

Company Registration No: 02060602

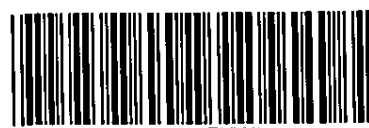
LOMBARD LEASING CONTRACTS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 March 2009

**Group Secretariat
The Royal Bank of Scotland Group plc
3 Princess Way
Redhill
Surrey
RH1 1NP**

THURSDAY



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COMPANIES HOUSE

LOMBARD LEASING CONTRACTS LIMITED

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LOMBARD LEASING CONTRACTS LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS:
S Caterer
P Sullivan
R Warren
J Rogers

SECRETARY: C Whittaker

REGISTERED OFFICE:
1 Princes Street
London
EC2R 8PB

AUDITORS:
Deloitte LLP
Bristol

Registered in England and Wales.

LOMBARD LEASING CONTRACTS LIMITED

DIRECTORS' REPORT

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

ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is the provision of fixed asset finance usually involving individually structured facilities.

The Company is a member 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 development of the Company's activities during the year. The Company will be guided by its immediate parent company in seeking further opportunities for growth.

The Company's financial performance is presented in the Income Statement on Page 6.

During the year, the Company paid a dividend of £12,000,000 (2008: £2,500,000) being £120,000 per share (2008: £25,000 per share). At the end of the year, the financial position showed total assets of £238,049,000 (2008: £262,026,000) and equity of £3,836,000 (2008: £11,571,000).

The Company is funded by facilities from The Royal Bank of Scotland plc. It seeks to minimise its exposure to external financial risks other than credit risk, further information is disclosed in Note 2. It also has exposure to asset risk on the residual value of property, plant and equipment.

The directors, having made such enquiries as they considered appropriate, 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 half year ended 30 June 2009, approved on 6 August 2009, which were prepared on a going concern basis.

Post balance sheet event

On 1 April 2009, the Company disposed of its one finance lease. A profit on disposal of £590,000 will be recognised in the financial statements for the year ended 31 March 2010.

REGISTERED OFFICE

During the year, the Company changed its registered office to 1 Princes Street, London, EC2R 8PB.

LOMBARD LEASING CONTRACTS LIMITED

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 2007 to date the following changes have taken place:

	Appointed	Resigned
Director		
A Devine		31 July 2008
A Farnell		31 July 2008
P Tubb		15 August 2008
R Warren	31 July 2008	
P Sullivan	31 July 2008	
I Shephard	20 August 2008	10 February 2009
J Rogers	16 March 2009	

DIRECTORS' RESPONSIBILITIES

The directors are required by the Companies Act 1985 and 2006 to prepare a directors' report and financial statements for each financial year and have elected to prepare them in accordance with International Financial Reporting Standards as adopted by the European Union. They are responsible for preparing financial statements that present fairly the financial position, financial performance, and cash flows of the Company. 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 applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records which 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 1985 and 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/she 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/she ought to have taken to make himself/herself 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 234ZA of the Companies Act 1985.

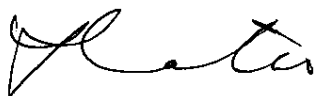
LOMBARD LEASING CONTRACTS LIMITED

AUDITORS

On 1 December 2008, Deloitte & Touche LLP changed its name to Deloitte LLP.

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

A handwritten signature in black ink, appearing to read 'S J Caterer', with a stylized flourish at the end.

S J Caterer
Director

Date: 30 November 2009

Independent auditors' report to the members of Lombard Leasing Contracts Limited

We have audited the financial statements of Lombard Leasing Contracts Limited ("the company") for the year ended 31 March 2009 which comprise the Income Statement, the Statement of Recognised Income and Expense, the Balance Sheet, The Cash Flow Statement and the related Notes 1 to 25. These financial statements have been prepared under the policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the statement of directors' responsibilities. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, and are properly prepared in accordance with the Companies Act 1985. We report to you whether in our opinion the information given in the directors' report is consistent with the financial statements. In addition we also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the company, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the company's affairs as at 31 March 2009 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.



