Company Registered No: SC058013

ROYAL BANK LEASING LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 30 September 2020

ROYAL BANK LEASING LIMITED **SC058013**

CONTENTS

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS:	I A Ellis E M Mayes L McKirkle
COMPANY SECRETARY:	NatWest Group Secretarial Services Limited
REGISTERED OFFICE:	RBS Gogarburn 175 Glasgow Road Edinburgh EH12 1HQ
INDEPENDENT AUDITOR:	Ernst & Young LLP The Paragon Counterslip Bristol BS1 6BX

Registered In Scotland

DIRECTORS' REPORT

CHANGE OF REGISTERED OFFICE
On 03 August 2020, the Registered Office of Royal Bank Leasing Limited ("the Company") changed from 24/25 St Andrew Square, Edinburgh, EH2 1AF to RBS Gogarburn, 175 Glasgow Road, Edinburgh, EH12 1HQ.

ACTIVITIES AND BUSINESS REVIEW
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.

Activity
The principal activity of the Company continues to be the provision of fixed asset finance usually involving individually structured facilities to subsidiary companies.

The Company is a subsidiary of NatWest Group plc (formerly known as The Royal Bank of Scotland Group plc (RBSG 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. Copies may be requested from Legal, Governance and Regulatory Affairs, NatWest Group plc, RBS Gogarburn, Edinburgh, PO Box 1000 EH12 1HQ, the Registrar of Companies or at www.natwestgroup.com.

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

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. Post balance sheet events are described in note 25 to the financial statements.

Financial Performance
The Company's financial performance is presented on pages 7 to 9.

Turnover decreased by £275k (2019: £425k), operating expenses increased by £3k (2019: decreased by £170k) and finance cost decreased by £5,720k (2019: £80,698k). After impairment of £944k (2019: £830k), the retained profit for the year was £22,555k (2019: £29,592k), a decrease of 24% over 2019.

An interim dividend of £200,000k was paid on 12 November 2020 (2019: nil).

At the end of the year, the balance sheet showed total assets of £1,473,478k (2019: £1,633,955k), including income generating assets comprising finance lease receivables £12,908k (2019: £19,794k), investment in subsidiaries £23,071k (2019: £23,071k), and loans receivables £1,104,021k (2019: £1,526,914k) and a decrease of 10% in total assets over 2019.

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 interest rate, credit, liquidity, market, and operational risk. It is undertaken within limits and other policy parameters set by the NatWest Group Asset and Liability Management Committee (NatWest Group ALCO).

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

The Company's assets mainly comprise financial lease receivables, investment in subsidiaries, loans receivable, trade and other receivables which would expose it to interest, credit, liquidity and operational risk except that the counterparties are group companies and credit risk is not considered significant.

Principal risk and uncertainties (continued)

The principal risks associated with the Company are as follows:

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.

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 NatWest 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, sensitivity to economic and market developments 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.

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.

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

The principal market risk to which the Company is exposed to is interest rate risk.

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

Going Concern
These financial statements are prepared on a going concern basis, see note 1(a) on page 10.

DIRECTORS' REPORT

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 October 2019 to date the following changes have taken place:

Directors	Appointed	Resigned
D G Harris	-	1 November 2019
S J Roulston	-	18 November 2019
L Conner	18 November 2019	5 March 2021
L McKirkle	5 March 2021	-

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.

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.

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:

L McKirkle
Director
Date: 28th June 2021

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ROYAL BANK LEASING LIMITED

Opinion

We have audited the financial statements of Royal Bank Leasing Limited ('the Company') for the year ended 30 September 2020 which comprise the Statement Of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 24, including 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 30 September 2020 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
- 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 ROYAL BANK LEASING 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 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 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 4, 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.

Ernst & Young LLP

Richard Page (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Bristol,
29 June 2021

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 September 2020

Income from continuing operations	Notes	2020 £'000	2019 £'000
Turnover	3	434	709
Operating income	4	248	214
Operating expenses	5	(537)	(534)
Impairment losses	6	(944)	(830)
Operating loss		(799)	(441)
Finance income	7	15,623	73,723
Other income	8	26,207	572
Other losses	9	(689)	(20,292)
Finance costs	10	(18,108)	(23,828)
Profit before tax		22,234	29,734
Tax credit/(charge)	11	321	(142)
Profit and total comprehensive income for the year		22,555	29,592

