Company Registered No: 04439310

LOMBARD CORPORATE FINANCE (11) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 30 June 2018

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS:	S P Nixon K D Pereira
COMPANY SECRETARY:	RBS Secretarial Services Limited
REGISTERED OFFICE:	The Quadrangle The Promenade Cheltenham GL50 1PX
INDEPENDENT AUDITOR:	Ernst & Young LLP Statutory Auditor The Paragon Counterslip Bristol BS1 6BX

Registered in England and Wales

STRATEGIC REPORT

The directors of Lombard Corporate Finance (11) Limited ("the Company") present their annual report together with the audited financial statements for the year ended 30 June 2018.

ACTIVITIES AND BUSINESS REVIEW

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

The Company is a subsidiary of The Royal Bank of Scotland Group plc ("RBS") 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 report of the Royal Bank of Scotland Group plc reviews these matters on a group basis. Copies can be obtained from Corporate Governance and Regulatory Affairs, The Royal Bank of Scotland Group plc, Gogarburn, PO Box 1000, Edinburgh EH12 1HQ, the Registrar of Companies or at www.rbs.com.

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. In order to simplify intragroup deposits, borrowings and Cash-flow the rentals on the finance leases were accelerated on 15 November 2017 resulting in full settlement of the outstanding lease and repayment of the associated borrowings. Post balance sheet events are described in note 19 to the financial statements.

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

Turnover increased by £10,174,000 (2017: decreased by £726,000) and finance costs increased by £8,889,000 (2017: decreased by £730,000). The profit after tax for the year was £3,025,000 (2017: loss of £978,000). No dividends were paid during the year (2017: 6,250,000).

At the end of the year, the Balance Sheet showed total assets of £72,368,000 (2017: £200,937,000), including income-generating assets comprising leased assets of £61,318,000 (2017: £199,997,000), trade receivables of £3,149,000 (2017: £nil) and cash of £7,750,000 (2017: £940,000) together representing a decrease of 64%. Total shareholders' fund was £2,887,000 (2017: deficit of £138,000).

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 RBS Asset and Liability Management Committee (RBS ALCO).

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

The Company's assets mainly comprise finance lease receivables, loans receivable and cash at bank which would expose it to interest, credit, liquidity, operational and market risk except that the counterparties are group companies and credit risk is not considered significant.

STRATEGIC REPORT
PRINCIPAL RISKS 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 re-pricing maturities.

The Company manages interest rate risk by monitoring the consistency in the interest rate profile of its assets and liabilities, and limiting any re-pricing mismatches (see note 16).

Credit risk
The objective of credit risk management is to enable the Company to achieve appropriate risk versus reward performance 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 (see note 16).

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, 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; and
- 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.

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.

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.

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

S P Nixon
Director
Date: 27 March 2019

DIRECTORS' REPORT

The Strategic Report includes the activities and business review, financial performance and principal risks and uncertainties report.

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 July 2017 to date the following changes have taken place:

Directors	Appointed	Resigned
S J Caterer	-	31 August 2017
A P Johnson	-	31 July 2017
N J McDaid	-	31 July 2017
E Mayes	31 July 2017	6 March 2018
D G Harris	31 July 2017	8 January 2019
S J Roulston	21 September 2017	8 January 2019
I A Ellis	6 March 2018	8 January 2019
K D Pereira	8 January 2019	-
S P Nixon	8 January 2019	-

DIRECTORS' RESPONSIBILITIES STATEMENT

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

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

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

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

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.

AUDITOR

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

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

S P Nixon
Director
Date: 27 March 2019

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LOMBARD CORPORATE FINANCE (11) LIMITED

Opinion

We have audited the financial statements of Lombard Corporate Finance (11) Limited (the 'Company') for the year ended 30 June 2018 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 19, 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 30 June 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
- 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 LOMBARD CORPORATE FINANCE (11) 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 Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or Directors' Report.

