

Company Registered No: 02581655

THE ROYAL BANK OF SCOTLAND SERVICES JAPAN LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 December 2009

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COMPANIES HOUSE

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

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS: **Alexis Edward Tobin
Tung Yip Leung**

SECRETARY: **Rachel Elizabeth Fletcher**

REGISTERED OFFICE: **135 Bishopsgate
London
EC2M 3UR**

AUDITORS: **Deloitte LLP**

Registered in England and Wales.

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 provisions applicable to companies entitled to the small companies exemption

Activity

The principal activity of The Royal Bank of Scotland Services Japan Limited (the "Company") had been to provide administrative services to The Royal Bank of Scotland plc, Tokyo branch and RBS Securities Japan Limited. However, in 2008, all services business & assets were transferred to either The Royal Bank of Scotland plc, Tokyo branch or RBS Securities Japan Limited, to reduce the costs related to manage the entity.

The Tokyo branch of the Company was already registered as having a liquidated status on 18 December 2008. Related final tax filings have been completed for financial year 2009. Therefore, the principal activity of the Company has discontinued from 18 December 2008.

The Company is a subsidiary of The Royal Bank of Scotland Group plc which provides the Company with direction and access to all central resources it needs and determines policies in all key areas such as finance, risk, human resources or environment. For this reason, the directors believe that performance indicators specific to the Company are not necessary or appropriate for an understanding of the development, performance or position of the business. The annual reports of The Royal Bank of Scotland Group plc review these matters on a Group basis. Copies can be obtained from Group Secretariat, RBS Gogarburn, Edinburgh, EH12 1HQ, the Registrar of Companies or through the Group's website at www.rbs.com.

Review of the year

Business review

The directors are satisfied with the Company's performance in the year. The Company will be guided by its parent company in seeking further steps for voluntary dissolution.

The retained profit for the period was JPY 4 million (2008 retained loss JPY 21 million) and this was transferred to reserves. The directors do not recommend that a dividend be paid for FY2009 (2008 Nil).

DIRECTORS' REPORT (continued)

Financial performance

The Company's financial performance is presented in the Income Statement on page 8

Other income for FY2009 was JPY 4 million, which related to interest on Corporate Tax Refund in 2008

At the end of the year, the financial position showed total assets of JPY 245 million (2008 JPY 6 million), most of which was recognized at current account

Other matters

The Company had been funded by facilities from The Royal Bank of Scotland plc. It had sought to minimise its exposure to external financial risks other than credit risk, further information on financial risk management policies and exposures is disclosed in note 3

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 2009 to date the following changes have taken place

Directors	Appointed	Date of Cessation
Jeremy Peter Sharp		28 September 2010
Anthony Kwan-Tao Yuen		29 September 2010
Alexis Edward Tobin	29 September 2010	
Tung Yip Leung	29 September 2010	

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 a directors' report and financial statements for each financial year and the directors have elected to prepare them in accordance with International Financial Reporting Standards as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs at the end of the year and the profit and loss for the financial year as far as concern members of the Company. In

DIRECTORS' REPORT (continued)

preparing these financial statements, under International Accounting Standard 1, the directors are required to

- select suitable accounting policies and then apply them consistently,
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information,
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions of the entity's financial position and performance, and
- make an assessment of the Company's ability to continue as a going concern

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the directors' report and financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

USE OF FINANCIAL INSTRUMENTS

The Company does not use derivative financial instruments and, due to the nature of its operations, the Company is exposed to a limited degree of financial risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. Credit risk represents the accounting loss that would be recognised at the reporting dates if counterparties failed completely to perform as contracted. The Company is not materially exposed to credit risk as upon default the loss would be recovered from the ultimate parent company.

DISCLOSURE OF INFORMATION TO AUDITORS

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

- 1 so far as he/she are aware there is no relevant audit information of which the Company's auditors are unaware, and
- 2 the director has taken all the steps that he/she ought to have taken to make themselves 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.

DIRECTORS' INDEMNITIES

In terms of section 236 of the Companies Act 2006, none of the directors have been granted Qualifying Third Party Indemnity Provisions by The Royal Bank of Scotland Group plc

AUDITORS

Deloitte LLP has 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 'Alexis Edward Tobin', with a long horizontal flourish extending to the right.

