

**Company Registered No: 02354702**

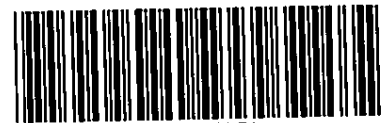
**LOMBARD PLANT FINANCE LIMITED**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**For the year ended 30 September 2012**

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

**FRIDAY**



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**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS:**

S J Caterer  
J E Rogers  
P D J Sullivan  
R F Warren

**SECRETARY:**

RBS Secretarial Services Limited

**REGISTERED OFFICE:**

1 Princes Street  
London  
EC2R 8PB

**AUDITOR:**

Deloitte LLP  
3 Rivergate  
Temple Quay  
Bristol  
BS1 6GD

**Registered England and Wales**

## **DIRECTORS' REPORT**

The directors of Lombard Plant Finance Limited ("the company") present their report and the audited financial statements for the year ended 30 September 2012

## **ACTIVITIES AND BUSINESS REVIEW**

The company has no leasing transactions within it and, with the exception of interest income, has not traded during the current or prior year

### **Activity**

Note 1 to the accounts gives more information on the fact that the financial statements have been prepared on a basis other than that of a going concern. The company has ceased to trade following the disposal of all its finance leases in earlier periods

The directors do not anticipate that any further business will be written in the company

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 rbs.com

### **Financial performance**

The retained loss for the year was £217,000 (2011 £147,000) and this was transferred to reserves

At the end of the year total assets were £5,179,000 (2011 £5,396,000)

### **Dividends**

The directors do not recommend the payment of a dividend (2011 £nil)

### **Principal risks and uncertainties**

The company is funded by facilities from National Westminster Bank plc

The company's financial risk management objectives and policies regarding the use of financial instruments are set out in notes 9 and 10 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 exposure is disclosed in note 10

### **Going concern**

The directors, having made such enquiries as they considered appropriate, including regarding the continuing availability of sufficient resources from The Royal Bank of Scotland Group plc, have prepared the financial statements on a basis other than that of a going concern. It is the intention of the directors to wind up the company within the next 12 months

**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 1

From 1 October 2011 to date the following changes have taken place

	<b>Appointed</b>	<b>Resigned</b>
<b>Secretary</b>		
K Daly	-	11 January 2012
A Williamson	29 February 2012	14 September 2012
RBS Secretarial Services Limited	14 September 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 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 (EU). 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 IFRS 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

- in 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 behalf of the Board



S J Caterer

Director

Date 7 March 2013

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LOMBARD PLANT FINANCE LIMITED**

We have audited the financial statements of Lombard Plant Finance Limited ('the company') for the year ended 30 September 2012, which the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Cash Flow Statement and the related notes 1 to 14. These financial statements have been prepared on a basis other than that of going concern under the accounting policies set out therein. 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 30 September 2012 and of its loss 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 PLANT  
FINANCE 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

*Mark Taylor*

**Mark Taylor, ACA (Senior Statutory Auditor)**  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor,  
Bristol, United Kingdom  
Date *11 March* 2013



**STATEMENT OF COMPREHENSIVE INCOME**  
for the year ended 30 September 2012

		<b>2012</b>	<b>2011</b>
<b>Continuing operations</b>	<b>Notes</b>	<b>£'000</b>	<b>£'000</b>
Finance income	3	4	7
<b>Profit before tax</b>		<b>4</b>	<b>7</b>
Tax charge	4	(221)	(154)
<b>Loss and total comprehensive loss for the year</b>		<b>(217)</b>	<b>(147)</b>

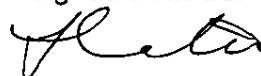
The accompanying notes form an integral part of these financial statements

**BALANCE SHEET**  
as at 30 September 2012

	Notes	2012 £'000	2011 £'000
<b>Non-current assets</b>			
Deferred tax asset	8	2,760	3,750
<b>Current assets</b>			
Prepayments, accrued income and other assets	5	585	620
Loans and receivables	6	1,834	1,026
<b>Total assets</b>		<b>5,179</b>	<b>5,396</b>
<b>Current liabilities</b>			
Trade and other payables	7	5,100	5,100
<b>Total liabilities</b>		<b>5,100</b>	<b>5,100</b>
<b>Equity</b>			
Share capital	11	-	-
Retained earnings		79	296
<b>Total equity</b>		<b>79</b>	<b>296</b>
<b>Total liabilities and equity</b>		<b>5,179</b>	<b>5,396</b>

