Company Registered No: 04439310

LOMBARD CORPORATE FINANCE (11) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 30 June 2020

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS:
S C Lowe
K D Pereira

COMPANY SECRETARY:
NatWest Markets Secretarial Services Limited

REGISTERED OFFICE:
250 Bishopsgate
London
England
EC2M 4AA

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

Registered in England and Wales

DIRECTORS' REPORT

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.

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 11 and 23 to the financial statements.

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

Turnover decreased by £6,540,000 (2019: £8,804,000) and finance costs decreased by £1,466,000 (2019: £11,226,000). The loss after tax for the year was £3,064,000 (2019: £8,346,000).

An interim dividend of £nil was paid during the year (2019: £nil).

At the end of the year, the balance sheet showed total assets of £202,399,000 (2019: £264,479,000), including income-generating assets comprising leased assets of £98,546,000 (2019: £208,637,000), trade receivables of £777,000 (2019: £15,312,000) and cash of £36,973,000 (2019: £5,946,000) together representing a decrease of 41%. Total shareholders' fund was £8,152,000 (2019: £11,216,000).

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 NWM group Asset and Liability Management Committee (NWM 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.

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. It also enters into various financial instruments (derivatives) to manage interest rate risk, further details of which are in accompanying note 16.

DIRECTORS' REPORT

Principal risks and uncertainties (continued)

Credit risk

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

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

- approval of all credit exposure is granted prior to any advance or extension of credit;
- an appropriate credit risk assessment of the customer and credit facilities is undertaken prior to approval of credit exposure. This includes a review of, amongst other things, the purpose of credit and sources of repayment, compliance with affordability tests, repayment history, capacity to repay, 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 NatWest 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.

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

Going concern

These financial statements are prepared on a going concern basis, see note 1 (a) on page 11.

DIRECTORS AND SECRETARY

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

There have been no changes to the directors and secretary since the last reporting period

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 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:

S C Lowe
Director
Date: 21 April 2021

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 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 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 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

Conclusions relating to going concern

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

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

Other information

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

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

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

Other information (continued)

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.

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;
- 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 requirements 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.

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

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.

DocuSigned by:
Ernst & Young LLP.
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Robin Enstone (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Bristol, United Kingdom
Date:
April 22, 2021 | 11:07:52 BST

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 June 2020

Income from continuing operations	Notes	2020 £'000	2019 £'000
Turnover	3	**3,999**	10,539
Operating income	4	**16,954**	459
Operating expenses	5	**(204)**	(66)
Impairment losses	6	**(1,070)**	(1)
Operating profit		**19,679**	10,931
Finance income	7	**1,089**	140
Other income	8	**5,419**	-
Other losses	9	**(2,836)**	(3,516)
Finance costs	10	**(4,627)**	(6,093)
Profit on ordinary activities before tax		**18,724**	1,462
Tax (charge)/credit	11	**(21,788)**	6,884
(Loss)/profit and total comprehensive (loss)/income for the year		**(3,064)**	8,346

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

BALANCE SHEET
as at 30 June 2020

	Notes	2020 £'000	2019 £'000
Non-current assets			
Investments in subsidiaries	12	51	151
Finance lease receivables	13	79,855	173,511
Loans receivable	14	45	138
Derivatives	16	-	248
		79,951	174,048
Current assets			
Finance lease receivables	13	18,691	35,126
Trade and other receivables	15	777	15,312
Loans receivable	14	62,830	28,993
Prepayments, accrued income and other assets	17	3,177	5,054
Cash at bank		36,973	5,946
		122,448	90,431
Total assets		202,399	264,479
Current liabilities			
Borrowings	18	25,244	53,248
Current tax liabilities		7,480	-
Trade and other payables	19	327	3,332
Accruals, deferred income and other liabilities	20	4,690	4,303
		37,741	60,883
Non-current liabilities			
Borrowings	18	99,466	137,345
Deferred tax liability	11	10,594	11,230
Derivatives	16	46,446	43,805
		156,506	192,380
Total liabilities		194,247	253,263
Equity			
Called up share capital	21	-	-
Profit and loss account		8,152	11,216
Total equity		8,152	11,216
Total liabilities and equity		202,399	264,479

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 21 April 2021 and signed on its behalf by:

