Company Registration No: 00662221

RBS INVOICE FINANCE LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 December 2009

Group Secretariat
The Royal Bank of Scotland Group plc
P.O. Box 1000, Gogarburn
Edinburgh
EH12 1HQ

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RBS INVOICE FINANCE LIMITED

Company Registration No 00662221

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RBS INVOICE FINANCE LIMITED

Company Registration No 00662221

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS:	**I D Cowie** **J S Hunter** **R W McFarlane** **N P Mills** **M K Mitchell** **M J Morrin** **A A G Rankin** **O D Watts** **J H Wood** **I Wright**
SECRETARY:	**R E Fletcher**
REGISTERED OFFICE:	**Smith House** **PO Box 50** **Elmwood Avenue** **Feltham** **Middlesex** **TW13 7QD**
AUDITORS:	**Deloitte LLP** **London**

Registered in England and Wales.

RBS INVOICE FINANCE LIMITED

Company Registration No 00662221

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 31 December 2009

ACTIVITIES AND BUSINESS REVIEW

Activity

The principal activity of the Company continues to be the discounting and factoring of domestic and export debts

The directors do not anticipate any material change in either the type or level of activities of the Company

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 Group Secretariat, RBS Gogarburn, Edinburgh, EH12 1HQ, the Registrar of Companies or through the Group's web site at rbs com

Review of the year

The directors are satisfied with the Company's performance in the year The Company will be guided by its ultimate parent company in seeking further opportunities for growth An interim dividend of £35,000,000 was paid during the year (2008 £nil)

The Company's financial performance is presented in the Statement of Comprehensive Income on Page 8 At the end of the year, the financial position showed total assets of £3,164,586,000 (2008 £3,882,000,000) and equity of £29,274,000 (2008 £36,623,000)

Employee policies

Details of the number of employees and related costs can be found in Note 6

Going concern

The Company's business activities and review are outlined above and the Company's financial position, cash flows and liquidity position are set out in the financial statements The Company is funded by facilities from other members of the Royal Bank of Scotland group

The directors, having made such enquiries as they considered appropriate, including regarding the continuing availability of sufficient resources from the Royal Bank of Scotland group, have prepared the financial statements on a going concern basis They considered the financial statements of The Royal Bank of Scotland Group plc for the year ended 31 December 2009, approved on 24 February 2010, which were prepared on a going concern basis

ACTIVITIES AND BUSINESS REVIEW (Continued)

Risk management and use of financial instruments

The Company is funded by facilities from The Royal Bank of Scotland plc and National Westminster Bank Plc It seeks to minimise its exposure to external financial risks Further information on financial risk management policies and exposures is disclosed in Notes 3, 19 and 23

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 January 2009 to date the following changes have taken place

Directors	Appointed	Resigned
S Saville		19 March 2009
M J Hannay		6 April 2009
A D Barnard	6 April 2009	19 April 2010
M K Mitchell	19 April 2010	
O D Watts	19 April 2010	
I Wright	19 April 2010	

DIRECTORS' RESPONSIBILITIES

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 the financial statements 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 as concern members of the Company In preparing these financial statements, under International Accounting Standard 1, the directors are required to

- select suitable accounting policies and 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 is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance, and
- make an assessment of the Company's ability to continue as a going concern

DIRECTORS' RESPONSIBILITIES (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 AUDITORS

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

(a) so far as he is aware there is no relevant audit information of which the Company's auditors are unaware, and
(b) the director has taken all the steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the Company's auditors are 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

CHARITABLE CONTRIBUTIONS

The total amount given for charitable purposes by the Company during the year ended 31 December 2009 was £nil (2008 £1,250)

The Company and its employees support a number of charitable events and initiatives organised by the Group The annual reports of The Royal Bank of Scotland Group plc disclose these on a group basis

POLICY AND PRACTICE ON PAYMENT OF CREDITORS

The Company follows the policy and practice on payment of creditors determined by The Royal Bank of Scotland Group plc ('RBSG'), as outlined below

RBSG is committed to maintaining a sound commercial relationship with its suppliers Consequently, it is RBSG's policy to negotiate and agree terms and conditions with its suppliers, which includes the giving of an undertaking to pay suppliers within 30 days of receipt of a correctly prepared invoice submitted in accordance with the terms of the contract or such other payment period as may be agreed

DIRECTORS' REPORT (Continued)

AUDITORS

Deloitte LLP have expressed their willingness to continue in office as auditors

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

O D Watts
Director

Date 29 JUL 2010

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF RBS INVOICE FINANCE LIMITED

We have audited the financial statements of RBS Invoice Finance Limited ('the Company') for the year ended 31 December 2009 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity, the cash flow statement and related notes 1 to 26 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 auditors' 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 auditors

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 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 (APB'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

