

Company Registration No: 02353835

NATWEST CORPORATE FINANCE LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

30 June 2008



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

Natwest Corporate Finance Limited

CONTENTS	Page
Officers and Professional Advisers	1
Directors' Report	2-4
Independent Auditors' Report	5
Income Statement	6
Statement of Recognised Income and Expense	7
Balance Sheet	8
Cash Flow Statement	9
Notes to the Financial Statements	10-20

Natwest Corporate Finance Limited

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS:
S Caterer
J Rogers
P Sullivan
R Warren

SECRETARY: C J Whittaker

REGISTERED OFFICE:
1 Princes Street
London
EC2R 8PB

AUDITORS:
Deloitte LLP
Bristol

Registered in England and Wales.

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 30 June 2008.

REGISTERED OFFICE

Since the year end the Company changed its official registered office from 3 Princess Way, Redhill, Surrey, to 1 Princes Street, London, EC2R 8PB, effective from 25 September 2008.

ACTIVITIES AND BUSINESS REVIEW

This directors' report has been prepared in accordance with the special provisions relating to small companies under section 246(4)(a) of the Companies Act 1985.

Activity

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

The retained loss for the period was £752,000 (2007: retained profit £1,293,000) and this was transferred to reserves. The directors do not recommend that a dividend be paid (2007: £nil).

The directors do not anticipate any material change in either the type or level of activities of the Company. The Company seeks to minimise its exposure to external financial risks other than credit risk, further information is disclosed in Note 2.

The directors, having made such enquiries as they considered appropriate, including regarding the continuing availability of sufficient resources from the 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 2008, approved on 25 February 2009, which were prepared on a going concern basis.

Post balance sheet event

On 1 December 2008, the UK Government through HM Treasury acquired a controlling shareholding in The Royal Bank of Scotland Group plc. The UK Government has announced that its shareholdings in banks will be managed by UK Financial Investments Limited a company wholly-owned by the UK Government.

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 July 2007 to date the following changes have taken place:

	Appointed	Resigned
Directors		
T Castledine		19 July 2007
A Devine	19 July 2007	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 Acts 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 Acts 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.

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 be 'R F Warren', with a long horizontal stroke at the end.

R F Warren
Director

Date: 29 April 2009

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NATWEST CORPORATE FINANCE LIMITED

We have audited the financial statements of Natwest Corporate Finance Limited ("the company") for the year ended 30 June 2008 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 21. These financial statements have been prepared under the accounting 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

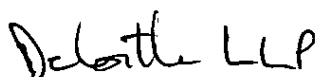
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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.

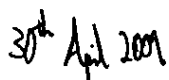
Opinion

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 30 June 2008 and of its loss 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



NATWEST CORPORATE FINANCE LIMITED**INCOME STATEMENT**
for the year ended 30 June 2008

	Note	2008 £'000	2007 £'000
CONTINUING OPERATIONS			
Revenue	4	2,549	2,226
Administrative expenses	5	<u>(6)</u>	<u>(6)</u>
OPERATING PROFIT	5	2,543	2,220
Finance costs	7	(2,151)	(2,439)
Other gains and losses	10	<u>(1,491)</u>	<u>1,831</u>
(LOSS)/PROFIT BEFORE TAXATION		(1,099)	1,612
Tax credit/(charge)	8	<u>347</u>	<u>(319)</u>
(LOSS)/PROFIT FOR THE FINANCIAL YEAR	18	<u><u>(752)</u></u>	<u><u>1,293</u></u>

The notes on pages 10 to 20 form part of these financial statements.

