Company Registered No: 01919512

LOMBARD VEHICLE MANAGEMENT (1) LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2013

RBS Secretariat
The Royal Bank of Scotland Group plc
PO Box 1000
Gogarburn
Edinburgh
EH12 1HQ

Mandatory iXBRL tags. This table must not be deleted

1	Company name	Tagged on cover page
2	Company registered number	Tagged on cover page
3	Period start date	1 January 2013
4	Period end date	31 December 2013
5	Balance Sheet date	31 December 2013
6	Dormant/non-dormant indicator	false
7	Trading/non-trading indicator	true
8	Profit or loss for the period	Tagged on Statement of Comprehensive Income
9	Name of director signing Directors' Report	Tagged on Directors' Report
10	Date of signing directors' Report	Tagged on Directors' Report
11	Name of director signing Balance Sheet	Tagged on Balance Sheet
12	Balance Sheet date of approval	XX XX 2014
13	Description of body authorising accounts	Board of Directors

DIRECTORS' REPORT AND FINANCIAL STATEMENTS 2013

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS:	N T J Clibbens A P Gadsby P A Murray
SECRETARY:	RBS Secretarial Services Limited
REGISTERED OFFICE:	135 Bishopsgate London EC2M 3UR
PRINCIPAL PLACE OF BUSINESS:	7 – 10 Brindleyplace Birmingham B1 2TZ
AUDITOR:	Deloitte LLP Four Brindleyplace Birmingham B1 2HZ

Registered in England and Wales

STRATEGIC REPORT

The directors present their report and the audited financial statements for the year ended 31 December 2013.

ACTIVITIES AND BUSINESS REVIEW

Activity

The principal activity of the Company was that of vehicle leasing.

The Company is a subsidiary of The Royal Bank of Scotland 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 The Royal Bank of Scotland Group plc review these matters on a group basis. Copies can be obtained from RBS Secretariat, RBS Gogarburn, Edinburgh, EH12 1HQ, the Registrar of Companies or through the group's website at www.rbs.com.

Review of the year

Business review

The Company has continued to progress a programme to dispose of various lease portfolios. These disposal groups meet the criteria to be classified as 'held for sale' in accordance with IFRS 5 'Non-current assets held for sale and discontinued operations'.

These assets reclassified to assets held for sale and assets held for distribution have all since been disposed. These disposals together with business as usual disposals have resulted in a position as at the date of signing whereby there are no assets remaining being leased to customers under finance lease nor operating lease arrangements. The Company ceased to trade in the year and is not expected to trade in the foreseeable future.

Financial performance

The Company's financial performance is presented in the statement of comprehensive income.

Income fell by £33,330,000 (2012: fell by £12,954,000), depreciation decreased by £20,119,000 (2012: decreased by £8,334,000) and other operating expenses decreased by £8,804,000 (2012: increased by £1,347,000). After finance costs of £364,000 (2012: £1,740,000), the profit before tax for the year was £1,192,000 (2012: £4,223,000), a decrease of 72% over 2012. A dividend of £4,950,000 was paid during the year (2012: £4,500,000).

At the end of the year, the balance sheet showed total assets of £430,000 (2012: £58,149,000), including income-generating assets comprising finance lease receivables nil (2012: £9,466,000) and assets held for use under operating leases nil (2012: £43,273,000). Total equity was £154,000 (2012: £4,252,000).

STRATEGIC REPORT (continued)

ACTIVITIES AND BUSINESS REVIEW (continued)

Principal risks and uncertainties

The Company is funded by facilities from other members of The Royal Bank of Scotland group.

The Company seeks to minimise its exposure to external financial risks other than equity and credit risk. Further information on financial risk management policies and exposures is disclosed in note 21. It also had exposure to asset risk on the residual value of property, plant and equipment.

