

Company Registered No: 02457196

NATWEST LEASING AND ASSET FINANCE LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2013



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

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS:

**S J Caterer
N T J Clibbens
T D Crome
A P Gadsby**

SECRETARY:

RBS Secretarial Services Limited

REGISTERED OFFICE:

**135 Bishopsgate
London
EC2M 3UR**

AUDITOR:

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

Registered in England and Wales

DIRECTORS' REPORT**CHANGE OF REGISTERED OFFICE**

On 25 September 2013, the Registered Office of the Company changed from 3 Princess Way, Redhill, Surrey, RH1 1NP to 135 Bishopsgate, London, EC2M 3UR.

ACTIVITIES AND BUSINESS REVIEW

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

Activity

The principal activity of the Company is to act as an intermediary to fellow subsidiary companies enabling them to participate in leasing transactions.

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 16 to the financial statements.

Financial performance

The retained profit for the year was £768 (2012: retained profit £795) and this was transferred to reserves. The directors do not recommend the payment of a dividend (2012: no dividend paid).

Principal risks and uncertainties

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

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

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

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.

Currency risk

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

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

DIRECTORS' REPORT (continued)**Principal risks and uncertainties (continued)****Liquidity risk**

Liquidity risk arises where assets and liabilities have different contractual maturities.

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 2.

From 1 January 2013 to date the following changes have taken place:

	Appointed	Resigned
Directors		
J E Rogers		1 April 2014
P D J Sullivan		31 December 2013
R F Warren		1 April 2014
N T J Clibbens	1 April 2014	
T D Crome	1 April 2014	
A P Gadsby	1 April 2014	

DIRECTORS' REPORT (continued)**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 101 Reduced Disclosure Framework, and must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs at the end of the year and the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether Financial Reporting Standard 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 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.

AUDITOR

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

Approved by the Board of Directors and signed on its behalf



Director: T D Crome
Date: 17 June 2014

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NATWEST LEASING AND ASSET FINANCE LIMITED

We have audited the financial statements of NatWest Leasing and Asset Finance Limited for the year ended 31 December 2013 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 16. The financial reporting framework that has been applied in their preparation is applicable law and Financial Reporting Standard 101 Reduced Disclosure Framework.

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NATWEST LEASING
AND ASSET 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;
- the directors were not entitled to take advantage of the small companies' exemption from preparing a strategic report or 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

19 June 2014

PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2013

Income from continuing operations	Notes	2013 £	2012 £
Operating income	3	100	-
Operating expenses	4	-	-
Operating profit		100	-
Finance income	5	900	1,053
Profit on ordinary activities before tax	6	1,000	1,053
Tax charge	7	(232)	(258)
Profit and total comprehensive income for the year		768	795

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

BALANCE SHEET
as at 31 December 2013

	Notes	2013 £	2012 £
Current assets			
Loans receivable	8	180,283	179,574
Prepayments, accrued income and other assets	9	5	10
Cash at banks		2,187,145	3,738,628
Total assets		2,367,433	3,918,212
Creditors: amounts falling due within one year			
Current tax liabilities		93	56
Accruals, deferred income and other liabilities	10	2,174,084	3,725,668
		2,174,177	3,725,724
Total assets less current liabilities		193,256	192,488
Total liabilities		2,174,177	3,725,724
Equity: Capital and reserves			
Called up share capital	12	100	100
Profit and loss account		193,156	192,388
Total shareholders' funds		193,256	192,488
Total liabilities and shareholders' funds		2,367,433	3,918,212

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

The financial statements were approved by the Board of Directors on 17 June 2014 and signed on its behalf by:



Director: T D Crome

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2013

	Share capital £	Profit and loss account £	Total £
At 1 January 2012	100	191,593	191,693
Profit and total comprehensive income for the year	-	795	795
At 31 December 2012	100	192,388	192,488
Profit and total comprehensive income for the year	-	768	768
At 31 December 2013	100	193,156	193,256

Total comprehensive income for the year of £768 (2012: £795) 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 accounts**

These financial statements are prepared on a going concern basis and have been prepared in accordance with the recognition and measurement principles of International Financial Reporting Standards issued by the IASB and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB as adopted by the EU (together IFRS) and under Financial Reporting Standard 101 (Reduced Disclosure Framework). The Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council.

Accordingly, in the year ended 31 December 2013 the Company has undergone transition from reporting under IFRSs adopted by the European Union to FRS 101 as issued by the Financial Reporting Council which the Company has adopted early. This transition is not considered to have had a material effect on the financial statements.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to presentation of a 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 15.

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.

There are a number of IFRS's that were effective from 1 January 2013. They have had no material effect on the Company's Financial Statements for the year ended 31 December 2013.

b) Revenue recognition

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

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.

