

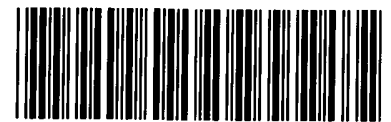
Company Registered No: 02353800

NATWEST CAPITAL FINANCE LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 31 March 2017

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS:
D G Harris
E Mayes
S J Roulston

COMPANY SECRETARY: RBS Secretarial Services Limited

REGISTERED OFFICE:
1 Princes Street
London
EC2R 8PB

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 2017.

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 £326,000 (2016: £635,000) and this was transferred to reserves.

An interim dividend of £1,200,000 was paid during the year (2016: £nil).

PRINCIPAL RISKS AND UNCERTAINTIES

The Company seeks to minimise its exposure to financial risks other than 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 Sterling which is 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).

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;
- 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.

DIRECTORS' REPORT**PRINCIPAL RISKS AND UNCERTAINTIES (continued)****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.

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 2016 to date the following changes have taken place:

	Appointed	Resigned
Directors		
T D Crome	-	28 June 2016
J H Wood	8 August 2016	30 June 2017
N J McDaid	30 December 2016	31 July 2017
A P Johnson	-	31 July 2017
D G Harris	31 July 2017	-
E Mayes	31 July 2017	-
S J Caterer	-	31 August 2017
S J Roulston	21 September 2017	-

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 (FRS) 101 Reduced Disclosure Framework 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.

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

Ernst & Young LLP has expressed its willingness to continue in office as auditor.

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



D G Harris

Director

Date: 30 October 2017

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 2017 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 3, 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 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including 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, based on the work undertaken in the course of the audit:

- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- the Directors' Report has been prepared in accordance with applicable legal requirements.

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

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Directors' Report.

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 the Strategic Report.



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

4 December 2017

PROFIT AND LOSS ACCOUNT
for the year ended 31 March 2017

		2017	2016
Income from continuing operations	Notes	£'000	£'000
Turnover	3	279	93
Operating expenses	4	(36)	(42)
Operating profit		243	51
Finance income	5	1	1
Finance costs	6	(328)	(325)
Loss on ordinary activities before tax		(84)	(273)
Tax credit	7	410	908
Profit and total comprehensive income for the year		326	635

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

BALANCE SHEET
as at 31 March 2017

	Notes	2017 £'000	2016 £'000
Fixed and non current assets			
Finance lease receivables	9	36,774	38,338
Current assets			
Finance lease receivables	9	4,177	4,188
Loans receivable	10	1,853	-
Cash at bank		-	32,585
		6,030	36,773
Total assets		42,804	75,111
Creditors: amounts falling due within one year			
Borrowings	11	3,445	1,035
Trade and other payables	12	7	32,079
Current tax liabilities		68	61
Accruals, deferred income and other liabilities	13	20	10
		3,540	33,185
Total assets less current liabilities		39,264	41,926
Creditors: amounts falling due after more than one year			
Borrowings	11	30,478	31,559
Deferred tax liability	14	7,734	8,441
		38,212	40,000
Total liabilities		41,752	73,185
Equity: capital and reserves			
Called up share capital	16	-	-
Profit and loss account		1,052	1,926
Total shareholders' funds		1,052	1,926
Total liabilities and shareholders' funds		42,804	75,111

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 30 October 2017 and signed on its behalf by:



D G Harris
Director

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 March 2017

	Share capital £'000	Profit and loss account £'000	Total £'000
At 1 April 2015	-	1,291	1,291
Profit for the year	-	635	635
At 31 March 2016	-	1,926	1,926
Profit for the year	-	326	326
Dividends paid	-	(1,200)	(1,200)
At 31 March 2017	-	1,052	1,052

Total comprehensive income for the year of £326,000 (2016: £635,000) was wholly attributable to the owners 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;
- under Financial Reporting Standard (FRS) 101 Reduced Disclosure Framework 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 EU (together IFRS); and
- on the historical cost basis.

The Company meets the definition of a qualifying entity under FRS 100 Application of Financial Reporting Requirements issued by the Financial Reporting Council.

The Company is incorporated in the UK and registered in England and Wales and the financial statements are presented:

- in accordance with the Companies Act 2006;
- in Sterling which is the functional currency of the Company; and
- with the benefit of the disclosure exemptions permitted by FRS 101 with regard to:
 - cash-flow statement;
 - standards not yet effective; and
 - related party transactions;

Where required, equivalent disclosures are given in the group accounts of The Royal Bank of Scotland Group plc, these accounts are available to the public and can be obtained as set out in note 17.

