Company Registered No: 02353800

NATWEST CAPITAL FINANCE LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 31 March 2016

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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 EC2R8PB
INDEPENDENT AUDITOR:	Ernst & Young LLP Statutory Auditor The Paragon Counterslip Bristol BS1 6BX

Registered in England and Wales

DIRECTORS' REPORT

The directors of NatWest Capital Finance 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

The Directors' Report has been prepared in accordance with the provisions applicable to companies entitled to the small companies' exemption and therefore does not include a Strategic Report.

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

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 retained profit for the year was £635,000 (2015: £149,000) and this was transferred to reserves. An interim dividend of £nil was paid during the year (2015: £1,000,000).

PRINCIPAL RISKS AND UNCERTAINTIES

The Company seeks to minimise its exposure to financial risks other than equity and credit risk.

Management focuses on both the overall balance sheet structure and the control, within prudent limits, of risk arising from mismatches, including currency, maturity, interest rate and liquidity. It is undertaken within limits and other policy parameters set by the RBS Asset and Liability Management Committee (RBS ALCO).

The Company is funded by facilities from The Royal Bank of Scotland plc. These are denominated in the functional currency and carry no significant financial risk.

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 (see note 15).

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 and other contingent obligations.

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.

PRINCIPAL RISKS AND UNCERTAINTIES (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 (see note 15).

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 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.

GOING CONCERN

The directors, having a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, have prepared the financial statements on a going concern basis.

DIRECTORS AND 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' REPORT

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable laws and regulations.

Company law requires the directors to prepare a Directors' Report and financial statements for each financial year. Under that law, the directors have elected to prepare the financial statements in accordance with Financial Reporting Standard 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 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 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.

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

S J Caterer
Director
Date: 12 December 2016

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NATWEST CAPITAL FINANCE LIMITED

We have audited the financial statements of NatWest Capital Finance 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 17. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 Reduced Disclosure Framework.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2016 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 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 NATWEST CAPITAL FINANCE 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; or
- the directors were not entitled to take advantage of the small companies' exemption from preparing a Strategic Report.

R J Page

Richard Page (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP
Statutory Auditor
Bristol
13 December 2016

PROFIT AND LOSS ACCOUNT
for the year ended 31 March 2016

Continuing operations	Notes	2016 £'000	2015 £'000
Turnover	3	**93**	520
Operating expenses	4	**(42)**	(26)
Operating profit		**51**	494
Finance income	5	**1**	4
Finance costs	6	**(325)**	(310)
(Loss)/profit on ordinary activities before tax		**(273)**	188
Tax credit/(charge)	7	**908**	(39)
Profit and total comprehensive income for the year		**635**	149

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			
Finance lease receivables	9	**38,338**	40,020
Current assets			
Finance lease receivables	9	**4,188**	4,224
Loans receivable	10	**-**	521
Cash at bank		**32,585**	-
		36,773	4,745
Total assets		**75,111**	44,765
Creditors: amounts falling due within one year			
Borrowings	11	**1,035**	1,208
Trade and other payables	12	**32,079**	-
Current tax liabilities		**61**	61
Accruals, deferred income and other liabilities	13	**10**	7
		33,185	1,276
Total assets less current liabilities		**41,926**	43,489
Creditors: amounts falling due after more than one year			
Borrowings	11	**31,559**	32,584
Deferred tax liability	14	**8,441**	9,614
		40,000	42,198
Total liabilities		**73,185**	43,474
Equity: capital and reserves			
Called up share capital	16	**-**	-
Profit and loss account		**1,926**	1,291
Total shareholders' funds		**1,926**	1,291
Total liabilities and shareholders' funds		**75,111**	44,765

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 12 December 2016 and signed on its behalf by:

S J Caterer
Director

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

	Share capital £'000	Profit and loss account £'000	Total £'000
At 1 April 2014	-	2,142	2,142
Profit for the year	-	149	149
Dividends paid	-	(1,000)	(1,000)
At 31 March 2015	-	1,291	1,291
Profit for the year	**-**	**635**	**635**
At 31 March 2016	**-**	**1,926**	**1,926**

Total comprehensive income for the year of £635,000 (2015: £149,000) 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 the presentation of a Cash-Flow Statement, 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 17.

