Company Registered No: 02060602

LOMBARD LEASING CONTRACTS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

For the year ended 31 March 2013

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

DIRECTORS' REPORT AND FINANCIAL STATEMENTS 2013

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS:	S J Caterer J E Rogers P D J Sullivan R F Warren
SECRETARY:	RBS Secretarial Services Limited
REGISTERED OFFICE:	1 Princes Street London EC2R 8PB
AUDITOR:	Deloitte LLP 3 Rivergate Temple Quay Bristol BS1 6GD

Registered in England and Wales

DIRECTORS' REPORT

The dırectors present theır report and the audıted financıal statements for the year ended 31 March 2013

ACTIVITIES AND BUSINESS REVIEW

Activity
The pnncıpal actıvıty of the company contınues to be the provısıon of fixed asset finance usually ınvolvıng ındıvıdually structured facılıtıes

The company ıs a subsıdıary of The Royal Bank of Scotland Group plc whıch provıdes the company wıth dırectıon and access to all central resources ıt needs and determınes polıcıes ın all key areas such as finance, nsk, human resources or envıronment For thıs reason, the dırectors belıeve that performance ındıcators specıfic to the company are not necessary or appropnate for an understandıng of the development, performance or posıtıon of the busıness The annual reports of The Royal Bank of Scotland Group plc revıew these matters on a group basıs Copıes can be obtaıned from RBS Secretanat, RBS Gogarburn, Edınburgh, EH12 1HQ, the Regıstrar of Companıes or through the group's websıte at www rbs com

Review of the year

Business review
The dırectors are satısfied wıth the company's performance ın the year The company wıll be guıded by ıts shareholders ın seekıng further opportunıtıes for growth Post balance sheet events are descnbed ın note 24 to the financıal statements

Financial performance
The company's financıal performance ıs presented on pages 8 to 26

Income fell by £6,495,000 (2012 grew by £5,720,000) and finance costs fell by £3,513,000 (2012 £448,000) The profit for the year was £10,414,000 (2012 £28,647,000), a decrease of 64% over 2012 due to the release of a provısıon of £21,524,000 ın the prevıous year

A dıvıdend of £22,000,000 was approved on 21 December 2012 (2012 £9,500,000)

At the end of the year, the balance sheet showed total assets of £180,584,000 (2012 £183,536,000), ıncludıng ıncome-generatıng assets compnsıng property, plant and equıpment of net book value £163,130,000 (2012 £171,697,000), loan receıvables of £8,900,000 (2012 £nıl) and cash of £40,000 (2012 £22,000) together representıng an ıncrease of £351,000 Total equıty was £15,322,000 (2012 £26,908,000)

Principal risks and uncertainties
The company ıs funded by facılıtıes from The Royal Bank of Scotland plc

The company's financıal nsk management objectıves and polıcıes regardıng the use of financıal ınstruments are set out ın note 18 to these financıal statements

The company seeks to mınımıse ıts exposure to external financıal nsks other than equıty and credıt nsk, further ınformatıon on financıal nsk management polıcıes and exposures ıs dısclosed ın notes 1 and 18

Going concern
The dırectors, havıng a reasonable expectatıon that the company has adequate resources to contınue ın operatıonal exıstence for the foreseeable future, have prepared the financıal statements on a goıng concern basıs

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 April 2012 to date the following changes have taken place

	Appointed	Resigned
Secretary		
RBS Secretarial Services Limited	31 October 2012	
C J Down		31 October 2012

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 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 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
- 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

DIRECTORS' REPORT (continued)

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

Approved by the Board of Directors and signed on its behalf

R F Warren
Director
Date 30 August 2013

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LOMBARD LEASING CONTRACTS LIMITED

We have audited the financial statements of Lombard Leasing Contracts Limited ('the company') for the year ended 31 March 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 24 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 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 March 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

Opinion on other matter prescribed by the Companies Act 2006

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LOMBARD LEASING CONTRACTS LIMITED (continued)

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

Simon Cleveland

Simon Cleveland FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Bristol, United Kingdom
Date
2 September 2013

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 March 2013

Income from continuing operations	Notes	2013 £'000	2012 £'000
Revenue	3	22,910	29,405
Cost of sales	9	(8,567)	(11,352)
Operating income	4	-	21,724
Operating expenses	5	(758)	(216)
Operating profit		13,585	39,561
Finance costs	6	(1,973)	(5,486)
Profit before tax		11,612	34,075
Tax charge	7	(1,198)	(5,428)
Profit and total comprehensive income for the year		10,414	28,647

