Company Registered No: 05039276

RBS ASSET FINANCE EUROPE LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2016

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS:	I Basterreche S J Caterer A P Johnson N J McDaid
COMPANY SECRETARY:	RBS Secretarial Services Limited
REGISTERED OFFICE:	The Quadrangle The Promenade Cheltenham GL50 1PX
INDEPENDENT AUDITOR:	Ernst & Young LLP Statutory Auditor The Paragon Counterslip Bristol BS1 6BX

Registered in England and Wales

DIRECTORS' REPORT

The directors of RBS Asset Finance Europe Limited ("the Company") present their annual report together with the audited financial statements for the year ended 31 December 2016.

ACTIVITIES AND BUSINESS REVIEW

This Directors' report has been prepared in accordance with the provisions applicable to companies entitled to the small companies' exemption and therefore does not include a Strategic report.

Activity
The principal activity of the Company continues to be the provision of fixed asset finance usually involving structured facilities.

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 19 to the financial statements.

Financial performance

The retained profit for the year was €23,000 (2015: €578,000) and this was transferred to reserves. No interim dividends were paid during the year (2015: €nil).

Principal risks and uncertainties

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

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

The Company is funded by facilities from Royal Bank Leasing Limited. These are denominated in Euros which is 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 - see note 16.

Currency risk

The Company does not maintain material non-trading open currency positions.

The Company undertakes certain transactions denominated in foreign currencies, hence exchange rate fluctuations arise. The Company's policy is normally to match foreign currency receivables with borrowings in the same currency.

DIRECTORS' REPORT

Principal risks and uncertainties (continued)

Credit risk

The objective of credit risk management is to enable the Company to achieve appropriate risk versus reward performance whilst maintaining credit risk exposure in line with approved appetite for the risk that customers will be unable to meet their obligations to the Company.

The key principles of the group's Credit Risk Management Framework are set out below:

- Approval of all credit exposure is granted prior to any advance or extension of credit.
- An appropriate credit risk assessment of the customer and credit facilities is undertaken prior to approval of credit exposure. This includes a review of, amongst other things, the purpose of credit and sources of repayment, compliance with affordability tests, repayment history, capacity to repay, sensitivity to economic and market developments and risk-adjusted return.
- Credit risk authority is delegated by the Board and specifically granted in writing to all individuals involved in the granting of credit approval. In exercising credit authority, the individuals act independently of any related business revenue origination.
- All credit exposures, once approved, are effectively monitored and managed and reviewed periodically against approved limits. Lower quality exposures are subject to a greater frequency of analysis and assessment.

Liquidity risk

Liquidity risk arises where assets and liabilities have different contractual maturities. Management focuses on risk arising from the mismatch of maturities across the balance sheet and from undrawn commitments and other contingent obligations.

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 interest rate, and is mitigated by maintaining the consistency in the interest risk profile of the Company's assets and 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.

Going concern

The directors, having a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, have prepared the financial statements on a going concern basis.

DIRECTORS AND SECRETARY

The present directors and secretary, who have served throughout the year except where noted below, are listed on page 1.

From 1 January 2016 to date the following changes have taken place:

Directors	**Appointed**	**Resigned**
T D Crome	-	28 June 2016
N J McDaid	30 December 2016	-

DIRECTORS' REPORT

DIRECTORS' RESPONSIBILITIES STATEMENT

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

Company law requires the directors to prepare a, Directors' report and financial statements for each financial year. Under that law, the directors have elected to prepare the financial statements in accordance with Financial Reporting Standard (FRS) 101 Reduced Disclosure Framework, and must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs at the end of the year and the profit or loss of the Company for that 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
- 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

The Royal Bank of Scotland Group plc has appointed Ernst & Young LLP as its auditor for the year ending 31 December 2016.

A resolution to appoint Ernst & Young LLP as the Company's auditor was passed on 21 July 2016 at the meeting of the Board of Directors. Ernst & Young have expressed their willingness to continue in office as auditor.