S C Lowe
Director

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

	Share capital £'000	Profit and loss Account £'000	Total £'000
At 1 July 2018	-	2,887	2,887
Implementation of IFRS 9 on 1 July 2018	-	(17)	(17)
Profit for the year	-	8,346	8,346
At 30 June 2019	-	11,216	11,216
Loss for the year	-	**(3,064)**	**(3,064)**
At 30 June 2020	-	**8,152**	**8,152**

Total comprehensive loss for the year of £3,064,000 (2019: profit of £8,346,000) 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; In the first quarter of 2020, the World Health Organisation declared the Covid-19 outbreak to be a pandemic. Many governments, including the UK, have taken stringent measures to contain and/or delay the spread of the virus. Actions taken in response to the spread of Covid-19 have resulted in severe disruption to business operations and a significant increase in economic uncertainty, with more volatile asset prices and currency exchange rates, and a marked decline in long-term interest rates in developed economies.

  NatWest Markets Group (the "Group") has a well-developed business continuity plan which includes pandemic response, enabling the Group to quickly adapt to these unprecedented circumstances and continue as viable business.

  There remains significant uncertainty regarding the developments of the pandemic and the future economic recovery. The most likely expected financial impact is in respect of the Company's profitability, assets, operations and liquidity which management continues to monitor.

  Management continue to monitor further impacts on profitability, assets, operations, liquidity however, at this stage do not consider there to be any additional material issues for the Company.

  In assessing going concern, a Covid-19 impact analysis was performed across the NatWest Group. The directors have also considered the uncertainties associated with Covid-19 including the different ways in which this could impact the cash flows, capital, solvency and liquidity position of the Company and any mitigations management have within their control to implement. Based on this assessment, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and have prepared the financial statements 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 except both assets and liabilities for derivative financial instruments

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

The Company is incorporated in the UK and registered in England and Wales and the financial statements are presented:

- in accordance with the Companies Act 2006:
- in sterling which is the functional currency of the Company: and
- with the benefit of the disclosure exemptions permitted by FRS 101 with regard to:
  - comparative information in respect of certain assets;
  - cash-flow statement;
  - standards not yet effective;
  - related party transactions; and
  - disclosure requirements of IFRS 7 "Financial Instruments: Disclosure" and IFRS 13 "Fair Value Measurement".

1. Accounting policies (continued)

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 22.

The changes to IFRS that were effective from 1 July 2019 have had no material effect on the Company's Financial Statements for the year ended 30 June 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 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) Revenue recognition

Turnover comprises income from finance leases 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.

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 each service is performed. The price is usually fixed and always determinable.

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

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.

d) Taxation

Income tax expense or income, comprising current tax and deferred tax, is recorded in the Profit and Loss 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.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies (continued)

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

f) Leases
The Company has adopted IFRS 16 'Leases' with effect from 1 January 2019, replacing IAS 17 'Leases'. The Company has applied IFRS 16 on a modified retrospective basis.

As lessor

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

Loans to customers include 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. Interest receivable 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.

g) Derivatives
Derivative financial instruments are recognised initially, and subsequently measured, at fair value, with movements recognised in 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.

h) 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 (DFV), or to equity investments designated as at fair value through other comprehensive income (FVOCI). In all other instances, fair value through profit or loss (MFVTPL) 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.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies (continued)

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 ('FVOCI').

i) Impairment of financial assets
At 30 June 2020, each financial asset or portfolio of loans measured at amortised cost 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.

The costs of loss allowances on assets held at amortised cost are presented as impairments in the income statement. Financial assets are presented gross of allowances except where the asset has been wholly or partially written off which occurs when the Company concludes that there is no longer any realistic prospect of recovery of part or all of the financial asset

j) 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, 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.

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
At June 2020, the loan impairment provisions were established in accordance with IFRS 9. Accounting policy 1(i) 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.

Fair value of derivative instruments
The Company holds only non-hedged derivative financial instruments. 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.

NOTES TO THE FINANCIAL STATEMENTS

3. Turnover

	2020 £'000	2019 £'000
Finance lease income:		
Rent receivable	**17,694**	23,071
Amortisation	**(13,976)**	(11,703)
Contingent rental income/(expense)	**281**	(829)
	3,999	10,539

4. Operating income

	2020 £'000	2019 £'000
Profit on disposal of leases	**16,386**	-
Fee income	**270**	294
Other income	**298**	165
	16,954	459

5. Operating expenses

	2020 £'000	2019 £'000
Audit fees	**31**	49
Impairment of subsidiary company	**100**	-
Management fees	**69**	16
Other charges	**4**	1
	204	66

Management fees include 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.

