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Company Registered No: 02392350

PATALEX II PRODUCTIONS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 30 September 2017

CONTENTS

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS:	D G Harris S J Roulston I A Ellis
COMPANY SECRETARY:	RBS Secretarial Services Limited
REGISTERED OFFICE:	The Quadrangle The Promenade Cheltenham GL50 1PX
INDEPENDENT AUDITOR:	Ernst & Young LLP Statutory Auditors The Paragon Counterslip Bristol BS1 6BX

Registered in England and Wales

DIRECTORS' REPORT

The directors of Patalex II Productions Limited ("the Company") present their annual report together with the audited financial statements for the year ended 30 September 2017.

ACTIVITIES AND BUSINESS REVIEW

This 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 is to carry on the business of developing, making, producing, distributing, exhibiting (by any means now or hereafter becoming known) and otherwise exploiting cinematography films and video and sound recordings; manufacturing, buying, selling and otherwise dealing with cinematograph films, video recording and any material on which video or sound recording can be made and all types of equipment capable of being used in connection with the manufacture or processing of cinematograph films or such materials for the production, exhibition or playing cinematograph films or video or sound recordings.

Review of the year

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. Post balance sheet events are described in note 17 to the financial statements.

Financial performance

The retained profit for the year was £25,000 (2016: £209,000) and this was transferred to reserves. An interim dividend of £980,000 (2016: nil) was paid on 28 February 2017.

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 Royal Bank Leasing Limited. These are denominated in Sterling which is the functional currency and carry no significant financial risk.

The Company's assets mainly comprise finance lease receivables and loans receivable which would expose it to interest, credit, liquidity and operational risk except that the counterparties are group companies and credit risk is not considered significant.

The principal risks associated with the Company are as follows:

Interest rate risk
Structural interest rate risk arises where assets and liabilities have different repricing maturities.

The Company manages interest rate risk by monitoring the consistency in the interest rate profile of its assets and liabilities, and limiting any repricing mismatches – see note 14.

DIRECTORS' REPORT

Principal risks and uncertainties (continued)

Credit risk
Credit risk is the risk that companies, financial institutions, individuals and other counterparties will be unable to meet their obligations to the Company.

All material loans receivable are with group companies. Although credit risk arises this is not considered to be significant and no amounts are past due.

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 October 2016 to date the following changes have taken place:

Directors	Appointed	Resigned
J H Wood	-	30 June 2017
N J McDaid	30 December 2016	31 July 2017
S J Caterer	-	31 August 2017
A P Johnson	-	31 July 2017
E Mayes	31 July 2017	6 March 2018
D G Harris	31 July 2017	-
S J Roulston	21 September 2017	-
I A Ellis	6 March 2018	-

DIRECTORS' REPORT

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. 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 year. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether FRS 101 has been followed; and
- make an assessment of the Company's ability to continue as a going concern.

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

DISCLOSURE OF INFORMATION TO AUDITOR

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

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

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

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:

Ian Ellis

Director Ian Ellis
Date: 14/6/2018

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PATALEX II PRODUCTIONS LIMITED

Opinion

We have audited the financial statements of Patalex II Productions Limited ('the Company') for the year ended 30 September 2017 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 17, including a summary of significant accounting policies. 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 FRS 101 "Reduced Disclosure Framework".

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 30 September 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

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; and

- the Directors' report have been prepared in accordance with applicable legal requirements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PATALEX II PRODUCTIONS 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 not identified material misstatements in the Directors' report.

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

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

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with applicable law and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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.

Ernst & Young LLP

Richard Page (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP,
Statutory Auditor,
Bristol, United Kingdom
Date: 25 June 2018

PROFIT AND LOSS ACCOUNT
for the year ended 30 September 2017

Income from continuing operations	Notes	2017 £'000	2016 £'000
Turnover	3	**345**	443
Operating expenses	4	**(19)**	(19)
Operating profit		**326**	424
Finance income	5	**1**	2
Finance costs	6	**(255)**	(339)
Profit on ordinary activities before tax		**72**	87
Tax (charge)/credit	7	**(47)**	122
Profit and total comprehensive income for the year		**25**	209