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

S J Caterer
Director
18th July 2017

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RBS ASSET FINANCE EUROPE LIMITED

We have audited the financial statements of RBS Asset Finance Europe Limited ('the Company') for the year ended 31 December 2016 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 19. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including 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 on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. 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 and financial statements 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 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including 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, based on the work undertaken in the course of the audit:

- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- the Directors' Report has been prepared in accordance with applicable legal requirements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RBS ASSET FINANCE EUROPE LIMITED

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Directors' Report.

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 the advantage of the small companies' exemption from preparing the Strategic report.

Ernst & Young LLP

Richard Page (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP,
Statutory Auditor,
Bristol, United Kingdom
31 July 2017

PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2016

Income from continuing operations	Notes	2016 €'000	2015 €'000
Turnover	3	937	2,118
Operating income	4	53	271
Operating expenses	5	(139)	(946)
Operating profit		**851**	1,443
Finance costs	6	(925)	(1,080)
(Loss)/profit on ordinary activities before tax		**(74)**	363
Tax credit	8	97	215
Profit and total comprehensive income for the year		**23**	578

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

BALANCE SHEET
as at 31 December 2016

	Notes	2016 €'000	2015 €'000
Fixed assets			
Finance lease receivables	9	**17,650**	21,581
Current assets			
Finance lease receivables	9	**4,752**	4,769
Trade and other receivables	10	**15**	169
Prepayments, accrued income and other assets	11	**10**	51
Cash at bank		**73**	-
		4,850	4,989
Total assets		**22,500**	26,570
Creditors: amounts falling due within one year			
Borrowings	12	**3,414**	3,315
Current tax liabilities		**-**	47
Trade and other payables	13	**10**	87
Accruals, deferred income and other liabilities	14	**220**	240
		3,644	3,689
Total assets less current liabilities		**18,856**	22,881
Creditors: amounts falling due after more than one year			
Borrowings	12	**13,768**	17,219
Deferred tax liability	15	**3,536**	4,133
		17,304	21,352
Total liabilities		**20,948**	25,041
Equity: capital and reserves			
Called up share capital	17	**-**	-
Profit and loss account		**1,552**	1,529
Total shareholders' funds		**1,552**	1,529
Total liabilities and shareholders' funds		**22,500**	26,570

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

The financial statements of the Company were approved by the Board of Directors on 18th July 2017 signed on its behalf by:

S J Caterer
Director

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2016

	Share capital €'000	Profit and loss account €'000	Total €'000
At 1 January 2015	-	951	951
Profit for the year	-	578	578
At 31 December 2015	-	1,529	1,529
Profit for the year	-	**23**	**23**
At 31 December 2016	**-**	**1,552**	**1,552**

Total comprehensive income for the year of €23,000 (2015: €578,000) was wholly attributable to the owners of the Company.

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

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies

a) Preparation and presentation of financial statements

These financial statements are prepared:

- on a going concern basis;
- under Financial Reporting Standard (FRS) 101 Reduced Disclosure Framework in accordance with the recognition and measurement principles of International Financial Reporting Standards issued by the 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); and
- on the historical cost basis.

The Company meets the definition of a qualifying entity under FRS 100 Application of Financial Reporting Requirements issued by the Financial Reporting Council.

The Company is incorporated in the UK and registered in England and Wales and the financial statements are presented:

- in accordance with the Companies Act 2006:
- in Euros which is the functional currency of the Company: and
- with the benefit of the disclosure exemptions permitted by FRS 101 with regard to:
    - cash-flow statement;
    - standards not yet effective; and
    - related party transactions.

Where required, equivalent disclosures are given in the group accounts of The Royal Bank of Scotland Group plc, these accounts are available to the public and can be obtained as set out in note 18.

The few changes to IFRS that were effective from 1 January 2016 have had no material effect on the Company's Financial Statements for the year ended 31 December 2016.

b) Foreign currencies

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

c) Revenue recognition

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

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

Income from the sale of rental assets is recognised on transfer of ownership.

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.