Going concern

The Company ceased to trade in the current period and is not expected to trade in the foreseeable future. These events did not require the Company to remeasure, reclassify or adjust the settlement date of any assets or liabilities. IAS 1.25 'Presentation of Financial Statements' describes the preparation of financial statements in such circumstances as being other than on a going concern basis.

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 strategic report, directors' report and financial statements for each financial year and the directors have elected to prepare them in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union. Under company law the directors 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 for the financial year of the Company.

In preparing these financial statements, under International Accounting Standard 1, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions of the entity's financial position and performance; and
- make an assessment of the Company's ability to continue as a going concern.

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

STRATEGIC REPORT (continued)

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 director has 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.

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

P A Murray
Director
Date: ~~XX XX 2014~~
4/7/2014

DIRECTORS' REPORT

The Strategic report includes the review of the year, risk report and note of post balance sheet events.

CHANGE OF REGISTERED OFFICE

On 24 September 2013, the registered office of the Company changed from 3 Princess Way, Redhill, Surrey, RH1 1NP to 135 Bishopsgate, London, EC2M 3UR.

DIRECTORS AND SECRETARY

The present directors and secretary, who have served throughout the year except where noted below, are listed on page 2.

From 1 January 2013 to date the following changes have taken place:

Directors	**Appointed**	**Resigned**
S D Recaldin	-	31 March 2013
P A Murray	31 March 2013	-
A D Barnard	-	31 May 2013
A Gadsby	31 May 2013	-
D S Jones-Molyneux		3 March 2014
N T J Clibbens	3 March 2014	

AUDITOR

Deloitte LLP has expressed its willingness to continue in office as auditor.

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

P A Murray
Director
Date: ~~XX XX~~ 2014
4/7/2014

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LOMBARD VEHICLE MANAGEMENT (1) LIMITED

We have audited the financial statements of Lombard Vehicle Management (1) Limited ('the Company') for the year ended 31 December 2013 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity, the cash flow statement and the related notes 1 to 27. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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 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 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LOMBARD VEHICLE MANAGEMENT (1) LIMITED (continued)

Emphasis of matter – Financial statements prepared other than on a going concern basis

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements, which explains that the financial statements have been prepared on a basis other than that of a going concern.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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.

Matthew Perkins

Matthew Perkins (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Birmingham, United Kingdom
14 July 2014

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2013

Continuing operations	**Notes**	**2013** **£'000**	2012 £'000
Revenue	**3**	**7,558**	37,408
Depreciation of property, plant and equipment	**10**	**(2,440)**	(22,559)
Other operating income	**4**	**950**	4,430
Other operating expenses	**5**	**(4,512)**	(13,316)
Operating profit		**1,556**	5,963
Finance costs	**6**	**(364)**	(1,740)
Profit before tax	**8**	**1,192**	4,223
Tax charge	**9**	**(340)**	(185)
Profit and total comprehensive income for the year		**852**	4,038

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

BALANCE SHEET
as at 31 December 2013

	Notes	2013 £'000	2012 £'000
Non-current assets			
Property, plant and equipment	10	-	43,273
Finance lease receivables	11	-	187
		-	43,460
Current assets			
Finance lease receivables	11	-	9,279
Amounts owed by group undertakings	13	430	-
Trade and other receivables	14	-	2,494
Assets held for sale	15	-	2,915
Prepayments, accrued income and other assets	16	-	1
		430	14,689
Total assets		430	58,149
Current liabilities			
Borrowings from group undertakings	17	-	35,228
Trade and other payables	18	-	5,791
Current tax liabilities		276	3,474
Accruals, deferred income and other liabilities	19	-	3,586
Deferred tax liability	20	-	5,818
		276	53,897
Total liabilities		276	53,897
Equity			
Share capital	23	-	-
Retained earnings		154	4,252
Total equity		154	4,252
Total liabilities and equity		430	58,149

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

The financial statements were approved by the Board of Directors on XX XX 2014 and signed on its behalf by:

P A Murray
Director

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2013

	Share capital £'000	Retained earnings £'000	Total £'000
At 1 January 2012	-	4,714	4,714
Profit for the year	-	4,038	4,038
Dividends paid (note 7)	-	(4,500)	(4,500)
At 31 December 2012	-	4,252	4,252
Profit for the year	-	852	852
Dividends paid (note 7)	-	(4,950)	(4,950)
At 31 December 2013	**-**	**154**	**154**

Total comprehensive income for the year of £852,000 (2012: £4,038,000) was wholly attributable to the owners of the Company.

