

Company Registered No: SC080104

ROYAL SCOT 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  
A Tackaberry

**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**

**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 2017.

**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.

**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**

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 loss for the year was £82,000 (2016: £2,698,000) and this was transferred from reserves.

The directors do not recommend a payment of interim dividends.

**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 Royal Bank Leasing Limited.

The Company's assets mainly comprise finance lease receivables which would expose it to interest, credit, liquidity, residual value risk and operational 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 repricing maturities.

The Company manages interest rate risk by monitoring the consistency in the interest rate profile of its assets and liabilities, and limiting any repricing mismatches – see note 22.

**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**

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.

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

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 prices together with related parameters such as market volatilities.

**Residual value risk**

Residual value risk is the risk that the value of operating lease assets at the end of the lease term is less than estimated at inception of the lease contract and thus the Company may be subject to losses on disposal of the operating lease assets. The Company manages this risk on a on going basis.

**Operational risk**

Operational risk is the risk of unexpected losses attributable to human error, systems failures, fraud or inadequate internal financial controls and procedures. The Company manages this risk, in line with the RBS group framework, through systems and procedures to monitor transactions and positions, the documentation of transactions and periodic review by internal audit. The Company also maintains contingency facilities to support operations in the event of disasters.

**Going Concern**

The directors, having a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, have prepared the financial statements on a going concern basis.

**DIRECTORS' REPORT****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 2016 to date the following changes have taken place:

<b>Directors</b>	<b>Appointed</b>	<b>Resigned</b>
G L Hawkins	-	13 December 2017
A P Johnson	-	31 July 2017
N J McDaid	30 December 2016	31 July 2017
E M Mayes	31 July 2017	6 March 2018
J H Wood	-	30 June 2017
S J Caterer	-	31 August 2017
D G Harris	31 July 2017	-
S J Roulston	21 September 2017	-
Andrew Tackaberry	13 December 2017	-
I A Ellis	6 March 2018	-

**DIRECTORS' RESPONSIBILITIES STATEMENT**

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

Company law requires the directors to prepare a Directors' report and financial statements for each financial year. Under that law, the directors have elected to prepare the financial statements in accordance with Financial Reporting Standard (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 Directors' report and financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**DISCLOSURE OF INFORMATION TO AUDITOR**

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

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

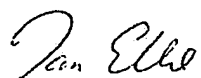
This confirmation is given and shall be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

**DIRECTORS' REPORT**

**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:

A handwritten signature in black ink, appearing to read 'I A Ellis', written in a cursive style.

I A Ellis  
Director  
Date: 29 June 2018

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

### **Opinion**

We have audited the financial statements of Royal Scot 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 26, 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 FRS 101 'Reduced Disclosure Framework'.

In our opinion the financial statements:

- give a true and fair view of the Company's affairs as at 30 September 2017 and of its loss 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 the provisions available for small entities, 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 SCOT LEASING LIMITED**

### **Opinion on other matter 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 Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' report has been prepared in accordance with applicable legal requirements.

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

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the 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; or
- the directors were not entitled to take advantage of the small companies' exemption from preparing a Strategic report.

### **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 applicable law and International Standards on Auditing 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.

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

### 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.

A handwritten signature in black ink, appearing to read "Ernst & Young LLP", with a horizontal line underneath.

**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
	Notes	£'000	£'000
<b>Income from continuing operations</b>			
Turnover	3	1,920	543
Cost of sales	4	(1,389)	(1,189)
Operating income	5	3	1
Operating expenses	6	(477)	(2,546)
<b>Operating profit/(loss)</b>		<b>57</b>	<b>(3,191)</b>
Finance income	7	111	56
Finance costs	8	(242)	(212)
<b>Loss on ordinary activities before tax</b>		<b>(74)</b>	<b>(3,347)</b>
Tax (charge)/credit	9	(8)	649
<b>Loss and total comprehensive loss for the year</b>		<b>(82)</b>	<b>(2,698)</b>