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

BALANCE SHEET
as at 30 September 2020

	Notes	2020 £'000	2019 £'000
Non-current assets			
Investments in subsidiaries	12	23,071	23,071
Finance lease receivables	13	11,420	13,282
Loans receivable	14	38,627	40,188
Derivatives	15	846	791
		73,964	77,332
Current assets			
Finance lease receivables	13	1,488	6,512
Loans receivable	14	1,065,394	1,486,726
Trade and other receivables	16	-	39,920
Prepayments, accrued income and other assets	17	14,391	2,351
Cash at bank		318,241	21,114
		1,399,514	1,556,623
Total assets		1,473,478	1,633,955
Current liabilities			
Borrowings	18	51,824	114,652
Trade and other payables	19	160	40,168
Accruals, deferred income and other liabilities	20	2,055	3,917
Derivatives	15	11,823	-
		65,862	158,737
Non-current liabilities			
Borrowings	18	1,019,002	1,096,659
Deferred tax liabilities	11	7,201	7,987
Derivatives	15	62,434	74,148
		1,088,637	1,178,794
Total liabilities		1,154,499	1,337,531
Equity			
Share capital	21	19,000	19,000
Retained earnings		299,979	277,424
Total equity		318,979	296,424
Total liabilities and equity		1,473,478	1,633,955

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 28th June 2021 and signed on its behalf by:

L McKirkle
Director

STATEMENT OF CHANGES IN EQUITY
for the year ended 30 September 2020

	Share Capital £'000	Retained earnings £'000	Total £'000
At 1 October 2018	19,000	248,185	267,185
Implementation of IFRS9 on 1 October 2018	-	(353)	(353)
Profit for the year	-	29,592	29,592
At 30 September 2019	**19,000**	**277,424**	**296,424**
Profit for the year	-	**22,555**	**22,555**
At 30 September 2020	**19,000**	**299,979**	**318,979**

Total comprehensive income for the year of £22,555k (2019: £29,592k) was wholly attributable to the owners of the Company.

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

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies

a) Preparation and presentation of accounts
These financial statements are prepared:
- on a going concern basis;
- under Financial Reporting Standard (FRS) 101 Reduced Disclosure Framework; and
- on the historical cost basis.

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:
  - o comparative information in respect of certain assets;
  - o cash-flow statement;
  - o standards not yet effective;
  - o related party transactions; and
  - o 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 23.

The changes to IFRS that were effective from 1 October 2019 have had no material effect on the Company's financial statements for the year ended 30 September 2020.

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, NatWest Group plc, a public company registered in Scotland whose registered address is 36 St Andrew Square, Edinburgh, EH2 2YB.

c) 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.

d) Revenue recognition
Turnover comprises income from finance leases, operating leases, loans and other services and arises in the UK 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 income is recognised in line with IFRS 15 'Revenue' in the period in which it arises.

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

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies

d) Revenue recognition (continued)
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 OCI using the effective interest rate method, the effective part of any related accounting hedging instruments and finance lease income recognised at a constant periodic rate of return before tax on the net investment. Negative effective interest accruing to financial assets is presented in interest payable.

Other interest relating to financial instruments measured at fair value is recognised as part of the movement in fair value.

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

IFRS requires rental income to be calculated using the interest rate at inception of the lease; variations from that rate are presented as contingent rentals.

e) 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 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.

f) Investments in group companies
Investments in NatWest Group companies are stated at cost less any impairment.

g) Leases
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 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.

h) Derivatives
Derivative financial instruments are recognised initially, and subsequently measured, at fair value, with movements recognised in the profit and loss account. Derivative fair values are determined from quoted prices in active markets where available. Where there is no active market for an instrument, fair value is derived from prices for the derivative's components using appropriate pricing or valuation models.

1. Accounting policies (continued)

i) Hedge fair value

The Company enters into fair value hedge relationships which hedge the changes in fair value of a recognised asset or liability or firm commitment. Principally, such hedges involve interest rate swaps hedging the interest rate risk in fixed rate loans. Hedge relationships are formally documented at inception, which includes the identification of the hedged item and hedged instrument, the risk that is being hedged, and the process for monitoring hedge effectiveness. The gain or loss on the hedging instrument or derivative is recognised in profit or loss.

The gain or loss on the hedged item attributable to the hedged risk is recognised in profit or loss and adjusts the carrying value of the hedged item.

Hedge accounting is discontinued if the hedge no longer meets the criteria for hedge accounting or if the hedge designation is revoked, and any cumulative adjustment is amortised to profit or loss over the remaining life of the hedged item.

j) Financial instruments

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

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. 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.

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.

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 financial instruments are measured at fair value on initial recognition.