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

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on page 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

Robin Enstone (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Bristol, United Kingdom
Date: 27/3/2019

PROFIT AND LOSS ACCOUNT
for the year ended 30 June 2018

Income from Continuing operations	**Notes**	**2018 £'000**	2017 £'000
Turnover	3	**19,343**	9,169
Operating income	4	**319**	373
Operating expenses	5	**(45)**	(43)
Operating profit		**19,617**	9,499
Finance income	6	**48**	8
Finance costs	7	**(17,319)**	(8,430)
Profit on ordinary activities before tax		**2,346**	1,077
Tax Credit/(charge)	8	**679**	(2,055)
Profit/(loss) and total comprehensive Income/(loss) for the year		**3,025**	(978)

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

BALANCE SHEET
as at 30 June 2018

	Notes	2018 £'000	2017 £'000
Non Current assets			
Investments in subsidiaries	10	**151**	-
Finance lease receivables	11	**49,979**	169,859
		50,130	169,859
Current assets			
Finance lease receivables	11	**11,339**	30,138
Trade and other receivables	12	**3,149**	-
Cash at bank		**7,750**	940
		22,238	31,078
Total assets		**72,368**	200,937
Current liabilities			
Borrowings	13	**15,202**	19,212
Current tax liabilities		**918**	1,982
Accruals, deferred income and other liabilities	14	**1,481**	1,703
		17,601	22,897
Non-current liabilities			
Borrowings	13	**38,871**	133,500
Deferred tax liability	15	**13,009**	44,678
		51,880	178,178
Total liabilities		**69,481**	201,075
Equity			
Called up share capital	17	-	-
Profit and loss account		**2,887**	(138)
Total equity		**2,887**	(138)
Total liabilities and equity		**72,368**	200,937

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 March 2019 and signed on its behalf by:

S P Nixon
Director

STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2018

	Note	Share capital £'000	Profit and loss account £'000	Total £'000
At 1 July 2016		-	7,090	7,090
Loss for the year		-	(978)	(978)
Dividends paid	9	-	(6,250)	(6,250)
At 30 June 2017		-	(138)	(138)
Profit for the year		-	**3,025**	**3,025**
At 30 June 2018		-	**2,887**	**2,887**

Total comprehensive income for the year of £3,025,000 (2017: loss of £978,000) was wholly attributable to the owners of the Company.

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

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies

a) Preparation and presentation of 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 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 meets the definition of a qualifying entity under FRS 100 Application of Financial Reporting Requirements issued by the Financial Reporting Council.

The Company is incorporated in the UK and registered in England and Wales and the financial statements are presented:
- in accordance with the Companies Act 2006:
- in Sterling which is the functional currency of the Company: and
- with the benefit of the disclosure exemptions permitted by FRS 101 with regard to:
    - cash-flow statement;
    - standards not yet effective; and
    - related party transactions;

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

There were no changes to IFRS that were effective from 1 July 2017 and would have had material effect on the Company's financial statements for the year ended 30 June 2018.

b) Revenue recognition
Turnover comprises income from finance leases, loans and other services and arises in the United Kingdom from continuing activities.

Finance lease income is allocated to accounting periods so as to give a constant periodic rate of return before tax on the net investment. Unguaranteed residual values are subject to regular review; if there is a reduction in the estimated unguaranteed residual value, income allocation is revised and any reduction in respect of amounts accrued is recognised immediately.

Interest income on financial assets that are classified as loans and receivables, available-for-sale or held-to-maturity and interest expense on financial liabilities other than those at fair value are determined using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability (or group of financial assets or liabilities) and of allocating the interest income or interest expense over the expected life of the asset or liability.

c) 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 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)

d) Taxation
Income tax expense or income, comprising current tax and deferred tax, is recorded in the Profit and Loss Account except income tax on items recognised outside profit or loss which is credited or charged to other comprehensive income or to equity as appropriate.

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

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

e) Leases
Contracts to lease assets are classified as finance leases if they transfer substantially all the risks and rewards of ownership of the asset to the customer; all other contracts with customers to lease assets are classified as operating leases.

Finance lease receivables are stated in the balance sheet at the amount of the net investment in the lease being the minimum lease payments and any unguaranteed residual value discounted at the interest rate implicit in the lease.

f) Financial assets
On initial recognition, financial assets are classified into loans and receivables.

Loans and receivables
Non-derivative financial assets with fixed or determinable repayments that are not quoted in an active market are classified as loans and receivables, except those that are classified as available-for-sale or as held-for-trading, or designated as at fair value through profit or loss. Loans and receivables are initially recognised at fair value plus directly related transaction costs. They are subsequently measured at amortised cost using the effective interest method less any impairment losses.

g) Impairment of financial assets
The Company assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets classified as held-to-maturity, available-for-sale or loans and receivables is impaired. A financial asset or portfolio of financial assets is impaired and an impairment loss incurred if there is objective evidence that an event or events since initial recognition of the asset have adversely affected the amount or timing of future cash flows from the asset.

h) Financial liabilities
On initial recognition financial liabilities are classified into amortised cost.

i) 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 IAS 39 "Financial Instruments: Recognition and Measurement".

