

**Company Registered No: 02354645**

**LOMBARD CORPORATE FINANCE (MARCH 1) LIMITED**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**For the year ended 31 March 2013**

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

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**LOMBARD CORPORATE FINANCE (MARCH 1) LIMITED**  
**DIRECTORS' REPORT AND FINANCIAL STATEMENTS 2013**

**02354645**

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**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS:**

**S J Caterer  
P A Cheesman  
P D J Sullivan  
L C Varnavides**

**SECRETARY:**

**RBS Secretarial Services Limited**

**REGISTERED OFFICE:**

**The Quadrangle  
The Promenade  
Cheltenham  
GL50 1PX**

**AUDITOR:**

**Deloitte LLP  
3 Rivergate  
Temple Quay  
Bristol  
BS1 6GD**

**Registered in England and Wales**

**DIRECTORS' REPORT**

The directors present their report and the audited financial statements for the year ended 31 March 2013

This directors' report has been prepared in accordance with the special provisions available to companies entitled to the small companies exemption

**ACTIVITIES AND BUSINESS REVIEW****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 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 reports of The Royal Bank of Scotland Group plc review these matters on a group basis. Copies can be obtained from RBS Secretariat, RBS Gogarburn, Edinburgh, EH12 1HQ, the Registrar of Companies or through the group's website at [www.rbs.com](http://www.rbs.com)

**Review of the year****Business review**

The directors are satisfied with the company's performance in the year. The company's only leases terminated on 23 September 2013 resulting in an estimated loss before tax of \$27,000. The company will be guided by its shareholders in seeking further opportunities for growth. Post balance sheet events are described in note 20 to the financial statements.

**Financial performance**

The retained profit for the year was \$280,000 (2012 retained profit \$686,000) and this was transferred to reserves. An interim dividend of \$1,000,000 was paid during the year (2012 no dividend paid).

**Principal risks and uncertainties**

The company is funded by facilities from Royal Bank Leasing Limited.

The company's financial risk management objectives and policies regarding the use of financial instruments are set out in note 14 to these financial statements.

The company seeks to minimise its exposure to external financial risks other than equity and credit risk, further information on financial risk management policies and exposures is disclosed in notes 1 and 14.

**Going concern**

The company ceased to trade after the year end. As required by IAS 1 – Presentation of Financial Statements, management has prepared the financial statements on a basis other than that of going concern. No material adjustments arose as a result of ceasing to apply the going concern basis.

**DIRECTORS' REPORT (continued)**

**DIRECTORS AND SECRETARY**

The present directors and secretary, who have served throughout the year except where noted below, are listed on page 2

From 1 April 2012 to date the following changes have taken place

	<b>Appointed</b>	<b>Resigned</b>
<b>Secretary</b>		
RBS Secretarial Services Limited	31 October 2012	
C J Down		31 October 2012

**DIRECTORS' RESPONSIBILITIES STATEMENT**

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

Company law requires the directors to prepare a directors' report and financial statements for each financial year and the directors have elected to prepare them in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs at the end of the year and the profit or loss for the financial year of the company. In preparing these financial statements, under International Accounting Standard 1, the directors are required to

- select suitable accounting policies and then apply them consistently,
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information,
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions of the entity's financial position and performance, and
- make an assessment of the company's ability to continue as a going concern

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the directors' report and financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**DISCLOSURE OF INFORMATION TO AUDITOR**

Each of the directors at the date of approval of this report confirms that

- so far as they are aware, there is no relevant audit information of which the company's auditor is unaware, and
- the director has taken all the steps that they ought to have taken to make themselves aware of any relevant audit information, and to establish that the company's auditor is aware of that information

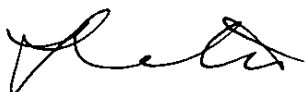
This confirmation is given and shall be interpreted in accordance with the provisions of section 418 of the Companies Act 2006

**DIRECTORS' REPORT (continued)**

**AUDITOR**

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

Approved by the Board of Directors and signed on its behalf

A handwritten signature in black ink, appearing to read 'S J Caterer', written over a horizontal line.

