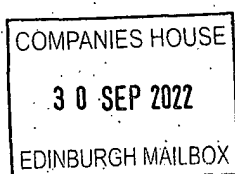


Company Registered No: 04314962

LOMBARD BUSINESS LEASING LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2021



LOMBARD BUSINESS LEASING LIMITED

04314962

CONTENTS

Page

Officers and professional advisers

1

Strategic Report

2

Directors' Report

7

Independent auditor's report

8

Statement of comprehensive income

11

Balance sheet

12

Statement of changes in equity

13

Notes to the financial statements

14

LOMBARD BUSINESS LEASING LIMITED

04314962

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS:

I J Isaac
J P Thwaite

COMPANY SECRETARY:

NatWest Group 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

LOMBARD BUSINESS LEASING LIMITED**04314962'****STRATEGIC REPORT****ACTIVITIES AND BUSINESS REVIEW****Activity**

The principal activity of Lombard Business Leasing Limited ('the Company') continues to be the provision of credit finance by way of leasing.

The Company is a subsidiary of NatWest 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 NatWest Group plc review these matters on a group basis. A copy of the NatWest Group annual report is available at www.natwestgroup.com and on Companies House website. A copy can also be requested from Legal, Governance and Regulatory Affairs, NatWest Group, Gogarburn, Edinburgh, PO Box 1000, EH12 1HQ.

NatWest Group comprises NatWest Group plc, its subsidiaries and associated undertakings.

Review of the year**Business review**

The directors are satisfied with the Company's performance in the year. During the year a review was carried out over the activities of the immediate parent company, Lombard North Central PLC and its subsidiaries. As a result of that review a decision was made that whilst the Company would continue to take on new business it would be at a reduced level with effect from 1 January 2021 and that has led to a reduction in the size of the Balance Sheet. The Company will be guided by its shareholders in seeking further opportunities for growth.

Financial performance

The Company's financial performance is presented on pages from 11 to 13.

Turnover increased by £3,956k (2020: decreased by £17,054k), cost of sales increased by £1,960k (2020: decreased by £11,324k), depreciation decreased by £6,709k (2020: increased by £1,280k) and expenses decreased by £3,096k (2020: increased by £1,433k). After impairment reversals of £4,882k (2020: losses of £10,781k) and finance costs of £543k (2020: £1,851k), the profit after tax for the year was £41,330k (2020: £13,452k), an increase of 207% over 2020.

No dividend was paid during the year (2020: £50,000k).

At the end of the year, the balance sheet showed total assets of £905,090k (2020: £1,156,820k), including income-generating assets comprising finance lease receivables £686,845k (2020: £873,651k) and assets held for use in operating leases £195,778k (2020: £256,420k). Total shareholders' funds were £58,173k (2020: £16,843k).

Principal risks and uncertainties

The Company seeks to minimise its exposure to financial risks other than credit 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 Group Asset and Liability Management Committee (Group ALCO).

The Company is mainly funded by facilities from Lombard North Central PLC. The majority of these are denominated in sterling which is the functional currency and carry no significant financial risk.

LOMBARD BUSINESS LEASING LIMITED**04314962****STRATEGIC REPORT****Principal risks and uncertainties (continued)**

The Company's assets mainly comprise of operating lease assets and finance lease receivables which would expose it to interest rate, currency, credit, liquidity, market and residual value 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

Finance lease receivables are based on fixed and floating rates. These are funded primarily through balances owed to group undertakings, which are also a mix of fixed and floating rates. 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 Company manages interest rate risk by monitoring the consistency in the interest rate profile of its assets and liabilities and limiting any repricing mismatches.

Currency risk

The Company undertakes certain transactions denominated in foreign currencies, hence exchange rate fluctuations arise. The Company's policy is normally to match foreign currency receivables with borrowings in the same currency.