The accompanying notes form an integral part of these financial statements

The financial statements were approved by the Board of Directors on 7 March 2013 and signed on its behalf by



S J Caterer  
Director

**STATEMENT OF CHANGES IN EQUITY**  
for the year ended 30 September 2012

	Share capital £'000	Retained earnings £'000	Total £'000
<b>At 1 October 2010</b>	-	(15,257)	(15,257)
Capital contribution		15,700	15,700
Loss for the year		(147)	(147)
<b>At 30 September 2011</b>	-	296	296
Loss for the year		(217)	(217)
<b>At 30 September 2012</b>	-	79	79

Total comprehensive loss for the year of £217,000 (2011 £147,000) 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 30 September 2012

	Notes	2012 £'000	2011 £'000
<b>Operating activities</b>			
Profit for the year before tax		4	7
<b>Adjustments for:</b>			
Finance income		(4)	(7)
<b>Operating cash flows before movements in working capital</b>		-	-
Decrease in trade and other payables		-	(20,112)
<b>Net cash used in operating activities before tax</b>		-	(20,112)
<b>Group relief received</b>		804	970
<b>Net cash flows from/(used in) operating activities</b>		804	(19,142)
<b>Cash flows from investing activities</b>			
Interest received from group undertakings		4	7
<b>Net cash flows from investing activities</b>		4	7
<b>Cash flows from financing activities</b>			
Capital contribution		-	15,700
<b>Net cash flows from financing activities</b>		-	15,700
<b>Net increase/(decrease) in cash and cash equivalents</b>		808	(3,435)
Cash and cash equivalents at beginning of year		1,026	4,461
<b>Cash and cash equivalents at end of year</b>	6	<b>1,834</b>	<b>1,026</b>

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 in accordance with IFRS 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)

The accounts 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 accounts are presented in accordance with the Companies Act 2006

The company has ceased to trade following disposal of all of its investments in earlier periods. These events did not require the company to re-measure or reclassify the settlement dates of any assets or liabilities. IAS 1 25 'Presentation of Financial Statements' describes the preparation of financial statements in such circumstances as being other than on a going concern basis. No material adjustment arose as a result of ceasing to apply the going concern basis.

There are no material contractual commitments or future costs of terminating the business that require amounts to be provided at the balance sheet date.

**Adoption of new and revised standards**

There are a number of changes to IFRS that were effective from 1 October 2011. They have had no material effect on the company's financial statements for the year ended 30 September 2012.

**b) Revenue recognition**

Interest income on financial assets that are classified as loans and receivables 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 and of allocating the interest income or interest expense over the expected life of the asset or liability.

**NOTES TO THE FINANCIAL STATEMENTS (continued)****1. Accounting policies (continued)****c) 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

**d) 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

**e) 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

**f) Cash and cash equivalents**

In the Cash Flow Statement, cash and cash equivalents comprise 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

**NOTES TO THE FINANCIAL STATEMENTS (continued)****1. Accounting policies (continued)****g) Accounting developments**

The IASB issued IFRS 9 'Financial Instruments' in November 2009 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 2010, 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. The 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; however, these will not have a significant effect on the company's financial statements. The company is assessing the effect of IFRS 9 which will depend on the outcome of the other phases of the IASB's IAS 39 replacement project and on the outcome of the IASB's tentative decision at its December 2011 meeting to reconsider the following topics:

- additional application guidance to clarify how the instrument characteristics test was intended to be applied
- bifurcation of financial assets, after considering any additional guidance for the instrument characteristics test
- expanded use of other comprehensive income or a third business model for some debt instruments

'Disclosures - Transfers of Financial Assets (Amendments to IFRS 7)' was published by the IASB in October 2010. This replaces IFRS 7's existing derecognition disclosure requirements with disclosures about (a) transferred assets that are not derecognised in their entirety and (b) transferred assets that are derecognised in their entirety but where an entity has continuing involvement in the transferred asset. The amendments are effective for annual periods beginning on or after 1 July 2011. This will not have a significant effect on the Company.