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

Most financial assets are held to collect the contractual cash flows that comprise solely payments of principal and interest and are measured at amortised cost. Certain 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.

k) 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.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies (continued)

k) Impairment of financial assets (continued)
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 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 in administrative expenses. Contingent liabilities are presented gross of allowances except where the asset has been wholly or partially written off.

l) 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.

Fair value of derivative instruments
The Company holds both hedged and non-hedged derivative financial instruments. Where the Company has entered into fair value hedged relationships, the hedge changes the fair value of a recognised asset or liability. Principally, such hedges involve interest rate swaps hedging the interest rate risk in fixed rate loans. Where the market for a financial instrument is not active, fair value is established using a valuation technique. These valuation techniques involve a degree of estimation, the extent of which depends on the instrument's complexity and the availability of market-based data.

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.

Loan impairment provisions
In the financial year the loan impairment provisions were established in accordance with IFRS 9. Accounting policy 1(k) sets out how the expected loss approach was 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 advanced. 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. Turnover

	2020 **£'000**	2019 £'000
Finance lease income:		
Rents receivable	**6,512**	6,851
Amortisation	**(5,411)**	(5,465)
Contingent rental expense	**(667)**	(873)
	434	513
Operating lease rental income	**-**	196
	434	709

The Company did not enter into any new leasing transactions during the year (2019: £nil).

NOTES TO THE FINANCIAL STATEMENTS

4. Operating income

	2020 £'000	2019 £'000
Profit on disposal of finance lease	89	-
Fee income	159	214
	248	214

5. Operating expenses

	2020 £'000	2019 £'000
Audit fees	248	63
Legal and professional charges	-	25
Exchange losses	6	199
Management fees	166	129
Other charges	117	118
	537	534

Directors' emoluments

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

Management charge fees of £166k (2019: £129k) include the costs of staff and directors borne by other members of the NatWest Group, none of which can be apportioned meaningfully in respect of services to the Company.

6. Impairment losses

	2020 £'000	2019 £'000
Impairment losses on investment in subsidiaries	-	(883)
Impairment losses on finance leases	(944)	-
Reversal of impairment losses on finance leases	-	53
	(944)	(830)

7. Finance income

	2020 £'000	2019 £'000
On loans receivable from NatWest Group companies	15,623	28,348
Break gains	-	45,375
	15,623	73,723

In 2019, out of the break gain £39.9m is due from subsidiary, RBSSAF (2) Limited following early termination of funding linked to leases sold to fellow subsidiary Lombard Corporate Finance (11) Limited. The remainder of the break gain, £5.5m was paid by fellow subsidiary Lombard Corporate Finance (11) Limited following transfer of funding for subsidiaries it purchased from the Company.

8. Other income

	2020 £'000	2019 £'000
Dividend income from subsidiaries	26,171	546
Gain from movement in fair value hedge ineffectiveness - NatWest Group companies	36	26
	26,207	572

Breakdown in movement in fair value hedge ineffectiveness

	2020 £'000	2019 £'000
Movement in hedge items - NatWest Group companies	(297)	2,415
Movement in hedge derivatives - NatWest Group companies	333	(2,389)
	36	26

NOTES TO THE FINANCIAL STATEMENTS

9. Other losses

	2020 £'000	2019 £'000
Loss from movement in fair value of non-hedge derivatives - NatWest Group companies	689	20,292

10. Finance costs

	2020 £'000	2019 £'000
Interest on loans and derivatives from NatWest Group companies	18,108	23,828

11. Tax

	2020 £'000	2019 £'000
Current tax:		
UK corporation tax charge for the year	1,030	6,598
Over provision in respect of prior periods	(565)	(4,861)
	465	1,737
Deferred taxation:		
Credit for the year	(786)	(1,596)
Under provision in respect of prior periods	-	1
	(786)	(1,595)
Tax (credit)/charge for the year	(321)	142

The actual tax charge differs from the expected tax charge computed by applying the standard rate of UK corporation tax of 19% (2019: 19%) as follows:

	2020 £'000	2019 £'000
Expected tax charge	4,224	5,649
Transfer pricing adjustments	(251)	-
Other non-deductible items	685	264
Non-taxable items	(4,972)	(624)
Adjustments in respect of prior periods	(565)	(4,860)
Remeasurement of deferred tax	558	(287)
Actual tax (credit)/charge for the year	(321)	142

In the current period, the substantively enacted UK Corporation tax rate applicable to the Company from 1 April 2020 was increased from 17% to 19%. The closing deferred tax assets and liabilities have been calculated at 19% and accordingly a rate change adjustment has arisen as the opening deferred tax had been calculated taking into account the previously enacted rate of 17%.

