Company Registered No: 10411077

ESME LOANS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2018

CONTENTS

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS:	S C Johnstone R C Kerton V Lovett
COMPANY SECRETARY:	RBS Secretarial Services Limited
REGISTERED OFFICE:	250 Bishopsgate London England EC2M 4AA
INDEPENDENT AUDITOR:	Ernst & Young LLP 25 Churchill Place Canary Wharf London E14 5EY

Registered in England and Wales

DIRECTORS' REPORT

The directors of ESME Loans Limited ("the Company") present their annual report together with the audited financial statements for the year ended 31 December 2018.

This 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.

ACTIVITIES AND BUSINESS REVIEW

Activity

The principal activity of the Company is the provision of loans to UK SME customers.

Review of the year

Business review

The directors are satisfied with the Company's performance in the year. The losses were expected in the early years of operations. The Company will be guided by its shareholders in seeking further opportunities for growth. Post balance sheet events are described in note 15 to the financial statements.

Financial performance

The Company's financial performance is presented on pages 8 to 10.

Turnover for the year was £1,396k (2017: £354k) and operating expenses were £7,973k (2017: £4,254k). After impairment provisions of £790k (2017: £331k), the loss after tax for the year was £5,946k (2017: £3,423k).

A dividend of £nil (2017: £nil) was paid during the year.

At the end of the year, the balance sheet showed total assets of £31,260k (2017: £11,438k). Total shareholders' funds were £4,717k (2017: £1,577k). The Company received a capital injection of £9,000k (2017: £5,000k) from National Westminster Bank Plc during the year.

Principal risks and uncertainties

The Company seeks to minimise its exposure to financial risks other than credit risk.

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

The Company is funded by facilities from National Westminster Bank Plc. These are denominated in sterling which is the functional currency and carry no significant financial risk.

The Company's assets mainly comprise of advances which would expose it to interest, credit, liquidity and market risk.

DIRECTORS' REPORT

Principal risks and uncertainties (continued)

The principal risks associated with the Company are as follows:

Credit risk
Credit risk management seeks to match the risk of credit failure to price of credit on granting a facility whilst maintaining credit risk exposure in line with approved appetite for the risk that customers will be unable to meet their obligations to the Company.

The key principles of the group's Credit Risk Management Framework are set out below:

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

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

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

The Company has no significant interest rate risk.

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.

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 Royal Bank of Scotland Group plc framework, through systems and procedures to monitor transactions and positions, the documentation of transactions and periodic review by internal audit. The Company also maintains contingency facilities to support operations in the event of disasters.

Going concern

The directors, having made such enquiries as they considered appropriate and having a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, have prepared the financial statements on a going concern basis. When assessing the appropriateness of the use of the going concern basis of accounting in the preparation of the financial statements, the directors have considered the strategy set out by the ultimate parent company and the future funding commitments of the Company. The directors have also obtained a letter of support from National Westminster Bank Plc Limited to provide financial support to the Company.

ESME LOANS LIMITED **10411077**

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 (FRS) 101 Reduced Disclosure Framework, and must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs at the end of the year and the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether Financial Reporting Standard 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.

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 2018 to date the following changes have taken place:

	Appointed	**Resigned**
Directors		
A Lewis	-	11 April 2019

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.

R Kerton
Director
Date: 30th October 2019

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ESME LOANS LIMITED

Opinion

We have audited the financial statements of ESME Loans Limited for the year ended 31 December 2018 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 15, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law, and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

Conclusions relating to going concern

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

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

Other information

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

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

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

We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ESME LOANS LIMITED

Opinion on other matter prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ESME LOANS LIMITED

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.