6. Impairment losses

	2020 £'000	2019 £'000
Impairment losses on finance leases	**202**	1
Write off of terminated leases	**868**	-
	1,070	1

7. Finance income

	2020 £'000	2019 £'000
On loans receivable from group company	**643**	149
Instalment credit	**(2)**	(9)
Break gains	**448**	-
	1,089	140

Break gain represents a refund of costs associated with film finance re-organisation from Royal Bank Leasing Limited.

NOTES TO THE FINANCIAL STATEMENTS

8. Other income

	2020 £'000	2019 £'000
Dividend income from subsidiaries	**5,419**	-

9. Other losses

	2020 £'000	2019 £'000
Loss from movement in fair value of non-hedge derivatives	**2,836**	3,516

10. Finance costs

	2020 £'000	2019 £'000
Interest on borrowings and derivatives from group companies	**4,408**	6,093
Break cost	**219**	-
	4,627	6,093

Break costs represents charge made by funding provider to early settled borrowings related to disposal of lease.

11. Tax

	2020 £'000	2019 £'000
Current tax:		
UK corporation tax charge for the year	**22,416**	1,938
Under/(over) provision in respect of prior periods	**8**	(7,046)
	22,424	(5,108)
Deferred tax:		
Credit for the year	**(637)**	(1,776)
Under provision in respect of prior periods	**1**	-
	(636)	(1,776)
Tax charge/(credit) for the year	**21,788**	(6,884)

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% (2019: 19%) as follows:

	2020 £'000	2019 £'000
Expected tax charge	**3,558**	278
Non-deductible items	**59**	-
Non-taxable items	**(1,029)**	45
IAS 12 initial recognition exemption	**17,938**	(79)
Deferred tax impact of change in rate of UK corporation tax	**1,253**	(82)
Adjustments in respect of prior periods	**9**	(7,046)
Tax charge/(credit) for the year	**21,788**	(6,884)

NOTES TO THE FINANCIAL STATEMENTS

11. Tax (continued)

Deferred tax

Deferred tax liability comprises:

	Capital allowances £'000	Other £'000	Total £'000
At 1 July 2018	12,989	20	13,009
Credit to profit and loss account	(1,761)	(15)	(1,776)
Implementation of IFRS 9 on 1 July 2018	(3)	-	(3)
At 30 June 2019	11,225	5	11,230
Charge/(credit) to profit and loss account	**(639)**	**3**	**(636)**
At 30 June 2020	**10,586**	**8**	**10,594**

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 balance 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 has not yet been substantively enacted. As a result, existing temporary differences on which deferred tax has been provided may unwind in periods subject to the 19%/25% rates. The impact of the post balance sheet date change is expected to result in an increase to the company's deferred tax liability of £1,206,000 and a corresponding reduction to the company's equity.

12. Investments in subsidiaries

i) Subsidiaries

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

	2020 £'000	2019 £'000
At 1 July 2019	**151**	151
Impairments	**(100)**	-
At 30 June 2020	**51**	151

During the year the Company received dividends from subsidiaries as reported in note 8. An impairment review was performed indicating an impairment of £51k for R.B. Leasing (December) Limited and £49k for R.B. Leasing Company Limited. R.B. Leasing (December) Limited are in the final stages of winding up.

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.

12. Investments in subsidiaries (continued)

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
P of A Productions Limited	30 June	Leasing
Winchcombe Finance limited	30 June	Leasing
Lombard Corporate Finance (15) Limited	30 September	Leasing
Lombard Corporate Finance (6) Limited	31 December	Leasing
Price Productions 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
R.B. Leasing (December) Limited	31 December	Leasing
R.B. Leasing Company Limited	30 September	Leasing
RBSSAF (12) Limited	31 December	Leasing

The registered office for all subsidiaries is 250, Bishopsgate, London, EC2M 4AA, England.

