

Company Registration No 02392932

LOMBARD CORPORATE FINANCE (DECEMBER 2) LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 December 2009

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

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27/08/2010
COMPANIES HOUSE

LOMBARD CORPORATE FINANCE (DECEMBER 2) LIMITED

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LOMBARD CORPORATE FINANCE (DECEMBER 2) LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

**S Caterer
A Georgiou
G Locker
L Varnavides**

SECRETARY

C Whittaker

REGISTERED OFFICE

**The Quadrangle,
The Promenade,
Cheltenham,
Gloucestershire
GL50 1PX**

AUDITORS

**Deloitte LLP
Bristol**

Registered in England and Wales

LOMBARD CORPORATE FINANCE (DECEMBER 2) LIMITED

DIRECTORS' REPORT

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

ACTIVITIES AND BUSINESS REVIEW

This directors' report has been prepared in accordance with the special provisions relating to small companies under section 417 (1) of the Companies Act 2006

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

The Company's functional currency is the US dollar, as its trading and funding is predominately in this currency, and therefore its financial statements are presented in this currency

The retained profit for the period was \$130,000 (2008 \$168,000) and this was transferred to reserves

The directors do not recommend that a dividend be paid (2008 \$nil)

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

The directors, having made such enquires as they considered appropriate, including regarding the continued 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 2009, approved on 24 February 2010, which were prepared on a going concern basis

POST BALANCE SHEET EVENT

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.

DIRECTORS' AND SECRETARY

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

LOMBARD CORPORATE FINANCE (DECEMBER 2) LIMITED

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

- 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



S Caterer
Director

Date 24 August 2010

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LOMBARD CORPORATE FINANCE (DECEMBER 2) LIMITED

We have audited the financial statements of Lombard Corporate Finance (December 2) Limited ("the company") for the year ended 31 December 2009 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 31 December 2009 and of its profit for the year then ended, have been properly prepared in accordance with IFRSs as adopted by the European Union, and have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

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 are not entitled to take advantage of the small companies exemption in preparing the directors' report.



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

25th August 2010

LOMBARD CORPORATE FINANCE (DECEMBER 2) LIMITED**STATEMENT OF COMPREHENSIVE INCOME**
for the year ended 31 December 2009

	Note	2009 \$'000	2008 \$'000
CONTINUING OPERATIONS			
Revenue	3	360	779
Administrative expenses	4	<u>(10)</u>	<u>(4)</u>
OPERATING PROFIT	4	350	775
Finance income	6	-	28
Finance costs	6	<u>(157)</u>	<u>(572)</u>
PROFIT BEFORE TAXATION		193	231
Tax charge	7	<u>(63)</u>	<u>(63)</u>
PROFIT FOR THE FINANCIAL YEAR	16	<u>130</u>	<u>168</u>
Other comprehensive income after tax		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>130</u>	<u>168</u>

BALANCE SHEET
as at 31 December 2009

	Note	2009 \$'000	2008 \$'000
NON-CURRENT ASSETS			
Finance lease receivables	9	<u>18,411</u>	<u>19,641</u>
		<u>18,411</u>	<u>19,641</u>
CURRENT ASSETS			
Finance lease receivables	9	1,666	1,666
Trade and other receivables	10	2	12
Cash and cash equivalents	11	<u>1,068</u>	<u>1,042</u>
		2,736	2,720
		<u>2,736</u>	<u>2,720</u>
TOTAL ASSETS		<u><u>21,147</u></u>	<u><u>22,361</u></u>
CURRENT LIABILITIES			
Trade and other payables	12	(60)	(110)
Borrowings	13	<u>(1,237)</u>	<u>(1,310)</u>
		<u>(1,297)</u>	<u>(1,420)</u>
NON CURRENT LIABILITIES			
Borrowings	13	(14,712)	(15,956)
Deferred tax liabilities	14	<u>(4,106)</u>	<u>(4,083)</u>
		(18,818)	(20,039)
		<u>(18,818)</u>	<u>(20,039)</u>
TOTAL LIABILITIES		<u><u>(20,115)</u></u>	<u><u>(21,459)</u></u>
NET ASSETS		<u><u>1,032</u></u>	<u><u>902</u></u>
EQUITY			
Share capital	15	-	-
Retained earnings	16	<u>1,032</u>	<u>902</u>
TOTAL EQUITY		<u><u>1,032</u></u>	<u><u>902</u></u>