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

**BALANCE SHEET**

as at 30 September 2017

	Notes	2017 £'000	2016 £'000
<b>Non-current assets</b>			
Property, plant and equipment	10	3,462	4,851
Finance lease receivables	12	2,564	7,993
Deferred tax asset	20	248	138
		<u>6,274</u>	<u>12,982</u>
<b>Current assets</b>			
Finance lease receivables	12	6,633	1,347
Loans receivable	14	6,019	13,622
Trade and other receivables	15	2,050	476
Prepayments, accrued income and other assets	16	601	817
Cash at bank		1,809	410
Assets held for sale	11	-	9,960
		<u>17,112</u>	<u>26,632</u>
<b>Total assets</b>		<u>23,386</u>	<u>39,614</u>
<b>Current liabilities</b>			
Borrowings	17	14,591	9,945
Trade and other payables	18	8,208	5,402
Accruals, deferred income and other liabilities	19	1,583	130
		<u>24,382</u>	<u>15,477</u>
<b>Non-current liabilities</b>			
Borrowings	17	2,916	27,967
		<u>2,916</u>	<u>27,967</u>
<b>Total liabilities</b>		<u>27,298</u>	<u>43,444</u>
<b>Equity</b>			
Called up share capital	23	10	10
Profit and loss account		(3,922)	(3,840)
<b>Total equity</b>		<u>(3,912)</u>	<u>(3,830)</u>
<b>Total liabilities and equity</b>		<u>23,386</u>	<u>39,614</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	Retained Earnings £'000	Total £'000
<b>At 1 October 2015</b>	10	(2,223)	(2,213)
Loss for the year	-	(2,698)	(2,698)
Capital contribution		1,081	1,081
<b>At 30 September 2016</b>	10	(3,840)	(3,830)
Loss for the year	-	(82)	(82)
<b>At 30 September 2017</b>	<b>10</b>	<b>(3,922)</b>	<b>(3,912)</b>

Total comprehensive loss for the year of £82,000 (2016: £2,698,000) 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 International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB as adopted by the EU (together IFRS); and
- on a 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; 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 26.

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) 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.

**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.

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.

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

Income tax expense or income, comprising current tax and deferred tax, is recorded in the profit and loss account except income tax on items recognised outside profit or loss which is credited or charged to other comprehensive income or to equity as appropriate.

Current tax is income tax payable or recoverable in respect of the taxable profit or loss for the year arising in income or in equity. Provision is made for current tax at rates enacted or substantively enacted at the balance sheet date.

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

**e) 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 plant and equipment (including assets owned and let on operating leases) over its estimated useful life as follows:

Aircraft- over 25 years

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

**f) Impairment of property, plant and equipment**

At each reporting date, the Company assesses whether there is any indication that its 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. 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.

**g) Leases**

Contracts to lease assets are classified as finance leases if they transfer substantially all the risks and rewards of ownership of the asset to the customer; all other contracts with customers to lease assets are classified as operating leases.

Finance lease receivables are stated in the balance sheet at the amount of the net investment in the lease, being the minimum lease payments and any unguaranteed residual value discounted at the interest rate implicit in the lease.

Operating lease assets are included within property, plant and equipment and depreciated over their useful lives of the lease (see accounting policy e).

**NOTES TO THE FINANCIAL STATEMENTS****1. Accounting policies (continued)****h) Provisions**

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.

**i) Financial assets**

On initial recognition, financial assets are classified into loans and receivables.

**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.

**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, finance leases or other loans and receivables is impaired. A financial asset or portfolio of financial assets is impaired and an impairment loss incurred if there is objective evidence that an event or events since initial recognition of the asset have adversely affected the amount or timing of future cash flows from the asset.

**k) Financial liabilities**

On initial recognition financial liabilities are classified into amortised cost.

**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 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.

**m) Assets held for sale**

Operating lease assets that are routinely marketed for sale at the end of their leases are reclassified as inventories and are held at lower of their carrying amount or net realisable value. Proceeds from sales are reported as revenue.