Deloitte LLP
Chartered Accountants and Registered Auditors
Bristol, United Kingdom

1 December 2009

• LOMBARD LEASING CONTRACTS LIMITED

INCOME STATEMENT
for the year ended 31 March 2009

	Note	2009 £'000	2008 £'000
CONTINUING OPERATIONS			
Revenue	3	26,138	23,457
Cost of sales	9	<u>(10,325)</u>	<u>(11,178)</u>
GROSS PROFIT		15,813	12,279
Other operating income	4	100	100
Administrative expenses	5	<u>(200)</u>	<u>(292)</u>
OPERATING PROFIT		15,713	12,087
Finance costs	7	<u>(9,789)</u>	<u>(7,492)</u>
PROFIT BEFORE TAXATION		5,924	4,595
Tax (charge)/credit	8	<u>(1,659)</u>	<u>2,986</u>
PROFIT FOR THE FINANCIAL YEAR	19	<u><u>4,265</u></u>	<u><u>7,581</u></u>

LOMBARD LEASING CONTRACTS LIMITED

STATEMENT OF RECOGNISED INCOME AND EXPENSE
for the year ended 31 March 2009

	2009 £'000	2008 £'000
Profit for the year	<u>4,265</u>	<u>7,581</u>
Total recognised income and expense for the year	<u><u>4,265</u></u>	<u><u>7,581</u></u>

BALANCE SHEET
as at 31 March 2009

	Note	2009 £'000	2008 £'000
NON-CURRENT ASSETS			
Property, plant and equipment	9	201,517	207,354
Finance lease receivables	11	-	29,676
		<u>201,517</u>	<u>237,030</u>
CURRENT ASSETS			
Assets held for sale	25	32,172	-
Finance lease receivables	11	-	2,210
Trade and other receivables	12	360	340
Cash and cash equivalents	13	4,000	22,446
		<u>36,532</u>	<u>24,996</u>
TOTAL ASSETS		<u><u>238,049</u></u>	<u><u>262,026</u></u>
CURRENT LIABILITIES			
Trade and other payables	14	(4,383)	(3,618)
Bank loans	16	(5,941)	(3,823)
		<u>(10,324)</u>	<u>(7,441)</u>
NON CURRENT LIABILITIES			
Provisions	15	(19,781)	(19,781)
Bank loans	16	(145,559)	(162,125)
Deferred tax liabilities	17	(58,549)	(61,108)
		<u>(223,889)</u>	<u>(243,014)</u>
TOTAL LIABILITIES		<u><u>(234,213)</u></u>	<u><u>(250,455)</u></u>
NET ASSETS		<u><u>3,836</u></u>	<u><u>11,571</u></u>
EQUITY			
Share capital	18	-	-
Retained earnings	19	3,836	11,571
TOTAL EQUITY		<u><u>3,836</u></u>	<u><u>11,571</u></u>

The financial statements were approved by the Board of Directors on 30 November 2009 and signed on its behalf by:



S J Caterer
Director

LOMBARD LEASING CONTRACTS LIMITED

CASH FLOW STATEMENT
for the year ended 31 March 2009

	Note	2009 £'000	2008 £'000
NET CASH FROM OPERATING ACTIVITIES	20	<u>12,490</u>	<u>6,646</u>
INVESTING ACTIVITIES			
Purchases of property, plant and equipment		<u>(4,488)</u>	<u>(2,491)</u>
FINANCING ACTIVITIES			
Dividends paid		(12,000)	(2,500)
Bank loans (paid)/raised		<u>(14,489)</u>	<u>18,546</u>
NET CASH (USED IN)/FROM FINANCING ACTIVITIES		<u>(26,489)</u>	<u>16,046</u>
NET (DECREASE)/INCREASE IN CASH & CASH EQUIVALENTS		(18,487)	20,201
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		<u>22,446</u>	<u>2,245</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR		<u><u>3,959</u></u>	<u><u>22,446</u></u>

LOMBARD LEASING CONTRACTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES

a BASIS OF ACCOUNTING

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the EU. The Company in addition to complying with its legal obligation to comply with IFRS as adopted for use in the European Union, also complies with IFRS as issued by the International Accounting Standards Board.

The financial statements have been prepared on the historical cost basis. The principal accounting policies are set out below.

The directors do not believe the adoption of any Standards or Interpretations that have been issued but are not yet effective will have any material impact on the financial statements of the Company.

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.

