

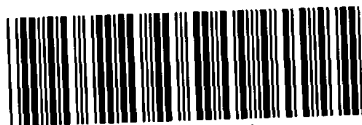
Company Registered No: 05039276

RBS ASSET FINANCE EUROPE LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2017

FRIDAY



SCT *S7FFZYL* #23
28/09/2018
COMPANIES HOUSE

COMPANIES HOUSE

28 SEP 2018

EDINBURGH MAILBOX

CONTENTS**Page****OFFICERS AND PROFESSIONAL ADVISERS****1****DIRECTORS' REPORT****2****INDEPENDENT AUDITOR'S REPORT****5****PROFIT AND LOSS ACCOUNT****8****BALANCE SHEET****9****STATEMENT OF CHANGES IN EQUITY****10****NOTES TO THE FINANCIAL STATEMENTS****11**

RBS ASSET FINANCE EUROPE LIMITED

05039276

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS:
D G Harris
I A Ellis
S J Roulston

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 2017.

ACTIVITIES AND BUSINESS REVIEW

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

Activity

The principal activity of the Company 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.

Financial performance

The retained profit for the year was €8,000 (2016: €23,000) and this was transferred to reserves. A dividend of €500,000 was paid on during the year (2016: €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.

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

The principal risks associated with the Company were as follows:

Interest rate risk

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

The Company manages interest rate risk by monitoring the consistency in the interest rate profile of its assets and liabilities, and limiting any repricing mismatches – see note 16.

Currency risk

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.

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

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

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

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

Liquidity risk

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

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, 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 2017 to date the following changes have taken place:

Directors	Appointed	Resigned
I Basterreche	-	1 March 2017
N J McDaid	-	31 July 2017
A P Johnson	-	31 July 2017
S J Caterer	-	31 August 2017
E Mayes	31 July 2017	6 March 2018
D G Harris	31 July 2017	-
S J Roulston	21 September 2017	-
I A Ellis	6 March 2018	-

DIRECTORS' REPORT

DIRECTORS' RESPONSIBILITIES STATEMENT

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

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

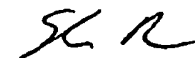
- so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware; and
- directors have taken all the steps that they ought to have taken to make themselves aware of any relevant audit information, and to establish that the Company's auditor is aware of that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

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

AUDITOR

Ernst & Young LLP has expressed its willingness to continue in office as auditor.

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



S J Roulston
Director

Date: 27 September 2018

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

Opinion

We have audited the financial statements of RBS Asset Finance Europe Limited ('the Company') for the year ended 31 December 2017 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 18. 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'.

In our opinion the financial statements:

- give a true and fair view of the Company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

Conclusions relating to going concern

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

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

Other information

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

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

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

We have nothing to report in this regard.

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

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' report.

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

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

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

Use of our report

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

A handwritten signature in black ink, appearing to read "Ernst & Young LLP".

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

28 September 2018

PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2017

		2017	2016
Income from continuing operations	Notes	€'000	€'000
Turnover	3	840	937
Operating income	4	11	53
Operating expenses	5	(67)	(139)
Operating profit		784	851
Finance costs	6	(774)	(925)
Profit/(loss) on ordinary activities before tax		10	(74)
Tax (charge)/credit	7	(2)	97
Profit and total comprehensive income for the year		8	23

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

BALANCE SHEET
 as at 31 December 2017

	Notes	2017 €'000	2016 €'000
Non current assets			
Finance lease receivables	9	13,628	17,650
Current assets			
Finance lease receivables	9	4,752	4,752
Trade and other receivables	10	-	15
Prepayments, accrued income and other assets	11	20	10
Cash at bank		351	73
		5,123	4,850
Total assets		18,751	22,500
Current liabilities			
Borrowings	12	3,179	3,414
Trade and other payables	13	10	10
Accruals, deferred income and other liabilities	14	247	220
		3,436	3,644
Non-current liabilities			
Borrowings	12	11,267	13,768
Deferred tax liability	15	2,988	3,536
		14,255	17,304
Total liabilities		17,691	20,948
Equity			
Called up share capital	17	-	-
Profit and loss account		1,060	1,552
Total equity		1,060	1,552
Total liabilities and equity		18,751	22,500

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 27 September 2018 signed on its behalf by:


 SJ Roulston
 Director

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2017

	Share capital	Profit and loss	Total
	€'000	account	€'000
	€'000	€'000	€'000
At 1 January 2016	-	1,529	1,529
Profit for the year	-	23	23
At 31 December 2016	-	1,552	1,552
Profit for the year	-	8	8
Dividends paid	-	(500)	(500)
At 31 December 2017	-	1,060	1,060

Total comprehensive income for the year of €8,000 (2016: €23,000) 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.

There were no changes to IFRS that were effective from 1 January 2017 that have had an effect on the Company's financial statements for the year ended 31 December 2017.

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 loans and receivables.

Loans and receivables

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

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

Leased assets

Judgement is required in the classification of a lease at inception and after any material amendment to assess whether substantially all the significant risks and rewards of ownership accrue to the lessor or the lessee.