Other non current assets are classified as held for sale if the Company will recover their carrying amount principally through a sale transaction rather than through continuing use. A non-current asset (or disposal group) classified as held for sale is measured at the lower of its carrying amount and fair value less costs to sell. Assets and liabilities of disposal groups classified as held for sale and non-current assets classified as held for sale are shown separately on the face of the balance sheet. Realisations of disposals groups are presented net in the income statement.



## NOTES TO THE FINANCIAL STATEMENTS

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

The reported results of the Company are sensitive to the accounting policies, assumptions and estimates that underlie the preparation of its financial statements. 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.

**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.

**Loan impairment provisions**

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

**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.

## 3. Turnover

	2017 £'000	2016 £'000
Finance lease income:		
Rents receivable	2,549	1,953
Amortisation	(2,030)	(1,487)
Contingent rental expense	(129)	(179)
	390	287
Other rents receivable	-	136
Operating lease income -rents receivable	1,530	120
	1,920	543

## 4. Cost of sales

	2017 £'000	2016 £'000
Depreciation	1,389	108
Impairment of plant, property and equipment	-	1,081
	1,389	1,189

## 5. Operating income

	2017 £'000	2016 £'000
Other income	3	1

## NOTES TO THE FINANCIAL STATEMENTS

## 6. Operating expenses

	2017 £'000	2016 £'000
<b>Operating expenses has been arrived at after charging :</b>		
Bad debt charge	-	1
Depreciation on property, plant and equipment	-	597
Impairment of assets held for sale	-	367
Loss on disposal of assets held for sale	56	-
Maintenance costs	326	1,068
Management fees	82	91
Audit fee	17	15
Foreign exchange (gain)/ loss	(33)	397
Other charges	29	10
	<b>477</b>	<b>2,546</b>

Management fees include the costs of staff and directors borne by other members of the group, none of which can be apportioned meaningfully in respect of services to the Company.

## 7. Finance income

	2017 £'000	2016 £'000
On loans receivable from group companies	<b>111</b>	<b>56</b>

## 8. Finance costs

	2017 £'000	2016 £'000
Interest on loans from group companies	<b>242</b>	<b>212</b>

## 9. Tax

	2017 £'000	2016 £'000
<b>Current taxation:</b>		
UK corporation tax charge/(credit) for the year	<b>118</b>	<b>(743)</b>
<b>Deferred taxation:</b>		
(Credit)/charge for the year	<b>(110)</b>	<b>94</b>
Tax charge/(credit) for the year	<b>8</b>	<b>(649)</b>

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

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

	2017 £'000	2016 £'000
Expected tax credit	<b>(15)</b>	<b>(669)</b>
Non-deductible items	<b>17</b>	<b>16</b>
Adjustments in respect of prior periods	<b>(1)</b>	<b>-</b>
Increase in deferred tax following changes in rate of UK corporation tax	<b>7</b>	<b>4</b>
Actual tax charge/(credit) for the year	<b>8</b>	<b>(649)</b>

## NOTES TO THE FINANCIAL STATEMENTS

## 9. Tax

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 assets have been calculated taking into account that existing temporary differences may unwind in periods subject to the reduced rates.

## 10. Property, plant and equipment

	Assets for hire under operating lease £'000
<b>Cost</b>	
1 October 2016 and 30 September 2017	6,040
<b>Accumulated depreciation and impairment</b>	
1 October 2016	1,189
Depreciation charge	1,389
At 30 September 2017	2,578
<b>Net book value</b>	
At 30 September 2017	3,462
At 30 September 2016	4,851

## Security

No property, plant and equipment has been pledged as security for liabilities of the Company (2016: none).

## 11. Assets held for sale

	2017 £'000	2016 £'000
Aircraft	-	9,960

The aircraft was disposed of on 30 November 2016 for a consideration of £10,293,440 before disposal cost.