The IASB issued an amendment to IAS 12 'Income Taxes' in December 2010 to clarify that recognition of deferred tax should have regard to the expected manner of recovery or settlement of the asset or liability. The amendment and consequential withdrawal of SIC 21 'Deferred Tax: Recovery of Underlying Assets', effective for annual periods beginning on or after 1 January 2012, is not expected to have a material effect on the company.

**NOTES TO THE FINANCIAL STATEMENTS (continued)****1. Accounting policies (continued)****h) Accounting developments (continued)**

In May 2011, the IASB issued six new or revised standards

IFRS 10 'Consolidated Financial Statements' which replaces SIC-12 'Consolidation - Special Purpose Entities' and the consolidation elements of the existing IAS 27 'Consolidated and Separate Financial Statements'. The new standard adopts a single definition of control: a reporting entity controls another entity when the reporting entity has the power to direct the activities of that other entity to generate returns for the reporting entity.

IAS 27 'Separate Financial Statements' which comprises those parts of the existing IAS 27 that dealt with separate financial statements.

IFRS 11 'Joint Arrangements', which supersedes IAS 31 'Interests in Joint Ventures', distinguishes between joint operations and joint ventures. Joint operations are accounted for by the investor recognising its assets and liabilities including its share of any assets held and liabilities incurred jointly and its share of revenues and costs. Joint ventures are accounted for in the investor's consolidated accounts using the equity method.

IAS 28 'Investments in Associates and Joint Ventures' covers joint ventures as well as associates, both must be accounted for using the equity method. The mechanics of the equity method are unchanged.

IFRS 12 'Disclosure of Interests in Other Entities' covers disclosures for entities reporting under IFRS 10 and IFRS 11 replacing those in IAS 28 and IAS 27. Entities are required to disclose information that helps financial statement readers evaluate the nature, risks and financial effects associated with an entity's interests in subsidiaries, in associates and joint arrangements and in unconsolidated structured entities.

IFRS 13 'Fair Value Measurement' which sets out a single IFRS framework for defining and measuring fair value and requiring disclosures about fair value measurements.

The standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted. The company is reviewing the standards to determine their effect on the company's financial reporting.

In June 2011, the IASB issued amendments to two standards.

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 that are subject to subsequent reclassification. The amendments are effective for annual periods beginning on or after 1 July 2012. Earlier application is permitted. The Company is reviewing the amendments to determine the effect on the Company's financial reporting.

Amendments IAS 19 'Employee Benefits' require the immediate recognition of all actuarial gains and losses eliminating the 'corridor approach', interest cost to be calculated on the net pension liability or asset at the appropriate corporate bond rate, and all past service costs to be recognised immediately when a scheme is curtailed or amended. The amendments are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted. The amendment will not have a material effect on the Company's financial reporting.



NOTES TO THE FINANCIAL STATEMENTS (continued)

1. Accounting policies (continued)

h) Accounting developments (continued)

In December 2011, the IASB issued 'Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)' and 'Disclosures-Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)' The amendment to IAS 32 adds application guidance on the meaning of 'a legally enforceable right to set off' and on simultaneous settlement IFRS 7 is amended to require disclosures facilitating comparisons between those entities reporting under IFRS and those reporting under US GAAP The amendments are effective for annual periods beginning on or after 1 January 2014 and are required to be applied retrospectively The amendments to IFRS 7 are effective for annual periods beginning on or after 1 January 2012 and are also required to be applied retrospectively

The IASB issued "Annual Improvements to IFRSs 2009-2011 Cycle" in May 2012 implementing minor changes to IFRSs, making non-urgent but necessary amendments to standards, primarily to remove inconsistency and to clarify wording The revisions are effective for annual accounting periods beginning on or after 1 January 2013 and are not expected to have a material effect on the company

2. Operating expenses

Staff costs, number of employees and directors' emoluments

All staff and directors were employed by RBS, 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

Auditor's remuneration

There was no charge in the current year's financial statements for auditors' remuneration as the fees of £5,000 (2011 £5,000) were charged in the financial statements of Royal Bank Leasing Limited