A financial liability is removed from the Balance Sheet when the obligation is discharged, cancelled or expires.

NOTES TO THE FINANCIAL STATEMENTS

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 factors the directors consider most important to the portrayal of its financial condition are discussed below.

Leased assets
Judgement is required in the classification of a lease at inception and after any material amendment to assess whether substantially all the significant risks and rewards of ownership accrue to the lessor or the lessee.

3. Turnover

	2018 £'000	2017 £'000
Finance lease income:		
Rent receivable	179,857	27,278
Amortisation	(160,514)	(18,109)
	19,343	9,169

The Company did not enter into any new leasing transactions during the year (2017: £nil).

4. Operating income

	2018 £'000	2017 £'000
Fee income	319	373

5. Operating expenses

	2018 £'000	2017 £'000
Audit fees	5	5
Management fees	40	38
	45	43

Management fees includes the cost of staff and directors borne by other members of the group, none of which can be apportioned meaningfully in respect of services to the Company. Other charges are write off of trade receivables.

6. Finance income

	2018 £'000	2017 £'000
On loans receivable from group company	48	8

7. Finance costs

	2018 £'000	2017 £'000
Interest on loans from group company	4,589	8,430
Break costs	12,730	-
	17,319	8,430

Break costs represent the charge made by funding provider to early settle borrowings for leases included in the acceleration of cash flows under Project Hanger.

8. Tax

	2018 £'000	2017 £'000
Current tax:		
UK corporation tax charge for the year	**30,988**	3,956
Under provision in respect of prior periods	**2**	1
	30,990	3,957
Deferred tax:		
Credit for the year	**(31,669)**	(1,902)
Tax (credit)/charge for the year	**(679)**	2,055

Where appropriate current tax consists of sums payable or receivable for group relief.

The actual tax (credit)/charge differs from the expected tax charge/(credit) computed by applying the standard UK corporation tax rate of 19% (2017: blended rate of 19.75%) as follows:

	2018 £'000	2017 £'000
Expected tax charge	**446**	213
Non taxable items	**44**	166
Adjustments in respect of prior periods	**2**	1
Reduction in deferred tax following change in rate of UK corporation tax	**(1,171)**	1,675
Tax (credit)/charge for the year	**(679)**	2,055

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.

9. Ordinary dividends

	2018 £'000	2017 £'000
Interim dividend paid	**-**	6,250

10. Investments in subsidiaries

i) Subsidiaries

Investments in group companies are carried at cost less impairment. Movements during the year were as follows:

	2018 £'000	2017 £'000
At 1 July 2017	**-**	-
Additions	**151**	-
At 30 June 2018	**151**	-

10. Investments in subsidiaries and joint operations (continued)

The subsidiary undertakings of the Company are shown below. All subsidiaries are incorporated in the UK and registered in England and wales. All subsidiaries are owned 100% with 100% of the voting power held by the company.

Name of subsidiary	Accounting reference date	Principal activity
Desertlands Entertainment Limited	28 February	Leasing
Lombard Corporate finance (7) Limited	31 March	Leasing
Sandford Leasing Limited	31 March	Leasing
R.B. Leasing (April) Limited	30 April	Leasing
Lombard Corporate finance (10) Limited	30 June	Leasing
P of A Productions Limited	30 June	Leasing
RBSSAF (4) Limited	30 June	Leasing
Winchcombe Finance limited	30 June	Leasing
Lombard Corporate finance (15) Limited	30 September	Leasing
Lombard Corporate finance (14) Limited	30 September	Leasing
Price Productions Limited	30 September	Leasing
R.B. Leasing Company Limited	30 September	Leasing
Distant Planet Productions Limited	31 October	Leasing
Patalex V Productions Limited	31 October	Leasing
Patalex Productions Limited	31 October	Leasing
R.B. Equipment Leasing Limited	30 November	Leasing
Lombard Corporate finance (6) Limited	31 December	Leasing
R.B. Leasing (December) Limited	31 December	Leasing
RBSSAF (11) Limited	31 December	Leasing
RBSSAF (12) Limited	31 December	Leasing

The capital of the subsidiary undertaking consists of ordinary shares which are unlisted.