The accompanying notes form an integral part of these financial statements

LOMBARD LEASING CONTRACTS LIMITED 02060602

BALANCE SHEET
as at 31 March 2013

	Notes	2013 £'000	2012 £'000
Assets			
Non-current assets			
Property, plant and equipment	9	163,130	171,697
Current assets			
Loan receivables	11	8,900	-
Trade and other receivables	12	8,507	4,002
Prepayments, accrued income and other assets	13	7	7,815
Cash		40	22
		17,454	11,839
Total assets		180,584	183,536
Liabilities			
Current liabilities			
Borrowings	14	5,143	35,810
Trade and other payables	15	9,123	1,489
Current tax liabilities		2,836	-
Accruals, deferred income and other liabilities	16	377	419
		17,479	37,718
Non-current liabilities			
Borrowings	14	110,272	77,725
Deferred tax liability	17	37,511	41,185
		147,783	118,910
Total liabilities		165,262	156,628
Equity			
Share capital	19	-	-
Retained earnings		15,322	26,908
Total equity		15,322	26,908
Total liabilities and equity		180,584	183,536

The accompanying notes form an integral part of these financial statements

The financial statements were approved by the Board of Directors on 30 August 2013 and signed on its behalf by

R F Warren
Director

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

	Note	Share capital £'000	Retained earnings £'000	Total £'000
At 1 April 2011		-	7,761	7,761
Profit for the year		-	28,647	28,647
Dividends paid	8	-	(9,500)	(9,500)
At 31 March 2012		-	26,908	26,908
Profit for the year		-	**10,414**	**10,414**
Dividends paid	8	-	**(22,000)**	**(22,000)**
At 31 March 2013		-	**15,322**	**15,322**

Total comprehensive income for the year of £10,414,000 (2012 £28,647,000) 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 March 2013

	Note	2013 £'000	2012 £'000
Operating activities			
Profit for the year before tax		**11,612**	34,075
Adjustments for:			
Depreciation		**8,567**	11,352
Finance costs		**1,973**	5,486
Release of provision		**-**	(21,524)
Operating cash flows before movements in working capital		**22,152**	29,389
(Increase)/decrease in trade and other receivables		**(7,613)**	10
Decrease/(increase) in trade and other receivables – fellow subsidiary company		**3,216**	(3,598)
Increase in trade and other receivables – intermediate parent company		**(108)**	-
Decrease/(increase) in prepayments, accrued income and other assets		**1,010**	(736)
Increase/(decrease) in trade and other payables		**7,634**	(1,005)
Increase/(decrease) in accruals, deferred income and other liabilities – fellow subsidiary company		**4**	(20)
Net cash from operating activities before tax		**26,295**	24,040
Tax/Group relief received/(paid) – fellow subsidiary company		**4,762**	(15,327)
Net cash flows from operating activities		**31,057**	8,713
Cash flows from financing activities			
Proceeds from borrowings – intermediate parent company		**1,880**	-
Repayment of borrowings – intermediate parent company		**-**	(8,663)
Interest paid to group undertakings – intermediate parent company		**(2,019)**	(5,670)
Dividends paid		**(22,000)**	(9,500)
Net cash flows used by financing activities		**(22,139)**	(23,833)
Net increase/(decrease) in cash and cash equivalents		**8,918**	(15,120)
Cash and cash equivalents at beginning of year		**22**	15,142
Cash and cash equivalents at end of year	20	**8,940**	22

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 on a going concern basis and 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

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

Adoption of new and revised standards

Changes to IFRS that were effective from 1 April 2012 have had no material effect on the company's financial statements for the year ended 31 March 2013.

b) Revenue recognition

Revenue comprises income from operating leases and loans and other services and arises in the United Kingdom from continuing activities

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

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

c) 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 not recognised on temporary differences that arise from initial recognition of an asset or a 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. Accounting policies (continued)

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 Assets held for use under operating leases are depreciated over the term of the lease

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) 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.

