

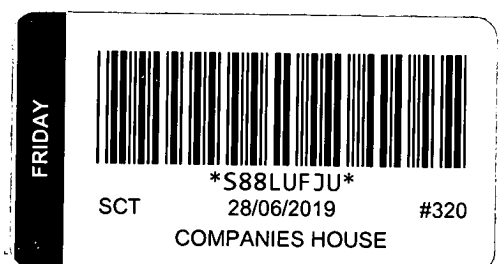
**Company Registered No: NI006915**

**LOMBARD & ULSTER LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**For the year ended 31 December 2018**

COMPANIES HOUSE  
28 JUN 2019  
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**OFFICERS AND PROFESSIONAL ADVISORS**

**DIRECTORS:**

I J Isaac  
J A Pattara  
P S McCarthy

**COMPANY SECRETARY:**

RBS Secretarial Services Limited

**REGISTERED OFFICE:**

11-16 Donegall Square East  
Belfast  
Co Antrim  
BT1 5UB

**INDEPENDENT AUDITOR:**

Ernst & Young LLP  
Statutory Auditor  
The Paragon  
Counterslip  
Bristol  
BS1 6BX

**Registered in Northern Ireland**

**DIRECTORS' REPORT****ACTIVITIES AND BUSINESS REVIEW**

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

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 has been the provision of credit finance by way of instalment credit but is now primarily that of a holding company.

**Review of the year*****Business review***

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

***Financial performance***

The Company's financial performance is presented in the Statement of Comprehensive Income on page 7. The operating profit before taxation for the year was £15,140k (2017: £15,063k). The retained profit for the year was £15,113k (2017: £15,051k). No dividend (2017: £15,096k) was paid during the year.

At the end of the year total assets were £39,186k (2017: £24,062k).

**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 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's assets mainly comprise loans receivable, investments and cash which would expose it to interest rate and credit risk.

**Market risk**

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

**Interest rate risk**

Structural interest rate arises where assets and liabilities have different re-pricing maturities.

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

## DIRECTORS' REPORT

### Principal risks and uncertainties (continued)

#### 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 material loans and receivables are with the group companies. Although credit risk arises this is not considered to be significant and no amounts are past due.

#### Operational risk

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

#### Going concern

The directors, having 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 2018 to date the following changes have taken place:

	Appointed	Resigned
<b>Directors</b>		
J A Pattara	11 October 2018	-

## 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 year. 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.

**DIRECTORS' REPORT**

**DISCLOSURE OF INFORMATION TO AUDITOR**

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

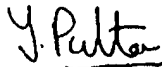
- so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware; and
- directors have taken all the steps that they ought to have taken to make themselves aware of any relevant audit information, and to establish that the Company's auditor is aware of that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

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

**INDEPENDENT AUDITOR**

Ernst & Young LLP has expressed its willingness to continue in office as auditor.

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



J A Pattara

Director

Date: 27 June 2019

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LOMBARD & ULSTER LIMITED**

### **Opinion**

We have audited the financial statements of Lombard & Ulster Limited ("the Company") 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 11, 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 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

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

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

### **Conclusions relating to going concern**

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

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- 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 LOMBARD & ULSTER LIMITED**

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

### **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 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; or
- the directors were not entitled to take advantage of the small companies' exemption in preparing the directors' report and from the requirement to prepare a strategic report.

### **Responsibilities of directors**

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

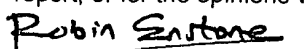
### **Auditor's responsibilities for the audit of the financial statements**

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.

### **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.



**Robin Enstone** (Senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
Bristol, United Kingdom  
Date: 28<sup>th</sup> June 2019



**STATEMENT OF COMPREHENSIVE INCOME**  
for the year ended 31 December 2018

	Notes	2018 £'000	2017 £'000
<b>Income from continuing operations</b>			
Operating income	3	6	-
<b>Operating profit</b>		<u>6</u>	<u>-</u>
Finance income	5	134	63
Other income	6	<u>15,000</u>	<u>15,000</u>
<b>Profit before tax</b>		<u>15,140</u>	<u>15,063</u>
Tax charge	7	(27)	(12)
<b>Profit and total comprehensive income for the year</b>		<u>15,113</u>	<u>15,051</u>

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

**BALANCE SHEET**

as at 31 December 2018

	Notes	2018 £'000	2017 £'000
<b>Non-current assets</b>			
Investments in subsidiaries	8	<u>1,524</u>	<u>1,524</u>
<b>Current assets</b>			
Loans receivable	9	36,915	21,819
Cash at banks		<u>747</u>	<u>719</u>
		<u>37,662</u>	<u>22,538</u>
<b>Total assets</b>		<u>39,186</u>	<u>24,062</u>
<b>Current liabilities</b>			
Group relief payable		37	26
<b>Total liabilities</b>		<u>37</u>	<u>26</u>
<b>Equity</b>			
Called up share capital	10	4,000	4,000
Profit and loss account		<u>35,149</u>	<u>20,036</u>
<b>Total equity</b>		<u>39,149</u>	<u>24,036</u>
<b>Total liabilities and equity</b>		<u>39,186</u>	<u>24,062</u>

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 27 June 2019 and signed on its behalf by:



J A Pattara  
Director

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

	Share capital £'000	Profit and loss account £'000	Total £'000
<b>At 1 January 2017</b>	4,000	20,081	24,081
Profit for the year	-	15,051	15,051
Dividends paid	-	(15,096)	(15,096)
<b>At 31 December 2017</b>	4,000	20,036	24,036
Profit for the year	-	15,113	15,113
<b>At 31 December 2018</b>	4,000	35,149	39,149

Total comprehensive income for the year of £15,113k (2017: £15,051k) 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**

These financial statements are prepared:

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

The Company has early adopted all of the amendments to FRS 101 as a result of the Triennial review 2017 amendments with effect from 1st 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 Northern Ireland 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 financial statements are available to the public and can be obtained as set out in note 11.