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

BALANCE SHEET
as at 30 September 2017

	Notes	2017 £'000	2016 £'000
Non-current assets			
Finance lease receivables	9	3,203	6,136
Current assets			
Finance lease receivables	9	3,168	3,016
Loans receivable	10	1,926	868
Cash at bank		-	1
		5,094	3,885
Total assets		8,297	10,021
Current liabilities			
Borrowings	11	4,014	2,088
Current tax liabilities		392	369
Accruals, deferred income and other liabilities	12	29	25
		4,435	2,482
Non-current liabilities			
Borrowings	11	1,084	3,324
Deferred tax liability	13	1,775	2,257
		2,859	5,581
Total liabilities		7,294	8,063
Equity			
Called up share capital	15	-	-
Profit and loss account		1,003	1,958
Total equity		1,003	1,958
Total liabilities and equity		8,297	10,021

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

The financial statements were approved by the Board of Directors on 14 / 06 / 2018 and signed on its behalf by:

Ian Ellis

Director Ian Ellis

STATEMENT OF CHANGES IN EQUITY
for the year ended 30 September 2017

	Share capital £'000	Profit and loss account £'000	Total £'000
At 1 October 2015	-	1,749	1,749
Profit for the year	-	209	209
At 30 September 2016	-	1,958	1,958
Profit for the year	-	**25**	**25**
Dividends paid	-	**(980)**	**(980)**
At 30 September 2017	-	**1,003**	**1,003**

Total comprehensive income for the year of £25,000 (2016: £209,000) 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 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 16.

There were no changes to IFRS that were effective from 1 October 2016 that have had an effect on the Company's financial statements for the year ended 30 September 2017.

b) Revenue recognition
Turnover comprises income from finance leases, 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 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.

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 loans and receivables.

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.

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 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.

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.

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. In accordance with their responsibilities for these financial statements, the factors the directors consider most important to the portrayal of the Company's performance and financial condition are discussed below.

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	2016
	£'000	£'000
Finance lease income:		
Rents receivable	**2,985**	2,843
Amortisation	**(2,640)**	(2,400)
	345	443

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

4. Operating expenses

	2017	2016
	£'000	£'000
Audit fee	**5**	5
Management fees	**14**	14
	19	19

Management fees include the costs of staff and directors borne by other member of the group, none of which can be apportioned meaningfully in respect of services to the Company.

5. Finance income

	2017	2016
	£'000	£'000
On loans receivable from group companies	**1**	2

6. Finance costs

	2017	2016
	£'000	£'000
Interest on loans from group companies	**255**	339

7. Tax

	2017	2016
	£'000	£'000
Current tax:		
UK corporation tax charge for the year	**529**	497
Deferred tax:		
Credit for the year	**(482)**	(619)
Tax charge/(credit) for the year	**47**	(122)

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

7. Tax (continued)

The actual tax charge/(credit) differs from the expected tax charge computed by applying the blended rate of UK corporation tax of 19.5% (2016: 20%) as follows:

	2017 £'000	2016 £'000
Expected tax charge	**14**	17
Increase/reduction in deferred tax liability following change in rate of UK corporation tax	**33**	(139)
Actual tax charge/(credit) for the year	**47**	(122)

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.

8. Ordinary dividends

	2017 £'000	2016 £'000
Interim dividend paid	**980**	-

9. Finance lease receivables

	Within 1 year £'000	Between 1 and 5 years £'000	Total £'000
2017			
Future minimum lease payments	**3,283**	**3,447**	**6,730**
Unearned finance income	**(115)**	**(244)**	**(359)**
Carrying value	**3,168**	**3,203**	**6,371**
2016			
Future minimum lease payments	3,126	6,730	9,856
Unearned finance income	(110)	(594)	(704)
Carrying value	3,016	6,136	9,152

	2017 £'000	2016 £'000
Due within one year	**3,168**	3,016
Due after more than one year	**3,203**	6,136
	6,371	9,152

The Company has entered into finance leasing arrangements for a large film deal. The term of the lease entered into is 17 years (2016: 17 years).

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

The average effective interest rate in relation to finance lease agreements approximates 3.8% (2016: 3.8%).

NOTES TO THE FINANCIAL STATEMENTS

10. Loans receivable

	2017 £'000	2016 £'000
Due within one year		
Amounts owed by group companies	**1,926**	868

11. Borrowings

	2017 £'000	2016 £'000
Overdrafts from group companies	**1,728**	-
Loans from group companies	**3,370**	5,412
	5,098	5,412
Current – on demand or within one year	**4,014**	2,088
Non-current:		
- between one and two years	**1,084**	2,286
- between two and five years	**-**	1,038
	1,084	3,324

The repayment profile of the borrowings is disclosed in note 14(ii).