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

CASH FLOW STATEMENT
for the year ended 31 December 2013

	Notes	2013 £'000	2012 £'000
Operating activities			
Profit for the year before tax		**1,192**	4,223
Adjustments for:			
Depreciation	10	**2,440**	22,559
Loss on disposal of property, plant and equipment	8	**1,630**	1,891
Finance costs	6	**364**	1,740
Operating cash flows before movements in working capital		**5,626**	30,413
Decrease in finance lease receivables		**9,466**	(1,705)
Decrease in trade and other receivables		**2,494**	5,163
Decrease in prepayments, accrued income and other assets		**1**	27
Decrease in trade and other payables		**(5,791)**	(13,409)
Decrease in amounts owed to group undertakings		**(35,658)**	(74,154)
(Decrease)/increase in accruals, deferred income and other liabilities		**(3,586)**	1,885
Net cash from operating activities before tax		**(27,448)**	(51,780)
Group relief paid		**(9,356)**	(2,303)
Net cash flows from operating activities		**(36,804)**	(54,083)
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		**42,118**	64,861
Purchases of property, plant and equipment	10	**-**	(4,538)
Net cash flows used in investing activities		**42,118**	60,323
Cash flows from financing activities			
Dividends paid		**(4,950)**	(4,500)
Interest paid		**(364)**	(1,740)
Net cash flows used in financing activities		**(5,314)**	(6,240)
Net increase in cash and cash equivalents		**-**	-
Cash and cash equivalents at beginning of year		**-**	-
Cash and cash equivalents at end of year		**-**	-

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

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies

a. Presentation of accounts

The accounts are prepared in accordance with 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 European Union (EU) (together IFRS).

The accounts are prepared on the historical cost basis except as noted in the following policies.

The Company's financial statements are presented in sterling which is the functional currency of the Company.

The Company is incorporated in the UK and registered in England and Wales. The Company's accounts are presented in accordance with the Companies Act 2006.

The Company has ceased to trade during the period and is not expected to trade in the foreseeable future. These events did not require the Company to remeasure, reclassify or adjust the settlement date of any assets or liabilities. IAS 1.25 'Presentation of Financial Statements' describes the preparation of financial statements in such circumstances as being other than on a going concern basis.

Adoption of new and revised standards

There are a number of changes to IFRS that were effective from 1 January 2013. They have had no material effect on the Company's financial statements for the year ended 31 December 2013.

b. Revenue recognition

Revenue from finance leases and operating leases is recognised in accordance with the Company's policies on leases (see below). Revenue arose in the United Kingdom from discontinued activities.

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

Rental income from operating leases is recognised in the income statement on a straight-line basis over the lease term unless another systematic basis better represents the time pattern of the asset's use.

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

Fees in respect of services are recognised as the right to consideration accrues through the provisions of services to customers.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. Accounting policies (continued)

c. Taxation

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

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.

The depreciable amount is the cost of an asset less its residual value.

Estimated useful lives are as follows:

Assets held for use in operating leases – over the term of the lease

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 reporting 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. Assets held for sale

Assets held for sale are stated at the lower of cost less accumulated depreciation and any recognised impairment losses and net realisable value less costs to sell.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. Accounting policies (continued)

g. Leases

Contracts to lease assets are classified as finance leases if they transfer substantially all the risks and rewards of ownership of the asset to the customer. Other contracts to lease assets are classified as operating leases.