3. Finance income

	2012 £'000	2011 £'000
Receivable from group undertakings	4	7

4. Tax

	2012 £'000	2011 £'000
<b>Current taxation:</b>		
UK corporation tax credit for the year	(749)	(816)
Over provision in respect of prior periods	(20)	(155)
	(769)	(971)
<b>Deferred taxation:</b>		
Charge for the year	705	765
Impact of tax rate changes	285	360
	990	1,125
<b>Tax charge for the year</b>	<b>221</b>	<b>154</b>

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. Tax (continued)

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

The actual tax charge differs from the expected tax charge computed by applying the blended rate of UK corporation tax of 25% (2011 blended tax rate 26.5%) as follows

	2012 £'000	2011 £'000
Expected tax charge	1	2
Adjustments in respect of prior periods	(20)	(155)
Reduction in deferred tax following change in rate of UK corporation tax	240	315
Other	-	(8)
<b>Actual tax charge for the year</b>	<b>221</b>	<b>154</b>

In the Budget on 22 June 2010, the UK Government proposed to reduce the UK Corporation Tax of 28% in four annual decrements of 1% with effect from 1 April 2011 and to reduce certain rates of capital allowances. A further two 1% decrements were announced in subsequent Budgets. The fourth and fifth decrements were enacted on 26 March 2012 and 3 July 2012 respectively bringing the UK Corporation Tax Rate to 23% for financial years beginning 1 April 2013. Existing temporary differences may therefore unwind in periods subject to these reduced tax rates. Accordingly, the closing deferred tax assets and liabilities have been calculated at the rate of 23%.

5. Prepayments, accrued income and other assets

	2012 £'000	2011 £'000
Group relief receivable from fellow subsidiary undertaking	585	620

6. Loans and receivables

	2012 £'000	2011 £'000
Short term deposits – other group company	1,834	1,026

7. Trade and other payables

	2012 £'000	2011 £'000
Other payables to group companies – immediate parent company	5,067	5,067
Other payables	33	33
	<b>5,100</b>	<b>5,100</b>

NOTES TO THE FINANCIAL STATEMENTS (continued)

8. Deferred tax

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

	Capital allowances £'000	Embedded Derivative £'000	Total £'000
At 1 October 2010	1	4,874	4,875
Charge to income	(1)	(1,124)	(1,125)
At 30 September 2011	-	3,750	3,750
Charge to income	-	(990)	(990)
At 30 September 2012	-	2,760	2,760

Despite the company being loss making in the previous two periods, the deferred tax asset remains realisable as it would be crystallised in the company's final period to strike off through group relief

9. Financial instruments

Categories of financial instrument

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

There are no material differences between the fair value and the carrying value of the financial instruments.

10. 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.

The company is not subject to any interest rate risk as it does not have any interest bearing instruments.

Currency risk

The company has no currency risk as all transactions and balances are denominated in sterling.

**NOTES TO THE FINANCIAL STATEMENTS**

**10. Risk management (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

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

**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)

**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

**11. Share capital**

	2012 £	2011 £
Authorised:		
1000 Ordinary shares of £1	<u>1,000</u>	<u>1,000</u>
Allotted, called up and fully paid		
100 Ordinary shares of £1	<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 (continued)**

**12. Capital resources**

The company's capital consists of equity comprising issued share capital and retained earnings. 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 FSA's capital requirements throughout the year.

**13. Related parties**

On 1 December 2008, the UK Government through HM Treasury became the ultimate controlling party of The Royal Bank of Scotland Group plc. The UK Government's shareholding is managed by UK Financial Investments Limited, a company wholly-owned by the UK Government. As a result, the UK Government and UK Government controlled bodies became related parties of the company.

The company's ultimate holding company is The Royal Bank of Scotland Group plc, a company incorporated in Great Britain and registered in Scotland. Its immediate parent company is National Westminster Bank plc which is incorporated in Great Britain and registered in England and Wales.

As at 30 September 2012, The Royal Bank of Scotland Group plc heads the largest group in which the company is consolidated and National Westminster Bank plc heads the smallest group in which the company is consolidated. Copies of the consolidated accounts of both companies may be obtained from The Secretary, The Royal Bank of Scotland Group plc, Gogarburn, 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.

**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.

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.

**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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

**14. Post balance sheet events**

There have been no significant events between the year end and the date of approval of these financial statements which would require a change to or disclosure in the financial statements