NATWEST CORPORATE FINANCE LIMITED

STATEMENT OF RECOGNISED INCOME AND EXPENSE
for the year ended 30 June 2008

	2008 £'000	2007 £'000
(Loss)/Profit for the year	<u>(752)</u>	<u>1,293</u>
Total recognised income and expense for the year	<u><u>(752)</u></u>	<u><u>1,293</u></u>

NATWEST CORPORATE FINANCE LIMITED

BALANCE SHEET

as at 30 June 2008

	Note	2008 £'000	2007 £'000
NON-CURRENT ASSETS			
Finance lease receivables	11	29,835	31,378
		<u>29,835</u>	<u>31,378</u>
CURRENT ASSETS			
Finance lease receivables	11	3,717	3,520
Trade and other receivables	12	22	15
Cash and cash equivalents	13	6,470	1,331
		<u>10,209</u>	<u>4,866</u>
TOTAL ASSETS		<u>40,044</u>	<u>36,244</u>
CURRENT LIABILITIES			
Trade and other payables	14	(4,853)	(797)
Bank loans	15	(1,429)	(1,319)
		<u>(6,282)</u>	<u>(2,116)</u>
NON CURRENT LIABILITIES			
Bank loans	15	(26,469)	(27,997)
Derivatives at fair value	10	(13,503)	(12,012)
Deferred tax liabilities	16	(2,721)	(2,298)
		<u>(42,693)</u>	<u>(42,307)</u>
TOTAL LIABILITIES		<u>(48,975)</u>	<u>(44,423)</u>
NET LIABILITIES		<u>(8,931)</u>	<u>(8,179)</u>
EQUITY			
Share capital	17	-	-
Retained earnings	18	(8,931)	(8,179)
TOTAL DEFICIT		<u>(8,931)</u>	<u>(8,179)</u>

The financial statements on pages 6 to 20 were approved by the Board of Directors and authorised for issue on 29 April 2009. They were signed on its behalf by :-

R F Warren
Director

The notes on pages 10 to 20 form part of these financial statements.

NATWEST CORPORATE FINANCE LIMITED

CASH FLOW STATEMENT
for the year ended 30 June 2008

	Note	2008 £'000	2007 £'000
NET CASH FROM OPERATING ACTIVITIES	19	<u>6,557</u>	<u>2,254</u>
FINANCING ACTIVITIES			
Repayments of borrowings		<u>(1,418)</u>	<u>(1,392)</u>
NET CASH USED IN FINANCING ACTIVITIES		<u>(1,418)</u>	<u>(1,392)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		5,139	862
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		<u>1,331</u>	<u>469</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR		<u><u>6,470</u></u>	<u><u>1,331</u></u>

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.

IFRS 7 'Financial Instruments: Disclosures' which became effective in this period introduces new disclosures relating to financial instruments but does not have any impact on the classification or valuation of the Company's financial instruments

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES - continued

e FINANCIAL INSTRUMENTS

The Company's financial asset categories are finance lease receivables and loan and receivables. Loan 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 asset or liabilities at fair value through profit or loss.

f 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.

g 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.

h 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.

i 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.

j 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.

NOTES TO THE FINANCIAL STATEMENTS

k DERIVATIVES AT FAIR VALUE

The Company has entered into a lease which contains an embedded derivative. The embedded derivative is accounted for, separately from the lease, as a derivative financial instrument from the lease in these financial statements.

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. The Company's pricing and valuation methods are managed by the ultimate holding company, The Royal Bank of Scotland Group plc's (the Group). Most of the Group's pricing models do not entail material subjectivity because the methodologies utilised do not incorporate significant judgement and the parameters included in the models can be calibrated to actively quoted market prices. Values established from pricing models are adjusted for credit risk, liquidity risk and future operational costs.

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

l OPERATING PROFIT

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

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.

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.

NATWEST CORPORATE FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2 FINANCIAL RISK MANAGEMENT - continued

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 PARENT COMPANIES

The Company's immediate parent company is National Westminster Bank Plc.

The Company's ultimate holding company, ultimate controlling party and the parent of the largest group into which the Company is consolidated, is The Royal Bank of Scotland Group plc which is incorporated in Great Britain and registered in Scotland. Copies of the financial statements for The Royal Bank of Scotland Group plc can be obtained from The Royal Bank of Scotland Group plc, Gogarburn, Edinburgh, EH12 1HQ.

The smallest subgroup into which the Company is consolidated has as its parent company National Westminster Bank plc, a company incorporated in Great Britain and registered in Scotland. Copies of the consolidated financial statements for this subgroup can be obtained from The Royal Bank of Scotland Group plc, Gogarburn, Edinburgh, EH12 1HQ.

