

**Company Registered No: NI006915**

**LOMBARD & ULSTER LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**For the year ended 31 December 2016**

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**OFFICERS AND PROFESSIONAL ADVISORS**

**DIRECTORS:**

I J Isaac  
P S McCarthy  
J H Wood

**COMPANY SECRETARY:**

RBS Secretarial Services Limited

**REGISTERED OFFICE:**

11 – 16 Donegall Square East  
Belfast  
Co Antrim  
BT1 5HD

**INDEPENDENT AUDITOR:**

Ernst & Young LLP  
Statutory Auditor  
10 George Street  
Edinburgh  
EH2 2DZ

**Registered in Northern Ireland**

**DIRECTORS' REPORT**

The directors of Lombard & Ulster Limited ("the Company") present their annual report together with the audited financial statements for the year ended 31 December 2016.

**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.

**Principal activity**

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

**Business review**

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

**FINANCIAL PERFORMANCE**

The Company's financial performance is presented in the Profit and Loss Account on page 7. The operating profit before taxation for the year was £18,828,000 (2015: £18,133,000). The retained profit for the year was £18,812,000 (2015: £18,106,000). A dividend of £18,900,000 (2015: £18,000,000) was paid during the year.

At the end of the year total assets were £24,123,000 (2015: £24,169,000).

**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 currency, 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 Lombard North Central Plc. These are denominated in Sterling which is the functional currency and carry no significant financial risk other than interest rate risk.

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

The principal risks associated with the Company are as follows:

**Interest rate risk**

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

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

**Credit risk**

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

All loans and receivables are with the group undertaking. Although credit risk arises this is not considered to be significant and no amounts owed are past due.

## DIRECTORS' REPORT

### PRINCIPAL RISKS AND UNCERTAINTIES (continued)

#### Operational risk

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

#### GOING CONCERN

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 COMPANY SECRETARY

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

From 1 January 2016 to date the following changes have taken place:

	Appointed	Resigned
<b>Directors</b>		
J H Wood	28 June 2016	-
T D Crome	-	28 June 2016

#### 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 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 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:

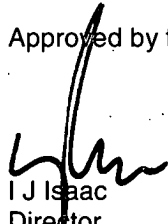
- so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken to make themselves aware of any relevant audit information, and to establish that the Company's auditor is aware of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

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

**INDEPENDENT AUDITOR**

Ernst & Young LLP was appointed as auditor on 25 April 2016 and has expressed its willingness to continue in office as auditor.

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



I J Isaac  
Director

Date: 20 June 2017

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

We have audited the financial statements of Lombard & Ulster Limited ('the Company') for the year ended 31 December 2016 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 14. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

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.

### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report and financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 'Reduced Disclosure Framework'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter 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.
- the Directors' Report have been prepared in accordance with applicable legal requirements.

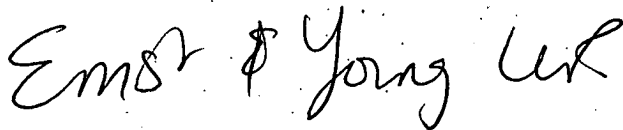
## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LOMBARD & ULSTER LIMITED

### Matters on which we are required to report by exception

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Directors' Report.

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

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



**Matt Philpott** (Senior Statutory Auditor)  
for and on behalf of Ernst & Young LLP,  
Edinburgh

23 June 2017



**PROFIT AND LOSS ACCOUNT**  
for the year ended 31 December 2016

	Notes	2016 £'000	2015 £'000
<b>Income from continuing operations</b>			
Operating income	3	2	7
<b>Operating profit</b>		<u>2</u>	<u>7</u>
Finance income	4	76	126
Other income	5	18,750	18,000
<b>Profit on ordinary activities before tax</b>		<u>18,828</u>	<u>18,133</u>
Tax charge	7	(16)	(27)
<b>Profit and total comprehensive income for the financial year</b>		<u>18,812</u>	<u>18,106</u>

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

The Company had no recognised income or expenses in the financial year or preceding financial year other than those dealt with in the Profit and Loss Account.