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 2009 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 AUDITORS' REPORT TO THE MEMBERS OF RBS INVOICE FINANCE 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

Kari Hale (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
London, United Kingdom

Date 29 July 2010

RBS INVOICE FINANCE LIMITED

Company Registration No 00662221

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2009

	Note	2009 £'000	2008 £'000
Continuing operations			
Revenue	4	**185,339**	302,660
Operating charges	5	**(119,824)**	(118,132)
Operating profit		**65,515**	184,528
Other gains and losses		**1,339**	(1,349)
Finance costs	7	**(28,379)**	(146,842)
Profit before tax		**38,475**	36,337
Tax	8	**(10,824)**	(10,341)
Profit for the year	9	**27,651**	25,996
Other comprehensive income for the year		**-**	-
Total comprehensive income for the year attributable to the equity holders of the Company	22	**27,651**	25,996

The notes on pages 12 to 31 form a part of these financial statements

RBS INVOICE FINANCE LIMITED

Company Registration No 00662221

BALANCE SHEET
at 31 December 2009

	Note	2009 £'000	2008 £'000
Non-current assets			
Loans and receivables	11	**164,000**	185,000
Property, plant and equipment	12	**3,368**	1,221
Deferred tax assets	13	**2,531**	2,733
		169,899	188,954
Current assets			
Cash and cash equivalents	14	**6,563**	5,068
Loans and receivables	11	**338,692**	787,071
Trade and other receivables	15	**2,649,432**	2,900,907
		2,994,687	3,693,046
Total assets		**3,164,586**	3,882,000
Non-current liabilities			
Obligations under finance leases	16	**285**	97
Current liabilities			
Amounts owed to group undertakings	17	**2,630,089**	3,375,166
Trade and other payables	18	**504,697**	468,460
Obligations under finance leases	16	**231**	305
Derivatives at fair value	19	**10**	1,349
		3,135,027	3,845,280
Total liabilities		**3,135,312**	3,845,377
Net assets		**29,274**	36,623
Equity			
Share capital	21	**1,000**	1,000
Reserves	22	**28,274**	35,623
Total equity attributable to the equity holders of the Company		**29,274**	36,623

The financial statements were approved by the board of directors and authorised for issue on 29 JUL 2010 and were signed on its behalf by

O D Watts
Director

The notes on pages 12 to 31 form a part of these financial statements

RBS INVOICE FINANCE LIMITED

Company Registration No 00662221

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2009

	Note	Share capital £'000	Retained earnings £'000	Total equity £'000
At 1 January 2008		1,000	9,627	10,627
Total comprehensive income for the year		-	25,996	25,996
At 31 December 2008		1,000	35,623	36,623
At 1 January 2009		1,000	35,623	36,623
Total comprehensive income for the year		-	27,651	27,651
Dividends paid	10	-	(35,000)	(35,000)
At 31 December 2009		**1,000**	**28,274**	**29,274**

The notes on pages 12 to 31 form a part of these financial statements

RBS INVOICE FINANCE LIMITED

Company Registration No 00662221

CASH FLOW STATEMENT
for the year ended 31 December 2009

	Note	2009 £'000	2008 £'000
Operating activities			
Profit before tax		**38,475**	36,337
Adjustments for			
Depreciation on property, plant and equipment	12	**1,373**	1,407
Impairment on property, plant and equipment	12	**-**	1,172
Foreign exchange (gains)/ losses		**(2,447)**	10,375
Loss on disposal of property, plant and equipment	9	**-**	17
Finance costs	7	**28,379**	146,842
Operating profit before changes in working capital		**65,780**	196,150
Decrease in trade and other receivables		**251,475**	9,763
(Decrease)/increase in amounts owed to group undertakings		**(273,008)**	178,446
Increase/(decrease) in trade and other payables		**36,237**	(194,669)
Movement in fair value of derivative financial instruments		**(1,339)**	1,783
Net cash generated from the operations		**79,145**	191,473
Interest paid		**(28,368)**	(146,787)
Tax paid		**(10,865)**	(43,848)
Net cash from operating activities		**39,912**	838
Investing activities			
Acquisition of property, plant and equipment	12	**(3,520)**	(1,552)
Net cash used in investing activities		**(3,520)**	(1,552)
Financing activities			
Proceeds from new loans		**530**	1,183
Repayment of finance lease liabilities		**(416)**	(781)
Interest paid		**(11)**	(55)
Dividends paid	10	**(35,000)**	-
Net cash (used in)/from financing activities		**(34,897)**	347
Net increase/(decrease) in cash and cash equivalents		**1,495**	(367)
Cash and cash equivalents at 1 January		**5,068**	5,435
Cash and cash equivalents at 31 December	14	**6,563**	5,068

The notes on pages 12 to 32 form a part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2009