The accounts, which should be read in conjunction with the Directors' Report, are prepared on a going concern basis and in accordance with IFRS.

b INCOME UNDER FINANCE AND OPERATING LEASES

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Finance lease income, which includes the amortisation of the investment in the lease, is allocated to accounting periods so as to reflect a constant periodic rate of return on the net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

c BORROWING COSTS

All borrowing costs are recognised as an expense in the period in which they are incurred.

d TAXATION

Provision is made for taxation at current enacted rates on taxable profits.

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.

e PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation on assets for hire under operating leases is charged over the lease term, using the straight-line method.

The balance sheet carrying values of operating lease assets include balances in respect of residual values; unguaranteed residual values are subject to regular review with any corrections being made through depreciation.

f FINANCIAL INSTRUMENTS

The Company's financial asset categories are finance lease receivables and loans and receivables. Loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the balance sheet.

The Company's financial liabilities are all categorised as financial liabilities measured at amortised cost. This comprises 'bank overdraft and loans' and 'trade and other payables' in the balance sheet.

The Company does not account for any financial assets or liabilities at fair value through profit or loss.

LOMBARD LEASING CONTRACTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES - continued

g AMOUNTS RECEIVABLE UNDER FINANCE LEASES

A lease is recognised when there is a contractual right to the asset's cash flows and derecognised when all contractual rights and obligations expire. Amounts due from lessees under finance leases are recorded as receivables at the amount of the net investment in the leases. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income.

Progress payments made prior to the commencement of the primary lease are included at cost together with the amount of any interest charged on such payments.

h TRADE AND OTHER RECEIVABLES

Trade and other receivables are measured at initial recognition fair value, and subsequently measured at amortised cost using the effective interest rate method. Trade and other receivables do not carry any interest and are stated at their nominal value.

i 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.

j BORROWINGS

Interest-bearing loans and bank overdrafts are initially recorded at fair value and are subsequently measured at amortised cost using the effective interest rate method.

k TRADE AND OTHER PAYABLES

Trade and other payables are initially measured at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Trade and other payables are not interest bearing and are stated at their nominal value.

l OPERATING PROFIT

Operating profit is stated before charging or crediting investment income and finance costs.

m ASSETS HELD FOR SALE

Assets classified as held-for-sale are measured at the lower of carrying amount and fair value less costs to sell.

Assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale which would be expected to qualify for recognition as a completed sale within one year from the date of classification.

2 FINANCIAL RISK MANAGEMENT

a Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company's policy is to avoid interest rate risk by matching the maturity of the lease and its associated loan finance and fixing the cost of borrowing at the inception of the lease when the effective interest rate in the lease is determined.

b Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company minimises currency risk by ensuring its leases and associated financing is in the same currency.

LOMBARD LEASING CONTRACTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2 FINANCIAL RISK MANAGEMENT - continued

c Credit risk

Credit risk is the risk arising from the possibility that the Company will incur losses from the failure of counterparties to meet their obligations. Credit risk is managed through The Royal Bank of Scotland plc Group Credit Risk Management Framework to enable the Group to achieve appropriate risk versus reward performance whilst maintaining credit risk exposure in line with approved risk appetite on a Group basis. The Framework encompasses credit risk assessment prior to the approval of any credit exposure, and the control and monitoring of these exposures against approved limits.

d Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

Any maturity mis-match within the overall long-term structure of the Company's assets and liabilities is managed to ensure that term asset commitments may be funded on an economic basis over their life. The short-term maturity structure of the Company's liabilities and assets is managed on a daily basis to ensure that all cash flow obligations can be met as they arise.

e Capital management

The Company is a member of a group with regulatory disciplines over the use of its capital. Although the Company itself is not regulated it aims to maintain capital resources commensurate with the nature, scale and risk profile of its business. It regards its capital as the total equity as shown on the balance sheet.