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

Operating lease assets are included within Property, plant and equipment and depreciated over their useful lives (see accounting policy d).

h. 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.

i. 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.

j. Financial liabilities

On initial recognition financial liabilities are classified into held-for-trading; designated as at fair value through profit or loss; or amortised cost.

Amortised cost

All financial liabilities are measured at amortised cost using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. Accounting policies (continued)

k. 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.

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

l. Cash and cash equivalents

In the cash flow statement, cash and cash equivalents comprises cash and demand deposits with banks together with short-term highly liquid investments that are readily convertible to known amounts of cash and subject to insignificant risk of change in value.

m. Accounting developments

No recent IASB announcements are expected to have a material effect on the Company's accounting policies or 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.

Impairment of residual values

The Company assesses objective evidence for impairment of residual values at each balance sheet date. An impairment loss is incurred and measured as the shortfall between the carrying value of the residual interest and the discounted value of the estimated future cash flows, including cash flows from guarantors.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. Revenue

	2013 £'000	2012 £'000
Finance lease income	**142**	627
Operating lease rental income	**7,281**	36,569
Other revenue	**135**	212
	7,558	37,408

4. Other operating income

	2013 £'000	2012 £'000
Service rental income	**805**	4,324
Other income	**145**	106
	950	4,430

5. Other operating expenses

	2013 £'000	2012 £'000
Commission payable	**4**	56
Bad debt charge	**96**	261
Loss/(profit) on disposal of property, plant and equipment	**1,630**	1,891
Management fees payable	**2,688**	6,378
Auditor's remuneration – audit services	**6**	6
Other charges	**88**	4,724
	4,512	13,316

Other charges include amounts of £506,000 (2012: £nil) arising from the release of provisions no longer required as a result of the cessation of trade.

Management fees payable

Management fees payable relate to the Company's share of group resources such as the use of IT platforms, staff and a share of central resources as well as a share of costs associated with the run-down of the Company, including redundancy costs. These are re-charged by Lombard North Central PLC and Lombard Vehicle Management Limited.

6. Finance costs

	2013 £'000	2012 £'000
Interest on loans from group undertakings	**364**	1,740

NOTES TO THE FINANCIAL STATEMENTS (continued)

7. Ordinary dividends

	2013 £'000	2012 £'000
Final dividend paid	**4,950**	4,500

8. Profit before tax

Profit before tax is stated after charging:

	2013 £'000	2012 £'000
Loss on disposal of property, plant and equipment	**1,630**	1,891
Auditor's remuneration:		
Fees payable to the Company's auditors for the audit of the Company's annual accounts	**6**	6

9. Tax

	2013 £'000	2012 £'000
Current taxation:		
UK corporation tax charge for the year	**6,158**	5,404
	6,158	5,404
Deferred taxation:		
Credit for the year	**(5,818)**	(5,219)
	(5,818)	(5,219)
Tax charge for the year	**340**	185

The actual tax charge differs from the expected tax charge computed by applying the blended rate of UK corporation tax of 23.3% (2012: 24.5%) as follows:

	2013 £'000	2012 £'000
Expected tax charge	**277**	1,035
Reduction in deferred tax liability following change in rate of UK Corporation Tax	**63**	(600)
Non-taxabale adjustments on transfer of trade	**-**	(250)
Actual tax charge for the year	**340**	185

In recent years the UK Government has steadily reduced the rate of UK corporation tax, with the latest rates substantively enacted in July 2013 now standing at 21% with effect from 1 April 2014 and 20% with effect from 1 April 2015. The closing deferred tax assets and liabilities have been calculated at 20% in accordance with the rates enacted at the balance sheet date.

Changes to UK tax rates and capital allowances announced up to 31 December 2013 are not expected to have a material effect on the Company.