## 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>2017</b>				
Future minimum lease payments	6,927	799	3,189	10,915
Unearned finance income	(294)	(125)	(1,299)	(1,718)
Present value of minimum lease payments receivable	6,633	674	1,890	9,197
<b>2016</b>				
Future minimum lease payments	1,395	7,017	2,992	11,404
Unearned finance income	(48)	(821)	(1,195)	(2,064)
Present value of minimum lease payments receivable	1,347	6,196	1,797	9,340
			<b>2017</b>	<b>2016</b>
			£'000	£'000
Due within one year			6,633	1,347
Due after more than one year			2,564	7,993
			<b>9,197</b>	<b>9,340</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 (2016: 15 years).

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

The average effective interest rate in relation to finance lease agreements approximates 7.4% (2016: 6.3%).

## 13. Operating lease arrangements

	Within 1 year £'000	Between 1 and 5 years £'000	After 5 years £'000	Total £'000
<b>2017</b>	<b>720</b>	<b>-</b>	<b>-</b>	<b>720</b>
<b>2016</b>	<b>1,920</b>	<b>720</b>	<b>-</b>	<b>2,640</b>
			<b>2017</b>	<b>2016</b>
			£'000	£'000
Nature of operating leases in the balance sheet:				
Aircraft			3,462	4,851

## 14. Loans receivable

	<b>2017</b>	<b>2016</b>
	£'000	£'000
Due within one year		
Amounts owed by group companies	6,019	13,622

## NOTES TO THE FINANCIAL STATEMENTS

## 15. Trade and other receivables

	2017 £'000	2016 £'000
<b>Due within one year</b>		
Trade receivables	2,046	470
Other receivables	4	6
	<u>2,050</u>	<u>476</u>

## 16. Prepayments, accrued income and other assets

	2017 £'000	2016 £'000
Group relief receivable	<u>601</u>	<u>817</u>

## 17. Borrowings

	2017 £'000	2016 £'000
Overdrafts from group companies	109	157
Loans from group companies	<u>17,398</u>	<u>37,755</u>
	<u>17,507</u>	<u>37,912</u>
Current – on demand or within one year	14,591	9,945
Non-current:		
- between one and two years	229	7,800
- between two and five years	49	2,614
- after five years	<u>2,638</u>	<u>17,553</u>
	<u>2,916</u>	<u>27,967</u>

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

£2,522,000 (2016: £2,288,000) is at a fixed rate of 5.74%

£116,000 (2016: £15,265,000) is at a floating rate

The repayment profile of the borrowings is disclosed in note 22 (ii).

## 18. Trade and other payables

	2017 £'000	2016 £'000
<b>Due within one year</b>		
Trade creditors	1,841	438
Value Added Tax payable	44	39
Other payables	<u>6,323</u>	<u>4,925</u>
	<u>8,208</u>	<u>5,402</u>

## 19. Accruals, deferred income and other liabilities

	2017 £'000	2016 £'000
Accruals*	1,575	97
Deferred income	8	33
	<u>1,583</u>	<u>130</u>

\*£1,464k of the accruals relate to amounts owed to group companies.

## NOTES TO THE FINANCIAL STATEMENTS

## 20. Deferred tax

Deferred tax asset comprises:

	Capital allowances £'000	Other £'000	Total £'000
At 1 October 2015	(231)	(1)	(232)
Charge/(credit) to profit and loss account	95	(1)	94
At 30 September 2016	(136)	(2)	(138)
(Credit)/charge to profit and loss account	(112)	2	(110)
At 30 September 2017	(248)	-	(248)

## 21. Provisions for liabilities

	2017 £'000	2016 £'000
At 1 October	-	242
Release of Provision	-	(242)
At 30 September	-	-

## 22. 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.

	2017 Carrying value £'000	2017 Fair value £'000	2016 Carrying value £'000	2016 Fair value £'000
<b>Financial assets</b>				
Finance lease receivables	9,197	10,029	9,340	9,818
<b>Financial liabilities</b>				
Borrowings	17,507	18,156	37,912	35,488

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

## NOTES TO THE FINANCIAL STATEMENTS

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

## (ii) Financial risk management

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

**Interest rate risk**

Structural interest rate 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.

