

Company registration No: 02353835

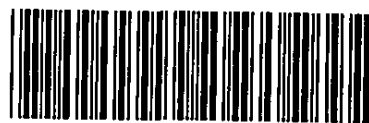
NATWEST CORPORATE FINANCE LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

30 June 2010

Group Secretariat
The Royal Bank of Scotland Group plc
Business House G
Gogarburn
P O Box 1000
Edinburgh
EH12 1HQ

SATURDAY



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COMPANIES HOUSE

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS:
S J Caterer
J E Rogers
P D J Sullivan
R F 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 2010

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

ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is the provision of fixed asset finance usually involving individually structured facilities. The current leases are in their secondary rental period.

The retained profit for the period was £57,000 (2009 retained profit £4,285,000) and this was transferred to reserves.

The directors do not recommend that a dividend be paid (2009 £nil). The directors do not anticipate any material change in either the type or level of activities of the Company.

The Company received a capital injection of £5,000,000 on the 24 November 2010.

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 interim financial statements of The Royal Bank of Scotland Group plc for the period ended 30 June 2010, approved on 6 August 2010, which were prepared on a going concern basis.

DIRECTORS' AND SECRETARY

The present directors and secretary who have served throughout the year are listed on page 1.

DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors

DIRECTORS' RESPONSIBILITIES - continued

- properly select and apply accounting policies,
- 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 on the entity's financial position and financial 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 enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

DISCLOSURE OF INFORMATION TO AUDITORS

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

- a) so far as he/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 418 of the Companies Act 2006.

AUDITORS

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

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



S Caterer
Director

Date 3 December 2010

INDEPENDENT AUDITOR'S 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 2010 which comprise the statement of comprehensive income the balance sheet, the cash flow statement, the statement of changes in equity and the related Notes 1 to 19. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

give a true and fair view of the state of the company's affairs as at 30 June 2010 and of its profit for the year then ended,
have been properly prepared in accordance with IFRSs as adopted by the European Union, and
have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NATWEST CORPORATE FINANCE LIMITED Continued

Matters on which we are required to report by exception

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

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

A handwritten signature in black ink, appearing to read 'Simon Cleveland'.

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

7 December 2010

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 June 2010

	Note	2010 £'000	2009 £'000
CONTINUING OPERATIONS			
Revenue	3	45	2,451
Movement in fair value of embedded derivative	4	-	13,503
Other operating income	5	1	-
Administrative expenses		1	(1)
Loss on disposal of leases	6	-	(7,905)
OPERATING PROFIT	6	47	8,048
Finance income/(costs)	8	32	(2,096)
PROFIT BEFORE TAXATION		79	5,952
Tax charge	9	(22)	(1,667)
PROFIT FOR THE FINANCIAL YEAR		<u>57</u>	<u>4,285</u>
OTHER COMPREHENSIVE INCOME			
Other comprehensive income after tax		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>57</u>	<u>4,285</u>

BALANCE SHEET
as at 30 June 2010

	Note	2010 £'000	2009 £'000
NON-CURRENT ASSETS			
Deferred tax asset	15	<u>2,731</u>	<u>3,187</u>
		<u>2,731</u>	<u>3,187</u>
CURRENT ASSETS			
Trade and other receivables	11	-	2,119
Cash and cash equivalents	12	<u>2,385</u>	<u>2,097</u>
		<u>2,385</u>	<u>4,216</u>
TOTAL ASSETS		<u><u>5,116</u></u>	<u><u>7,403</u></u>
CURRENT LIABILITIES			
Trade and other payables	13	(9,705)	(7,722)
Borrowings	14	<u>-</u>	<u>(4,327)</u>
TOTAL LIABILITIES		<u><u>(9,705)</u></u>	<u><u>(12,049)</u></u>
NET LIABILITIES		<u><u>(4,589)</u></u>	<u><u>(4,646)</u></u>
DEFICIT			
Share capital	16	-	-
Retained earnings		<u>(4,589)</u>	<u>(4,646)</u>
TOTAL DEFICIT		<u><u>(4,589)</u></u>	<u><u>(4,646)</u></u>

