Company Registered No: SC058013

ROYAL BANK LEASING LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 30 September 2014

CONTENTS

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS:	S J Caterer T D Crome A P Johnson
SECRETARY:	RBS Secretarial Services Limited
REGISTERED OFFICE:	24/25 St Andrew Square Edinburgh EH2 1AF
AUDITOR:	Deloitte LLP 3 Rivergate Temple Quay Bristol BS1 6GD

Registered in Scotland

STRATEGIC REPORT

ACTIVITIES AND BUSINESS REVIEW

Activity
The principal activity of the Company continues to be the provision of fixed asset finance usually involving individually structured facilities to subsidiary companies. The Company also has an investment property.

The Company is a subsidiary of The Royal Bank of Scotland Group plc which provides the Company with direction and access to all central resources it needs and determines policies in all key areas such as finance, risk, human resources or environment. For this reason, the directors believe that performance indicators specific to the Company are not necessary or appropriate for an understanding of the development, performance or position of the business. The annual reports of The Royal Bank of Scotland Group plc review these matters on a group basis. Copies can be obtained from Corporate Governance and Secretariat, The Royal Bank of Scotland Group plc, Gogarburn, Edinburgh, EH12 1HQ, the Registrar of Companies or at www.rbs.com.

Review of the year

Business review
The directors are satisfied with the Company's performance in the year. The Company will be guided by its shareholders in seeking further opportunities for growth. Post balance sheet events are described in note 32 to the financial statements.

Financial performance
The Company's financial performance is presented on pages 10 to 37.

Operating loss rose by £57,939,000 as a result of the Company issuing loan waivers to two of its subsidiaries. (2013: profit fell by £12,892,000). Turnover fell by £64,000 (2013: fell by £3,608,000) and finance costs rose by £20,926,000 (2013: fell by £17,884,000). The profit for the year was £132,400,000 (2013: £117,568,000), an increase of 13% over 2013.

Interim dividends of £235,000,000 were paid during the year. (2013: no dividends paid).

At the end of the year, the balance sheet showed total assets of £5,505,946,000 (2013: £6,578,567,000), including income-generating assets comprising property, plant and equipment £1,941,000 (2013: £2,583,000), finance leased assets £41,871,000 (2013: £48,233,000), loans receivable £5,316,451,000 (2013: £6,408,318,000) and cash £37,682,000 (2013: £5,681,000) together representing a decrease of 16%. Total shareholders' funds were £153,481,000 (2013: £256,081,000).

STRATEGIC REPORT (continued)

Principal risks and uncertainties

The Company seeks to minimise its exposure to financial risks other than equity and 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 The Royal Bank of Scotland plc. These are denominated in the functional currency and carry no significant financial risk.

Interest rate risk

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

The Company manages interest rate risk by monitoring the consistency in the interest rate profile of its assets and liabilities, and limiting any re-pricing mismatches - see note 27.

Currency risk

The Company does not maintain material non-trading open currency positions other than the structural foreign currency translation exposures arising from its investments in overseas subsidiary operations and their currency funding. Exposures arising from changes in net foreign currency investments are subject to regular review. It is the Company's policy to match fund the structural foreign currency exposure arising from net asset value with borrowings in the same currency.

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.

Credit risk

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

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

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

STRATEGIC REPORT (continued)

Principal risks and uncertainties (continued)

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.

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' 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 strategic report, 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, 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 strategic report, 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.

Approved by the Board of Directors and signed on its behalf

Director: S J Caterer
Date: 29 June 2015

DIRECTORS' REPORT

The strategic report includes the review of the year, risk report and note of post balance sheet events.

DIRECTORS AND SECRETARY

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

From 1 October 2013 to date the following changes have taken place:

Directors	Appointed	Resigned
P D J Sullivan		2 July 2014
J E Rogers		1 April 2014
R F Warren		1 April 2014
N T J Clibbens	1 April 2014	27 February 2015
T D Crome	1 April 2014	
A P Gadsby	1 April 2014	11 May 2015
A P Johnson	11 May 2015	

AUDITOR

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

Approved by the Board of Directors and signed on its behalf

Director: S J Caterer
Date: 29 June 2015

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ROYAL BANK LEASING LIMITED

We have audited the financial statements of Royal Bank Leasing Limited ('the Company') for the year ended 30 September 2014 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 32. 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 30 September 2014 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 strategic report and 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 ROYAL BANK LEASING LIMITED (continued)

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Simon Cleveland

Simon Cleveland FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Bristol, United Kingdom
Date
29th June 2015

PROFIT AND LOSS ACCOUNT
for the year ended 30 September 2014

Income from continuing operations	Notes	2014 £'000	2013 £'000
Turnover	3	4,523	4,587
Cost of sales		(642)	(642)
Operating income	4	1,829	7,511
Operating expenses	5	(2,726)	(1,249)
Loss on disposal of subsidiaries		-	(4,584)
Impairment of investments in subsidiaries	6	(55,765)	-
Impairment of investment property	16	(490)	(955)
Operating (loss)/profit		(53,271)	4,668
Finance income	7	192,008	175,052
Other income	8	192,750	127,959
Finance costs	9	(194,922)	(173,996)
Profit on ordinary activities before tax	10	136,565	133,683
Tax charge	11	(4,165)	(16,115)
Profit and total comprehensive income for the year		132,400	117,568