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) Revenue recognition

Turnover comprises income from finance leases, loans and other services which arises in the United Kingdom from continuing activities.

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

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 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.

IFRS requires rental income to be calculated using the interest rate at inception of the lease; variations from that rate are presented as contingent rentals.

c) 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.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies (continued)

c) Taxation (continued)

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.

d) 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.

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

e) 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(b)) less any impairment losses.

f) 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.

g) 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 using the effective interest method.

h) 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.

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.

3. Turnover

	2016	2015
	£'000	£'000
Finance lease income:		
Rent receivable	**4,522**	4,511
Amortisation	**(1,707)**	(1,189)
Contingent rental expense	**(2,722)**	(2,802)
	93	520

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

4. Operating expenses

	2016	2015
	£'000	£'000
Management fees	**42**	26

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 fee 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.

Auditor's remuneration

	2016	2015
	£'000	£'000
Auditor's remuneration – audit services (included within the management fee shown above)	**7**	7

5. Finance income

	2016 £'000	2015 £'000
On loans receivable from Group undertakings	**1**	4

6. Finance costs

	2016 £'000	2015 £'000
Interest on loans from Group undertakings	**325**	310

7. Tax

	2016 £'000	2015 £'000
Current tax:		
UK corporation tax charge for the year	**265**	257
Deferred tax:		
Credit for the year	**(317)**	(218)
Impact of tax rate changes	**(856)**	-
	(1,173)	(218)
Tax (credit)/charge for the year	**(908)**	39

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

The actual tax (credit)/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	**(55)**	39
Non-deductible items	**3**	-
Impact of tax rate change	**(856)**	-
Tax (credit)/charge for the year	**(908)**	39

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.

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 £405,000 estimated as giving rise to tax credit which will be recognised in the accounts for 2017.

NOTES TO THE FINANCIAL STATEMENTS

8. Ordinary dividends

	2016 £'000	2015 £'000
Interim dividend paid	-	1,000

9. Finance lease receivables

2016	Within 1 year £'000	Between 1 and 5 years £'000	After 5 years £'000	Total £'000
Future minimum lease payments	4,493	18,084	51,496	74,073
Unearned finance income	(305)	(3,906)	(27,336)	(31,547)
Present value of minimum lease payments receivable	4,188	14,178	24,160	42,526
2015				
Future minimum lease payments	4,534	18,248	56,685	79,467
Unearned finance income	(310)	(3,954)	(30,959)	(35,223)
Present value of minimum lease payments receivable	4,224	14,294	25,726	44,244

	2016 £'000	2015 £'000
Due within one year	4,188	4,224
Due after more than one year	38,338	40,020
	42,526	44,244

The Company has entered into finance lease agreements for a water treatment plant. The term of the lease entered into is 36 years (2015: 36 years).

Unguaranteed residual values are estimated at £nil (2015: £nil).

The average effective interest rate in relation to finance lease agreements approximates 7.3% (2015: 7.3%).

10. Loans and receivables

	2016 £'000	2015 £'000
Due within one year		
Amounts owed by Group undertakings	-	521

11. Borrowings

	2016 £'000	2015 £'000
Loans from Group undertakings	**32,594**	33,792
Current – on demand or within one year	**1,035**	1,208
Non-current:		
- between one and two years	**1,124**	1,079
- between two and five years	**3,964**	3,759
- After 5 years	**26,471**	27,746
	31,559	32,584

The Company has the unsecured borrowing from Group undertakings greater than five years of £26,471,000 (2015: £27,746,000) at a floating rate.

The repayment profile of the borrowings is disclosed in note 15(ii).

12. Trade and other payables

	2016 £'000	2015 £'000
Due within one year: Amounts due to Group undertakings	**32,079**	-

13. Accruals, deferred income and other liabilities

	2016 £'000	2015 £'000
Accruals	**10**	7

14. Deferred tax

Deferred tax liability comprises:

	Capital allowances £'000	Other £'000	Total £'000
At 1 April 2014	9,795	37	9,832
Credit to profit and loss account	(215)	(3)	(218)
At 31 March 2015	9,580	34	9,614
Credit to profit and loss account	**(1,168)**	**(5)**	**(1,173)**
At 31 March 2016	**8,412**	**29**	**8,441**

15. Financial instruments and risk management

(i) Fair value of financial instruments not carried at 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 the finance lease receivables and borrowings is estimated by discounting future expected cash flows using current interest rates and making adjustments for own credit risk in relation to borrowings in the current year.