The financial statements were approved by the Board of Directors on 3 December 2010 and were signed on its behalf by



S J Caterer
Director

**CASH FLOW STATEMENT
for the year ended 30 June 2010**

	Note	2010 £'000	2009 £'000
NET CASH FROM OPERATING ACTIVITIES	17	<u>4,615</u>	<u>19,202</u>
FINANCING ACTIVITIES			
Repayments of borrowings		<u>(4,327)</u>	<u>(23,575)</u>
NET CASH USED IN FINANCING ACTIVITIES		<u>(4,327)</u>	<u>(23,575)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		288	(4,373)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		<u>2,097</u>	<u>6,470</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	12	<u><u>2,385</u></u>	<u><u>2,097</u></u>

STATEMENT OF CHANGES IN EQUITY
as at 30 June 2010

	Note	Share Capital £'000	Retained Earnings £'000	Total Equity £'000
BALANCE AT 1 JULY 2008		-	(8,931)	(8,931)
Total comprehensive income for the year		-	4,285	4,285
BALANCE AT 1 JULY 2009		-	(4,646)	(4,646)
Total comprehensive income for the year		-	57	57
BALANCE AT 30 JUNE 2010		-	(4,589)	(4,589)

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

b ADOPTION OF NEW AND REVISED STANDARDS

The Company has adopted the revisions to IAS 1 "Presentation of financial statements" which introduced a single performance statement "Statement of Comprehensive Income" and extended the "Statement of Changes in Equity". No items were restated or reclassified.

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 FINANCIAL INSTRUMENTS

The Company's financial asset category is 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 'borrowings' 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.

NOTES TO THE FINANCIAL STATEMENTS**1 SIGNIFICANT ACCOUNTING POLICIES - continued****f TRADE AND OTHER RECEIVABLES**

Trade and other receivables are measured on initial recognition at 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.

g CASH AND CASH EQUIVALENTS

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

h BORROWINGS

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

i 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.

j OPERATING PROFIT

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

2 FINANCIAL RISK MANAGEMENT**a 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.

b 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

NOTES TO THE FINANCIAL STATEMENTS

3 REVENUE	2010	2009
	£'000	£'000
Finance leases		
Rentals receivable	45	3,887
Amortisation	<u>-</u>	<u>(1,436)</u>
	<u>45</u>	<u>2,451</u>

Included in the above are the following amounts

Contingent rentals receivable	<u>35</u>	<u>-</u>
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The Company did not enter into any new leasing transactions during the year (2009 £nil)

The contingent rentals have arisen from termination charges to cover the difference in reinvestment revenues

4 DERIVATIVES AT FAIR VALUE	2010	2009
	£'000	£'000
Gain recognised on embedded derivative	<u>-</u>	<u>13,503</u>

An exchange agreement existed between the lessee and National Westminster Bank Plc for each aircraft under lease whereby the Sterling payments under the lease were fulfilled in exchange for the lessee making payments in US dollars to National Westminster Bank Plc as specified by the agreement

On early termination of the lease the balance payable by the lessee to the Company was adjusted by an amount being the difference between the Sterling value of the amortised US dollar balance and the amortised Sterling account. However there is no formal agreement for this amount to be paid by National Westminster Bank plc to the Company. The exchange agreement was terminated in the year on termination of the associated lease.

This arrangement was treated as an embedded derivative. Interest rates on the US dollar account were variable, whilst the effective rate for the Sterling account was fixed at 7.725%. The asset drawdowns in Sterling were converted for the purpose of the exchange agreement at an average rate of \$1.62 £1.

All derivatives held were carried at fair value. None of the derivatives were 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 £nil (2009 £13,503,000 gain).

The gain of £13,503,000 in 2009 was substantially set off by the loss on disposal of the associated lease in the year.

