

**Company Registered No: 02060602**

**LOMBARD LEASING CONTRACTS LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**For the year ended 31 March 2015**

**TUESDAY**



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**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS:** S J Caterer  
T D Crome  
A P Johnson

**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 year ended 31 March 2015.

**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 review 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](http://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.

**FINANCIAL PERFORMANCE**

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

Turnover grew by £19,000 (2014: £37,000) and finance cost increased by £89,000 (2014: fell by £687,000). The profit for the year was £10,121,000 (2014: £14,229,000), a decrease of 29% over 2014.

At the end of the year, the Balance Sheet showed total assets of £157,961,000 (2014: £173,969,000), including income-generating assets comprising property, plant and equipment of net book value £145,910,000 (2014: £154,508,000), loan receivables of £11,000,000 (2014: £19,000,000) and cash of £657,000 (2014: £45,000) together representing a decrease of 9%. Total shareholders' funds were £19,672,000 (2014: £29,551,000).

**Dividends**

The Company paid an interim dividend of £20,000,000 (2014: £nil).

**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:



S J Caterer

Director

Date: 8<sup>th</sup> December 2015

**DIRECTORS' REPORT**

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

**GOING CONCERN**

The directors, having made such enquiries as they considered appropriate, 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 2015, approved on 30 July 2015, which was 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 2014 to date the following changes have taken place:

	<b>Appointed</b>	<b>Resigned</b>
<b>Directors</b>		
J E Rogers	-	01 April 2014
R F Warren	-	01 April 2014
N T J Clibbens	01 April 2014	27 February 2015
A P Gadsby	01 April 2014	11 May 2015
T D Crome	01 April 2014	-
A P Johnson	11 May 2015	-

**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**

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

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



S J Caterer  
Director

Date: 8<sup>th</sup> December 2015

## **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 2015 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 2015 and of its profit 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, FCA** (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
Bristol, United Kingdom

18 December 2015

**PROFIT AND LOSS ACCOUNT**  
**for the year ended 31 March 2015**

<b>Continuing operations</b>	<b>Notes</b>	<b>2015 £'000</b>	<b>2014 £'000</b>
Turnover	3	22,966	22,947
Cost of sales	10	(8,598)	(8,622)
Operating income	4	4	30
Operating expenses	5	(278)	(592)
<b>Operating profit</b>		<b>14,094</b>	<b>13,763</b>
Finance income	6	106	72
Finance costs	7	(1,375)	(1,286)
<b>Profit on ordinary activities before tax</b>		<b>12,825</b>	<b>12,549</b>
Tax (charge)/credit	8	(2,704)	1,680
<b>Profit and total comprehensive income for the year</b>		<b>10,121</b>	<b>14,229</b>

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

**BALANCE SHEET**  
 as at 31 March 2015

	Notes	2015 £'000	2014 £'000
<b>Fixed assets</b>			
Property, plant and equipment	10	145,910	154,508
<b>Current assets</b>			
Loans receivable	12	11,000	19,000
Trade and other receivables	13	381	383
Prepayments, accrued income and other assets	14	13	33
Cash at bank		657	45
		<u>12,051</u>	<u>19,461</u>
<b>Total assets</b>		<u>157,961</u>	<u>173,969</u>
<b>Creditors: amounts falling due within one year</b>			
Borrowings	15	90,174	42,255
Trade and other payables	16	1,273	1,360
Current tax liabilities		1,124	1,134
Accruals, deferred income and other liabilities	17	447	379
		<u>93,018</u>	<u>45,128</u>
<b>Total assets less current liabilities</b>		<u>64,943</u>	<u>128,841</u>
<b>Creditors: amounts falling due after more than one year</b>			
Borrowings	15	16,089	68,313
Deferred tax liability	18	29,182	30,977
		<u>45,271</u>	<u>99,290</u>
<b>Total liabilities</b>		<u>138,289</u>	<u>144,418</u>
<b>Equity: capital and reserves</b>			
Called up share capital	19	-	-
Profit and loss account		19,672	29,551
<b>Total shareholders' funds</b>		<u>19,672</u>	<u>29,551</u>
<b>Total liabilities and shareholders' funds</b>		<u>157,961</u>	<u>173,969</u>

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 8<sup>th</sup> December 2015 and signed on its behalf by:



S J Caterer  
Director

**STATEMENT OF CHANGES IN EQUITY**  
**for the year ended 31 March 2015**

	Note	Share capital £'000	Profit and loss account £'000	Total £'000
<b>At 1 April 2013</b>		-	15,322	15,322
Profit for the year		-	14,229	14,229
<b>At 31 March 2014</b>		-	29,551	29,551
Profit for the year		-	10,121	10,121
Dividends paid	9	-	(20,000)	(20,000)
<b>At 31 March 2015</b>		-	<b>19,672</b>	<b>19,672</b>

Total comprehensive income for the year of £10,121,000 (2014: £14,229,000) 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 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. 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**

There are a number of changes to IFRS that were effective from 1 April 2014. They have had no material effect on the Company's financial statements for the year ended 31 March 2015.

**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 arises 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:

Assets held for use in operating leases – over the useful life of the assets.

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

	2015 £'000	2014 £'000
Operating lease income:		
Rent receivable	22,966	22,947

The Company did not enter into any new leasing transactions during the year (2014: £nil).