1 General information

RBS Invoice Finance Limited is a company incorporated in Great Britain and registered in England and Wales The address of the registered office is on page 1 The nature of the Company's principal activities is set out in the Directors' Report The financial statements are presented in accordance with the Companies Act 2006

2 Adoption of new and revised Standards

In the current year the Company has adopted the revisions to IAS 1 *Presentation of Financial Statements* which introduced a single performance statement, the 'Statement of Comprehensive Income' The adoption of this has not lead to any changes in the Company's accounting policies, nor has it lead to any items being restated or reclassified

In addition the following Standards issued by the International Accounting Standards Board and Interpretations issued by the International Financial Reporting Interpretations Committee have become effective during the current year

IFRS 7 (*revised 2009*)	*Financial Instruments Disclosures*
IFRS 8	*Operating Segments*
IFRIC 13	*Customer Loyalty Programmes*
IFRIC 14	*IAS 19 The Limit on a Defined Benefit Asset*
IFRIC 15	*Agreements for the Construction of Real Estate*
IFRIC 16	*Hedges of a Net Investment in a Foreign Operation*

The adoption of these has not lead to any changes in the Company's accounting policies and has had no material impact on the financial statements except for the adoption of IFRS 7 (revised) which introduced an expansion to the disclosures required in respect of fair value measurement

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective

IFRS 1 (*revised 2008*)	*First-time Adoption of International Financial reporting Standards*
IFRS 3 (*revised 2008*)	*Business Combinations*
IFRS 5 (*revised 2008*)	*Non-current Assets Held for Sale and Discontinued Operations*
IFRS 9	*Financial Instruments - Classification and Measurement*
IAS 24 (*revised 2009*)	*Related Party Disclosures - Revised definition of related parties*
IAS 27 (*amended*)	*Consolidated and Separate Financial Statements*
IAS 28 (*amended*)	*Investments in Associates*
IAS 31 (*amended*)	*Interests in Joint Ventures*
IAS 32 (*amended*)	*Financial Instruments Presentation*
IAS 39 (*amended*)	*Financial Instruments Recognition and Measurement*
IFRIC 17	*Distributions of Non-cash Assets to Owners*
IFRIC 18	*Transfers of a Foreign Operation*
IFRIC 19	*Extinguishing Financial Liabilities with Equity Instruments*

Annual Improvements to IFRSs (April 2009)

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Company

NOTES TO THE FINANCIAL STATEMENTS (Continued)
for the year ended 31 December 2009

3 Accounting policies

a. Accounting convention

The financial statements, which should be read in conjunction with the Directors' Report, 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 (together IFRS) as adopted by the European Union

The financial statements have been prepared upon the basis of historical cost except as noted in the following accounting policies and are presented in accordance with applicable United Kingdom law

b. Revenue recognition

Revenue arises in the United Kingdom from continuing activities and represents discount, service and other charges to clients and services to other group companies Revenue is measured at the fair value of the consideration received or receivable and is recognised when the services are delivered

c. Loans and receivables

Loans and receivables are measured at initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired The allowance recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition

d. Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment losses

Depreciation is charged to the income statement on a straight-line basis so as to write them down to their estimated residual value over their estimated useful lives, as follows

	Estimated useful life
Motor vehicles	4 years
Computer and office equipment	3-5 years
Office furniture and fittings	6-7 years

3 Accounting policies (continued)

e. Impairment of assets

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and an impairment loss is recognised as an expense immediately

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years A reversal of an impairment loss is recognised as income immediately

f. Taxation

Provision is made for taxation at current enacted rates on taxable profits, arising in income or in equity

Deferred taxation is accounted for in full for all temporary differences between the carrying amount of an asset or liability for accounting purposes and its carrying amount for tax purposes

Deferred tax assets are only recognised to the extent that it is probable that they will be recovered

g. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value

h. Trade and other receivables

Trade and other receivables are measured at initial recognition at fair value and subsequently at amortised cost Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired

i. 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

3 Accounting policies (continued)

j. Amounts owed to group undertakings

Amounts owed to group undertakings are initially measured at fair value and are subsequently measured at amortised cost using the effective interest rate method

Finance costs incurred on amounts owed to group undertakings are recognised in profit or loss on an effective interest rate basis

k. Trade and other payables

Trade and other payables are initially measured at fair value and subsequently at amortised cost

l. Derivatives

Derivative financial instruments are recognised initially, and subsequently measured, at fair value Derivative fair values are determined from quoted prices in active markets where available Where there is no active market for an instrument, fair value is derived from prices for the derivative's components using appropriate pricing or valuation models

