

Company Registration No: 03074526

GROUP VEHICLE SERVICES (1) LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 March 2008



**Group Secretariat
The Royal Bank of Scotland Group plc
Gogargurn
PO Box 1000
Edinburgh
EH12 1HQ**

GROUP VEHICLE SERVICES (1) LIMITED

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GROUP VEHICLE SERVICES (1) LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS:
R A Bailey
N T J Clibbens
N Kapur

SECRETARY:
C J Whittaker

REGISTERED OFFICE:
3 Princess Way
Redhill
Surrey
RH1 1NP

**PRINCIPLE PLACE OF
BUSINESS:**
7 - 10 Brindley Place
Birmingham
B1 2TZ

AUDITORS:
Deloitte & Touche LLP
Birmingham
B1 2HZ

Registered in England and Wales.

GROUP VEHICLE SERVICES (1) LIMITED

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 31 March 2008.

ACTIVITIES AND BUSINESS REVIEW

Activity

The principal activity of the Company continues to be vehicle leasing

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 web site at rbs.com

Review of the year

The directors are satisfied with the development of the Company's activities during the year. The Company will be guided by its immediate parent company in seeking further opportunities for growth. No dividend was paid during the year (2007: £nil).

The Company's financial performance is presented in the Income Statement on Page 7. At the end of the year, the financial position showed total assets of £2,372,000 (2007: £5,012,000) and equity of £900,000 (2007: £776,000).

Other matters

The Company is funded by facilities from other members of the Royal Bank of Scotland group. It seeks 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 23. It also has exposure to asset risk on the residual value of property, plant and equipment.

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

GROUP VEHICLE SERVICES (1) LIMITED

DIRECTORS' REPORT (Continued)

DIRECTORS AND SECRETARY

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

From 1 April 2007 to date the following changes have taken place

Directors	Appointed	Resigned
N Kapur	15 May 2007	
P G Denman		29 November 2007

DIRECTORS' RESPONSIBILITIES

The directors are required by the Companies Acts 1985 and 2006 to prepare a directors' report and financial statements for each financial year and have elected to prepare them in accordance with International Financial Reporting Standards as adopted by the European Union. They are responsible for preparing financial statements that present fairly the financial position, financial performance and cash flows of the Company. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the directors' report and financial statements comply with the requirements of the Companies Acts 1985 and 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

USE OF FINANCIAL INSTRUMENTS

The Company's financial risk management policies and exposure in relation to the respective risks are detailed in note 23 of the financial statements.

DISCLOSURE OF INFORMATION TO AUDITORS

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

- (a) so far as he 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 ought to have taken to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

GROUP VEHICLE SERVICES (1) LIMITED

DIRECTORS' REPORT (Continued)

DISCLOSURE OF INFORMATION TO AUDITORS (continued)

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 Mr R A Bailey had been granted Qualifying Third Party Indemnity Provisions by The Royal Bank of Scotland Group plc

POLICY AND PRACTICE ON PAYMENT OF CREDITORS

The Company follows the policy and practice on payment of creditors determined by The Royal Bank of Scotland Group plc ('RBSG'), as outlined below

RBSG is committed to maintaining a sound commercial relationship with its suppliers. Consequently, it is RBSG's policy to negotiate and agree terms and conditions with its suppliers, which includes the giving of an undertaking to pay suppliers within 30 days of receipt of a correctly prepared invoice submitted in accordance with the terms of the contract or such other payment period as may be agreed

AUDITORS

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors in accordance with section 160(2) of the Companies Act 1963

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



R A Bailey
Director

Date ~~23rd~~ 31st October 2008

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GROUP VEHICLE SERVICES (1) LIMITED

We have audited the financial statements of Group Vehicle Services (1) Limited ('the Company') for the year ended 31 March 2008 which comprise the income statement, the statement of changes in equity, the balance sheet, the cash flow statement and the related notes 1 to 27. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors' responsibilities for preparing the Directors' Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Directors' Report.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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

We read the Directors' Report for the above year and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any information outside the Directors' Report.