Michael-John Albert, **(Senior Statutory Auditor)**
for and on behalf of Ernst & Young LLP, Statutory Auditor
London, United Kingdom
30/10/2019

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2018

Income from continuing operations	Note	2018 £'000	2017 £'000
Interest receivable		1,535	362
Interest payable		(139)	(8)
Net Interest income	3	**1,396**	354
Fees and commissions receivable		-	134
Fees and commissions payable		-	(134)
Other operating income		28	-
Non interest income		**28**	-
Total income		**1,424**	354
Operating expenses	4	(7,973)	(4,254)
Operating loss before impairment loss		**(6,549)**	(3,900)
Impairment losses	5	(790)	(331)
Loss before tax		**(7,339)**	(4,231)
Tax credit	6	1,393	808
Loss and total comprehensive loss for the year		**(5,946)**	(3,423)

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

BALANCE SHEET
as at 31 December 2018

	Note	2018 £'000	2017 £'000
Non-current assets			
Property, plant and equipment	7	25	-
Loans and advances to customers		25,183	6,635
		25,208	6,635
Current assets			
Cash at bank		4,541	3,950
Current tax asset		1,385	807
Amounts due from group companies	8	-	3
Prepayments, accrued income and other assets	9	126	42
Deferred tax asset	6	-	1
Total assets		31,260	11,438
Current liabilities			
Accruals, deferred income and other liabilities	10	691	945
Amounts due to group companies	11	12,026	-
		12,717	945
Non-current liabilities			
Amounts due to group companies	11	13,817	8,916
Deferred tax liabilities	6	9	-
Total liabilities		26,543	9,861
Equity			
Called up share capital	12	-	-
Capital contribution		14,000	5,000
Profit and loss account		(9,283)	(3,423)
Total equity		4,717	1,577
Total liabilities and equity		31,260	11,438

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 30th October 2019 and signed on its behalf by:

R Kerton
Director

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2018

	Note	Share capital £'000	Capital contribution £'000	Profit and loss account £'000	Total £'000
At 5 October 2016		-	-	-	-
Capital contribution		-	5,000	-	5,000
Loss for the period		-	-	(3,423)	(3,423)
At 31 December 2017		-	5,000	(3,423)	1,577
Implementation of IFRS9 on 1 January 2018	1	-	-	86	86
Capital contribution		-	9,000	-	9,000
Loss for the year		-	-	(5,946)	(5,946)
At 31 December 2018		-	14,000	(9,283)	4,717

Total comprehensive loss for the year of £5,946k (2017: £3,423k) 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 financial statements
The financial statements are prepared:

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

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

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

The Company is incorporated in the UK and registered in Scotland 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 The Royal Bank of Scotland Group plc, these accounts are available to the public and can be obtained as set out in note 14.

The Company's accounting policies have changed on the adoption of IFRS 9 "Financial Instruments" with effect from 1 January 2018. There has been no restatement of prior years.

The impact on the Company's equity at 1 January 2018 was as follows:

	£'000
Equity 31 December 2017 - under IAS 39	**1,577**
Expected credit losses - amortised cost assets	104
Tax	(18)
Equity 1 January 2018 - under IFRS 9	**1,663**

Other changes to IFRS that were effective from 1 January 2018 have had no material effect on the Company's financial statements for the year ended 31 December 2018.

b) Revenue recognition
Interest income or expense on financial instruments that are classified as loans and receivables is determined using the effective interest method. The effective interest rate allocates the interest income or interest expense over the expected life of the asset or liability at the rate that exactly discounts all estimated future cash flows to equal the instrument's initial carrying amount. Calculation of the effective interest rate takes into account fees payable or receivable, that are an integral part of the instrument's yield, premiums or discounts on acquisition or issue, early redemption fees and transaction costs. All contractual terms of a financial instrument are considered when estimating future cash flows. Negative effective interest accruing to financial assets is presented in interest payable.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies (continued)

b) Revenue recognition (continued)
Fees and commission 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 performed. The price is usually fixed and always determinable.

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

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

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

d) Property, plant and equipment
Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Where an item of property, plant and equipment comprises major components having different useful lives, they are accounted for separately.

Depreciation is charged to profit or loss on a straight-line basis so as to write-off the depreciable amount of property, plant and equipment (including assets owned and let on operating leases) over their estimated useful lives.