4 REVENUE

	2008	2007
	£'000	£'000

Finance leases:

Rentals receivable	3,890	3,913
Amortisation	<u>(1,341)</u>	<u>(1,687)</u>
	<u>2,549</u>	<u>2,226</u>

Capital cost of asset additions financed:

Finance leases	<u>4</u>	<u>6</u>
----------------	----------	----------

NATWEST CORPORATE FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

5 OPERATING PROFIT

Operating profit has been arrived at after charging:

	2008 £'000	2007 £'000
Management charge	5	6
Other	<u>1</u>	<u>-</u>
	<u>6</u>	<u>6</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>651</u>	<u>452</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 (2007: nil).

7 FINANCE COSTS

	2008 £'000	2007 £'000
Interest payable to group undertakings	<u>2,151</u>	<u>2,439</u>

8 TAXATION

	2008 £'000	2007 £'000
--	---------------	---------------

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

Current tax (credit)/charge:

- Group relief (receivable)/payable on (loss)/profit for the year	(767)	95
- Adjustment in respect of prior periods	<u>(3)</u>	<u>703</u>
	<u>(770)</u>	<u>798</u>

Deferred tax - origination and reversal of timing differences:

- Current year	420	365
- Impact of rate change from 30% to 28%	-	(704)
- Adjustment in respect of prior periods	<u>3</u>	<u>(140)</u>

Tax (credit)/charge	<u>(347)</u>	<u>319</u>
---------------------	--------------	------------

B) FACTORS AFFECTING THE TAX (CREDIT)/CHARGE FOR THE YEAR

(Loss)/profit before tax	<u>(1,099)</u>	<u>1,612</u>
--------------------------	----------------	--------------

Tax on (loss)/profit at the blended rate of 29.5% (2007: 30%)	(324)	484
Impact of rate change from 30% to 28%	(23)	(164)
Adjustment to tax charge in respect of previous periods	<u>-</u>	<u>(1)</u>

Tax (credit)/charge	<u>(347)</u>	<u>319</u>
---------------------	--------------	------------

The standard corporation tax rate changed from 30% to 28% effective 1 April 2008. The implication for the company is that corporation tax has been charged at 30% for 9 months to 1 April 2008 and 3 months at 28% to 30 June 2008. This has given rise to an average (blended) rate of corporation tax for the year of 29.5%.

NOTES TO THE FINANCIAL STATEMENTS

9 FINANCIAL INSTRUMENTS

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

	Carrying value 2008 £'000	Fair value 2008 £'000	Carrying value 2007 £'000	Fair value 2007 £'000
Finance lease receivables	33,552	33,552	34,898	34,898
Loans and receivables				
Trade and other receivables	22	22	15	15
Cash and cash equivalents	6,470	6,470	1,331	1,331
Financial assets	<u>40,044</u>	<u>40,044</u>	<u>36,244</u>	<u>36,244</u>
Financial liabilities measured at amortised cost				
Trade and other payables	4,853	4,853	797	797
Bank loans	27,898	27,898	29,316	29,316
Embedded derivative	13,503	13,503	12,012	12,012
Financial liabilities	<u>46,254</u>	<u>46,254</u>	<u>42,125</u>	<u>42,125</u>

b) Financial instrument - carrying amount by market risk exposure:

	2008 £'000	2007 £'000
Interest rate risk		
Financial assets		
- variable rate	6,470	1,331
- fixed rate	33,552	34,898
- non-interest bearing	22	15
	<u>40,044</u>	<u>36,244</u>
Financial liabilities		
- fixed rate	27,898	29,316
- non-interest bearing	4,853	797
	<u>32,751</u>	<u>30,113</u>

If market interest rates had been 1% higher or lower, the profit or loss and equity of the Company would have been £47,000 (2007: £13,000) higher or lower.

c) Financial asset - credit quality and concentration of credit risk:

	2008 £'000	2007 £'000
Maximum credit exposure and neither past due nor impaired:		
Finance lease receivables relating to 1 lessee within aviation	33,552	34,898
Group undertakings	<u>6,492</u>	<u>1,346</u>
	<u>40,044</u>	<u>36,244</u>

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

In respect of the finance lease a third party bank has issued to the Company a letter of credit for a credit exposure of £24,249,000 (2007: £25,814,000).

