Company Registered No: 05039983

RBSSAF (16) LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2011

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

DIRECTORS' REPORT AND FINANCIAL STATEMENTS 2011

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS:	S J Caterer P A Cheesman P D J Sullivan L C Varnavides
SECRETARY:	C J Down
REGISTERED OFFICE:	The Quadrangle The Promenade Cheltenham GL50 1PX
AUDITOR:	Deloitte LLP 3 Rivergate Temple Quay Bristol BS1 6GD

Registered in England and Wales

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 31 December 2011

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 is a subsidiary of The Royal Bank of Scotland Group plc ("RBSG") 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 Group Secretariat, RBS Gogarburn, Edinburgh, EH12 1HQ, the Registrar of Companies or through the group's website at rbs com

Review of the year

Business review
The directors are satisfied with the company's performance in the year The company will be guided by its shareholders in seeking further opportunities for growth Post balance sheet events are described in note 22 to the financial statements

Financial performance
The company's financial performance is presented in the statement of comprehensive income

Revenue fell by $5,732,000 (2010 revenue fell by $12,416,000) and finance costs fell by $564,000 (2010 $8,431,000) The decrease in revenue is partly due to lease rentals being re-priced for the corporation tax rate changes The profit for the year was $4,441,000 (2010 $4,455,000), a decrease of 0 3% over 2010

A dividend of $5,000,000 was paid on 23 June 2011 (2010 $4,700,000) An interim dividend of $4,500,000 was paid on 26 June 2012 in respect of the period ending 31 December 2012

At the end of the year, the balance sheet showed total assets of $595,581,000 (2010 $728,077,000), including income-generating assets comprising leased assets $589,498,000 (2010 $716,902,000) and loans and receivables of $6,083,000 (2010 $11,175,000) together representing a decrease of 18 2 % Total equity was $4,904,000 (2010 $5,463,000)

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 16 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 16

DIRECTORS' REPORT (continued)

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

From 1 January 2011 to date the following changes have taken place

	Appointed	Resigned
Directors		
P A Cheesman	24 January 2011	
G R Locker		2 September 2011
P D J Sullivan	19 September 2011	

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

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

DIRECTORS' REPORT (continued)

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 behalf of the Board

S J Caterer
Director
Date 30 August 2012

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RBSSAF (16) LIMITED

We have audited the financial statements of RBSSAF (16) Limited ('the company') for the year ended 31 December 2011 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 22 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 of the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements 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 31 December 2011 and of its profit 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 RBSSAF (16) LIMITED (continued)

Matters on which we are required to report by exception

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

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

Simon Cleveland FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Bristol, United Kingdom
Date
30 August 2012

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2011

Continuing operations	Notes	2011 $'000	2010 $'000
Revenue	3	(2,201)	3,531
Operating income	4	65	75
Operating expenses	5	(87)	(89)
Operating (loss)/profit		(2,223)	3,517
Finance income	6	39	43
Finance costs	7	(1,731)	(2,295)
(Loss)/profit before tax		(3,915)	1,265
Tax credit	8	8,356	3,190
Profit and total comprehensive income for the year		4,441	4,455

The accompanying notes form an integral part of these financial statements

BALANCE SHEET
as at 31 December 2011

	Notes	2011 $'000	2010 $'000
Assets			
Non-current assets			
Finance lease receivables	10	173,188	608,596
Current assets			
Finance lease receivables	10	416,310	108,306
Loan receivables	11	6,083	11,175
		422,393	119,481
Total assets		595,581	728,077
Liabilities			
Current liabilities			
Borrowings	12	371,218	44,407
Trade and other payables	13	5,591	6,762
Current tax liabilities		1,183	-
Accruals, deferred income and other liabilities	14	459	604
		378,451	51,773
Non-current liabilities			
Borrowings	12	119,749	575,165
Deferred tax liability	15	92,477	95,676
		212,226	670,841
Total liabilities		590,677	722,614
Equity			
Share capital	17	-	-
Retained earnings		4,904	5,463
Total equity		4,904	5,463
Total liabilities and equity		595,581	728,077

The accompanying notes form an integral part of these financial statements

The financial statements were approved by the Board of Directors and authorised for issue on 30 August 2012 and signed on its behalf by