The depreciable amount is the cost of an asset less its residual value.
Estimated useful lives are as follows:

Computer equipment– 5 years
Office equipment– 5 years

The residual value and useful life of property, plant and equipment are reviewed at each balance sheet date and updated for any changes to previous estimates

e) Impairment of property, plant and equipment
At each reporting date, the Company assesses whether there is any indication that its property, plant and equipment are impaired. If any such indication exists, the Company estimates the recoverable amount of the asset and the impairment loss if any.

f) Financial instruments
On initial recognition, financial instruments are measured at fair value. Subsequently they are measured as follows: designated at fair value through profit or loss; amortised cost, the default class for liabilities; fair value through profit or loss, the default class for assets; or financial assets may be designated as at fair value through other comprehensive income. 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.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies (continued)

f) Financial instruments (continued)
Amortised cost assets – have to meet both the following criteria:
- the asset is held within a business model whose objective is solely to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset are solely payments of principal and interest on the outstanding balance.

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

g) 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. Loss allowances are forward looking, based on 12 month expected credit losses where there has not been a significant increase in credit risk rating, otherwise allowances are based on lifetime expected losses.

Expected credit losses are a probability-weighted estimate of credit losses. The probability is determined by the risk of default which is applied to the cash flow estimates. In the absence of a change in credit rating, allowances are recognised when there is reduction in the net present value of expected cash flows. On a significant increase in credit risk, allowances are recognised without a change in the expected cash flows, although typically expected cash flows do also change; and expected credit losses are rebased from 12 month to lifetime expectations.
On restructuring a financial asset without causing derecognition of the original asset 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 interest in equity shares following the exchange is such that the Company controls an entity, that entity is consolidated.

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

h) 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.

i) Employee benefits
Short-term employee benefits, such as salaries, paid absences, and other benefits are accounted for on an accruals basis over the period in which the employees provide the related services. Group employees may receive variable compensation satisfied by cash, by debt instruments issued by the Group or by shares in The Royal Bank of Scotland Group plc. The treatment of share-based compensation is set out in Accounting policy 23 of The Royal Bank of Scotland Group plc accounts. Variable compensation that is settled in cash or debt instruments is charged to profit or loss over the period from the start of the year to which the variable compensation relates to the expected settlement date taking account of forfeiture and claw back criteria.

The Group provides post-retirement benefits in the form of pensions and healthcare plans to eligible employees.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies (continued)

i) Employee benefits
There is no contractual agreement or policy on the way that the cost of The Royal Bank of Scotland Group defined benefit pension schemes and healthcare plans are allocated to the Company. It therefore accounts for the charges it incurs as payments to a defined contribution scheme.

2. Critical accounting policies and key sources of estimation uncertainty

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

Loan impairment provisions
In 2018 the loan impairment provisions have been established in accordance with IFRS 9. Accounting policy (g) sets out how the expected loss approach is applied. At 31 December 2018, gross loans and advances to customers totalled £26,138k (2017: £6,966k) and customer loan impairment provisions amounted to £955k (2017: £331k). 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 forecasted macroeconomic measures.

3. Net interest income

	2018 £'000	2017 £'000
Interest receivable on loans and advances to customers	1,535	362
Interest receivable	**1,535**	362
Interest payable to group undertakings	(139)	(8)
Interest payable	**(139)**	(8)
Net interest income	**1,396**	354

4. Operating expenses

	2018 £'000	2017 £'000
Staff costs	2,528	1,398
Premises and equipment	2,511	1,973
Other operating expenses	2,929	879
Management fees	5	4
	7,973	4,254

Premises and equipment cost relates to outsourced IT infrastructure and related support services.