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 provides oversight and challenge of frontline credit risk management activities. Governance activities include:

- Defining credit risk appetite measures for the management of concentration risk and credit policy to establish the key causes of risk in the process of providing credit and the controls that must be in place to mitigate them.
- Approving and monitoring operational limits for business segments and credit limits for customers.
- Oversight of the first line of defence to ensure that credit risk remains within the appetite set by the Board and that controls are being operated adequately and effectively.
- Assessing the adequacy of expected credit loss provisions including approving key IFRS 9 inputs (such as significant increase in credit risk (SICR) thresholds) and any necessary in model and post model adjustments through NatWest Group and business unit provisions and model committees.
- Development and approval of credit grading models.

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.

LOMBARD BUSINESS LEASING LIMITED**04314962****STRATEGIC REPORT****Principal risks and uncertainties (continued)****Residual value risk**

Residual value risk is the risk that the value of a lease asset 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 asset. The Company manages this risk through an in-house residual value setting and forecasting process which governs minimum standards for management and mitigation of residual value risks. Residual values are established by reference to various sources of independent and proprietary knowledge. The Company monitors the asset risk exposure and its pricing level against current and expected future market development on a continuous basis and adjusts its residual values for new leases accordingly. Other methods of managing this risk include the use of buybacks, guarantees and split-risk arrangements and charging for asset impairment such as excess mileage or damages.

Stakeholder engagement and s.172(1) statement

This section of the Strategic report describes how the directors have had regard to the matters set out in section 172(1) (a) to (f), and forms the directors' statement required under section 414CZA, of the Companies Act 2006.

The Company is a wholly owned subsidiary of NatWest Group plc. As such, its operations are aligned to the strategy and purpose of NatWest Group plc and it follows the policies and procedures of NatWest Group plc, as applicable. This is reflected, as appropriate, in the disclosures below.

Board engagement with stakeholders

NatWest Group recognises the importance of engaging with stakeholders and understanding their views, to help inform strategy and Board discussions and decision-making.

Our Stakeholders

The Company's key stakeholders and the engagement methods used by directors to understand their views and interests are set out below.

The Company's key stakeholder is its sole shareholder, Lombard North Central plc, which manages the relationships with other stakeholders on behalf of the Company.

The Company's indirect stakeholders are business customers of all sizes, from small family run businesses to large commercial enterprises, a panel of selected asset finance brokers, NatWest employees ("colleagues", being full time, part time, contractors and agency staff employed by NatWest Group) engaged on Company related work, and suppliers who support the Company in the provision of elements of its products and services.

Customers

At Natwest Group, we want to know what our customers think about us. It helps us better understand their needs and improve the products and services we offer.

During the year, the board received regular updates on customer issues through Lombard customer satisfaction surveys, customer feedback and complaint volumes.

Further information on customers can be found in the NatWest Group plc 2021 Annual Report and Accounts.

LOMBARD BUSINESS LEASING LIMITED**04314962****STRATEGIC REPORT****Stakeholder engagement and s.172(1) statement (continued)****Our Stakeholders(continued)****Colleagues**

We want NatWest Group to be a great place to work. By offering a fulfilling job, a healthy workplace, fair rewards, excellent development and great leadership, we believe together our colleagues can thrive and unlock the full potential of NatWest Group.

The NatWest Group undertakes an Our View Survey twice a year to track levels of staff satisfaction and engagement. Further information on how NatWest Group engages with colleagues can be found in the NatWest Group plc 2021 Annual Report and Accounts.

Suppliers

As a purpose-led business, we foster strong relationships with all our key stakeholders, including our supply chains.

Further information on suppliers, including NatWest Group's Supplier Charter, can be found in the NatWest Group plc 2021 Annual Report and Accounts.

Communities and environment

Making a positive contribution to the communities in which we live and work is integral to delivering on our purpose.

The Company actively adopts the NatWest Group's purpose of championing potential, helping people, families, and businesses to thrive. In particular the Company is supporting customers to act on the risks and opportunities climate change presents and to transition to a low carbon economy.

Further information on communities and environment can be found in the NatWest Group plc 2021 Annual Report and Accounts, the NatWest Group plc 2021 Climate Related Disclosures Report and the NatWest Group plc 2021 ESG Supplement.

Supporting effective Board discussions and decision-making

NatWest Group's purpose – championing potential, helping people, families and businesses to thrive - continues to influence Board discussions and decision-making.