Gains and losses arising from changes in fair value of a derivative are recognised as they arise in profit or loss

m. Retirement benefits

The Royal Bank of Scotland Group provides post-retirement benefits in the form of pensions and healthcare plans to eligible employees The cost of defined benefit pension schemes and healthcare plans to the Royal Bank of Scotland Group is assessed by independent professionally qualified actuaries and recognised on a systematic basis over employees' service lives For defined benefit schemes, scheme liabilities are measured on an actuarial basis using the projected unit credit method and discounted at a rate that reflects the current rate of return on a high quality corporate bond of equivalent term and currency to the scheme liabilities Scheme assets are measured at their fair value Any surplus or deficit of scheme assets over liabilities is recognised in the balance sheet as an asset (surplus) or liability (deficit) The current service cost and any past service costs together with the expected return on scheme assets less the unwinding of the discount on the scheme liabilities is charged to operating expenses Actuarial gains and losses are recognised in full in the period in which they occur outside profit or loss and presented in other comprehensive income
There is no contractual agreement or policy on the way that the cost of Royal Bank of Scotland Group defined benefit pension schemes and healthcare plans are allocated to the Company It therefore accounts for the charges it incurs as payments to a defined contribution scheme

Contributions to defined contribution pension schemes are recognised in profit or loss when payable

NOTES TO THE FINANCIAL STATEMENTS (Continued)
for the year ended 31 December 2009

3 Accounting policies (continued)

n. Operating charges

Operating charges include provisions for bad and doubtful debts and other operating charges Individually assessed provisions are made against advances for which recovery is considered to be doubtful A collectively assessed provision is made in respect of losses which, although not separately identified, are from experience known to be present in any portfolio of financial assets Other operating charges/credits are accounted for on an accruals basis

o. Foreign currencies

Transactions in foreign currencies are translated into sterling at the rates ruling at the date of the transaction Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date Foreign exchange differences arising on translation are dealt with in profit or loss
Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction
Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at foreign exchange rates ruling at the dates the fair value was determined

p. Critical accounting judgements and key sources of estimation uncertainty

In the process of applying the Company's accounting policies above, management has made the following judgements that have the most significant effect on the amounts recognised in the financial statements

- Provisions for bad and doubtful debt

The Company's policy for provisions is noted above

4 Revenue

	2009	2008
	£'000	£'000
Interest from clients	**66,426**	161,048
Interest from group companies	**5,715**	30,962
Service charges	**86,111**	88,753
Arrangement and termination fees	**20,665**	14,983
Payment charges	**5,929**	6,123
Other client charges	**493**	791
	185,339	302,660

5 Operating charges

	2009 £'000	2008 £'000
Staff Costs		
Wages and salaries	**37,188**	39,613
Social security costs	**3,274**	3,061
Pension costs	**6,352**	6,432
	46,814	49,106
Commission payable	**1,690**	1,933
Depreciation on property, plant and equipment	**1,373**	1,407
Bad debt charge	**60,926**	44,782
Management fees	**(7,634)**	(10,805)
Foreign exchange (gains)/losses	**(2,447)**	10,375
Other charges	**19,102**	21,334
	119,824	118,132

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows

	2009	2008
Front office	**393**	402
Support	**524**	505
Central functions	**101**	81
Other	**15**	10
	1,033	998

6 Directors' emoluments

	2009 £'000	2008 £'000
Directors' fees, salaries and other benefits, excluding pension contributions	**938**	1,458
Pension contributions for 7 directors (2008 8 directors) in respect of defined benefit schemes	**141**	144

Executive directors participate in an annual bonus scheme, bonuses are generated on the basis of achievement against specific targets, which include corporate performance objectives and key strategic objectives Some of the directors are also directors of other companies within the group The emoluments of those directors are charged to the company for which they perform their main duties and therefore the disclosed charge represents the charge for directors whose main duties are performed in relation to this Company The total emoluments of the highest paid director were £356,552 (2008 £484,069) At 31 December 2009 the accrued pension of the highest paid director was £nil (2008 £nil)

NOTES TO THE FINANCIAL STATEMENTS (Continued)
for the year ended 31 December 2009

7 Finance costs

	2009 £'000	2008 £'000
On loans and payables		
To group undertakings	**28,368**	146,787
Finance charges in respect of finance leases payable	**11**	55
	28,379	146,842

8 Tax charge on profit before tax

A) Analysis of charge for the year

	2009 £'000	2008 £'000
Current taxation		
Income tax charge for the year	**9,433**	10,784
Under provision in respect of prior periods	**1,189**	293
Current tax charge for the year	**10,622**	11,077
Deferred taxation		
Charge/(credit) for the year	**1,382**	(344)
Over provision in respect of prior periods	**(1,180)**	(392)
	202	(736)
Tax charge for the year	**10,824**	10,341

B) Factors affecting the tax charge for the year

The actual tax charge differs from the expected tax charge computed by applying the standard rate of UK corporation tax of 28% (2008 28 5%) as follows