**BALANCE SHEET**

as at 31 December 2016

	Notes	2016 £'000	2015 £'000
<b>Fixed assets</b>			
Investments in subsidiaries	9	1,524	1,524
<b>Current assets</b>			
Loans receivable	10	21,911	21,881
Deferred tax asset	12	1	1
Prepayments, accrued income and other assets	11	-	108
Cash at banks		687	655
		<b>22,599</b>	<b>22,645</b>
<b>Total assets</b>		<b>24,123</b>	<b>24,169</b>
<b>Creditors: amounts falling due within one year</b>			
Group relief payable		42	-
<b>Total liabilities</b>		<b>42</b>	
<b>Equity: capital and reserves</b>			
Called up share capital	13	4,000	4,000
Profit and loss account		20,081	20,169
<b>Total shareholders' funds</b>		<b>24,081</b>	<b>24,169</b>
<b>Total liabilities and shareholders' funds</b>		<b>24,123</b>	<b>24,169</b>

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 20 June 2017 and signed on its behalf by:

  
I J Isaac  
Director

**STATEMENT OF CHANGES IN EQUITY**  
for the year ended 31 December 2016

	Notes	Share capital £'000	Profit and loss account £'000	Total £'000
<b>At 1 January 2015</b>		4,000	20,063	24,063
Profit for the year		-	18,106	18,106
Dividends paid	8	-	(18,000)	(18,000)
<b>At 31 December 2015</b>		4,000	20,169	24,169
Profit for the year		-	18,812	18,812
Dividends paid	8	-	(18,900)	(18,900)
<b>At 31 December 2016</b>		<b>4,000</b>	<b>20,081</b>	<b>24,081</b>

Total comprehensive income for the year of £18,812,000 (2015: £18,106,000) 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 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 Northern Ireland and the financial statements are presented:

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

Where required, equivalent disclosures are given in the group financial statements of The Royal Bank of Scotland Group plc, these financial statements are available to the public and can be obtained as set out in note 14.

The few changes to IFRS that were effective from 1 January 2016 have had no material effect on the Company's financial statements for the year ended 31 December 2016.

**b) Consolidated financial statements**

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

**c) Revenue recognition**

Interest income on financial assets that are classified as loans and receivables and interest expense on financial liabilities other than those at fair value through profit or loss 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. The effective interest rate is the rate that exactly discounts estimated future cash flows to the instrument's initial carrying amount. Calculation of the effective interest rate takes into account fees payable or receivable, that are an integral part of the instrument's yield, premiums or discounts on acquisition or issue, early redemption fees and transaction costs. All contractual terms of a financial instrument are considered when estimating future cash flows.

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

## 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) Investments in group undertakings

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

#### f) Financial assets

On initial recognition, financial assets are classified into held-to-maturity investments; held-for-trading; designated as at fair value through profit or loss; loans and receivables; or available-for-sale financial assets.

#### 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.

Other than derivatives, which are recognised and measured at fair value, all other financial liabilities are measured at amortised cost using the effective interest method.

#### 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. UK company law and IFRS require the directors, in preparing the Company's financial statements, to select suitable accounting policies, apply them consistently and make judgements and estimates that are reasonable and prudent. In the absence of an applicable standard or interpretation, IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors', requires management to develop and apply an accounting policy that results in relevant and reliable information in the light of the requirements and guidance in IFRS dealing with similar and related issues and the IASB's Framework for the Preparation and Presentation of Financial Statements. The judgements and assumptions involved in the Company's accounting policies that are considered by the directors to be the most important to the portrayal of its financial condition are discussed below. The use of estimates, assumptions or models that differ from those adopted by the Company would affect its reported results.

**Loan impairment provisions**

The Company's loan impairment provisions are established to recognise incurred impairment losses in its portfolio of loans classified as loans and receivables and carried at amortised cost. A loan is impaired when there is objective evidence that events since the loan was granted have affected expected cash flows from the loan. The impairment loss is the difference between the carrying value of the loan and the present value of estimated future cash flows at the loan's original effective interest rate.

**3. Operating income**

	2016 £'000	2015 £'000
Bad debt credit	2	8
Other charges	-	(1)
	<u>2</u>	<u>7</u>

**Staff costs, number of employees and directors' emoluments**

Although the Company recognises retirement benefit costs relating to employees, other employee costs are incurred by the immediate parent company, Lombard North Central PLC, and allocated together with the overheads by way of a management charge to the Company. The directors of the Company do not receive remuneration for specific services provided to the Company.