Relevant stakeholder interests, including those of colleagues, customers, suppliers and others are considered by the Board during its discussions and when it takes decisions. In making its decisions, the Board also considers the need to maintain a reputation for high standards of business conduct and the long-term consequences of its decisions. However, Directors are mindful that it is not always possible to achieve an outcome which meets the requirements, needs and expectations of stakeholders who are, or may be, impacted.

All decisions taken by the board during the financial year were routine in nature but considered relevant stakeholder interests, as appropriate.

Further details on how NatWest Group plc engages with its stakeholders can be found in the NatWest Group plc 2021 Annual Report and Accounts.

Basis of preparation

These financial statements are prepared on a going concern basis, see note 1(a) on page 14.

LOMBARD BUSINESS LEASING LIMITED**04314962****STRATEGIC REPORT****DIRECTORS' RESPONSIBILITIES STATEMENT**

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

Company law requires the directors to prepare a Strategic report, 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/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, [subject to any material departures disclosed and explained in the financial statements; 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 Strategic report, 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 directors have 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.

DIRECTORS' INDEMNITIES

NatWest Group plc has indemnified all of the directors under the qualifying third party terms.

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


I J Isaac (Sep 28, 2022 17:15 GMT+1)

I J Isaac
Director

Date: Sep 28, 2022

LOMBARD BUSINESS LEASING LIMITED

04314962

DIRECTORS' REPORT

The Strategic report includes the review of the year and disclosure of information to auditors. Details of the board's engagement with customers, suppliers and others, and how these stakeholders' interests have influenced board decision making are set out on pages 4 and 5 of the Strategic Report which includes a section 172(1) statement.


DIRECTORS AND SECRETARY

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

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:


I J Isaac (Sep 28, 2022 17:15 GMT+1)

I J Isaac

Director

Date: Sep 28, 2022

LOMBARD BUSINESS LEASING LIMITED**04314962****Opinion**

We have audited the financial statements of Lombard Business Leasing Limited ("the Company") for the year ended 31 December 2021 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of changes in equity and the related notes 1 to 18, 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 Company's affairs as at 31 December 2021 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. 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

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 contained within the annual report.

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.

LOMBARD BUSINESS LEASING LIMITED**04314962**

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

Opinions on other matters 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 Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and Directors' report have 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 strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 6 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.

LOMBARD BUSINESS LEASING LIMITED**04314962*****Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud***

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are those that relate to the reporting framework (Financial Reporting Standard FRS 101 – Reduced Disclosure framework and the Companies Act 2006) and the relevant direct tax compliance regulation in the United Kingdom. In addition, the Company is required to comply with laws and regulations relating to its operations, including health and safety, anti-bribery and corruption and General Data Protection Regulation ('GDPR').
- We understood how the Company is complying with those frameworks by making inquiries of management, those charged with governance, internal audit and those responsible for legal and compliance matters. We corroborated our inquiries through review of meeting minutes of the Board.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved making inquiries of those charged with governance and senior management to understand if they were aware of any non-compliance with laws and regulations affecting the financial statements.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the controls that the Company has established to address the risks identified by the entity and to prevent or detect fraud, including in a remote-working environment; and how management monitors these controls. We tested the appropriateness of journal entries recorded in the general ledger and evaluated the business rationale for significant and/or unusual transactions. We verified that the journals selected, where appropriate, are supported by appropriate source documentation.

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.

DocuSigned by:

Ernst & Young LLP

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Robin Enstone (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Bristol

28 September 2022 | 8:03:34 BST

LOMBARD BUSINESS LEASING LIMITED**04314962****STATEMENT OF COMPREHENSIVE INCOME**
for the year ended 31 December 2021

		2021	2020
	Notes	£'000	£'000
Income from continuing operations			
Turnover	3	111,244	107,288
Cost of Sales		(11,587)	(9,627)
Depreciation of property, plant and equipment	8	(56,371)	(63,080)
Operating expenses	4	(3,380)	(6,476)
Impairment reversals/(losses)	5	4,882	(10,781)
Operating profit		44,788	17,324
Finance costs	6	(543)	(1,851)
Profit before tax		44,245	15,473
Tax charge	7	(2,915)	(2,021)
Profit and total comprehensive income for the year		41,330	13,452


