Company Registered No: NI006915

LOMBARD & ULSTER LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2015

CONTENTS

OFFICERS AND PROFESSIONAL ADVISORS

DIRECTORS:	I J Isaac P S McCarthy
SECRETARY:	RBS Secretarial Services Limited
REGISTERED OFFICE:	11 – 16 Donegall Square East Belfast Co Antrim BT1 5UB
INDEPENDENT AUDITOR:	Deloitte LLP Chartered Accountants and Statutory Auditor Hill House 1 Little New Street London EC4A 3TR United Kingdom

Registered in Northern Ireland

DIRECTORS' REPORT

The directors of Lombard & Ulster Limited ("the Company") present their report together with the audited financial statements for the year ended 31 December 2015.

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 has been the provision of credit finance by way of instalment credit but is now primarily that of a holding 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.

FINANCIAL PERFORMANCE

The Company's financial performance is presented in the Profit and Loss Account on page 7. The operating profit before taxation for the year was £18,133,000 (2014: £11,380,000). The retained profit for the year was £18,106,000 (2014: £11,515,000). A dividend of £18,000,000 (2014: £13,500,000) was paid during the year.

At the end of the year total assets were £24,169,000 (2014: £24,063,000).

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 Lombard North Central Plc. These are denominated in the functional currency and carry no significant financial risk other than interest rate risk.

The Company's assets mainly comprise loans receivable and cash which would expose it to market, interest rate and credit risk.

The principal risks associated with the Company 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

Structural Interest rate risk arises where assets and liabilities have different repricing maturities. The Company is exposed to interest rate risk on its cash balances and amounts owed by group undertakings (see note 14).

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.

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; and
- 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 all of the credit exposure is with a Group company (see note 14).

Liquidity risk

Liquidity risk arises where assets and liabilities have different contractual maturities. The Company has no material liquidity risk as it has access to group funding.

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 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 2015 to date the following changes have taken place:

	Appointed	Resigned
Directors		
I J Isaac	27 February 2015	-
N T J Clibbens	-	27 February 2015
T D Crome	27 February 2015	28 June 2016
A P Gadsby	-	11 May 2015

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 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
- the director has taken all the steps that they ought to have taken to make themselves aware of any relevant audit information, and to establish that the Company's auditor is aware of that information.

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

INDEPENDENT AUDITOR

The Royal Bank of Scotland Group plc has appointed Ernst & Young Chartered Accountants as auditors for the year ending 31 December 2016.

A resolution to appoint Ernst & Young Chartered Accountants as the Company's auditor will be proposed at the forthcoming meeting of the Board of Directors.

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

I J Isaac
Director
Date: 11 July 2016

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LOMBARD & ULSTER LIMITED

We have audited the financial statements of Lombard & Ulster Limited ('the Company') for the year ended 31 December 2015 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, International Financial Reporting Standards 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 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards and 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LOMBARD & ULSTER LIMITED

Matters on which we are required to report by exception

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

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

Russell Davis, FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor,
London, United Kingdom
11 July 2016

PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2015

	Notes	2015 £'000	2014 £'000
Income from continuing operations			
Operating income/(expenses)	3	7	(748)
Operating profit/(loss)		7	(748)
Finance income	4	126	128
Other income	5	18,000	12,000
Profit on ordinary activities before tax		18,133	11,380
Tax (charge)/credit	7	(27)	135
Profit and total comprehensive income for the financial year		18,106	11,515

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

The Company had no recognised income or expenses in the financial year or preceding financial year other than those dealt with in the Profit and Loss Account.