Alexis Edward Tobin

Director

Date 30 September 2010

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE ROYAL BANK OF SCOTLAND SERVICES JAPAN LIMITED

We have audited the financial statements of The Royal Bank of Scotland Services Japan Limited ('the Company') for the year ended 31 December 2009 which comprise the statement of comprehensive income, the Balance Sheet, the Statement of Changes in Equity, the Cash Flow Statement and the related notes 1 to 19. These Financial Statements have been prepared on a basis other than that of going concern under the accounting policies set out therein. 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

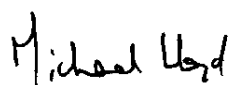
INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE ROYAL BANK OF SCOTLAND SERVICES JAPAN LIMITED (CONTINUED)**Opinion on other matter prescribed by the Companies Act 2006**

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Michael Lloyd (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
London, England

30 September 2012

THE ROYAL BANK OF SCOTLAND SERVICES JAPAN LIMITED

Statement of Comprehensive Income Year ended 31 December 2009

	Notes	2009 ¥ 000's	2008 ¥ 000's
Operating income and expense			
- Service Fee	18	-	2,881,551
- Administrative expenses		(294)	(1,068,827)
- Staff costs	6	-	(1,176,767)
- Depreciation	10	-	(83,954)
- Operating lease		-	(397,374)
Operating Profit	5	(294)	154,629
Non-operating income and expense			
- Other income	7	4,177	19,614
- Finance costs	8/18	-	(17,739)
Profit before tax		3,883	156,503
Tax Payment	9	-	(177,139)
Profit / (Loss) for the period		3,883	(20,635)
Other comprehensive income for the year		-	-
Total comprehensive income / (Loss) for the year attributable to owners of the Company		3,883	(20,635)

The result for the year 2008 & 2009 arose from discontinuing activities on an other than going concern basis

The notes on pages 12 to 24 form an integral part of the accounts

THE ROYAL BANK OF SCOTLAND SERVICES JAPAN LIMITED

Balance sheet

Year ended 31 December 2009

	Notes	2009 ¥ 000's	2008 ¥ 000's
NON-CURRENT ASSETS			
Property and equipment	10	-	-
Rental deposit		-	-
Intangible assets		-	-
Deferred tax assets	11	-	-
		-	-
CURRENT ASSETS			
Cash and cash equivalents		245,158	6,982
Account receivables	18	-	176,568
Prepaid expense and other assets		10	1,471
Income tax receivable		-	95,281
		245,168	280,302
TOTAL ASSETS		<u>245,168</u>	<u>280,302</u>
CURRENT LIABILITIES			
Account payables		-	-
Accrued expense and other liabilities		-	(39,017)
Bonus accrual		-	-
Bank loans		-	-
Income tax payable		-	-
		-	(39,017)
TOTAL LIABILITIES		<u>-</u>	<u>(39,017)</u>
NET ASSETS		<u>245,168</u>	<u>241,285</u>
EQUITY			
Share capital	12	(23)	(23)
Retained earnings	13	(245,145)	(241,262)
TOTAL EQUITY		<u>(245,168)</u>	<u>(241,285)</u>

The notes on pages 12 to 24 form an integral part of the accounts

The financial statements were approved by the board of directors and authorised for issue on 30 September 2010

They were signed on its behalf by



Alexis Edward Tobin
Director

THE ROYAL BANK OF SCOTLAND SERVICES JAPAN LIMITED

STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2009

	Share capital ¥ 000's	Retained earnings ¥ 000's	Total ¥ 000's
Balance at 1 January 2008	23	261,898	261,921
Loss for the year	-	(20,635)	(20,635)
Other comprehensive income for the year	-	-	-
Total comprehensive loss for the year	-	(20,635)	(20,635)
Balance at 31 December 2008	23	241,262	241,285
Profit for the year	-	3,883	3,883
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	3,883	3,883
Balance at 31 December 2009	23	245,145	245,168