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

LOMBARD BUSINESS LEASING LIMITED**04314962****BALANCE SHEET****as at 31 December 2021**

	Notes	2021 £'000	2020 £'000
Non-current assets			
Property, plant and equipment	8	195,778	256,420
Finance lease receivables	9	496,448	701,640
Deferred tax assets	7	14,366	8,615
		706,592	966,675
Current assets			
Finance lease receivables	9	190,397	172,011
Trade and other receivables	11	895	2,445
Inventories	12	2,775	2,056
Prepayments, accrued income and other assets	13	4,431	13,633
		198,498	190,145
Total assets		905,090	1,156,820
Non-current Liabilities			
Amount due to group companies	14	1,951	3,288
Current Liabilities			
Amount due to group companies	14	815,431	1,110,087
Accruals, deferred income and other liabilities	15	24,064	26,602
Current tax liability		5,471	-
		844,966	1,136,689
Total liabilities		846,917	1,139,977
Equity			
Called up share capital	16	-	-
Profit and loss account		58,173	16,843
Total equity		58,173	16,843
Total liabilities and equity		905,090	1,156,820

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

The financial statements were approved by the Board of Directors on 28th September 2022 and signed on its behalf by:


 Ian Isaac (Sep 28, 2022 17:15 GMT+1)

I J Isaac
 Director

LOMBARD BUSINESS LEASING LIMITED**04314962****STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2021**

	Share Capital £'000	Profit and loss account £'000	Total £'000
At 1 January 2020	-	53,391	53,391
Profit for the year	-	13,452	13,452
Dividends paid	-	(50,000)	(50,000)
At 31 December 2020	-	16,843	16,843
Profit for the year	-	41,330	41,330
At 31 December 2021	-	58,173	58,173

Total comprehensive income for the year of £41,330k (2020: £13,452k) was wholly attributable to the owners of the Company.

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

LOMBARD BUSINESS LEASING LIMITED**04314962****NOTES TO THE FINANCIAL STATEMENTS****1. Accounting policies****a) Preparation and presentation of financial statements**

The directors have prepared the financial statements:

- on a going concern basis after assessing principal risks, forecasts, projections and other relevant evidence over the twelve months from the date the financial statements are approved and under FRS 101 *Reduced Disclosure Framework*; and
- on the historical cost basis.

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for twelve months from the date the financial statements are approved and therefore they have prepared the financial statements on a going concern basis. This conclusion is based on the directors' assessment of the Company's financial position, including the expectation of financial and operational 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.

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 IFRS 7 "Financial Instruments: Disclosure" and IFRS 13 "Fair value Measurement".

Where required, equivalent disclosures are given in the group accounts of NatWest Group plc; these accounts are available to the public and can be obtained as set out in note 18.

The changes to IFRS that were effective from 1 January 2021 have had no material effect on the Company's financial statements for the year ended 31 December 2021.

b) Foreign currencies

Transactions in foreign currencies are translated into sterling at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Foreign exchange differences arising on translation are reported in profit or loss.

c) Revenue recognition

Turnover comprises income from finance leases, operating leases and other services and 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 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.

Rental income during the secondary period is recognised in line with IFRS 15 "Revenue" in the period in which it arises.

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

LOMBARD BUSINESS LEASING LIMITED**04314962****NOTES TO THE FINANCIAL STATEMENTS****1. Accounting policies (continued)****c) Revenue recognition (continued)**

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

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

Interest income or expense relates to financial instruments measured at amortised cost and debt instruments classified as fair value through other comprehensive income using the effective interest rate method.

d) Taxation

Tax encompassing 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, other comprehensive 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 a 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.

e) 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.

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:-

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.

