

Company Registered No: SC051151

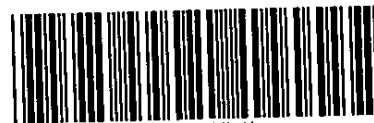
R. B. LEASING COMPANY LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

For the year ended 30 September 2013

**RBS Secretariat
The Royal Bank of Scotland Group plc
PO Box 1000
Gogarburn
Edinburgh
EH12 1HQ**

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DIRECTORS' REPORT AND FINANCIAL STATEMENTS 2013

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS:

**S J Caterer
N T J Clibbens
T D Crome
A P Gadsby**

SECRETARY:

RBS Secretarial Services Limited

REGISTERED OFFICE:

**24/25, St Andrew Square
Edinburgh
EH2 1AF**

AUDITOR:

**Deloitte LLP
3 Rivergate
Temple Quay
Bristol
BS1 6GD**

Registered in Scotland

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 30 September 2013.

This directors' report has been prepared in accordance with the special provisions available to companies entitled to the small companies exemption.

ACTIVITIES AND BUSINESS REVIEW**Activity**

The principal activity of the Company continues to be the provision of fixed asset finance, usually involving individually structured facilities. The Company currently owns one aircraft which it holds as an asset for hire under operating lease and two aircraft under finance lease.

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

Review of the year**Business review**

The airline industry is cyclical and highly competitive. One of the Company's aircraft is under an operating lease where the cost of the aircraft is not fully recovered over the term of the lease. The over supply of a specific type of aircraft in the market could depress aircraft lease rates and values, which would affect re-lease rates. The supply and demand of aircraft is affected by various cyclical factors including:

- passenger air travel and air cargo demand
- fuel prices
- maintenance costs
- technology innovation and the introduction of new generation of aircraft types, government and environment regulations.

The accounts include an impairment in 2013 for \$5,072,000 (2012: \$nil) in respect of finance lease receivables and associated trade receivables. There are no impairments in 2013 relating to property, plant and equipment (2012: \$750,000).

The Company will be guided by its shareholders in seeking further opportunities for growth.

The Company's functional currency is the US dollar, as its trading and funding is predominantly in this currency, and therefore, the financial statements are presented in this currency.

Post balance sheet events are described in note 28 to the financial statements.

Financial performance

The retained loss for the year was \$3,011,000 (2012: retained profit \$180,000) and this was transferred to reserves. The directors do not recommend the payment of a dividend (2012: no dividend paid).

DIRECTORS' REPORT (continued)***Principal risks and uncertainties***

The Company is funded by facilities from Royal Bank Leasing Limited.

The Company's financial risk management objectives and policies regarding the use of financial instruments are set out in note 21 to these financial statements.

The Company seeks to minimise its exposure to external financial risks other than equity and credit risk, further information on financial risk management policies and exposures is disclosed in notes 1 and 21.

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 interim announcement of The Royal Bank of Scotland Group plc for the year ended 31 December 2013, approved on 26 February 2014, which was prepared on a going concern basis.

DIRECTORS AND SECRETARY

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

From 1 October 2012 to date the following changes have taken place:

	Appointed	Resigned
Directors		
J E Rogers		1 April 2014
P J Sullivan		31 December 2013
R F Warren		1 April 2014
N T J Clibbens	1 April 2014	
T D Crome	1 April 2014	
A P Gadsby	1 April 2014	
Secretary		
RBS Secretarial Services Limited	31 October 2012	
C J Down		31 October 2012

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 and the directors have elected to prepare them in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union. Under company law the directors 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 for the financial year of the Company. In preparing these financial statements, under International Accounting Standard 1, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions of the entity's financial position and performance; and
- make an assessment of the Company's ability to continue as a going concern.

