

Company Registered No: 04985593

RBSSAF (13) LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2011



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

DIRECTORS' REPORT AND FINANCIAL STATEMENTS 2011

CONTENTS	Page
Officers and professional advisers	2
Directors' report	3
Independent auditor's report	6
Statement of comprehensive income	8
Balance sheet	9
Statement of changes in equity	10
Cash flow statement	11
Notes to the financial statements	12

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS:

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

SECRETARY:

C J Down

REGISTERED OFFICE:

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

AUDITOR:

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

Registered in England and Wales

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 31 December 2011

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

ACTIVITIES AND BUSINESS REVIEW**Activity**

The principal activity of the company continues to be the provision of fixed asset finance usually involving individually structured facilities

The company is a subsidiary of The Royal Bank of Scotland Group plc ("RBSG") 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 Group Secretariat, RBS Gogarburn, Edinburgh, EH12 1HQ, the Registrar of Companies or through the group's website at rbs.com

Review of the year**Business review**

The directors are satisfied with the company's performance in the year after taking into account the impact of the changes in corporation tax rates on the net lease revenues. The company will be guided by its shareholders in seeking further opportunities for growth. Post balance sheet events are described in note 19 to the financial statements.

Financial performance

The retained profit for the year was \$920,000 (2010 retained profit \$428,000) and this was transferred to reserves. The directors do not recommend the payment of a dividend (2010 no dividend paid).

Principal risks and uncertainties

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

The company's financial risk management objectives and policies regarding the use of financial instruments are set out in note 13 to these financial statements.

The company seeks to minimise its exposure to external financial risks other than equity and credit risk, further information on financial risk management policies and exposures is disclosed in notes 1 and 13.

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' REPORT (continued)**DIRECTORS AND SECRETARY**

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

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

	Appointed	Resigned
Directors		
P A Cheesman	24 January 2011	
G R Locker		2 September 2011
P D J Sullivan	19 September 2011	

DIRECTORS' RESPONSIBILITIES STATEMENT

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

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

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

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

DISCLOSURE OF INFORMATION TO AUDITOR

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

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

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

DIRECTORS' REPORT (continued)

AUDITOR

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

Approved by the Board of Directors and signed on behalf of the Board

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

S J Caterer

Director

Date 9 August 2012

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RBSSAF (13) LIMITED

We have audited the financial statements of RBSSAF (13) Limited ('the company') for the year ended 31 December 2011 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity, the cash flow statement and the related notes 1 to 19. 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 of the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RBSSAF (13) LIMITED
(continued)

Matters on which we are required to report by exception

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

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



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

{Date}

21 August 2012

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2011

Continuing operations	Notes	2011 \$'000	2010 \$'000
Revenue	3	(136)	37
Operating expenses	4	(11)	(10)
Operating (loss)/profit		(147)	27
Finance costs	5	(184)	(211)
Loss before tax		(331)	(184)
Tax credit	6	1,251	612
Profit and total comprehensive income for the year		920	428

The accompanying notes form an integral part of these financial statements

BALANCE SHEET
 as at 31 December 2011

	Notes	2011 \$'000	2010 \$'000
Assets			
Non-current assets			
Finance lease receivables	7	<u>70,933</u>	<u>71,421</u>
Current assets			
Finance lease receivables	7	3,759	3,714
Loan receivables	8	953	1,587
Cash		<u>7</u>	<u>9</u>
		<u>4,719</u>	<u>5,310</u>
Total assets		<u><u>75,652</u></u>	<u><u>76,731</u></u>
Liabilities			
Current liabilities			
Borrowings	9	775	958
Trade and other payables	10	741	767
Current tax liabilities		26	-
Accruals, deferred income and other liabilities	11	<u>53</u>	<u>69</u>
		<u>1,595</u>	<u>1,794</u>
Non-current liabilities			
Borrowings	9	58,843	60,250
Deferred tax liability	12	<u>14,723</u>	<u>15,116</u>
		<u>73,566</u>	<u>75,366</u>
Total liabilities		<u><u>75,161</u></u>	<u><u>77,160</u></u>
Equity			
Share capital	14	-	-
Retained earnings/(loss)		<u>491</u>	<u>(429)</u>
Total equity		<u>491</u>	<u>(429)</u>
Total liabilities and equity		<u><u>75,652</u></u>	<u><u>76,731</u></u>