LOMBARD BUSINESS LEASING LIMITED**04314962****NOTES TO THE FINANCIAL STATEMENTS****1. Accounting policies (continued)****f) Impairment of property, plant and equipment**

At each balance sheet 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. The recoverable amount of an asset is the higher of its fair value less cost to sell and its value in use. Value in use is the present value of future cash flows from the asset or cash-generating unit discounted at a rate that reflects market interest rates adjusted for risks specific to the asset or cash-generating unit that have not been taken into account in estimating future cash flows. If the recoverable amount of the asset is less than its carrying value, an impairment loss is recognised immediately in profit or loss and the carrying value of the asset reduced by the amount of the loss.

g) 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.

h) Leases**As lessor**

Finance lease contracts are those which transfer substantially all the risks and rewards of ownership of an asset to a customer. All other contracts with customers to lease assets are classified as operating leases.

Finance lease receivables are measured at the net investment in the lease, comprising the minimum lease payments and any unguaranteed residual value discounted at the interest rate implicit in the lease. Turnover includes finance lease income recognised at 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 their value, income allocation is revised and any reduction in respect of amounts accrued is recognised immediately.

Rental income from operating leases is recognised in turnover on a straight-line basis over the lease term unless another systematic basis better represents the time pattern of the asset's use. Operating lease assets are included within Property, plant and equipment and depreciated over their useful lives.

i) Financial instruments

All financial instruments are measured at fair value on initial recognition.

Financial assets are classified either, by business model, by product or by reference to the IFRS default classification.

Classification by business model reflects how the Company manages its financial assets to generate cash flows. A business model assessment determines if cash flows result from holding financial assets to collect the contractual cash flows; from selling those financial assets; or both.

Financial assets that are held to collect the contractual cash flows and comprise solely payments of principal and interest are measured at amortised cost. Financial assets managed under a business model of both to collect contractual cash flows (comprising solely of payments of principal and interest), and to sell are measured at fair value through other comprehensive income.

Classification by product relies on specific designation criteria which are applicable to certain classes of financial assets or circumstances where accounting mismatches would otherwise arise. The product classifications apply to financial assets that are either designated at fair value through profit or loss, or to equity investments designated as at fair value through other comprehensive income. In all other instances, fair value through profit or loss is the default classification and measurement category for financial assets.

LOMBARD BUSINESS LEASING LIMITED**04314962****NOTES TO THE FINANCIAL STATEMENTS****1. Accounting policies (continued)****i) Financial instruments (continued)**

Regular way purchases of financial assets classified as amortised cost, are recognised on the settlement date; all other regular way transactions in financial assets are recognised on the trade date.

All liabilities not subsequently measured at fair value are measured at amortised cost.

j) Impairment of financial assets

At each balance sheet date each financial asset or portfolio of loans measured at amortised cost or at fair value through other comprehensive income, issued financial guarantee and loan commitment is assessed for impairment. Any change in impairment is reported in the profit and loss account. 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. Following a significant increase in credit risk, ECL are adjusted from 12 months to lifetime. This will lead to a higher impairment charge.

On restructuring where a financial asset is not derecognised the revised cash flows are used in re-estimating the credit loss. Where restructuring causes derecognition of the original financial asset, the fair value of the replacement asset is used as the closing cash flow of the original asset.

Where, in the course of the orderly realisation of a loan, it is exchanged for equity shares or property, the exchange is accounted for as the sale of the loan and the acquisition of equity securities or investment property. Where the Company's acquired interest is in equity shares, relevant policies for control, associates and joint ventures apply.

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 IFRS 9 "Financial Instruments".

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 estimates the directors consider most important to the portrayal of the Company's performance and financial condition are discussed below.

Loan impairment provisions

Loan impairment provisions have been established in accordance with IFRS 9. Accounting policy (j) sets out how the expected loss approach is applied. At 31 December 2021, gross customer receivables totalled £693,869k (2020: £890,864k) and customer impairment provisions amounted to £6,164k (2020: £14,769k). A loan is impaired when there is objective evidence that the cash flows will not occur in the manner expected when the loan is advance. 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.

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.

