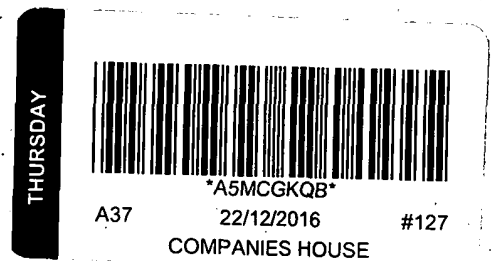


Company Registered No: 03715326

NATWEST MACHINERY LEASING LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 31 March 2016



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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS:

S J Caterer
A P Johnson
J H Wood

SECRETARY:

RBS Secretarial Services Limited

REGISTERED OFFICE:

135 Bishopsgate
London
EC2M 3UR

INDEPENDENT AUDITOR:

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

Registered in England and Wales

DIRECTORS' REPORT

The directors of NatWest Machinery Leasing Limited ("the Company") present their annual report together with the audited financial statements for the year ended 31 March 2016.

ACTIVITIES AND BUSINESS REVIEW

The Directors' Report has been prepared in accordance with the provisions applicable to companies entitled to the small companies' exemption and therefore does not include a Strategic Report.

Activity

The principal activity of the Company continues to be the provision of fixed asset finance usually involving individually structured facilities. The Company holds leases which are in the secondary period on which rentals are still being received. Negotiations are taking place for the disposal of these leases at which time the Company will cease to trade.

Post balance sheet events are described in note 12.

FINANCIAL PERFORMANCE

The retained profit for the year was £nil (2015: £2,000).

No interim dividend was paid during the year (2015: £nil).

PRINCIPAL RISKS AND UNCERTAINTIES

The Company seeks to minimise its exposure to financial risks other than equity and credit risk.

Management focuses on both the overall balance sheet structure and the control, within prudent limits, of risk arising from mismatches, including currency, maturity, interest rate and liquidity. It is undertaken within limits and other policy parameters set by the RBS Asset and Liability Management Committee (RBS ALCO).

The Company is funded by facilities from The Royal Bank of Scotland plc. These are denominated in the functional currency and carry no significant financial risk.

The principal risks associated with the Company are as follows:

Interest rate risk

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

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

Liquidity risk

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

Management focuses on risk arising from the mismatch of maturities across the balance sheet and from undrawn commitments and other contingent obligations.

The Company manages its liquidity risk by having access to group funding.

Operational risk

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

GOING CONCERN

The directors having taken into account their decision to negotiate the termination of the Company's remaining leases have prepared the financial statements on a basis other than that of going concern. As required by IAS 1 – Presentation of Financial Statements, no material adjustments arose as a result of ceasing to apply the going concern basis.

DIRECTORS' REPORT**DIRECTORS AND SECRETARY**

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

From 1 April 2015 to date the following changes have taken place:

	Appointed	Resigned
Directors		
A P Gadsby	-	11 May 2015
A P Johnson	11 May 2015	-
T D Crome	-	28 June 2016
J H Wood	8 August 2016	

DIRECTORS' RESPONSIBILITIES STATEMENT

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

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

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

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

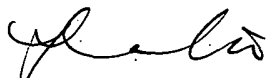
DISCLOSURE OF INFORMATION TO AUDITOR

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

- so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the 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.

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



S J Caterer
Director
Date: 12 December 2016

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NATWEST MACHINERY LEASING LIMITED

We have audited the financial statements of NatWest Machinery Leasing Limited ('the Company') for the year ended 31 March 2016 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 12. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 Reduced Disclosure Framework. These financial statements have been prepared on a basis other than going concern, as described in note 1(a).

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 on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. 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 and financial statements 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 31 March 2016 and of its result for the year then ended;
- have been properly prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework; 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 NATWEST MACHINERY LEASING LIMITED

Matters on which we are required to report by exception

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

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



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

13 December 2016

PROFIT AND LOSS ACCOUNT
for the year ended 31 March 2016

Continued operations	Notes	2016 £'000	2015 £'000
Turnover	3	2	2
Profit on ordinary activities before tax		2	2
Tax charge	5	(2)	-
Profit and total comprehensive income for the year		-	2

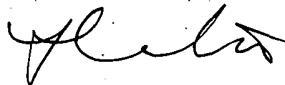
The accompanying notes form an integral part of these financial statements.