S J Caterer
Director

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2011

	Note	Share capital $'000	Retained earnings $'000	Total $'000
At 1 January 2010		-	5,708	5,708
Profit for the year		-	4,455	4,455
Dividends paid	9	-	(4,700)	(4,700)
At 31 December 2010		-	5,463	5,463
Profit for the year		-	**4,441**	**4,441**
Dividends paid	9	-	**(5,000)**	**(5,000)**
At 31 December 2011		-	**4,904**	**4,904**

Total comprehensive income for the year of $4,441,000 (2010 $4,455,000) 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 31 December 2011

	Notes	2011 $'000	2010 $'000
Operating activities			
(Loss)/profit for the year before tax		(3,915)	1,265
Adjustments for:			
Finance income		(39)	(43)
Finance costs		1,731	2,295
Operating cash flows before movements in working capital		(2,223)	3,517
Decrease in finance lease receivables		127,404	72,224
Decrease in trade and other receivables		-	187
Decrease in trade and other payables		(1,171)	(1,038)
Decrease in accruals, deferred income and other liabilities		(45)	(58)
Net cash from operating activities before tax		123,965	74,832
Tax/Group relief received – immediate parent company		6,186	12,446
Net cash flows from operating activities		130,151	87,278
Cash flows from investing activities			
Interest received from group undertakings – immediate parent company		39	43
Net cash flows from investing activities		39	43
Cash flows from financing activities			
Repayment of borrowings – immediate parent company		(128,605)	(86,254)
Interest paid to group undertakings – immediate parent company		(1,677)	(2,342)
Dividends paid		(5,000)	(4,700)
Net cash flows used by financing activities		(135,282)	(93,296)
Net decrease in cash and cash equivalents		(5,092)	(5,975)
Cash and cash equivalents at beginning of year		11,107	17,082
Cash and cash equivalents at end of year	18	6,015	11,107

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 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 England and Wales The company's accounts are presented in accordance with the Companies Act 2006

Adoption of new and revised standards

There are a number of changes to IFRS that were effective from 1 January 2011 They have had no material effect on the company's financial statements for the year ended 31 December 2011

b) 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

c) Revenue recognition

Revenue from finance leases and loans and receivables is recognised in accordance with the company's policies on leases and loans and receivables (see below) Revenue 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

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 through profit or loss 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. Accounting policies (continued)

d) 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 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) 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

f) Financial assets

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

g) 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

1. Accounting policies (continued)

h) 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

i) 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

j) Accounting developments

The IASB issued IFRS 9 'Financial Instruments' in November 2009 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 2010, 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 The additional transition disclosures must be given if implementation takes place after 2012

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. Accounting policies (continued)

j) Accounting development (continued)

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 outcome of the other phases of the IASB's IAS 39 replacement project and on the outcome the IASB's tentative decision at its December 2011 meeting to reconsider the following topics

- additional application guidance to clarify how the instrument characteristics test was intended to be applied

- bifurcation of financial assets, after considering any additional guidance for the instrument characteristics test

- expanded use of other comprehensive income or a third business model for some debt instruments

'Disclosures - Transfers of Financial Assets (Amendments to IFRS 7)' was published by the IASB in October 2010 This replaces IFRS 7's existing derecognition disclosure requirements with disclosures about (a) transferred assets that are not derecognised in their entirety and (b) transferred assets that are derecognised in their entirety but where an entity has continuing involvement in the transferred asset The amendments are effective for annual periods beginning on or after 1 July 2011

The IASB issued an amendment to IAS 12 'Income Taxes' in December 2010 to clarify that recognition of deferred tax should have regard to the expected manner of recovery or settlement of the asset or liability The amendment and consequential withdrawal of SIC 21 'Deferred Tax Recovery of Underlying Assets', effective for annual periods beginning on or after 1 January 2012, is not expected to have a material effect on the company

In May 2011, the IASB issued six new or revised standards

IFRS 10 'Consolidated Financial Statements' which replaces SIC-12 'Consolidation - Special Purpose Entities' and the consolidation elements of the existing IAS 27 'Consolidated and Separate Financial Statements' The new standard 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 to generate returns for the reporting entity

IAS 27 'Separate Financial Statements' which comprises those parts of the existing IAS 27 that dealt with separate financial statements

IFRS 11 'Joint Arrangements', which supersedes IAS 31' Interests in Joint Ventures', distinguishes between joint operations and joint ventures Joint operations are accounted for by the investor recognising its assets and liabilities including its share of any assets held and liabilities incurred jointly and its share of revenues and costs Joint ventures are accounted for in the investor's consolidated accounts using the equity method.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. Accounting policies (continued)

j) Accounting development (continued)