There were no changes to IFRS that were effective from 1 April 2016 and would have had material effect on the Company's financial statements for the year ended 31 March 2017.

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 (or group of financial assets or liabilities) and of allocating the interest income or interest expense over the expected life of the asset liability.

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 in accordance with IAS 39 "Financial Instruments: Recognition and Measurement".

A financial liability is removed from the Balance Sheet when the obligation is discharged, cancelled or expires.

NOTES TO THE FINANCIAL STATEMENTS

2. Critical accounting policies and key sources of estimation uncertainty

The reported results of the Company are sensitive to the accounting policies, assumptions and estimates that underlie the preparation of its financial statements. UK company law and IFRS require the directors, in preparing the Company's financial statements, to select suitable accounting policies, apply them consistently and make judgements and estimates that are reasonable and prudent. In the absence of an applicable standard or interpretation, IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors', requires management to develop and apply an accounting policy that results in relevant and reliable information in the light of the requirements and guidance in IFRS dealing with similar and related issues and the IASB's Framework for the Preparation and Presentation of Financial Statements. The judgements and assumptions involved in the Company's accounting policies that are considered by the directors to be the most important to the portrayal of its financial condition are discussed below. The use of estimates, assumptions or models that differ from those adopted by the Company would affect its reported results.

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

	2017 £'000	2016 £'000
Finance lease income:		
Rent receivable	4,533	4,522
Amortisation	(1,637)	(1,707)
Contingent rental expense	(2,617)	(2,722)
	<u>279</u>	<u>93</u>

The Company did not enter into any new leasing transactions during the year (2016: £nil).

4. Operating expenses

	2017 £'000	2016 £'000
Management fees	29	42
Audit Fees	7	-
	<u>36</u>	<u>42</u>

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

	2017 £'000	2016 £'000
Auditor's remuneration – audit services (included within the management fee in 2016)	<u>7</u>	<u>7</u>

NOTES TO THE FINANCIAL STATEMENTS

5. Finance income

	2017 £'000	2016 £'000
On loans receivable: from group companies	<u>1</u>	<u>1</u>

6. Finance costs

	2017 £'000	2016 £'000
Interest on loans from group companies	<u>328</u>	<u>325</u>

7. Tax

	2017 £'000	2016 £'000
Current tax:		
UK corporation tax charge for the year	295	265
Under provision in respect of prior periods	2	-
	<u>297</u>	<u>265</u>
Deferred tax:		
Credit for the year	(707)	(1,173)
Tax credit for the year	<u>(410)</u>	<u>(908)</u>

The actual tax credit differs from the expected tax credit computed by applying the standard rate of UK corporation tax of 20% (2016: 20%) as follows:

	2017 £'000	2016 £'000
Expected tax credit	(17)	(55)
Non-deductible items	4	3
Adjustments in respect of prior periods	2	(856)
Impact of tax rate change	(399)	-
Tax credit for the year	<u>(410)</u>	<u>(908)</u>

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 17% from 1 April 2020. The closing deferred tax liabilities have been calculated taking into account that existing temporary differences may unwind in periods subject to the reduced rates.

NOTES TO THE FINANCIAL STATEMENTS

8. Ordinary dividends

	2017 £'000	2016 £'000
Interim dividend paid	1,200	-

9. Finance lease receivables

	Within 1 year £'000	Between 1 and 5 years £'000	After 5 years £'000	Total £'000
2017				
Future minimum lease payments	4,481	18,038	46,712	69,231
Unearned finance income	(304)	(3,892)	(24,084)	(28,280)
Present value of minimum lease payments receivable	4,177	14,146	22,628	40,951
2016				
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

	2017 £'000	2016 £'000
Due within one year	4,177	4,188
Due after more than one year	36,774	38,338
	40,951	42,526

The Company has entered into finance lease agreements for a water treatment plant. The term of the lease entered into is 36 years (2016: 36 years).

Unguaranteed residual values are estimated at £nil (2016: £nil).

The average effective interest rate in relation to finance lease agreements approximates 7.3% (2016: 7.3%).