The accompanying notes form an integral part of these financial statements

The financial statements were approved by the Board of Directors and authorised for issue on 9 August 2012 and signed on its behalf by



S J Caterer
 Director

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2011

	Share capital \$'000	Retained earnings \$'000	Total \$'000
At 1 January 2010	-	(857)	(857)
Profit for the year	-	428	428
At 31 December 2010	-	(429)	(429)
Profit for the year	-	920	920
At 31 December 2011	-	491	491

Total comprehensive income for the year of \$920,000 (2010 \$428,000) was wholly attributable to the owners of the company

The accompanying notes form an integral part of these financial statements

CASH FLOW STATEMENT
for the year ended 31 December 2011

	Notes	2011 \$'000	2010 \$'000
Operating activities			
Loss for the year before tax		(331)	(184)
Adjustments for:			
Finance costs		184	211
Operating cash flows before movements in working capital		<u>(147)</u>	<u>27</u>
Decrease in finance lease receivables		443	389
Decrease in trade and other payables		<u>(26)</u>	<u>(17)</u>
Net cash from operating activities before tax		<u>270</u>	<u>399</u>
Group relief received – immediate parent company		854	1,114
Net cash flows from operating activities		<u>1,124</u>	<u>1,513</u>
Cash flows from financing activities			
Repayment of borrowings – immediate parent company		(1,590)	(1,304)
Interest paid to group undertakings – immediate parent company		<u>(170)</u>	<u>(211)</u>
Net cash flows used by financing activities		<u>(1,760)</u>	<u>(1,515)</u>
Net decrease in cash and cash equivalents		(636)	(2)
Cash and cash equivalents at beginning of year		1,596	1,598
Cash and cash equivalents at end of year	15	<u>960</u>	<u>1,596</u>

The accompanying notes form an integral part of these financial statements

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

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

The accounts are prepared on the historical cost basis

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

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

Adoption of new and revised standards

There are a number of changes to IFRS that were effective from 1 January 2011. They have had no material effect on the company's financial statements for the year ended 31 December 2011

b) Foreign currencies

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

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

c) Revenue recognition

Revenue from finance leases and loans and receivables is recognised in accordance with the company's policies on leases and loans and receivables (see below). Revenue arises in the United Kingdom from continuing activities.

Finance lease income is allocated to accounting periods so as to give a constant periodic rate of return before tax on the net investment. Unguaranteed residual values are subject to regular review. If there is a reduction in the estimated unguaranteed residual value, income allocation is revised and any reduction in respect of amounts accrued is recognised immediately.

Interest income on financial assets that are classified as loans and receivables, available-for-sale or held-to-maturity and interest expense on financial liabilities other than those at fair value through profit or loss are determined using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability (or group of financial assets or liabilities) and of allocating the interest income or interest expense over the expected life of the asset or liability.

NOTES TO THE FINANCIAL STATEMENTS (continued)**1. Accounting policies - continued****d) Taxation**

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

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

Deferred tax is the tax expected to be payable or recoverable in respect of temporary differences between the carrying amount of an asset or liability for accounting purposes and its carrying amount for tax purposes. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered. Deferred tax is calculated using tax rates expected to apply in the periods when the assets will be realised or the liabilities settled, based on tax rates and laws enacted, or substantively enacted, at the balance sheet date

e) Leases

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

Finance lease receivables are stated in the balance sheet at the amount of the net investment in the lease being the minimum lease payments and any unguaranteed residual value discounted at the interest rate implicit in the lease

f) Financial assets

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

Loans and receivables

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

g) Impairment of financial assets

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

NOTES TO THE FINANCIAL STATEMENTS (continued)**1. Accounting policies - continued****h) Financial liabilities**

On initial recognition financial liabilities are classified into held-for-trading, designated as at fair value through profit or loss, or amortised cost

Amortised cost

Other than derivatives, which are recognised and measured at fair value, all other financial liabilities are measured at amortised cost using the effective interest method

i) Derecognition

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired or when it has been transferred and the transfer qualifies for derecognition

A financial liability is removed from the balance sheet when the obligation is discharged, cancelled, or expires

j) Cash and cash equivalents

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

k) Accounting developments

The IASB issued IFRS 9 'Financial Instruments' in November 2009 simplifying the classification and measurement requirements in IAS 39 'Financial Instruments Recognition and Measurement' 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 the principal amount outstanding 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 the classification and measurement of liabilities. It is not markedly different from IAS 39 except for liabilities measured at fair value where the movement is due to changes in the credit rating of the preparer and it is recognised not in profit or loss but in other comprehensive income.