DIRECTORS' REPORT (continued)

DIRECTORS' RESPONSIBILITIES STATEMENT (continued)

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

DISCLOSURE OF INFORMATION TO AUDITOR

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

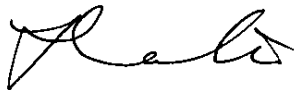
- so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that they ought to have taken to make themselves aware of any relevant audit information, and to establish that the Company's auditor is aware of that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

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

AUDITOR

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

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



S J Caterer
Director

Date: 27 June 2014

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF R. B. LEASING COMPANY LIMITED

We have audited the financial statements of R. B. Leasing Company Limited ('the Company') for the year ended 30 September 2013 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity, the cash flow statement and the related notes 1 to 28. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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 2013 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; 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 R. B. LEASING COMPANY LIMITED (continued)

Matters on which we are required to report by exception

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

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



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

Date

30th June 2014

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 September 2013

Income from continuing operations	Notes	2013 \$'000	2012 \$'000
Revenue	3	2,637	2,108
Cost of sales		(674)	(1,205)
Operating expenses	4	(993)	(241)
Impairment losses	6	(4,518)	-
Operating (loss)/profit		(3,548)	662
Finance costs	5	(315)	(314)
(Loss)/Profit before tax		(3,863)	348
Tax credit /(charge)	7	852	(168)
(Loss)/Profit and total comprehensive (loss)/ income for the year		(3,011)	180

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

BALANCE SHEET
as at 30 September 2013

	Notes	2013 \$'000	2012 \$'000
Assets			
Non-current assets			
Property, plant and equipment	8	4,257	4,931
Investments in subsidiaries	9	-	-
Finance lease receivables	11	1,917	7,656
Deferred tax asset	19	425	480
		<u>6,599</u>	<u>13,067</u>
Current assets			
Finance lease receivables	11	-	1,452
Loan receivables	12	1,441	-
Trade and other receivables	13	551	831
Prepayments, accrued income and other assets	14	516	494
Cash		-	840
		<u>2,508</u>	<u>3,617</u>
Total assets		<u>9,107</u>	<u>16,684</u>
Liabilities			
Current liabilities			
Borrowings	15	1,017	3,130
Trade and other payables	16	1,647	4,173
Obligations under finance leases – subsidiary	17	2	2
Accruals, deferred income and other liabilities	18	58	37
		<u>2,724</u>	<u>7,342</u>
Non-current liabilities			
Borrowings	15	10,555	10,851
Obligations under finance leases – subsidiary	17	16	18
Provision for liabilities	20	350	-
		<u>10,921</u>	<u>10,869</u>
Total liabilities		<u>13,645</u>	<u>18,211</u>
Equity			
Share capital	23	102	102
Retained deficit		<u>(4,640)</u>	<u>(1,629)</u>
Total equity		<u>(4,538)</u>	<u>(1,527)</u>
Total liabilities and equity		<u>9,107</u>	<u>16,684</u>

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

The financial statements were approved by the Board of Directors on 27 June 2014 and signed on its behalf by:

S J Caterer
Director



STATEMENT OF CHANGES IN EQUITY
for the year ended 30 September 2013

	Share capital \$'000	Retained deficit \$'000	Total \$'000
At 1 October 2011	102	(1,809)	(1,707)
Profit for the year	-	180	180
At 30 September 2012	102	(1,629)	(1,527)
Loss for the year	-	(3,011)	(3,011)
At 30 September 2013	102	(4,640)	(4,538)

Total comprehensive loss for the year of \$3,011,000 (2012: total comprehensive income of \$180,000) was wholly attributable to the owners of the Company.

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

CASH FLOW STATEMENT
for the year ended 30 September 2013

	Note	2013 \$'000	2012 \$'000
Operating activities			
(Loss)/Profit for the year before tax		(3,863)	348
Adjustments for:			
Depreciation		674	455
Impairment on plant, property and equipment		-	750
Provisions for liabilities		350	-
Impairment on finance leases		4,518	-
Finance costs		315	314
Operating cash flows before movements in working capital		<u>1,994</u>	<u>1,867</u>
Decrease in finance lease receivables		2,673	221
Decrease/(increase) in trade and other receivables		280	(807)
(Decrease)/increase in obligations under finance leases		(2)	20
(Decrease)/increase in trade and other payables		(2,526)	845
Increase in accruals, deferred income and other liabilities		21	1
Net cash from operating activities before tax		<u>2,440</u>	<u>2,147</u>
Tax/Group relief received/(paid) - immediate parent company		885	(1,586)
Net cash flows from operating activities		<u>3,325</u>	<u>561</u>
Cash flows from financing activities			
Proceeds from borrowings – immediate parent company		-	458
Repayment of borrowings – immediate parent company		(2,462)	-
Interest paid to group undertakings – immediate parent company		(315)	(316)
Net cash flows (used by)/from financing activities		<u>(2,777)</u>	<u>142</u>
Net increase in cash and cash equivalents		548	703
Cash and cash equivalents at beginning of year		840	137
Cash and cash equivalents at end of year	24	<u>1,388</u>	<u>840</u>