The financial statements were approved by the Board of Directors on 24 August 2010 and signed on its behalf by



S J Caterer
Director

LOMBARD CORPORATE FINANCE (DECEMBER 2) LIMITED

STATEMENT OF CASH FLOWS
for the year ended 31 December 2009

	Note	2009 \$'000	2008 \$'000
NET CASH FROM OPERATING ACTIVITIES	17	<u>1,343</u>	<u>1,468</u>
FINANCING ACTIVITIES			
Repayments of borrowings		<u>(1,317)</u>	<u>(1,526)</u>
NET CASH USED IN FINANCING ACTIVITIES		<u>(1,317)</u>	<u>(1,526)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		26	(58)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		<u>1,042</u>	<u>1,100</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	11	<u><u>1,068</u></u>	<u><u>1,042</u></u>

LOMBARD CORPORATE FINANCE (DECEMBER 2) LIMITED**STATEMENT OF CHANGES IN EQUITY**
as at 31 December 2009

	Share Capital \$'000	Retained Earnings \$'000	Total Equity \$'000
BALANCE AT 1 JANUARY 2008	-	734	734
Total comprehensive income for the year	-	168	168
BALANCE AT 1 JANUARY 2009	-	902	902
Total comprehensive income for the year	-	130	130
BALANCE AT 31 DECEMBER 2009	-	1,032	1,032

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 Company's functional currency is the US dollar being the currency of the primary economic environment in which the Company operates.

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 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 INCOME UNDER FINANCE 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.

d BORROWING COSTS

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

e 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.

f FOREIGN CURRENCY

Transactions in foreign currencies are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rates prevailing at the date of the transaction. Gains and losses arising on retranslation are included in profit or loss for the period.

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES - continued

g 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 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.

h 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.

i 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.

j 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.

k BORROWINGS

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

l 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.

m OPERATING PROFIT

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

NOTES TO THE FINANCIAL STATEMENTS

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. Any movement in interest rates associated with the financing of the lease is charged or credited to the lessee.

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.

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 \$'000	2008 \$'000
Finance leases		
Rentals receivable	1,590	2,008
Amortisation	(1,230)	(1,229)
	<u>360</u>	<u>779</u>
Included in the above are the following amounts		
Contingent rentals	<u>(95)</u>	<u>296</u>

The Company did not enter into any new leasing transactions during the year (2008: \$nil)

LOMBARD CORPORATE FINANCE (DECEMBER 2) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

4 OPERATING PROFIT	2009	2008
	\$'000	\$'000

Operating profit has been arrived at after charging

Management charge	<u>10</u>	<u>4</u>
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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>1,000</u>	<u>874</u>

5 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

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

6 FINANCE COSTS / (INCOME)	2009	2008
	\$'000	\$'000

Interest payable to group undertakings	157	572
Interest receivable from group undertakings	-	(28)
	<u>157</u>	<u>544</u>

7 TAXATION

a ANALYSIS OF TAX CHARGE FOR THE YEAR

Current tax charge/(credit)

- Group relief payable/(receivable) on profit for the year	31	(88)
- Adjustment in respect of prior periods	<u>9</u>	<u>-</u>
	40	(88)

Deferred tax - origination and reversal of timing differences

- Current year	<u>23</u>	<u>151</u>
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Tax charge	<u>63</u>	<u>63</u>
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b FACTORS AFFECTING THE TAX CHARGE FOR THE YEAR

Profit before tax	<u>193</u>	<u>231</u>
Tax on profit at the rate of 28% (2008 blended rate 28.5%)	54	66
Permanent difference - assets not qualifying for capital allowances	-	(3)
Impact of rate change from 30% to 28%	-	-
Adjustment to tax charge in respect of prior periods	<u>9</u>	<u>-</u>
Tax charge	<u>63</u>	<u>63</u>