THE ROYAL BANK OF SCOTLAND SERVICES JAPAN LIMITED

Cash flow Statement Year ended 31 December 2009

	Notes	2009 ¥ 000's	2008 ¥ 000's
Net cash flows from operating activities	14	59,240	507
Investing activities			
Purchase of property and equipment		-	(1,501,851)
Sale of property and equipment		-	2,241,547
Sale of intangible assets		-	144
Net cash from (used in) investing activities		-	739,840
Financing activities			
Cash received from group company	18	178,936	19,614
Repayments of bank loans		-	(1,000,000)
Net cash used in financing activities		178,936	(980,386)
Net (decrease) / increase in cash and cash equivalents		238,176	(240,039)
Cash and cash equivalents at beginning of the year		6,982	247,021
Cash and cash equivalents at end of the year		<u>245,158</u>	<u>6,982</u>

THE ROYAL BANK OF SCOTLAND SERVICES JAPAN LIMITED

Notes to the financial statements Year ended 31 December 2009

1. General information

The Royal Bank of Scotland Services Japan Limited is a limited company in the United Kingdom incorporated under the Companies Act 1985. The address of the registered office is given on page 1.

These financial statements are presented in Japanese Yen ("JPY") because that is the currency of the primary economic environment in which the Company operates and which is considered to be the Company's functional currency.

The financial statements are prepared on a basis other than that of a going concern, in compliance with IAS 1 25 Presentation of Financial Statements.

The principal accounting policies adopted are set out below.

2. Significant accounting policies

Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. During FY2008, the Company discontinued its operation based on the decision of the directors to close the branches business.

Adoption of new accounting standards

IAS 1 (Revised 2007) 'Presentation of Financial Statements' has introduced a number of changes in the format and content of the Company's financial statements including a statement of changes in equity (showing the components of changes in equity for the period) as a primary financial statement and a single statement of comprehensive income. The Company has adopted 'Amendments to IFRS 7 Financial Instruments: Disclosures'. These amendments expand the disclosures required about fair value measurement and liquidity risk.

The following new and revised Standards and Interpretations have been adopted in the current year. Their adoption has not had any significant impact on these financial statements.

IAS 23 (revised 2007) Borrowing Costs

Adoption of accounting standards not yet effective:

At the date of authorisation of these financial statements, the following standards and interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU).

IFRS 9 Financial Instruments

IFRIC 14 Payment of a Minimum Funding Requirement

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

IFRS 2 (amended) Group Cash-Settled Share-based payment Transactions

IFRS 1 (amended) Additional Exemptions for First-time Adopters

IFRS 1 (amended) Limited Exemption from Comparative IFRS7 Disclosures for First-Time adopters

IAS 24 (revised 2009) Related Party Disclosures Improvements to IFRSs April 2009

IAS 32 (Amended) Financial Instruments: Presentation

IAS 39 (Amended) Financial Instruments: Recognition and Measurement

THE ROYAL BANK OF SCOTLAND SERVICES JAPAN LIMITED

Notes to the financial statements

Year ended 31 December 2009

The IASB reissued IAS24, 'Related Party Disclosure' in November 2009 clarifying the existing standard and providing certain exemptions for entities government control. The revised standard is effective for annual periods beginning on or after 1 January 2011.

The IASB issued IFRS 9 'Financial Instruments' in November 2009. This standard makes changes to the framework for the classification and measurement of financial assets and will have an effect on the Company's financial statements. The Company is assessing this impact which is likely to depend on the outcome of the other phases of IASB's IAS 39 replacement project.

With the exception of this, the directors anticipate that the adoption of these Standards and Interpretations in the future will have no material impact on the financial statements of the Company.

Accounting estimates and uncertainties to be included in accounting policies

In the application of the accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an other than going concern basis. Revisions to the accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of revision or future periods if the revision affects both current and future periods. Significant estimates and assumptions are made in respect of Current and Deferred tax (note 9 and 11).

Account Receivables, Account Payables and Bank Loans

Account Receivables, Account Payables and Bank Loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, Account Receivables, Account Payables and Bank Loans are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in income statement when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

THE ROYAL BANK OF SCOTLAND SERVICES JAPAN LIMITED

Notes to the financial statements Year ended 31 December 2009

2. Significant accounting policies (continued)

Leasing

Operating lease payments are charged to the profit and loss account in the period in which they are incurred

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis

Property, plant and equipment

Properties are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with IAS 23. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use

Fixtures and equipment are stated at cost less accumulated depreciation and any recognised impairment loss