NATWEST CORPORATE FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

9 FINANCIAL INSTRUMENTS - continued

d) Liquidity risk:

Contractual cashflows 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
2008				
Trade payables	4,853	-	-	-
Payments on embedded derivative	3,810	3,810	11,038	-
Receipts on embedded derivative	(3,895)	(3,895)	(11,684)	(14,400)
Bank loans	<u>4,168</u>	<u>4,217</u>	<u>12,558</u>	<u>35,826</u>
	<u>8,936</u>	<u>4,132</u>	<u>11,912</u>	<u>21,426</u>
2007				
Trade payables	797	-	-	-
Payments on embedded derivative	3,810	3,810	11,429	3,419
Receipts on embedded derivative	(3,895)	(3,895)	(11,684)	(18,294)
Bank loans	<u>1,263</u>	<u>4,183</u>	<u>12,606</u>	<u>39,994</u>
	<u>1,975</u>	<u>4,098</u>	<u>12,351</u>	<u>25,119</u>

10 DERIVATIVES AT FAIR VALUE

Ageing of derivatives at fair value by maturity date:

	Within one year £'000	From second to fifth years inclusive £'000	After five years £'000	2008 Total Liabilities £'000
Embedded foreign exchange agreement	<u>-</u>	<u>-</u>	<u>13,503</u>	<u>13,503</u>
Loss recognised on embedded derivative				<u>1,491</u>

Notional aggregate principal - as at 30 June 2008

	Liabilities £'000
Embedded foreign exchange agreement	<u>23,960</u>

Ageing of derivatives at fair value by maturity date:

	Within one year £'000	From second to fifth years inclusive £'000	After five years £'000	2007 Total Liabilities £'000
Embedded foreign exchange agreement	<u>-</u>	<u>-</u>	<u>12,012</u>	<u>12,012</u>
Gain recognised on embedded derivative				<u>1,831</u>

Notional aggregate principal - as at 30 June 2007

	Liabilities £'000
Embedded foreign exchange agreement	<u>25,765</u>

NOTES TO THE FINANCIAL STATEMENTS

10 DERIVATIVES AT FAIR VALUE - continued

An exchange agreement exists whereby the lessee makes US dollar rental payments to National Westminster Bank Plc, who in turn make Sterling payments to the Company but over a longer period of time. The lessee payments under this agreement cease in 2013, the Sterling payments continue until 2017. On a termination of the lease prior to the cessation of US dollar payments in 2013, any amount owed by the lessee is reduced by the Sterling value of the US dollar amortised balance under this agreement. This arrangement has been treated as an embedded derivative. The fixed exchange rate in the agreement is \$1.62 : £1 and the effective interest rate on the US dollar account is 7.725% (2007: 7.725%)

All derivatives held are carried at fair value. None of the derivatives are in designated fair value hedge or cash flow hedge relationships.

The total amount of the change in fair value estimated using a valuation technique recognised in profit or loss during the year was a loss of £1,491,000 (2007: gain £1,831,000).

11 FINANCE LEASE RECEIVABLES

	Gross investment in lease		Present value of minimum lease payments	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Amounts receivable under finance leases:				
Within one year	3,895	3,895	3,717	3,520
In the second to fifth years inclusive	15,754	15,710	12,515	12,100
After five years	34,284	38,222	17,320	19,278
	53,933	57,827	33,552	34,898
Less: unearned finance income	(20,381)	(22,929)	N/A	N/A
Present value of minimum lease payments receivable	33,552	34,898	33,552	34,898

Analysed as:

Non-current finance lease receivables (recoverable after 12 months)	29,835	31,378
Current finance lease receivables (recoverable within 12 months)	3,717	3,520
	33,552	34,898

The Company has entered into an aircraft finance leasing arrangements. The average term of the finance leases entered into is 26 years.