IFRS requires rental income to be calculated using the interest rate at inception of the lease; variations from that rate are presented as contingent rentals.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies (continued)

d) 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, other comprehensive income or in equity. Provision is made for current tax at rates enacted or substantively enacted at the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable in respect of temporary differences between the carrying amount of an asset or liability for accounting purposes and its carrying amount for tax purposes. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered. Deferred tax is not recognised on temporary differences that arise from initial recognition of an asset or 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.

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; all other contracts with customers to lease assets are classified as operating leases.

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

f) Financial assets
On initial recognition, financial assets are classified into 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.

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, 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.

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.

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 in accordance with IAS 39 "Financial Instruments: Recognition and Measurement".

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

NOTES TO THE FINANCIAL STATEMENTS

2. Critical accounting policies and key sources of estimation uncertainty

The reported results of the Company are sensitive to the accounting policies, assumptions and estimates that underlie the preparation of its financial statements. 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
Judgement is required in the classification of a lease at inception and after any material amendment to assess whether substantially all the significant risks and rewards of ownership accrue to the lessor or the lessee.

3. Turnover

	2016 €'000	2015 €'000
Finance lease income:		
Rent receivable	**4,969**	4,888
Amortisation	**(3,992)**	(3,973)
Contingent rent expense	**(40)**	-
	937	915
Operating lease rental income	**-**	1,203
	937	2,118

The Company did not enter into any new leasing transactions during the year (2015: €nil).

4. Operating income

	2016 €'000	2015 €'000
Profit on disposal of assets held for sale	**42**	-
Other income	**11**	268
Exchange gains	**-**	3
	53	271

5. Operating expenses

	2016 €'000	2015 €'000
Management fees	**95**	428
Audit fee	**23**	-
Loss on disposal of assets held for sale	**-**	487
Purchases	**6**	29
Exchange losses	**15**	-
Other charges	**-**	2
	139	946

5. Operating expenses (continued)

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 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 fee for services provided by other group companies. The Company does not remunerate directors nor can remuneration from elsewhere in the group be apportioned meaningfully in respect of their services to the Company.

6. Finance costs

	2016 €'000	2015 €'000
Interest on loans from group companies	**925**	1,080

7. (Loss)/profit on ordinary activities before tax

(Loss)/profit on ordinary activities before tax is stated after charging/(crediting):

	2016 €'000	2015 €'000
Auditor's remuneration – audit services	**23**	31
Foreign exchange translation	**15**	(3)
	38	28

In 2015 the auditor's fee was included within the management fees as shown in note 5.

8. Tax

	2016 €'000	2015 €'000
Current taxation:		
UK corporation tax charge for the year	**500**	1,173
Under provision in respect of prior periods	**-**	1
	500	1,174
Deferred taxation:		
Credit for the year	**(509)**	(1,101)
Over provision in respect of prior periods	**-**	(1)
Impact of tax rate changes	**(88)**	(287)
	(597)	(1,389)
Tax credit for the year	**(97)**	(215)

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

The actual tax credit differs from the expected tax (credit)/charge computed by applying the main rate of UK corporation tax of 20% (2015: blended rate of 20.25%) as follows:

	2016 €'000	2015 €'000
Expected tax (credit)/charge	**(15)**	74
Other non-deductible items	**6**	(2)
Reduction in deferred tax following change in rate of UK corporation tax	**(88)**	(287)
Actual tax credit for the year	**(97)**	(215)

8. Tax (continued)

In recent years the UK Government has steadily reduced the rate of UK corporation tax, with the latest rates substantively enacted at the balance sheet date standing at 20% with effect from 1 April 2015, 19% from 1 April 2017 and 17% from 1 April 2020. The closing deferred tax assets and liabilities have been calculated taking into account that existing temporary differences may unwind in periods subject to the reduced rates.