15. Financial instruments and risk management (continued)

(i) Fair value of financial instruments not carried at fair value (continued)

	2016 Carrying value £'000	2016 Fair value £'000	2015 Carrying value £'000	2015 Fair value £'000
Financial assets				
Finance lease receivables	**42,526**	**42,526**	44,244	44,244
Financial liabilities				
Borrowings	**32,594**	**27,903**	33,792	31,160

The financial assets and liabilities detailed in the table above fall within level 2 of the valuation methodologies, as set out below:

Financial assets and liabilities have been classified above according to a valuation hierarchy that reflects the valuation techniques used to determine fair value

Level 1: valued by reference to unadjusted quoted prices in active markets for identical assets and liabilities
Level 2: valued by reference to observable market data, other than quoted market prices
Level 3: valuation is based on inputs other than observable market data

(ii) Financial risk management
The principal risks associated with the Company's businesses 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.

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

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

2016	**Variable rate £'000**	**Non-interest earning £'000**	**Total £'000**
Financial assets			
Finance lease receivables	**42,526**	**-**	**42,526**
Cash	**32,585**	**-**	**32,585**
	75,111	**-**	**75,111**
Financial liabilities			
Borrowings	**32,594**	**-**	**32,594**
Trade and other payables	**32,079**	**-**	**32,079**
Accruals and other liabilities	**-**	**10**	**10**
	64,673	**10**	**64,683**
Net financial assets/(liabilities)	**10,438**	**(10)**	**10,428**

15. Financial instruments and risk management (continued)

(ii) Financial risk management (continued)

Interest rate risk (continued)

2015	**Variable rate £'000**	**Non-interest earning £'000**	**Total £'000**
Financial assets			
Finance lease receivables	44,244	-	44,244
Loans receivable	521	-	521
	44,765	-	44,765
Financial liabilities			
Borrowings	33,792	-	33,792
Accruals and other liabilities	-	7	7
	33,792	7	33,799
Net financial assets/(liabilities)	10,973	(7)	10,966

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 loss before tax for the year would have decreased by £2,000 (2015: profit before tax for the year would have increased by £1,000). This is mainly due to the Company's exposure to interest rates on its variable rate cash balances. There would be no other impact on equity.

Credit risk

The table below provides details of credit exposures for those financial assets neither past due nor impaired:

Sector	No. of counterparties	**2016 £'000**	2015 £'000
Finance lease receivables - Water utilities	1 (2015: 1)	**42,526**	44,244
Group undertakings		**32,585**	521
Maximum credit exposure		**75,111**	44,765

Based on counterparty payment history the Company considers all the above financial assets to be of good credit quality.

15. Financial instruments and risk management (continued)

(ii) 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:

2016	0-3 months £'000	3-12 months £'000	1-3 years £'000	3-5 years £'000	5-10 years £'000	10-20 years £'000
Borrowings	62	1,186	2,889	3,488	11,552	18,481
Trade and other payables	32,079	-	-	-	-	-
Accruals and other liabilities	10	-	-	-	-	-
	32,151	1,186	2,889	3,488	11,552	18,481

2015	0-3 months £'000	3-12 months £'000	1 - 3 years £'000	3-5 years £'000	5-10 years £'000	10-20 years £'000
Borrowings	274	1,127	2,882	3,542	10,995	20,859
Accruals and other liabilities	7	-	-	-	-	-
	281	1,127	2,882	3,542	10,995	20,859

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 17).

16. 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.

17. 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.

17. Related parties (continued)

Group undertakings
The Company's immediate parent company is National Westminster Bank Plc, a company incorporated in the UK. As at 31 March 2016, National Westminster Bank Plc heads the smallest group in which the Company is consolidated. Copies of the consolidated accounts 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 accounts 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.