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

g) Provisions
The company recognises a provision for a present obligation resulting from a past event when it is more likely than not that it will be required to transfer economic benefits to settle the obligation and the amount of the obligation can be estimated reliably

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. Accounting policies (continued)

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
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

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, 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
The following IFRSs and amendments to IFRS have an effective date of 1 January 2013

IFRS 13 'Fair Value Measurement' sets out a single IFRS framework for defining and measuring fair value and requiring disclosures about fair value measurements Implementation of IFRS 13 will not have a material effect on the company's financial statements

'Disclosures - Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)' amended IFRS 7 to require disclosures about the effects and potential effects on an entity's financial position of offsetting financial assets and financial liabilities and related arrangements

Amendments to IAS 1 'Presentation of Items of Other Comprehensive Income' require items that will never be recognised in profit or loss to be presented separately in other comprehensive income from those items that are subject to subsequent reclassification

'Annual Improvements 2009-2011 Cycle' makes a number of minor changes to IFRSs These will not have a material effect on the company's financial statements

Effective after 2013
In December 2011, the IASB issued 'Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)' The amendments add application guidance to IAS 32 to address inconsistencies identified in applying some of the standard's criteria for offsetting financial assets and financial liabilities The amendments are effective for annual periods beginning on or after 1 January 2014 and must be applied retrospectively

The company is reviewing these amendments to determine their effect on the company's financial reporting

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. Accounting policies (continued)

m) Accounting developments (continued)

In November 2009, the IASB issued IFRS 9 'Financial Instruments' simplifying the classification and measurement requirements in IAS 39 in respect of financial assets The standard reduces the measurement categories for financial assets to two fair value and amortised cost A financial asset is classified on the basis of the entity's business model for managing the financial asset and the contractual cash flow characteristics of the financial asset Only assets with contractual terms that give rise to cash flows on specified dates that are solely payments of principal and interest on principal and which are held within a business model whose objective is to hold assets in order to collect contractual cash flows are classified as amortised cost All other financial assets are measured at fair value Changes in the value of financial assets measured at fair value are generally taken to profit or loss

In October 2010, IFRS 9 was updated to include requirements in respect of the classification and measurement of liabilities These do not differ markedly from those in IAS 39 except for the treatment of changes in the fair value of financial liabilities that are designated as at fair value through profit or loss attributable to own credit, these must be presented in other comprehensive income

In December 2011, the IASB issued amendments to IFRS 9 and to IFRS 7 'Financial Instruments Disclosures' delaying the effective date of IFRS 9 to annual periods beginning on or after 1 January 2015 and introducing revised transitional arrangements including additional transition disclosures If an entity implements IFRS 9 in 2012 the amendments permit it either to restate comparative periods or to provide the additional disclosures. Additional transition disclosures must be given if implementation takes place after 2012

IFRS 9 makes major changes to the framework for the classification and measurement of financial instruments and will have a significant effect on the company's financial statements The company is assessing the effect of IFRS 9 which will depend on the results of IASB's reconsideration of IFRS 9's classification and measurement requirements and the outcome of the other phases in the development of IFRS 9

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

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

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

The depreciation charge for operating lease assets shown in the accounts is dependent upon the residual value ascribed to the asset as described in note 1d) above

3. Revenue

	2013 £'000	2012 £'000
Operating lease rental – fellow subsidiary company	22,910	29,405

4. Operating income

	2013 £'000	2012 £'000
Release of provision	-	21,524
Fee income	-	200
	-	21,724

5. Operating expenses

	2013 £'000	2012 £'000
Legal and professional expenses	728	-
Fees and commissions	14	195
Management fees – fellow subsidiary company	16	12
Other charges	-	9
	758	216

Staff costs, number of employees and directors' emoluments
All staff and directors were employed by The Royal Bank of Scotland plc, the accounts for which contain full disclosure of employee benefit expenses incurred in the period including share based payments and pensions The company has no employees and pays a management charge for services provided by other group companies The directors of the company do not receive remuneration for specific services provided to the company

Management recharge
Management charges relate to the company's share of group resources such as the use of IT platforms, staff and a share of central resources These are re-charged on an annual basis by Royal Bank Leasing Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. Operating expenses (continued)

Auditor's remuneration	**2013**	**2012**
	£'000	**£'000**
Auditor's remuneration – audit services (included within the management fee)	**10**	7

6. Finance costs

	2013	**2012**
	£'000	**£'000**
Interest on loans from group undertakings – intermediate parent company	**1,973**	5,486

7. Tax

	2013	**2012**
	£'000	**£'000**
Current taxation		
UK corporation tax charge for the year	**4,872**	6,245
Deferred taxation		
(Credit)/charge for the year	**(1,958)**	2,328
Impact of tax rate changes	**(1,716)**	(3,145)
	(3,674)	(817)
Tax charge for the year	**1,198**	5,428

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

The actual tax charge differs from the expected tax charge computed by applying the standard rate of UK corporation tax of 24% (2012 standard tax rate 26%) as follows

