Company Registered No: 05984100

TOTAL CAPITAL FINANCE LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

TOTAL CAPITAL FINANCE LIMITED **05984100**

CONTENTS

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS:	T J D Boag L R Morse
COMPANY SECRETARY:	RBS Secretarial Services Limited
REGISTERED OFFICE:	1 Princes Street London England EC2R 8PB
INDEPENDENT AUDITOR:	Ernst & Young LLP Chartered Accountants and Statutory Auditor 25 Churchill Place Canary Wharf London E14 5EY

Registered in England and Wales

DIRECTORS' REPORT

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

ACTIVITIES AND BUSINESS REVIEW

The 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.

Principal activity

The principal activity of the Company continues to be that of an investment company.

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 12 to the financial statements.

FINANCIAL PERFORMANCE

The Company's financial performance is presented in the Profit and Loss Account on page 8.

The operating profit before taxation for the year was £369,480 (2015: £265,681). The retained profit for the year was £2,548,637 (2015: £1,348,923).

A dividend of £1,000,000 was paid on 21 December 2016 (2015: £nil).

At the end of the year total assets were £6,706,152 (2015: £5,152,790).

PRINCIPAL RISKS AND UNCERTAINTIES

The Company seeks to minimise its exposure to financial risks.

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 major risks associated with the Company's business are liquidity and interest rate risks. The Company has no material liquidity risk as it has access to group funding. The Company's exposure to interest rate risk is not considered to be significant as interest arises on amounts due to group undertakings.

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

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

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.

Interest rate risk

Interest rate risk arises where assets and liabilities have different repricing maturities. The only interest bearing financial assets or liabilities are cash balances held.

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.

DIRECTORS' REPORT

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

Interest rate risk (continued)

If interest rates had been 0.5% higher and all other variables were held constant, the Company's profit before tax for the year would have increased by £1,177 (2015: £4,304). This is mainly due to the Company's exposure to interest rates on its variable rate balances. There would be no other impact on equity.

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 Royal Bank of Scotland Group plc 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.

The Company's exposure to credit risk is not considered to be significant as the credit exposures are with Group companies.

Liquidity risk

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

Operational risk

Operational risk is the risk of unexpected losses attributable to human error, systems failures, fraud or inadequate internal financial controls and procedures. The Company manages this risk, in line with The Royal Bank of Scotland Group plc framework, through systems and procedures to monitor transactions and positions, the documentation of transactions and periodic review by internal audit. The group 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, are listed on page 1.

From 1 January 2016 to date, there have been no changes to the directors and secretary of the company.

DIRECTORS' REPORT

DIRECTORS' RESPONSIBILITIES STATEMENT

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

Company law requires the directors to prepare a Directors' Report and financial statements for each financial year. Under that law, the directors have elected to prepare the financial statements in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS) 101, 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 FRS 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.

INDEPENDENT AUDITOR

The auditors, Ernst & Young LLP, Chartered Accountants and Statutory Audit firm, have taken up in office.

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

T J D Boag
Director
30th June 2017

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TOTAL CAPITAL FINANCE LIMITED

We have audited the financial statements of Total Capital Finance Limited ("the Company") for the year ended 31 December 2016 which comprise the Profit and Loss Account, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 12. The financial reporting framework that has been applied in their preparation is applicable law and Financial Reporting Standard 101 Reduced Disclosure Framework.

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

The directors' report has been prepared in accordance with applicable legal requirements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TOTAL CAPITAL FINANCE 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 prepare the financial statements in accordance with the small companies regime and take the advantage of the small companies' exemptions in not preparing the Strategic Report.

Helen Joseph

Helen Joseph (Senior statutory auditor)
for and on behalf of Ernst & Young LLP
Statutory Auditor
London, United Kingdom
10 August 2017

PROFIT AND LOSS ACCOUNT
for the financial year ended 31 December 2016

Continuing operations	Notes	2016 £	2015 £
Turnover	3	**383,930**	268,577
Operating expenses	4	**(14,450)**	(2,896)
Operating profit before tax		**369,480**	265,681
Tax credit	5	**2,772**	442
Profit for the year		**372,252**	266,123

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

STATEMENT OF COMPREHENSIVE INCOME
for the financial year ended 31 December 2016

	2016 £	2015 £
Profit for the year	**372,252**	266,123
Other comprehensive income subject to reclassification:		
Fair value adjustment for available-for-sale financial assets	**2,176,385**	1,082,800
Total comprehensive income for the year	**2,548,637**	1,348,923