THE ROYAL BANK OF SCOTLAND SERVICES JAPAN LIMITED

Notes to the financial statements

Year ended 31 December 2009

2. Significant accounting policies (continued)

Depreciation is charged so as to write off the cost of assets, over their estimated useful lives, using the straight-line method, on the following bases

Leasehold improvements	12 years (8% per annum)
Computers and other equipment	5 years (20% per annum)
Furniture and fittings	8 years (12% per annum)

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income

Intangible assets

Intangible assets are held at cost less provision for impairment and are not amortised as the telephone rights they relate to are of an indefinite term

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

Revenue Recognition

Service fees consist of administrative fees receivable from the other group companies in Japan Revenue is recognised once the service provided by the Company is completed

3. Financial Risk Management Objectives and Policies

The Company has financial risk exposures This section summarises these risks and the way the Company manages these

Risk management

The Company's major financial instruments include receivables, cash and cash equivalents, payables, bank loans, sundry creditors and accrued expenses Details of these financial instruments are disclosed in respective notes The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner

Interest rate risk

As for FY2008 all the borrowed money was repaid, and there is no exposure to market risks at the Company at the end of FY2008 The same as for the year ended 31 December 2009

THE ROYAL BANK OF SCOTLAND SERVICES JAPAN LIMITED

Notes to the financial statements Year ended 31 December 2009

3. Financial Risk Management Objectives and Policies (continued)

Interest rate risk - Sensitivity analysis

If interest rates for the current year had been 50 basis points higher/lower and this movement applied to the assets and liabilities as at the balance sheet date for the year ended 31 December 2008, the pre-tax profit for the year would have been no impact for the year. The same as for the year ended 31 December 2009.

Credit risk

The Company's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 December 2009 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the balance sheet. In order to minimise credit risk, the management of the Company has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Company reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate provision for impairment losses is made for irrecoverable amounts. In this regard, the directors of the Company consider that the Company's credit risk is significantly reduced.

The following table analyses the credit exposure of the Company by type of asset

	2009	2008
	¥ 000's	¥ 000's
Cash at bank and in hand	245,158	6,982
Account receivables (note 14)	-	176,568
Total assets bearing credit risk	245,158	183,550

There are no financial assets which are past due or impaired at balance sheet date.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. There were no Bank Loans for FY2008 & FY2009.

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Notes to the financial statements Year ended 31 December 2009

4. Capital Management

The Company is a member of The Royal Bank of Scotland Group plc which is subject to capital requirements imposed by the Financial Services Authority ("FSA"). A quarterly regulatory capital return is submitted to the FSA on The Royal Bank of Scotland plc and The Royal Bank of Scotland Group plc consolidated level.

The Company's objectives when managing capital are

- to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits to other stakeholders, and
- to provide adequate return to shareholders by monitoring the risk level of its activities,

Capital is not managed for FSA purposes at the Company level but net equity levels are monitored and if required support from The Royal Bank of Scotland plc, an intermediate holding company, is obtained. The adjusted net equity that is managed at 31 December 2009 and at 31 December 2008 is as follows

	2009 ¥ 000's	2008 ¥ 000's
Total Assets	245,168	280,302
Less Total Liabilities	-	(39,017)
Less Fair value adjustments from which distributions are not permitted	-	-
Net Equity	241,168	241,285

No dividends were declared during the year

5. Operating profit

Operating profit has been arrived at after charging

	2009 ¥ 000's	2008 ¥ 000's
Auditor's remuneration - audit services	-	4,428
Depreciation	-	83,954
Rental expenses under operating leases	-	397,374

Amounts payable in respect of non-audit services were JPY nil for FY2009

THE ROYAL BANK OF SCOTLAND SERVICES JAPAN LIMITED

Notes to the financial statements Year ended 31 December 2009

6. Staff costs

Their aggregate remuneration comprised

	2009 ¥ 000's	2008 ¥ 000's
- Salaries and wages	-	872,745
- Bonus	-	-
- Social security costs	-	142,724
- Pension costs (note 15)	-	161,298
	<u>-</u>	<u>1,176,767</u>

None of the Directors received emoluments from the Company (2008 Nil) The Directors' remuneration is borne by the ultimate holding company, The Royal Bank of Scotland Group plc

