

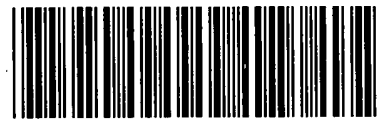
**Company Registered No: SC080104**

**ROYAL SCOT LEASING LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**For the year ended 30 September 2015**

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**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS:**

S J Caterer  
T D Crome  
A P Johnson  
G L Hawkins

**SECRETARY:**

RBS Secretarial Services Limited

**REGISTERED OFFICE:**

24/25 St Andrew Square  
Edinburgh  
EH2 1AF

**INDEPENDENT AUDITOR:**

Deloitte LLP  
Chartered Accountants and Statutory Auditor  
3 Rivergate  
Temple Quay  
Bristol  
United Kingdom  
BS1 6GD

**Registered in Scotland**

**DIRECTORS' REPORT**

The directors of Royal Scot Leasing Limited ("the Company") present their annual report together with the audited financial statements for the year ended 30 September 2015.

**ACTIVITIES AND BUSINESS REVIEW**

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

**Principal Activity**

The principal activity of the Company continues to be the provision of fixed asset finance usually involving individually structured facilities.

**Review of the year****Business review**

During the current period Spanish authorities ruled in favour of the Company resulting in a tax refund of £10,335,000 (2014: £nil). This was recognised through the profit and loss account (note 4). A provision for potential tax liabilities recoverable from 2 lessees was released during the year and a corresponding debtor was also released resulting in no impact on the profit for the year.

The Company disposed of a number of finance leases throughout the period. This resulted in impairment gains of £299,000 (2014: losses of £1,383,000) and profits on disposal of £347,000 (2014: £nil) recognised through the profit and loss account (notes 4 & 8).

The directors are satisfied with the Company's performance in the year. The Company will be guided by its shareholders in seeking further opportunities for growth.

**FINANCIAL PERFORMANCE**

The retained profit for the year was £9,811,000 (2014: retained loss £574,000) and this was transferred to reserves.

**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 Royal Bank Leasing Limited.

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 21.

**Currency risk**

The Company undertakes certain transactions denominated in foreign currencies, hence exchange rate fluctuations arise. The Company's policy is normally to match foreign currency receivables with borrowings in the same currency.

**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 - see note 21.

**DIRECTORS' REPORT****PRINCIPAL RISKS AND UNCERTAINTIES (continued)****Credit risk (continued)**

The key principles of the bank'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.

**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.

**Market risk**

Market risk is the potential for loss as a result of adverse changes in risk factors including interest rates and foreign currency prices together with related parameters such as market volatilities.

**GOING CONCERN**

The directors, having made such enquiries as they considered appropriate, have prepared the financial statements on a going concern basis. They considered the accounts of The Royal Bank of Scotland Group plc for the year ended 31 December 2015, approved on 26 February 2016, which were prepared on a going concern basis.

**DIRECTORS AND SECRETARY**

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

From 1 October 2014 to date the following changes have taken place:

	<b>Appointed</b>	<b>Resigned</b>
<b>Directors</b>		
N T J Clibbens	-	27 February 2015
A P Gadsby	-	11 May 2015
A P Johnson	11 May 2015	-
G L Hawkins	18 December 2015	

**DIRECTORS' REPORT****DIRECTORS' RESPONSIBILITIES STATEMENT**

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable laws and regulations.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether FRS 101 has been followed; and
- make an assessment of the Company's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the Directors' Report and financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**DISCLOSURE OF INFORMATION TO AUDITOR**

Each of the directors at the date of approval of this report confirms that:

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

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

**INDEPENDENT AUDITOR**

The Royal Bank of Scotland Group plc has appointed Ernst & Young LLP as auditor for the year ending 31 December 2016. A resolution to appoint Ernst & Young LLP as the company's auditor will be proposed at the forthcoming meeting of the Board of Directors.

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



S J Caterer  
Director  
Date: 27 May 2016

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ROYAL SCOT LEASING LIMITED**

We have audited the financial statements of Royal Scot Leasing Limited ('the Company') for the year ended 30 September 2015 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 25. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 Reduced Disclosure Framework.

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 2015 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.