**S J Caterer**

**Director**

Date 30 September 2013

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LOMBARD CORPORATE FINANCE (MARCH 1) LIMITED**

We have audited the financial statements of Lombard Corporate Finance (March 1) Limited ('the company') for the year ended 31 March 2013 which have been prepared on a basis other than that of going concern and which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity, the cash flow statement and the related notes 1 to 20. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

### **Respective responsibilities of directors and auditor**

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

### **Scope of the audit of the financial statements**

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

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2013 and of its profit for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

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

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LOMBARD CORPORATE FINANCE (MARCH 1) LIMITED (continued)**

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit, or
- the directors were not entitled to take advantage of the small companies' exemption in preparing the directors' report

*Mark Taylor*

**Mark Taylor FCA** (Senior Statutory Auditor)

for and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditor

**Bristol, United Kingdom**

Date *30 September 2013*



**STATEMENT OF COMPREHENSIVE INCOME**  
for the year ended 31 March 2013

<b>Income from continuing operations</b>	<b>Notes</b>	<b>2013 \$'000</b>	<b>2012 \$'000</b>
Revenue	3	(64)	(198)
Operating expenses	4	(26)	(19)
<b>Operating loss</b>		<b>(90)</b>	<b>(217)</b>
Finance costs	5	(163)	(150)
<b>Loss before tax</b>		<b>(253)</b>	<b>(367)</b>
Tax credit	6	533	1,053
<b>Profit and total comprehensive income for the year</b>		<b>280</b>	<b>686</b>


The accompanying notes form an integral part of these financial statements

**BALANCE SHEET**  
as at 31 March 2013

	Notes	2013 \$'000	2012 \$'000
<b>Assets</b>			
<b>Non-current assets</b>			
Finance lease receivables	8	48,354	50,050
<b>Current assets</b>			
Finance lease receivables	8	3,462	3,390
Loan receivables	9	694	1,637
Cash		18	18
		<u>4,174</u>	<u>5,045</u>
<b>Total assets</b>		<u><b>52,528</b></u>	<u><b>55,095</b></u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Borrowings	10	1,296	1,269
Trade and other payables	11	395	384
Current tax liabilities		28	5
Accruals, deferred income and other liabilities	12	32	52
		<u>1,751</u>	<u>1,710</u>
<b>Non-current liabilities</b>			
Borrowings	10	38,502	39,774
Deferred tax liability	13	10,874	11,490
		<u>49,376</u>	<u>51,264</u>
<b>Total liabilities</b>		<u><b>51,127</b></u>	<u><b>52,974</b></u>
<b>Equity</b>			
Share capital	15	10	10
Retained earnings		<u>1,391</u>	<u>2,111</u>
<b>Total equity</b>		<u><b>1,401</b></u>	<u><b>2,121</b></u>
<b>Total liabilities and equity</b>		<u><b>52,528</b></u>	<u><b>55,095</b></u>

The accompanying notes form an integral part of these financial statements

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



**S J Caterer**  
Director

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

	Note	Share capital \$'000	Retained earnings \$'000	Total \$'000
<b>At 1 April 2011</b>		10	1,425	1,435
Profit for the year		-	686	686
<b>At 31 March 2012</b>		10	2,111	2,121
Profit for the year		-	280	280
Dividends paid	7	-	(1,000)	(1,000)
<b>At 31 March 2013</b>		10	1,391	1,401

Total comprehensive income for the year of \$280,000 (2012 \$686,000) was wholly attributable to the owners of the company

The accompanying notes form an integral part of these financial statements

**CASH FLOW STATEMENT**  
for the year ended 31 March 2013

	Note	2013 \$'000	2012 \$'000
<b>Operating activities</b>			
Loss for the year before tax		(253)	(367)
<b>Adjustments for:</b>			
Finance costs		163	150
<b>Operating cash flows before movements in working capital</b>		<u>(90)</u>	<u>(217)</u>
Decrease in finance lease receivables		1,624	1,662
Increase/(decrease) in trade and other payables		11	(41)
Increase in accruals, deferred income and other liabilities		1	-
<b>Net cash from operating activities before tax</b>		<u>1,546</u>	<u>1,404</u>
Tax/Group relief (paid)/received – immediate parent company		(60)	66
<b>Net cash flows from operating activities</b>		<u>1,486</u>	<u>1,470</u>
<b>Cash flows from financing activities</b>			
Repayment of borrowings – immediate parent company		(1,245)	(1,722)
Interest paid to group undertakings – immediate parent company		(184)	(130)
Dividends paid		(1,000)	-
<b>Net cash flows used by financing activities</b>		<u>(2,429)</u>	<u>(1,852)</u>
<b>Net decrease in cash and cash equivalents</b>		<u>(943)</u>	<u>(382)</u>
<b>Cash and cash equivalents at beginning of year</b>		<u>1,655</u>	<u>2,037</u>
<b>Cash and cash equivalents at end of year</b>	16	<u>712</u>	<u>1,655</u>