The standard is effective for annual periods beginning on or after 1 January 2013, early application is permitted.

This standard makes major changes to the framework for the classification and measurement of financial assets and will have an effect on the company's financial statements. The changes relating to the classification and measurement of liabilities carried at fair value will have a less significant effect on the company. The company is assessing these impacts which are likely to depend on the outcome of the other phases of IASB's IAS 39 replacement project.

NOTES TO THE FINANCIAL STATEMENTS (continued)**1. Accounting policies - continued****k) Accounting developments – continued**

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.

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'. IFRS 11 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.

These 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' that 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. Accounting policies - continued

k) Accounting developments – continued

Amendments IAS 19 'Employee Benefits' - these 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

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

2. Critical accounting policies and key sources of estimation uncertainty

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

Leased assets

The judgements and assumptions involved in the company's accounting policies which have the most significant effect on the amounts recognised in the financial statements are those that relate to the criteria for assessing whether substantially all the significant risks and rewards of ownership of leased assets are transferred to other entities.

3. Revenue

	2011 \$'000	2010 \$'000
Finance lease income		
Rents receivable	3,726	3,957
Amortisation	(389)	(380)
Contingent rental expense	(3,473)	(3,540)
	<u>(136)</u>	<u>37</u>

4. Operating expenses

	2011 \$'000	2010 \$'000
Management fees – immediate parent company	<u>11</u>	<u>10</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. Operating expenses - continued

Staff costs, number of employees and directors' emoluments

All staff and directors were employed by The Royal Bank of Scotland plc ("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.

Management recharge

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

Auditor's remuneration

	2011 \$'000	2010 \$'000
Auditor's remuneration – audit services (included within the management fee shown above)	11	8

5. Finance costs

	2011 \$'000	2010 \$'000
Interest on loans from group undertakings – immediate parent company	184	211

6. Tax

	2011 \$'000	2010 \$'000
Current taxation		
UK corporation tax credit for the year	(858)	(1,085)
Deferred taxation		
Charge for the year	727	996
Impact of tax rate changes	(1,120)	(523)
	(393)	473
Tax credit for the year	(1,251)	(612)

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

The actual tax credit differs from the expected tax charge/(credit) computed by applying the blended rate of UK corporation tax of 26.5% (2010 standard tax rate 28%) as follows:

	2011 \$'000	2010 \$'000
Expected tax charge/(credit)	88	(52)
Reduction in deferred tax following change in rate of UK corporation tax	(1,339)	(560)
Actual tax credit for the year	(1,251)	(612)

NOTES TO THE FINANCIAL STATEMENTS (continued)

6. Tax - continued

In the Budget on 22 June 2010, the UK Government proposed, amongst other things, to reduce the UK Corporation Tax rate of 28% in four annual decrements of 1% with effect from 1 April 2011 and to reduce certain rates of capital allowances. Two additional 1% decrements were announced by the UK Government in the Budget on 23 March 2011 and 21 March 2012. The first 1% decrement was enacted on 27 July 2010, the second on 29 March 2011, the third, together with the capital allowance rate changes, on 5 July 2011, the fourth on 26 March 2012 and a fifth on 3 July 2012. Existing temporary differences may therefore unwind in periods subject to these reduced tax rates. Accordingly, the closing deferred tax liabilities have been calculated at the rate of 25%.

The impact of the post-balance sheet date change in tax rate is estimated as giving rise to a tax credit of \$1,178,000, which will be recognised in the accounts for 2012.