BALANCE SHEET
as at 31 December 2015

	Notes	2015 £'000	2014 £'000
Fixed assets			
Investments in subsidiaries	9	1,524	1,524
Current assets			
Finance lease receivables	10	-	-
Loans receivable	11	21,881	21,009
Deferred tax asset	13	1	2
Prepayments, accrued income and other assets	12	108	916
Cash at banks		655	612
		22,645	22,539
Total assets		24,169	24,063
Equity: capital and reserves			
Called up share capital	16	4,000	4,000
Profit and loss account		20,169	20,063
Total shareholders' funds		24,169	24,063

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 11 July 2016 and signed on its behalf by:

I J Isaac
Director

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2015

	Share capital £'000	Profit and loss account £'000	Total £'000
At 1 January 2014	4,000	22,048	26,048
Profit for the year	-	11,515	11,515
Dividends paid	-	(13,500)	(13,500)
At 31 December 2014	4,000	20,063	24,063
Profit for the year	-	18,106	18,106
Dividends paid	-	(18,000)	(18,000)
At 31 December 2015	**4,000**	**20,169**	**24,169**

Total comprehensive income for the year of £18,106,000 (2014: £11,515,000) 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 and have been prepared in accordance with the recognition and measurement principles of International Financial Reporting Standards issued by the International Accounting Standards Board and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB as adopted by the European Union (EU) (together IFRS) and under FRS 101 (Reduced Disclosure Framework). The Company meets the definition of a qualifying entity under FRS 100 Application of Financial Reporting Requirements issued by the Financial Reporting Council.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to capital resources, presentation of a 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 accounts are prepared on the historical cost basis.

The Company's financial statements are presented in Sterling which is the functional currency of the Company.

The Company is incorporated in the UK and registered in Northern Ireland. The Company's accounts are presented in accordance with the Companies Act 2006.

The few changes to IFRS that were effective from 1 January 2015 have had no material effect on the Company's financial statements for the year ended 31 December 2015.

b) Consolidated financial statements
The financial statements contain information about the Company as an individual company and do not contain consolidated financial information as the parent of a group. The Company is exempt under IFRS 10 Consolidated Financial Statements and section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as in accordance with IFRS 10 the Company and its subsidiaries are included by full consolidation in the IFRS consolidated financial statements of its parent, The Royal Bank of Scotland Group plc, a public company registered in Scotland whose registered address is 36 St Andrew Square, Edinburgh, EH2 2YB.

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.

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.

d) Investments in group undertakings
Investments in group undertakings are stated at cost less any impairment.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies (continued)

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-to-maturity investments; 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 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.

h) Financial liabilities
On initial recognition financial liabilities are classified into amortised cost.

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

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

A financial liability is removed from the Balance Sheet when the obligation is discharged, cancelled, or expires.

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.

NOTES TO THE FINANCIAL STATEMENTS

2: Critical accounting policies and key sources of estimation uncertainty (continued)

Loan impairment provisions

The Company's loan impairment provisions are established to recognise incurred impairment losses in its portfolio of loans classified as loans and receivables and carried at amortised cost. A loan is impaired when there is objective evidence that events since the loan was granted have affected expected cash flows from the loan. The impairment loss is the difference between the carrying value of the loan and the present value of estimated future cash flows at the loan's original effective interest rate.

3. Operating (income)/expenses

	2015 £'000	2014 £'000
Pension costs	-	750
Bad debt credit	(8)	(3)
Management fees	-	-
Other charges	1	1
	(7)	748

Staff costs, number of employees and directors' emoluments

Although the Company recognises retirement benefit costs relating to employees, other employee costs are incurred by the immediate parent company, Lombard North Central PLC, and allocated together with the overheads by way of a management charge to the Company. The directors of the Company do not receive remuneration for specific services provided to the Company.

The average number of persons employed by the Company during the year was 4 (2014: 4).

Management recharge

Management fees payable amounting to £494 (2014: £517) is related to the Company's share of group resources such as the use of IT platforms, staff and a share of central resources. These were re-charged by Lombard North Central PLC.

4. Finance income

	2015 £'000	2014 £'000
On loans receivable:		
From group undertakings	126	128

5. Other income

	2015 £'000	2014 £'000
Dividend income from subsidiaries	18,000	12,000

6. Auditor's Remuneration

There was no charge in either the current or prior year's financial statements for auditor's remuneration as the fees of £6,000 (2014: £6,000) were charged in the financial statements of Lombard North Central Plc.