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

BALANCE SHEET
as at 30 September 2014

	Notes	2014 £'000	2013 £'000
Fixed assets			
Property, plant and equipment	13	**1,941**	2,583
Investments in subsidiaries	14	**82,139**	82,143
Investments in associates	15	**-**	3,090
Investment property	16	**16,705**	17,195
Finance lease receivables	17	**35,506**	38,796
Loans receivable	19	**4,447,685**	4,994,269
Derivatives	22	**4,172**	4,276
		4,588,148	5,142,352
Current assets			
Finance lease receivables	17	**6,365**	9,437
Loans receivable	19	**868,766**	1,414,049
Trade and other receivables	20	**102**	568
Prepayments, accrued income and other assets	21	**4,883**	4,219
Derivatives	22	**-**	2,261
Cash at bank		**37,682**	5,681
		917,798	1,436,215
Total assets		**5,505,946**	6,578,567

BALANCE SHEET (continued)
as at 30 September 2014

	Notes	2014	2013
		£'000	£'000
Creditors: amounts falling due within one year			
Borrowings	23	**699,853**	888,158
Trade and other payables	24	**1,642**	1,465
Current tax liabilities		**15,320**	9,420
Derivatives	22	**975**	353
Accruals, deferred income and other liabilities	25	**9,748**	9,334
		727,538	908,730
Total assets less current liabilities		**4,778,408**	5,669,837
Creditors: amounts falling due after more than one year			
Borrowings	23	**4,183,034**	4,910,678
Deferred tax liability	26	**6,334**	7,065
Derivatives	22	**435,559**	496,013
		4,624,927	5,413,756
Total liabilities		**5,352,465**	6,322,486
Equity: Capital and reserves			
Called up share capital	28	**19,000**	19,000
Profit and loss account		**134,481**	237,081
Total shareholders' funds		**153,481**	256,081
Total liabilities and shareholders' funds		**5,505,946**	6,578,567

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

The financial statements were approved by the Board of Directors on 29 June 2015 and signed on its behalf by:

Director: S J Caterer

STATEMENT OF CHANGES IN EQUITY
for the year ended 30 September 2014

	Note	Share capital £'000	Profit and loss account £'000	Total £'000
At 1 October 2012		19,000	119,513	138,513
Profit and total comprehensive income for the year		-	117,568	117,568
At 30 September 2013		19,000	237,081	256,081
Profit and total comprehensive income for the year		**-**	**132,400**	**132,400**
Dividends paid	**12**	**-**	**(235,000)**	**(235,000)**
At 30 September 2014		**19,000**	**134,481**	**153,481**

Total comprehensive income for the year of £132,400,000 (2013: £117,568,000) 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 accounts
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 IASB and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB as adopted by the EU (together IFRS) and under Financial Reporting Standard (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.

Accordingly, in the year ended 30 September 2014 the Company has undergone transition from reporting under IFRSs adopted by the European Union to FRS 101 as issued by the Financial Reporting Council which the Company has adopted early. This transition is not considered to have had a material effect on the financial statements.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to presentation of comparative information in respect of certain assets, 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 31.

The accounts are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments and investment property.

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 Scotland. The Company's accounts are presented in accordance with the Companies Act 2006.

There are a number of changes to IFRS that were effective from 1 October 2013. They have had no material effect on the Company's Financial Statements for the year ended 30 September 2014.

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 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.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. Accounting policies (continued)

d) Revenue recognition

Turnover comprises income from finance leases, operating leases, 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.

Rental income from operating leases is recognised in the profit and loss account on a straight-line basis over the lease term unless another systematic basis better represents the time pattern of the asset's use.

Fee income in respect of lending arrangements is considered integral to the yield and is included in the effective interest rate on these arrangements.

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.

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

e) 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 a 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. Accounting policies (continued)

f) Property, plant and equipment
Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Where an item of property, plant and equipment comprises major components having different useful lives, they are accounted for separately.

The depreciable amount is the cost of an asset less its residual value. Land is not depreciated. Depreciation is charged to profit or loss on a straight-line basis so as to write-off the depreciable amount of property, plant and equipment (including assets owned and let on operating leases) over their estimated useful lives:

Plant and Machinery	– 15 years
Computer equipment	– up to 5 years
Assets held for use in operating leases	– over the term of the lease using the straight line method

The residual value and useful life of property, plant and equipment are reviewed at each balance sheet date and updated for any changes to previous estimates.

g) Impairment of property, pant and equipment
At each reporting date, the Company assesses whether there is any indication that its property, plant and equipment are impaired. If any such indication exists, the Company estimates the recoverable amount of the asset and the impairment loss if any.

h) Investment property
Investment property, which is property held to earn rentals and/or capital appreciation, is stated at its fair value at the balance sheet date. Gains or losses arising from charges in the fair value of investment property are included in profit or loss for the period in which they arise.

i) Investments in subsidiaries and associates
Investments in group undertakings are stated at cost less any impairment.

j) 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.