7. Finance lease receivables

	Within 1 year \$'000	Between 1 and 5 years \$'000	After 5 years \$'000	Total \$'000
2011				
Future minimum lease payments	3,837	17,366	104,567	125,770
Unearned finance income	(78)	(2,347)	(48,653)	(51,078)
Present value of minimum lease payments receivable	<u>3,759</u>	<u>15,019</u>	<u>55,914</u>	<u>74,692</u>
2010				
Future minimum lease payments	3,790	16,700	110,142	130,632
Unearned finance income	(76)	(2,274)	(53,147)	(55,497)
Present value of minimum lease payments receivable	<u>3,714</u>	<u>14,426</u>	<u>56,995</u>	<u>75,135</u>
			2011	2010
			\$'000	\$'000
Current			3,759	3,714
Non-current			<u>70,933</u>	<u>71,421</u>
			<u>74,692</u>	<u>75,135</u>

The company has entered into a finance leasing arrangement for a ship. The term of the finance lease entered into is 25 years.

Unguaranteed residual values are estimated at \$nil (2010: \$nil).

The average effective interest rate in relation to finance lease agreements approximates 5.1% (2010: 5.1%).

NOTES TO THE FINANCIAL STATEMENTS (continued)

8. Loan receivables

	2011 \$'000	2010 \$'000
Current		
Amounts owed by group undertakings – immediate parent company	<u>953</u>	<u>1,587</u>

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

9. Borrowings

	2011 \$'000	2010 \$'000
Loans from group undertakings – immediate parent company	<u>59,618</u>	<u>61,208</u>
Current	<u>775</u>	<u>958</u>
Non-current	<u>58,843</u>	<u>60,250</u>
	<u>59,618</u>	<u>61,208</u>

10. Trade and other payables

	2011 \$'000	2010 \$'000
Other payables	<u>741</u>	<u>767</u>

11. Accruals, deferred income and other liabilities

	2011 \$'000	2010 \$'000
Accruals – immediate parent company	53	39
Corporation tax payable	-	30
	<u>53</u>	<u>69</u>

12. Deferred tax

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

	Capital allowances \$'000	Other \$'000	Total \$'000
At 1 January 2010	14,120	523	14,643
Charge/(credit) to income	524	(51)	473
At 31 December 2010	14,644	472	15,116
Credit to income	(328)	(65)	(393)
At 31 December 2011	<u>14,316</u>	<u>407</u>	<u>14,723</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

13. Financial instruments and risk management

(i) Fair value

The following table shows the carrying value and the fair value of financial instruments carried on the balance sheet where financial instruments are not carried at fair value on the balance sheet. Where the financial instruments are of short maturity, the carrying value is equal to the fair value.

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

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

	2012 Carrying value £'000	2012 Fair value £'000	2011 Carrying value £'000	2011 Fair value £'000
Financial assets				
Finance lease receivables	74,692	56,601	75,135	75,135

(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.

Finance lease receivables and other instalment credit receivables may be based on fixed and/or floating rates. These are funded primarily through balances owed to group undertakings which are due primarily on demand and a variable rate basis. The repricing 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 following tables indicate financial assets and liabilities that are exposed to interest rate risk together with the corresponding range of applicable interest rates.

2011	Variable rate \$'000	Non- interest earning \$'000	Total \$'000
Financial assets			
Finance leases	74,692	-	74,692
Loan receivables	953	-	953
Cash	7	-	7
	75,652	-	75,652
Financial liabilities			
Borrowings	59,618	-	59,618
Trade and other payables	-	741	741
Accruals and other liabilities	-	53	53
	59,618	794	60,412
Net financial assets/(liabilities)	16,034	(794)	15,240

NOTES TO THE FINANCIAL STATEMENTS (continued)

13. Financial instruments and risk management – continued

(ii) Financial risk management (continued)

Interest rate risk (continued)

2010	Variable rate \$'000	Non- interest earning \$'000	Total \$'000
Financial assets			
Finance leases	75,135	-	75,135
Loan receivables	1,587	-	1,587
Cash	9	-	9
	<u>76,731</u>	<u>-</u>	<u>76,731</u>
Financial liabilities			
Borrowings	61,208	-	61,208
Trade and other payables	-	767	767
Accruals and other liabilities	-	39	39
	<u>61,208</u>	<u>806</u>	<u>62,014</u>
Net financial assets/(liabilities)	<u>15,523</u>	<u>(806)</u>	<u>14,717</u>

The sensitivity analysis below has been determined based on the exposure to interest rates at the balance sheet date. The analysis is prepared on the assumption that the balances receivable and/or payable at the balance sheet date were receivable and/or payable for the whole year.