7. Tax

	2015 £'000	2014 £'000
Current tax:		
UK corporation tax charge/(credit) for the year	**26**	(133)
Over provision in respect of prior periods	**-**	(2)
	26	(135)
Deferred tax:		
Charge for the year	**1**	-
Tax charge/(credit) for the year	**27**	(135)

The actual tax charge/(credit) differs from the expected tax charge/(credit) computed by applying the blended rate of UK corporation tax of 20.25% (2014: 21.5%) as follows:

	2015 £'000	2014 £'000
Expected tax charge	**3,672**	2,447
Non-taxable items	**(3,645)**	(2,580)
Adjustments in respect of prior periods	**-**	(2)
Actual tax charge/(credit) for the year	**27**	(135)

In recent years the UK Government has steadily reduced the rate of UK corporation tax, with latest rates substantively enacted on 26 October 2015 now standing at 20% with effect from 1 April 2015, 19% from 1 April 2017 and 18% 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.

8. Ordinary dividends

	2015 £'000	2014 £'000
Final dividend paid	**18,000**	13,500

9. Investments in subsidiaries

Investments in group undertakings are carried at cost less impairment. Carrying value was as follows:

	2015 £'000	2014 £'000
At 1 January and 31 December	**1,524**	1,524

9. Investments in subsidiaries (continued)

The subsidiary undertakings of the Company are:

Name of subsidiary	Country of incorporation	Proportion of ownership interest %	Proportion of voting power held %	Principal activity
JCB Finance Limited (1)	England and Wales	75	75	Credit finance and leasing
JCB Finance Pension Limited (2)	Northern Ireland	50	50	Dormant company

Accounting reference date: (1) 30 September, (2) 31 December

10. Finance lease receivables

	Within 1 year £'000	Between 1 and 5 years £'000	After 5 years £'000	Total £'000
2015				
Receivables due	**9**	**-**	**-**	**9**
Present value of minimum lease payments receivable	**9**	**-**	**-**	**9**
Impairment provisions	**(9)**	**-**	**-**	**(9)**
Carrying value	**-**	**-**	**-**	**-**
2014				
Receivables due	9	-	-	9
Present value of minimum lease payments receivable	9	-	-	9
Impairment provisions	(9)	-	-	(9)
Carrying value	-	-	-	-

The Company entered into no new finance lease agreements during the year (2014: £nil).

11. Loans receivable

	2015 £'000	2014 £'000
Due within one year		
Amounts owed by group undertakings	**21,881**	21,009

12. Prepayments, accrued income and other assets

	2015 £'000	2014 £'000
Group relief receivable from group undertakings	**108**	916

13. Deferred tax

The following are the major tax assets recognised by the Company and the movements thereon.

	Capital allowances £'000	Total £'000
At 1 January 2014	2	2
Charge to income	-	-
At 31 December 2014	2	2
Charge to income	(1)	(1)
At 31 December 2015	1	1

14. Financial instruments and risk management

(i) 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.

2015	Loans and receivables £'000	At amortised cost £'000	Finance lease receivables £'000	Non financial assets/ liabilities £'000	Total £'000
Assets					
Investment in subsidiaries	-	-	-	1,524	1,524
Loans receivable	21,881	-	-	-	21,881
Deferred tax asset	-	-	-	1	1
Prepayments, accrued income and other assets	-	-	-	108	108
Cash at banks	655	-	-	-	655
	22,536	-	-	1,633	24,169
Equity					24,169

2014	Loans and receivables £'000	At amortised cost £'000	Finance lease receivables £'000	Non financial assets/ liabilities £'000	Total £'000
Assets					
Investment in subsidiaries	-	-	-	1,524	1,524
Loans receivables	21,009	-	-	-	21,009
Deferred tax asset	-	-	-	2	2
Prepayments, accrued income and other assets	-	-	-	916	916
Cash at banks	612	-	-	-	612
	21,621	-	-	2,442	24,063
Equity					24,063

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

NOTES TO THE FINANCIAL STATEMENTS

14. Financial instruments and risk management (continued)

(ii) Financial risk management

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

Interest rate risk

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

The following tables indicate financial assets and liabilities that are exposed to interest rate risk:

2015	Fixed rate £'000	Variable rate £'000	Total £'000
Financial assets			
Loans receivable	**-**	**21,881**	**21,881**
Cash at banks	**-**	**655**	**655**
	-	**22,536**	**22,536**

2014	Fixed rate £'000	Variable rate £'000	Total £'000
Financial assets			
Loans receivable	-	21,009	21,009
Cash at banks	-	612	612
	-	21,621	21,621

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 at the balance sheet date were receivable for the whole year.