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

NOTES TO THE FINANCIAL STATEMENTS**1. Accounting policies****a) Presentation of accounts**

The accounts are prepared on a going concern basis (see the Directors' Report) and in accordance with 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 European Union (EU) (together 'IFRS').

The accounts are prepared on the historical cost basis.

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

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

Adoption of new and revised standards

Changes to IFRS that were effective from 1 October 2012 have had no material effect on the Company's financial statements for the year ended 30 September 2013.

b) Consolidated financial statements

The financial statements contain information about R. B. Leasing Company Limited as an individual company and do not contain consolidated financial information as the parent of a group. The Company is exempt under IAS 27 Consolidated and Separate Financial Statements and section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as the Company and its subsidiaries are included by full consolidation in the IFRS consolidated financial statements of its parent, The Royal Bank of Scotland Group plc, a public company registered in Scotland.

c) Foreign currencies

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

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

d) Revenue recognition

Revenue 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.

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

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

e) Taxation

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

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

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

f) Property, plant and equipment

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

Depreciation is charged to profit or loss on a straight-line basis so as to write-off the depreciable amount of property, plant and equipment (including assets owned and let on operating leases) over their estimated useful lives.

The depreciable amount is the cost of an asset less its residual value. Assets held for use under operating leases are depreciated over the term of the lease.

g) Impairment of property, plant and equipment

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

h) Investments in group undertakings

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. Accounting policies (continued)

i) 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. Other contracts to lease assets are classified as operating leases.

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

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

j) 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.

k) Financial assets

On initial recognition, financial assets are classified into held-to-maturity investments held-for-trading; designated as at fair value through profit or loss; loans and receivables; or available-for-sale financial assets.

Loans and receivables

Non-derivative financial assets with fixed or determinable repayments that are not quoted in an active market are classified as loans and receivables, except those that are classified as available-for-sale or as held-for-trading, or designated as at fair value through profit or loss. Loans and receivables are initially recognised at fair value plus directly related transaction costs. They are subsequently measured at amortised cost using the effective interest method less any impairment losses.

l) 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.

m) 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.

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.

n) 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)**1. Accounting policies (continued)****o) Obligations under finance leases**

Assets held under finance leases are recognised as assets at the present value of the minimum lease payments determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

p) Cash and cash equivalents

In the cash flow statement, cash and cash equivalents comprises cash and demand deposits with banks together with short-term highly liquid investments that are readily convertible to known amounts of cash and subject to insignificant risk of change in value.

q) Accounting developments

The following IFRSs and amendments to IFRS have an effective date of 1 January 2013:

IFRS 10 'Consolidated Financial Statements' replaces SIC-12 'Consolidation - Special Purpose Entities' and the consolidation elements of the existing IAS 27 'Consolidated and Separate Financial Statements'. IFRS 10 adopts a single definition of control: a reporting entity controls another entity when the reporting entity has the power to direct the activities of that other entity so as to vary returns for the reporting entity. IFRS 10 requires retrospective application. The company continues to assess aspects of IFRS 10. However implementation is not expected to have a material effect on the Company's financial statements.

IFRS 12 'Disclosure of Interests in Other Entities' covers disclosures for entities reporting under IFRS 10 and IFRS 11 replacing those in IAS 28 and IAS 27. Entities are required to disclose information that helps financial statement readers evaluate the nature, risks and financial effects associated with an entity's interests in subsidiaries, in associates and joint arrangements and in unconsolidated structured entities.