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

	Fixed rate	Variable rate	Non-interest earning	Total
2017	£'000	£'000	£'000	£'000
<b>Financial assets</b>				
Finance leases	2,628	6,569	-	9,197
Loans receivable	-	6,019	-	6,019
Trade receivables	-	-	2,046	2,046
Cash	-	1,809	-	1,809
	<b>2,628</b>	<b>14,397</b>	<b>2,046</b>	<b>19,071</b>
<b>Financial liabilities</b>				
Borrowings	2,572	14,935	-	17,507
Trade and other payables	-	-	7,985	7,985
Accruals and other liabilities	-	-	1,543	1,543
	<b>2,572</b>	<b>14,935</b>	<b>9,528</b>	<b>27,035</b>
<b>Net financial assets/(liabilities)</b>	<b>56</b>	<b>(538)</b>	<b>(7,482)</b>	<b>(7,964)</b>
	Fixed rate	Variable rate	Non-interest earning	Total
2016	£'000	£'000	£'000	£'000
<b>Financial assets</b>				
Finance leases	1,018	8,322	-	9,340
Loans receivable	-	13,622	-	13,622
Trade and other receivables	-	-	470	470
Cash	-	410	-	410
	<b>1,018</b>	<b>22,354</b>	<b>470</b>	<b>23,842</b>
<b>Financial liabilities</b>				
Borrowings	1,377	36,535	-	37,912
Trade and other payables	-	-	5,163	5,163
Accruals and other liabilities	-	-	82	82
	<b>1,377</b>	<b>36,535</b>	<b>5,245</b>	<b>43,157</b>
<b>Net financial liabilities</b>	<b>(359)</b>	<b>(14,181)</b>	<b>(4,775)</b>	<b>(19,315)</b>

## NOTES TO THE FINANCIAL STATEMENTS

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

## (ii) Financial risk management (continued)

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 loss before tax for the year would have increased by £38,000 (2016: £69,000). 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 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 Company is mainly exposed to the following currencies:

	Assets		Liabilities	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Euro	285	288	118	123
US Dollar	15,149	34,032	18,803	39,124

The following table details the impact on the Company's 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
<b>2017</b>		
(Increase)/reduction in loss before tax	(15)	332
<b>2016</b>		
(Increase)/reduction in loss before tax	(15)	463

The impact on loss 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

## 22. 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	2017 £'000	2016 £'000
Aircraft	1 (2016: 1)	6,569	8,322
Medical equipment	1 (2016: 1)	2,628	1,018
Finance lease receivables		9,197	9,340
Group companies		7,828	14,032

Amounts past due and not impaired:

1 - 29 days	545	470
30 - 59 days	249	-
More than 60 days	1,252	-
Maximum credit exposure	19,071	23,842

Based on counterparty payment history, cash balances and security position 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>2017</b>						
Borrowings	5,519	9,281	387	467	3,018	-
Trade and other payables	7,985	-	-	-	-	-
Accruals and other liabilities	1543	-	-	-	-	-
	15,047	9,281	387	467	3,018	-
<b>2016</b>						
Borrowings	5,418	4,655	9,211	2,044	5,526	13,444
Trade and other payables	5,163	-	-	-	-	-
Accruals and other liabilities	82	-	-	-	-	-
	10,663	4,655	9,211	2,044	5,526	13,444

## NOTES TO THE FINANCIAL STATEMENTS

## 23. Share capital

	2017 £'000	2016 £'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 voting shares which carry no right to fixed income.

## 24. 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.

## 25. Commitments

## Other Commitments

	Within 1 year £'000	Between 1-5 years £'000	After 5 years £'000	Total £'000
<b>2017</b>				
Contracts to buy assets to be leased under finance leases:	832	1,004	765	2,601
<b>2016</b>				£'000
Contracts to buy assets to be leased under finance leases:	2,113	1,807	759	4,679

## 26. 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

As at 30 September 2017

The Company's immediate parent was:	Royal Bank Leasing Limited
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

NOTES TO THE FINANCIAL STATEMENTS

**26. Related parties (continued)**

On 29<sup>th</sup> 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.