	2009 £'000	2008 £'000
Expected tax charge	**10,773**	10,356
Non-deductible items	**42**	140
Non-taxable items	**-**	(62)
Tax rate change	**-**	6
Adjustments in respect of prior periods	**9**	(99)
Actual tax charge	**10,824**	10,341

The applicable rate for the year has changed from 28 5% to 28% following a reduction in the rate of UK corporation tax from 30% to 28% on 1 April 2008

9 Profit for the year

Profit for the year has been arrived at after charging

	2009 £'000	2008 £'000
Loss on disposal of property, plant and equipment	-	17
Auditors' remuneration		
Fees payable to the company's auditors for the audit of the company's annual accounts	36	36

10 Dividends

	2009 £'000	2008 £'000
Interim dividend paid £35 per ordinary share (2008 £nil)	35,000	-

11 Loans and receivables

	2009 £'000	2008 £'000
Non-current		
Amounts owed by group undertakings	164,000	185,000
Current		
Amounts owed by group undertakings	338,692	787,071
Total	502,692	972,071

The average effective interest rate over amounts owed by group undertakings approximates 1% (2008 5%)

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

12 Property, plant and equipment

	Fixtures, fittings and equipment £'000	Vehicles £'000	Total £'000
Cost			
1 January 2009	18,434	507	18,941
Additions	3,520	-	3,520
31 December 2009	21,954	507	22,461
Accumulated depreciation and impairment			
1 January 2009	17,213	507	17,720
Depreciation charge	1,373	-	1,373
31 December 2009	18,586	507	19,093
Cost			
1 January 2008	17,001	530	17,531
Additions	1,552	-	1,552
Disposals	(119)	(23)	(142)
31 December 2008	18,434	507	18,941
Accumulated depreciation and impairment			
1 January 2008	14,736	530	15,266
Depreciation charge	1,407	-	1,407
Impairment losses	1,172	-	1,172
Disposals	(102)	(23)	(125)
31 December 2008	17,213	507	17,720
Net book value			
31 December 2009	**3,368**	**-**	**3,368**
31 December 2008	1,221	-	1,221

Leased plant and machinery

At 31 December 2009 the net carrying amount of plant and machinery leased from third parties was £546,000 (2008 £480,000) The leased equipment secures lease obligations (see note 16)

Security

No property, plant and equipment has been pledged as security for liabilities of the Company

13 Deferred taxation

Provision for deferred taxation has been made as follows

	Accelerated capital allowances £'000	IFRS £'000	Other £'000	Total £'000
At 1 January 2008	726	1,220	51	1,997
Credit/(charge) to statement of comprehensive income	139	(152)	749	736
At 31 December 2008	865	1,068	800	2,733
At 1 January 2009	865	1,068	800	2,733
Credit/(charge) to statement of comprehensive income	189	(153)	(238)	(202)
At 31 December 2009	**1,054**	**915**	**562**	**2,531**

14 Cash and cash equivalents

	2009 £'000	2008 £'000
Cash and cash equivalents per balance sheet		
Amounts held with group undertakings	**6,563**	5,068

15 Trade and other receivables

	2009 £'000	2008 £'000
Trade receivables	**2,648,398**	2,899,752
Other receivables	**586**	926
Prepayments and accrued income	**448**	229
	2,649,432	2,900,907
Trade receivables comprise		
Assigned debts receivable	**4,195,969**	4,735,673
less recourse debts due to clients on collection	**(1,547,571)**	(1,835,921)
	2,648,398	2,899,752

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)
for the year ended 31 December 2009

16 Finance lease obligations

	Year in which payment is expected			
	Within 1 year	**Between 1 and 5 years**	**After 5 years**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
2009				
Future minimum lease payments	**234**	**285**	-	**519**
Unearned finance income	**(3)**	-	-	**(3)**
Present value and net carrying value	**231**	**285**	-	**516**
2008				
Future minimum lease payments	317	98	-	415
Unearned finance income	(12)	(1)	-	(13)
Present value and net carrying value	305	97	-	402

The fair value of the Company's lease obligations approximates to their carrying amount

The Company's obligations under finance leases are secured by the lessor's rights over the leased assets

17 Amounts owed to group undertakings

	2009	2008
	£'000	£'000
Current liabilities		
Amounts due within 1 year	**194,000**	200,000
Amounts repayable on demand	**2,436,089**	3,175,166
	2,630,089	3,375,166

The fair value of amounts owed to group undertakings is considered not to be materially different to the carrying amounts in the balance sheet

The average effective interest rate over this balance approximates 1% (2008 5%)

NOTES TO THE FINANCIAL STATEMENTS (Continued)
for the year ended 31 December 2009