IAS 27 'Separate Financial Statements' comprises those parts of the existing IAS 27 that deal with separate financial statements. IAS 28 'Investments in Associates and Joint Ventures' covers joint ventures as well as associates; both must be accounted for using the equity method. The mechanics of the equity method are unchanged. These two revised standards will have no material effect on the Company's financial statements.

IFRS 13 'Fair Value Measurement' sets out a single IFRS framework for defining and measuring fair value and requiring disclosures about fair value measurements. Implementation of IFRS 13 will not have a material effect on the Company's financial statements.

'Disclosures - Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)' amended IFRS 7 to require disclosures about the effects and potential effects on an entity's financial position of offsetting financial assets and financial liabilities and related arrangements.

Amendments to IAS 1 'Presentation of Items of Other Comprehensive Income' require items that will never be recognised in profit or loss to be presented separately in other comprehensive income from those items that are subject to subsequent reclassification.

'Annual Improvements 2009-2011 Cycle' makes a number of minor changes to IFRSs. These will not have a material effect on the Company's financial statements.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. Accounting policies (continued)

q) Accounting developments (continued)

Effective after 2013

In December 2011, the IASB issued 'Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)'. The amendments add application guidance to IAS 32 to address inconsistencies identified in applying some of the standard's criteria for offsetting financial assets and financial liabilities. The amendments are effective for annual periods beginning on or after 1 January 2014 and must be applied retrospectively.

The Company is reviewing these amendments to determine their effect on the Company's financial reporting.

In November 2009, the IASB issued IFRS 9 'Financial Instruments' simplifying the classification and measurement requirements in IAS 39 in respect of financial assets. The standard reduces the measurement categories for financial assets to two: fair value and amortised cost. A financial asset is classified on the basis of the entity's business model for managing the financial asset and the contractual cash flow characteristics of the financial asset. Only assets with contractual terms that give rise to cash flows on specified dates that are solely payments of principal and interest on principal and which are held within a business model whose objective is to hold assets in order to collect contractual cash flows are classified as amortised cost. All other financial assets are measured at fair value. Changes in the value of financial assets measured at fair value are generally taken to profit or loss.

In October 2010, IFRS 9 was updated to include requirements in respect of the classification and measurement of liabilities. These do not differ markedly from those in IAS 39 except for the treatment of changes in the fair value of financial liabilities that are designated as at fair value through profit or loss attributable to own credit; these must be presented in other comprehensive income.

In December 2011, the IASB issued amendments to IFRS 9 and to IFRS 7 'Financial Instruments: Disclosures' delaying the effective date of IFRS 9 to annual periods beginning on or after 1 January 2015 and introducing revised transitional arrangements including additional transition disclosures. If an entity implements IFRS 9 in 2012 the amendments permit it either to restate comparative periods or to provide the additional disclosures. Additional transition disclosures must be given if implementation takes place after 2012.

IFRS 9 makes major changes to the framework for the classification and measurement of financial instruments and will have a significant effect on the Company's financial statements. The Company is assessing the effect of IFRS 9 which will depend on the results of IASB's reconsideration of IFRS 9's classification and measurement requirements and the outcome of the other phases in the development of IFRS 9.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. Critical accounting policies and key sources of estimation uncertainty

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

Residual values

The Company assesses objective evidence for impairment of residual values on an annual basis adjusting the depreciation recognised on operating leases amount 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 to assess whether substantially all the significant risks and rewards of ownership accrue to the lessor or 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 1f) above.

3. Revenue

	2013 \$'000	2012 \$'000
Finance lease income:		
Rents receivable	4,314	1,549
Amortisation	(2,672)	(438)
Rents receivable under head lease – subsidiary company	2	4
	<u>1,644</u>	<u>1,115</u>
Operating lease rental	993	993
	<u>2,637</u>	<u>2,108</u>

The Company did not enter into any new leasing transactions during the year (2012: \$nil).

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. Operating expenses

	2013 \$'000	2012 \$'000
Purchases	28	-
Legal provision	350	-
Bad debt charge	554	-
Fees and commissions	-	60
Exchange losses/(gains)	1	(1)
Management fees – immediate parent company	60	29
Other charges	-	153
	<u>993</u>	<u>241</u>

Staff costs, number of employees and directors' emoluments

All staff and directors were employed by The Royal Bank of Scotland plc, the accounts for which 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 charge 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 by Royal Bank Leasing Limited.