**Adoption of IFRS 9**

The Company's accounting policies have changed on the adoption of IFRS 9 'Financial Instruments' with effect from 1 January 2018. As a result there have been no changes in the classification and measurement of financial assets or liabilities and therefore no material impact to the Company's equity at 1 January 2018 or 31 December 2018.

The 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) Consolidated financial statements**

The financial statements contain information about the Company as an individual company and do not contain consolidated financial information as the parent of a group. The Company is exempt under IFRS 10 Consolidated Financial Statements and section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as in accordance with IFRS 10 the Company and its subsidiaries are included by full consolidation in the IFRS consolidated financial statements of its parent, The Royal Bank of Scotland Group plc, a public company registered in Scotland whose registered address is 36 St Andrew Square, Edinburgh, EH2 2YB.

**NOTES TO THE FINANCIAL STATEMENTS****1. Accounting policies (continued)****c) Revenue recognition**

Interest income or expense on financial instruments that are measured at amortised cost and fair value through other comprehensive income is determined using the effective interest rate 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 is 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.

Dividend income is recognised when the paying company is obliged to make the payment.

**d) Taxation**

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

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

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

**e) Investments in group companies**

Investments in group subsidiaries are stated at cost less any impairment.

**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.

*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.

**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. Loss allowances for lease receivables are always made on a lifetime basis.

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.

## NOTES TO THE FINANCIAL STATEMENTS

## 1. Accounting policies (continued)

## 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".

## 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. 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.

## 3. Operating income

	2018 £'000	2017 £'000
Bad debt credit	6	-

## 4. Operating expenses

The Company does not remunerate directors or other employees nor can remuneration from elsewhere in the group be apportioned meaningfully in respect of their services to the Company. The average number of persons employed by the Company during the year was 8 (2017: 8).

## 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 £6k (2017: £6k) were charged in the financial statements of Lombard North Central PLC.

## 5. Finance income

	2018 £'000	2017 £'000
On loans receivable:		
From group companies	134	63

## 6. Other income

	2018 £'000	2017 £'000
Dividend income from subsidiaries	15,000	15,000

## 7. Tax

	2018 £'000	2017 £'000
<b>Current tax:</b>		
UK corporation tax charge for the year	27	11
<b>Deferred tax:</b>		
Charge for the year	-	1
Tax charge for the year	27	12

NOTES TO THE FINANCIAL STATEMENTS

7. Tax (continued)

The actual tax charge differs from the expected tax charge computed by applying the standard UK corporation tax rate of 19% (2017: blended rate of 19.25%) as follows:

	2018 £'000	2017 £'000
Expected tax charge	2,877	2,900
Non-taxable items	(2,850)	(2,888)
Actual tax charge for the year	27	12

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% with effect 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 tax assets recognised by the Company and the movements thereon.

	Capital allowances £'000
At 1 January 2017	1
Charge to income	(1)
At 31 December 2017 and 31 December 2018	-

8. Investments in subsidiaries

Investments in group subsidiaries are carried at cost less impairment. Carrying value was as follows:

	2018 £'000	2017 £'000
At 1 January and 31 December	1,524	1,524

The subsidiary undertakings of the Company are:

Name of subsidiary	Country of incorporation	Proportion of ownership interest %	Proportion of voting power held %	Principal activity
JCB Finance Limited <sup>(1)</sup>	England and Wales	75	75	Credit finance and leasing
JCB Finance Pension Limited <sup>(2)</sup>	Northern Ireland	50	50	Dormant company

Accounting reference date: <sup>(1)</sup> 31 December, <sup>(2)</sup> 31 December

<sup>(1)</sup> The registered office is The Mill, High street, Rocester, England.

<sup>(2)</sup> The registered office is 11-16 Donegall Square East, Belfast, Northern Ireland.

NOTES TO THE FINANCIAL STATEMENTS

9. Loans receivable

	2018 £'000	2017 £'000
<b>Due within one year</b>		
Amounts owed by group companies		
Parent: Lombard North Central PLC	<u>36,915</u>	<u>21,819</u>

10. Share capital

	2018 £'000	2017 £'000
<b>Authorised:</b>		
6,000,000 ordinary shares of £1	<u>6,000</u>	<u>6,000</u>
<b>Allotted, called up and fully paid:</b>		
Equity shares		
4,000,000 ordinary shares of £1	<u>4,000</u>	<u>4,000</u>

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

11. 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 taxes including UK corporation tax and value added tax; together with transactions undertaken in the normal course of business.

Group companies

At 31 December 2018

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

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