Since the balance sheet date, 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. As a result, existing temporary differences on which deferred tax has been provided may unwind in periods subject to the 25% rate. The impact of the post balance sheet date change in tax rate is expected to result in an increase of £401,000 in the deferred tax liability recognised by the company at 30 September 2020. This will result in a reduction to the company's reserves by the same amount.

NOTES TO THE FINANCIAL STATEMENTS

11. Tax (continued)

Deferred tax
Deferred tax liability comprises:

	Capital allowances £'000	Derivative £'000	Other £'000	Total £'000
1 October 2018	3,802	5,847	7	9,656
IFRS 9 Adjustment - adjustment to reserves	(74)	-	-	(74)
Credit to profit and loss	(922)	(669)	(4)	(1,595)
At 30 September 2019	2,806	5,178	3	7,987
(Credit)/charge to profit and loss	**(837)**	**54**	**(3)**	**(786)**
At 30 September 2020	**1,969**	**5,232**	**-**	**7,201**

12. Investments in subsidiaries

	2020 £'000	2019 £'000
At 1 October	**23,071**	18,954
Additions	-	5,000
Impairments	-	(883)
At 30 September	**23,071**	23,071

RBSSAF (8) Limited is expected to be wound up within 12 months of signing its final accounts.

The subsidiary undertakings of the Company are shown below. All subsidiaries are incorporated in the UK and registered in England and Wales except for Royal Scot Leasing Limited and Royal Bank of Scotland (Industrial Leasing) Limited which are registered in Scotland. All subsidiaries are owned 100% with 100% of the voting power held by the Company.

Name of subsidiary	Principal activity	Accounting reference date
R.B. Leasing (September) Limited	Leasing and Hire Purchase	30 September
Lombard Leasing Company Limited	Leasing and Hire Purchase	30 September
RBSSAF (7) Limited	Leasing	30 September
RBSSAF (8) Limited	Leasing	30 September
Royal Scot Leasing Limited	Leasing	30 September
Lombard Corporate Finance (December 1) Limited	Leasing	31 December
Lombard Corporate Finance (December 3) Limited	Leasing	31 December
Lombard Lease Finance Limited	Leasing	31 December
Northern Isles Ferries Limited	Leasing	31 December
RBS Asset Finance Europe Limited	Leasing	31 December
RBSSAF (25) Limited	Leasing	31 December
R.B. Leasing (March) Limited	Leasing	31 March
R.B. Quadrangle Leasing Limited	Leasing	31 March
RBSSAF (2) Limited	Leasing	31 March
Royal Bank of Scotland (Industrial Leasing) Limited	Leasing	31 March
Lombard Industrial Leasing Limited	Leasing	31 March
Lombard Corporate Finance (June 2) Limited	Leasing	30 June
Pittville Leasing Limited	Leasing	30 June
R.B. Capital Leasing Limited	Leasing	30 June

The capital of subsidiary companies consists of ordinary and preference shares which are unlisted.

13. Finance lease receivables

	2020 £'000
Amounts included in income statement for finance leases	
Finance income on the net investment in leases	23

	2020 £'000
Amount receivable under finance leases	
Within 1 year	2,882
1 to 2 years	3,026
2 to 3 years	3,177
3 to 4 years	3,336
4 to 5 years	3,503
After 5 years	920
Lease payments total	16,844
Unearned income	(2,619)
Present value of lease payments	14,225
Impairment	(1,317)
Net investment in finance leases	12,908

	Within 1 year £'000	Between 1 and 5 years £'000	Total £'000
2019			
Future minimum lease payments	7,035	14,036	21,071
Unearned finance income	(149)	(754)	(903)
Impairment provisions	(374)	-	(374)
Present value of minimum lease payments receivable	6,512	13,282	19,794

Analysed as:	2020 £'000	2019 £'000
Due within one year	1,488	6,512
Due after more than one year	11,420	13,282
	12,908	19,794

The Company has entered into various finance leasing arrangements. The average term of the lease entered into is 26 years (2019: 26 years).

Unguaranteed residual values are estimated at nil (2019: nil).

The average effective interest rate in relation to finance lease agreements approximates 6.5% (2019: 6.5%).

