

Company Registered No: 03177092

ROYAL BANK OPERATING LEASING LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

For the year ended 30 September 2013

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

MONDAY



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DIRECTORS' REPORT AND FINANCIAL STATEMENTS 2013

CONTENTS	Page
OFFICERS AND PROFESSIONAL ADVISERS	1
DIRECTORS' REPORT	2
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ROYAL BANK OPERATING LEASING LIMITED	4
BALANCE SHEET	6
STATEMENT OF CHANGES IN EQUITY	7
NOTES TO THE FINANCIAL STATEMENTS	8

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:

The Quadrangle
The Promenade
Cheltenham
GL50 1PX

AUDITOR:

Deloitte LLP
3 Rivergate
Temple Quay
Bristol
BS1 6GD

Registered in England and Wales

DIRECTORS' REPORT

The directors of Royal Bank Operating Leasing Limited ("the company") present their report and the audited financial statements for the year ended 30 September 2013

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

ACTIVITIES AND BUSINESS REVIEW**Activity**

The principal activity of the company is the provision of fixed asset finance, usually through structured facilities. The company disposed of its leases in prior years and has not traded in either the current or prior years

The company is a subsidiary of The Royal Bank of Scotland Group plc which provides the company with direction and access to all central resources it needs and determines policies in all key areas such as finance, risk, human resources or environment. For this reason, the directors believe that performance indicators specific to the company are not necessary or appropriate for an understanding of the development, performance or position of the business. The annual reports of The Royal Bank of Scotland Group plc review these matters on a group basis. Copies can be obtained from RBS Secretariat, RBS Gogarburn, Edinburgh, EH12 1HQ, the Registrar of Companies or through the Group's website at www.rbs.com

Business review

The company did not trade during the current or prior years and, accordingly, no Statement of Comprehensive Income has been prepared

Financial performance

The company made neither a profit nor a loss in the current year (2012 £nil)

At the end of the year total assets were £nil (2012 £nil)

Dividends

The directors do not recommend the payment of a dividend (2012 £nil)

Principal risks and uncertainties

The company is funded by facilities from The Royal Bank of Scotland plc

The company's financial risk management objectives and policies regarding the use of financial instruments are set out in note 6 and 7 to these financial statements

Going concern

The directors, having made such enquiries as they considered appropriate, have prepared the financial statements on a going concern basis. They considered the accounts of The Royal Bank of Scotland Group plc for the year ended 31 December 2013, approved on 27 February 2014, which were prepared 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 2012 to date the following changes have taken place

	Appointed	Resigned
Secretary		
C J Down	-	31 October 2012
RBS Secretarial Services Limited	31 October 2012	-

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 and the directors have elected to prepare them in accordance with International Financial Reporting Standards (IFRS) 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

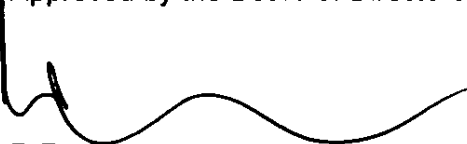
- in so far as they are aware, there is no relevant audit information of which the company's auditor is unaware, and
- the directors have taken all the steps that they ought to have taken to make themselves aware of any relevant audit information, and to establish that the company's auditor is aware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

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



R F Warren

Director

Date 28 March 2014

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ROYAL BANK OPERATING LEASING LIMITED

We have audited the financial statements of Royal Bank Operating Leasing Limited ('the company') for the year ended 30 September 2013 which comprise the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 11. 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 ("IFRS") 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 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 30 September 2013 and of its result 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 ROYAL BANK
OPERATING LEASING LIMITED (continued)**

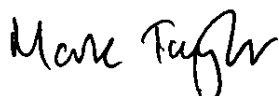
Matters on which we are required to report by exception

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

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

Other matter

As the company was exempt from audit under section 480 of the Companies Act 2006 in the prior year we have not audited the corresponding amounts for that year



Mark Taylor, FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor,
Bristol, United Kingdom

28 March 2014


BALANCE SHEET
As at 30 September 2013

	Notes	2013 £	2012 ⁽¹⁾ £
Liabilities			
Current liabilities			
Borrowings from Group undertakings	5	12,748	12,748
Total liabilities		<u>12,748</u>	<u>12,748</u>
Equity			
Share capital	8	100	100
Retained earnings		(12,848)	(12,848)
Total equity		<u>(12,748)</u>	<u>(12,748)</u>
Total liabilities and equity		<u>-</u>	<u>-</u>