The accompanying notes form an integral part of these financial statements

**NOTES TO THE FINANCIAL STATEMENTS****1. Accounting policies****a) Presentation of accounts**

The accounts are prepared on a basis other than that of going concern and in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board ('IASB') and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB as adopted by the European Union (EU) (together 'IFRS')

The accounts are prepared on the historical cost basis

The company's financial statements are presented in US dollars which is the functional currency of the company

The company is incorporated in the UK and registered in England and Wales. The company's accounts are presented in accordance with the Companies Act 2006

The company terminated its only leases on 23 September 2013 and has not traded since then. These events did not require the company to re-measure, reclassify or adjust the settlement date of any assets or liabilities. IAS1 paragraph 25 'Presentation of Financial Statements' describes the preparation of financial statements in such circumstances as being other than on a going concern basis

**Adoption of new and revised standards**

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

**b) Foreign currencies**

Transactions in foreign currencies are translated into US dollars at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into US dollars at the rates of exchange ruling at the balance sheet date. Foreign exchange differences arising on translation are reported in profit or loss

Non-monetary items denominated in foreign currencies that are stated at fair value are translated into US dollars at the foreign exchange rates ruling at the dates the values are determined

**c) Revenue recognition**

Revenue comprises income from finance leases and loans and other services and 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 or liability

## NOTES TO THE FINANCIAL STATEMENTS (continued)

**d) Taxation**

Income tax expense or income, comprising current tax and deferred tax, is recorded in the income statement except income tax on items recognised outside profit or loss which is credited or charged to other comprehensive income or to equity as appropriate

Current tax is income tax payable or recoverable in respect of the taxable profit or loss for the year arising in income or in equity. Provision is made for current tax at rates enacted or substantively enacted at the balance sheet date

Deferred tax is the tax expected to be payable or recoverable in respect of temporary differences between the carrying amount of an asset or liability for accounting purposes and its carrying amount for tax purposes. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered. Deferred tax is not recognised on temporary differences that arise from initial recognition of an asset or a liability in a transaction (other than a business combination) that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is calculated using tax rates expected to apply in the periods when the assets will be realised or the liabilities settled, based on tax rates and laws enacted, or substantively enacted, at the balance sheet date

**e) Leases**

Contracts to lease assets are classified as finance leases if they transfer substantially all the risks and rewards of ownership of the asset to the customer. Other contracts to lease assets are classified as operating leases

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

**f) Financial assets**

On initial recognition, financial assets are classified into held-to-maturity investments held-for-trading, designated as at fair value through profit or loss, loans and receivables, or available-for-sale financial assets

***Loans and receivables***

Non-derivative financial assets with fixed or determinable repayments that are not quoted in an active market are classified as loans and receivables, except those that are classified as available-for-sale or as held-for-trading, or designated as at fair value through profit or loss. Loans and receivables are initially recognised at fair value plus directly related transaction costs. They are subsequently measured at amortised cost using the effective interest method less any impairment losses

**g) Impairment of financial assets**

The company assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets classified as held-to-maturity, available-for-sale or loans and receivables is impaired. A financial asset or portfolio of financial assets is impaired and an impairment loss incurred if there is objective evidence that an event or events since initial recognition of the asset have adversely affected the amount or timing of future cash flows from the asset

NOTES TO THE FINANCIAL STATEMENTS (continued)

**1. Accounting policies (continued)**

**h) 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

**i) 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

**j) Cash and cash equivalents**

In the cash flow statement, cash and cash equivalents comprises cash and demand deposits with banks together with short-term highly liquid investments that are readily convertible to known amounts of cash and subject to insignificant risk of change in value

**k) Accounting developments**

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

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

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

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

***Effective after 2013***

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

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

## NOTES TO THE FINANCIAL STATEMENTS (continued)

**1. Accounting policies (continued)****k) Accounting developments (continued)**

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

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

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

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

**2. Critical accounting policies and key sources of estimation uncertainty**

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

**Leased assets**

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



NOTES TO THE FINANCIAL STATEMENTS (continued)

