

Company Registered No: SC058013

ROYAL BANK LEASING LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 30 September 2017



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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS:

I A Ellis
D G Harris
S J Roulston

COMPANY SECRETARY:

RBS Secretarial Services Limited

REGISTERED OFFICE:

24/25 St Andrew Square
Edinburgh
EH2 1AF

INDEPENDENT AUDITOR:

Ernst & Young LLP
Statutory Auditor
The Paragon
Counterslip
Bristol
BS1 6BX

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 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 Regulatory Affairs, The Royal Bank of Scotland Group plc, Gogarburn, Edinburgh, PO Box 1000 EH12 1HQ, the Registrar of Companies or through the group's website 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.

Financial Performance

The Company's financial performance is presented on pages 8 to 10.

Operating profit grew by £38,666,000 (2016: fell by £13,598,000). Turnover fell by £1,913,000 (2016: £347,000) and finance costs grew by £51,385,000 (2016: fell by £5,183,000). The profit for the year after tax was £125,381,000 (2016: loss of £51,548,000), a increase of 343% over 2016.

The main driver of the P&L change is due to income from unhedged derivative positions. The net derivative position is a significant liability due to the decline in interest rates from the date the contracts were written and after the financial crises.

The directors do not recommend payment of a dividend.

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 The Royal Bank of Scotland plc. These are denominated in Sterling which is the functional currency and carry no significant financial risk.

The principal risks associated with the Company are as follows:

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 24.

STRATEGIC REPORT**Principal risk and uncertainties (continued)****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

Credit risk management seeks to match the risk of credit failure to price of credit on granting a facility 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.

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 and 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.

STRATEGIC 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 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 (FRS) 101 Reduced Disclosure Framework and must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs at the end of the year and the profit or loss of the Company for that year. 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 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:

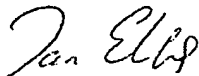
- so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director have taken all the steps that they ought to have taken to make themselves aware of any relevant audit information, and to establish that the Company's auditor is aware of that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

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

AUDITOR

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

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



I A Ellis
Director
Date: 29 June 2018

DIRECTORS' REPORT

The Strategic report includes the review of the year, risk report, Directors Responsibilities Statements and disclosure of information to auditors.

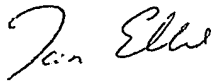
DIRECTORS AND SECRETARY

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

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

Directors	Appointed	Resigned
J H Wood	-	30 June 2017
N J McDaid	-	31 July 2017
A P Johnson	30 December 2016	31 July 2017
S J Caterer	-	31 August 2017
E Mayes	31 July 2017	6 March 2018
D G Harris	31 July 2017	-
S J Roulston	21 September 2017	-
I A Ellis	6 March 2018	-
L R Morse	18 September 2017	23 January 2018
C W Green	23 January 2018	23 March 2018

Approved by Board of Directors and signed on its behalf.



Director : I A Ellis
Date: 29 June 2018

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

Opinion

We have audited the financial statements of Royal Bank Leasing Limited ('the Company') for the year ended 30 September 2017 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 28 including summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS101 Reduced Disclosure Framework.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 September 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

Conclusions relating to going concern

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

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

Other information

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

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

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

We have nothing to report in this regard.

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

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

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

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

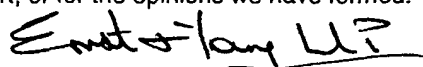
Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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



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

29 June 2018

PROFIT AND LOSS ACCOUNT
for the year ended 30 September 2017

		2017	2016
		£'000	£'000
Income from continuing operations	Notes		
Turnover	3	1,908	3,821
Cost of Sales		-	(320)
Operating income	4	31,462	4,149
Operating expenses	5	(2,689)	(11,002)
Impairment of investments in subsidiaries	6	(5,405)	(8,802)
Impairment of investment property	13	-	(1,236)
Operating profit/(loss)		25,276	(13,390)
Finance income	7	138,716	138,571
Other income	8	174,939	10,231
Other losses	9	-	(48,834)
Finance costs	10	(198,416)	(147,031)
Profit/(loss) on ordinary activities before tax		140,515	(60,453)
Tax (charge)/credit	11	(15,230)	8,905
Profit/(loss) and total comprehensive income/(loss) for the year		125,285	(51,548)