⁽¹⁾ Under section 480 of the Companies Act 2006, the Company took an exemption from audit in 2012 therefore the corresponding amounts have not been audited

The accompanying notes form an integral part of these financial statements

The financial statements were approved by the Board of Directors on 28 March 2014 and signed on its behalf by



R F Warren
 Director

STATEMENT OF CHANGES IN EQUITY
For the year ended 30 September 2013

	Share capital £	Retained earnings £	Total £
At 1 October	100	(12,848)	(12,748)
Result for the year	-	-	-
At 30 September 2012⁽¹⁾ and 2013	100	(12,848)	(12,748)

⁽¹⁾ Under section 480 of the Companies Act 2006, the Company took an exemption from audit in 2012 therefore the corresponding amounts have not been audited

The accompanying notes form an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS (continued)**1. Accounting policies****a) Presentation of financial statements**

The financial statements are prepared on a going concern basis (see the Directors' report) and in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB as adopted by the EU (together IFRS)

The accounts are prepared on the historical cost basis

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

Under section 480 of the Companies Act 2006, the Company took an exemption from audit in 2012 therefore the corresponding amounts have not been audited

Adoption of new and revised standards

There are a number of changes to IFRS that were effective from 1 October 2012. They have had no material effect on the company's financial statements for the year ended 30 September 2013

b) Foreign currencies

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

c) Financial liabilities

On initial recognition financial liabilities are classified at amortised cost using the effective interest method

d) Accounting developments

The company has considered all recent IASB announcements and none of these are expected to have a significant impact on the company's accounting policies and financial statements

2. Statement of Comprehensive Income

The company has not traded during the accounting period. It received no income and incurred no expenditure and consequently has made neither a profit nor a loss. A Statement of Comprehensive Income is therefore not presented

3. Cash flow statement

The company did not trade during the financial year or the preceding financial year. It received no income and incurred no expenditure. The Company has no movement in its cash and cash equivalent balance due to its dormant status. Consequently a cash flow statement has not been prepared

NOTES TO THE FINANCIAL STATEMENTS (continued)

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

All staff and directors were employed by The Royal Bank of Scotland plc, the accounts for which contain full disclosure of employee benefit expenses incurred in the period including share-based payments and pensions. The company has no employees. 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 auditor's remuneration as the fees of £3,000 were charged in the financial statements of The Royal Bank of Scotland plc (2012: £nil).

5. Borrowings from Group undertakings

	2013 £	2012 £
Loan from Group undertakings – Royal Bank Leasing Limited	<u>12,748</u>	<u>12,748</u>

6. Financial instruments**Categories of financial instruments**

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

All financial liabilities are classed as amortised cost.

7. 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 repricing maturities.

The financial liabilities of the company consist of amounts due to Group undertakings. The amounts due to Group undertakings do not have any interest rate risk as they are all non-interest bearing.

Currency risk

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

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).

NOTES TO THE FINANCIAL STATEMENTS (continued)

7. Financial risk management (continued)

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

	4-12 months £
2013	
Borrowings	<u>12,748</u>
	4-12 months £
2012	
Borrowings	<u>12,748</u>

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

The principal market risk to which the company is exposed is the interest rate, however this is deemed significant as the balances are non-interest bearing

8. Share capital

	2013 £	2012 £
Authorised		
25 'HB' ordinary shares of £1	25	25
75 'RBL' ordinary shares of £1	75	75
	<u>100</u>	<u>100</u>
Allotted, called up and fully paid		
Equity shares		
25 'HB' ordinary shares of £1	25	25
75 'RBL' ordinary shares of £1	75	75
	<u>100</u>	<u>100</u>

The 'RBL' and 'HB' ordinary shares rank on a pari passu basis

The company has two classes of ordinary voting shares which carry no right to fixed income

9. 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)**10. 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.

Group undertakings

The immediate parent company is Royal Bank Leasing Limited which is incorporated in the UK and registered in Scotland.

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

As at 30 September 2013, The Royal Bank of Scotland Group plc heads the largest and The Royal Bank of Scotland plc heads the smallest group in which the company is consolidated. Copies of the consolidated accounts may be obtained from RBS Secretariat, The Royal Bank of Scotland Group plc, Gogarburn, PO Box 1000, Edinburgh EH12 1HQ.

Amounts due to related parties are unsecured and will be settled in cash. No guarantees have been given or received.

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.

Key management

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

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

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

11. Post balance sheet events

There are 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.