Operating lease assets are included within Property, plant and equipment and depreciated over their useful lives (see accounting policy f).

k) Derivatives
Derivative financial instruments are recognised initially, and subsequently measured, at fair value, with movements recognised in profit and loss account. Derivative fair values are determined from quoted prices in active markets where available. Where there is no active market for an instrument, fair value is derived from prices for the derivative's components using appropriate pricing or valuation models.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. Accounting policies (continued)

l) Hedge fair value
The Company enters into fair value hedge relationships which hedge the changes in fair value of a recognised asset or liability or firm commitment. Principally, such hedges involve interest rate swaps hedging the interest rate risk in fixed rate loans. Hedge relationships are formally documented at inception, which includes the identification of the hedged item and hedged instrument, the risk that is being hedged, and the process for monitoring hedge effectiveness. The gain or loss on the hedging instrument or derivative is recognised in profit or loss. The gain or loss on the hedged item attributable to the hedged risk is recognised in profit or loss and adjusts the carrying value of the hedged item. Hedge accounting is discontinued if the hedge no longer meets the criteria for hedge accounting or if the hedge designation is revoked, and any cumulative adjustment is amortised to profit or loss over the remaining life of the hedged item.

m) 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.

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

o) Financial liabilities
On initial recognition financial liabilities are classified into held-for-trading; designated as at fair value through profit or loss; or amortised cost.

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

p) 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, or cancelled, or expires.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. Critical accounting policies and key sources of estimation uncertainty

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

Leased assets

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

Fair value of derivative instruments

The Company holds both hedged and non-hedged derivative financial instruments. Where the Company has entered into fair value hedged relationships, the hedge changes the fair value of a recognised asset or liability. Principally, such hedges involve interest rate swaps hedging the interest rate risk in fixed rate loans. Where the market for a financial instrument is not active, fair value is established using a valuation technique. These valuation techniques involve a degree of estimation, the extent of which depends on the instrument's complexity and the availability of market-based data.

3. Turnover

	2014 £'000	2013 £'000
Finance lease income:		
Rents receivable	**9,590**	9,016
Amortisation	**(6,182)**	(5,514)
Contingent rental expense	**(1,797)**	(1,868)
	1,611	1,634
Operating lease rental income	**2,912**	2,953
	4,523	4,587

The Company did not enter into any new leasing transactions (2013: £nil) during the year.

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. Operating income

	2014 £'000	2013 £'000
Profit on disposal of finance leases	-	125
Management fees	287	2,498
Fee income	619	727
Other income	923	764
Bad debt gain	-	547
Exchange gain	-	2,850
	1,829	7,511

5. Operating expenses

	2014 £'000	2013 £'000
Commission payable	14	8
Depreciation	1	1
Purchases	941	1,142
Exchange losses	1,760	-
Loss on disposal of finance leases	-	89
Other charges	10	9
	2,726	1,249

Staff costs, number of employees and directors' emoluments
All staff and directors were employed by group companies and the accounts of The Royal Bank of Scotland Group plc contain full disclosure of employee benefit expenses incurred in the period including share based payments and pensions. The Company has no employees and pays a management fee for services provided by other group companies. The directors of the Company do not receive remuneration for specific services provided to the Company.

Management recharge
Management charge costs of £5,798,000 (2013: £5,375,000) relate to the Company's share of group resources such as the use of IT platforms, staff and a share of central resources. These are re-charged on an annual basis by The Royal Bank of Scotland plc. Management fee income of £6,085,000 (2013: £7,873,000) relates to the Company's recharge of group resources to subsidiary and fellow subsidiary companies. The total overall income of £287,000 (2013: £2,498,000) is included within operating income (note 4).

6. Impairment of investments in subsidiaries

	2014 £'000	2013 £'000
RBSSAF (12) Limited - £14,000,000	14,000	-
RBS Asset Finance Europe Limited - €51,000,000	41,765	-
	55,765	-

The Company issued loan waivers to the subsidiaries noted above.

NOTES TO THE FINANCIAL STATEMENTS (continued)

7. Finance income

	2014 £'000	2013 £'000
On loans receivable:		
From group undertakings	**184,899**	167,621
From jointly owned entities	**7,109**	7,431
	192,008	175,052

8. Other income

	2014 £'000	2013 £'000
Dividend income from subsidiaries	**176,601**	67,652
Gain from movement in fair value of non-hedge derivatives - group undertakings	**11,950**	56,131
Gain from movement in fair value hedge ineffectiveness - group undertakings	**4,199**	4,176
	192,750	127,959

Breakdown in movement in fair value hedge ineffectiveness

	2014 £'000	2013 £'000
Movement in hedge items - group undertakings	**(40,924)**	(149,885)
Movement in hedge derivatives - group undertakings	**45,123**	154,061
	4,199	4,176

9. Finance costs

	2014 £'000	2013 £'000
Interest on loans and derivatives from group undertakings	**194,922**	173,996

10. Profit on ordinary activities before tax

Profit on ordinary activities before tax is stated after charging:

	2014 £'000	2013 £'000
Auditor's remuneration – audit services (included within the management fee shown in note 4)	**25**	20
Foreign exchange translation	**1,760**	(2,850)
	1,785	(2,830)

NOTES TO THE FINANCIAL STATEMENTS (continued)

