Company Registered No: 10411077

ESME LOANS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2021

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS:

G J Stenner
R J Yeoman

COMPANY SECRETARY:

NatWest Group Secretarial Services Limited

REGISTERED OFFICE:

250 Bishopsgate
London
England
EC2M 4AA

INDEPENDENT AUDITOR:

Ernst & Young LLP
25 Churchill Place
Canary Wharf
London
E14 5EY

Registered in England and Wales

DIRECTORS' REPORT

The directors of ESME Loans Limited ("the Company") present their annual report together with the audited financial statements for the year ended 31 December 2021.

ACTIVITIES AND BUSINESS REVIEW

The Directors' report has been prepared in accordance with the provisions applicable to companies entitled to the small companies' exemption and therefore does not include a Strategic report.

Activity

The principal activity of the Company was the provision of flexible unsecured loans up to £250k to UK SME customers via a fully digital lending platform and over a 1 to 5 year repayment period.

The Company is a subsidiary of NatWest Group 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. A copy of the NatWest Group annual report is available at www.natwestgroup.com and on Companies House website. A copy can also be requested from Legal, Governance and Regulatory Affairs, NatWest Group, Gogarburn, Edinburgh, PO Box 1000, EH12 1HQ.

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

Review of the year

Business review

The directors are satisfied with the Company's performance in the year. The Company ceased issuing new loans in February 2021. The NatWest Group's Acquisitions and Disposals Committee agreed to proceed with portfolio sale discussions in August 2021 and the loan portfolio was sold to an external counterparty, Asset Linked Capital (No. 7) Limited, a company incorporated in the UK. The loan sales agreement was signed on 7 October 2021 with a completion date of 17 December 2021. The Company would continue to service the loan up to 17 December 2021. Currently it is holding cash in an escrow account until 31 December 2022 to meet its obligatory requirements.

On 1st July 2022 the company received a capital contribution of £2.5m from National Westminster Bank Plc to remove the negative equity position.

Financial performance

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

Income decreased by £2,540k (2020: grew by £2,833k) and operating expenses decreased by £5,271k (2020: decreased by £113k). After impairment reversal of £3,298k resulting from the sale (2020: loss of £6,375k), the loss after tax for the year was £4,436k (2020: £10,341k), a decrease of 57% compared with 2020.

No dividend was paid during the year (2020: £nil).

At the end of the year, the balance sheet showed total assets of £69,032k (2020: £99,890k). Total shareholders' funds were negative £1,993k (2020: positive £2,443k).

New loans of £288k were issued between December 2020 and February 2021.

DIRECTORS' REPORT

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 NatWest Group Asset and Liability Management Committee.

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

The principal risks associated with the Company are as follows:

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 to interest rate.

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 is the risk that companies, financial institutions, individuals and other counterparties will be unable to meet their obligations to the Company.

Credit risk is not considered to be significant and no amounts are past due from NatWest Group.

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.

The Company manages its liquidity risk by having access to Group funding.

Basis of preparation
These financial statements are prepared on other than going concern basis, see note 1(a) on page 11.

DIRECTORS AND SECRETARY

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

From 1 January 2021 to date the following changes have taken place:

	Appointed	Resigned
Directors		
S C Johnstone	-	14 January 2022
R C Kerton	-	10 February 2022
G J Stenner	24 January 2022	-
R J Yeoman	14 January 2022	-

DIRECTORS' REPORT

DIRECTORS' RESPONSIBILITIES STATEMENT

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

Company law requires the directors to prepare a Directors' report and financial statements for each financial year. Under that law, the directors have elected to prepare the financial statements in accordance with Financial Reporting Standard (FRS) 101 Reduced Disclosure Framework, and must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs at the end of the year and the profit or loss of the Company for that 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. For the reason stated in Note 1 a), the financial statements have been prepared on a basis other than 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.

G J Stenner
Director
Date: 30 September 2022

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

Opinion

We have audited the financial statements of ESME Loans Limited (the 'Company') for the year ended 31 December 2021 which comprise the Statement of Comprehensive Income, 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 31 December 2021 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. 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.

Emphasis of Matter – financial statements prepared on a basis other than going concern

We draw attention to Note 1 a) to the financial statements which explains that the directors intend to wind up the Company and therefore do not consider it to be appropriate to adopt the going concern basis of accounting in preparing the financial statements. Accordingly, the financial statements have been prepared on a basis other than going concern as described in Note 1 a). Our opinion is not modified in respect of this matter.

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 contained within the annual report.

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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are as laid down by Financial Reporting standard FRS 101-Reduced Disclosure Framework, Companies Act 2006 and UK tax legislation (governed by HM Revenue and Customs).

- We understood how the Company is complying with those frameworks by making inquiries of management and those charged with governance. We also reviewed minutes of the meetings of board of directors and gained an understanding of the Company's governance framework.

- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur considering the controls that the Company has established to address fraud risks identified, or that otherwise seek to prevent, deter or detect fraud. With regards to the ability of management to override controls, with specific reference to operating expenses, we have performed a combination of substantive analytical procedures and test of details to verify the completeness and occurrence of the expenses recorded by the Company. In addition, we tested the appropriateness of journal entries recorded in the general ledger and evaluated the business rationale for significant and/or unusual transactions. We verified that the selected journals were supported by appropriate documentation and adequately authorised.

- Based on this understanding we designed our audit procedures to identify noncompliance with laws and regulations. Our procedures involved review of minutes of the meetings held by the board of directors, inquiries of key management and those charged with governance, and the performance of journal entry testing to address the risk of management override of controls. We focused on journals indicating material or unusual transactions based on our understanding of the business. We also reviewed the financial statements to ensure compliance with the reporting requirements of the Company.

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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David Gonnelli (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London, United Kingdom
Date:
30 September 2022 | 11:52:58 BST

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2021

Income from discontinued operations	Note	2021 £'000	2020 £'000
Interest receivable		**4,013**	6,995
Interest payable		**(464)**	(726)
Net interest income	**3**	**3,549**	6,269
Fees and commissions receivable		**240**	7
Fees and commissions payable		**18**	-
Dealing profits		**-**	1
Other operating (losses)/income		**(59)**	11
Non interest (losses)/income		**199**	19
Total income		**3,748**	6,288
Operating expenses	**4**	**(7,383)**	(12,654)
Operating loss before impairment gain/loss		**(3,635)**	(6,366)
Impairment reversal of losses/(losses)	**5**	**3,298**	(6,375)
Loss on sale of loan portfolio	**6**	**(5,105)**	-
Loss before tax		**(5,442)**	(12,741)
Tax credit	**7**	**1,006**	2,400
Loss and total comprehensive loss for the year		**(4,436)**	(10,341)

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

BALANCE SHEET
as at 31 December 2021

	Note	2021 £'000	2020 £'000
Non-current assets			
Property, plant & equipment	8	-	88
Loans to customers	9	-	31,370
		-	31,458
Current assets			
Loans to customers	9	-	39,629
Current tax asset		1,592	2,388
Deferred tax asset	7	-	8
Prepayments, accrued income and other assets	10	-	634
Cash at bank	11	67,440	25,773
		69,032	68,432
Total assets		69,032	99,890
Current liabilities			
Provision for redundancy cost	14	824	-
Amounts due to group companies	12	68,562	47,462
Accruals, deferred income and other liabilities	13	1,639	703
		71,025	48,165
Non-current liabilities			
Amounts due to group companies	12	-	49,282
		-	49,282
Total liabilities		71,025	97,447
Equity			
Share capital	15	-	-
Capital contribution		31,200	31,200
Retained earnings and losses		(33,193)	(28,757)
Total equity		(1,993)	2,443
Total liabilities and equity		69,032	99,890

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

The financial statements were approved by the Board of Directors on 30 September 2022 and signed on its behalf by:

G J Stenner
Director

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2021

	Share capital £'000	Capital contribution £'000	Retained earnings £'000	Total £'000
At 1 January 2020	-	19,000	(18,416)	584
Capital contribution	-	12,200	-	12,200
Loss for the year	-	-	(10,341)	(10,341)
At 1 January 2021	**-**	**31,200**	**(28,757)**	**2,443**
Loss for the year	-	-	**(4,436)**	**(4,436)**
At 31 December 2021	**-**	**31,200**	**(33,193)**	**(1,993)**

Total comprehensive loss for the year of £4,436k (2020: £10,341k) 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 other than going concern basis and under Financial Reporting Standard (FRS) 101 *Reduced Disclosure Framework;* and
- on the historical cost basis.

The directors, having regard to their intention to wind up the Company within the next 12 months, have prepared the accounts on a basis other than as a going concern. The directors do not consider that this basis affects the measurement of the assets or the liabilities of the Company. The costs of winding up will be borne by other NatWest Group companies.

The directors have considered the impact of Covid-19 on the Company and given the decision to wind down the business within the next 12 months, the directors do not consider that the Covid-19 pandemic will have a material impact on the Company in the future.

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;
- with the benefit of the disclosure exemptions permitted by FRS 101 with regard to:
  - cash-flow statement;
  - standards not yet effective;
  - related party transactions;
  - certain disclosures from IFRS 15 "Revenue from Contracts with Customers" and IFRS 16 "Leases"; and
  - disclosure requirements of IFRS 7 "Financial Instruments: Disclosures" 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 18.

The changes to IFRS that were effective from 1 January 2021 have had no material effect on the Company's financial statements for the year ended 31 December 2021.

b) Revenue recognition

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.