Auditor's remuneration

	2013 \$'000	2012 \$'000
Auditor's remuneration – audit services (included within the management fee shown above)	16	16
Auditor's remuneration – audit services for a subsidiary company (included within purchases shown above)	28	-
	<u>44</u>	<u>16</u>

5. Finance costs

	2013 \$'000	2012 \$'000
Interest on loans from group undertakings – immediate parent company	313	309
Obligations under finance lease – subsidiary company	2	4
Bank interest – intermediate parent company	-	1
	<u>315</u>	<u>314</u>

6. Impairment losses

The following impairment losses were recognised during the year:

	2013 \$'000	2012 \$'000
Impairment losses on finance leases	<u>4,518</u>	-

NOTES TO THE FINANCIAL STATEMENTS (continued)

7. Tax

	2013 \$'000	2012 \$'000
Current taxation:		
UK corporation tax (credit)/charge for the year	(920)	190
Under provision in respect of prior periods	13	539
	<u>(907)</u>	<u>729</u>
Deferred taxation:		
Charge/(credit) for the year	18	(107)
Impact of tax rate changes	49	45
Over provision in respect of prior periods	(12)	(499)
	<u>55</u>	<u>(561)</u>
Tax (credit)/charge for the year	<u>(852)</u>	<u>168</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 23.5% (2012: blended tax rate 25%) as follows:

	2013 \$'000	2012 \$'000
Expected tax (credit)/charge	(908)	87
Non-deductible items	6	-
Reduction in deferred tax following change in rate of UK corporation tax	49	41
Adjustments in respect of prior periods	1	40
Actual tax (credit)/charge for the year	<u>(852)</u>	<u>168</u>

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% from 1 April 2015. The closing deferred tax assets and liabilities have been calculated at 20.6% in accordance with the rates enacted at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS (continued)

8. Property, plant and equipment

	Assets held for use in operating leases \$'000
2013	
Cost	
At 1 October 2012 and 30 September 2013	<u>6,791</u>
Depreciation	
1 October 2012	1,860
Depreciation charge for the year	<u>674</u>
30 September 2013	<u>2,534</u>
2012	
Cost	
At 1 October 2011 and 30 September 2012	<u>6,791</u>
Depreciation	
1 October 2011	655
Depreciation charge for the year	455
Impairment losses for the year	<u>750</u>
30 September 2012	<u>1,860</u>
Net book value	
30 September 2013	<u>4,257</u>
30 September 2012	<u>4,931</u>

Security

No property, plant and equipment has been pledged as security for liabilities of the Company (2012: none).

	2013 \$'000	2012 \$'000
Depreciation included within cost of sales	674	455
Impairment included within cost of sales	-	<u>750</u>
	<u>674</u>	<u>1,205</u>

9. Investments in subsidiaries

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

	2013 \$	2012 \$
At 1 October	100	104
Disposals	-	<u>(4)</u>
At 30 September	<u>100</u>	<u>100</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

9. Investments in subsidiaries (continued)

The subsidiary undertakings of the Company are shown below.

Name of subsidiary	Country of incorporation	Proportion of ownership interest %	Proportion of voting power held %	Principal activity
R. B. Leasing BDA One Limited	Bermuda	100	100	Lease registration

Accounting reference date: 30 September

During the prior year, the following subsidiary was dissolved:

Name of subsidiary	Date of dissolution
GL Lease Company No. 12 Limited	26 June 2012

10. Operating lease arrangements

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

	Within 1 year \$'000	Between 1 and 5 years \$'000	Total \$'000
2013	996	498	1,494
2012	996	1,494	2,490
Nature of operating lease assets in the balance sheet		2013 \$'000	2012 \$'000
Transportation		4,257	4,931