11. Tax

	2014 £'000	2013 £'000
Current taxation:		
UK corporation tax charge for the year	**4,742**	14,798
Under provision in respect of prior periods	**154**	1,234
	4,896	16,032
Deferred taxation:		
(Credit)/charge for the year	**(789)**	1,424
Impact of tax rate changes	**7**	(1,140)
Under/(over) provision in respect of prior periods	**51**	(201)
	(731)	83
Tax charge for the year	**4,165**	16,115

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

The actual tax charge differs from the expected tax charge computed by applying the blended rate of UK corporation tax of 22% (2013: blended tax rate 23.5%) as follows:

	2014 £'000	2013 £'000
Expected tax charge	**30,041**	31,414
Unrecognised timing differences	**73**	104
Other non-deductible items	**12,793**	1,130
Non-taxable items	**(38,954)**	(16,425)
Increase/(reduction) in deferred tax following change in rate of UK corporation tax	**7**	(1,140)
Adjustments in respect of prior periods	**205**	1,032
Actual tax charge for the year	**4,165**	16,115

In recent years the UK Government has steadily reduced the rate of UK corporation tax, with the latest rates substantively enacted in July 2013 now standing at 21% with effect from 1 April 2014 and 20% with effect from 1 April 2015. The closing deferred tax assets and liabilities have been calculated at 20% in accordance with the rates enacted at the balance sheet date.

12. Ordinary dividends

	2014 £'000	2013 £'000
Interim dividend paid	**235,000**	-

No dividends have been approved/paid since 30 September 2014 to the date of approval of these accounts.

NOTES TO THE FINANCIAL STATEMENTS (continued)

13. Property, plant and equipment

2014	Assets held for use in operating leases £'000	Computer and other equipment £'000	Total £'000
Cost			
1 October 2013 and 30 September 2014	6,650	131	6,781
Accumulated depreciation and impairment			
1 October 2013	4,067	130	4,197
Depreciation charge for the year	642	1	643
30 September 2014	4,709	131	4,840
Net book value			
30 September 2014	1,941	-	1,941
30 September 2013	2,583	-	2,583

Security
No property, plant and equipment has been pledged as security for liabilities of the Company (2013: none).

14. Investments in subsidiaries

Investments in group undertakings are carried at cost less impairment. Movements during the year were as follows:

	2014 £'000	2013 £'000
At 1 October	82,143	82,143
Additions	55,765	-
Impairments	(55,765)	-
Disposals	(4)	-
At 30 September	82,139	82,143

During the year RBS Aerospace Ireland Leasing 2 Limited, a subsidiary of the Company went into voluntary liquidation. The Company also waived loans owed by subsidiaries RBSSAF (12) Limited and RBS Asset Finance Europe Limited during the financial year.

14. Investments in subsidiaries (continued)

The principal subsidiary undertakings of the Company are shown below. All subsidiaries are incorporated in the UK and registered in England and Wales except for Royal Scot Leasing Limited, Royal Bank of Scotland (Industrial Leasing) Limited and R. B. Leasing Company Limited which are registered in Scotland. All subsidiaries are owned 100% with 100% of the voting power held by the Company.

Name of subsidiary	Principal activity	Accounting reference date
Desertlands Entertainment Limited	Leasing	28 February
Lombard Corporate Finance (7) Limited	Leasing	31 March
Lombard Corporate Finance (March 1) Limited	Leasing	31 March
R.B. Quadrangle Leasing Limited	Leasing	31 March
RBSSAF (19) Limited	Leasing	31 March
RBSSAF (2) Limited	Leasing	31 March
Royal Bank of Scotland (Industrial Leasing) Limited	Leasing	31 March
Sandford Leasing Limited	Leasing	31 March
W. & G. Industrial Leasing Limited	Leasing	31 March
R.B. Leasing (April) Limited	Leasing	30 April
Helena Productions Limited	Film production & development	30 June
Lombard Corporate Finance (10) Limited	Leasing	30 June
Lombard Corporate Finance (11) Limited	Leasing	30 June
Lombard Corporate Finance (June 2) Limited	Leasing	30 June
Patalex III Productions Limited	Film production & development	30 June
P of A Productions Limited	Film production & development	30 June
Pittville Leasing Limited	Leasing	30 June
R.B. Capital Leasing Limited	Leasing	30 June
RBSSAF (4) Limited	Leasing	30 June
Winchcombe Finance Limited	Leasing	30 June
Lombard Corporate Finance (13) Limited	Leasing	30 September
Lombard Corporate Finance (14) Limited	Leasing	30 September
Lombard Corporate Finance (15) Limited	Leasing	30 September
Lombard Corporate Finance (September 1) Limited	Leasing	30 September
Nanny McPhee Productions Limited	Film production & development	30 September
Patalex II Productions Limited	Film production & development	30 September
Price Productions Limited	Film production & development	30 September
R.B. Asset Value Limited	Provision of residual value guarantees	30 September
R.B. Leasing (Eden) Limited	Leasing	30 September
R.B. Leasing (September) Limited	Leasing and hire purchase	30 September

NOTES TO THE FINANCIAL STATEMENTS (continued)

