Company Registered No: 02060602

LOMBARD LEASING CONTRACTS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 31 March 2016

CONTENTS

LOMBARD LEASING CONTRACTS LIMITED 02060602

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS:	S J Caterer A P Johnson J H Wood
SECRETARY:	RBS Secretarial Services Limited
REGISTERED OFFICE:	1 Princes Street London EC2R 8PB
PRINCIPAL PLACE OF BUSINESS:	The Quadrangle The Promenade Cheltenham GL50 1PX
INDEPENDENT AUDITOR:	Deloitte LLP Chartered Accountants and Statutory Auditor 3 Rivergate Temple Quay Bristol United Kingdom BS1 6GD

Registered in England and Wales

STRATEGIC REPORT

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

ACTIVITIES AND BUSINESS REVIEW

Principal activity

The principal activity of the Company continues to be the provision of fixed asset finance usually involving individually structured facilities.

The Company is a subsidiary of The Royal Bank of Scotland Group plc ("RBS") 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 report of the Group reviews these matters on a group basis. Copies can be obtained from Corporate Governance and Secretariat, The Royal Bank of Scotland Group plc, Gogarburn, PO Box 1000, Edinburgh EH12 1HQ, the Registrar of Companies or at www.rbs.com.

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.

The company made a loss of £6,378,000 in 2016, after recognising the one off cost of settling a contractual dispute (2015: profit of £10,121,000) as described in the post balance sheet events note 21.

FINANCIAL PERFORMANCE

The Company's financial performance is presented on pages 8 to 18.

Turnover grew by £39,000 (2015: £19,000) and finance cost increased by £151,000 (2015: £89,000). The loss for the year was £6,378,000 (2015: profit £10,121,000).

At the end of the year, the Balance Sheet showed total assets of £165,977,000 (2015: £157,961,000), including income-generating assets comprising property, plant and equipment of net book value £137,300,000 (2015: £145,910,000), loan receivables of £23,800,000 (2015: £11,000,000) and cash of £4,459,000 (2015: £657,000) together representing an increase of 5%. Total shareholders' funds were £13,294,000 (2015: £19,672,000).

Dividends

No dividend was paid during the year (2015: £20,000,000).

PRINCIPAL RISKS AND UNCERTAINTIES

The Company seeks to minimise its exposure to financial risks other than equity and credit risk. It has exposure to asset risk on the residual value of property, plant and equipment (for more details see Note 1). The company owns and leases passenger rolling stock on the UK network. The company's rolling stock is deployed under operating leases where the cost is not fully recovered over the term of the leases. The oversupply of specific types of rolling stock could depress lease rates and values, which would affect re-lease rates and possible lease tenors. The supply and demand of rolling stock is affected by various cyclical factors including passenger demand, fuel prices, maintenance costs, innovation and introduction of new types, Government and environmental regulations.

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 The Royal Bank of Scotland plc. These are denominated in the functional currency and carry no significant financial risk.

STRATEGIC REPORT

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

The principal risks associated with the Company are as follows:

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

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

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 bank's Credit Risk Management Framework are set out below:

- approval of all credit exposure is granted prior to any advance or extension of credit;
- an appropriate credit risk assessment of the customer and credit facilities is undertaken prior to approval of credit exposure. This includes a review of, amongst other things, the purpose of credit and sources of repayment, compliance with affordability tests, repayment history, capacity to repay, sensitivity to economic and market developments and risk-adjusted return;
- credit risk authority is delegated by the Board and specifically granted in writing to all individuals involved in the granting of credit approval. In exercising credit authority, the individuals act independently of any related business revenue origination; and
- all credit exposures, once approved, are effectively monitored and managed and reviewed periodically against approved limits. Lower quality exposures are subject to a greater frequency of analysis and assessment.

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

Management focuses on risk arising from the mismatch of maturities across the balance sheet and from undrawn commitments. The liquidity risk in the Company is mitigated by the extension of a lease and associated borrowings.

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.

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

Director A P Johnson
Date: 14-11- 2016

DIRECTORS' REPORT

The Strategic Report includes the activities and business review, financial performance and principal risks and uncertainties report.

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. They considered the interim announcement of The Royal Bank of Scotland Group plc for the six months ended 30 June 2016, approved on 4 August 2016 which were prepared on a going concern basis.

DIRECTORS AND SECRETARY

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

From 1 April 2015 to date the following changes have taken place:

	Appointed	Resigned
Directors		
A P Gadsby	-	11 May 2015
A P Johnson	11 May 2015	-
T D Crome	-	28 June 2016
J H Wood	8 August 2016	-

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable laws and regulations.

Company law requires the directors to prepare a Strategic Report, 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 101 Reduced Disclosure Framework (FRS 101) 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 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.

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

The Royal Bank of Scotland Group plc has appointed Ernst & Young LLP as auditor for the year ending 31 December 2016.

A resolution to appoint Ernst & Young LLP as the Company's auditor will be proposed at the forthcoming meeting of the Board of Directors.