Company as lessor

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

11. Finance lease receivables

	Within 1 year \$'000	Between 1 and 5 years \$'000	After 5 years \$'000	Total \$'000
2013				
Future minimum lease payments	1,514	6,056	3,784	11,354
Unearned finance income	(119)	(2,338)	(2,462)	(4,919)
Present value of minimum lease payments receivable	<u>1,395</u>	<u>3,718</u>	<u>1,322</u>	<u>6,435</u>
Impairment provisions				(4,518)
Carrying Value				<u>1,917</u>
2012				
Future minimum lease payments	1,514	6,056	5,298	12,868
Unearned finance income	(62)	(1,361)	(2,337)	(3,760)
Present value of minimum lease payments receivable	<u>1,452</u>	<u>4,695</u>	<u>2,961</u>	<u>9,108</u>
			2013	2012
			\$'000	\$'000
Current			-	1,452
Non-current			<u>1,917</u>	<u>7,656</u>
			<u>1,917</u>	<u>9,108</u>

The Company has entered into finance leasing arrangements for two aircraft. The average term of the finance lease is 10 years (2012: 10 years).

Unguaranteed residual values are estimated at \$nil (2012: \$nil).

The average effective interest rate in relation to finance lease agreements approximates 9% (2012: 9%).

12. Loan receivables

	2013 \$'000	2012 \$'000
Current		
Deposits owed by group undertakings – immediate parent company	<u>1,441</u>	-

The fair value of loan receivables is considered not to be materially different to the carrying amounts in the balance sheet.

NOTES TO THE FINANCIAL STATEMENTS (continued)

13. Trade and other receivables

	2013 \$'000	2012 \$'000
Trade receivables	4	406
Other receivables	547	425
	<u>551</u>	<u>831</u>

14. Prepayments, accrued income and other assets

	2013 \$'000	2012 \$'000
Group relief receivable from group undertaking – immediate parent company	<u>516</u>	<u>494</u>

15. Borrowings

	2013 \$'000	2012 \$'000
Overdrafts from group banks - intermediate parent company	53	-
Loans from group undertakings - immediate parent company	11,519	13,981
	<u>11,572</u>	<u>13,981</u>
Current	1,017	3,130
Non-current	10,555	10,851
	<u>11,572</u>	<u>13,981</u>

16. Trade and other payables

	2013 \$'000	2012 \$'000
Other payables	<u>1,647</u>	<u>4,173</u>

17. Obligations under finance leases

	Year in which payment is expected			Total \$'000
	Within 1 year \$'000	Between 1 and 5 years \$'000	After 5 years \$'000	
2013 Net carrying value	<u>2</u>	<u>10</u>	<u>6</u>	<u>18</u>
2012 Net carrying value	<u>2</u>	<u>10</u>	<u>8</u>	<u>20</u>

The Company leases two aircraft under finance leases. The average lease term is 10 years. The effective interest rate is nil%. The counterparty is a subsidiary company.

NOTES TO THE FINANCIAL STATEMENTS (continued)

18. Accruals, deferred income and other liabilities

	2013 \$'000	2012 \$'000
Accruals – immediate parent company	<u>58</u>	<u>37</u>

19. Deferred tax

The following are the major tax assets/(liabilities) recognised by the Company, and the movements thereon.

	Capital allowances \$'000
At 1 October 2011	(81)
Credit to income	<u>561</u>
At 30 September 2012	480
Charge to income	<u>(55)</u>
At 30 September 2013	<u>425</u>

20. Provisions for liabilities

	Total \$'000
Legal fees	
At 1 October 2012	-
Charge to income	<u>350</u>
At 31 September 2013	<u>350</u>

The Company has engaged legal counsel with regards to claiming under a guarantee. The amount provided represents the directors' best estimate of the liability.

21. Financial instruments and risk management

(i) 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 the finance lease and the borrowings 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 by the associated mark to market arising on the swap.

The fair value of loans and receivables is estimated by discounting expected future cash flows using current interest rates and making adjustments for credit. All financial assets are classed as finance lease receivables or loans and receivables. All financial liabilities are classed as amortised cost.