The average number of persons engaged by the Company (including directors) during the year, analysed by category, was as follows:

	2018	2017
Front office	6	5
Support	15	5
Other	7	2
	28	12

NOTES TO THE FINANCIAL STATEMENTS

4. Operating expenses (continued)

Auditor's remuneration

Fees payable by the Company to auditors for the audit of the Company's annual financial statements were £27k (2017: £27k). Fees payable to the Company's auditor and its associates for non-audit services to the Company are not required to be disclosed as the consolidated financial statements of the Company's parent disclose such fees on a consolidated basis.

Directors' emoluments

The Company does not remunerate directors nor can remuneration from elsewhere in the group be apportioned meaningfully in respect of their services to the Company.

5. Impairment losses

The following impairment losses were recognised during the year:

	2018	2017
	£'000	£'000
Loans and advances to customers	**790**	331

6. Tax

	2018	2017
	£'000	£'000
Current tax:		
UK corporation tax credit for the year	**(1,385)**	(807)
Deferred tax:		
Credit for the year	**(8)**	(1)
Tax credit for the year	**(1,393)**	(808)

The actual tax charge/(credit) differs from the expected tax charge/(credit) computed by applying the standard UK corporation tax rate of 19% (2017: blended rate of 19.13%) as follows:

	2018	2017
	£'000	£'000
Expected tax credit	**(1,394)**	(809)
Non deductible items	**1**	1
Actual tax credit for the year	**(1,393)**	(808)

In recent years the UK Government has steadily reduced the rate of UK corporation tax, with the latest rates substantively enacted at the balance sheet date standing at 19% from 1 April 2017 and 17% from 1 April 2020. The closing deferred tax assets and liabilities have been calculated taking into account that existing temporary differences may unwind in periods subject to the reduced rates.

Deferred tax

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

	Capital allowances £'000	**IFRS 9 transition £'000**	**Other £'000**	**Capital allowances £'000**
At 5 October 2016	-	-	-	-
Credit to Profit and Loss Account	1	-	-	1
At 31 December 2017	1	-	-	1
Implementation of IFRS 9 on 1 January 2018	-	(18)	-	(18)
Credit to Profit and Loss Account	-	2	6	8
At 31 December 2018	1	(16)	6	(9)

NOTES TO THE FINANCIAL STATEMENTS

7. Property, plant and equipment

2018	Computers and office equipment £'000
Cost	
At 1 January	-
Additions	29
At 31 December	29
Accumulated depreciation and impairment	
At 1 January	-
Depreciation charge for the year	4
At 31 December	4
Net book value	
At 31 December 2018	25

8. Amounts due from group companies

	2018 £'000	2017 £'000
The Royal Bank of Scotland Plc (formerly Adam & Company plc)	-	3

9. Prepayments, accrued income and other assets

	2018 £'000	2017 £'000
Accrued income	126	42

10. Accruals, deferred income and other liabilities

	2018 £'000	2017 £'000
Accruals	555	933
Other liabilities	136	12
	691	945

11. Amounts due to group companies

	2018 £'000	2017 £'000
The Royal Bank of Scotland Plc (formerly Adam & Company plc)	470	1,916
National Westminster Bank Plc	25,373	7,000
	25,843	8,916
Current	12,026	-
Non-current	13,817	8,916
	25,843	8,916

12. Share capital

Equity shares	2018 £	2017 £
Authorised:		
1 Ordinary Shares of £1	1	1
Allotted, called up and fully paid:		
1 Ordinary Shares of £1	1	1

The Company has one class of Ordinary Shares which carry no right to fixed income.

13. Capital resources

The Company's capital consists of equity comprising issued share capital and capital contribution. 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 Prudential Regulation Authority's capital requirements throughout the year.

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 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 UK corporation tax, Value Added Tax, regulatory fees and levies.

Group Companies

At 31 December 2018

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

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

For related party transactions, see notes 8 and 11.

Capital support deed
The Company, together with certain subsidiaries of The Royal Bank of Scotland Group plc companies, 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.

NOTES TO THE FINANCIAL STATEMENTS

15. Post balance sheet events

On 25 September 2019, the Company received a capital injection of £5,000k from National Westminster Bank Plc.