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

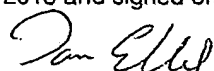
BALANCE SHEET

as at 30 September 2017

	Notes	2017 £'000	2016 £'000
Non-current assets			
Investments in subsidiaries	12	15,178	20,359
Investment in property	13	-	14,370
Finance lease receivables	14	23,761	28,281
Loans receivable	16	3,432,074	3,939,273
Derivatives	19	4,341	5,413
		<u>3,475,354</u>	<u>4,007,696</u>
Current assets			
Finance lease receivables	14	6,720	6,812
Loans receivable	16	654,835	658,501
Trade and other receivables	17	1,707	415
Prepayments, accrued income and other assets	18	535	32,436
Derivatives	19	-	1,939
Cash at bank		54,039	32,733
		<u>717,836</u>	<u>732,836</u>
Total assets		<u>4,193,190</u>	<u>4,740,532</u>
Current Liabilities			
Borrowings	20	357,800	463,762
Trade and other payables	21	793	1,624
Current tax liabilities		10,551	-
Accruals, deferred income and other liabilities	22	14,930	9,071
Derivatives	19	1	1,249
		<u>384,075</u>	<u>475,706</u>
Non-current liabilities			
Borrowings	20	3,297,426	3,694,423
Deferred tax liability	23	14,475	21,254
Derivatives	19	309,623	486,843
		<u>3,621,524</u>	<u>4,202,520</u>
Total liabilities		<u>4,005,599</u>	<u>4,678,226</u>
Equity			
Called up share capital	25	19,000	19,000
Profit and loss account		168,591	43,306
Total equity		<u>187,591</u>	<u>62,306</u>
Total liabilities and equity		<u>4,193,190</u>	<u>4,740,532</u>

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 29 June 2018 and signed on its behalf by:



I A Ellis
Director

STATEMENT OF CHANGES IN EQUITY
for the year ended 30 September 2017

	Share capital £'000	Profit and loss account £'000	Total £'000
At 1 October 2015	19,000	94,854	113,854
Loss and total comprehensive loss for the year	-	(51,548)	(51,548)
At 30 September 2016	19,000	43,306	62,306
Profit and total comprehensive income for the year	-	125,285	125,285
At 30 September 2017	19,000	168,591	187,591

Total comprehensive income for the year of £125,381,000 (2016: comprehensive loss of £51,548,000) 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;
- under Financial Reporting Standard (FRS) 101 Reduced Disclosure Framework in accordance with the recognition and measurement principles of International Financial Reporting Standards issued by the IASB and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB as adopted by the EU (together IFRS); and
- on the historical cost basis.

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

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

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

Where required, equivalent disclosures are given in the group accounts of The Royal Bank of Scotland Group plc, these accounts are available to the public and can be obtained as set out in note 27.

There were no changes to IFRS that were effective from 1 October 2016 that have had an effect on the Company's financial statements for the year ended 30 September 2017.

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) 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.

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.

NOTES TO THE FINANCIAL STATEMENTS**1. Accounting policies (continued)****d) Revenue recognition (continued)**

Interest income on financial assets that are classified as loans and receivables, available-for-sale or held-to-maturity and interest expense on financial liabilities other than those at fair value are determined using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability (or group of financial assets or liabilities) and of allocating the interest income or interest expense over the expected life of the asset or liability.

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

Secondary period income is recognised in line with IAS 18 'Revenue' in the period which it occurs.

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.

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. 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:

Other equipment	– 4 to 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, plant 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. The recoverable amount of an asset is the higher of its fair value less cost to sell and its value in use. Value in use is the present value of future cash flows from the asset or cash generating unit discounted at a rate that reflects market interest rates adjusted for risks specific to the asset or cash-generating unit that have not been taken into account in estimating future cash flows.

NOTES TO THE FINANCIAL STATEMENTS**1. Accounting policies (continued)****g) Impairment of property, plant and equipment (continued)**

If the recoverable amount of the asset is less than its carrying value, an impairment loss is recognised immediately in profit or loss and the carrying value of the asset reduced by the amount of the loss.

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 changes in the fair value of the investment property are included in profit or loss for the period in which they arise.

i) Investments in subsidiaries and associates

Investments in group companies 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 the useful life of the lease (see accounting policy f).

k) Derivatives

Derivative financial instruments are recognised initially, and subsequently measured, at fair value, with movements recognised in the 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.

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 loans and receivables is impaired.