3 REVENUE	2009	2008
	£'000	£'000
Finance leases:		
Rentals receivable	1,205	3,239
Amortisation	<u>134</u>	<u>(2,458)</u>
	1,339	781
Operating leases:		
Rentals receivable	<u>24,799</u>	<u>22,676</u>
	<u>26,138</u>	<u>23,457</u>
Included in the above are the following amounts:		
Contingent rentals	<u>(1,005)</u>	<u>(1,324)</u>
Capital cost of asset additions financed:		
Operating leases	<u>4,488</u>	<u>2,491</u>
4 OTHER OPERATING INCOME	2009	2008
	£'000	£'000
Fee income	<u>100</u>	<u>100</u>

LOMBARD LEASING CONTRACTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

5 OPERATING PROFIT	2009	2008
	£'000	£'000
Operating profit has been arrived at after (crediting)/charging:		
Profit on disposal of leases	(13)	-
Fees & commissions	186	197
Management charge	(6)	95
Other	33	-
	<u>200</u>	<u>292</u>

Costs incurred in respect of audit services to the Company are included in the management charge as shown below:

	£	£
Auditors' remuneration - for audit services	<u>3,951</u>	<u>11,724</u>

6 STAFF COSTS

All directors and employees are employed and remunerated by The Royal Bank of Scotland plc, which did not make a recharge to the Company in the year.

The average monthly number of employees was nil (2008: nil).

7 FINANCE CHARGE	2009	2008
	£'000	£'000
Interest payable to group undertakings	<u>9,789</u>	<u>7,492</u>

8 TAXATION	2009	2008
	£'000	£'000

A) ANALYSIS OF TAX CHARGE/(CREDIT) FOR THE YEAR

Current tax charge:

- Group relief payable on profit for the year	4,218	4,984
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Deferred tax - origination and reversal of timing differences:

- Current year	(2,559)	(3,365)
- Impact of rate change from 30% to 28%	-	(4,605)

Tax charge/(credit)	<u>1,659</u>	<u>(2,986)</u>
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B) FACTORS AFFECTING THE TAX CHARGE/(CREDIT) FOR THE YEAR

Profit before tax	<u>5,924</u>	<u>4,595</u>
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Tax on profit at the rate of 28% (2008: 30%)	1,659	1,379
Impact of rate change from 30% to 28%	-	(4,365)

Tax charge/(credit)	<u>1,659</u>	<u>(2,986)</u>
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The standard corporation tax rate changed from 30% to 28% effective from the 1 April 2008.

LOMBARD LEASING CONTRACTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

9 PROPERTY, PLANT AND EQUIPMENT

Assets for hire
under operating
leases
£'000

COST OR VALUATION

At 1 April 2007	275,886
Additions	<u>2,491</u>
At 1 April 2008	278,377
Additions	<u>4,488</u>
At 31 March 2009	<u>282,865</u>

ACCUMULATED DEPRECIATION AND IMPAIRMENT

At 1 April 2007	59,845
Charge for the year	<u>11,178</u>
At 1 April 2008	71,023
Charge for the year	<u>10,325</u>
At 31 March 2009	<u>81,348</u>

CARRYING AMOUNT

At 31 March 2009	<u>201,517</u>
At 31 March 2008	<u>207,354</u>

10 FINANCIAL INSTRUMENTS

a) Carrying value and fair value of financial instrument by category:

	Carrying value 2009 £'000	Fair value 2009 £'000	Carrying value 2008 £'000	Fair value 2008 £'000
Finance lease receivables	-	-	31,886	31,886
Loans and receivables				
Assets held for sale	32,172	32,172	-	-
Trade and other receivables	360	360	340	340
Cash and cash equivalents	<u>4,000</u>	<u>4,000</u>	<u>22,446</u>	<u>22,446</u>
Financial assets	<u>36,532</u>	<u>36,532</u>	<u>54,672</u>	<u>54,672</u>
Financial liabilities measured at amortised cost				
Trade and other payables	4,383	4,383	3,618	3,618
Bank overdraft and loans	<u>151,500</u>	<u>172,486</u>	<u>165,948</u>	<u>170,500</u>
Financial liabilities	<u>155,883</u>	<u>176,869</u>	<u>169,566</u>	<u>174,118</u>

NOTES TO THE FINANCIAL STATEMENTS

10 FINANCIAL INSTRUMENTS continued

b) Financial instrument - carrying amount by market risk exposure:	2009 £'000	2008 £'000
Interest rate risk:		
Financial assets		
- variable rate	36,172	54,332
- non-interest bearing	360	340
	<u>36,532</u>	<u>54,672</u>
Financial liabilities		
- fixed rate	151,500	165,948
- non-interest bearing	4,383	3,618
	<u>155,883</u>	<u>169,566</u>

If market interest rates had been 2% higher or lower the profit or loss after tax and equity of the Company would have increased or decreased by £2,108,000 (2008: £2,306,000).