14. Loans receivable

	2020 £'000	2019 £'000
Due within one year		
Amounts owed by subsidiaries	1,058,169	1,149,006
Amounts owed by intermediate parent National Westminster Bank Plc	7,225	337,720
	1,065,394	1,486,726
Due after more than one year		
Amounts owed by intermediate parent National Westminster Bank Plc	38,627	40,188
	1,104,021	1,526,914

15. Derivatives

The Company enters into various financial instruments (derivatives) as principal to manage foreign exchange and interest rate risk. Derivatives include swaps and forwards.

A swap is an arrangement to exchange cash flows in the future in accordance with a pre-arranged formula. In an interest rate swap, two counterparties agree to exchange periodic interest payments on a predetermined monetary principal, the notional amount.

At the year end, the notional principal amounts of the Company's derivatives were as follows:

Notional principal amounts	2020 £'000	2019 £'000
Interest rate swaps	(55,626)	(101,564)

At the year-end, the derivatives carried at fair value were as follows:

	Asset 2020 £'000	Liability 2020 £'000	Asset 2019 £'000	Liability 2019 £'000
Fair Value				
Interest rate swap	846	(63,160)	791	(62,718)
Interest rate swap fair value hedge	-	(11,097)	-	(11,430)
Total	846	(74,257)	791	(74,148)

Maturity analysis

	Asset 2020 £'000	Liability 2020 £'000	Asset 2019 £'000	Liability 2019 £'000
Current				
Interest rate swaps	-	(744)	-	-
Interest rate swaps in FV hedge	-	(11,079)	-	-
	-	(11,823)	-	-
Non current				
Interest rate swaps	846	(62,416)	791	(62,718)
Interest rate swaps in FV hedge	-	(18)	-	(11,430)
	846	(62,434)	791	(74,148)

All derivatives are level 2 valuations, valued using techniques based significantly on observable market data. Instruments in this category are valued using:

a) quoted prices for similar instruments or identical instruments in markets which are not considered to be active; or

b) valuation techniques where all the inputs that have a significant effect on the valuations are directly or indirectly based on observable market data.

16. Trade and other receivables

	2020 £'000	2019 £'000
Due within one year		
Trade receivables	-	20
Due from RBSSAF (2) Limited	-	39,900
	-	39,920

NOTES TO THE FINANCIAL STATEMENTS

17. Prepayments, accrued income and other assets

	2020 £'000	2019 £'000
Accrued income	**2,419**	2,224
Group relief receivable from NatWest Group companies	**11,972**	127
	14,391	2,351

18. Borrowings

	2020 £'000	2019 £'000
Loans from intermediate parent National Westminster Bank Plc	**1,067,401**	1,162,738
Loans from subsidiaries	**3,425**	48,573
	1,070,826	1,211,311
Current - on demand or within one year	**51,824**	114,652
Non-current:		
- between one and two years	**52,062**	62,638
- between two and five years	**229,373**	153,249
- After five years	**737,567**	880,772
	1,019,002	1,096,659

The Company has the following unsecured borrowing from NatWest Group companies greater than five years:

- During this year, there is no fixed rate borrowing (2019: nil).
- £737,567k (2019: £880,772k) is at a floating rate.

19. Trade and other payables

	2020 £'000	2019 £'000
Due within one year		
Other payables	**160**	268
Due to Lombard Corporate Finance (11) Limited	**-**	39,900
	160	40,168

20. Accruals, deferred income and other liabilities

	2020 £'000	2019 £'000
Accruals	**1,483**	3,101
Deferred income	**572**	816
	2,055	3,917

21. Share capital

	2020 £'000	2019 £'000
Allotted, called up and fully paid:		
Equity shares		
19,000,000 ordinary shares of £1 each	**19,000**	19,000

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

22. 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 the NatWest Group. Under the terms of the CSD, the Company may be required, if the conditions set forth in the CSD are met, to declare and make a distribution of cash to its members, repurchase or redeem its members' shares for cash, and/or undertake a reduction or other reorganisation of its capital in order to maximise its distributable profits available for undertaking such distribution or repurchase or redemption of shares. The amount of this obligation is limited to the Company's resources that comprise cleared, 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 due and repayable, such repayment being limited to the Company's available resources.

23. 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.

Group companies

At 30 September 2020

The Company's immediate parent was:	Lombard North Central Plc
The smallest consolidated accounts including the Company were prepared by:	Lombard North Central 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, RBS Gogarburn, PO Box 1000, Edinburgh EH12 1HQ.

24. Post balance sheet events

The Company paid an interim dividend of £200,000k to Lombard North Central Plc on the 12th November 2020 and a dividend of £4,100k was received from RBSSAF 8 Limited on 30th November 2020.