18 Trade and other payables

	2009 £'000	2008 £'000
Current liabilities		
Trade payables	**458,237**	404,742
Other payables	**28,001**	30,042
Group relief	**9,433**	9,676
Other tax and social security	**777**	2,772
Accruals and deferred income	**8,249**	21,228
	504,697	468,460

The fair value of trade payables is considered not to be materially different to the carrying amounts in the balance sheet

19 Derivatives at fair value

The Company enters into various financial instruments (derivatives) as principal to manage foreign exchange risk Derivatives include swaps and forwards

A forward contract is a contract to buy (or sell) a specified amount of a physical or financial commodity, at an agreed price, on an agreed future date Forward foreign exchange contracts are contracts for the delayed delivery of currency on a specified future date

The Company hedges its net investment in foreign currency operations with currency payables

At the year end, the notional principal amounts and fair values of the Company's derivatives were as follows

Notional principal amount	2009 £'000	2008 £'000
Exchange rate contracts	**1,830**	7,947

Fair value	**2009**		2008	
	Asset £'000	**Liability £'000**	Asset £'000	Liability £'000
Exchange rate contracts	**-**	**10**	-	1,349

20 Retirement benefit schemes

Disclosures in respect of the RBS Group Pension arrangements

The Group operates a number of UK and overseas pension schemes which are predominantly funded defined benefit schemes whose assets are independent of the Group's finances The Group's defined benefit schemes generally provide a pension of one-sixtieth of final pensionable salary for each year of service prior to retirement up to a maximum of 40 years Employees do not make contributions for basic pensions but may make voluntary contributions to secure additional benefits on a money-purchase basis Since October 2006 The Royal Bank of Scotland Group Pension Fund ('Main Scheme') has been closed to new entrants The Main Scheme is legally sponsored by National Westminster Bank Plc
The Group also provides other post-retirement benefits, principally through subscriptions to private healthcare schemes in the UK and unfunded post retirement plan benefits
The Group recognises the costs of these benefits in the profit and loss account over the average remaining future service lives of the eligible employees

Interim valuations of the Main Scheme under IAS 19 'Employee Benefits' were prepared to 31 December with the support of independent actuaries, using the following assumptions

	2009	2008	2007
Principal actuarial assumptions			
	%	%	%
Discount rate	**5.9**	6 5	6 0
Expected return on plan assets (weighted average)	**6 2**	7 1	6 9
Rate of increase in salaries (per annum)	**1.8**	4 0	4 5
Rate of increase in pensions payment (per annum)	**3.5**	2 7	3 2
Inflation assumption (per annum)	**3.5**	2 7	3 2
Major classes of plan assets as a percentage of total plan assets			
	%	%	%
Equities	**47.6**	59 4	61 0
Index-linked bonds	**23.7**	18 0	18 2
Government fixed interest bonds	**-**	1 2	1 2
Corporate and other bonds	**19.7**	18 5	15 1
Property	**3.5**	3 7	3 8
Cash and other assets	**5.5**	(0 8)	0 7
Total fair value of assets	**100.0**	100 0	100 0
Long term rates of return on the major classes of assets			
	%	%	%
Equities	**7.9**	8 4	8 1
Index-linked bonds	**4.5**	3 9	4 5
Government fixed interest bonds	**-**	3 9	4 5
Corporate and other bonds	**5.9**	6 1	5 5
Property	**6.2**	6 1	6 3
Cash and other assets	**0.5**	2 5	4 6

NOTES TO THE FINANCIAL STATEMENTS (Continued)
for the year ended 31 December 2009

20 Retirement benefit schemes (continued)

Post-retirement mortality assumptions	**2009 (years)**	2008 (years)	2007 (years)
Longevity at age 60 for current pensioners			
Males	**27.1**	26 1	26 0
Females	**29.5**	26 9	26 8
Longevity at age 60 for future pensioners			
Males	**29.2**	28 1	28 1
Females	**30.8**	28 2	28 2

Movement in the Main Scheme deficit during the year

	2009			2008		
	Fair value of plan assets £m	**Present value of defined benefit obligations £m**	**Net £m**	Fair value of plan assets £m	Present value of defined benefit obligations £m	Net £m
At 1 January	**14,804**	**15,594**	**790**	18,575	18,099	(476)
Income statement						
Expected return	**1,029**	**-**	**(1,029)**	1,271	-	(1,271)
Interest cost	**-**	**999**	**999**	-	1,080	1,080
Current service cost	**-**	**300**	**300**	-	437	437
Past service cost	**-**	**15**	**15**	-	21	21
Gains on curtailments	**-**	**(1,947)**	**(1,947)**	-	-	-
	1,029	**(633)**	**(1,662)**	1,271	1,538	267
Statement of recognised income and expenses						
Actuarial gains and losses	**993**	**4,473**	**3,480**	(4,784)	(3,389)	1,395
Contributions by employers	**536**	**-**	**(536)**	396	-	(396)
Contributions by plan participants and other scheme members	**2**	**2**	**-**	-	-	-
Benefits paid	**(741)**	**(741)**	**-**	(630)	(630)	-
Expenses included in service cost	**(20)**	**(20)**	**-**	(24)	(24)	-
At 31 December	**16,603**	**18,675**	**2,072**	14,804	15,594	790