14. Investments in subsidiaries (continued)

Name of subsidiary	Principal activity	Accounting reference date
R.B. Leasing Company Limited	Leasing	30 September
R.B. Leasing (Shaftesbury) Limited	Leasing	31 December
RBSSAF (3) Limited	Leasing	31 December
RBSSAF (6) Limited	Leasing	30 September
RBSSAF (7) Limited	Leasing	30 September
RBSSAF (8) Limited	Leasing	30 September
RBSSAF (11) Limited	Leasing	31 December
RBSSAF (12) Limited	Leasing	31 December
RBSSAF (13) Limited	Leasing	31 December
RBSSAF (16) Limited	Leasing	31 December
Northern Isles Ferries Limited	Leasing	31 December
RBSSAF (22) Limited	Leasing	31 December
RBSSAF (23) Limited	Leasing	31 December
RBSSAF (25) Limited	Leasing	31 December
RBSSAF (26) Limited	Leasing	31 December
Royal Bank Operating Leasing Limited	Leasing	30 September
Royal Scot Leasing Limited	Film production & development	30 September
Williams & Glyn's Leasing Company Limited	Leasing and hire purchase	30 September
Distant Planet Productions Limited	Film production & development	31 October
Patalex Productions Limited	Film production & development	31 October
Patalex V Productions Limited	Film production & development	31 October
Patalex IV Productions Limited	Film production & development	30 November
R.B. Equipment Leasing Limited	Leasing	30 November
RBSSAF (10) Limited	Leasing	30 November
Leckhampton Finance Limited	Leasing	31 December
Lombard Corporate Finance (6) Limited	Leasing	31 December
Lombard Corporate Finance (December 1) Limited	Leasing	31 December
Lombard Corporate Finance (December 2) Limited	Leasing	31 December
Lombard Corporate Finance (December 3) Limited	Leasing	31 December
R.B. Leasing (Bluewater) Limited	Leasing	31 December
R.B. Leasing (December) Limited	Leasing	31 December
RBS Asset Finance Europe Limited	Leasing	31 December
W. & G. Lease Finance Limited	Leasing	31 December

On 5 November 2014, the investment in subsidiaries was reduced by £19,775,000 when a subsidiary redeemed its redeemable ordinary shares.

On 14 November 2014, the investment in subsidiaries was reduced by £42,000,000 when surplus equity was returned in cash.

NOTES TO THE FINANCIAL STATEMENTS (continued)

15. Investments in associates

	2014 £'000	2013 £'000
At 1 October	**3,090**	3,098
Disposals	**(3,018)**	-
Exchange loss	**(72)**	(8)
At 30 September	**-**	3,090

On 5 March 2014, the Company disposed of the associate investment, Gate Leasing Limited for consideration £3,018,000, resulting in no profit or loss on disposal.

The associates of the Company, which have an accounting reference date of 31 December, are incorporated in Great Britain and are registered in England and Wales, are:

Name of associate	Nature of business	Interest in ordinary share capital 2014 %	Interest in ordinary share capital 2013 %
Tay Valley Lighting (Leeds) Limited	Provision and maintenance of public street lighting	**50**	50
Tay Valley Lighting (Newcastle and North Tyneside) Limited	Provision and maintenance of public street lighting	**50**	50
Tay Valley Lighting (Stoke on Trent) Limited	Provision and maintenance of public street lighting	**50**	50

16. Investment property

	2014 £'000	2013 £'000
At 1 October	**17,195**	18,150
Impairment	**(490)**	(955)
At 30 September	**16,705**	17,195

The fair value of the Company's investment property has been arrived at by reference to market evidence of transaction prices for similar properties. The independent valuation was done in 2014 and has been completed by an independent value with the appropriate qualifications (MRICS). The Company has pledged its investment property to secure general banking facilities granted to the Company. The property rental income earned by the Company from its investment property, which is leased out under operating leases, amounted to £2,210,000 (2013: £2,239,000). Direct operating expenses arising on investment property in the period amounted to £nil (2013: £nil)

NOTES TO THE FINANCIAL STATEMENTS (continued)

17. Finance lease receivables

	Within 1 year £'000	Between 1 and 5 years £'000	After 5 years £'000	Total £'000
2014				
Future minimum lease payments	**6,493**	**24,135**	**18,501**	**49,129**
Unearned finance income	**(128)**	**(2,587)**	**(4,543)**	**(7,258)**
Present value of minimum lease payments receivable	**6,365**	**21,548**	**13,958**	**41,871**
2013				
Future minimum lease payments	9,755	26,180	22,937	58,872
Unearned finance income	(318)	(3,391)	(6,930)	(10,639)
Present value of minimum lease payments receivable	9,437	22,789	16,007	48,233

	2014 £'000	2013 £'000
Due within one year	**6,365**	9,437
Due after more than one year	**35,506**	38,796
	41,871	48,233

The Company has entered into various finance leasing arrangements. The average term of the finance leases entered into is 15 years (2013: 15 years).

Unguaranteed residual values are estimated at £nil (2013: £nil).

The average effective interest rate in relation to finance lease agreements approximates 4.9% (2013: 5.6%).