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

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.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies (continued)

c) Taxation

Tax encompassing 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, other comprehensive income or in equity. Provision is made for current tax at rates enacted or substantively enacted at the balance sheet date.

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

d) Property, plant and equipment

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

The depreciable amount is the cost of an asset less its residual value. Land is not depreciated. Depreciation is charged to profit or loss on a straight-line basis so as to write-off the depreciable amount of property, plant and equipment (including assets owned and let on operating leases) over their estimated useful lives:

Computer equipment– 5 years
Office equipment– 5 years

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

e) Impairment of property, plant and equipment

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

f) Financial instruments

All financial instruments are measured at fair value on initial recognition.

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

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.

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

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. 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.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies (continued)

f) Financial instruments (continued)
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 liabilities not subsequently measured at fair value are measured at amortised cost.

g) Impairment of financial assets
At each balance sheet date each financial asset or portfolio of loans measured at amortised cost or at fair value through other comprehensive income, issued financial guarantee and loan commitment is assessed for impairment. Any change in impairment is reported in the profit and loss account. Loss allowances are forward looking, based on 12 month expected credit losses (ECL) where there has not been a significant increase in credit risk rating, otherwise allowances are based on lifetime expected losses.

ECL 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. Following a significant increase in credit risk, ECL are adjusted from 12 months to lifetime. This will lead to a higher impairment charge.

On restructuring where a financial asset is not derecognised, the revised cash flows are used in re-estimating the credit loss. Where restructuring causes derecognition of the original financial asset, the fair value of the replacement asset is used as the closing cash flow of the original asset.

Where, in the course of the orderly realisation of a loan, it is exchanged for equity shares or property, the exchange is accounted for as the sale of the loan and the acquisition of equity securities or investment property. Where the Company's acquired interest is in equity shares, relevant policies for control, associates and joint ventures apply.

h) Derecognition
A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired or when it has been transferred and the transfer qualifies for derecognition in accordance with IFRS 9 "Financial Instruments".

A financial liability is removed from the balance sheet when the obligation is discharged, or cancelled, or expires.

i) Staff costs and redundancy payments
Staff costs, such as salaries, paid absences, redundancy payments and other benefits are recognised over the period in which the employees provide the related services to Company. Employees may receive variable compensation in cash, in deferred cash or debt instruments of NatWest Group or in ordinary shares of NatWest Group plc. NatWest Group operates a number of share-based compensation schemes under which it grants awards of NatWest Group plc shares and share options to its employees. Such awards are subject to vesting conditions. The treatment of share-based compensation is set out in accounting policies of NatWest Group plc accounts.

Provision is made for restructuring costs, including the costs of redundancy, when the Company has a constructive obligation. An obligation exists when the Company has a detailed formal plan for the restructuring and has raised a valid expectation in those affected either by starting to implement the plan or by announcing its main features.

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.

NOTES TO THE FINANCIAL STATEMENTS

2. Critical accounting policies and key sources of estimation uncertainty (continued)

Loan impairment provisions (before the derecognition of the financial assets connected to the sale)
At 31 December 2021, gross loans to customers totalled nil (2020: £79,098k) and customer loan impairment provisions amounted to nil (2020: £8,099k). A loan is impaired when there is objective evidence that the cash flows will not occur in the manner that had been expected when the loan was 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 forecasted macroeconomic measures.

3. Net interest income

	2021 £'000	2020 £'000
Interest receivable on loans to customers	4,013	6,995
Interest receivable	**4,013**	6,995
Interest payable to NatWest Group companies	(464)	(726)
Interest payable	**(464)**	(726)
Net interest income	**3,549**	6,269

4. Operating expenses

	2021 £'000	2020 £'000
Staff costs	5,503	5,309
Premises and equipment	1,616	3,696
Other operating expenses	188	3,596
Management fees	77	53
	7,383	12,654

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

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

	2021	2020
Front office	8	14
Support	8	12
Other	25	40
	41	66

Auditor's remuneration

	2021 £'000	2020 £'000
Auditor's remuneration – audit services	30	30

Fees payable to the Company's auditor and its associates for non-audit services to the Company are not required to be disclosed as the consolidated financial statements of the Company's parent disclose such fees on a consolidated basis.

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

NOTES TO THE FINANCIAL STATEMENTS

5. Impairment (reversal of losses)/losses

The following impairment (reversal of losses)/losses were recognised during the year

	2021 £'000	2020 £'000
Loans to customers	**(3,298)**	6,375

6. Loss on sale of loan portfolio

During the year the book of loans was sold to an external third party, Asset Linked Capital (No. 7) Limited.