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 (continued)**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 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) 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, finance leases or other 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.

f) 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.

g) 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, or cancelled, or expires.

NOTES TO THE FINANCIAL STATEMENTS (continued)

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 use of estimates, assumptions or models that differ from those adopted by the Company would affect its reported results.

3. Operating income

	2013 £	2012 £
Other income	<u>100</u>	<u>-</u>

4. Operating expenses**Staff costs, number of employees and directors' emoluments**

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

5. Finance income

	2013 £	2012 £
On loans receivable:		
From group undertakings	<u>900</u>	<u>1,053</u>

6. Profit on ordinary activities before tax

There was no charge in either the current or prior year's financial statements for auditor's remuneration as the fees of £7,000 (2012: £7,000) were charged in the financial statements of The Royal Bank of Scotland Group plc.

NOTES TO THE FINANCIAL STATEMENTS (continued)

7. Tax

	2013 £	2012 £
Current taxation:		
UK corporation tax charge for the year	<u>232</u>	<u>258</u>

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

The actual tax charge matches the expected tax charge computed by applying the blended rate of UK corporation tax of 23.25% (2012: blended tax rate 24.5%).

8. Loans receivable

	2013 £	2012 £
Due within one year		
Amounts owed by group undertakings	<u>180,283</u>	<u>179,574</u>

9. Prepayments, accrued income and other assets

	2013 £	2012 £
Accrued income	<u>5</u>	<u>10</u>

10. Accruals, deferred income and other liabilities

	2013 £	2012 £
Amounts owed to fellow subsidiary companies	<u>2,174,084</u>	<u>3,725,668</u>

11. Financial instruments and risk management

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

There is no difference between the fair value of financial instruments carried on the balance sheet and their carrying value.

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

(ii) Financial risk management

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

Interest rate risk

Interest rate risk arises where assets and liabilities have different re-pricing maturities.

The financial liabilities of the Company consist of amounts due to group undertakings. The amounts due to group undertakings do not have any significant interest rate risk as they are due primarily on demand.

NOTES TO THE FINANCIAL STATEMENTS (continued)

11: Financial instruments and risk management (continued)

(ii) Financial risk management (continued)

Interest rate risk (continued)

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

	Variable rate £	Non- interest earning £	Total £
2013			
Financial assets			
Loans receivable	180,283	-	180,283
Prepayments, accrued income and other assets	-	5	5
Cash	2,187,145	-	2,187,145
	<u>2,367,428</u>	<u>5</u>	<u>2,367,433</u>
Financial liabilities			
Accruals and other liabilities	2,174,084	-	2,174,084
Net financial assets	<u>193,344</u>	<u>5</u>	<u>193,349</u>
	Variable rate £	Non- interest earning £	Total £
2012			
Financial assets			
Loans receivable	179,574	-	179,574
Prepayments, accrued income and other assets	-	10	10
Cash	3,738,628	-	3,738,628
	<u>3,918,202</u>	<u>10</u>	<u>3,918,212</u>
Financial liabilities			
Accruals and other liabilities	3,725,668	-	3,725,668
Net financial assets	<u>192,534</u>	<u>10</u>	<u>192,544</u>

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 £967 (2012: there would have been no material impact on the Company's profit before tax). This is mainly due to the Company's exposure to interest rates on its variable rate assets. There would be no other material impact on equity.

NOTES TO THE FINANCIAL STATEMENTS (continued)

11. Financial instruments and risk management (continued)

(ii) Financial risk management (continued)

Credit risk

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

	2013 £	2012 £
Group undertakings	2,367,433	3,918,212
Maximum credit exposure	<u>2,367,433</u>	<u>3,918,212</u>

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

Financial liabilities

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

2013	0 – 3 months £
Amounts due to group undertakings	<u>2,174,084</u>
2012	0 – 3 months £
Amounts due to group undertakings	<u>3,725,668</u>

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 14 commitments and contingent liabilities).

12. Share capital

	2013 £	2012 £
Authorised:		
100 Ordinary shares of £1	<u>100</u>	<u>100</u>
Allotted, called up and fully paid:		
Equity shares		
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)**13. 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.

14. Commitments and contingent liabilities

The Company, together with other members of the RBSG group companies, 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.

15. 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.

Group undertakings

The Company's immediate parent company is National Westminster Bank Plc, a company incorporated in the UK. As at 31 December 2013 National Westminster Bank Plc heads the smallest group in which the Company is consolidated. Copies of the consolidated accounts may be obtained from RBS Secretariat, The Royal Bank of Scotland Plc, Gogarburn, PO Box 1000, Edinburgh, EH12 1HQ.

The Company's ultimate holding company is The Royal Bank of Scotland Group plc which is incorporated in the UK and 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.

16. 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.