	2013	**2012**
	£'000	**£'000**
Expected tax charge	**2,787**	8,860
Non-deductible items	**41**	-
Reduction in deferred tax following change in rate of UK corporation tax	**(1,630)**	(3,432)
Actual tax charge for the year	**1,198**	5,428

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 23% in accordance with the rates enacted at the balance sheet date

The impact of the post-balance sheet date change in tax rate is estimated as giving rise to a tax credit of £4,552,000, which will be recognised in the accounts for 2014

NOTES TO THE FINANCIAL STATEMENTS (continued)

8. Ordinary dividends

	2013 £'000	2012 £'000
Interim dividend paid	**22,000**	9,500

9. Property, plant and equipment

	Assets held for use in operating leases £'000
2013	
Cost	
At 1 April 2012 and 31 March 2013	**265,936**
Depreciation	
1 April 2012	**94,239**
Depreciation charge for the year	**8,567**
31 March 2013	**102,806**
2012	
Cost	
1 April 2011	287,460
Disposals	(21,524)
31 March 2012	265,936
Depreciation	
1 April 2011	104,411
Depreciation charge for the year	11,352
Disposals	(21,524)
31 March 2012	94,239
Net book value	
31 March 2013	**163,130**
31 March 2012	171,697

Security
No property, plant and equipment has been pledged as security for liabilities of the company (2012 none)

NOTES TO THE FINANCIAL STATEMENTS (continued)

10. 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	Total £'000
2013	**22,887**	**36,171**	**59,058**
2012	20,688	12,859	33,547

Nature of operating lease assets in the balance sheet:	**2013 £'000**	**2012 £'000**
Transportation	**163,130**	171,697

Company as lessor
The company provides asset finance to its customer, a fellow subsidiary company, through acting as lessor

11. Loan receivables

	2013 £'000	**2012 £'000**
Current		
Deposits owed by group undertakings – intermediate parent company	**8,900**	-

The fair value of loan receivables is considered not to be materially different to the carrying amounts in the balance sheet

12. Trade and other receivables

	2013 £'000	**2012 £'000**
Trade receivables – fellow subsidiary company	**381**	3,597
Value added tax recoverable	**7,635**	-
Other receivables – intermediate parent company	**108**	-
Other receivables	**383**	405
	8,507	4,002

13. Prepayments, accrued income and other assets

	2013 £'000	2012 £'000
Accrued income – fellow subsidiary company	-	1,017
Group relief receivable from group undertaking – fellow subsidiary company	-	6,798
Other assets	7	-
	7	7,815

14. Borrowings

	2013 £'000	2012 £'000
Loans from group undertakings – intermediate parent company	**115,415**	113,535
Current	**5,143**	35,810
Non-current	**110,272**	77,725
	115,415	113,535

15. Trade and other payables

	2013 £'000	2012 £'000
Other payables	**9,123**	1,489

16. Accruals, deferred income and other liabilities

	2013 £'000	2012 £'000
Accruals – intermediate parent company	**322**	366
Other liabilities	**55**	53
	377	419

17. Deferred tax

The following are the major tax liabilities recognised by the company, and the movements thereon

	Capital allowances £'000	Other £'000	Total £'000
At 1 April 2011	46,775	(4,773)	42,002
(Credit)/charge to income	(5,590)	4,773	(817)
At 31 March 2012	41,185	-	41,185
Credit to income	**(3,674)**	-	**(3,674)**
At 31 March 2013	**37,511**	-	**37,511**

18. Financial instruments and risk management

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

The fair value of loans and receivables is estimated by discounting expected future cash flows using current interest rates and making adjustments for credit

All financial assets are classed as loans and receivables All financial liabilities are classed as amortised cost

	2013 Carrying value £'000	2013 Fair value £'000	2012 Carrying value £'000	2012 Fair value £'000
Financial liabilities				
Borrowings	**115,415**	**116,699**	113,535	114,818

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, except where noted above

(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

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

18. Financial instruments and risk management (continued)

Financial risk management (continued)

Interest rate risk (continued)

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

2013	Fixed rate £'000	Variable rate £'000	Non-interest earning £'000	Total £'000
Financial assets				
Loan receivables	-	8,900	-	8,900
Trade and other receivables	-	-	489	489
Prepayments, accrued income and other assets	-	-	7	7
Cash	-	40	-	40
	-	8,940	496	9,436
Financial liabilities				
Borrowings	115,415	-	-	115,415
Accruals and other liabilities	-	-	322	322
	115,415	-	322	115,737
Net financial assets/(liabilities)	(115,415)	8,940	174	(106,301)