c) Financial asset - credit quality and concentration of credit risk:	2009 £'000	2008 £'000
Maximum credit exposure and neither past due nor impaired:		
Counterparty		
1 lessee	-	31,886
Other debtors	360	-
Group undertakings	4,000	22,786
	<u>4,000</u>	<u>54,672</u>
Ageing of invoices past due at the balance sheet date:		
Due within one month	-	1

Based on counterparty payment history the Company considers all the above financial assets, including past due, to be of good credit quality.

d) Liquidity risk:

Contractual cash flows payable to maturity on financial liabilities on an undiscounted basis:

	Less than 1 year £'000	In the 2nd year £'000	3 to 5 years £'000	Over 5 years £'000
2009				
Trade payables	4,383	-	-	-
Bank overdraft and loans	12,306	15,208	144,990	-
	<u>16,689</u>	<u>15,208</u>	<u>144,990</u>	<u>-</u>
2008				
Trade payables	3,618	-	-	-
Bank overdraft and loans	22,398	24,672	114,539	158,936
	<u>26,016</u>	<u>24,672</u>	<u>114,539</u>	<u>158,936</u>

LOMBARD LEASING CONTRACTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

11 FINANCE LEASE RECEIVABLES

	Gross investment in lease		Present value of minimum lease payments	
	2009	2008	2009	2008
	£'000	£'000	£'000	£'000
Amounts receivable under finance leases:				
Within one year	-	2,210	-	2,210
In the second to fifth years inclusive	-	13,829	-	11,462
After five years	-	37,766	-	18,214
	-	53,805	-	31,886
Less: unearned finance income	-	(21,919)	N/A	N/A
Present value of minimum lease payments receivable	-	31,886	-	31,886
Analysed as:				
Non-current finance lease receivables (recoverable after 12 months)			-	29,676
Current finance lease receivables (recoverable within 12 months)			-	2,210
			-	31,886

The Company has entered into finance leasing arrangements for one aeroplane. The average term of the finance leases entered into is 25 years. The lease was terminated early on 1 April 2009 (note 25).

Unguaranteed residual values of assets leased under finance leases at the balance sheet date are estimated at £nil (2008: £nil).

The interest rate inherent in the leases is determined at the contract date for all the lease term. The average effective interest rate contracted approximates 7.9% (2008: 7.9%) p.a.

12 TRADE AND OTHER RECEIVABLES

	2009	2008
	£'000	£'000
Trade debtors	-	1
Amounts due from group undertakings	63	-
Other debtors	297	339
	360	340

13 CASH AND CASH EQUIVALENTS

	2009	2008
	£'000	£'000
Bank account with group undertakings	-	108
Short term deposits with group undertakings	4,000	22,338
	4,000	22,446

Included in the cash and cash equivalents on the cash flow statement is an amount of £41,000 (2008: £nil) in respect of the bank overdraft.

14 TRADE AND OTHER PAYABLES

	2009	2008
	£'000	£'000
Trade creditors	461	-
Amounts due to group undertakings	2,390	2,817
Other creditors	1,532	801
	4,383	3,618

LOMBARD LEASING CONTRACTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

15 PROVISIONS

Upside sharing
provision
£'000

Included in non-current liabilities:

At 31 March 2009 and at 31 March 2008

19,781

The provision represents the best estimate of the Company's liability under an upside sharing arrangement relating to an operating lease which is potentially payable from 2012

16 BANK LOANS

2009
£'000

2008
£'000

Bank overdraft due to group undertakings

41

-

Loan amount due to group undertakings

151,459

165,948

151,500

165,948

The borrowings are repayable as follows:

On demand or within one year

5,941

3,823

In the second year

9,179

7,315

In the third to fifth year inclusive

132,061

50,590

After five years

4,319

104,220

151,500

165,948

Less: Amounts due for settlement within 12 months (shown under current liabilities)

(5,941)

(3,823)

Amounts due for settlement after 12 months

145,559

162,125

A right of set-off exists over the Company's bank account with The Royal Bank of Scotland plc against advances made to the Company's immediate holding company and its subsidiaries.

The effective interest rate on the loan is 5.6% (2008: 5.6%) p.a.