If interest rates had been 0.5% (2010: 0.5%) higher and all other variables were held constant, the company's profit before tax for the year would have increased by \$5,000 (2010: \$8,000). This is mainly due to the company's exposure to interest rates on its variable rate customer balances. There would be no other material impact on equity.

Currency risk

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

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

13. Financial instruments and risk management - continued

(ii) Financial risk management (continued)

Credit rate risk (continued)

- 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.

Maximum credit exposure and neither past due nor impaired

<u>Sector</u>	<u>No of counterparties</u>	2011 \$'000	2010 \$'000
Shipping	1	74,692	75,135
Finance lease receivables		74,692	75,135
Group undertakings		960	1,596
Maximum credit exposure		75,652	76,731

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

Liquidity risk

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

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

Financial Liabilities

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

2011	0 – 3 months \$'000	4 – 12 months \$'000	1 – 3 years \$'000	4 – 5 years \$'000	6 – 10 years \$'000	11 – 20 years \$'000
Borrowings	289	896	2,548	3,396	13,506	51,563
Trade and other payables	741	-	-	-	-	-
Accruals and other liabilities	53	-	-	-	-	-
	1,083	896	2,548	3,396	13,506	51,563

NOTES TO THE FINANCIAL STATEMENTS (continued)

13. Financial instruments and risk management – continued

(ii) Financial risk management (continued)

Liquidity risk (continued)

2010	0 – 3 months \$'000	4 – 12 months \$'000	1 – 3 years \$'000	4 – 5 years \$'000	6 – 10 years \$'000	11 – 20 years \$'000
Borrowings	338	868	3,523	5,725	20,296	62,631
Trade and other payables	767	-	-	-	-	-
Accruals and other liabilities	39	-	-	-	-	-
	<u>1,144</u>	<u>868</u>	<u>3,523</u>	<u>5,725</u>	<u>20,296</u>	<u>62,631</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 17- commitments and contingent liabilities)

Operational risk

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

14. Share capital

	2011 \$	2010 \$
Authorised		
100 Deferred shares of £1	193	193
1,000 Ordinary shares of \$1	<u>1,000</u>	<u>1,000</u>
	<u>1,193</u>	<u>1,193</u>
Allotted, called up and fully paid		
Equity shares		
2 Deferred shares of £1	4	4
100 Ordinary shares of \$1	<u>100</u>	<u>100</u>
	<u>104</u>	<u>104</u>

The deferred ordinary shares carry no dividend or voting rights and have no preferential rights to return of capital on winding up. The company may repurchase the shares at any time for an aggregate consideration of £1.

The value attributed to sterling share capital is based on the exchange rate prevailing at the date of issue. Both classes of ordinary shares carry no right to fixed income.

NOTES TO THE FINANCIAL STATEMENTS (continued)

15. Cash and cash equivalents per cash flow statement

	2011 \$'000	2010 \$'000
Cash held with group undertaking – intermediate parent company	7	9
Deposits with group companies placed at within 3 months original maturity		
Group – immediate parent company (note 8)	953	1,587
Cash and cash equivalents per cash flow statement	960	1,596

16. Capital resources

The company's capital consists of equity comprising issued share capital, retained earnings, loans from group undertakings and subordinated loans. 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.

17. Commitments and contingent liabilities

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

18. Related parties

UK Government

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 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, together with leasing transactions undertaken in the normal course of lessor-customer relationships.

Group undertakings

The company's immediate parent company is Royal Bank Leasing Limited, a company incorporated in Great Britain and registered in Scotland. As at 31 December 2011, The Royal Bank of Scotland plc heads the smallest group in which the company is consolidated. Copies of the consolidated accounts of this company may be obtained from The Secretary, The Royal Bank of Scotland Group plc, Gogarburn, Edinburgh EH12 1HQ.

NOTES TO THE FINANCIAL STATEMENTS (continued)**18. Related parties - continued**

The company's ultimate holding company is The Royal Bank of Scotland Group plc, a company incorporated in Great Britain and registered in Scotland. As at 31 December 2011, The Royal Bank of Scotland Group plc heads the largest group in which the company is consolidated. Copies of the consolidated accounts of this company 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.

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.

19. 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 these financial statements.