NOTES TO THE FINANCIAL STATEMENTS**1. Accounting policies (continued)****n) Impairment of financial assets (continued)**

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

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

2. Critical accounting policies and key sources of estimation uncertainty

The reported results of the Company are sensitive to the accounting policies, assumptions and estimates that underlie the preparation of its financial statements. In accordance with their responsibilities for these financial statements, the factors the directors consider most important to the portrayal of the Company's performance and financial condition are discussed below.

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.

NOTES TO THE FINANCIAL STATEMENTS

3. Turnover

	2017 £'000	2016 £'000
Finance lease income:		
Rents receivable	6,921	7,153
Amortisation	(5,244)	(4,341)
Contingent rental expense	(1,441)	(1,551)
	236	1,261
Operating lease rental income	1,672	2,560
	1,908	3,821

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

4. Operating income

	2017 £'000	2016 £'000
Profit on disposal of finance leases	29,896	26
Fee income	376	466
Management fees	1,098	3,456
Other income	92	201
	31,462	4,149

5. Operating expenses

	2017 £'000	2016 £'000
Loss on disposal of investments in subsidiaries	4	412
Audit fees	101	82
Legal and professional charges	13	114
Exchange losses	1,132	6,550
Management fees	1,424	3,832
Other charges	15	12
	2,689	11,002

Directors' emoluments

The Company does not remunerate directors nor can remuneration from elsewhere in the group be apportioned meaningfully in respect of their services to the company.

Management charge fees of £1,424,000 (2016: £3,832,000) 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 £1,098,000 (2016: £3,456,000) relates to the Company's recharge of group resources to subsidiary and fellow subsidiary companies.

NOTES TO THE FINANCIAL STATEMENTS

6. Impairment of investments in subsidiaries

The following impairment losses were recognised during the year:

	2017 £'000	2016 £'000
Royal Bank Operating Leasing Limited	-	13
Royal Scot Leasing Limited	-	995
RBSSAF 19 Limited	-	7,794
RBSSAF 26 Limited	4,064	-
RB Quadrangle Limited	1,341	-
	5,405	8,802

During the year the Company made capital contributions satisfied by loan waivers to RBSSAF 26 Limited.

7. Finance income

	2017 £'000	2016 £'000
On loans receivable :		
From group companies	135,706	132,141
From jointly owned entities	3,010	6,430
	138,716	138,571

8. Other income

	2017 £'000	2016 £'000
Dividend income from subsidiaries	69,760	7,837
Gain from movement in fair value of non-hedge derivatives - held with group companies	100,739	-
Gain from movement in fair value hedge ineffectiveness - held with group companies	4,440	2,394
	174,939	10,231

Breakdown in movement in fair value hedge ineffectiveness

	2017 £'000	2016 £'000
Movement in hedge items - held with group companies	(70,318)	(4,592)
Movement in hedge derivatives - held with group companies	74,758	6,986
	4,440	2,394

9. Other losses

	2017 £'000	2016 £'000
Loss from movement in fair value of non-hedge derivatives - held with group companies	-	48,834

10. Finance costs

	2017 £'000	2016 £'000
Interest on loans and derivatives from group companies	198,416	147,031

NOTES TO THE FINANCIAL STATEMENTS

11. Tax

	2017 £'000	2016 £'000
Current taxation:		
UK corporation tax charge/(credit) for the year	21,918	(7,587)
Under/(over) provision in respect of prior periods	91	(3)
	<u>22,009</u>	<u>(7,590)</u>
Deferred taxation:		
Credit for the year	(6,781)	(1,954)
Under provision in respect of prior periods	2	639
	<u>(6,779)</u>	<u>(1,315)</u>
Tax charge/(credit) for the year	<u>15,230</u>	<u>(8,905)</u>

The actual tax credit differs from the expected tax charge/(credit) computed by applying the blended rate of UK corporation tax of 19.5% (2016: 20%) as follows:

	2017 £'000	2016 £'000
Expected tax charge/(credit)	27,401	(12,090)
Unrecognised timing differences	2,080	1,483
Other non-deductible items	3,078	4,477
Non-taxable items	(17,176)	(2,380)
Adjustments in respect of prior periods	93	636
Impact of rate changes	(246)	(1,031)
Tax charge/(credit) for the year	<u>15,230</u>	<u>(8,905)</u>