The standard corporation tax rate changed from 30% to 28% effective from 1 April 2008

LOMBARD CORPORATE FINANCE (DECEMBER 2) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

8 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	20,077	18,876	21,307	19,728
Loans and receivables				
Trade and other receivables	2	2	12	12
Cash and cash equivalents	1,068	1,068	1,042	1,042
Financial assets	<u>21,147</u>	<u>19,946</u>	<u>22,361</u>	<u>20,782</u>
Financial liabilities measured at amortised cost				
Trade and other payables	60	60	110	110
Borrowings	15,949	15,949	17,266	17,266
Financial liabilities	<u>16,009</u>	<u>16,009</u>	<u>17,376</u>	<u>17,376</u>

b FINANCIAL INSTRUMENT - CARRYING AMOUNT BY MARKET RISK EXPOSURE

	2009 \$'000	2008 \$'000
Interest rate risk		
Financial assets		
- variable rate	21,145	22,349
- non-interest bearing	2	12
	<u>21,147</u>	<u>22,361</u>
Financial liabilities		
- variable rate	15,949	17,266
- non-interest bearing	60	110
	<u>16,009</u>	<u>17,376</u>

If market interest rates had been 2% (2008 1%) higher or lower the profit or loss and equity of the Company would not have been materially affected (2008 no material effect)

c FINANCIAL ASSET - CREDIT QUALITY AND CONCENTRATION OF CREDIT RISK

	2009 \$'000	2008 \$'000
Maximum credit exposure and neither past due nor impaired		
Sector	No. of counterparties	
Shipping	1	
Finance lease receivables	20,077	21,307
Group undertakings	1,070	1,054
	<u>21,147</u>	<u>22,361</u>
Maximum credit exposure	<u>21,147</u>	<u>22,361</u>

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

In respect of the lease a third party bank has issued to the Company a letter of credit for a credit exposure of \$4,050,000 (2008 \$4,050,000)

NOTES TO THE FINANCIAL STATEMENTS

8 FINANCIAL INSTRUMENTS - continued

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	60	-	-	-
Borrowings	<u>1,296</u>	<u>1,397</u>	<u>14,240</u>	<u>-</u>
	<u>1,356</u>	<u>1,397</u>	<u>14,240</u>	<u>-</u>
2008				
Trade payables	110	-	-	-
Borrowings	<u>1,546</u>	<u>1,456</u>	<u>17,134</u>	<u>-</u>
	<u>1,656</u>	<u>1,456</u>	<u>17,134</u>	<u>-</u>

9 FINANCE LEASE RECEIVABLES

	Gross investment in lease		Present value of minimum lease payments	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Amounts receivable under finance leases				
Within one year	1,685	1,685	1,666	1,666
In the second to fifth years inclusive	<u>19,905</u>	<u>21,590</u>	<u>18,411</u>	<u>19,641</u>
	21,590	23,275	20,077	21,307
Less unearned finance income	<u>(1,513)</u>	<u>(1,968)</u>	<u>N/A</u>	<u>N/A</u>
Present value of minimum lease payments receivable	<u>20,077</u>	<u>21,307</u>	<u>20,077</u>	<u>21,307</u>
Analysed as				
Non-current finance lease receivables (recoverable after 12 months)			18,411	19,641
Current finance lease receivables (recoverable within 12 months)			<u>1,666</u>	<u>1,666</u>
			<u>20,077</u>	<u>21,307</u>

The Company has entered into a finance leasing arrangement for a large ship deal. The term of the finance leases entered into is 10 years.

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 lease is determined at the contract date for all the lease term. The effective interest rate contracted approximates 2.2% (2008: 2.2%) p.a.