13. Finance lease receivables

	2020 £'000
Amounts included in income statement for finance leases	
Finance income on the net investment in leases	3,718
Income relating to variable lease payments not included in measurement to net investment in lease	281
Selling profit	16,386
	20,385

Amount receivable under finance lease	2020 £'000
Within 1 year	19,592
1 to 2 years	20,142
2 to 3 years	21,076
3 to 4 years	4,637
4 to 5 years	4,461
After 5 years	54,892
Lease payments total	124,800
Unearned income	(26,030)
Present value of lease payments	98,770
Impairments	(224)
Net investment in financial leases	98,546

NOTES TO THE FINANCIAL STATEMENTS

13. Finance lease receivables (continued)

2019	Within 1 Years £'000	Between 1 and 5 Years £'000	After 5 years £'000	Total £'000
Future minimum lease payments	35,748	162,808	41,971	240,527
Unearned finance income	(600)	(14,435)	(16,833)	(31,868)
Impairment provisions	(22)	-	-	(22)
Present value of minimum lease payments receivable	35,126	148,373	25,138	208,637

	2020 £'000	2019 £'000
Due within one year	**18,691**	35,126
Due after more than one year	**79,855**	173,511
	98,546	208,637

The Company entered into various finance lease agreements. The remaining leases have an average term of 22 years (2019: 22 years).

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

The average effective interest rate in relation to finance lease agreements approximates 4.1% (2019: 4.2%).

14. Loans receivable

	2020 £'000	2019 £'000
Due within one year		
Loans to parent NatWest Markets Plc	**62,698**	797
Loans to fellow subsidiary	**-**	27,994
Net investment in instalment credit	**132**	202
	62,830	28,993
Due after more than one year		
Net investment in instalment credit	**45**	138
	62,875	29,131

15. Trade and other receivables

	2020 £'000	2019 £'000
Due within one year		
Trade receivables	**9**	3,413
Payable due from RBSSAF (2) Limited	**-**	11,791
Other receivables	**768**	108
	777	15,312

NOTES TO THE FINANCIAL STATEMENTS

16. Derivatives

The Company enters into various financial instruments (derivatives) as principal to manage 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:

	2020 £'000	2019 £'000
Notional principle amounts		
Interest rate swaps	**(46,446)**	(43,557)

Fair value	**Asset 2020**	**Liability 2020**	Asset 2019	Liability 2019
Interest rate swaps	**-**	**(46,446)**	248	(43,805)

Maturity analysis	**Asset 2020**	**Liability 2020**	Asset 2019	Liability 2019
Non-current				
Interest rate swaps	**-**	**(46,446)**	248	(43,805)

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."

17. Prepayments, accrued income and other assets

	2020 £'000	2019 £'000
Accrued income	**3**	12
Accrued income- External party	**3,174**	-
Group relief receivable from group company	**-**	5,042
	3,177	5,054

18. Borrowings

	2020 £'000	2019 £'000
Loans from parent NatWest Markets Plc	**124,710**	158,199
Loans from fellow subsidiary	**-**	32,394

NOTES TO THE FINANCIAL STATEMENTS

18. Borrowings (Continued)

Current – on demand or within one year	**25,244**	53,248
Non-current:		
- between one and two years	**60,852**	10,745
- between two and five years	**13,501**	101,459
- After five years	**25,113**	25,141
	99,466	137,345

The Company has unsecured borrowing from group undertakings greater than five years of £25,113,000 (2019: £25,141,000) at fixed rates varying from 1.39% to 6.63%.

19. Trade and other payables

	2020 £'000	2019 £'000
Value added tax payable	**245**	-
Other payables	**-**	1,270
Other payables due to Royal Bank Leasing Limited	**82**	2,062
	327	3,332

20. Accruals, deferred income and other liabilities

	2020 £'000	2019 £'000
Accruals	**4,236**	2,960
Deferred income	**454**	882
Other liabilities	**-**	461
	4,690	4,303

21. Share capital

	2020 £	2019 £
Authorised:		
434 Ordinary shares of £1 each	**434**	434
Allotted, called up and fully paid:		
Equity shares		
434 Ordinary shares of £1 each	**434**	434

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

22. Related parties

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

22. Related parties (continued)

Group companies

As at 30 June 2020

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

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

On 22 July 2020 The Royal Bank of Scotland Group plc changed its name to NatWest Group plc.

23. Post balance sheet events

Sandford Leasing Limited was dissolved on 29 September 2020 and R.B. Leasing (December) Limited was dissolved on 13 October 2020.

24. Contingent Liabilities

The Company, together with certain other subsidiaries of "NatWest Markets Plc", is party to a capital support deed (CSD) relevant to NatWest Markets Group. Under the terms of the CSD, the Company may be required, if compatible with its legal obligations, to make distributions on, or repurchase or redeem, its ordinary shares. The amount of this obligation is limited to the Company's immediately accessible funds or assets, rights, facilities or other resources that, using best efforts, are reasonably capable of being converted to cleared, immediately available funds (the Company's available resources) together with any amounts distributed to it by its subsidiaries pursuant to the CSD. 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.