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

12. Investments in subsidiaries

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

	2017 £'000	2016 £'000
At 1 October	20,359	20,364
Additions	-	8,802
Disposals	(2)	(7)
Impairments	(5,405)	(8,802)
Exchange	226	2
At 30 September	<u>15,178</u>	<u>20,359</u>

NOTES TO THE FINANCIAL STATEMENTS**12. Investments in subsidiaries (continued)**

During the year the Company sold Helena Productions Ltd, Patalex II Productions Ltd, Patalex III Productions Ltd, Patalex IV Productions Ltd, RBSSAF (6) Ltd and Lombard Corporate Finance (13) Ltd to P of A productions Ltd and Nanny McPhee Productions Ltd to Distant Planet Productions Ltd. Subsequent to that P of A Productions Ltd, Distant Planet Productions Ltd and the following subsidiaries were sold to Lombard Corporate Finance (11) Ltd which is itself a subsidiary of the Company: Desertlands Entertainment Ltd; Lombard Corporate Finance (15) Ltd; Lombard Corporate Finance (6) Ltd; Lombard Corporate Finance (7) Ltd; Patalex Productions Ltd; Patalex V Productions Ltd; Price Productions Ltd, R.B. Leasing (April) Ltd; RBSSAF (12) Ltd; Sandford Leasing Ltd; Winchcombe Finance Ltd.

During the year the Company made capital contributions satisfied by loan waivers to RBSSAF (26) Limited.

The 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
R.B. Leasing (September) Limited	Leasing and Hire Purchase	30 September
Lombard Leasing Company Limited	Leasing and Hire Purchase	30 September
R.B. Quadrangle Leasing Limited	Leasing	31 March
RBSSAF (2) Limited	Leasing	31 March
Royal Bank of Scotland (Industrial Leasing) Limited	Leasing	31 March
Lombard Industrial Leasing Limited	Leasing	31 March
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
Pittville Leasing Limited	Leasing	30 June
R.B. Capital Leasing Limited	Leasing	30 June
RBSSAF (4) Limited	Leasing	30 June
Lombard Corporate Finance (14) Limited	Leasing	30 September
RBSSAF (7) Limited	Leasing	30 September
RBSSAF (8) Limited	Leasing	30 September
Royal Scot Leasing Limited	Leasing	30 September
R.B. Equipment Leasing Limited	Leasing	30 November
Leckhampton Finance Limited	Leasing	31 December
Lombard Corporate Finance (December 1) Limited	Leasing	31 December
Lombard Corporate Finance (December 3) Limited	Leasing	31 December
Lombard Lease Finance Limited	Leasing	31 December
Northern Isles Ferries Limited	Leasing	31 December
R.B. Leasing (December) Limited	Leasing	31 December
RBS Asset Finance Europe Limited	Leasing	31 December
RBSSAF (11) Limited	Leasing	31 December
RBSSAF (25) Limited	Leasing	31 December
RBSSAF (26) Limited	Leasing	31 December
RB Leasing Company Limited	Leasing	30 September

The capital of subsidiary companies consists of ordinary and preference shares which are unlisted.

All subsidiaries have a registered address of The Quadrangle, The Promenade, Cheltenham, Gloucestershire, GL50 1PX, England except for Royal Scot Leasing Limited, Royal Bank of Scotland (Industrial Leasing) Limited and R.B. Leasing Company Limited whose registered address is 24/25 St Andrew Square, Edinburgh, EH2 1AF, Scotland.

NOTES TO THE FINANCIAL STATEMENTS

13. Investment property

	2017 £'000	2016 £'000
At 1 October	14,370	15,606
Impairment	-	(1,236)
Disposals	(14,370)	-
Investment property at fair value	-	14,370

The investment property has been sold during the year.

14. Finance lease receivables

	Within 1 year £'000	Between 1 and 5 years £'000	Total £'000
2017			
Future minimum lease payments	6,901	27,986	34,887
Unearned finance income	(181)	(4,225)	(4,406)
Present value of minimum lease payments receivable	6,720	23,761	30,481
2016			
Future minimum lease payments	6,996	34,888	41,884
Unearned finance income	(184)	(6,607)	(6,791)
Present value of minimum lease payments receivable	6,812	28,281	35,093
		2017 £'000	2016 £'000
Due within one year		6,720	6,812
Due after more than one year		23,761	28,281
		30,481	35,093

The Company has entered into various finance leasing arrangements. The average term of the lease entered into is 26 years (2016: 17 years).