### **Opinion on other matter prescribed by the Companies Act 2006**

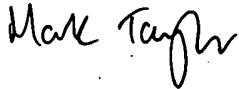
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

### Matters on which we are required to report by exception

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

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



**Mark Taylor, FCA** (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
Bristol, United Kingdom

13 June 2016



**PROFIT AND LOSS ACCOUNT**  
**for the year ended 30 September 2015**

		<b>2015</b>	<b>2014</b>
		<b>£'000</b>	<b>£'000</b>
<b>Continuing operations</b>	<b>Note</b>		
Turnover	3	<b>1,165</b>	1,962
Operating income	4	<b>10,710</b>	1,290
Operating expenses	5	<b>(2,396)</b>	(2,608)
Impairment gains/(losses)	8	<b>299</b>	(1,383)
<b>Operating profit/(loss)</b>		<b>9,778</b>	(739)
Finance income	6	<b>64</b>	71
Finance costs	7	<b>(221)</b>	(322)
<b>Profit/(loss) on ordinary activities before tax</b>		<b>9,621</b>	(990)
Tax credit	10	<b>190</b>	416
<b>Profit/(loss) and total comprehensive income/(loss) for the year</b>		<b>9,811</b>	(574)

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

**BALANCE SHEET**

as at 30 September 2015

	Note	2015 £'000	2014 £'000
<b>Fixed assets</b>			
Property, plant and equipment	11	9,475	10,604
Finance lease receivables	12	8,186	30,880
Deferred tax asset	19	232	215
		<b>17,893</b>	<b>41,699</b>
<b>Current assets</b>			
Finance lease receivables	12	1,297	7,963
Loans receivable	13	14,908	19,768
Trade and other receivables	14	2,019	5,245
Prepayments, accrued income and other assets	15	421	-
Cash at bank		4,741	66
		<b>23,386</b>	<b>33,042</b>
<b>Total assets</b>		<b>41,279</b>	<b>74,741</b>
<b>Creditors: amounts falling due within one year</b>			
Borrowings	16	19,027	32,806
Provisions for liabilities	20	242	5,195
Trade and other payables	17	598	707
Current tax liabilities		-	177
Accruals, deferred income and other liabilities	18	67	57
		<b>19,934</b>	<b>38,942</b>
<b>Total assets less current liabilities</b>		<b>21,345</b>	<b>35,799</b>
<b>Creditors: amounts falling due after more than one year</b>			
Borrowings	16	23,558	47,823
		<b>23,558</b>	<b>47,823</b>
<b>Total liabilities</b>		<b>43,492</b>	<b>86,765</b>
<b>Equity: capital and reserves</b>			
Called up share capital	22	10	10
Profit and loss account		(2,223)	(12,034)
<b>Total shareholders' deficit</b>		<b>(2,213)</b>	<b>(12,024)</b>
<b>Total liabilities and shareholders' deficit</b>		<b>41,279</b>	<b>74,741</b>

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

The financial statements of the Company were approved by the Board of Directors on 27 May 2016 and signed on its behalf by:



S J Caterer  
Director

**STATEMENT OF CHANGES IN EQUITY**  
for the year ended 30 September 2015

	Share capital £'000	Profit and loss account £'000	Total £'000
<b>At 1 October 2013</b>	10	(11,460)	(11,450)
Loss for the year	-	(574)	(574)
<b>At 30 September 2014</b>	10	(12,034)	(12,024)
Profit for the year	-	<b>9,811</b>	<b>9,811</b>
<b>At 30 September 2015</b>	<b>10</b>	<b>(2,223)</b>	<b>(2,213)</b>

Total comprehensive profit for the year of £9,811,000 (2014: comprehensive loss of £574,000) was wholly attributable to the equity holders of the Company.

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

**NOTES TO THE FINANCIAL STATEMENTS****1. Accounting policies****a) Preparation and presentation of financial statements**

The 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 European Union (together IFRS) and under FRS 101 Reduced Disclosure Framework. The Company meets the definition of a qualifying entity under Financial Reporting Standard 100 Application of Financial Reporting Requirements issued by the Financial Reporting Council.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to the presentation of a Cash-Flow Statement, standards not yet effective and related party transactions. Where required, equivalent disclosures are given in the group financial statements of The Royal Bank of Scotland Group plc; these financial statements are available to the public and can be obtained as set out in note 25.