9. Finance lease receivables

	Within 1 year €'000	Between 1 and 5 years €'000	After 5 years €'000	Total €'000
2016				
Future minimum lease payments	**4,906**	**20,176**	**-**	**25,082**
Unearned finance income	**(154)**	**(2,526)**	**-**	**(2,680)**
Present value of minimum lease payments receivable	**4,752**	**17,650**	**-**	**22,402**
2015				
Future minimum lease payments	4,925	19,699	5,481	30,105
Unearned finance income	(156)	(2,449)	(1,150)	(3,755)
Present value of minimum lease payments receivable	4,769	17,250	4,331	26,350

	2016 €'000	2015 €'000
Due within one year	**4,752**	4,769
Due after more than one year	**17,650**	21,581
	22,402	26,350

The Company has entered into a finance leasing arrangement for a ship. The term of the finance lease entered into is 15 years (2015: 15 years)

Unguaranteed residual values are estimated at €nil (2015: €nil)

The average effective interest rate in relation to finance lease agreements approximates 4.2% (2015: 4.2%)

10. Trade and other receivables

	2016 €'000	2015 €'000
Due within one year:		
Value added tax recoverable	**15**	75
Trade receivables	**-**	94
	15	169

11. Prepayments, accrued income and other assets

	2016 €'000	2015 €'000
Accrued income	**-**	51
Group relief receivable	**10**	-
	10	51

12. Borrowings

	2016 €'000	2015 €'000
Overdraft from group banks	-	62
Loans from group banks	17,182	20,472
	17,182	20,534
Current - on demand or within one year	3,414	3,315
Non-current		
Between 1 and 2 years	3,479	3,368
Between 2 and 5 years	10,289	10,907
After 5 years	-	2,944
	13,768	17,219

The Company has €nil (2015: €2,944,000 is at a fixed rate of 4.455%) unsecured borrowing from group undertakings greater than 5 years.

The repayment profile of the borrowings is disclosed in note 16 (ii).

13. Trade and other payables

	2016 €'000	2015 €'000
Due within one year:		
Other payables	10	87

14. Accruals, deferred income and other liabilities

	2016 €'000	2015 €'000
Accruals	190	200
Deferred income	30	40
	220	240

15. Deferred tax

Deferred tax liability comprised:

	Capital allowances €'000
At 1 January 2015	5,522
Credit to profit and loss	(1,389)
At 31 December 2015	4,133
Credit to profit and loss	(597)
At 31 December 2016	3,536

16. Financial instruments and risk management

(i) Fair value of financial instruments not carried at fair value
Except as detailed in the following table, the directors consider that the carrying amounts of financial assets and financial liabilities recognised in the financial statements approximate to their fair values. Where the financial instruments are of short maturity, the carrying value is equal to the fair value.

Where interest rates on finance leases have been fixed by way of an interest rate swap in the parent company, the fair value has been calculated by adjusting the carrying value of the associated mark to market arising on the swap. Lessee credit risk position is an input into the fair value of finance lease receivables calculations as disclosed.

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

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

	2016 Carrying value €'000	**2016 Fair value €'000**	2015 Carrying value €'000	2015 Fair value €'000
Financial assets				
Finance lease receivables	**22,402**	**23,958**	26,350	27,685
Financial liabilities				
Borrowings	**17,182**	**19,054**	20,534	23,286

The financial assets and liabilities detailed in the table above fall within level 2 of the valuation methodologies, as set out below:

Financial assets and liabilities have been classified above according to a valuation hierarchy that reflects the valuation techniques used to determine fair value.

Level 1: valued by reference to unadjusted quoted prices in active markets for identical assets and liabilities
Level 2: valued by reference to observable market data, other than quoted market prices
Level 3: valuation is based on inputs other than observable market data

(ii) Financial risk management
The principal risks associated with the Company's businesses are as follows:

Market risk
The principal market risk to which the Company is exposed is the interest rate, and is mitigated by maintaining the consistency in the interest risk profile of the Company's assets and liabilities.

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

The Company manages interest rate risk by monitoring the consistency in the interest rate profile of its assets and liabilities, and limiting any re-pricing mismatches.