NOTES TO THE FINANCIAL STATEMENTS (continued)

10. Property, plant and equipment

	Assets held for use in operating leases £'000
2013	
Cost	
1 January 2013	70,786
Additions	-
Assets held for sale	-
Disposals	(70,786)
31 December 2013	-
Accumulated depreciation and impairment	
1 January 2013	27,513
Depreciation charge	2,440
Assets held for sale	-
Disposals	(29,953)
31 December 2013	-
2012	
Cost	
1 January 2012	182,235
Additions	4,538
Assets held for sale	(7,503)
Disposals	(108,484)
31 December 2012	70,786
Accumulated depreciation and impairment	
1 January 2012	54,837
Depreciation charge	22,559
Assets held for sale	(4,588)
Disposals	(45,295)
31 December 2012	27,513
Net book value	
31 December 2013	-
31 December 2012	43,273

Security

No property, plant and equipment had been pledged as security for liabilities of the Company (2012: none).

NOTES TO THE FINANCIAL STATEMENTS (continued)

11. Finance lease receivables

	Within 1 year £'000	Between 1 and 5 years £'000	After 5 years £'000	Total £'000
2013				
Future minimum lease payments	-	-	-	-
Unguaranteed residual values	-	-	-	-
Unearned finance income	-	-	-	-
Other	-	-	-	-
Present value of minimum lease payments receivable	-	-	-	-
Impairment provisions	-	-	-	-
Carrying value	-	-	-	-
2012				
Future minimum lease payments	9,436	183	-	9,619
Unguaranteed residual values	411	15	-	426
Unearned finance income	(519)	(15)	-	(534)
Other	(6)	4	-	(2)
Present value of minimum lease payments receivable	9,322	187	-	9,509
Impairment provisions	(43)	-	-	(43)
~~Carrying value~~	9,279	187	-	9,466

	2013 £'000	2012 £'000
Current	-	9,279
Non-current	-	187
	-	9,466

During the year all the finance lease agreements have either matured or been disposed. There were no new finance lease agreements entered into during the year (2012: £9,024,000).

The average effective interest rate in relation to finance lease agreements approximated 6%.

There were no contingent rentals recognised as income in the year (2012: none).

NOTES TO THE FINANCIAL STATEMENTS (continued)

12. Operating lease arrangements

At the balance sheet date, the Company had contracted with customers for the following future minimum lease rentals receivable under non-cancellable operating leases:

	Within 1 year £'000	Between 1 and 5 years £'000	After 5 years £'000	Total £'000
2013	-	-	-	-
2012	11,331	7,652	-	18,983

Nature of operating lease assets in the balance sheet:	**2013 £'000**	2012 £'000
Cars and light commercial vehicles	-	43,273

13. Amounts owed by group undertakings

	2013 £'000	2012 £'000
Amount owed by group undertakings	**430**	-

14. Trade and other receivables

	2013 £'000	2012 £'000
Trade receivables	-	2,271
Value added tax recoverable	-	223
	-	2,494

15. Assets held for sale

	2013 £'000	2012 £'000
Stock awaiting sale	-	2,915

Stock comprised vehicles which had been returned from being leased to customers and not being re-leased. The Company was actively arranging for sale.

16. Prepayments, accrued income and other assets

	2013 £'000	2012 £'000
Accrued income	-	1

17. Borrowings from group undertakings

	2013 £'000	2012 £'000
Loans from group undertakings	-	35,228

18. Trade and other payables

	2013 £'000	2012 £'000
Trade creditors	-	5,781
Other payables	-	10
	-	5,791

19. Accruals, deferred income and other liabilities

	2013 £'000	2012 £'000
Accruals	-	3,586

20. Deferred tax

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

	Capital allowances £'000
At 1 January 2012	(11,037)
Credit to income	5,219
At 31 December 2012	(5,818)
Credit to income	5,818
At 31 December 2013	-

21. Financial instruments and risk management

(i) Categories of financial instruments

The following tables analyse the Company's financial assets and liabilities in accordance with the categories of financial instruments in IAS 39 "Financial Instruments, Recognition and Measurement". Assets and liabilities outside the scope of IAS 39 are shown separately.