The Group expects to contribute £414m to its main scheme in 2009

20 Retirement benefit schemes (continued)

Curtailment gains of £1,947m have been recognised in 2009 arising from changes to pension benefits in the Main Scheme due to the capping of future salary increases that will count for pension purposes to the lower of 2% or the rate of inflation in any year

The amount of accrued contributions at 31 December 2009 in the Company in respect of the Main Scheme was £nil (2008 £nil)

21 Share capital

	2009 £'000	2008 £'000
Authorised.		
1,000,000 (2008 1,000,000 ordinary shares of £1 each)	**1,000**	1,000
Allotted, called up and fully paid:		
1,000,000 (2008 1,000,000 ordinary shares of £1 each)	**1,000**	1,000

22 Reserves

	Retained earnings £'000
At 1 January 2008	9,627
Total comprehensive income for the year	25,996
At 31 December 2008	35,623
At 1 January 2009	35,623
Total comprehensive income for the year	27,651
Dividends	(35,000)
At 31 December 2009	**28,274**

23 Financial instruments and risk management

Capital risk management

The Company considers its capital to consist of equity attributable to the equity holders of the Company, comprising issued share capital and retained earnings as disclosed in notes 21 and 22 The Company is a member of the Royal Bank of Scotland group of companies which has regulatory disciplines over the use of its capital The Company operates controls and policies put in place by the group to ensure that the Company can continue as a going concern and to ensure that the group complies with these regulatory disciplines

NOTES TO THE FINANCIAL STATEMENTS (Continued)
for the year ended 31 December 2009

23 Financial instruments and risk management (continued)

Accounting Policies

Details of the accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in note 3

Categories of financial instruments

The carrying value of each category of financial instruments, as defined in IAS 39, is disclosed in the following table

	2009	2008
	£'000	£'000
Financial assets		
Loans and receivables	**3,157,653**	3,876,891
Non financial assets	**6,933**	5,109
	3,164,586	3,882,000
Financial liabilities		
Fair value through profit and loss (FVTPL)		
Designated as FVTPL	**10**	1,349
Amortised cost	**3,088,842**	3,780,310
	3,088,852	3,781,659
Non financial liabilities	**46,460**	63,718
	3,135,312	3,845,377

Valuation of financial instruments designated as FVTPL

Financial assets and liabilities designated as fair value through profit and loss comprise derivatives Derivatives are priced using quoted prices for the same or similar instruments where these are available Where such prices are not available derivatives are valued using pricing models Inputs for these models are observed directly in the market, or derived from observed prices

The table below shows these financial instruments by hierarchy - level 1, level 2 and level3
- Level 1 - quoted prices for similar instruments
- Level 2 - directly observable market inputs other than Level 1 inputs
- Level 3 - inputs not based on observable market data

	Level 1	Level 2	Level 3	**Total**
	£'000	£'000	£'000	**£'000**
2009				
Derivative financial liabilities	-	10	-	**10**
2008				
Derivative financial liabilities	-	1,349	-	**1,349**

23 Financial instruments and risk management (continued)

Risk management

The Company uses a comprehensive framework for managing risks established by the RBS Invoice Finance group of companies and the Royal Bank of Scotland group of companies

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

Interest rate risk and sensitivity analysis

Structural interest rate risk arises where assets and liabilities have different repricing maturities

The matching of the repricing maturity characteristics of the Company's assets and liabilities is achieved through hedges transacted within another group company This results in the Company having exposure to interest rate risk, though this would be offset elsewhere within the group

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% higher and all other variables were held constant, the Company's profit before tax for the year would have increased by £2,638,000 (2008 profit before tax for the year would have decreased by £2,502,000) This is mainly due to the Company's exposure to interest rates on its variable rate liability balances There would be no other material impact on equity

Currency risk

The Company does not maintain material non-trading open currency positions

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 liability balances in the same currency

The Company is mainly exposed to the Euro currency

The sensitivity analysis below has been determined based on the foreign currency exposure at the balance sheet date The analysis is prepared on the assumption that the balances receivable and/or payable at the balance sheet date were receivable and/or payable for the whole year

If rate of sterling against the Euro had been 10% higher and all other variables were held constant, the Company's profit before tax for the year would have increased by £2,768,000 (2008 profit before tax for the year would have increased by £2,800,000)

The impact on profit before tax is mainly due to the Company's gap between its foreign currency lending and its foreign currency liability balances There would be no other material impact on equity