17 DEFERRED TAX

Movements during the year:

Deferred
taxation
£'000

At 1 April 2007

69,078

Credit to income statement

(7,970)

At 1 April 2008

61,108

Credit to income statement

(2,559)

At 31 March 2009

58,549

Full provision has been made for the potential amount of deferred taxation shown below:

2009
£'000

2008
£'000

Accelerated capital allowances on assets financed

61,797

63,593

Other temporary differences

(3,248)

(2,485)

58,549

61,108

LOMBARD LEASING CONTRACTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

18 SHARE CAPITAL

	2009 Number of shares	2008	2009 £	2008 £
Ordinary shares of £1 each				
Authorised:				
- Ordinary shares of £1 each	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>
Issued, called up and fully paid:				
- Ordinary shares of £1 each	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

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

19 RETAINED EARNINGS

	£'000
Balance at 1 April 2007	6,490
Dividends paid	(2,500)
Profit for the financial year	<u>7,581</u>
Balance at 1 April 2008	11,571
Dividends paid	(12,000)
Profit for the financial year	<u>4,265</u>
Balance at 31 March 2009	<u>3,836</u>

During the year a dividend of £12,000,000 was paid (2008: £2,500,000) representing £120,000 per share (2008: £25,000 per share).

20 NOTES TO THE CASH FLOW STATEMENT

	2009 £'000	2008 £'000
Profit before tax	5,924	4,595
Adjustments for:		
Depreciation on assets for hire under operating leases	10,325	11,178
Interest expense	<u>9,789</u>	<u>7,492</u>
Operating cash flows before movements in working capital	26,038	23,265
(Increase)/decrease in receivables	(243)	2,837
Increase/(decrease) in payables	<u>1,118</u>	<u>(486)</u>
Cash generated by operations	26,913	25,616
Income taxes paid	(4,944)	(11,229)
Interest paid	<u>(9,479)</u>	<u>(7,741)</u>
Net cash from operating activities	<u>12,490</u>	<u>6,646</u>

21 OPERATING LEASE ARRANGEMENTS

The future minimum lease payments receivable under non-cancellable operating leases are as follows:

	2009 £'000	2008 £'000
Within one year	23,748	23,750
In the second to fifth years inclusive	74,300	87,975
After five years	<u>1,080</u>	<u>11,495</u>
	<u>99,128</u>	<u>123,220</u>

LOMBARD LEASING CONTRACTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

22 RESIDUAL VALUE EXPOSURE

The table below gives details in respect of unguaranteed residual values included in the carrying value of operating lease assets at the balance sheet date.

	2009 £'000	2008 £'000
Year in which residual value will be recovered		
Between 2-5 years	158,305	51,238
More than 5 years	<u>3,444</u>	<u>110,511</u>
Total	<u>161,749</u>	<u>161,749</u>

23 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.

The Group'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 March 2009, The Royal Bank of Scotland Group plc heads the largest group in which the Group is consolidated and The Royal Bank of Scotland plc heads the smallest group in which the Group is consolidated. Copies of the consolidated accounts of both companies may be obtained from The Secretary, The Royal Bank of Scotland Group plc, Gogarburn, PO Box 1000, Edinburgh EH12 1HQ.

24 RELATED PARTY TRANSACTIONS

During the period, the Company entered into the following related party transactions.

	2009 £'000	2008 £'000
Royal Bank Leasing Limited		
Transactions during the period		
- Related party management charge (received)/paid	(6)	95
- Interest on loan paid to related party	9,789	7,492
- Group relief paid	4,944	11,229
- Loan repayments to/(additional borrowings from) related parties	<u>14,489</u>	<u>(18,546)</u>
Group relief owed to related party	(1,605)	(2,331)
Outstanding balance owed to related party	<u>(149,838)</u>	<u>(146,428)</u>
The Royal Bank of Scotland plc		
Bank (overdraft)/balance with group undertakings	<u>(41)</u>	<u>108</u>

The amounts outstanding 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 the amounts owed by related parties.

Both The Royal Bank of Scotland plc and Royal Bank Leasing Limited are fellow subsidiaries of the ultimate holding company The Royal Bank of Scotland Group plc.

25 ASSETS HELD FOR SALE

	2009 £'000	2008 £'000
Finance lease receivable	<u>32,172</u>	<u>-</u>

On 1 April 2009, the Company disposed of its one finance lease. A profit of £590,000 will be recognised in the financial statements for the year ended 31 March 2010. The finance lease has been reclassified as an asset held for sale.