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

Director A P Johnson
Date: 14-11- 2016

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 2016 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 21. The financial reporting framework that has been applied in their preparation is applicable law and 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 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 March 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with 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 the information given in the Strategic Report and 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

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.

Mark Taylor

Mark Taylor, FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Bristol, United Kingdom
5 December 2016

PROFIT AND LOSS ACCOUNT
for the year ended 31 March 2016

Continuing operations	Notes	2016 £'000	2015 £'000
Turnover	3	**23,005**	22,966
Cost of sales	10	**(8,610)**	(8,598)
Operating income	4	**15**	4
Operating expenses	5	**(19,119)**	(278)
Operating (loss)/profit		**(4,709)**	14,094
Finance income	6	**87**	106
Finance costs	7	**(1,526)**	(1,375)
(Loss)/profit on ordinary activities before tax		**(6,148)**	12,825
Tax charge	8	**(230)**	(2,704)
(Loss)/profit and total comprehensive (loss)/income for the year		**(6,378)**	10,121

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

BALANCE SHEET
as at 31 March 2016

	Notes	2016 £'000	2015 £'000
Fixed assets			
Property, plant and equipment	10	**137,300**	145,910
Current assets			
Loans receivable	12	**23,800**	11,000
Trade and other receivables	13	**390**	381
Prepayments, accrued income and other assets	14	**28**	13
Cash at bank		**4,459**	657
		28,677	12,051
Total assets		**165,977**	157,961
Creditors: amounts falling due within one year			
Borrowings	15	**76,322**	90,174
Trade and other payables	16	**20,038**	1,273
Current tax liabilities		**1,054**	1,124
Accruals, deferred income and other liabilities	17	**191**	447
		97,605	93,018
Total assets less current liabilities		**68,372**	64,943
Creditors: amounts falling due after more than one year			
Borrowings	15	**29,933**	16,089
Deferred tax liability	18	**25,145**	29,182
		55,078	45,271
Total liabilities		**152,683**	138,289
Equity: capital and reserves			
Called up share capital	19	**-**	-
Profit and loss account		**13,294**	19,672
Total shareholders' funds		**13,294**	19,672
Total liabilities and shareholders' funds		**165,977**	157,961

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 14/11/2016 and signed on its behalf by:

Director
A P Johnson

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 March 2016

	Note	Share capital £'000	Profit and loss account £'000	Total £'000
At 1 April 2014		-	29,551	29,551
Profit for the year		-	10,121	10,121
Dividends paid	9	-	(20,000)	(20,000)
At 31 March 2015		-	19,672	19,672
Loss for the year		-	**(6,378)**	**(6,378)**
At 31 March 2016		-	**13,294**	**13,294**

Total comprehensive loss for the year of £6,378,000 (2015: profit £10,121,000) was wholly attributable to the equity holders 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 and have been prepared in accordance with the recognition and measurement principles of International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB as adopted by the European Union (together IFRS) and under FRS 101 Reduced Disclosure Framework (FRS 101). The Company meets the definition of a qualifying entity under Financial Reporting Standard 100 Application of Financial Reporting Requirements issued by the Financial Reporting Council.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to presentation of comparative information in respect of certain assets, presentation of a Cash-Flow Statement, financial instruments, standards not yet effective and related party transactions. 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 21.

The financial statements 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 financial statements are presented in accordance with the Companies Act 2006.

Adoption of new and revised accounting standards
The few changes to IFRS that were effective from 1 April 2015 have had no material effect on the Company's financial statements for the year ended 31 March 2016.

b) Foreign currencies
Transactions in foreign currencies are translated into Sterling at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Sterling at the rates of exchange ruling at the balance sheet date. Foreign exchange differences arising on translation are reported in the Profit and Loss Account.

c) Revenue recognition
Turnover comprises income from operating leases and loans and other services which arise in the United Kingdom from continuing activities.

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

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

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. 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.

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

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

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.

f) 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.

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; all other contracts with customers 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 1(e)).

h) 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.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies (continued)

i) 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 (see accounting policy 1(c)) less any impairment losses.

j) 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.

k) 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.

l) 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.

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.

Residual values
The Company assesses objective evidence for impairment of residual values at each balance sheet date adjusting the depreciation recognised on operating leases amount accordingly. 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.

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

NOTES TO THE FINANCIAL STATEMENTS

3. Turnover

	2016 £'000	2015 £'000
Operating lease income:		
Rent receivable	**23,005**	22,966

The Company did not enter into any new leasing transactions during the year (2015: £nil).

4. Operating income

	2016 £'000	2015 £'000
Fee income	**15**	4

5. Operating expenses

	2016 £'000	2015 £'000
Legal and professional expenses	**192**	252
Management fees	**52**	26
Other charges	**18,875**	-
	19,119	278

Staff costs, number of employees and directors' emoluments
All staff and directors were employed by group companies and the financial statements of The Royal Bank of Scotland Group plc 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.

