Company Registered No: 01196227

CHARTERHOUSE JAPHET FINANCE LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2010

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

DIRECTORS' REPORT AND FINANCIAL STATEMENTS 2010

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS:	S J Caterer P J Whitby
SECRETARY:	R E Fletcher
REGISTERED OFFICE:	3 Princess Way Redhill Surrey RH1 1NP
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 2010

ACTIVITIES AND BUSINESS REVIEW

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

Activity

The principal activity of the company is the provision of fixed asset finance. The company's sole lease terminated in February 2010, and the company has ceased trading

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 website at rbs com

Review of the year

Business review

The profit for the period was £nil (2009 profit £nil)

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

Going concern

The directors have prepared the financial statements on a basis other than that of a going concern as the company has ceased trading There is no impact to the amounts presented in the financial statements

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 2010 to date the following changes have taken place

Directors	Appointed	Resigned
S J Caterer	11 October 2010	
I M Merriman		11 October 2010

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

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 have expressed their 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 29 September 2011

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHARTERHOUSE JAPHET FINANCE LIMITED

We have audited the financial statements of Charterhouse Japhet Finance Limited ('the company') for the year ended 31 December 2010 which have been prepared on a basis other than of going concern and 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 12 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 2010 and of its result 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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHARTERHOUSE JAPHET FINANCE LIMITED (continued)

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

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 in preparing the directors' report

Simon Cleveland

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

30th September 2011

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2010

Discontinued operations	Notes	2010 £	2009 £
Revenue	3	2,305	86,429
Operating profit		2,305	86,429
Finance cost	4	(2,305)	(86,429)
Result before tax		-	-
Tax credit		-	-
Result and total comprehensive income for the year		-	-

The accompanying notes form an integral part of these financial statements

CHARTERHOUSE JAPHET FINANCE LIMITED 01196227

BALANCE SHEET
as at 31 December 2010

	Notes	2010	2009
		£	£
Assets			
Current assets			
Finance lease receivables	5	-	889,054
Cash	7	1,000	1,000
Prepayments, accrued income and other assets	6	-	1,250
Total assets		1,000	891,304
Liabilities			
Current liabilities			
Borrowings	8	-	890,304
Total liabilities		-	890,304
Equity			
Share capital	10	1,000	1,000
Retained earnings		-	-
Total equity		1,000	1,000
Total liabilities and equity		1,000	891,304

The accompanying notes form an integral part of these financial statements

The financial statements of were approved by the Board of directors on 29 September 2011 and signed on its behalf by

S J Caterer
Director

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2010

	Share capital £	Retained earnings £	Total £
At 1 January 2009	1,000	-	1,000
At 31 December 2009	1,000	-	1,000
At 31 December 2010	1,000	-	1,000

The accompanying notes form an integral part of these financial statements

CASH FLOW STATEMENT
for the year ended 31 December 2010

	Notes	2010	2009
		£	£
Result for the year before tax		-	-
Adjustments for:			
Finance costs		2,305	86,429
Operating cash flows before movement in working capital		2,305	86,429
Decrease in finance lease receivables		889,054	3,556,218
Decrease in trade and other receivables		1,250	-
Net cash from operating activities		892,609	3,642,647
Cash flows from financing activities			
Repayment of borrowings to group undertakings – immediate parent company		(890,304)	(3,556,218)
Interest paid – immediate parent company		(2,305)	(86,429)
Net cash used by financing activities		(892,609)	(3,642,647)
Net increase in cash and cash equivalents		-	1,000
Cash and cash equivalents at beginning of year		1,000	-
Cash and cash equivalents at end of year	7	1,000	1,000

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 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 company is incorporated in the UK and registered in England and Wales

The accounts are prepared on the historical cost basis

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

The company ceased to trade during the 2010 financial year and has not traded since then These events did not require the company to remeasure, reclassify or adjust the settlement date of any assets or liabilities IAS25 "Presentation of Financial Statements" describes the preparation of financial statements in such circumstances as being other than on a going concern basis

Adoption of new and revised standards
There are a number of changes to IFRS that were effective from 1 January 2010 They have had no material effect on the company's financial statements for the year ended 31 December 2010

b) Revenue recognition
Revenue from finance leases is recognised in accordance with the company's policies on leases (see below) Revenue arose in the United Kingdom from discontinued 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 to identify potential impairment If there has been a reduction in the estimated unguaranteed residual value, the income allocation is revised and any reduction in respect of amounts accrued is recognised immediately

c) 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

d) 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

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. Accounting policies - continued

e) 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

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

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

g) Cash and cash equivalents
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

h) Accounting developments
The International Accounting Standards Board (IASB) issued *'Improvements to IFRS'* in May 2010 implementing minor changes to IFRS, making non-urgent but necessary amendments to standards, primarily to remove inconsistency and to clarify wording The revisions are effective for annual periods beginning on or after 1 July 2010 and are not expected to have a material effect on the company

The IASB issued IFRS 9 'Financial Instruments' in October 2010 simplifying the classification and measurement requirements in IAS 39 'Financial Instruments Recognition and Measurement' in respect of financial assets and liabilities The standard reduces the measurement categories for financial assets to two fair value and amortised cost while keeping categories for liabilities broadly the same Only financial assets with contractual terms that give rise to cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding 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 with changes in value generally taken to profit or loss The IASB will add impairment and hedging requirements to the standard before it becomes effective for annual periods beginning on or after 1 January 2013, early application is permitted

This standard makes major changes to the framework for the classification and measurement of financial assets and will have a effect on the company's Financial Statements The company is assessing the effect which also depends on the outcome of the other phases of IASB's IAS 39 replacement project