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 £113,000 (2014: £108,000). This is mainly due to the Company's exposure to interest rates on its variable rate amount owed to group undertakings. There would be no other impact on equity.

NOTES TO THE FINANCIAL STATEMENTS

14. Financial instruments and risk management (continued)

(ii) Financial risk management (continued)

Credit risk

Credit quality

The following table provides an analysis of the credit quality of third party financial assets and commitments based on the probability of default.

2015

Probability of default	Finance lease receivables £'000	Loans receivable £'000	Cash at banks £'000	Total £'000
0%-0.05%	-	21,881	655	22,536
0.05% - 100%	-	-	-	-
Accruing past due	-	-	-	-
Impaired	9	-	-	9
Impairment provision	(9)	-	-	(9)
	-	21,881	655	22,536

2014

Probability of default	Finance lease receivables £'000	Loans receivable £'000	Cash at banks £'000	Total £'000
0%-0.05%	-	21,009	612	21,621
0.05% - 100%	-	-	-	-
Accruing past due	-	-	-	-
Impaired	9	-	-	9
Impairment provision	(9)	-	-	(9)
	-	21,009	612	21,621

Probability of default is the likelihood that a customer will fail to make full and timely repayment of credit obligations over a one year time horizon.

Financial assets with a probability of less than 0.05% are with group undertakings. Although credit risk arises this is not considered to be significant and no amounts are past due.

Financial liabilities

The Company's intra-group liabilities may in certain circumstances become repayable on demand pursuant to the terms of the capital support deed (see note 17).

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 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.

NOTES TO THE FINANCIAL STATEMENTS

15. Financial assets - impairments

The following table shows the movement in the provision for impairment of finance lease and loans receivables.

	2015 £'000	2014 £'000
At 1 January	**9**	9
Credit to income	**(8)**	(3)
Reversal of impairment	**8**	3
At 31 December	**9**	9

The following table shows the analysis of impaired individually and collectively assessed financial assets:

	2015			2014		
	Gross book value £'000	**Provision £'000**	**Net book value £'000**	Gross book value £'000	Provision £'000	Net book value £'000
Finance lease receivables	**9**	**(9)**	**-**	9	(9)	-

16. Share capital

	2015 £'000	2014 £'000
Authorised:		
6,000,000 ordinary shares of £1	**6,000**	6,000
Allotted, called up and fully paid:		
Equity shares		
4,000,000 ordinary shares of £1	**4,000**	4,000

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

17. Commitment and contingent liabilities

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

NOTES TO THE FINANCIAL STATEMENTS

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; together with transactions undertaken in the normal course of business.

Group undertakings

The Company's immediate parent company is Lombard North Central plc, a company incorporated in UK and registered in England and Wales. As at 31 December 2015, The Royal Bank of Scotland plc heads the smallest group in which the Company is consolidated, a company incorporated in UK and registered in Scotland. Copies of the consolidated accounts may be obtained from Corporate Governance and Secretariat, The Royal Bank of Scotland Group plc, Gogarburn, PO Box 1000, Edinburgh, EH12 1HQ.

The Company's ultimate holding company is The Royal Bank of Scotland Group plc, a company incorporated in UK and registered in Scotland. As at 31 December 2015 The Royal Bank of Scotland Group plc heads the largest group in which the Company is consolidated. Copies of the consolidated accounts may be obtained from Corporate Governance and Secretariat, The Royal Bank of Scotland Group plc, Gogarburn, Edinburgh, EH12 1HQ.