3. Revenue

	2013 \$'000	2012 \$'000
Finance lease income		
Rents receivable	3,442	3,414
Amortisation	(1,621)	(1,665)
Contingent rental expense	(1,885)	(1,947)
	<u>(64)</u>	<u>(198)</u>

The company did not enter into any new leasing transactions during the year (2012 \$nil)

4. Operating expenses

	2013 \$'000	2012 \$'000
Management fees – immediate parent company	<u>26</u>	<u>19</u>

**Staff costs, number of employees and directors' emoluments**

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

**Management recharge**

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

**Auditor's remuneration**

	2013 \$'000	2012 \$'000
Auditor's remuneration – audit services (included within the management fee shown above)	<u>11</u>	<u>11</u>

5. Finance costs

	2013 \$'000	2012 \$'000
Interest on loans from group undertakings – immediate parent company	<u>163</u>	<u>150</u>

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**6. Tax**

	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>
Current taxation		
UK corporation tax charge/(credit) for the year	<u>83</u>	<u>(33)</u>
Deferred taxation		
Credit for the year	<u>(137)</u>	<u>(59)</u>
Impact of tax rate changes	<u>(479)</u>	<u>(961)</u>
	<u>(616)</u>	<u>(1,020)</u>
Tax credit for the year	<u>(533)</u>	<u>(1,053)</u>

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

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

	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>
Expected tax credit	<u>(61)</u>	<u>(95)</u>
Reduction in deferred tax following change in rate of UK corporation tax	<u>(472)</u>	<u>(958)</u>
Actual tax credit for the year	<u>(533)</u>	<u>(1,053)</u>

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% from 1 April 2015. The closing deferred tax assets and liabilities have been calculated at 23% in accordance with the rates enacted at the balance sheet date.

The impact of the post-balance sheet date change in tax rate will not have a material effect on the company due to the lease terminations on 23 September 2013.

**7. Ordinary dividends**

	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>
Interim dividend paid	<u>1,000</u>	<u>-</u>

No dividends have been approved or paid since 31 March 2013 to the date of approval of these accounts.

NOTES TO THE FINANCIAL STATEMENTS (continued)

8. Finance lease receivables

	Within 1 year \$'000	Between 1 and 5 years \$'000	After 5 years \$'000	Total \$'000
<b>2013</b>				
Future minimum lease payments	3,519	15,161	52,641	71,321
Unearned finance income	(57)	(1,646)	(17,802)	(19,505)
Present value of minimum lease payments receivable	<u>3,462</u>	<u>13,515</u>	<u>34,839</u>	<u>51,816</u>
<b>2012</b>				
Future minimum lease payments	3,444	14,720	56,601	74,765
Unearned finance income	(54)	(1,578)	(19,693)	(21,325)
Present value of minimum lease payments receivable	<u>3,390</u>	<u>13,142</u>	<u>36,908</u>	<u>53,440</u>
			<b>2013</b> \$'000	<b>2012</b> \$'000
Current			3,462	3,390
Non-current			<u>48,354</u>	<u>50,050</u>
			<u>51,816</u>	<u>53,440</u>

The company has entered into finance leasing arrangements for 2 container ships. The average term of the leases entered into is 25 years (2012: 25 years).

Unguaranteed residual values are estimated at \$nil (2012: \$nil).

The average effective interest rate in relation to finance lease agreements approximates 4.0% (2012: 4.0%).

9. Loan receivables

	2013 \$'000	2012 \$'000
<b>Current</b>		
Deposits owed by group undertakings – immediate parent company	<u>694</u>	<u>1,637</u>

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

10. Borrowings

	2013 \$'000	2012 \$'000
Loans from group undertakings – immediate parent company	<u>39,798</u>	<u>41,043</u>
<b>Current</b>	<u>1,296</u>	<u>1,269</u>
<b>Non-current</b>	<u>38,502</u>	<u>39,774</u>
	<u>39,798</u>	<u>41,043</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

11. Trade and other payables

	2013 \$'000	2012 \$'000
Other payables	395	384

12. Accruals, deferred income and other liabilities

	2013 \$'000	2012 \$'000
Accruals – immediate parent company	32	52

13. Deferred tax

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

	Capital allowances \$'000	Other \$'000	Total \$'000
At 1 April 2011	12,265	245	12,510
Credit to income	(980)	(40)	(1,020)
At 31 March 2012	11,285	205	11,490
Credit to income	(591)	(25)	(616)
At 31 March 2013	10,694	180	10,874

14. Financial instruments and risk management

(i) Fair value

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

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

All financial assets are classed as finance lease receivables or loans and receivables. All financial liabilities are classed as amortised cost.