2013	Loans and receivables £'000	At amortised cost £'000	Finance leases £'000	Non financial assets/ liabilities £'000	Total £'000
Assets					
Amounts owed by group undertakings	430	-	-	-	430
	430	-	-	-	430
Liabilities					
Current tax liabilities	-	-	-	276	276
	-	-	-	276	276
Equity					154
					430

2012	Loans and receivables £'000	At amortised cost £'000	Finance leases £'000	Non financial assets/ liabilities £'000	Total £'000
Assets					
Property, plant and equipment	-	-	-	43,273	43,273
Finance lease receivables	-	-	9,466	-	9,466
Trade and other receivables	2,271	-	-	223	2,494
Assets held for sale	-	-	-	2,915	2,915
Prepayments, accrued income and other assets	-	-	-	1	1
	2,271	-	9,466	46,412	58,149
Liabilities					
Borrowings from group undertakings	-	35,228	-	-	35,228
Trade and other payables	-	5,791	-	-	5,791
Current tax liabilities	-	-	-	3,474	3,474
Accruals, deferred income and other liabilities	-	-	-	3,586	3,586
Deferred tax liability	-	-	-	5,818	5,818
	-	41,019	-	12,878	53,897
Equity					4,252
					58,149

NOTES TO THE FINANCIAL STATEMENTS (continued)

21. Financial instruments and risk management (continued)

(i) Categories of financial instruments (continued)

Fair value

The fair value of financial instruments that are not carried at fair value on the balance sheet is considered not to be materially different to the carrying amounts.

(ii) Financial risk management

The principal risks associated with the Company's businesses 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 interest rate risk.

Interest rate risk

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

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

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

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

	Fixed rate £'000	Variable rate £'000	Non-interest earning £'000	Total £'000
2013				
Financial assets				
Amounts owed by group undertakings	-	430	-	430
	-	430	-	430
Financial liabilities	-	-	-	-
Net financial liabilities	-	430	-	430

NOTES TO THE FINANCIAL STATEMENTS (continued)

21. Financial instruments and risk management (continued)

(ii) Financial risk management (continued)

Interest rate risk (continued)

2012

Financial assets				
Finance lease receivables	9,466	-	-	9,466
Trade receivables	-	-	2,271	2,271
	9,466	-	2,271	11,737
Financial liabilities				
Borrowings from group undertakings	-	35,228	-	35,228
Trade payables	-	-	5,791	5,791
	-	35,228	5,791	41,019
Net financial liabilities	9,466	(35,228)	(3,520)	(29,282)

The sensitivity analysis below has been determined based on the exposure to interest rates at the balance sheet date. The analysis is prepared on the assumption that the balances receivable and/or payable at the balance sheet date were receivable and/or payable for the whole year.

If interest rates had been 0.5% higher and all other variables were held constant, the Company's profit before tax for the year would have increased by £2,000 (2012: profit before tax for the year would have decreased by £176,000). This is mainly due to the Company's exposure to interest rates on the variable rate amounts owed by/to group undertakings. There would be no other impact on equity.

Currency risk

The Company has no currency risk as all transactions and balances are denominated in sterling.

Credit risk

The objective of credit risk management is to enable the Company to achieve appropriate risk versus reward performance whilst maintaining credit risk exposure in line with approved appetite for the risk that customers will be unable to meet their obligations to the Company.

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

1. Approval of all credit exposure is granted prior to any advance or extension of credit.

2. 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

21. Financial instruments and risk management (continued)

(ii) Financial risk management (continued)

Credit risk (continued)

3. Credit risk authority is dictated 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.

4. 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.

Credit quality

The following table provides an analysis of the credit quality of third party financial assets and commitments based on the probability of default and represent the Company's maximum exposure to credit risk.