As at 31 December 2009, and at 31 December 2008, the Company employed zero personnel (including executive directors) All employees have been transferred to either The Royal Bank of Scotland plc, Tokyo branch or RBS Securities Japan Limited

7. Other income

Other income comprised

	2009 ¥ 000's	2008 ¥ 000's
- Miscellaneous income from The Royal Bank of Scotland Group plc	898	19,614
- Interest on Corporate Tax Refund for 2008	3,279	-
	<u>4,177</u>	<u>19,614</u>

The note 18 on page 23 shows the details of the deals at Miscellaneous income from The Royal Bank of Scotland Group plc

8. Finance costs

	2009 ¥ 000's	2008 ¥ 000's
Interest on bank loans	-	17,739

The Company borrowed short term loans from The Royal Bank of Scotland plc, Tokyo branch, to cover operating expenses

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Notes to the financial statements Year ended 31 December 2009

9. Tax

	2009 ¥ 000's	2008 ¥ 000's
Current Japanese tax	-	(69)
Deferred tax (note 10)	-	(177,070)
Current tax for the year	-	(177,139)

Current tax is calculated at 42.05% (2008: 42.05%) of the estimated assessable profit for the year. The charge for the year can be reconciled to the profit per the income statement as follows:

	2009		2008	
	¥ 000's	%	¥ 000's	%
Profit before tax	3,883	100.00	156,503	100.00
Tax at the current tax rate of 42.05% (2008: 42.05%)	1,632	-	(65,810)	42.05
Permanent difference	-	-	(101)	0.06
Less Valuation allowance	-	-	(121,512)	77.64
Other	(1,632)	-	10,284	(6.56)
Tax expense at effective tax rate for the year	-	-	(177,139)	113.19

The Company provided the valuation allowance if it is expected that some portion or all of the deferred tax assets will not be realized.

THE ROYAL BANK OF SCOTLAND SERVICES JAPAN LIMITED

Notes to the financial statements Year ended 31 December 2009

10. Property and equipment

	Leasehold improvements ¥ 000's	Computers and other equipments ¥ 000's	Furniture and Fittings ¥ 000's	Total ¥ 000's
Cost				
At 1 January 2008	633,874	623,266	59,315	1,316,455
Additions	947,640	465,373	88,838	1,501,851
Disposals	(1,581,514)	(1,088,639)	(148,153)	(2,818,306)
At 1 January 2009	-	-	-	-
Additions	-	-	-	-
Disposals	-	-	-	-
At 31 December 2009	-	-	-	-
Accumulated depreciation				
At 1 January 2008	184,449	294,886	13,470	492,805
Charge for the year	11,890	65,883	6,181	83,954
Disposal	(196,339)	(360,769)	(19,651)	(576,759)
At 1 January 2009	-	-	-	-
Charge for the year	-	-	-	-
Disposal	-	-	-	-
At 31 December 2009	-	-	-	-
Carrying amount				
At 31 December 2008	-	-	-	-
At 31 December 2009	-	-	-	-

11. Deferred tax

The following are the major deferred tax assets and liabilities recognised by the Company and movements thereon during the current and prior reporting period

	Capital allowances in excess of depreciation ¥ 000's	Accrued Bonuses ¥ 000's	Accrued Expense ¥ 000's	Other ¥ 000's	Less Valuation allowance ¥ 000's	Total ¥ 000's
At 1 January 2008	45,523	95,531	-	149,728	(113,712)	177,070
Charge to income	(45,523)	(95,531)	-	(149,728)	113,712	(177,070)
At 1 January 2009	-	-	-	-	-	-
As 31 December 2009	-	20	-	-	-	-

THE ROYAL BANK OF SCOTLAND SERVICES JAPAN LIMITED

Notes to the financial statements Year ended 31 December 2009

12. Share capital

	2009 ¥ 000's	2008 ¥ 000's
Authorized		
100 Ordinary Shares of £1 each	23	23
Allotted, issued and fully paid		
100 Ordinary Shares of £1 each	23	23
The Company has one class of ordinary shares which carry no right to fixed income		

13. Retained Earnings

	¥ 000's
Balance at 1 January 2008	261,898
Net loss for the year	(20,635)
Balance at 1 January 2009	241,262
Net profit for the year	3,883
Balance at 31 December 2009	245,145