	2013 Carrying value \$'000	2013 Fair value \$'000	2012 Carrying value \$'000	2012 Fair value \$'000
<b>Financial assets</b>				
Finance lease receivables	51,816	46,829	53,440	43,756

The fair value of financial instruments that are not carried at fair value on the balance sheet is considered not to be materially different to the carrying amounts, except where noted above.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

## 14. Financial instruments and risk management (continued)

## (ii) Financial risk management

The principal risks associated with the company's businesses are as follows

**Market risk**

Market risk is the potential for loss as a result of adverse changes in risk factors including interest rates, foreign currency and equity prices together with related parameters such as market volatilities

**Interest rate risk**

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

Finance lease receivables and other instalment credit receivables may be based on fixed and/or floating rates. These are funded primarily through balances owed to group undertakings which are due primarily on demand and a variable rate basis. 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

	Variable rate \$'000	Non- interest earning \$'000	Total \$'000
<b>2013</b>			
<b>Financial assets</b>			
Finance leases	51,816	-	51,816
Loan receivables	694	-	694
Cash	18	-	18
	<u>52,528</u>	<u>-</u>	<u>52,528</u>
<b>Financial liabilities</b>			
Borrowings	39,798	-	39,798
Trade and other payables	-	395	395
Accruals and other liabilities	-	32	32
	<u>39,798</u>	<u>427</u>	<u>40,225</u>
<b>Net financial assets/(liabilities)</b>	<u>12,730</u>	<u>(427)</u>	<u>12,303</u>

	Variable rate \$'000	Non- interest earning \$'000	Total \$'000
<b>2012</b>			
<b>Financial assets</b>			
Finance leases	53,440	-	53,440
Loan receivables	1,637	-	1,637
Cash	18	-	18
	<u>55,095</u>	<u>-</u>	<u>55,095</u>
<b>Financial liabilities</b>			
Borrowings	41,043	-	41,043
Trade and other payables	-	384	384
Accruals and other liabilities	-	52	52
	<u>41,043</u>	<u>436</u>	<u>41,479</u>
<b>Net financial assets/(liabilities)</b>	<u>14,052</u>	<u>(436)</u>	<u>13,616</u>

## NOTES TO THE FINANCIAL STATEMENTS (continued)

## 14. Financial instruments and risk management (continued)

## (ii) Financial risk management (continued)

## Interest rate risk (continued)

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 \$4,000 (2012 loss before tax for the year would have decreased by \$8,000). This is mainly due to the company's exposure to interest rates on its variable rate funding. There would be no other material impact on equity.

## Currency risk

The company does not maintain material non-trading open currency positions.

The company undertakes certain transactions denominated in foreign currencies, hence exchange rate fluctuations arise. The company's policy is normally to match foreign currency receivables with borrowings in the same currency.

The company is mainly exposed to sterling currencies.

## Credit risk

The objective of credit risk management is to enable the company to achieve appropriate risk versus reward performance whilst maintaining credit risk exposure in line with approved appetite for the risk that customers will be unable to meet their obligations to the company.

The key principles of the group's Credit Risk Management Framework are set out below:

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

14. Financial instruments and risk management (continued)

(ii) Financial risk management (continued)

Credit risk (continued)

Maximum credit exposure and neither past due nor impaired

<u>Sector</u>	<u>No of counterparties</u>	<b>2013 \$'000</b>	<b>2012 \$'000</b>
Shipping	1 (2012 1)	51,816	53,440
Finance lease receivables		51,816	53,440
Group undertakings		712	1,655
Maximum credit exposure		<b>52,528</b>	<b>55,095</b>

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

**Liquidity risk**

Liquidity risk arises where assets and liabilities have different contractual maturities