The registered office for all subsidiaries is The Quadrangle, The Promenade, Cheltenham, Gloucestershire, England GL50 1PX.

NOTES TO THE FINANCIAL STATEMENTS

11. Finance lease receivables

2018	Within 1 year £'000	Between 1 and 5 years £'000	After 5 years £'000	Total £'000
Future minimum lease payments	**11,817**	**57,996**	-	**69,813**
Unearned finance income	**(478)**	**(8,017)**	-	**(8,495)**
Present value of minimum lease payments receivable	**11,339**	**49,979**	-	**61,318**
2017				
Future minimum lease payments	31,380	154,106	46,862	232,348
Unearned finance income	(1,242)	(20,919)	(10,190)	(32,351)
Present value of minimum lease payments receivable	30,138	133,187	36,672	199,997

	2018 £'000	2017 £'000
Due within one year	**11,339**	30,138
Due after more than one year	**49,979**	169,859
	61,318	199,997

The Company has entered into various finance lease agreements. The average term of the finance lease entered into is 21 years (2017: 22 years). The Company and lessee have now agreed to accelerate the pre-existing terms of the one finance lease during the year.

The average effective interest rate in relation to finance lease agreements approximates 4.3% (2017: 4.2%).

12. Trade and other receivables

	2018 £'000	2017 £'000
Due within one year		
Trade receivables	**3,149**	-

13. Borrowings

	2018 £'000	2017 £'000
Loans from parent Royal Bank Leasing Ltd	-	152,712
Loans from fellow subsidiary	**54,073**	-
Current – on demand or within one year	**15,202**	19,212
Non-current:		
- between one and two years	**8,876**	22,248
- between two and five years	**29,995**	88,769
- After five years	-	22,483
	38,871	133,500

The Company has unsecured borrowing from group undertakings greater than five years of £nil (2017: £22,483,000) at fixed rates varying from 1.67% to 5.365%.

The repayment profile of the borrowings is disclosed in note 16(ii).

14. Accruals, deferred income and other liabilities

	2018 £'000	2017 £'000
Accruals	**216**	118
Deferred income	**1,265**	1,585
	1,481	1,703

15. Deferred tax

Deferred tax liability comprises:

	Capital allowances £'000	Other £'000	Total £'000
At 1 July 2016	46,515	65	46,580
Credit to profit and loss account	(1,888)	(14)	(1,902)
At 30 June 2017	44,627	51	44,678
Credit to profit and loss account	**(31,638)**	**(31)**	**(31,669)**
At 30 June 2018	**12,989**	**20**	**13,009**

16. Financial instruments and risk management

(i) Fair value of financial instruments not carried at fair value

Except as detailed in the following table, the directors consider that the carrying amounts of financial assets and financial liabilities recognised in the financial statements approximate to their fair values. Where the financial instruments are of short maturity, the carrying value is equal to the fair value.

Where the interest rates on finance lease have been fixed by way of an interest rate swap and long-term fixed funding in the parent company, the fair value has been calculated by adjusting the carrying value of the associated mark to market arising on the swap and long-term fixed funding.

The fair value of the borrowings is estimated by discounting future expected cash flows using current interest rates and making adjustments for own credit risk in relation to borrowings in the current year.

	2018 Carrying value £'000	2018 Fair value £'000	2017 Carrying value £'000	2017 Fair value £'000
Financial assets				
Finance lease receivables	**61,318**	**66,519**	199,997	223,415
Financial liabilities				
Borrowings	**54,073**	**58,405**	152,712	173,684

The financial assets and liabilities detailed in the table above fall within level 2 of the valuation methodologies, as set out below.

Financial assets and liabilities have been classified above according to a valuation hierarchy that reflects the valuation techniques used to determine fair value.

Level 1: valued by reference to unadjusted quoted prices in active markets for identical assets and liabilities

Level 2: valued by reference to observable market data, other than quoted market prices

Level 3: valuation is based on inputs other than observable market data

NOTES TO THE FINANCIAL STATEMENTS

16. Financial instruments and risk management (continued)

(ii) Financial risk management
The principal risks associated with the Company's businesses are as follows:

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

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

Finance lease receivables may be based on fixed and/or floating rates. These are funded primarily through balances owed to group undertakings. The re-pricing maturity profile of the financial assets of the Company may be different to that of the associated borrowings and hence give potential exposure to interest rate risk.