NOTES TO THE FINANCIAL STATEMENTS

5 OTHER OPERATING INCOME

	2010 £'000	2009 £'000
Other income	<u>1</u>	<u>-</u>

6 OPERATING PROFIT

	2010 £'000	2009 £'000
Operating profit has been arrived at after (crediting)/charging		
Loss on disposal of leases	-	7,905
Management charge	<u>(1)</u>	<u>1</u>

Costs incurred in respect of audit services to the Company of £5,000 were borne by the parent undertaking and not recharged to the Company (2009 audit fee of £564 borne by the Company within the management charge shown above)

7 STAFF COSTS

All directors are employed and remunerated by The Royal Bank of Scotland plc, which did not make a recharge to the Company in the year (2009 nil)

The average monthly number of employees was nil (2009 nil)

8 FINANCE INCOME/(COSTS)

	2010 £'000	2009 £'000
Interest payable from /(to) group undertakings	<u>32</u>	<u>(2,096)</u>

9 TAXATION

	2010 £'000	2009 £'000
a ANALYSIS OF TAX CHARGE FOR THE YEAR		
Current tax (credit)/charge		
- Group relief (receivable)/payable on profit for the year	(434)	7,575
Deferred tax - origination and reversal of timing differences		
- Current year	<u>456</u>	<u>(5,908)</u>
Tax charge	<u>22</u>	<u>1,667</u>

NOTES TO THE FINANCIAL STATEMENTS

9 TAXATION - continued

b FACTORS AFFECTING THE TAX CHARGE FOR THE YEAR

Profit before tax	<u>79</u>	<u>5,952</u>
Tax on profit at the rate of 28% (2009 28%)	<u>22</u>	<u>1,667</u>

In the Budget on 22 June 2010, the UK Government proposed, amongst other things, to reduce Corporation Tax rates in four annual increments of 1% with effect from 1 April 2011. In conjunction, reductions to the rate of capital allowances have also been proposed, to take effect from 1 April 2012. Together these changes may cause the deferred tax liability to unwind over periods with a reduced tax rate and therefore give rise to a reduction of the deferred tax liability. The specific effect has not yet been calculated.

10 FINANCIAL INSTRUMENTS

a CARRYING VALUE AND FAIR VALUE OF FINANCIAL INSTRUMENT BY CATEGORY

	Carrying value 2010 £'000	Fair value 2010 £'000	Carrying value 2009 £'000	Fair value 2009 £'000
Loans and receivables				
Trade and other receivables	-	-	2,119	2,119
Cash and cash equivalents	<u>2,385</u>	<u>2,385</u>	<u>2,097</u>	<u>2,097</u>
Financial assets	<u>2,385</u>	<u>2,385</u>	<u>4,216</u>	<u>4,216</u>
Financial liabilities measured at amortised cost				
Trade and other payables	9,705	9,705	7,722	7,722
Borrowings	<u>-</u>	<u>-</u>	<u>4,327</u>	<u>4,327</u>
Financial liabilities	<u>9,705</u>	<u>9,705</u>	<u>12,049</u>	<u>12,049</u>

NOTES TO THE FINANCIAL STATEMENTS

10 FINANCIAL INSTRUMENTS - continued

b FINANCIAL INSTRUMENT - CARRYING AMOUNT BY MARKET RISK EXPOSURE

	2010 £'000	2009 £'000
Interest rate risk		
Financial assets		
- variable rate	2,385	2,097
- non-interest bearing	-	2,119
	<u>2,385</u>	<u>4,216</u>
Financial liabilities		
- variable rate	-	4,327
- non-interest bearing	9,705	7,722
	<u>9,705</u>	<u>12,049</u>

If market interest rates had been 2% (2009 2%) higher or lower the profit or loss and equity of the Company would have increased or decreased by £68,000 (2009 £4,000)

c FINANCIAL ASSET - CREDIT QUALITY AND CONCENTRATION OF CREDIT RISK

	2010 £'000	2009 £'000
Maximum credit exposure and neither past due nor impaired		
Group undertakings	<u>2,385</u>	<u>4,216</u>