BALANCE SHEET
as at 31 March 2016

	Notes	2016 £'000	2015 £'000
Current assets			
Deferred tax asset	8	46	59
Prepayments, accrued income and other assets	6	3	3
Total assets		49	62
Creditors: amounts falling due within one year			
Borrowings	7	8	21
Total assets less current liabilities		41	41
Total liabilities		8	21
Equity: capital and reserves			
Called up share capital	10	-	-
Profit and loss account		41	41
Total shareholders' funds		41	41
Total liabilities and shareholders' funds		49	62

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

The financial statements of the Company were approved by the Board of Directors on 12 December 2016 and signed on its behalf by:


S J Caterer
Director

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 March 2016

	Share capital £'000	Profit and loss account £'000	Total £'000
At 1 April 2014	-	39	39
Profit for the year	-	2	2
At 31 March 2015	-	41	41
Result for the year	-	-	-
At 31 March 2016	-	41	41

Total comprehensive income for the year of £nil (2015: £2,000) was wholly attributable to the equity holders of the Company.

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

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

These financial statements are prepared on a basis other than going concern (see the Director's report) and have been prepared in accordance with the recognition and measurement principles of International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB as adopted by the European Union (together IFRS) and under FRS 101 Reduced Disclosure Framework. The Company meets the definition of a qualifying entity under Financial Reporting Standard 100 Application of Financial Reporting Requirements issued by the Financial Reporting Council.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to presentation of a Cash-Flow Statement, standards not yet effective and related party transactions. Where required, equivalent disclosures are given in the group financial statements of The Royal Bank of Scotland Group plc, these financial statements are available to the public and can be obtained as set out in note 11.

The financial statements are prepared on the historical cost basis.

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

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

As described in the Directors' Report, IAS 1.25 'Presentation of Financial Statements' describes the preparation of financial statements in such circumstances as being other than on a going concern basis. No material adjustment arose as a result of ceasing to apply the going concern basis.

Adoption of new and revised standards

There are a number of changes to IFRS that were effective from 1 April 2015. They have had no material effect on the Company's financial statements for the year ended 31 March 2016.

b) Revenue recognition

Turnover comprises income from finance leases and loans and other services and arises in the United Kingdom from continuing activities.

Finance leases 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.

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

c) Taxation

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies (continued)

d) Leases

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

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

e) 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.

f) 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 using the effective interest method.

g) Derecognition

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

A financial liability is removed from the Balance Sheet when the obligation is discharged, cancelled or expires.

2. Critical accounting policies and key sources of estimation uncertainty

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

3. Turnover

	2016 £'000	2015 £'000
Finance lease income:		
Rents receivable	2	2

The Company did not enter into any new leasing transactions (2015: £nil) during the year.

NOTES TO THE FINANCIAL STATEMENTS

4. Operating expenses

Staff costs, number of employees and directors' emoluments

All staff and directors were employed by group companies and the financial statements of The Royal Bank of Scotland Group plc contain full disclosure of employee benefit expenses incurred in the period including share-based payments and pensions. The Company has no employees and pays a management fee for services provided by other Group companies. The directors of the Company do not receive remuneration for specific services provided to the Company.

There was no charge in either the current year or prior year's financial statements for auditor's remuneration as the fees of £5,000 (2015: £8,000) were charged in the financial statements of The Royal Bank of Scotland Group plc.