7. Tax

	2021 £'000	2020 £'000
Current tax:		
UK Corporation tax credit for the year	**(1,011)**	(2,416)
(Over)/under provision in respect of prior periods	**(3)**	28
Tax credit for the year	**(1,014)**	(2,388)
Deferred tax:		
Charge for the year	**8**	15
Over provision in respect of prior periods	**-**	(27)
Tax credit for the year	**(1,006)**	(2,400)

The actual tax credit differs from the expected tax credit computed by applying the standard UK corporation tax rate of 19% (2020: 19%) as follows:

	2021 £'000	2020 £'000
Operating loss before tax	**(5,442)**	(12,741)
Expected tax credit	**(1,034)**	(2,421)
Expenses not deductible for tax purposes	**12**	23
Adjustment in deferred tax following change in rate of UK corporation tax	**-**	(3)
Movement in deferred tax not recognised	**8**	-
Transfer pricing adjustments	**11**	-
Adjustments in respect of prior periods	**(3)**	1
Actual tax credit for the year	**(1,006)**	(2,400)

The UK Corporation tax rate applicable to the company from 1 April 2020 is 19%.

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. Closing deferred tax assets and liabilities have therefore been recalculated taking into account this change of rate and the applicable period when the deferred tax assets and liabilities are expected to crystallise.

On 23 September 2022 the Chancellor of the Exchequer announced that the corporation tax rate will remain at 19% from 1 April 2023 rather than increasing to 25%. This announcement of the cancellation of the rate increase has not been enacted or substantively enacted and accordingly has no impact on tax balances at 31 December 2021.

As the company did not have any deferred tax balances, there is no impact on the financial statements for the period ended 31 December 2021.

7. Tax (continued)

Deferred Tax

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

	IFRS 9 transition £'000	Other £'000	Total £'000
At 1 January 2020	(14)	10	(4)
Credit to profit and loss	-	12	12
At 31 December 2020	(14)	22	8
Credit/(charge) to profit and loss	14	(22)	(8)
At 31 December 2021	**-**	**-**	**-**

The above is analysed as follows:

	2021 £'000	2020 £'000
Deferred tax assets	-	8

8. Property, plant and equipment

2021	**Computers and office equipment £'000**
Cost	
At 1 January	119
Disposals	(119)
At 31 December	-
Accumulated depreciation and impairment	
At 1 January	31
Depreciation charge for the year	(31)
At 31 December	-
Net book value	
At 31 December 2021	-
At 31 December 2020	88

9. Loans to customers

	2021 £'000	2020 £'000
Non-Current	-	31,370
Current	-	39,629
Loans and advances to customers	-	70,999

This amount relates to loans provided to UK SME customers.

10. Prepayments, accrued income and other assets

	2021 £'000	2020 £'000
Accrued income	-	632
Other assets	-	2
	-	634

11. Cash at bank

	2021 £'000	2020 £'000
Bank account with National Westminster Bank Plc	**67,440**	25,773

12. Amounts due to group companies

	2021 £'000	2020 £'000
NatWest Group Plc	**-**	(8)
NatWest Markets Plc	**956**	956
National Westminster Bank Plc	**67,606**	95,796
	68,562	96,744
Current	**68,562**	47,462
Non current	**-**	49,282
	68,562	96,744

13. *Accruals, deferred income and other liabilities*

	2021 £'000	2020 £'000
Accruals	**447**	703
Other liabilities	**1,192**	-
	1,639	703

14. Provision for redundancy cost

	2021 £'000	2020 £'000
At 1 January	**-**	-
Charge to income	**824**	-
At 31 December	**824**	-

This amount relates to current redundancy provisions.

15. *Share capital*

	2021 £	2020 £
Allotted, called up and fully paid:		
1 Ordinary share of £1	**1**	1

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

16. Capital resources

The Company's capital consists of equity comprising issued share capital, retained earnings and loans from NatWest Group undertakings. The Company is a member of NatWest Group plc group of companies which has regulatory disciplines over the use of capital. In the management of capital resources, the Company is governed by NatWest Group plc policy which is to maintain a strong capital base: it is not separately regulated. The NatWest Group has complied with the Prudential Regulation Authority's capital requirements throughout the year.

NOTES TO THE FINANCIAL STATEMENTS

17. Capital Expenditure

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

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

NatWest Group Companies

At 31 December 2021

The Company's immediate parent was:	National Westminster Bank Plc
The smallest consolidated accounts including the Company were prepared by:	
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, Gogarburn, PO Box 1000, Edinburgh EH12 1HQ.

19. Post balance sheet events

Subsequent to year end, liability amounting to £297k which relates to share-based compensation has been transferred to Natwest Group plc due to the Company now being reporting as other than going concern.

On 1st July 2022 the company received a capital contribution of £2.5m from National Westminster Bank Plc to remove the negative equity position.

There have been no further events subsequent to the balance sheet date which required adjustment or disclosure in the financial statements or notes therein.