Finance lease receivables may be based on fixed and/or floating rates. These are funded primarily through balances owed to group companies which are due primarily on demand and a variable rate basis. The re-pricing maturity profile of the financial assets of the Company may be different to that of the associated borrowings and hence give potential exposure to interest rate risk.

16. 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:

2016	Fixed rate €'000	Variable rate €'000	Non-interest earning €'000	Total €'000
Financial assets				
Finance leases	22,402	-	-	22,402
Cash	-	73	-	73
	22,402	73	-	22,475
Financial liabilities				
Borrowings	17,117	65	-	17,182
Trade and other payables	-	-	10	10
Accruals and other liabilities	-	-	167	167
	17,117	65	177	17,359
Net financial assets/(liabilities)	5,285	8	(177)	5,116

2015	Fixed rate €'000	Variable rate €'000	Non-interest earning €'000	Total €'000
Financial assets				
Finance leases	26,350	-	-	26,350
Trade and other receivables	-	-	94	94
Prepayments, accrued income and other assets	-	-	51	51
	26,350	-	145	26,495
Financial liabilities				
Borrowings	20,472	62	-	20,534
Trade and other payables	-	-	86	86
Accruals and other liabilities	-	-	200	200
	20,472	62	286	20,820
Net financial assets/(liabilities)	5,878	(62)	(141)	5,675

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 loss before tax for the year has no impact (2015: profit before tax would have no impact). This is mainly due to the Company's exposure to interest rates on its variable rate cash balances. There would be no other impact on equity.

16. 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:

Sector	No. of counterparties	2016 €'000	2015 €'000
Finance lease receivables - Shipping	1 (2015: 1)	**22,402**	26,350
Group undertakings		**73**	-
Other		**-**	145
Maximum credit exposure		**22,475**	26,495

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

2016	0-3 months €'000	3-12 months €'000	1-3 years €'000	3-5 years €'000	5-10 years €'000
Borrowings	266	3,954	8,240	7,170	-
Trade and other payables	10	-	-	-	-
Accruals and other liabilities	167	-	-	-	-
	443	3,954	8,240	7,170	-

2015	0-3 months €'000	3-12 months €'000	1-3 years €'000	3-5 years €'000	5-10 years €'000
Borrowings	302	3,970	8,324	8,235	3,102
Trade and other payables	86	-	-	-	-
Accruals and other liabilities	200	-	-	-	-
	588	3,970	8,324	8,235	3,102

The Company's intra-Group liabilities may in certain circumstances become repayable on demand.

17. Share capital

	2016 €	2015 €
Authorised:		
100 Deferred ordinary shares of £1 each	**136**	136
1,000 Ordinary shares of €1	**1,000**	1,000
	1,136	1,136

	2016 €	2015 €
Allotted, called up and fully paid:		
Equity shares		
2 Deferred ordinary shares of £1 each	**3**	3
100 Ordinary shares of €1	**100**	100
	103	103

17. Share Capital (continued)

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 these shares at any time for an aggregate consideration of £1.

The value attributed to the 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.

18. Related parties

UK Government

The UK Government through HM Treasury is the ultimate controlling party of The Royal Bank of Scotland Group plc. Its shareholding is managed by UK Financial Investments Limited, a company it wholly-owns and as a result, the UK Government and UK Government controlled bodies are related parties of the Company.

The Company enters into transactions with these bodies on an arms' length basis; they include the payment of taxes including UK corporation tax and value added tax.

Group companies

The Company's immediate parent company is Royal Bank Leasing Limited, a company incorporated in the UK. As at 31 December 2016 The Royal Bank of Scotland plc, a company incorporated in the UK heads the smallest group in which the Company is consolidated. Copies of the consolidated accounts may be obtained from Corporate Governance and Regulatory Affairs, 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 heads the largest group in which the Company is consolidated. Copies of the consolidated accounts may be obtained from Corporate Governance and Regulatory Affairs, The Royal Bank of Scotland Group plc, Gogarburn, PO Box 1000, Edinburgh EH12 1HQ.

19. Post balance sheet events

The Company paid an interim dividend of €500,000 on 28 February 2017.