Auditor's remuneration

	2016 £'000	2015 £'000
Auditor's remuneration – audit services (included within the management fee)	**15**	15

6. Finance income

	2016 £'000	2015 £'000
On loans receivable from Group undertakings	**87**	106

7. Finance costs

	2016 £'000	2015 £'000
Interest on loans from Group undertakings	**1,526**	1,375

8. Tax

	2016 £'000	2015 £'000
Current tax:		
UK corporation tax charge for the year	**4,267**	4,499
Deferred tax:		
Credit for the year	**(1,722)**	(1,805)
Impact of tax rate changes	**(2,315)**	-
Under provision in respect of prior periods	**-**	10
	(4,037)	(1,795)
Tax charge for the year	**230**	2,704

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

The actual tax charge differs from the expected tax (credit)/charge computed by applying the standard rate of UK corporation tax of 20% (2015: 21%) as follows:

	2016 £'000	2015 £'000
Expected tax (credit)/charge	**(1,230)**	2,694
Adjustments in respect of prior periods	**-**	10
Disallowed expenses	**3,775**	-
Reduction in deferred tax following change in rate of UK corporation tax	**(2,315)**	-
Actual tax charge for the year	**230**	2,704

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 18% 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.

Since the balance sheet date, the UK Government's Budget on 16 March 2016 proposed, amongst other things, that the 18% tax rate reduction from 1 April 2020 be reduced to 17%. This rate was substantively enacted in the Finance Bill 2016 on 6 September 2016 and existing temporary differences on which deferred tax has been provided may therefore unwind in periods subject to this reduced rate.

The impact of the post balance sheet date change in tax rate is estimated as giving rise to a tax credit of £1,028,000 which will be recognised in the accounts for 2017.

9. Ordinary dividends

	2016 £'000	2015 £'000
Interim dividend paid	**-**	20,000

10. Property, plant and equipment

2016	Assets held for use in operating leases £'000
Cost	
At 1 April 2015	265,936
Cost adjustment/ contract expense adjustment	**(428)**
At 31 March 2016	**265,508**
Accumulated depreciation and impairment	
At 1 April 2015	120,026
Depreciation charge for the year	**8,610**
Cost adjustment/ contract expense adjustment	**(428)**
At 31 March 2016	**128,208**
Net book value	
At 31 March 2016	**137,300**
At 31 March 2015	145,910

Security
No property, plant and equipment has been pledged as security for liabilities of the Company (2015: none).

11. 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
2016	**15,594**	**6,900**	**22,494**
2015	22,887	15,581	38,468

Nature of operating lease assets in the balance sheet:	2016 £'000	2015 £'000
Transportation	**137,300**	145,910

Company as lessor
The Company provides asset finance to its customers through acting as lessor.

12. Loans receivable

	2016 £'000	2015 £'000
Due within one year		
Amounts owed by Group undertakings	**23,800**	11,000

NOTES TO THE FINANCIAL STATEMENTS

13. Trade and other receivables

	2016 £'000	2015 £'000
Due within one year		
Trade receivables	**9**	-
Other receivables	**381**	381
	390	381

14. Prepayments, accrued income and other assets

	2016 £'000	2015 £'000
Other assets	**28**	13

15. Borrowings

	2016 £'000	2015 £'000
Loans from Group undertakings	**106,255**	106,263
Current: on demand or within one year	**76,322**	90,174
Non-current		
- between one and two years	**29,933**	16,089

The Company has no unsecured borrowing from Group undertakings greater than five year (2015: £nil).

16. Trade and other payables

	2016 £'000	2015 £'000
Due within one year		
Value added tax payable	**1,122**	1,126
Other payables	**18,916**	147
	20,038	1,273

17. Accruals, deferred income and other liabilities

	2016 £'000	2015 £'000
Accruals	**129**	384
Deferred income	**8**	9
Other liabilities	**54**	54
	191	447

18. Deferred tax

Net deferred tax liability comprises:

	Capital allowances £'000
At 1 April 2014	30,977
Credit to profit and loss account	(1,795)
At 31 March 2015	29,182
Credit to profit and loss account	**(4,037)**
At 31 March 2016	**25,145**

NOTES TO THE FINANCIAL STATEMENTS

19. Share capital

	2016 £	2015 £
Authorised:		
100 ordinary shares of £1 each	**100**	100
Allotted, called up and fully paid:		
Equity shares		
100 ordinary shares of £1 each	**100**	100

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

20. 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.

Group undertakings

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

The Company's ultimate holding company, The Royal Bank of Scotland Group plc, which is incorporated in the UK, heads the largest group in which the Company is consolidated. Copies of the consolidated financial statements may be obtained from Corporate Governance and Secretariat, The Royal Bank of Scotland Group plc, Gogarburn, PO Box 1000, Edinburgh EH12 1HQ.

Capital Support Deed

The Company, together with other members of The Royal Bank of Scotland Group plc, 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.

21. Post balance sheet events

Subsequent to the year end, the company has settled a contractual dispute which had previously been disclosed as an unquantified contingent liability. The cost of settlement is recorded as an expense in the profit and loss account for the year ended 31 March 2016.