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

IFRS 13 'Fair Value Measurement' which sets out a single IFRS framework for defining and measuring fair value and requiring disclosures about fair value measurements

The standards are effective for annual periods beginning on or after 1 January 2013 Earlier application is permitted The company is reviewing the standards to determine their effect on the company's financial reporting

In June 2011, the IASB issued amendments to two standards

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 that are subject to subsequent reclassification The amendments are effective for annual periods beginning on or after 1 July 2012 Earlier application is permitted

Amendments to IAS 19 'Employee Benefits' require the immediate recognition of all actuarial gains and losses eliminating the 'corridor approach', interest cost to be calculated on the net pension liability or asset at the appropriate corporate bond rate, and all past service costs to be recognised immediately when a scheme is curtailed or amended

These amendments are effective for annual periods beginning on or after 1 January 2013 Earlier application is permitted The company is reviewing the amendments to determine their effect on the company's financial reporting

In December 2011, the IASB issued 'Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)' and 'Disclosures-Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)' The amendment to IAS 32 adds application guidance on the meaning of 'a legally enforceable right to set off' and on simultaneous settlement

IFRS 7 is amended to require disclosures facilitating comparisons between those entities reporting under IFRS and those reporting under US GAAP The amendments are effective for annual periods beginning on or after 1 January 2014 and are required to be applied retrospectively

The IASB issued "Annual Improvements to IFRSs 2009-2011 Cycle" in May 2012 implementing minor changes to IFRSs, making non-urgent but necessary amendments to standards, primarily to remove inconsistency and to clarify wording The revisions are effective for annual accounting periods beginning on or after 1 January 2013 and are not expected to have a material effect on the company

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. Critical accounting policies and key sources of estimation uncertainty

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

Leased assets

The judgements and assumptions involved in the company's accounting policies which have the most significant effect on the amounts recognised in the financial statements are those that relate to the criteria for assessing whether substantially all the significant risks and rewards of ownership of leased assets are transferred to other entities

3. Revenue

	2011 $'000	2010 $'000
Finance lease income		
Rents receivable	**84,900**	82,520
Amortisation	**(59,213)**	(46,348)
Contingent rental expense	**(27,888)**	(32,641)
	(2,201)	3,531

The company did not enter into any new leasing transactions during the year (2010 $nil)

4. Operating income

	2011 $'000	2010 $'000
Other income	**65**	75

5. Operating expenses

	2011 $'000	2010 $'000
Exchange losses	**1**	4
Management fees – immediate parent company	**86**	85
	87	89

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. Operating expenses (continued)

Staff costs, number of employees and directors' emoluments
All staff and directors were employed by The Royal Bank of Scotland plc ("RBS"), 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	2011 $'000	2010 $'000
Auditor's remuneration – audit services (included within the management fee)	**12**	8

6. Finance income

	2011 $'000	2010 $'000
On loan receivables		
From group undertakings – immediate parent company	**39**	43

7. Finance costs

	2011 $'000	2010 $'000
Interest on loans from group undertakings – immediate parent company	**1,731**	2,295

8. Tax

	2011 $'000	2010 $'000
Current taxation		
UK corporation tax credit for the year	**(5,157)**	(12,769)
Deferred taxation		
Charge for the year	**3,888**	12,654
Impact of tax rate changes	**(7,087)**	(3,075)
	(3,199)	9,579
Tax credit for the year	**(8,356)**	(3,190)

8. Tax (continued)

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

The actual tax credit differs from the expected tax (credit)/charge computed by applying the blended rate of UK corporation tax of 26 5% (2010 standard tax rate 28%) as follows

	2011 $'000	2010 $'000
Expected tax (credit)/charge	(1,037)	354
Reduction in deferred tax following change in rate of UK corporation tax	(7,319)	(3,544)
Actual tax credit for the year	(8,356)	(3,190)

In the Budget on 22 June 2010, the UK Government proposed, amongst other things, to reduce the UK Corporation Tax rate of 28% in four annual decrements of 1% with effect from 1 April 2011 and to reduce certain rates of capital allowances Two additional 1% decrements were announced by the UK Government in subsequent Budgets on 23 March 2011 and 21 March 2012 The first 1% decrement was enacted on 27 July 2010, the second on 29 March 2011, the third, together with the capital allowance rate changes, on 5 July 2011, the fourth on 26 March 2012 and a fifth on 3 July 2012 Existing temporary differences may therefore unwind in periods subject to these reduced tax rates Accordingly, the closing deferred tax liabilities have been calculated at the rate of 25%