LOMBARD CORPORATE FINANCE (DECEMBER 2) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

10 TRADE AND OTHER RECEIVABLES	2009	2008
	\$'000	\$'000
Other debtors	<u>2</u>	<u>12</u>

11 CASH AND CASH EQUIVALENTS	2009	2008
	\$'000	\$'000
Bank account with group undertakings	2	11
Short term deposits with group undertakings	<u>1,066</u>	<u>1,031</u>
	<u>1,068</u>	<u>1,042</u>

12 TRADE AND OTHER PAYABLES	2009	2008
	\$'000	\$'000
Amounts due to group undertakings	40	110
Other creditors	<u>20</u>	<u>-</u>
	<u>60</u>	<u>110</u>

13 BORROWINGS	2009	2008
	\$'000	\$'000
Loan amount due to group undertakings	<u>15,949</u>	<u>17,266</u>
The borrowings are repayable as follows		
On demand or within one year	1,237	1,310
In the second year	1,195	1,237
In the third to fifth year inclusive	<u>13,517</u>	<u>14,719</u>
	15,949	17,266
Less Amounts due for settlement within 12 months (shown under current liabilities)	<u>(1,237)</u>	<u>(1,310)</u>
Amounts due for settlement after 12 months	<u>14,712</u>	<u>15,956</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 0.26% (2008 1.4%) p a

14 DEFERRED TAX	Deferred taxation
	\$'000
Movements during the year	
At 1 January 2008	3,932
Charge to income statement	<u>151</u>
At 1 January 2009	4,083
Charge to income statement	<u>23</u>
At 31 December 2009	<u>4,106</u>
Full provision has been made for the potential amount of deferred taxation shown below	
	2009
	\$'000
Accelerated capital allowances on assets financed	4,078
Other temporary differences	<u>28</u>
	<u>4,106</u>
	2008
	\$'000
	4,046
	<u>37</u>
	<u>4,083</u>

NOTES TO THE FINANCIAL STATEMENTS

15 SHARE CAPITAL	2009	2008	2009 \$	2008 \$
Authorised				
- Deferred shares of £1 each	1,000	1,000	1,719	1,719
- Ordinary shares of \$1 each	1,000	1,000	<u>1,000</u>	<u>1,000</u>
			<u>2,719</u>	<u>2,719</u>
Issued, called up and fully paid				
- Deferred shares of £1 each	2	2	3	3
- Ordinary shares of \$1 each	100	100	<u>100</u>	<u>100</u>
			<u>103</u>	<u>103</u>

The deferred shares carry no dividend or voting rights and have no preferential rights to return of capital on winding up. The Company may repurchase the shares at any time for an aggregate consideration of \$1. The Company has ordinary voting shares which carry no right to fixed income.

The value attributed to Sterling share capital is based on the exchange rate prevailing at the date of issue. The Company has one class of ordinary voting shares which carry no right to fixed income.

16 RETAINED EARNINGS	\$'000
Balance at 1 January 2008	734
Profit for the financial year	<u>168</u>
Balance at 1 January 2009	902
Profit for the financial year	<u>130</u>
Balance at 31 December 2009	<u>1,032</u>

17 NOTES TO THE CASH FLOW STATEMENT	2009 \$'000	2008 \$'000
Profit before tax	193	231
Adjustments for Interest expense	<u>157</u>	<u>544</u>
Operating cash flows before movements in working capital	350	775
Decrease in receivables	1,239	1,290
Increase in payables	<u>20</u>	<u>4</u>
Cash generated by operations	1,609	2,069
Income taxes paid	(74)	(4)
Interest paid	<u>(192)</u>	<u>(597)</u>
Net cash from operating activities	<u>1,343</u>	<u>1,468</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 Group's ultimate holding company is The Royal Bank of Scotland Group plc and its immediate parent company is Royal Bank Leasing Limited. Both companies are incorporated in Great Britain and registered in Scotland.

As at 31 December 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.

RELATED PARTY TRANSACTIONS

	2009 \$'000	2008 \$'000
Royal Bank Leasing Limited		
Transactions during the period		
Management charge paid to related party	10	4
Interest on loan paid to related party	192	544
Group relief paid to related party	74	4
Loan repaid to related party	<u>1,317</u>	<u>1,526</u>
Balances at year end	-	-
Group relief owed by related party	(36)	(70)
Outstanding balance owed by related party	<u>(14,887)</u>	<u>(16,344)</u>
The Royal Bank of Scotland plc		
Balances at year end		
Bank account with group undertakings	<u>2</u>	<u>11</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.

19 POST BALANCE SHEET EVENTS

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.