14. Notes to the cash flow statement

	2009 ¥ 000's	2008 ¥ 000's
Operating profit	-	154,629
Depreciation	-	83,954
Operating cash flows before movements in working capital	-	238,583
Decrease in Account receivables	-	180,409
Decrease (Increase) in Prepaid expense and other assets	-	22,590
Decrease in Rental deposit	-	133,834
(Decrease) Increase in Account payables	-	(34,050)
(Decrease) Increase in Accrued expense and other liabilities	(39,016)	(62,356)
Decrease in Bonus accrual	-	(227,177)
Cash generated by operations	-	251,833
Income taxes refund	98,560	(233,039)
Interest paid	-	(18,287)
Other	(304)	-
Net cash from operating activities	59,240	507

Cash and cash equivalents which are presented as a single class of assets on the face of the balance sheet comprise cash at bank and other short-term highly liquid investments with a maturity of three months or less

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Notes to the financial statements Year ended 31 December 2009

15. Commitments and contingencies

At 31 December 2008 and at 31 December 2009, the Company had no annual commitments under an operating and contingency site services lease

16. Retirement benefit schemes

The pension costs for the financial year 2008 were JPY161,297,605. As for the financial year 2009, no pension costs were recognized. All of the Company's employees are seconded and covered by Japanese tax qualified pension schemes either of The Royal Bank of Scotland plc, Tokyo branch or RBS Securities Japan Limited.

The costs related to these schemes are assessed based on actuarial assumptions and recharged to the Company by The Royal Bank of Scotland plc, Tokyo branch or RBS Securities Japan Limited.

17. Employees

All staff has been employed by either The Royal Bank of Scotland plc, Tokyo branch, a company registered in Scotland, or RBS Securities Japan Limited, a company incorporated in Hong Kong. Staff numbers and salaries of staffs employed by The Royal Bank of Scotland plc Tokyo Branch and RBS Securities Japan Limited are disclosed in the respective company accounts.

The salary costs of the staff seconded to the Company are recharged to the Company by The Royal Bank of Scotland plc Tokyo Branch and RBS Securities Japan Limited.

According to the closure of the business, all staff has been transferred to The Royal Bank of Scotland plc, Tokyo branch or RBS Securities Japan Limited.

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Notes to the financial statements Year ended 31 December 2009

18. Related Party Disclosures

Transactions between the Company and group companies are disclosed below

	Service Fee		Finance Costs	
	2009 ¥000's	2008 ¥000's	2009 ¥000's	2008 ¥000's
The Royal Bank of Scotland plc, Tokyo Branch	-	1,056,115	-	(17,739)
RBS Securities Japan Limited	-	1,825,436	-	-
	-	2,881,551	-	(17,739)
	Other Income (*)			
	2009 ¥000's	2008 ¥000's		
The Royal Bank of Scotland plc	-	(*)19,614		
The Royal Bank of Scotland plc, Tokyo Branch	(**)718	-		
RBS Securities Japan Limited	(**)180	-		
	898	19,614		

(*)The Company received 19MM JPY of cash from RBS plc London, to cover the resources for acquisition of new fixed assets

(**)Those figures are adjustment amount from the previous year

	Account Receivables	
	2009 ¥000's	2008 ¥000's
The Royal Bank of Scotland plc, Tokyo Branch	-	173,760
RBS Securities Japan Limited	-	2,808
The Royal Bank of Scotland plc, Hong Kong Branch	-	-
	-	176,568

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.

19 Related Parties

On 1 December 2008, the UK Government through HM Treasury became the ultimate controlling party of The Royal Bank of Scotland Group plc. The UK Government's shareholding is managed by UK Financial Investments Limited, a company wholly owned by the UK Government. As a result, the UK Government and UK Government controlled bodies became related parties of the Company.

The Company's ultimate holding company is The Royal Bank of Scotland Group plc which is registered in Scotland and its immediate parent company is National Westminster Bank Plc which is registered in England and Wales. Both companies are incorporated in Great Britain.

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Notes to the financial statements Year ended 31 December 2009

19. Related Parties (continued)

As at 31 December 2009, The Royal Bank of Scotland Group plc heads the largest group in which the Company is consolidated and National Westminster Bank 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.

20. Post Balance Sheet Events

The Directors are not aware of any post balance sheet events that would fundamentally affect these financial statements.