18. Operating lease arrangements

At the balance sheet date, the Company had contracted with customers for the following future minimum lease rentals receivable under non-cancellable operating leases:

	Within 1 year £'000	Between 1 and 5 years £'000	Total £'000
2014			
Land and building	2,220	5,180	7,400
Equipment	693	174	867
	2,913	**5,354**	**8,267**
2013			
Land and building	2,220	7,400	9,620
Equipment	693	867	1,560
	2,913	8,267	11,180

Company as lessor

The Company provides asset finance to its customers through acting as lessor. It purchases assets.

NOTES TO THE FINANCIAL STATEMENTS (continued)

19. Loans receivable

	2014 £'000	2013 £'000
Due within one year		
Amounts owed by group undertakings	**862,943**	1,407,979
Deposits owed by jointly controlled entities	**5,823**	6,070
	868,766	1,414,049
Due after more than one year		
Amounts owed by group undertakings	**4,312,324**	4,853,986
Deposits owed by jointly controlled entities	**135,361**	140,283
	4,447,685	4,994,269
Total	**5,316,451**	6,408,318

Included within loan receivables is £4,768,025,000 (2013: £5,602,969,000) owed from subsidiary companies, £407,242,000 (2013: £658,995,000) owed from the immediate parent company and £141,184,000 (2013: £146,353,000) owed from associated companies.

20. Trade and other receivables

	Due within one year 2014 £'000	2013 £'000
Trade receivables	**-**	216
Other receivables	**102**	352
	102	568

21. Prepayments, accrued income and other assets

	2014 £'000	2013 £'000
Prepayments	**4,883**	4,219

22. Derivatives

The Company enters into various financial instruments (derivatives) as principal to manage interest rate risk. Derivatives include swaps and forwards.

A swap is an arrangement to exchange cash flows in the future in accordance with a pre-arranged formula. In an interest rate swap, two counterparties agree to exchange periodic interest payments on a predetermined monetary principal, the notional amount.

At the year end, the notional principal amounts of the Company's derivatives were as follows:

NOTES TO THE FINANCIAL STATEMENTS (continued)

22. Derivatives (continued)

Notional principal amounts	**2014 £'000**	**2013 £'000**
Exchange rate contracts	**-**	35,304
Interest rate swaps	**(2,705,722)**	(3,706,174)
	(2,705,722)	(3,670,870)

At the year-end, the derivatives carried at fair value were as follows:

Fair value	**2014 Asset £'000**	**2014 Liability £'000**	**2013 Asset £'000**	**2013 Liability £'000**
Exchange rate contracts	**-**	**-**	2,248	(268)
Interest rate swaps	**2,474**	**(144,994)**	3,272	(155,064)
Interest rate swaps in fair value hedge	**1,698**	**(291,540)**	1,017	(341,034)
	4,172	**(436,534)**	6,537	(496,366)

Maturity analysis	**2014 Asset £'000**	**2014 Liability £'000**	**2013 Asset £'000**	**2013 Liability £'000**
Current				
Exchange rate contracts	**-**	**-**	2,248	(268)
Interest rate swaps	**-**	**-**	13	(13)
Interest rate swaps in fair value hedge	**-**	**(975)**	-	(72)
	-	**(975)**	2,261	(353)
Non-current				
Exchange rate contracts	**-**	**-**	-	-
Interest rate swaps	**2,474**	**(144,994)**	3,259	(155,051)
Interest rate swaps in fair value hedge	**1,698**	**(290,565)**	1,017	(340,962)
	4,172	**(435,559)**	4,276	(496,013)
	4,172	**(436,534)**	6,537	(496,366)

All derivatives are level 2 valuations, valued using techniques based significantly on observable market data. Instruments in this category are valued using:
(a) quoted prices for similar instruments or identical instruments in markets which are not considered to be active; or
(b) valuation techniques where all the inputs that have a significant effect on the valuations are directly or indirectly based on observable market data.

22. Derivatives (continued)

Valuation hierarchy
There is a process to review and control the classification of financial instruments into the three level hierarchy established by IFRS 13. Some instruments may not easily fall into a level of the fair value hierarchy and judgment may be required as to which level the instrument is classified. Initial classification of a financial instrument is carried out by the Product Control team following the principles in IFRS 13. They base their judgment on information gathered during the IPV process for instruments which include the sourcing of independent prices and model inputs. The quality and completeness of the information gathered in the independent price verification (IPV) process gives an indication as to the liquidity and valuation uncertainty of an instrument. These initial classifications are reviewed and challenged by senior management. Particular attention is paid to instruments crossing from one level to another, new instrument classes or products, instruments that are generating significant profit and loss and instruments where valuation uncertainty is high.

Valuation techniques
Royal Bank Leasing Limited derives fair value of its instruments differently depending on whether the instrument is a non-modelled or a modelled product.

Modelled products
Modelled products are valued using a pricing model range in complexity from comparatively vanilla products such as interest rate swaps and options (e.g. interest rate caps and floors) through to more complex derivatives. The valuation of modelled products requires an appropriate model and inputs into this model. Sometimes models are also used to derive inputs (e.g. to construct volatility surfaces). Royal Bank Leasing Limited uses a number of modelling methodologies.