The IASB issued 'Disclosures - Transfers of Financial Assets' (Amendments to IFRS 7) in October 2010 to extend the standard's disclosure requirements about derecognition to align with US GAAP The revisions are effective for annual periods beginning on or after 1 July 2011 and will not affect the financial position or reported performance of the company

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. Accounting policies - continued

The International Financial Reporting Interpretations Committee issued interpretation IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments' in December 2009 The interpretation clarifies that the profit or loss on extinguishing liabilities by issuing equity instruments should be measured by reference to fair value, preferably of the equity instruments The interpretation, effective for the company for annual periods beginning on or after 1 January 2011, is not expected to have a material effect on the company

The IASB issued IFRS 10 'Consolidated Financial Statements' in May 2011, it establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities IFRS 10 will supersede the current IAS 27 'Consolidated and Separate Financial Statements' and SIC 12 'Consolidation – Special Purpose Entities' A new IAS 27 'Separate Financial Statements' has been published The new IAS 27 now only contains the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates in the parent company's separate financial statements

The IASB issued IFRS 11 'Joint Arrangements' in May 2011, it establishes the distinction between joint operations and joint ventures and the principles for financial reporting of them IFRS 11 supersedes IAS 31 'Interests in Joint Ventures' There are some consequential changes to IAS 28 'Investments in Associates', which is renamed IAS 28 'Investments in Associates and Joint Ventures'

The IASB issued IFRS 12 'Disclosure of Interests in Other Entities' in May 2011 IFRS 12 brings the disclosure requirements in consolidated financial statements for interests in subsidiaries, joint arrangements, associates and unconsolidated structures under one standard Disclosures required in separate financial statements are dealt with in IAS 27 Separate Financial Statements

IFRS 10, IFRS 11, & IFRS 12 as well revised IAS 27 and IAS 28 are effective for annual periods beginning on or after 1 January 2013 Earlier application is permitted If adopted early all standards must be adopted together (IFRS 12 may be adopted early without having to adopt the other standards)

The IASB issued IFRS 13 'Fair Value Measurement' in May 2011, setting out a single IFRS framework for defining and measuring fair value and requiring disclosures about fair value measurements IFRS 13 is effective for annual periods beginning on or after 1 January 2013 Earlier application is permitted

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	2010 £	2009 £
Finance lease receivable income		
Rents receivable	889,054	3,556,219
Amortisation	(886,749)	(3,469,790)
	2,305	86,429

Staff costs, number of employees and directors' emoluments

All staff and directors were employed by 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

Audit fees

There was no charge in either the current or prior year's financial statements for auditor's remuneration as the fees of £5,000 (2009 £5,000) were charged in the financial statements of Royal Bank Leasing Limited and not recharged to the company

4. Finance Costs	2010 £	2009 £
Interest on loans from group undertakings – immediate parent company	2,305	86,429

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. Finance lease receivables	2010 £	2009 £
Current		
Future minimum lease payments – within 1 year	-	891,359
Unearned finance income	-	(2,305)
Present value of minimum lease payments	-	889,054

The company entered into a finance lease arrangement for IT equipment The term of the lease was 10 years and it expired on 26 February 2010 The average effective interest rate of the finance lease was 2 7% (2009 2 7%)

The company did not enter into a new transactions during the year

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

6. Prepayments, accrued income and other assets	2010 £	2009 £
Accrued income	-	1,250

7. Cash	2010 £	2009 £
Cash held with group undertakings – immediate parent company	1,000	1,000

8. Borrowings	2010 £	2009 £
Amounts owed to – immediate parent company	-	890,304

9. Financial instruments and risk management

(i) Categories of financial instruments
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

(i) 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

9 Financial instruments and risk management - continued

Interest rate risk

Interest rate risk arises where assets and liabilities have different interest profiles

The balance sheet profile of the company is such that there are only non-interest bearing assets at the year end (2009 the interest profile of assets and liabilities were matched) hence the company has no significant interest rate risk

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

Credit risk
The objective of credit risk management is to enable the company to achieve appropriate risk versus reward performance whilst maintaining credit risk exposure in line with approved appetite for the risk that customers will be unable to meet their obligations to the company

The key principles of the group's Credit Risk Management Framework are set out below

- Approval of all credit exposure is granted prior to any advance or extension of credit

- An appropriate credit risk assessment of the customer and credit facilities is undertaken prior to approval of credit exposure This includes a review of, amongst other things, the purpose of credit and sources of repayment, compliance with affordability tests, repayment history, capacity to repay, sensitivity to economic and market developments and risk-adjusted return

- Credit risk authority is dictated by the Board and specifically granted in writing to all individuals involved in the granting of credit approval In exercising credit authority, the individuals act independently of any related business revenue origination

- All credit exposures, once approved, are effectively monitored and managed and reviewed periodically against approved limits Lower quality exposures are subject to a greater frequency of analysis and assessment

	2010	2009
	£	£
Maximum credit exposure and neither past due nor impaired		
One counterparty in the IT sector	-	889,054
Group undertakings	-	1,250
	-	890,304

Based on counterparty payment history the company considers all the above financial assets to be of good quality

9. Financial instruments and risk management - continued

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)

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

10. Share capital

	2010 £	2009 £
Authorised		
1,000 ordinary shares of £1	1,000	1,000
Allotted, called up and fully paid		
1,000 ordinary shares of £1	1,000	1,000

The company has one class of ordinary shares which carry no right to fixed income

11. Capital resources

The company's capital consists of equity comprising issued share capital 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

12. 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, and its immediate parent company is The Royal Bank of Scotland plc Both companies are incorporated in Great Britain and registered in Scotland

As at 31 December 2010, 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

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