BALANCE SHEET
as at 31 December 2016

	Notes	2016 £	2015 £
Fixed assets			
Investments - available-for-sale	6	**6,468,000**	4,291,615
Current assets			
Amounts due from group undertakings	7	**2**	2
Cash at bank		**235,377**	860,731
Current tax asset		**2,773**	442
		238,152	861,175
Total assets		**6,706,152**	5,152,790
Creditors: amounts falling due within one year			
Accruals, deferred income and other liabilities	8	**9,725**	5,000
Total liabilities		**9,725**	5,000
Equity: capital and reserves			
Called up share capital	10	**1**	1
Available-for-sale reserve		**6,467,985**	4,291,600
Profit and loss account		**228,441**	856,189
Total shareholder's funds		**6,696,427**	5,147,790
Total liabilities and shareholder's funds		**6,706,152**	5,152,790

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

The financial statements were approved by the Board of Directors on 30th June 2017 and signed on its behalf by:

TJD
~~T D J~~ Boag
Director

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

	Share capital	Available-for-sale reserve	Profit and loss account	Total
	£	£	£	£
At 1 January 2015	1	3,208,800	590,066	3,798,867
Profit for the year	-	-	266,123	266,123
Available-for-sale financial investments	-	1,082,800	-	1,082,800
At 31 December 2015	1	4,291,600	856,189	5,147,790
Profit for the year	-	-	**372,252**	**372,252**
Available-for-sale financial investments	-	**2,176,385**	-	**2,176,385**
Dividends paid	-	-	**(1,000,000)**	**(1,000,000)**
At 31 December 2016	**1**	**6,467,985**	**228,441**	**6,696,427**

Total comprehensive income for the year of £2,548,637 (2015: £1,348,923) was wholly attributable to the equity holders of the Company.

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

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies

a) Preparation and presentation of accounts
These financial statements are prepared:
- on a going concern basis;
- 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 Sterling which is the functional currency of the Company: and
- with the benefit of the disclosure exemptions permitted by FRS 101 with regard to:
    - comparative information in respect of certain assets;
    - 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 11.

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) Revenue recognition
Interest income on financial assets that are classified as loans and receivables or available-for-sale 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. The effective interest rate is the rate that exactly discounts estimated future cash flows to the instrument's initial carrying amount. Calculation of the effective interest rate takes into account fees payable or receivable, that are an integral part of the instrument's yield, premiums or discounts on acquisition or issue, early redemption fees and transaction costs. All contractual terms of a financial instrument are considered when estimating future cash flows.

Dividend income is recognised when the paying company is obliged to make the payment.

Fees in respect of services are recognised as the right to consideration accrues through the provisions of services to customers. The arrangements are generally contractual and the cost of providing the service is incurred as the service is rendered. The price is usually fixed and always determinable. Fees charged for managing investments are recognised as revenue as the services are provided. Incremental costs that are directly attributable to securing an investment management contract are deferred and charged as expense as the related revenue is recognised.

c) Taxation
Income tax expense or income, comprising current tax and deferred tax, is recorded in the Profit and Loss Account except income tax on items recognised outside profit or loss which is credited or charged to other comprehensive income or to equity as appropriate.
Current tax is income tax payable or recoverable in respect of the taxable profit or loss for the year arising in income or in equity. Provision is made for current tax at rates enacted or substantively enacted at the balance sheet date.

1. **Accounting policies (continued)**

d) Financial assets
On initial recognition, financial assets are classified into 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. 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 (see accounting policy 1(b)) less impairment losses.

Available-for-sale investments
Financial assets that are not classified as loans and receivables were classified as available-for-sale. Financial assets can be designated as available-for-sale on initial recognition. Available-for-sale financial assets were initially recognised at fair value plus directly related transaction costs. They were subsequently measured at fair value.

Impairment losses and exchange differences resulting from retranslating the amortised cost of foreign currency monetary available-for-sale financial assets were recognised in profit or loss together with interest calculated using the effective interest method (see accounting policy 1(b)). Other changes in the fair value of available-for-sale financial assets and related tax were reported in other comprehensive income until disposal, when the cumulative gain or loss was reclassified from equity to profit or loss.

e) Impairment of financial assets
The Company assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets classified as 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.

f) Derecognition
A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired or when the Company transfers the financial asset and substantially all the risks and rewards of ownership of the asset to the another entity.