LOMBARD BUSINESS LEASING LIMITED**04314962****NOTES TO THE FINANCIAL STATEMENTS****2. Critical accounting policies and key sources of estimation uncertainty (continued)****Residual values(continued)**

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

	2021 £'000	2020 £'000
Finance lease income	29,337	22,977
Operating lease income	67,920	71,607
Sale of former operating lease assets	13,319	11,911
Other revenue	668	793
	111,244	107,288

4. Operating expenses

	2021 £'000	2020 £'000
Commission payable	308	103
Management fees	3,304	4,240
Foreign exchange (gains)/losses	(300)	31
Irrecoverable VAT	-	1,886
Other charges	68	216
	3,380	6,476

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 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 £59,500 (2020: £56,100) were charged in the financial statements of Lombard North Central PLC.

5. Impairment (reversals)/losses

The following impairment (reversals)/ losses were recognised during the year:

	2021 £'000	2020 £'000
Finance lease and trade receivables	(4,882)	9,070
Property, plant and equipment	-	1,711
	(4,882)	10,781

6. Finance costs

	2021 £'000	2020 £'000
To group undertakings	543	1,851

LOMBARD BUSINESS LEASING LIMITED**04314962****NOTES TO THE FINANCIAL STATEMENTS****7. Tax**

	2021	2020
	£'000	£'000
Current taxation:		
UK corporation tax charge for the year	8,759	1,580
Over provision in respect of prior periods	(93)	(102)
	8,666	1,478
Deferred taxation:		
(Credit)/charge for the year	(5,791)	414
Under provision in respect of prior periods	40	129
	(5,751)	543
Tax charge for the year	2,915	2,021

The actual tax charge differs from the expected tax charge computed by applying the standard rate of UK corporation tax of 19% (2020: 19%) as follows:

	2021	2020
	£'000	£'000
Expected tax charge	8,406	2,940
Non-deductible items	4	30
Adjustments in respect of prior periods	(53)	27
Remeasurement of deferred tax for changes in tax rates	(5,442)	(976)
Actual tax charge for the year	2,915	2,021

The UK Corporation tax rate applicable to the Company from 1 April 2020 is 19%. It was announced in the UK Government's Budget on 3 March 2021 that the main UK corporation tax rate will increase to 25% from 1 April 2023. This change was substantively enacted on 24 May 2021. Closing deferred tax assets and liabilities have therefore been recalculated taking into account this change of rate and the applicable period when the deferred tax assets and liabilities are expected to crystallise.

On 23 September 2022 the Chancellor of the Exchequer announced that the corporation tax rate will remain at 19% from 1 April 2023 rather than increasing to 25%. This announcement of the cancellation of the rate increase has not been enacted or substantively enacted and accordingly has no impact on tax balances at 31 December 2021. The potential impact of this change on the deferred tax balances at 31 December 2021 would be to reduce the deferred tax asset by £5,442,000.

Deferred tax

Net deferred tax asset comprises:

	Capital allowances
	£'000
At 1 January 2020	(9,282)
Charge to income	543
Transfer from fellow group undertaking	124
At 31 December 2020	(8,615)
Credit to income	(5,751)
At 31 December 2021	(14,366)

LOMBARD BUSINESS LEASING LIMITED**04314962****NOTES TO THE FINANCIAL STATEMENTS****8. Property, plant and equipment**

	Assets held for use in operating leases £'000
2021	
Cost	
1 January	507,673
Additions	6,754
Transfer to inventories	(60,090)
31 December	<u>454,337</u>
Accumulated depreciation and impairment	
1 January	251,253
Depreciation charge for the year	56,371
Transfer to inventories	(49,065)
31 December	<u>258,559</u>
Net book value	
At 31 December 2021	<u>195,778</u>
At 31 December 2020	<u>256,420</u>

Security

No property, plant and equipment has been pledged as security for liabilities of the Company (2020: none).