The financial statements are prepared on the historical cost basis.

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

The Company is incorporated in the UK and registered in Scotland. The Company's financial statements are presented in accordance with the Companies Act 2006.

**Adoption of new and revised accounting standards**

There are a number of changes to IFRS that were effective from 1 October 2014. They have had no material effect on the Company's financial statements for the year ended 30 September 2015.

**b) 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 the profit or loss account.

Non-monetary items denominated in foreign currencies that are stated at fair value are translated into Sterling at the foreign exchange rates ruling at the dates the values are determined.

**c) 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 income statement 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 and interest on hire purchase agreements are credited to the profit or loss account in proportion to the balances outstanding,

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 and of allocating the interest income or interest expense over the expected life of the asset or liability.

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

## 1. Accounting policies (continued)

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.

Deferred tax is the tax expected to be payable or recoverable in respect of temporary differences between the carrying amount of an asset or liability for accounting purposes and its carrying amount for tax purposes. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered. Deferred tax is not recognised on temporary differences that arise from initial recognition of an asset or liability in a transaction (other than a business combination) that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is calculated using tax rates expected to apply in the periods when the assets will be realised or the liabilities settled, based on tax rates and laws enacted, or substantively enacted, at the balance sheet date.

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.

**Aircraft** - over 25 years

**f) 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.

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.

The Company recognises a provision for a present obligation resulting from a past event when it is more likely than not that it will be required to transfer economic benefits to settle the obligation and the amount of the obligation can be estimated reliably.

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.

**NOTES TO THE FINANCIAL STATEMENTS****1. Accounting policies (continued)****i) Financial assets (continued)****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 (see accounting policy 1(c)) less any impairment losses.

**j) Impairment of financial assets**

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

**k) 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.

**l) Derecognition**

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

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

**2. Critical accounting policies and key sources of estimation uncertainty**

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

**Residual values**

The Company assesses objective evidence for impairment of residual values at each balance sheet date, adjusting the depreciation recognised on operating leases accordingly. An impairment loss is incurred and measured as the shortfall between the carrying value of the residual interest and the discounted value of the estimated future cash flows, including cash flows from guarantors.

**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.

The depreciation charge for operating lease assets shown in the accounts is dependent upon the residual value ascribed to the asset as described in note 1(e) above.

## NOTES TO THE FINANCIAL STATEMENTS

## 3. Turnover

	2015 £'000	2014 £'000
Finance lease income:		
Rents receivable	4,508	8,146
Amortisation	(2,994)	(6,235)
Contingent rental expense	(724)	(1,025)
	<u>790</u>	<u>886</u>
Other rents receivable	375	1,076
	<u>1,165</u>	<u>1,962</u>

The Company did not enter into any new leasing transactions during the year (2014: £nil).

## 4. Operating income

	2015 £'000	2014 £'000
Profit on disposal of finance leases	347	-
Fee income	3	15
Exchange gains	-	1,275
Reversal of bad debt charge	10,335	-
Other income	25	-
	<u>10,710</u>	<u>1,290</u>

## 5. Operating expenses

	2015 £'000	2014 £'000
Depreciation on property, plant and equipment	624	481
Impairment of property, plant and equipment	505	1,031
Foreign exchange loss	147	-
Management fees	87	19
Maintenance costs	1,022	1,060
Other charges	11	17
	<u>2,396</u>	<u>2,608</u>

**Staff costs, number of employees and directors' emoluments**

All staff and directors were employed by group companies and the financial statements 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 charges 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.

**Auditor's remuneration**

	2015 £'000	2014 £'000
Auditor's remuneration – audit services (included within the management fees shown above)	<u>15</u>	<u>15</u>

## NOTES TO THE FINANCIAL STATEMENTS

**6. Finance income**

	2015 £'000	2014 £'000
On loans receivable from group undertakings	<u>64</u>	<u>71</u>

**7. Finance costs**

	2015 £'000	2014 £'000
Interest on loans from group undertakings	221	320
Other bank interest	-	2
	<u>221</u>	<u>322</u>

**8. Impairment (gains)/ losses**

The following impairment (gains)/ losses were recognised during the year:

	2015 £'000	2014 £'000
Impairment (gains)/ losses on finance leases	<u>(299)</u>	<u>1,383</u>

**9. Profit/ (loss) on ordinary activities before tax**

Profit/(loss) on ordinary activities before tax is stated after charging/(crediting)

	2015 £'000	2014 £'000
Foreign exchange translation	<u>147</u>	<u>(1,275)</u>

**10. Tax**

	2015 £'000	2014 £'000
<b>Current tax:</b>		
UK corporation tax credit for the year	(173)	(250)
Over provision in respect of prior periods	-	(54)
	<u>(173)</u>	<u>(304)</u>
<b>Deferred tax:</b>		
Credit for the year	(17)	(123)
Under provision in respect of prior periods	-	11
	<u>(17)</u>	<u>(112)</u>
Tax credit for the year	<u>(190)</u>	<u>(416)</u>

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

The actual tax credit differs from the expected tax credit computed by applying the blended rate of UK corporation tax of 20.5% (2014: blended tax rate 22%) as follows:

	2015 £'000	2014 £'000
Expected tax charge/(credit)	1,972	(218)
Non-taxable items	(2,162)	(155)
Adjustments in respect of prior periods	-	(43)
Actual tax credit for the year	<u>(190)</u>	<u>(416)</u>



## NOTES TO THE FINANCIAL STATEMENTS

## 10. Tax (continued)

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.

In the Budget on 8 July 2015, the UK Government proposed, amongst other things, to further reduce the main rate of UK corporation tax to 19% with effect from 1 April 2017 and to 18% with effect from 1 April 2020. These rate changes were substantively enacted in the Finance Bill 2015 on 26 October 2015 and existing temporary differences may therefore unwind in periods subject to these reduced rates.

The impact of the post balance sheet date change in tax rate is estimated as giving rise to a tax charge of £24,000 which will be recognised in the accounts for 2016.

## 11. Property, plant and equipment

2015 Cost	Aircraft £'000
At 1 October 2014 and 30 September 2015	14,997
<b>Accumulated depreciation and impairment</b>	
At 1 October 2014	4,393
Depreciation charge for the year	624
Impairment losses for the year	505
At 30 September 2015	5,522
<b>Net book value</b>	
At 30 September 2015	9,475
At 30 September 2014	10,604

## Security

No property, plant and equipment has been pledged as security for liabilities of the Company (2014: none).

## NOTES TO THE FINANCIAL STATEMENTS

## 12. Finance lease receivables

	Within 1 year £'000	Between 1 and 5 years £'000	After 5 years £'000	Total £'000
<b>2015</b>				
Future minimum lease payments	1,338	6,959	3,606	11,903
Unearned finance income	(41)	(955)	(1,424)	(2,420)
Present value of minimum lease payments receivable	1,297	6,004	2,182	9,483
<b>2014</b>				
Future minimum lease payments	8,150	33,166	3,635	44,951
Unguaranteed residual values	-	(1,849)	-	(1,849)
Unearned finance income	(187)	(4,385)	(1,264)	(5,836)
Present value of minimum lease payments receivable	7,963	26,932	2,371	37,266
Present value of unguaranteed residual values				1,577
Carrying value				38,843
			<b>2015 £'000</b>	<b>2014 £'000</b>
Due within one year			1,297	7,963
Due after more than one year			8,186	30,880
			<b>9,483</b>	<b>38,843</b>

The Company has entered into finance leasing arrangements for plant, equipment and aircraft. The average term of the lease entered into is 15 years (2014: 12 years).

Unguaranteed residual values are estimated at £nil (2014: £1,849,000).

The average effective interest rate in relation to finance lease agreements approximates 6% (2014: 4.5%).

## 13. Loans receivable

	<b>2015 £'000</b>	<b>2014 £'000</b>
<b>Due within one year</b>		
Amounts owed by group undertakings	14,908	19,768

## 14. Trade and other receivables

	<b>2015 £'000</b>	<b>2014 £'000</b>
<b>Due within one year</b>		
Trade receivables	111	5,243
Other receivables	1,908	2
	<b>2,019</b>	<b>5,245</b>

## 15. Prepayments, accrued income and other assets

	<b>2015 £'000</b>	<b>2014 £'000</b>
Group relief receivable	421	-

## NOTES TO THE FINANCIAL STATEMENTS

## 16. Borrowings

	2015 £'000	2014 £'000
Loans from group undertakings	42,585	80,629
Current – on demand or within one year	19,027	32,806
Non-current:		
- between one and two years	479	3,766
- between two and five years	8,036	29,113
- after five years	15,043	14,944
	23,558	47,823

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

£2,702,000 (2014: £2,477,000) is at a fixed rate of 5.74%

£12,341,000 (2014: £12,467,000) is at a floating rate

The repayment profile of the borrowings is disclosed in note 21 (ii).