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.

Fair value – financial instruments
Financial instruments classified as available-for-sale are recognised in the financial statements at fair value. Unrealised gains and losses on available-for-sale financial assets are recognised directly in equity unless an impairment loss is recognised.

3. Turnover

	2016 £	2015 £
Interest receivable	**587**	716
Dividend income	**383,343**	267,861
	383,930	268,577

4. Operating expenses

	2016 £	2015 £
Audit fees	**14,450**	2,896
	14,450	2,896

Other than the audit fees disclosed above, no additional remuneration was payable to the auditors for non-audit services.

Staff costs, number of employees and directors' emoluments

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

NOTES TO THE FINANCIAL STATEMENTS

5. Tax

	2016	2015
	£	£
Current tax:		
UK corporation tax credit for the year	(2,773)	(442)
Under provision in respect of prior periods	1	-
Tax credit for the year	(2,772)	(442)

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

	2016	2015
	£	£
Expected tax charge	73,896	53,791
Non-taxable items	(76,669)	(54,233)
Adjustments in respect of prior periods	1	-
Actual tax credit for the year	(2,772)	(442)

6. Investments - available for sale

	2016	2015
	£	£
Equity shares	6,468,000	4,291,615

7. Amounts due from group undertakings

	2016	2015
	£	£
The Royal Bank of Scotland plc	1	1
Fellow subsidiary	1	1
	2	2

8. Accruals, deferred income and other liabilities

	2016	2015
	£	£
Accruals	9,725	5,000

9. Financial Instruments

Categories of financial instrument
The following tables analyse the Company's financial assets and liabilities in accordance with the categories of financial instruments in IAS 39 "Financial instruments: recognition and measurement". Assets and liabilities outside the scope of IAS 39 are shown separately.

2016	Available-for-sale £'000	Loans and receivables £'000	Non financial assets/ liabilities £'000	Total £'000
Assets				
Investments - available-for-sale	6,468,000	-	-	6,468,000
Amounts due from group undertakings	-	2	-	2
Cash at bank	-	235,377	-	235,377
Current tax asset	-	-	2,773	2,773
	6,468,000	235,379	-	6,706,152
Liabilities				
Accruals, deferred income and other liabilities	-	-	9,725	9,725
	-	-	9,725	9,725
Equity				6,696,427
				6,706,152

2015	Available-for-sale £'000	Loans and receivables £'000	Non financial assets/ liabilities £'000	Total £'000
Assets				
Investments - available-for-sale	4,291,615	-	-	4,291,615
Amounts due from group undertakings	-	2	-	2
Cash at bank	-	860,731	-	860,731
Current tax asset	-	-	442	442
	4,291,615	860,733	442	5,152,790
Liabilities				
Accruals, deferred income and other liabilities	-	-	5,000	5,000
	-	-	5,000	5,000
Equity				5,147,790
				5,152,790

NOTES TO THE FINANCIAL STATEMENTS

9. Financial Instruments (continued)

Categories of financial instrument (continued)

Financial assets and liabilities have been classified 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

Financial assets designated as available-for-sale comprise equity investments in unlisted companies and are categorised as level 3. The level 3 assumptions are EBITDA multiples.

Level 3 portfolio movement tables

	Available-for-sale assets	
	2016	2015
	£	£
At 1 January	**4,291,615**	3,208,815
Amounts recognised in the Statement of Comprehensive Income	**2,176,385**	1,082,800
At 31 December	**6,468,000**	4,291,615

The fair value of financial instruments that are not carried at fair value on the Balance Sheet is considered not to be materially different to the carrying amounts.

10. Share capital

	2016	2015
Equity shares	**£**	£
Authorised:		
100 ordinary shares of £1	**100**	100
Allotted, called up and fully paid:		
1 ordinary share of £1	**1**	1

The Company has one class of ordinary shares which carry no right to fixed income.

11. 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.

NOTES TO THE FINANCIAL STATEMENTS

11. *Related parties (continued)*

Group undertakings

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

The Company's ultimate holding company, 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.

12. Post balance sheet events

During May 2017 the Company received an initial contribution of £6m in regards to the liquidation of the Company's sole investment however the directors continue to deem the Company as a going concern for the foreseeable future.