Unguaranteed residual values are estimated at £nil (2016: £nil).

The average effective interest rate in relation to finance lease agreements approximates 6.9% (2016: 7.2%).

15. Operating lease arrangement

At the balance sheet date, the Company had no contracts with customers for rentals receivable under non-cancellable operating leases. In 2016, the Company had the following future minimum lease rentals receivable under non-cancellable operating leases:

	Within 1 year	Between 1 and 5 years	Total
2016			
Land and building	2,210	737	2,947

NOTES TO THE FINANCIAL STATEMENTS

16. Loans receivable

	2017 £'000	2016 £'000
Due within one year		
Amounts owed by group companies	654,835	651,972
Deposits owed by jointly controlled entities	-	6,529
	654,835	658,501
Due after more than one year		
Amounts owed by group companies	3,432,074	3,839,388
Deposits owed by jointly controlled entities	-	99,885
	3,432,074	3,939,273
Total	4,086,909	4,597,774

Included within loan receivables is £3,749,104,000 (2016: £4,106,604,000) owed from subsidiary companies, £337,805,000 (2016: £384,756,000) owed from the immediate parent company and nil (2016: £106,414,000) owed from associated companies.

17. Trade and other receivables

	Due within one year	
	2017 £'000	2016 £'000
Trade receivables	-	103
Value Added Tax recoverable	9	-
Other receivables	1,698	312
	1,707	415

18. Prepayments, accrued income and other assets

	2017 £'000	2016 £'000
Accrued income	502	2,353
Prepayments	33	-
Group relief receivable	-	30,083
	535	32,436

19. Derivatives

The Company enters into various financial instruments (derivatives) as principal to manage foreign exchange and 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

19. Derivatives (continued)

Notional principal amounts

	2017 £'000	2016 £'000
Interest rate swaps	(1,796,626)	(2,193,471)

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

Fair value	Asset 2017 £'000	Liability 2017 £'000	Asset 2016 £'000	Liability 2016 £'000
Interest rate swaps	1,645	(196,039)	3,616	(298,233)
Interest rate swaps in fair value hedge	2,696	(113,585)	3,736	(189,859)
Total	4,341	(309,624)	7,352	(488,092)
Maturity analysis	2017 Asset £'000	2017 Liability £'000	2016 Asset £'000	2016 Liability £'000
Current				
Interest rate swaps	-	(1)	1,601	(1,217)
Interest rate swaps in fair value hedge	-	-	338	(32)
	-	(1)	1,939	(1,249)
Non current				
Interest rate swaps	1,645	(196,038)	2,015	(297,016)
Interest rate swaps in fair value hedge	2,696	(113,585)	3,398	(189,827)
	4,341	(309,623)	5,413	(486,843)

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.

NOTES TO THE FINANCIAL STATEMENTS**19. 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

20. Borrowings

	2017 £'000	2016 £'000
Loans from group companies	3,655,226	4,158,185
Current – on demand or within one year	357,800	463,762
Non-current:		
- between one and two years	607,568	249,871
- between two and five years	1,317,518	1,334,398
- after five years	1,372,340	2,110,154
	3,297,426	3,694,423

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

£35,740,000 (2016: £55,030,000) is at fixed rates varying from 1.59% to 2.29% (2016: 1.59% to 2.29%)

£1,336,600,000 (2016: £2,055,124,000) is at a floating rate.

The repayment profile of the borrowings is disclosed in note 24 (ii).

21. Trade and other payables

	Due within one year	
	2017 £'000	2016 £'000
Value Added Tax payable	240	331
Other payables	553	1,293
	793	1,624

22. Accruals, deferred income and other liabilities

	2017 £'000	2016 £'000
Accruals	12,813	4,501
Deferred income	2,117	2,965
Other liabilities	-	1,605
	14,930	9,071

23. Deferred tax

Deferred tax liability comprises:

	Capital allowances £'000	Derivatives £'000	Other £'000	Total £'000
At 1 October 2015	5,682	16,733	154	22,569
Charge/(credit) to profit and loss account	598	(1,903)	(10)	(1,315)
At 30 September 2016	6,280	14,830	144	21,254
Credit to profit and loss account	(1,066)	(5,692)	(21)	(6,779)
At 30 September 2017	5,214	9,138	123	14,475

NOTES TO THE FINANCIAL STATEMENTS

24. Financial instruments and risk management

(i) Fair value of financial instruments not carries 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 rate 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.