Inputs to valuation models
Values between and beyond available data points are obtained by interpolation and extrapolation. When utilising valuation techniques, the fair value can be significantly affected by the choice of valuation model and by underlying assumptions concerning factors such as the amounts and timing of cash flows, discount rates and credit risk. The principal inputs to these valuation techniques are as follows:
· Interest rates - these are principally benchmark interest rates such as the London Interbank Offered Rate (LIBOR), Overnight Index Swaps rate (OIS) and other quoted interest rates in the swap, bond and futures markets.
· Foreign currency exchange rates - there are observable markets both for spot and forward contracts and futures in the world's major currencies.

In order to determine a reliable fair value, where appropriate, management applies valuation adjustments to the pricing information gathered from the above sources. The sources of independent data are reviewed for quality and are applied in the IPV processes using a formalised input quality hierarchy. These adjustments reflect Royal Bank Leasing Limited's assessment of factors that market participants would consider in setting a price.

Furthermore, on an ongoing basis, Royal Bank Leasing Limited assesses the appropriateness of any model used. To the extent that the price determined by internal models does not represent the fair value of the instrument, for instance in highly stressed market conditions, Royal Bank Leasing Limited makes adjustments to the model valuation to calibrate to other available pricing sources.

NOTES TO THE FINANCIAL STATEMENTS (continued)

23. Borrowings

	2014 £'000	2013 £'000
Loans from group undertakings	**4,882,887**	5,798,836
Current – on demand or within one year	**699,853**	888,158
Non-current		
- between one and two years	**370,210**	455,407
- between two and five years	**1,144,857**	990,513
- after five years	**2,667,967**	3,464,758
	4,183,034	4,910,678

The Company has the following unsecured borrowing from group undertakings greater than five years:

£174,000,000 (2013: £182,000,000) is at fixed rates varying from 1.0826% to 6.625%
£2,494,000,000 (2013: £3,283,000,000) is at a floating rate

The repayment profile of the borrowings is disclosed in note 27 (ii).

24. Trade and other payables

	Due within one year 2014 £'000	2013 £'000
Value added tax payable	**255**	244
Other payables	**1,387**	1,221
	1,642	1,465

25. Accruals, deferred income and other liabilities

	2014 £'000	2013 £'000
Accruals	**4,944**	3,953
Deferred income	**3,199**	3,776
Other liabilities	**1,605**	1,605
	9,748	9,334

NOTES TO THE FINANCIAL STATEMENTS (continued)

26. Deferred tax

Net deferred tax liability comprises:

	Capital allowances £'000	Derivatives £'000	Other £'000	Total £'000
At 1 October 2012	9,812	(2,988)	158	6,982
(Credit)/charge to profit and loss	(2,465)	2,563	(15)	83
At 30 September 2013	7,347	(425)	143	7,065
(Credit)/charge to profit and loss	**(1,279)**	**636**	**(88)**	**(731)**
At 30 September 2014	**6,068**	**211**	**55**	**6,334**

27. 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 the interest rates on finance lease receivables, loan receivables and borrowings have been fixed by way of an interest rate swap in the parent company, which is not in a hedge relationship, 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 calculation as disclosed.

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

The finance lease receivables, loan receivables and borrowings are all level 2 valuations.

	2014 Carrying value £'000	2014 Fair value £'000	2013 Carrying value £'000	2013 Fair value £'000
Financial assets				
Finance lease receivables	**41,871**	**40,174**	48,233	45,199
Loans receivable	**5,316,451**	**5,469,203**	6,408,318	6,559,967
Financial liabilities				
Borrowings	**4,882,887**	**4,546,184**	5,798,836	5,822,994

(ii) Financial risk management

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

27. Financial instruments and risk management (continued)

(ii) Financial risk management (continued)

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 undertakings. 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:

2014	Fixed rate £'000	Variable rate £'000	Non-interest earning £'000	Total £'000
Financial assets				
Finance leases	3,040	38,831	-	41,871
Loans receivable	3,429,479	1,870,908	16,064	5,316,451
Prepayments, accrued income and other assets	-	-	4,883	4,883
Derivatives	-	-	4,172	4,172
Cash	-	37,682	-	37,682
	3,432,519	1,947,421	25,119	5,405,059
Financial liabilities				
Borrowings	3,094,718	1,788,169	-	4,882,887
Trade and other payables	-	-	757	757
Derivatives	-	-	436,534	436,534
Accruals and other liabilities	-	-	3,749	3,749
	3,094,718	1,788,169	441,040	5,323,927
Net financial assets/(liabilities)	337,801	159,252	(415,921)	81,132

NOTES TO THE FINANCIAL STATEMENTS (continued)

27. Financial instruments and risk management (continued)

(ii) Financial risk management (continued)

Interest rate risk (continued)

2013	Fixed rate £'000	Variable rate £'000	Non-interest earning £'000	Total £'000
Financial assets				
Finance leases	7,424	40,809	-	48,233
Loans receivable	3,977,380	2,430,938	-	6,408,318
Trade and other receivables	-	-	482	482
Prepayments, accrued income and other assets	-	-	4,220	4,220
Derivatives	-	-	6,537	6,537
Cash	-	5,681	-	5,681
	3,984,804	2,477,428	11,239	6,473,471
Financial liabilities				
Borrowings	3,561,007	2,237,829	-	5,798,836
Trade and other payables	-	-	800	800
Derivatives	-	-	496,366	496,366
Accruals and other liabilities	-	-	4,189	4,189
	3,561,007	2,237,829	501,355	6,300,191
Net financial assets/(liabilities)	423,797	239,599	(490,116)	173,280

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 £1,268,000 (2013: profit before tax for the year would have increased by £1,887,000). This is mainly due to the Company's exposure to interest rates on its variable rate borrowings, loans receivables and cash balances. There would be no other material impact on equity.