LOMBARD BUSINESS LEASING LIMITED**04314962****NOTES TO THE FINANCIAL STATEMENTS****9. Finance lease receivables**

	2021	2020
Amount receivable under finance leases	£'000	£'000
Within 1 year	152,470	167,917
1 to 2 years	120,691	156,341
2 to 3 years	75,091	121,470
3 to 4 years	50,563	75,405
4 to 5 years	75,809	47,426
After 5 years	164,043	231,063
Lease payments total	638,667	799,622
Unguaranteed residual values	145,805	171,259
Unearned income	(80,565)	(80,324)
Other	(11,419)	(2,213)
Present value of lease payments	692,488	888,343
Impairments	(5,643)	(14,692)
Net investment in finance lease receivables	686,845	873,651
	2021	2020
	£'000	£'000
Due within one year	190,397	172,011
Due after more than one year	496,448	701,640
	686,845	873,651

The Company entered into new finance lease agreements totalling £28,740k (2020: £300,337k) during the year. The portfolio is due to mature fully within 15 years (2020: 16 years).

There were no other significant movements or changes to the carrying value balance other than collection of rentals and movement in impairments.

The average effective interest rate in relation to finance lease agreements approximates 2.75% (2020: 2.55%).

10. Operating lease arrangements**Nature of operating lease assets in the balance sheet:**

	2021	2020
	£'000	£'000
Transportation	125,246	163,445
Cars and light commercial vehicles	1,307	2,640
Production equipment	31,768	40,532
Trailers	18,242	26,543
Construction	12,836	14,875
Other	6,379	8,385
	195,778	256,420

LOMBARD BUSINESS LEASING LIMITED**04314962****NOTES TO THE FINANCIAL STATEMENTS****10. Operating lease arrangements (continued)**

The following table shows undiscounted lease receipts from operating leases:

	2021	2020
	£'000	£'000
Within 1 year	54,373	66,166
1 to 2 years	38,000	51,842
2 to 3 years	19,054	36,677
3 to 4 years	9,355	17,976
4 to 5 years	4,584	8,340
After 5 years	4,154	7,833
Total	129,520	188,834

	2021	2020
	£'000	£'000
Amounts recognised in income statement for operating leases		
Lease income	67,920	71,607

11. Trade and other receivables

	2021	2020
	£'000	£'000
Trade receivables	860	2,444
Other receivables	35	1
	895	2,445

12. Inventories

	2021	2020
	£'000	£'000
Former operating lease assets	2,775	2,056

Inventories comprise former operating lease assets which have been returned to the Company prior to sale.

13. Prepayments, accrued income and other assets

	2021	2020
	£'000	£'000
Prepayments	14	114
Accrued income	4,417	5,873
Group relief receivable	-	7,471
Value added tax recoverable	-	175
	4,431	13,633

LOMBARD BUSINESS LEASING LIMITED**04314962****NOTES TO THE FINANCIAL STATEMENTS****14. Amount due to group companies**

	2021	2020
	£'000	£'000
Amount due to Lombard North Central PLC	814,707	1,108,528
Amount due to group companies	2,675	4,847
	817,382	1,113,375
Current - on demand or within one year	815,431	1,110,087
Non - current:		
- between one and two years	1,429	1,304
- between two and five years	522	1,984
- after five years	-	-
	1,951	3,288
	817,382	1,113,375

15. Accruals, deferred income and other liabilities

	2021	2020
	£'000	£'000
Accruals	1,452	18,306
VAT payable	13,371	-
Deferred income	9,241	8,296
	24,064	26,602

16. Share capital

	2021	2020
	£	£
Allotted, called up and fully paid:		
Equity shares		
2 ordinary shares of £1 each	2	2

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

17. Commitments and contingent liabilities

The Company, together with certain other subsidiaries of NatWest Holdings Limited, is party to a capital support deed (CSD) relevant to NatWest Group. 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.

LOMBARD BUSINESS LEASING LIMITED**04314962****NOTES TO THE FINANCIAL STATEMENTS****18. Related parties****UK Government**

The UK Government through HM Treasury is the ultimate controlling party of NatWest 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 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 companies

At 31 December 2021

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:	NatWest Group plc

All parent companies are incorporated in the UK. Copies of their accounts may be requested from Legal, Governance and Regulatory Affairs, NatWest Group plc, Gogarburn, PO Box 1000, Edinburgh EH12 1HQ.