4. Operating income

	2015 £'000	2014 £'000
Fee income	4	30

5. Operating expenses

	2015 £'000	2014 £'000
Commission payable	-	4
Legal and professional expenses	252	575
Management fees	26	13
	278	592

**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**

	2015 £'000	2014 £'000
Auditor's remuneration – audit services (included within the management fee)	15	10

6. Finance income

	2015 £'000	2014 £'000
On loans receivable from Group undertakings	106	72

7. Finance costs

	2015 £'000	2014 £'000
Interest on loans from Group undertakings	1,375	1,286



NOTES TO THE FINANCIAL STATEMENTS

8. Tax

	2015 £'000	2014 £'000
<b>Current tax:</b>		
UK corporation tax charge for the year	4,499	4,861
Over provision in respect of prior periods	-	(7)
	<b>4,499</b>	<b>4,854</b>
<b>Deferred tax:</b>		
Credit for the year	(1,805)	(1,975)
Impact of tax rate changes	-	(4,559)
Under provision in respect of prior periods	10	-
	<b>(1,795)</b>	<b>(6,534)</b>
Tax charge/(credit) for the year	<b>2,704</b>	<b>(1,680)</b>

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

The actual tax charge/(credit) differs from the expected tax charge computed by applying the standard rate of UK corporation tax of 21% (2014: 23%) as follows:

	2015 £'000	2014 £'000
Expected tax charge	2,694	2,886
Reduction in deferred tax asset following change in rate of UK corporation tax	-	(4,559)
Adjustments in respect of prior periods	10	(7)
Actual tax charge/(credit) for the year	<b>2,704</b>	<b>(1,680)</b>

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.

In the Budget on 8 July 2015, the UK Government proposed, amongst other things, to further reduce the main rate of UK corporation tax to 19% with effect from 1 April 2017 and to 18% with effect from 1 April 2020. These rate changes were substantively enacted in the Finance Bill 2015 on 26 October 2015 and existing temporary differences may therefore unwind in periods subject to these reduced rates. There will be no impact on the Company of the post balance sheet date change in tax rate.

9. Ordinary dividends

	2015 £'000	2014 £'000
Interim dividend paid	<b>20,000</b>	-

## NOTES TO THE FINANCIAL STATEMENTS

## 10. Property, plant and equipment

	Assets held for use in operating leases £'000
<b>2015</b>	
<b>Cost</b>	
At 1 April 2014 and 31 March 2015	<u>265,936</u>
<b>Accumulated depreciation and impairment</b>	
At 1 April 2014	111,428
Depreciation charge for the year	8,598
At 31 March 2015	<u>120,026</u>
<b>Net book value</b>	
At 31 March 2015	<u>145,910</u>
At 31 March 2014	<u>154,508</u>

**Security**

No property, plant and equipment has been pledged as security for liabilities of the Company (2014: 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
<b>2015</b>	<u>22,887</u>	<u>15,581</u>	<u>38,468</u>
2014	<u>20,184</u>	<u>15,987</u>	<u>36,171</u>
<b>Nature of operating lease assets in the balance sheet:</b>	<b>2015</b> £'000	<b>2014</b> £'000	
Transportation	<u>145,910</u>	<u>154,508</u>	

**Company as lessor**

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

## 12. Loans receivable

	2015 £'000	2014 £'000
<b>Due within one year</b>		
Amounts owed by Group undertakings	<u>11,000</u>	<u>19,000</u>

## 13. Trade and other receivables

	2015 £'000	2014 £'000
<b>Due within one year</b>		
Other receivables	<u>381</u>	<u>383</u>

NOTES TO THE FINANCIAL STATEMENTS

14. Prepayments, accrued income and other assets

	2015 £'000	2014 £'000
Other assets	13	33

15. Borrowings

	2015 £'000	2014 £'000
Loans from Group undertakings	106,263	110,568
Current: on demand or with in one year	90,174	42,255
Non-current		
- between one and two years	16,089	68,313

The Company has no unsecured borrowing from Group undertakings greater than five year (2014: £nil).

16. Trade and other payables

	2015 £'000	2014 £'000
<b>Due within one year</b>		
Value added tax payable	1,126	1,129
Other payables	147	231
	1,273	1,360

17. Accruals, deferred income and other liabilities

	2015 £'000	2014 £'000
Accruals	384	310
Deferred income	9	15
Other liabilities	54	54
	447	379

18. Deferred tax

Net deferred tax liability comprises:

	Capital allowances £'000
<b>At 1 April 2013</b>	37,511
Credit to profit and loss account	(6,534)
<b>At 31 March 2014</b>	30,977
Credit to profit and loss account	(1,795)
<b>At 31 March 2015</b>	29,182

## NOTES TO THE FINANCIAL STATEMENTS

## 19. Share capital

	2015 £	2014 £
<b>Authorised:</b>		
100 Ordinary shares of £1 each	100	100
<b>Allotted, called up and fully paid:</b>		
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. Commitment and contingent liabilities

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.

## 21. 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 2015, 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 is The Royal Bank of Scotland Group plc, a company incorporated in the UK. As at 31 March 2015, The Royal Bank of Scotland Group plc heads the largest group in which the Company is consolidated. Copies of the consolidated financial statements may be obtained from Corporate Governance and 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.