2012	Fixed rate £'000	Variable rate £'000	Non-interest earning £'000	Total £'000
Financial assets				
Trade and other receivables	-	-	3,598	3,598
Cash	-	22	-	22
	-	22	3,598	3,620
Financial liabilities				
Borrowings	101,599	11,936	-	113,535
Accruals and other liabilities	-	-	366	366
	101,599	11,936	366	113,901
Net financial assets/(liabilities)	(101,599)	(11,914)	3,232	(110,281)

Assuming that the balances receivable and/or payable at the balance sheet date were receivable and/or payable for the whole year, had interest rates been 0 5% higher and all other variables held constant, the company's profit before tax for the year would have increased by £45,000 (2012 profit before tax for the year would have decreased by £1,000) This is mainly due to the company's exposure to interest rates on its variable rate loan receivable balances 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

NOTES TO THE FINANCIAL STATEMENTS (continued)

18. Financial instruments and risk management (continued)

Financial risk management (continued)

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

- Approval of all credit exposure is granted prior to any advance or extension of credit
- An appropriate credit risk assessment of the customer and credit facilities is undertaken prior to approval of credit exposure This includes a review of, amongst other things, the purpose of credit and sources of repayment, compliance with affordability tests, repayment history, capacity to repay, sensitivity to economic and market developments and risk-adjusted return
- Credit risk authority is 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
- 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

Maximum credit exposure and neither past due nor impaired

Sector	2013 £'000	2012 £'000
Group undertakings	**9,048**	3,620
Other	**7**	-
Amounts past due		
0-1 month	**381**	-
Maximum credit exposure	**9,436**	3,620

Based on counterparty payment history the company considers all the above financial assets including past due to be of good credit quality

Liquidity risk
Liquidity risk arises where assets and liabilities have different contractual maturities

Management focuses on both overall balance sheet structure and the control, within prudent limits, of risk arising from the mismatch of maturities across the balance sheet and from undrawn commitments and other contingent obligations It is undertaken within limits and other policy parameters set by Group Asset and Liability Management Committee (GALCO)

NOTES TO THE FINANCIAL STATEMENTS (continued)

18. Financial instruments and risk management (continued)

Financial risk management (continued)

Financial liabilities

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

2013	0 – 3 months £'000	4 – 12 months £'000	1 – 3 years £'000	4 – 5 Years £'000
Borrowings	4,792	1,656	112,546	-
Accruals and other liabilities	322	-	-	-
	5,114	1,656	112,546	-

2012	0 – 3 months £'000	4 – 12 months £'000	1 – 3 years £'000	4 -5 years £'000
Borrowings	2,917	35,509	6,750	74,222
Accruals and other liabilities	369	-	-	-
	3,286	35,509	6,750	74,222

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 22 - 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

19. 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.

20. Cash and cash equivalents per cash flow statement

	2013 £'000	2012 £'000
Cash held with group undertaking – intermediate parent company	40	22
Deposits with banks companies placed at within 3 months original maturity		
Group – intermediate parent company (note 11)	8,900	-
Cash and cash equivalents per cash flow statement	8,940	22

21. Capital resources

The company's capital consists of equity comprising issued share capital, retained earnings and loans from group undertakings 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

22. Commitments and contingent liabilities

The company, together with other members of the RBS 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

The company is currently involved in a dispute relating to a contractual agreement The timing and quantum of any related claim against the company cannot be determined currently Based on their review of the agreement and current advice received, the directors do not believe that they are required to settle any liability arising from the dispute and no provision is recorded

23. 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

23. Related parties (continued)

Group undertakings

The company's immediate parent company is Lombard North Central plc, a company incorporated in the UK As at 31 March 2013, The Royal Bank of Scotland plc heads the smallest group in which the company is consolidated Copies of the consolidated accounts may be obtained from RBS Secretariat, 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 the UK As at 31 March 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, PO Box 1000, Edinburgh, EH12 1HQ

Amounts due to or from related parties are unsecured and will be settled in cash No guarantees have been given or received No provisions have been made for doubtful debts in respect of amounts owed by related parties

Key management

The company is a subsidiary of The Royal Bank of Scotland Group plc whose policy is for companies to bear the costs of their full time staff The time and costs of executives and other staff who are primarily employed by the group are not specifically recharged However, the group recharges subsidiaries for management fees which include an allocation of certain staff and administrative support costs

In the company and the group, key management comprise directors of the company and members of the Group Executive Management Committee The emoluments of the directors of the company are met by the group

The directors of the company do not receive remuneration for specific services provided to the company

24. 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 these financial statements