The impact of the post-balance sheet date change in tax rate is estimated as giving rise to a tax credit of $7,398,000, which will be recognised in the accounts for 2012

9. Ordinary dividends

	2011 $'000	2010 $'000
Final dividend paid ($47,000 per share)	-	4,700
Interim dividend paid ($50,000 per share)	5,000	-
	5,000	4,700

An interim dividend of $45,000 per ordinary share has been paid since 31 December 2011 to the date of approval of these accounts

NOTES TO THE FINANCIAL STATEMENTS (continued)

10. Finance lease receivables

	Within 1 year $'000	Between 1 and 5 years $'000	Total $'000
2011			
Future minimum lease payments	**427,007**	**193,055**	**620,062**
Unearned finance income	**(10,697)**	**(19,867)**	**(30,564)**
Carrying value	**416,310**	**173,188**	**589,498**
2010			
Future minimum lease payments	109,773	665,495	775,268
Unearned finance income	(1,467)	(56,899)	(58,366)
Carrying value	108,306	608,596	716,902

	2011 $'000	2010 $'000
Current	**416,310**	108,306
Non-current	**173,188**	608,596
	589,498	716,902

The company has entered into finance leasing arrangements for ships The average term of the finance lease entered into is 5 years

Unguaranteed residual values are estimated at $nil (2010 $nil)

The average effective interest rate in relation to finance lease agreements approximates 5 0% (2010 4 5%)

11. Loan receivables

	2011 $'000	2010 $'000
Current		
Deposits owed by group undertakings – immediate parent company	**6,083**	11,175

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

12. Borrowings

	2011 $'000	2010 $'000
Overdrafts from group banks – intermediate parent company	**68**	68
Loans from group undertakings – immediate parent company	**490,899**	619,504
	490,967	619,572
Current	**371,218**	44,407
Non-current	**119,749**	575,165
	490,967	619,572

NOTES TO THE FINANCIAL STATEMENTS (continued)

13. Trade and other payables

	2011 $'000	2010 $'000
Other payables	**5,591**	6,762

14. Accruals, deferred income and other liabilities

	2011 $'000	2010 $'000
Accruals – immediate parent company	**446**	392
Deferred income	**13**	58
Group relief payable – immediate parent company	**-**	154
	459	604

15. Deferred tax

The following are the major tax liabilities recognised by the company, and the movements thereon

	Capital allowances $'000
At 1 January 2010	86,097
Charge to income	9,579
At 31 December 2010	95,676
Credit to income	**(3,199)**
At 31 December 2011	**92,477**

16. Financial instruments and risk management

(i) Fair value

The following table shows the carrying value and the fair value of financial instruments carried on the balance sheet where financial instruments are not carried at fair value on the balance sheet Where the financial instruments are of short maturity, the carrying value is equal to the fair value

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)

16. Financial instruments and risk management (continued)

(i) Fair value (continued)

	2011 Carrying value $'000	2011 Fair value $'000	2010 Carrying value $'000	2010 Fair value $'000
Financial assets				
Finance lease receivables	**589,498**	**576,672**	716,902	682,657

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

(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

Finance lease receivables and other instalment credit receivables may be based on fixed and/or floating rates These are funded primarily through balances owed to group undertakings which are due primarily on demand and a variable rate basis 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 following tables indicate financial assets and liabilities that are exposed to interest rate risk together with the corresponding range of applicable interest rates

2011	Variable rate $'000	Non-interest earning $'000	Total $'000
Financial assets			
Finance leases	589,498	-	589,498
Loan receivables	6,083	-	6,083
	595,581	-	595,581
Financial liabilities			
Borrowings	490,967	-	490,967
Trade and other payables	-	5,591	5,591
Accruals and other liabilities	-	446	446
	490,967	6037	497,004
Net financial assets/(liabilities)	104,614	(6,037)	98,577

NOTES TO THE FINANCIAL STATEMENTS (continued)

16. Financial instruments and risk management (continued)

(ii) Financial risk management (continued)

Interest rate risk (continued)