12. Accruals, deferred income and other liabilities

	2017 £'000	2016 £'000
Accruals	**29**	25

13. Deferred tax

Deferred tax liability comprises:

	Capital allowances £'000	Other £'000	Total £'000
At 1 October 2015	2,866	10	2,876
Credit to profit and loss account	(615)	(4)	(619)
At 30 September 2016	2,251	6	2,257
Credit to profit and loss account	**(479)**	**(3)**	**(482)**
At 30 September 2017	**1,772**	**3**	**1,775**

14. 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.

Where the interest rates on finance leases have been fixed by way of an interest rate swap in the parent company, the fair value has been calculated by adjusting the carrying value of the associated mark to market arising on the swap and long term fixed funding.

The fair value of the borrowings is estimated by discounting future expected cash flows using current interest rates and making adjustments for own credit risk in the current year.

14. Financial instruments and risk management (continued)

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

	2017 Carrying value £'000	**2017 Fair value £'000**	2016 Carrying value £'000	2016 Fair value £'000
Financial assets				
Finance lease receivables	**6,371**	**6,538**	9,152	9,574
Financial liabilities				
Borrowings	**5,098**	**5,248**	5,412	5,719

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.

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

2017	**Fixed rate £'000**	**Variable rate £'000**	**Non-interest earning £'000**	**Total £'000**
Financial assets				
Finance leases	6,371	-	-	6,371
Loans receivable	-	1,926	-	1,926
	6,371	1,926	-	8,297
Financial liabilities				
Borrowings	3,370	1,728	-	5,098
Accruals and other liabilities	-	-	17	17
	3,370	1,728	17	5,115
Net financial assets/(liabilities)	3,001	198	(17)	3,182

14. Financial instruments and risk management (continued)

(ii) Financial risk management (continued)

Interest rate risk (continued)

2016	Fixed rate £'000	Variable rate £'000	Non-interest earning £'000	Total £'000
Financial assets				
Finance leases	9,152	-	-	9,152
Loans receivable	-	868	-	868
Cash	-	1	-	1
	9,152	869	-	10,021
Financial liabilities				
Borrowings	5,412	-	-	5,412
Accruals and other liabilities	-	-	21	21
	5,412	-	21	5,433
Net financial assets/(liabilities)	3,740	869	(21)	4,588

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 profit before tax for the year would have increased by £1,000 (2016: £4,000). This is mainly due to the Company's exposure to interest rates on its variable rate deposits. There would be no other impact on equity.

Credit risk

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

Sector	No. of counterparties	**2017 £'000**	2016 £'000
Finance lease receivables - group companies	1 (2016: 1)	**6,371**	9,152
Group companies		**1,926**	869
Maximum credit exposure		**8,297**	10,021

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:

2017	**0-3 months £'000**	**3-12 months £'000**	**1 - 3 years £'000**
Borrowings	**1,769**	**2,418**	**1,156**
Accruals and other liabilities	**17**	**-**	**-**
	1,786	**2,418**	**1,156**

2016	0-3 months £'000	3-12 months £'000	1 - 3 years £'000
Borrowings	63	2,288	3,568
Accruals and other liabilities	21	-	-
	84	2,288	3,568

NOTES TO THE FINANCIAL STATEMENTS

15. Share capital

	2017 £	2016 £
Authorised:		
1000 ordinary shares of £1 each	**1,000**	1,000
Allotted, called up and fully paid:		
Equity shares		
2 ordinary shares of £1 each	**2**	2

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

16. 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
As at 30 September 2016 and until 11 July 2017, the Company's immediate parent was Royal Bank Leasing Limited. Since 11 July 2017, the Company's immediate parent has been P Of A Productions Limited, a company incorporated in the UK.

The Company's immediate parent was:	P Of A Productions Limited
The smallest consolidated accounts including the company were prepared at 31 December 2017 by:	The Royal Bank of Scotland plc
The ultimate parent company was:	The Royal Bank of Scotland Group plc

On 29th April 2018 The Royal Bank of Scotland plc changed its name to NatWest Markets Plc.

All parent companies are incorporated in the UK. Copies of their accounts may be obtained from Corporate Governance and Regulatory Affairs, The Royal Bank of Scotland Gogarburn, PO Box 1000, Edinburgh EH12 1HQ.

17. Post balance sheet events

In order to simplify intragroup deposits, borrowings and cash-flow, on 15 November 2017 the rentals on the finance leases were accelerated resulting in full settlement of the outstanding lease and repayment of the associated borrowings. Following this event, the leases remain on balance sheet but at nil value and no further rentals are expected.