The average number of persons employed by the Company during the year was 4 (2015: 4).

**Management recharge**

Management fees payable amounting to £467 (2015: £494) is related to the Company's share of group resources such as the use of IT platforms, staff and a share of central resources. These were re-charged by Lombard North Central PLC.

**4. Finance income**

	2016 £'000	2015 £'000
On loans receivable:		
From group undertakings	<u>76</u>	<u>126</u>

NOTES TO THE FINANCIAL STATEMENTS

5. Other income

	2016 £'000	2015 £'000
Dividend income from subsidiaries	18,750	18,000

6. Auditor's Remuneration

There was no charge in either the current or prior year's financial statements for auditor's remuneration as the fees of £6,000 (2015: £6,000) were charged in the financial statements of Lombard North Central Plc.

7. Tax

	2016 £'000	2015 £'000
<b>Current tax:</b>		
UK corporation tax charge for the year	16	26
<b>Deferred tax:</b>		
Charge for the year	-	1
<b>Tax charge for the year</b>	<b>16</b>	<b>27</b>

The actual tax charge differs from the expected tax charge computed by applying the blended rate of UK corporation tax of 20% (2015: 20.25%) as follows:

	2016 £'000	2015 £'000
Expected tax charge	3,813	3,672
Non-taxable items	(3,797)	(3,645)
<b>Actual tax charge for the year</b>	<b>16</b>	<b>27</b>

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 20% with effect from 1 April 2015, 19% from 1 April 2017 and 17% with effect from 1 April 2020. The closing deferred tax assets and liabilities have been calculated taking into account that existing temporary differences may unwind in periods subject to the reduced rates.

8. Ordinary dividends

	2016 £'000	2015 £'000
Final dividend paid	18,900	18,000

NOTES TO THE FINANCIAL STATEMENTS

9. Investments in subsidiaries

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

	2016 £'000	2015 £'000
At 1 January and 31 December	1,524	1,524

The subsidiary undertakings of the Company are:

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

Accounting reference date: (1) 31 December, (2) 31 December

(1) The registered office is The Mill, High street, Rocester, England.

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

10. Loans receivable

	2016 £'000	2015 £'000
<b>Due within one year</b>		
Amounts owed by group undertakings	21,911	21,881

11. Prepayments, accrued income and other assets

	2016 £'000	2015 £'000
Group relief receivable from group undertakings	-	108

12. Deferred tax

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

	Capital allowances £'000
<b>At 1 January 2015</b>	2
Charge to income	(1)
<b>At 31 December 2015</b>	1
Charge to income	-
<b>At 31 December 2016</b>	1



## NOTES TO THE FINANCIAL STATEMENTS

## 13. Share capital

	2016 £'000	2015 £'000
<b>Authorised:</b>		
6,000,000 ordinary shares of £1	<u>6,000</u>	<u>6,000</u>
<b>Allotted, called up and fully paid:</b>		
Equity shares		
4,000,000 ordinary shares of £1	<u>4,000</u>	<u>4,000</u>

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

## 14. 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 Financial Investments Limited, a company it wholly-owns and as a result, the UK Government and UK Government controlled bodies are related parties of the Company.

The Company enters into transactions with these bodies on an arms' length basis; they include the payment of taxes including UK corporation tax and value added tax; together with transactions undertaken in the normal course of business.

## Group undertakings

The Company's immediate parent company is Lombard North Central plc, a company incorporated in UK and registered in England and Wales. As at 31 December 2016, The Royal Bank of Scotland plc heads the smallest group in which the Company is consolidated, a company incorporated in UK and registered in Scotland. Copies of the consolidated financial statements may be obtained from Corporate Governance and Regulatory affairs, The Royal Bank of Scotland Group plc, Gogarburn, PO Box 1000, Edinburgh, EH12 1HQ.

The Company's ultimate holding company is The Royal Bank of Scotland Group plc, a company incorporated in UK and registered in Scotland. As at 31 December 2016 The Royal Bank of Scotland Group plc heads the largest group in which the Company is consolidated. Copies of the consolidated financial statements may be obtained from Corporate Governance and Regulatory affairs, The Royal Bank of Scotland Group plc, Gogarburn, Edinburgh, EH12 1HQ.