Currency risk
The Company is mainly exposed to Euro and US dollar currencies.

The sensitivity analysis below has been determined based on the foreign currency exposure 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.

The following table details the impact on the Company's profit before tax for the year if the rate of Sterling against foreign currencies had been 10% higher and all other variables were held constant.

NOTES TO THE FINANCIAL STATEMENTS (continued)

27. Financial instruments and risk management (continued)

(ii) Financial risk management (continued)

Currency risk (continued)

The Company is mainly exposed to the following currencies:

	Assets 2014 £'000	Assets 2013 £'000	Liabilities 2014 £'000	Liabilities 2013 £'000
Euro	**125,464**	719,899	**113,836**	722,194
US Dollar	**843,864**	965,560	**891,981**	1,020,947

	Euro Currency impact £'000	US dollar Currency Impact £'000
2014		
(Reduction)/increase in profit before tax	**(1,057)**	**4,374**
2013		
Increase in profit before tax	209	5,035

The impact on profit before tax is mainly due to the Company's gap between its foreign currency lending and its foreign currency borrowings. There would be no other material 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	2014 £'000	2013 £'000
Transport and infrastructure	6 (2013: 6)	**41,863**	44,968
Film	0 (2013: 2)	**-**	3,166
Finance lease receivables		**41,863**	48,134
Group undertakings		**5,212,957**	6,267,745
Amounts due from jointly controlled entities		**141,184**	146,353
Other		**4,883**	4,488
Other – group undertakings		**4,172**	6,537
		5,405,059	6,473,257
Amounts past due:			
0-1 month		**-**	214
Maximum credit exposure		**5,405,059**	6,473,471

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

There are no letters of credit issued by third party banks (2013: third party banks had issued to the Company letters of credit, in respect of the film leases, for a credit exposure of £3,118,000).

NOTES TO THE FINANCIAL STATEMENTS (continued)

27. Financial instruments and risk management (continued)

(ii) Financial risk management (continued)

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

2014	0 – 3 months £'000	3 – 12 months £'000	1 – 3 years £'000	4 – 5 years £'000	5 - 10 years £'000	10 – 20 years £'000
Borrowings	**405,945**	**332,850**	**793,997**	**982,416**	**1,951,797**	**1,138,477**
Gross derivatives	**21,843**	**94,355**	**229,934**	**188,668**	**160,113**	**85,720**
Trade and other payables	**757**	-	-	-	-	-
Accruals and other liabilities	**3,749**	-	-	-	-	-
	432,294	**427,205**	**1,023,931**	**1,171,084**	**2,111,910**	**1,224,197**

2013	0 – 3 months £'000	3 – 12 months £'000	1 – 3 years £'000	4 – 5 years £'000	5 - 10 years £'000	10 – 20 years £'000
Borrowings	595,982	339,100	959,156	828,316	3,028,315	1,112,964
Gross derivatives	22,787	100,753	245,875	214,907	245,433	90,723
Trade and other payables	800	-	-	-	-	-
Accruals and other liabilities	4,189	-	-	-	-	-
	623,758	439,853	1,205,031	1,043,223	3,273,748	1,203,687

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 30 commitments and contingent liabilities).

28. Share capital

		2014 £'000	2013 £'000
Authorised:			
22,000,000	Ordinary shares of £1	**22,000**	22,000
Allotted, called up and fully paid:			
Equity shares			
19,000,000	Ordinary shares of £1	**19,000**	19,000

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

29. Capital resources

The Company's capital consists of equity comprising issued share capital, retained earnings and loans from group undertakings. The Company is a member of The Royal Bank of Scotland group of companies which has regulatory disciplines over the use of capital. In the management of capital resources, the Company is governed by the group's policy which is to maintain a strong capital base: it is not separately regulated. The group has complied with the Prudential Regulation Authority's capital requirements throughout the year.

30. Commitments and contingent liabilities

The Company, together with other members of the RBSG 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) together with any amounts distributed to it by its subsidiaries pursuant to the CSD. 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.

The Company has issued letters of support to certain subsidiary companies, including those which are in a net liability position. The Company has the capacity and ability to cover the liability if required.

31. 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 undertakings

The Company's immediate parent company is The Royal Bank of Scotland plc, a company incorporated in the UK. As at 30 September 2014 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 Secretariat, The Royal Bank of Scotland plc, Gogarburn, PO Box 1000, Edinburgh, EH12 1HQ.

The Company's ultimate holding company is The Royal Bank of Scotland Group plc which is incorporated in the UK and 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, PO Box 1000, Edinburgh, EH12 1HQ.

32. Post balance sheet events

On 20 February 2015 the Company disposed of Lombard Corporate Finance (September 1) Limited resulting in a profit before tax of £1,490,000.

There have been no other significant events between the year end and the date of approval of these financial statements which would require a change to or disclosure in the financial statements.