## 17. Trade and other payables

	2015 £'000	2014 £'000
Due within one year		
Trade creditors	476	-
Value added tax payable	32	7
Other payables	90	700
	598	707

## 18. Accruals, deferred income and other liabilities

	2015 £'000	2014 £'000
Accruals	67	45
Deferred income	-	12
	67	57

## 19. Deferred tax

Net deferred tax asset comprises:

	Capital allowances £'000	Other £'000	Total £'000
At 1 October 2013	(88)	(15)	(103)
(Credit) to profit and loss account	(102)	(10)	(112)
At 30 September 2014	(190)	(25)	(215)
(Credit)/ charge to profit and loss account	(42)	25	(17)
At 30 September 2015	(232)	-	(232)

## NOTES TO THE FINANCIAL STATEMENTS

## 20. Provisions for liabilities

	2015 £'000	2014 £'000
<b>At 1 October 2014</b>	<b>5,195</b>	<b>9,370</b>
Increase in provision	-	153
Items no longer provided for	(4,684)	(3,678)
Movement in provision due to exchange rate difference	(269)	(650)
<b>At 30 September 2015</b>	<b>242</b>	<b>5,195</b>

The Company has concluded its appeal against a ruling from the Spanish tax authorities in relation to a number of corporate jet leases. The amount provided represents the directors' best estimate of the liability. The directors believe that the outstanding payment will be made within one year of the balance sheet date. Assets held as security, or recoverable from lessees, are disclosed as current assets for similar reasons.

	2015 £'000	2014 £'000
Assets held as security or recoverable from lessees, included within trade receivables (note 14)	98	5,042

## 21. 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 leases have been fixed by way of an interest rate swap in the parent company, the fair value has been calculated by adjusting the carrying value of the associated mark to market arising on the swap. Lessee credit risk position is an input into the fair value of finance lease receivables 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 classed as loans and receivables. All financial liabilities are classed as amortised cost.

	2015 Carrying value £'000	2015 Fair value £'000	2014 Carrying value £'000	2014 Fair value £'000
<b>Financial assets</b>				
Finance lease receivables	9,483	10,081	38,843	38,404
<b>Financial liabilities</b>				
Borrowings	42,585	41,260	80,629	77,579

## NOTES TO THE FINANCIAL STATEMENTS

## 21. Financial instruments and risk management (continued)

## (i) Fair value of financial instruments not carried at fair value (continued)

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 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:

	Fixed rate	Variable rate	Non-interest earning	Total
2015	£'000	£'000	£'000	£'000
<b>Financial assets</b>				
Finance leases	1,363	8,120	-	9,483
Loans receivable	-	14,908	-	14,908
Trade receivables	-	-	111	111
Prepayments, accrued income and other assets	-	-	1	1
Cash	-	4,741	-	4,741
	<b>1,363</b>	<b>27,769</b>	<b>112</b>	<b>29,244</b>
<b>Financial liabilities</b>				
Borrowings	1,366	41,219	-	42,585
Trade and other payables	-	-	478	478
Accruals and other liabilities	-	-	67	67
	<b>1,366</b>	<b>41,219</b>	<b>545</b>	<b>43,130</b>
<b>Net financial assets/(liabilities)</b>	<b>(3)</b>	<b>(13,450)</b>	<b>(433)</b>	<b>(13,886)</b>