The interest profile of the Company's assets and liabilities is as follows:

2018	Fixed rate £'000	Variable rate £'000	Non-interest earning £'000	Total £'000
Financial assets				
Finance lease receivables	61,318	-	-	61,318
Trade and other receivables	-	-	3,149	3,149
Cash at bank	-	7750	-	7,750
	61,318	7,750	3,149	72,217
Financial liabilities				
Borrowings	54,073	-	-	54,073
Accruals and other liabilities	-	-	199	199
	54,073	-	199	54,272
Net financial assets/(liabilities)	7,245	7,750	2,950	17,945

2017	Fixed rate £'000	Variable rate £'000	Non-interest earning £'000	Total £'000
Financial assets				
Finance lease receivables	199,997	-	-	199,997
Cash at bank	-	940	-	940
	199,997	940	-	200,937
Financial liabilities				
Borrowings	152,712	-	-	152,712
Accruals and other liabilities	-	-	108	108
	152,712	-	108	152,820
Net financial assets/(liabilities)	47,285	940	(108)	48,117

Assuming that the balances receivable and/or payable at the balance sheet date were receivable and/or payable for the whole year, had interest rates been 0.5% higher and all other variables held constant, the Company's profit before tax for the year would have decreased by £1,000 (2017: £5,000). This is mainly due to the Company's exposure to interest rates on its variable rate cash balances. There would be no other impact on equity.

16. Financial instruments and risk management (continued)

(ii) Financial risk management (continued)

Credit risk
The table below provides details of credit exposures for those financial assets neither past due nor impaired:

Sector	No. of counterparties	**2018 £'000**	2017 £'000
Finance lease receivables-group company	1 (2017 :1)	**61,318**	199,997
Group company		**7,750**	940
		69,068	200,937
Amounts past due			
Less than one month		**3,149**	-
Maximum credit exposure		**72,217**	200,937

Based on counterparty payment history the Company considers all the above financial assets to be of good credit quality.

Financial liabilities
The following table shows by contractual maturity the undiscounted cash flows payable from the balance sheet date including future interest payments.

2018	**0-3 months £'000**	**3-12 months £'000**	**1-3 years £'000**	**3-5 years £'000**	**5-10 years £'000**
Borrowings	**7,118**	**10,439**	**22,675**	**21,327**	**-**
Accruals and other liabilities	**199**	**-**	**-**	**-**	**-**
	7,317	**10,439**	**22,675**	**21,327**	**-**

2017	0-3 months £'000	3-12 months £'000	1 - 3 years £'000	3-5 years £'000	5-10 years £'000
Borrowings	1,905	25,081	60,438	70,864	23,962
Accruals and other liabilities	108	-	-	-	-
	2,013	25,081	60,438	70,864	23,962

The Company's intra-Group liabilities may in certain circumstances become repayable on demand pursuant to the terms of the capital support deed (see note 18).

17. Share capital

	2018 £	2017 £
Authorised:		
434 Ordinary shares of £1 each	**434**	100
Allotted, called up and fully paid:		
Equity shares		
434 Ordinary shares of £1 each	**434**	2

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

18. 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.

Group companies

As at 30 June 2018

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

On 29 April 2018 The Royal Bank of Scotland plc changed its name to NatWest Markets 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.

Capital support deed
The Company, together with other members of the Royal Bank of Scotland group, is party to a capital support deed (CSD). Under the terms of the CSD, the Company may be required, if compatible with its legal obligations, to make distributions on, or repurchase or redeem, its ordinary shares. The amount of this obligation is limited to the Company's immediately accessible funds or assets, rights, facilities, or other resources that, using best efforts, are reasonably capable of being converted to cleared, immediately available funds (the Company's available resources). The CSD also provides that, in certain circumstances, funding received by the Company from other parties to the CSD becomes immediately repayable, such repayment being limited to the Company's available resources.

19. Post balance sheet events

On 31 October 2018 the company acquired the leases for Northumbrian Water and Eversholt Rail with respective net book values of £34.9m and £85.2m.