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

**Financial liabilities**

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

	<b>0 – 3 months \$'000</b>	<b>4 – 12 months \$'000</b>	<b>1 – 3 years \$'000</b>	<b>4 – 5 years \$'000</b>	<b>6 – 10 years \$'000</b>	<b>11 – 20 years \$'000</b>
<b>2013</b>						
Borrowings	363	1,074	3,269	3,980	13,547	22,192
Trade and other payables	395	-	-	-	-	-
Accruals and other liabilities	32	-	-	-	-	-
	<b>790</b>	<b>1,074</b>	<b>3,269</b>	<b>3,980</b>	<b>13,547</b>	<b>22,192</b>
<b>2012</b>						
Borrowings	376	1,099	3,283	3,986	13,280	25,263
Trade and other payables	384	-	-	-	-	-
Accruals and other liabilities	52	-	-	-	-	-
	<b>812</b>	<b>1,099</b>	<b>3,283</b>	<b>3,986</b>	<b>13,280</b>	<b>25,263</b>

NOTES TO THE FINANCIAL STATEMENTS (continued)

14. Financial instruments and risk management (continued)

(ii) Financial risk management (continued)

Financial liabilities (continued)

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 18 - commitments and contingent liabilities)

Operational risk

Operational risk is the risk of unexpected losses attributable to human error, systems failures, fraud or inadequate internal financial controls and procedures. The company manages this risk, in line with the RBS group framework, through systems and procedures to monitor transactions and positions, the documentation of transactions and periodic review by internal audit. The company also maintains contingency facilities to support operations in the event of disasters.

15. Share capital

		2013 \$	2012 \$
Authorised			
1,000	Ordinary shares of £1	1,580	1,580
100,000	Ordinary shares of \$1	100,000	100,000
		<u>101,580</u>	<u>101,580</u>
Allotted, called up and fully paid			
Equity shares			
2	Ordinary shares of £1	3	3
10,000	Ordinary shares of \$1	10,000	10,000
		<u>10,003</u>	<u>10,003</u>

The £1 ordinary shares rank par passu with the US \$1 ordinary shares

The value attributed to sterling share capital is based on the exchange rate prevailing at the date of issue

Both classes of ordinary shares carry no right to fixed income

16. Cash and cash equivalents per cash flow statement

	2013 \$'000	2012 \$'000
Cash held with group undertaking – intermediate parent company	18	18
Deposits with group companies placed at within 3 months original maturity (note 9)	694	1,637
<b>Cash and cash equivalents per cash flow statement</b>	<u>712</u>	<u>1,655</u>



NOTES TO THE FINANCIAL STATEMENTS (continued)

**17. Capital resources**

The company's capital consists of equity comprising issued share capital, retained earnings and loans from group undertakings. The company is a member of The Royal Bank of Scotland group of companies which has regulatory disciplines over the use of capital. In the management of capital resources, the company is governed by the group's policy which is to maintain a strong capital base. It is not separately regulated. The group has complied with the Prudential Regulation Authority's capital requirements throughout the year.

**18. Commitments and contingent liabilities**

The company, together with other members of the RBS group, is party to a capital support deed (CSD). Under the terms of the CSD, the company may be required, if compatible with its legal obligations, to make distributions on, or repurchase or redeem, its ordinary shares. The amount of this obligation is limited to the company's immediately accessible funds or assets, rights, facilities or other resources that, using best efforts, are reasonably capable of being converted to cleared, immediately available funds (the company's available resources). The CSD also provides that, in certain circumstances, funding received by the company from other parties to the CSD becomes immediately repayable, such repayment being limited to the company's available resources.

**19. 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 Royal Bank Leasing Limited, a company incorporated in the UK. As at 31 March 2013, The Royal Bank of Scotland plc heads the smallest group in which the company is consolidated. Copies of the consolidated accounts may be obtained from RBS Secretariat, Gogarburn, PO Box 1000, Edinburgh EH12 1HQ.

The company's ultimate holding company is The Royal Bank of Scotland Group plc, a company incorporated in the UK. As at 31 March 2013, The Royal Bank of Scotland Group plc heads the largest group in which the company is consolidated. Copies of the consolidated accounts may be obtained from RBS Secretariat, The Royal Bank of Scotland Group plc, Gogarburn, PO Box 1000, Edinburgh, EH12 1HQ.

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

**NOTES TO THE FINANCIAL STATEMENTS (continued)****19. Related parties (continued)****Key management**

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

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

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

**20. Post balance sheet events**

The leases within the company, with a net book value of \$50,282,000 were terminated on 23 September 2013 resulting in an estimated loss before tax on disposal of \$27,000. There have been no other significant events between the year end and the date of approval of these financial statements which would require a change to or disclosure in these financial statements.