5. Tax

	2016 £'000	2015 £'000
Current tax:		
UK corporation tax credit for the year	(11)	(13)
Deferred tax:		
Charge for the year	11	13
Impact of rate changes	2	-
	13	13
Tax charge for the year	2	-

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

The actual tax charge differs from the expected tax charge computed by applying the standard rate of UK corporation tax of 20% (2015: standard tax rate 21%) as follows:

	2016 £'000	2015 £'000
Expected tax charge	-	-
Reduction of deferred tax asset following change in rate of UK corporation tax	2	-
Actual tax charge for the year	2	-

In recent years the UK Government has steadily reduced the rate of UK corporation tax, with the latest rates substantively enacted at the balance sheet date standing at 20% with effect from 1 April 2015, 19% from 1 April 2017 and 18% from 1 April 2020. The closing deferred tax assets and liabilities have been calculated taking into account that existing temporary differences may unwind in periods subject to the reduced rates.

The UK Government's Budget on 16 March 2016 proposed, amongst other things, that the 18% tax rate reduction from 1 April 2020 be reduced to 17%. This rate was substantively enacted in the Finance Bill 2016 on 6 September 2016 and existing temporary differences on which deferred tax has been provided may therefore unwind in periods subject to this reduced rate.

The impact of the post balance sheet date change in tax rate is not expected to be material.

6. Prepayments, accrued income and other assets

	2016 £'000	2015 £'000
Group relief receivable	3	3

NOTES TO THE FINANCIAL STATEMENTS

7. Borrowings

	2016 £'000	2015 £'000
Current – on demand or within one year		
Loans from group undertakings	8	21

8. Deferred tax

The following are the major tax assets recognised by the Company, and the movements thereon.

	Capital allowances £'000
At 1 March 2014	(72)
Charge to profit and loss	13
At 31 March 2015	(59)
Charge to profit and loss	13
At 31 March 2016	(46)

9. Financial instruments and risk management

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

There is no difference between the fair value of financial instruments carried on the balance sheet and their carrying value. All financial assets are classed as loans and receivables. All financial liabilities are classed as amortised cost.

(ii) Financial risk management

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

Interest rate risk

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

The financial liabilities of the Company consist of amounts due to group undertakings and do not have any significant interest rate risk as they are due to primarily on demand.

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

	Variable rate £'000
2016	
Financial liabilities	
Borrowings	8
2015	
Financial liabilities	
Borrowings	21

Assuming that the balances receivable and/or payable at the balance sheet date were receivable and/or payable for the whole year, had interest rates been 0.5% higher and all other variables held constant, the Company's profit before tax for the year would remain constant (2015: profit before tax for the year would have remained constant). This is mainly due to the Company's exposure to interest rates on its variable rate cash balances. There would be no other impact on equity.

NOTES TO THE FINANCIAL STATEMENTS

9. Financial instruments and risk management (continued)

(ii) Financial risk management (continued)

Financial liabilities

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

	0-3 months £'000
2016	
Borrowings	8
	0-3 months £'000
2015	
Borrowings	21

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 11).

10. Share capital

	2016 £	2015 £
Authorised:		
100 ordinary shares of £1 each	100	100
Allotted, called up and fully paid:		
100 ordinary shares of £1 each	100	100

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

11. 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 consist solely of the payment of taxes including UK corporation tax.

Group undertakings

The Company's immediate parent company is National Westminster Bank Plc, a company incorporated in the UK and registered in Scotland. As at 31 March 2016 The National Westminster Bank Plc heads the smallest group in which the Company is consolidated. Copies of the consolidated financial statements may be obtained from Corporate Governance and Secretariat, The Royal Bank of Scotland Group plc, Gogarburn, PO Box 1000, Edinburgh, EH12 1HQ.

The Company's ultimate holding company is The Royal Bank of Scotland Group plc, a company incorporated in the UK and registered in Scotland. As at 31 March 2016, The Royal Bank of Scotland Group plc heads the largest group in which the Company is consolidated. Copies of the consolidated financial statements may be obtained from Corporate Governance and Secretariat, The Royal Bank of Scotland Group plc, Gogarburn, PO Box 1000, Edinburgh, EH12 1HQ.

NOTES TO THE FINANCIAL STATEMENTS**11. Related parties (continued)****Capital Support Deed**

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

12. Post balance sheet events

Subsequent to year end the Company disposed of its only remaining leases, which were in their secondary rental period, for a profit of £4,000 that will be reflected in the financial statements of the year ending 31 March 2017.