial Reporting Standard 101 Reduced Disclosure Framework.

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

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

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

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

Matters on which we are required to report by exception

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

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

Russell Davis

Russell Davis FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor,
London, United Kingdom
5 August 2015

PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2014

Income from continuing operations	Notes	2014 £'000	2013 £'000
Turnover	3	21	14
Operating expenses	4	(3)	(3)
Operating profit		18	11
Finance costs	5	(1)	-
Profit on ordinary activities before tax		17	11
Tax charge	7	(4)	(3)
Profit for the financial year		13	8

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

The Company had no recognised income or expenses in the financial year or preceding financial year other than those dealt with in the Profit and Loss Account.

BALANCE SHEET
as at 31 December 2014

	Notes	2014 £'000	2013 £'000
Current assets			
Finance lease receivables	8	5	-
Loans and receivables	9	54	44
		59	44
Total assets		59	44
Creditors: amounts falling due within one year			
Group relief payable		7	5
Total liability		7	5
Equity: Capital and reserves			
Called up share capital	10	-	-
Profit and loss account		52	39
Total shareholders' funds		52	39
Total liabilities and shareholders' funds		59	44

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 5 August 2015 and signed on its behalf by:

A Holden
Director

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

	Share capital £'000	Profit and loss account £'000	Total £'000
At 1 January 2013	-	31	31
Profit for the year	-	8	8
At 31 December 2013	-	39	39
Profit for the year	-	13	13
At 31 December 2014	**-**	**52**	**52**

Total comprehensive income for the year of £13,000 (2013: £8,000) was wholly attributable to the owners of the Company.

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

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies

a) Preparation and presentation of accounts

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

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, capital resources, presentation of a cash-flow statement, standards not yet effective and related party transactions. Where required, equivalent disclosures are given in the group accounts of The Royal Bank of Scotland plc, these accounts are available to the public and can be obtained as set out in note 12.

The accounts are prepared on the historical cost basis except as noted in the following policies.

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.

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

b) Turnover 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.

c) Taxation

Income tax expense or income, comprising current tax and deferred tax, is recorded in the Profit and Loss Account 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.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies (continued)

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) 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 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) Obligation 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 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

3. Turnover

	2014 £'000	2013 £'000
Finance lease income	**21**	14

4. Operating expenses

	2014 £'000	2013 £'000
Management fees	**3**	3

Management recharge

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

5. Finance costs

	2014 £'000	2013 £'000
Finance charges in respect of finance leases payable	**1**	-

6. 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 (2013: £6,000) were charged in the financial statements of Lombard North Central PLC.

7. Tax

	2014 £'000	2013 £'000
Current tax:		
UK corporation tax charge for the year	**4**	3

The actual tax charge does not differ from the expected tax charge computed by applying the blended rate of UK corporation tax of 21.5% (2013: 23.3%).

8. Finance lease receivables

	2014 £'000	2013 £'000
Rental debtors	**5**	-

9. Loans and receivables

	2014 £'000	2013 £'000
Amounts owed by group undertakings	**54**	44

NOTES TO THE FINANCIAL STATEMENTS

10. Share capital

	2014	2013
	£	£
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.

11. Commitment and contingent liabilities

The Company, together with other members of the RBS 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.

12. Related parties

UK Government

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

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

Group undertakings

The Company's immediate parent company is Lombard North Central PLC, a company incorporated in UK and registered in England and Wales. As at 31 December 2014, The Royal Bank of Scotland plc heads the smallest group in which the Company is consolidated, a company incorporated UK and registered in Scotland. Copies of the consolidated accounts may be obtained from Corporate Governance and Secretariat, The Royal Bank of Scotland Group plc, Gogarburn, PO Box 1000, Edinburgh, EH12 1HQ.

The Company's ultimate holding company is The Royal Bank of Scotland Group plc, a company incorporated in UK and registered in Scotland. As at 31 December 2014, The Royal Bank of Scotland Group plc heads the largest group in which the Company is consolidated. Copies of the consolidated accounts may be obtained from Corporate Governance and Secretariat, The Royal Bank of Scotland Group plc, Gogarburn, PO Box 1000, Edinburgh, EH12 1HQ.