3. Turnover

	2017 €'000	2016 €'000
Finance lease income:		
Rent receivable	4,921	4,969
Amortisation	(4,037)	(3,992)
Contingent rent expense	(44)	(40)
	<u>840</u>	<u>937</u>

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

4. Operating income

	2017 €'000	2016 €'000
Profit on disposal of assets held for sale	-	42
Other income	9	11
Exchange gains	2	-
	<u>11</u>	<u>53</u>

5. Operating expenses

	2017 €'000	2016 €'000
Management fees	42	95
Audit fee	23	23
Exchange losses	-	15
Other charges	2	6
	<u>67</u>	<u>139</u>

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

6. Finance costs

	2017 €'000	2016 €'000
Interest on loans from group companies	<u>774</u>	<u>925</u>

NOTES TO THE FINANCIAL STATEMENTS

7. Tax

	2017 €'000	2016 €'000
Current taxation:		
UK corporation tax charge for the year	550	500
Deferred taxation:		
Credit for the year	(548)	(597)
Tax charge/(credit) for the year	2	(97)

Where appropriate current tax consists of sums payable or receivable 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 19.25% (2016: standard tax rate of 20%) as follows:

	2017 €'000	2016 €'000
Expected tax charge/(credit)	2	(15)
Other non-deductible items	1	6
Non taxable items	(1)	-
Impact of rate change	-	(88)
Actual tax charge/(credit) for the year	2	(97)

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 liability has been calculated taking into account that existing temporary differences may unwind in periods subject to the reduced rates.

8. Ordinary dividends

	2017 €'000	2016 €'000
Interim dividend paid	500	-

9. Finance lease receivables

	Within 1 year €'000	Between 1 and 5 years €'000	Total €'000
2017			
Future minimum lease payments	4,906	15,271	20,177
Unearned finance income	(154)	(1,643)	(1,797)
Present value of minimum lease payments receivable	4,752	13,628	18,380
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

NOTES TO THE FINANCIAL STATEMENTS

9. Finance lease receivables (continued)

	2017 €'000	2016 €'000
Due within one year	4,752	4,752
Due after more than one year	13,628	17,650
	<u>18,380</u>	<u>22,402</u>

The Company has entered into a finance leasing arrangement for a ship. The term of the finance lease entered into is 15 years (2016: 15 years)

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

The average effective interest rate in relation to finance lease agreements approximates 4.1% (2016: 4.2%)

10. Trade and other receivables

	2017 €'000	2016 €'000
Due within one year:		
Value Added Tax recoverable	-	15

11. Prepayments, accrued income and other assets

	2017 €'000	2016 €'000
Group relief receivable	<u>20</u>	<u>10</u>

12. Borrowings

	2017 €'000	2016 €'000
Loans from group banks	<u>14,446</u>	<u>17,182</u>
Current - on demand or within one year	3,179	3,414
Non-current		
Between 1 and 2 years	3,611	3,479
Between 2 and 5 years	<u>7,656</u>	<u>10,289</u>
	<u>11,267</u>	<u>13,768</u>

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

13. Trade and other payables

	2017 €'000	2016 €'000
Due within one year:		
Other payables	<u>10</u>	<u>10</u>

NOTES TO THE FINANCIAL STATEMENTS

14. Accruals, deferred income and other liabilities

	2017 €'000	2016 €'000
Accruals	226	190
Deferred income	21	30
	<u>247</u>	<u>220</u>

15. Deferred tax

Deferred tax liability comprised:

	Capital allowances €'000
At 1 January 2016	4,133
Credit to profit and loss	(597)
At 31 December 2016	3,536
Credit to profit and loss	(548)
At 31 December 2017	<u>2,988</u>

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.

	2017 Carrying value €'000	2017 Fair value €'000	2016 Carrying value €'000	2016 Fair value €'000
Financial assets				
Finance lease receivables	18,380	19,854	22,402	23,958
Financial liabilities				
Borrowings	14,446	15,781	17,182	19,054

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

NOTES TO THE FINANCIAL STATEMENTS

16. Financial instruments and risk management (continued)

(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.

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

	Fixed rate €'000	Variable rate €'000	Non- interest earning €'000	Total €'000
2017				
Financial assets				
Finance leases	18,380	-	-	18,380
Cash	-	351	-	351
	18,380	351	-	18,731
Financial liabilities				
Borrowings	13,711	735	-	14,446
Trade and other payables	-	-	10	10
Accruals and other liabilities	-	-	131	131
	13,711	735	141	14,587
Net financial assets/(liabilities)	4,669	(384)	(141)	4,144
	Fixed rate €'000	Variable rate €'000	Non- interest earning €'000	Total €'000
2016				
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

NOTES TO THE FINANCIAL STATEMENTS

16. Financial instruments and risk management (continued)

Assuming that the balances receivable and/or payable at the balance sheet date were receivable and/or payable for the whole year, had interest rates been 0.5% higher and all other variables held constant, the Company's profit before tax for the year would have increased by £3,000 (2016: loss 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.

Credit risk

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

Sector	No. of counterparties	2017 €'000	2016 €'000
Finance lease receivables - Shipping	1 (2016: 1)	18,380	22,402
Group companies		351	73
Maximum credit exposure		18,731	22,475

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

	0-3 months €'000	3-12 months €'000	1-3 years €'000	3-5 years €'000
2017				
Borrowings	164	3,669	8,217	4,037
Trade and other payables	10	-	-	-
Accruals and other liabilities	131	-	-	-
	305	3,669	8,217	4,037
2016				
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

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

17. Share capital

	2017 €	2016 €
Authorised:		
100 Deferred ordinary shares of £1 each	136	136
1,000 Ordinary shares of €1	1,000	1,000
	1,136	1,136
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

NOTES TO THE FINANCIAL STATEMENTS

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

As at 31 December 2017

The Company's immediate parent was:	Royal Bank Leasing Limited
The smallest consolidated accounts including the company were prepared by:	The Royal Bank of Scotland plc
The ultimate parent company was:	The Royal Bank of Scotland Group plc

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

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