## NOTES TO THE FINANCIAL STATEMENTS

## 21. Financial instruments and risk management (continued)

## (ii) Financial risk management (continued)

2014	Fixed rate £'000	Variable rate £'000	Non-interest earning £'000	Total £'000
<b>Financial assets</b>				
Finance leases	1,833	37,010	-	38,843
Loans receivable	-	19,768	-	19,768
Trade and other receivables	-	-	5,243	5,243
Cash	-	66	-	66
	<u>1,833</u>	<u>56,844</u>	<u>5,243</u>	<u>63,920</u>
<b>Financial liabilities</b>				
Borrowings	1,726	78,903	-	80,629
Trade and other payables	-	-	38	38
Accruals and other liabilities	-	-	45	45
	<u>1,726</u>	<u>78,903</u>	<u>83</u>	<u>80,712</u>
<b>Net financial assets/(liabilities)</b>	<u>107</u>	<u>(22,059)</u>	<u>5,160</u>	<u>(16,792)</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 decreased by £67,000 (2014: loss before tax for the year would have increased by £103,000). This is mainly due to the Company's exposure to interest rates on its variable rate borrowings. There would be no other impact on equity.

**Currency risk**

The Company is mainly exposed to the Euro and US dollar currency.

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/ (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.

The Company is mainly exposed to the following currencies:

	Assets		Liabilities	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Euro	6,677	9,950	12,438	26,878
US Dollar	11,707	40,071	25,272	53,322

The impact on gain 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.

## NOTES TO THE FINANCIAL STATEMENTS

## 21. Financial instruments and risk management (continued)

## (ii) Financial risk management (continued)

**Credit risk**

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

Sector	No. of counterparties	2015 £'000	2014 £'000
Aircraft	1 (2014: 4)	8,120	37,010
Medical equipment	1 (2014: 1)	1,363	1,833
Finance lease receivables		9,483	38,843
Group undertakings		21,652	24,876
Other		1	-
Amounts past due and not impaired:			
Less than one month		-	181
More than 60 days		14	20
Maximum credit exposure		31,150	63,920

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

**Financial liabilities**

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

	0-3 months £'000	3-12 months £'000	1 - 3 years £'000	3-5 years £'000	5 - 10 years £'000	10-20 years £'000
<b>2015</b>						
Borrowings	17,777	1,448	7,730	1,984	5,587	11,817
Trade and other payables	2	-	-	-	-	-
Accruals and other liabilities	66	-	-	-	-	-
	<b>17,845</b>	<b>1,448</b>	<b>7,730</b>	<b>1,984</b>	<b>5,587</b>	<b>11,817</b>
	0-3 months £'000	3-12 months £'000	1 - 3 years £'000	3-5 years £'000	5 - 10 years £'000	5 - 10 years £'000
<b>2014</b>						
Borrowings	27,615	5,673	7,595	27,763	4,899	13,850
Trade and other payables	38	-	-	-	-	-
Accruals and other liabilities	45	-	-	-	-	-
	<b>27,698</b>	<b>5,673</b>	<b>7,595</b>	<b>27,763</b>	<b>4,899</b>	<b>13,850</b>

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 25):

## NOTES TO THE FINANCIAL STATEMENTS

## 22. Share capital

	2015 £'000	2014 £'000
<b>Authorised:</b>		
1,000,000 ordinary shares of £1 each	1,000	1,000
<b>Allotted, called up and fully paid:</b>		
Equity shares		
10,000 ordinary shares of £1 each	10	10

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

## 23. 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.

## 24. Commitments and contingent liabilities

## Other Commitments

	2015 £'000	2014 £'000
Contracts to buy assets to be leased under finance leases	4,788	4,731

## 25. 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 Royal Bank Leasing Limited, a company incorporated in the UK and registered in England and Wales.

As at 30 September 2015, The Royal Bank of Scotland plc heads the smallest group in which the Company is consolidated. Copies of the consolidated financial statements may be obtained from Corporate Governance and Secretariat, The Royal Bank of Scotland Group plc, Gogarburn, PO Box 1000, Edinburgh EH12 1HQ.

The Company's ultimate holding company is The Royal Bank of Scotland Group plc which is incorporated in the UK and heads the largest group in which the Company is consolidated. Copies of the consolidated financial statements may be obtained from Corporate Governance and Secretariat, The Royal Bank of Scotland Group plc, Gogarburn, PO Box 1000, Edinburgh EH12 1HQ.



**NOTES TO THE FINANCIAL STATEMENTS****25. Related parties (continued)****Capital support deed**

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). 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.