10. Loans and receivables

	2017 £'000	2016 £'000
Due within one year		
Amounts owed by group companies	1,853	-

NOTES TO THE FINANCIAL STATEMENTS

11. Borrowings

	2017 £'000	2016 £'000
Overdrafts from group companies	1,328	-
Loans from group companies	32,595	32,594
Current – on demand or within one year	3,445	1,035
Non-current:		
- between one and two years	1,194	1,124
- between two and five years	4,275	3,964
- After 5 years	25,009	26,471
	30,478	31,559

The Company has unsecured borrowing from group companies greater than five years of £25,009,000 (2016: £26,471,000) at a floating rate.

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

12. Trade and other payables

	2017 £'000	2016 £'000
Due within one year:		
Other payables	7	-
Amounts due to group companies	-	32,079
	7	32,079

13. Accruals, deferred income and other liabilities

	2017 £'000	2016 £'000
Accruals	20	10

14. Deferred tax

Deferred tax liability comprises:

	Capital allowances £'000	Other £'000	Total £'000
At 1 April 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
Credit to profit and loss account	(703)	(4)	(707)
At 31 March 2017	7,709	25	7,734

NOTES TO THE FINANCIAL STATEMENTS

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.

	2017 Carrying value £'000	2017 Fair value £'000	2016 Carrying value £'000	2016 Fair value £'000
Financial assets				
Finance lease receivables	40,951	40,951	42,526	42,526
Financial liabilities				
Borrowings	33,923	30,470	32,594	27,903

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 companies. 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.

NOTES TO THE FINANCIAL STATEMENTS

15. Financial instruments and risk management (continued)

(ii) Financial risk management (continued)

Interest rate risk (continued)

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

	Variable rate £'000	Non- interest earning £'000	Total £'000
2017			
Financial assets			
Finance lease receivables	40,951	-	40,951
Loans receivable	1,853	-	1,853
	42,804	-	42,804
Financial liabilities			
Borrowings	33,923	-	33,923
Trade and other payables	-	7	7
Accruals, deferred income and other liabilities	-	6	6
	33,923	13	33,936
Net financial assets/(liabilities)	8,881	(13)	8,868
	Variable rate £'000	Non- interest earning £'000	Total £'000
2016			
Financial assets			
Finance lease receivables	42,526	-	42,526
Cash at bank	32,585	-	32,585
	75,111	-	75,111
Financial liabilities			
Borrowings	32,594	-	32,594
Trade and other payables	32,079	-	32,079
Accruals, deferred income and other liabilities	-	10	10
	64,673	10	64,683
Net financial assets/(liabilities)	10,438	(10)	10,428

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 increased by £12,000 (2016: decreased by £2,000). 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.

NOTES TO THE FINANCIAL STATEMENTS

15. Financial instruments and risk management (continued)

(ii) Financial risk management (continued)

Credit risk

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

Sector	No. of counterparties	2017 £'000	2016 £'000
Finance lease receivables - Water utilities	1 (2016: 1)	40,951	42,526
Group companies		1,853	32,585
Maximum credit exposure		<u>42,804</u>	<u>75,111</u>

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

Financial liabilities

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

	0-3 months £'000	3-12 months £'000	1-3 years £'000	3-5 years £'000	5-10 years £'000	10-20 years £'000
2017						
Borrowings	2,310	1,300	2,951	3,579	11,775	15,730
Trade and other payables	7	-	-	-	-	-
Accruals, deferred income and other liabilities	6	-	-	-	-	-
	<u>2,323</u>	<u>1,300</u>	<u>2,951</u>	<u>3,579</u>	<u>11,775</u>	<u>15,730</u>
	0-3 months £'000	3-12 months £'000	1 - 3 years £'000	3-5 years £'000	5-10 years £'000	10-20 years £'000
2016						
Borrowings	62	1,186	2,889	3,488	11,552	18,481
Trade and other payables	32,079	-	-	-	-	-
Accruals, deferred income and other liabilities	10	-	-	-	-	-
	<u>32,151</u>	<u>1,186</u>	<u>2,889</u>	<u>3,488</u>	<u>11,552</u>	<u>18,481</u>

16. Share capital

	2017 £	2016 £
Authorised:		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>
Allotted, called up and fully paid:		
Equity shares		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>

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

NOTES TO THE FINANCIAL STATEMENTS**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.

Group companies

The Company's immediate parent company is National Westminster Bank Plc, a company incorporated in the UK. As at 31 March 2017, 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 Regulatory Affairs, 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 Regulatory Affairs, The Royal Bank of Scotland Group plc, Gogarburn, PO Box 1000, Edinburgh EH12 1HQ.