All financial assets are classified as Loans and receivables and financial liabilities as amortised cost.

	2017 Carrying value £'000	2017 Fair value £'000	2016 Carrying value £'000	2016 Fair value £'000
Financial assets				
Finance lease receivables	30,481	28,787	35,093	33,866
Loans receivable	4,086,909	4,296,199	4,597,774	4,833,319
Financial liabilities				
Borrowings	3,655,226	3,545,052	4,158,185	3,781,014

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

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

Level 1: valued by reference to unadjusted quoted prices in active markets for identical assets and liabilities

Level 2: valued by reference to observable market data, other than quoted market prices

Level 3: valuation is based on inputs other than observable market data

(ii) Financial risk management

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

Interest rate risk

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

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

Finance lease receivables may be based on fixed and/or floating rates. These are funded primarily through balances owed to group companies. 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.

This information is presented consistently with the information that management use to manage the risk.

NOTES TO THE FINANCIAL STATEMENTS

24. Financial instruments and risk management (continued)

ii) Financial risk management (continued)

Interest rate risk (continued)

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

2017	Fixed rate £'000	Variable rate £'000	Non-interest earning £'000	Total £'000
Financial assets				
Finance leases	-	30,481	-	30,481
Loans receivable	2,307,886	1,765,806	13,217	4,086,909
Trade and other receivables	-	-	1,464	1,464
Prepayments, accrued income and other assets	-	-	502	502
Derivatives	-	-	4,341	4,341
Cash	-	54,039	-	54,039
	2,307,886	1,850,326	19,524	4,177,736
Financial liabilities				
Borrowings	2,079,810	1,575,416	-	3,655,226
Trade and other payables	-	-	553	553
Accruals and other liabilities	-	-	12,589	12,589
Derivatives	-	-	309,624	309,624
	2,079,810	1,575,416	322,766	3,977,992
Net financial assets/(liabilities)	228,076	274,910	(303,242)	199,744

NOTES TO THE FINANCIAL STATEMENTS

24. Financial instruments and risk management (continued)

ii) Financial risk management (continued)

Interest rate risk (continued)

	Fixed rate £'000	Variable rate £'000	Non-interest earning £'000	Total £'000
2016				
Financial assets				
Finance leases	509	34,584	-	35,093
Loans receivable	2,847,810	1,736,513	13,451	4,597,774
Trade and other receivables	-	-	103	103
Prepayments, accrued income and other assets	-	-	2,353	2,353
Derivatives	-	-	7,352	7,352
Cash	-	32,733	-	32,733
	<u>2,848,319</u>	<u>1,803,830</u>	<u>23,259</u>	<u>4,675,408</u>
Financial liabilities				
Borrowings	2,570,647	1,587,538	-	4,158,185
Trade and other payables	-	-	628	628
Accruals and other liabilities	-	-	4,352	4,352
Derivatives	-	-	488,092	488,092
	<u>2,570,647</u>	<u>1,587,538</u>	<u>493,072</u>	<u>4,651,257</u>
Net financial assets/(liabilities)	<u>277,672</u>	<u>216,292</u>	<u>(469,813)</u>	<u>24,151</u>

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 £1,369,000 (2016: loss before tax for the year would have decreased by £1,028,000). This is mainly due to the Company's exposure to interest rates on its variable rate borrowings, loans receivable, and cash balances. There would be no other impact on equity.

NOTES TO THE FINANCIAL STATEMENTS

24. Financial instruments and risk management (continued)

ii) Financial risk management (continued)

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.

	Assets		Liabilities	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Euro	17,507	19,227	19,038	20,800
US Dollar	774,747	880,081	796,358	926,095

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

	Euro Currency impact £'000	US dollar Currency impact £'000
2017		
Increase in profit before tax	139	1,965
2016		
Reduction in loss before tax	143	4,183

The impact on this year's 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 impact on equity.