NOTES TO THE FINANCIAL STATEMENTS (continued)

21. Financial instruments and risk management (continued)

(i) Fair value (continued)

	2013 Carrying value \$'000	2013 Fair value \$'000	2012 Carrying value \$'000	2012 Fair value \$'000
Financial assets				
Finance lease receivables	1,917	1,917	9,108	6,162
Financial liabilities				
Borrowings	11,572	12,045	13,981	14,833

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

(ii) Financial risk management

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

Market risk

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

Interest rate risk

Structural interest rate risk arises where assets and liabilities have different 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.

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

2013	Fixed rate \$'000	Variable rate \$'000	Non- interest earning \$'000	Total \$'000
Financial assets				
Finance leases	1,917	-	-	1,917
Loan receivables	-	1,441	-	1,441
Trade and other receivables	-	-	551	551
	<u>1,917</u>	<u>1,441</u>	<u>551</u>	<u>3,909</u>
Financial liabilities				
Borrowings	11,519	53	-	11,572
Trade and other payables	-	-	1,448	1,448
Obligations under finance lease	-	18	-	18
Accruals and other liabilities	-	-	58	58
	<u>11,519</u>	<u>71</u>	<u>1,506</u>	<u>13,096</u>
Net financial assets/(liabilities)	<u>(9,602)</u>	<u>1,370</u>	<u>(955)</u>	<u>(9,187)</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

21. Financial instruments and risk management (continued)

(ii) Financial risk management (continued)

2012	Fixed rate \$'000	Variable rate \$'000	Non- interest earning \$'000	Total \$'000
Financial assets				
Finance leases	9,108	-	-	9,108
Trade and other receivables	-	-	831	831
Cash	-	840	-	840
	<u>9,108</u>	<u>840</u>	<u>831</u>	<u>10,779</u>
Financial liabilities				
Borrowings	11,960	2,021	-	13,981
Trade and other payables	-	-	4,173	4,173
Obligations under finance lease	-	20	-	20
Accruals and other liabilities	-	-	37	37
	<u>11,960</u>	<u>2,041</u>	<u>4,210</u>	<u>18,211</u>
Net financial assets/(liabilities)	<u>(2,852)</u>	<u>(1,201)</u>	<u>(3,379)</u>	<u>(7,432)</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 loss before tax for the year would have decreased by \$7,000 (2012: profit before tax for the year would have decreased by \$6,000). This is mainly due to the Company's exposure to interest rates on its variable rate cash balances and borrowings. There would be no other impact on equity.

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.

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 dictated by the Board and specifically granted in writing to all individuals involved in the granting of credit approval. In exercising credit authority, the individuals act independently of any related business revenue origination.
- All credit exposures, once approved, are effectively monitored and managed and reviewed periodically against approved limits. Lower quality exposures are subject to a greater frequency of analysis and assessment.

NOTES TO THE FINANCIAL STATEMENTS (continued)

21. Financial instruments and risk management (continued)

(ii) Financial risk management (continued)

Credit risk (continued)

Maximum credit exposure:

<u>Sector</u>	<u>No. of counterparties</u>	2013 \$'000	2012 \$'000
Transportation	1 (2012: 1)	1,917	9,108
Finance lease receivables		1,917	9,108
Group undertakings		1,441	840
Other		4	-
		3,362	9,948
Amounts past due not impaired			
0 - 1 month		-	-
1 - 2 months		-	-
> 2 months		547	831
		547	831
Maximum credit exposure			
		3,909	10,779
Amounts impaired past due:			
0 - 1 month		126	-
1 - 2 months		126	-
> 2 months		302	-
		554	-
Amounts impaired not yet due:			
Finance lease receivables		4,518	-
		5,072	-

Based on counterparty payment history and guarantees in place, the Company considers the above financial assets excluding those that have been impaired or are past due to be of good credit quality.

Liquidity risk

Liquidity risk arises where assets and liabilities have different contractual maturities.

Management focuses on both overall balance sheet structure and the control, within prudent limits, of risk arising from the mismatch of maturities across the balance sheet and from undrawn commitments and other contingent obligations. It is undertaken within limits and other policy parameters set by Group Asset and Liability Management Committee (GALCO).