2013

	Finance lease £'000	Loans and receivables £'000	Total £'000
Probability of default			
0%-1%	-	430	430
1%-5%	-	-	-
5%-100%	-	-	-
Non–accrual	-	-	-
Impaired	-	-	-
Impairment provision	-	-	-
	-	430	430

2012

	Finance lease £'000	Loans and receivables £'000	Total £'000
Probability of default			
0%-1%	9,346	-	9,346
1%-5%	146	-	146
5%-100%	-	-	-
Non–accrual	-	2,198	2,198
Impaired	17	277	294
Impairment provision	(43)	(204)	(247)
	9,466	2,271	11,737

Probability of default is the likelihood that a customer will fail to make full and final repayment of credit obligations over a one year time horizon.

21. Financial instruments and risk management (continued)

(ii) Financial risk management (continued)

The following assets were past due at the balance sheet date but not considered impaired:

	1 – 29 days £'000	30 – 59 days £'000	60 – 89 days £'000	More than 90 days £'000	Total £'000
2013					
Trade receivables	-	-	-	-	-
2012					
Trade receivables	1,875	228	23	72	2,198

The Company had no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Liquidity risk

The Company has no material liquidity risk as it has no financial liabilities.

Financial liabilities

The Company's intra-group liabilities may in certain circumstances become repayable on demand pursuant to the terms of the capital support deed (see note 25 commitments and contingent liabilities).

Operational risk

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

22. Financial assets – impairments

The following table shows the movement in the provision for impairment of finance lease, trade and other receivables.

	2013 £'000	2012 £'000
At 1 January	**247**	398
Charge to income	**96**	261
Amounts written off	**(343)**	(412)
At 31 December	**-**	247

The following table shows the analysis of impaired individually and collectively assessed financial assets.

	2013			2012		
	Gross book value £'000	**Provision £'000**	**Net book value £'000**	Gross book value £'000	Provision £'000	Net book value £'000
Finance lease receivables	-	-	-	17	(8)	9
Trade and other receivables	-	-	-	277	(204)	73

23. Share capital

	2013 £	2012 £
Authorised:		
100 ordinary shares of 1	**100**	100
Allotted, called up and fully paid:		
Equity shares		
100 ordinary shares of £1	**100**	100

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

24. Capital resources

The Company's capital consists of equity comprising issued share capital and retained earnings. The Company is a member of The Royal Bank of Scotland group of companies which has regulatory disciplines over the use of capital. In the management of capital resources, the Company is governed by the group's policy which is to maintain a strong capital base: it is not separately regulated. The group has complied with the FSA's capital requirements throughout the year.

25. Commitment and contingent liabilities

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

26. 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. As at 31 December 2013 The Royal Bank of Scotland plc heads the smallest group in which the company is consolidated, a company incorporated in Great Britain and registered in Scotland. Copies of the consolidated accounts may be obtained from RBS Secretariat, The Royal Bank of Scotland Group plc, Gogarburn, 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 2013 The Royal Bank of Scotland Group plc heads the largest group in which the company is consolidated. Copies of the consolidated accounts may be obtained from RBS Secretariat, The Royal Bank of Scotland Group plc, Gogarburn, Edinburgh, EH12 1HQ.

Finance costs	**2013**	2012
	£'000	£'000
Fellow subsidiaries	**364**	1,740

Amounts owed by/(to) group undertakings	**2013**	2012
	£'000	£'000
Fellow subsidiaries	**430**	(35,228)

In the current year, property, plant and equipment with carrying value of £8,000 was sold to a fellow group undertaking for consideration of £8,000.

NOTES TO THE FINANCIAL STATEMENTS (continued)

26. Related Parties (continued)

In the previous year, finance lease receivables and property, plant and equipment with carrying values of £929,000 and £6,878,000 respectively were sold to a fellow group undertaking for total consideration of £7,535,000.

27. Post balance sheet events

There have been no significant events between the year end and the date of approval of these financial statements which would require a change to or disclosure in the financial statements.