RBS INVOICE FINANCE LIMITED

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NOTES TO THE FINANCIAL STATEMENTS (Continued)
for the year ended 31 December 2009

23 Financial instruments and risk management (continued)

Credit risk

Credit risk is the risk that companies, financial institutions, individuals and other counterparties will be unable to meet their obligations to the Company Credit risk arises principally from the Company's lending activities

Analysis of credit quality by credit rating continued

	Analysis of credit quality by quality grade			Accruing past	Non	Less Impair-ment	
	AQ1 to 3	AQ4	AQ5	due	accrual	provision	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
2009							
Cash and cash equivalents	**6,563**	**-**	**-**	**-**	**-**	**-**	**6,563**
Loans and receivables	**502,692**	**-**	**-**	**-**	**-**	**-**	**502,692**
Trade receivables	**1,310,238**	**896,629**	**414,843**	**21,564**	**117,848**	**(112,724)**	**2,648,398**
	1,819,493	**896,629**	**414,843**	**21,564**	**117,848**	**(112,724)**	**3,157,653**
2008							
Cash and cash equivalents	5,068	-	-	-	-	-	5,068
Loans and receivables	972,071	-	-	-	-	-	972,071
Trade receivables	1,352,401	1,046,555	402,163	47,017	103,561	(51,945)	2,899,752
	2,329,540	1,046,555	402,163	47,017	103,561	(51,945)	3,876,891

The analysis of credit quality by quality grade represents the maximum exposure to credit risk excluding past due and non accrual Assets are graded according to the following

Asset quality grade	probability of default (PD)
AQ1	<=0 2%
AQ2	>0 2% and <=0 6%
AQ3	>0 6% and <=1 5%
AQ4	>1 5% and <=5%
AQ5	>5%

Analysis of assets accruing past due

The following assets were past due at the balance sheet date but not considered impaired

	Past due 1-29 days	30-59 days	60-89 days	more than 90 days	Total
	£'000	£'000	£'000	£'000	£'000
2009					
Trade and other receivables	**15,905**	**3,199**	**2,460**	**-**	**21,564**

23 Financial instruments and risk management (continued)

Credit risk (continued)

Analysis of assets accruing past due (continued)

Past due	1-29 days	30-59 days	60-89 days	more than 90 days	Total
	£'000	£'000	£'000	£'000	£'000
2008					
Trade and other receivables	30,315	9,628	7,074	-	47,017

The Company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers

Liquidity risk

Liquidity risk arises where assets and liabilities have different contractual maturities The Company manages liquidity risk through applying the established framework put in place within the group

The maturity analysis of financial liabilities is disclosed in notes 16, 17, 18 and 19

The Company has no significant liquidity risk as it has access to financing facilities and support provided by fellow group companies

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

24 Contingent liabilities

The Royal Bank of Scotland group has agreed to compensate UK members for any adjustments in respect of UK UK Transfer Pricing that may arise under paragraph 1A of Schedule 28 AA, Income and Corporation Taxes Act 1988

25 Post balance sheet events

A dividend of £18,000,000 (£18 per share) was paid on 30 June 2009 No provision has been made for these dividends

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NOTES TO THE FINANCIAL STATEMENTS (Continued)
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26 Related parties

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's ultimate holding company is The Royal Bank of Scotland Group plc, a company incorporated in Great Britain and registered in Scotland Its immediate parent company is RBS Invoice Finance (Holdings) Limited which is incorporated in Great Britain and registered in England and Wales

As at 31 December 2009, The Royal Bank of Scotland Group plc heads the largest group in which the Company is consolidated and The Royal Bank of Scotland plc heads the smallest group in which the Company is consolidated Copies of the consolidated accounts of both companies may be obtained from The Secretary, The Royal Bank of Scotland Group plc, Gogarburn, Edinburgh, EH12 1HQ

Related party transactions with group undertakings

The table below details balances and transactions with group undertakings

	At 1 January 2009 £'000	Net (receipts) / payments £'000	Net interest paid £'000	At 31 December 2009 £'000
Banking members of the group				
Other RBS Group undertakings	(3,112,335)	662,932	(28,234)	(2,477,637)
Other members of the group				
Immediate parent	265,006	(6,709)	(134)	258,163
Other RBS Group undertakings	437,875	(349,183)	(11)	88,681
Total	(2,409,454)	307,040	(28,379)	(2,130,793)

The amounts outstanding are unsecured and will be settled in cash No guarantees have been given or received

Other related party transactions

Expenses of £7,634,000 (2008 £10,805,000) were incurred by the Company and then recharged to other members of the group by way of management charges

Directors' emoluments are disclosed in note 6

None of the directors had any material interest in any contract of significance in relation to the business of the Company (2008 - none)