Unguaranteed residual values of assets leased under finance leases at the balance sheet date are estimated at £nil (2007: £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 7.8% (2007: 6.7%) p.a.

12 TRADE AND OTHER RECEIVABLES

	2008	2007
	£'000	£'000
Amounts due from group undertakings	20	13
Other debtors	2	2
	22	15

NATWEST CORPORATE FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

13 CASH AND CASH EQUIVALENTS	2008 £'000	2007 £'000
Short term deposits with group undertakings	<u>6,470</u>	<u>1,331</u>
14 TRADE AND OTHER PAYABLES	2008 £'000	2007 £'000
Payments received on account	12	-
Amounts due to group undertakings	4,839	795
Other creditors	<u>2</u>	<u>2</u>
	<u>4,853</u>	<u>797</u>
15 BANK LOANS	2008 £'000	2007 £'000
Loan amount due to group undertakings	<u>27,898</u>	<u>29,316</u>
The borrowings are repayable as follows:		
On demand or within one year	1,429	1,319
In the second year	1,585	1,429
In the third to fifth year inclusive	5,504	5,118
After five years	<u>19,380</u>	<u>21,450</u>
	27,898	29,316
Less: Amounts due for settlement within 12 months (shown under current liabilities)	<u>(1,429)</u>	<u>(1,319)</u>
Amounts due for settlement after 12 months	<u>26,469</u>	<u>27,997</u>

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 fixed at 8.3% (2007: 8.3%) p.a.

NOTES TO THE FINANCIAL STATEMENTS

16 DEFERRED TAX

Movements during the year:	Deferred taxation £'000	
At 1 July 2006	2,777	
Credit to income statement	(479)	
At 1 July 2007	2,298	
Charge to income statement	423	
At 30 June 2008	2,721	
Full provision has been made for the potential amount of deferred taxation shown below:		
	2008 £'000	2007 £'000
Accelerated capital allowances on assets financed	6,330	6,376
Other temporary differences	17	-
Embedded derivative	(3,626)	(4,078)
	<u>2,721</u>	<u>2,298</u>

17 SHARE CAPITAL

	2008 Number of shares	2007 Number of shares	2008 £	2007 £
Ordinary shares of £1				
Authorised:	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>
Issued, called up and fully paid:	<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.

18 RETAINED EARNINGS

	£'000
Balance at 1 July 2006	(9,472)
Profit for the financial year	<u>1,293</u>
Balance at 1 July 2007	(8,179)
Loss for the financial year	<u>(752)</u>
Balance at 30 June 2008	<u>(8,931)</u>

NOTES TO THE FINANCIAL STATEMENTS

19 NOTES TO THE CASH FLOW STATEMENT

	2008 £'000	2007 £'000
(Loss)/profit before tax	(1,099)	1,612
Adjustments for:		
Interest expense	2,151	2,439
Decrease/(increase) in fair value of embedded derivative	1,491	(1,831)
Decrease in receivables	1,328	2,649
Increase/(decrease) in payables	11	(8)
Cash generated by operations	3,882	4,861
Income taxes received/(paid)	4,810	(148)
Interest paid	(2,135)	(2,459)
Net cash from operating activities	<u>6,557</u>	<u>2,254</u>

20 RELATED PARTY TRANSACTIONS

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

	2008 £'000	2007 £'000
Royal Bank Leasing Limited		
Transactions during the period		
- Management charge paid to related party	5	6
- Interest on loan paid to related party	2,151	2,439
- Group relief received/(paid)	4,810	(148)
- Repayment of borrowing to related party	(1,418)	(1,392)
Group relief owed to related party	(4,833)	(793)
Outstanding balance owed to the related party	<u>(26,246)</u>	<u>(28,768)</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. Royal Bank Leasing Limited is a fellow subsidiary of the ultimate holding company The Royal Bank of Scotland Group plc.

21 POST BALANCE SHEET EVENT

On 1 December 2008, the UK Government through HM Treasury acquired a controlling shareholding in The Royal Bank of Scotland Group plc. The UK Government has announced that its shareholdings in banks will be managed by UK Financial Investments Limited a company wholly-owned by the UK Government.