Credit risk

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

Sector	No. of counterparties	2017 £'000	2016 £'000
Finance lease receivables-			
Transport and Infrastructure	3 (2016: 6)	30,481	35,093
Group companies		4,142,412	4,524,093
Amounts due from jointly controlled entities		-	106,414
Other		502	2,353
Other - group companies		4,341	7,352
		4,177,736	4,675,305
Amounts past due			
Less than one month		-	84
One to two months		-	19
		-	103
Maximum credit exposure		4,177,736	4,675,408

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

NOTES TO THE FINANCIAL STATEMENTS

24. 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:

	0-3 months	3-12 months	1 - 3 years	3-5 years	5 - 10 years	10-20 years
2017	£'000	£'000	£'000	£'000	£'000	£'000
Borrowings	211,243	171,085	1,271,546	790,386	884,172	663,876
Gross Derivatives	15,512	66,072	129,090	68,796	33,448	59,716
Trade and other payables	553	-	-	-	-	-
Accruals and other liabilities	12,589	-	-	-	-	-
	239,897	237,157	1,400,636	859,182	917,620	723,592
	0-3 months	3-12 months	1 - 3 years	3-5 years	5 - 10 years	10 - 20 years
2016	£'000	£'000	£'000	£'000	£'000	£'000
Borrowings	304,191	182,043	912,379	765,928	1,435,294	819,591
Gross Derivatives	17,842	77,110	182,066	98,741	67,474	69,723
Trade and other payables	628	-	-	-	-	-
Accruals and other liabilities	4,352	-	-	-	-	-
	327,013	259,153	1,094,445	864,669	1,502,768	889,314

25. Share capital

	2017 £'000	2016 £'000
Authorised:		
22,000,000 ordinary shares of £1 each	22,000	22,000
Allotted, called up and fully paid:		
Equity shares		
19,000,000 ordinary shares of £1 each	19,000	19,000

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

26. Commitments and contingent liabilities

The Company, together with other members of The Royal Bank of Scotland Group plc 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

27. Related parties

UK Government

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

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

Group companies

At 30 September 2017

The Company's immediate parent was:	The Royal Bank of Scotland plc
The smallest consolidated accounts including the company were prepared at 31 December 2017 by:	The Royal Bank of Scotland plc
The ultimate parent company was:	The Royal Bank of Scotland Group plc

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

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

28. Post balance sheet events

1 – Project Hanger capital injections

In order to simplify intragroup deposits, borrowings and cash-flow, on 15 November 2017, the Company provided capital injections in the form of loan waivers to a number of its subsidiaries as noted below:

RBSSAF 12 Ltd - £1m
 Lombard Corporate Finance (15) Ltd - £750k
 Lombard Corporate Finance (6) Ltd - £1.5m
 Winchcombe Finance Ltd - £2.5m
 Patalex Productions Ltd - £1m
 P of A Productions Ltd - £6.7m
 Helena Productions Ltd - £5.7m

2 – Purchase of RB Leasing (March)

Subsequent to the year end on 23 March 2018, the Company entered an agreement to purchase R.B. Leasing (March) Ltd for a total consideration of £2.

3 – Sale of LCF 11

Subsequent to the year end on 01 April 2018, the Company entered an agreement to sell Lombard Corporate Finance (11) Ltd for a total consideration of £21,377,713.

4 – Sale of RBSSAF 26

Subsequent to the year end on 9 November 2017, the Company entered an agreement to sell RBSSAF 26 Ltd for a total consideration of \$44,694.

5 – SMIT Disposals

Subsequent to the year end on 01 April 2018 and on 03 May 2018, the Company entered an agreement to sell 15 Vessels for a total profit of £3.75m.

NOTES TO THE FINANCIAL STATEMENTS**28. Post balance sheet events (continued)****6 – PUA Company sales**

Subsequent to the year end on 20 April 2018, the Company entered an agreement to sell R.B. Equipment Leasing Ltd, Lombard Corporate Finance (10) Ltd, Lombard Corporate Finance (14) Ltd, R.B. Leasing (December) Ltd, RBSSAF (11) Ltd and RBSSAF (4) Ltd to Lombard Corporate Finance (11) Ltd for a total consideration of £102,050.

7 – Recapitalisation of RB Leasing Company

Subsequent to the year end on 09 May 2018, the Company provided a capital injection in the form of a loan waiver of \$5.6m to its subsidiary RB Leasing Company Ltd. On 25th May, the company was sold to Lombard Corporate Finance (11) Ltd, another Royal Bank of Scotland Group company.