NOTES TO THE FINANCIAL STATEMENTS (continued)

21. Financial instruments and risk management (continued)

(ii) Financial risk management (continued)

Financial liabilities

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

2013	0 - 3	4 - 12	1 - 3	4 - 5	6 - 10
	months	months	years	years	years
	\$'000	\$'000	\$'000	\$'000	\$'000
Borrowings	378	951	6,588	1,883	2,795
Trade and other payables	1,448	-	-	-	-
Accruals and other liabilities	58	-	-	-	-
Obligations under finance leases	1	1	5	5	6
	1,885	952	6,593	1,888	2,801

2012	0 - 3	4 - 12	1 - 3	4 - 5	6 - 10
	months	months	years	years	years
	\$'000	\$'000	\$'000	\$'000	\$'000
Borrowings	2,371	1,086	7,631	2,317	1,969
Trade and other payables	1,373	-	-	-	2,800
Accruals and other liabilities	37	-	-	-	-
Obligations under finance leases	1	1	5	5	8
	3,782	1,087	7,636	2,322	4,777

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 26 - commitments and contingent liabilities).

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.

22. Financial assets - impairments

The following table shows the movement in the provision for impairment of finance leases and trade and other receivables.

	2013	2012
	\$'000	\$'000
At 1 October	-	-
Bad debt charge to income	554	-
Impairment loss charge to income	4,518	-
At 30 September	5,072	-

NOTES TO THE FINANCIAL STATEMENTS (continued)

22. Financial assets – impairments (continued)

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

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

	2013		2012		Net book value \$'000
	Gross book value \$'000	Provision \$'000	Gross book value \$'000	Provision \$'000	
Finance lease receivables	6,435	4,518	1,917	-	-
Trade and other receivables	1,105	554	551	-	-
	7,540	5,072	2,468	-	-

23. Share capital

	2013 \$'000	2012 \$'000
Authorised:		
1,000 Ordinary shares of £1	2	2
100,000 Ordinary shares of \$1	100	100
	102	102
Allotted, called up and fully paid:		
Equity shares		
1,000 Ordinary shares of £1	2	2
100,000 Ordinary shares of \$1	100	100
	102	102

Both classes of ordinary shares carry no right to fixed income.

24. Cash and cash equivalents per cash flow statement

	2013 \$'000	2012 \$'000
Cash held with group undertaking – intermediate parent company	-	840
Deposits with group companies placed at within 3 months original maturity:		
Group – immediate parent company (note 12)	1,441	-
Overdrafts:		
Amounts owed to group banks - intermediate parent company (note 15)	(53)	-
Cash and cash equivalents per cash flow statement	1,388	840

NOTES TO THE FINANCIAL STATEMENTS (continued)**25. 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.

26. Commitments and contingent liabilities

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

27. Related parties**UK Government**

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

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

Group undertakings

The Company's immediate parent company is Royal Bank Leasing Limited, a company incorporated in the UK. As at 30 September 2013, The Royal Bank of Scotland plc heads the smallest group in which the Company is consolidated. Copies of the consolidated accounts may be obtained from RBS Secretariat, Gogarburn, PO Box 1000, Edinburgh EH12 1HQ.

The Company's ultimate holding company is The Royal Bank of Scotland Group plc, a company incorporated in the UK. As at 30 September 2013, The Royal Bank of Scotland Group plc heads the largest group in which the Company is consolidated. Copies of the consolidated accounts may be obtained from RBS Secretariat, The Royal Bank of Scotland Group plc, Gogarburn, PO Box 1000, Edinburgh, EH12 1HQ.

Amounts due to or from related parties are unsecured and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of amounts owed by related parties.

NOTES TO THE FINANCIAL STATEMENTS (continued)

27. Related parties (continued)

Key management

The Company is a subsidiary of The Royal Bank of Scotland Group plc whose policy is for companies to bear the costs of their full time staff. The time and costs of executives and other staff who are primarily employed by the group are not specifically recharged. However, the group recharges subsidiaries for management fees which include an allocation of certain staff and administrative support costs.

In the Company and the group, key management comprise directors of the Company and members of the Group Executive Management Committee. The emoluments of the directors of the Company are met by the group.

The directors of the Company do not receive remuneration for specific services provided to the Company.

28. Post balance sheet events

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