2010	Variable rate $'000	Non-interest earning $'000	Total $'000
Financial assets			
Finance leases	716,902	-	716,902
Loan receivables	11,175	-	11,175
	728,077	-	728,077
Financial liabilities			
Borrowings	619,572	-	619,572
Trade and other payables	-	6,762	6,762
Accruals and other liabilities	-	392	392
	619,572	7,154	626,726
Net financial assets/(liabilities)	108,505	(7,154)	101,351

The sensitivity analysis below has been determined based on the exposure to interest rates 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

If interest rates had been 0 5% (2010 0 5%) higher and all other variables were held constant, the company's loss before tax for the year would have decreased by $30,000 (2010 profit before tax for the year would have increased by $715,000) This is mainly due to the company's exposure to interest rates on its variable rate borrowings There would be no other material impact on equity

Currency risk
The company has no currency risk as all transactions and balances are denominated in US dollars

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

16. Financial instruments and risk management (continued)

(ii) Financial risk management (continued)

Credit risk (continued)

- 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

Maximum credit exposure and neither past due nor impaired

Sector	No of counterparties	2011 $'000	2010 $'000
Shipping	1	**589,498**	716,902
Finance lease receivables		**589,498**	716,902
Group undertakings		**6,083**	11,175
Maximum credit exposure		**595,581**	728,077

Based on counterparty payment history the company considers all the above financial assets 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)

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

2011	0 – 3 months $'000	4 – 12 months $'000	1 - 3 years $'000	4 - 5 years $'000
Borrowings	879	372,546	121,152	-
Trade and other payables	5,591	-	-	-
Accruals and other liabilities	446	-	-	-
	6,916	372,546	121,152	-

NOTES TO THE FINANCIAL STATEMENTS (continued)

16. Financial instruments and risk management (continued)

(ii) Financial risk management (continued)

Financial liabilities (continued)

2010	0 – 3 months $'000	4 – 12 months $'000	1 - 3 years $'000	4 - 5 years $'000
Borrowings	13,583	33,474	503,368	78,244
Trade and other payables	6,762	-	-	-
Accruals and other liabilities	392	-	-	-
	20,737	33,474	503,368	78,244

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 20 - 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

17. Share capital

		2011 $	2010 $
Authorised			
100	Deferred shares of £1	**200**	200
1,000	Ordinary shares of $1	**1,000**	1,000
		1,200	1,200
Allotted, called up and fully paid			
Equity shares			
2	Deferred shares of £1	**4**	4
100	Ordinary shares of $1	**100**	100
		104	104

The deferred shares carry no dividend or voting rights and have no preferential rights to return of capital on winding up

The value attributed to sterling share capital is based on the exchange rate prevailing at the date of issue

The ordinary shares carry no right to fixed income

18. Cash and cash equivalents per cash flow statement

	2011 $'000	2010 $'000
Deposits with group companies placed at within 3 months original maturity (note 11)	**6,083**	11,175
Overdrafts		
Amounts owed to group banks (note 12)	**(68)**	(68)
Cash and cash equivalents per cash flow statement	**6,015**	11,107

19. Capital resources

The company's capital consists of equity comprising issued share capital, retained earnings, loans from group undertakings and subordinated loans 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 FSA's capital requirements throughout the year

20. 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) 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

21. Related parties

UK Government

On 1 December 2008, the UK Government through HM Treasury became the ultimate controlling party of The Royal Bank of Scotland Group plc The UK Government's shareholding is managed by UK Financial Investments Limited, a company wholly-owned by the UK Government As a result, the UK Government and UK Government controlled bodies became 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 Great Britain and registered in Scotland As at 31 December 2011 The Royal Bank of Scotland plc heads the smallest group in which the company is consolidated Copies of the consolidated accounts of this company may be obtained from The Secretary, The Royal Bank of Scotland Group plc, Gogarburn, Edinburgh EH12 1HQ

The company's ultimate holding company is The Royal Bank of Scotland Group plc, a company incorporated in Great Britain and registered in Scotland As at 31 December 2011, The Royal Bank of Scotland Group plc heads the largest group in which the company is consolidated Copies of the consolidated accounts of this company may be obtained from The Secretary, The Royal Bank of Scotland Group plc, Gogarburn, 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

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

22. Post balance sheet events

On the 26 June 2012 an interim dividend of $45,000 per ordinary share totalling $4,500,000 was paid in respect the year ending 31 December 2012 There have been no other significant events between the year end and the date of approval of these financial statements which would require a change to or disclosure in these financial statements