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

d LIQUIDITY RISK

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

	2010 £'000	2009 £'000
Due within one year		
Trade payables	9,705	7,722
Borrowings	-	4,327
	<u>9,705</u>	<u>12,049</u>

NOTES TO THE FINANCIAL STATEMENTS

11 TRADE AND OTHER RECEIVABLES

	2010 £'000	2009 £'000
Amounts due from group undertakings	-	2,118
Other debtors	-	1
	<u>-</u>	<u>2,119</u>

12 CASH AND CASH EQUIVALENTS

	2010 £'000	2009 £'000
Short term deposits with group undertakings	<u>2,385</u>	<u>2,097</u>

13 TRADE AND OTHER PAYABLES

	2010 £'000	2009 £'000
Amounts due to group undertakings	9,705	7,720
Other creditors	-	2
	<u>9,705</u>	<u>7,722</u>

14 BORROWINGS

	2010 £'000	2009 £'000
Loan amount due to group undertakings within one year	<u>-</u>	<u>4,327</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

15 DEFERRED TAX ASSET

	Deferred taxation £'000
Movements during the year	
Liability at 1 July 2008	(2,721)
Credit to income statement	<u>5,908</u>
Asset at 1 July 2009	3,187
Charge to income statement	<u>(456)</u>
Asset at 30 June 2010	<u>2,731</u>

NOTES TO THE FINANCIAL STATEMENTS

15 DEFERRED TAX ASSET - continued

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

	2010 £'000	2009 £'000
Accelerated capital allowances on assets financed	12	16
Embedded derivative	<u>2,719</u>	<u>3,171</u>
	<u>2,731</u>	<u>3,187</u>

16 SHARE CAPITAL

	2010 Number of shares	2009 Number of shares	2010 £	2009 £
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

17 NOTES TO THE CASH FLOW STATEMENT

	2010 £'000	2009 £'000
Profit before tax	79	5,952
Adjustments for		
Decrease in fair value of embedded derivative	-	(13,503)
Interest (income)/expense	<u>(32)</u>	<u>2,096</u>
Operating cash flows before movements in working capital	47	(5,455)
Decrease in receivables	2,119	31,455
Increase/(decrease) in payables	<u>9,247</u>	<u>(10)</u>
Cash generated by operations	11,413	25,990
Income taxes paid	(6,830)	(4,689)
Interest received/(paid)	<u>32</u>	<u>(2,099)</u>
Net cash from operating activities	<u>4,615</u>	<u>19,202</u>

NOTES TO THE FINANCIAL STATEMENTS

18 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 Company's ultimate holding company is The Royal Bank of Scotland Group plc which is incorporated in Great Britain and registered in Scotland. Its immediate parent company is National Westminster Bank plc which is incorporated in Great Britain and registered in England.

As at 30 June 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, PO Box 1000, Edinburgh EH12 1HQ.

RELATED PARTY TRANSACTIONS

	2010 £'000	2009 £'000
a Royal Bank Leasing Limited		
Transactions during the period		
Management charge received from related party	(1)	1
Group relief paid to related party	<u>6,830</u>	<u>4,689</u>
Balances at year end		
Group relief owed to related party	<u>(455)</u>	<u>(7,720)</u>
b The Royal Bank of Scotland plc		
Outstanding balance owed by related party	<u>2,385</u>	<u>2,097</u>
c National Westminster Bank plc		
Transactions during the period		
Interest on loan (received from)/paid to related party	(32)	2,096
Loan repaid to related party	<u>4,327</u>	<u>23,575</u>
Balances at year end		
Outstanding balance owed to related party	<u>(9,250)</u>	<u>(4,327)</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.

NOTES TO THE FINANCIAL STATEMENTS

19 POST BALANCE SHEET EVENT

The Company received a capital injection of £5,000,000 on the 24th November 2010