BASIS OF AUDIT OPINION

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

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

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GROUP VEHICLE SERVICES (1)
LIMITED (Continued)**

OPINION

In our opinion

- the financial statements give a true and fair view of the state of the Company's affairs as at 31 March 2008 and of its profit for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Birmingham, United Kingdom
Date: 31.10.08

GROUP VEHICLE SERVICES (1) LIMITED

INCOME STATEMENT for the year ended 31 March 2008

	Note	2008 <u>£'000</u>	2007 <u>£'000</u>
Continuing operations			
Revenue	5	346	494
Depreciation on property, plant and equipment	14	(93)	(105)
Operating income	6	94	100
Operating charges	7	<u>(214)</u>	<u>(252)</u>
Operating profit		133	237
Finance income	8	62	30
Finance costs	9	<u>(31)</u>	<u>(88)</u>
Profit before tax		164	179
Tax	10	<u>(40)</u>	<u>(54)</u>
Profit/(loss) for the year attributable to the equity holders of the Company	11, 22	<u>124</u>	<u>125</u>

The notes on pages 11 to 26 form a part of these financial statements

GROUP VEHICLE SERVICES (1) LIMITED

STATEMENT OF CHANGES IN EQUITY for the year ended 31 March 2008

	Retained earnings £'000	Total equity £'000
At 1 April 2006	651	651
Profit for the year	125	125
At 31 March 2007	<u>776</u>	<u>776</u>
At 1 April 2007	776	776
Profit for the year	124	124
At 31 March 2008	<u>900</u>	<u>900</u>

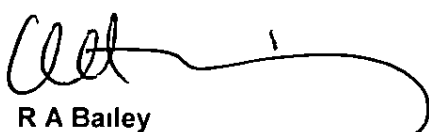
The notes on pages 11 to 26 form a part of these financial statements

GROUP VEHICLE SERVICES (1) LIMITED

BALANCE SHEET at 31 March 2008

	Note	2008 £'000	2007 £'000
Non-current assets			
Finance lease receivables	12	90	1,550
Property, plant and equipment	14	236	447
		<u>326</u>	<u>1,997</u>
Current assets			
Cash and cash equivalents	16	-	14
Finance lease receivables	12	1,434	716
Trade and other receivables	17	603	2,284
		<u>2,037</u>	<u>3,014</u>
Assets held for sale	18	9	1
Total assets		<u>2,372</u>	<u>5,012</u>
Non-current liabilities			
Deferred tax liabilities	15	(104)	(597)
		<u>(104)</u>	<u>(597)</u>
Current liabilities			
Overdrafts	16	(165)	-
Amounts owed to group undertakings	19	(968)	(2,932)
Trade and other payables	20	(235)	(707)
		<u>(1,368)</u>	<u>(3,639)</u>
Total liabilities		<u>(1,472)</u>	<u>(4,236)</u>
Net assets		<u>900</u>	<u>776</u>
Equity			
Share capital	21	-	-
Reserves	22	900	776
Total equity attributable to the equity holders of the Company		<u>900</u>	<u>776</u>

The financial statements were approved by the board of directors and authorised for issue on ~~30~~
~~September~~ 2008 and were signed on its behalf by


R A Bailey
Director

31/10/2008

The notes on pages 11 to 26 form a part of these financial statements

GROUP VEHICLE SERVICES (1) LIMITED

CASH FLOW STATEMENT

for the year ended 31 March 2008

	Note	2008 <u>£'000</u>	2007 <u>£'000</u>
Operating activities			
Profit before tax		164	179
<i>Adjustments for</i>			
Depreciation on property, plant and equipment	14	93	105
Loss/ (profit) on disposal of property, plant and equipment	11	5	(27)
Operating profit before changes in working capital		<u>262</u>	<u>257</u>
Decrease in finance lease receivables	12	742	137
Decrease/(increase) in trade and other receivables	17	1,681	(1,811)
Decrease/(increase) in amounts owed to group undertakings	19	(2,497)	1,694
Decrease/(increase) in trade and other payables	20	(472)	461
Net cash generated (used in)/from the operations		<u>(284)</u>	<u>738</u>
Investing activities			
Proceeds from disposal of property, plant and equipment		102	175
Acquisition of property, plant and equipment	14	2	(416)
Net cash from/(used in) investing activities		<u>104</u>	<u>(241)</u>
Net decrease/(increase) in cash and cash equivalents		(179)	497
Cash and cash equivalents at 1 April		<u>14</u>	<u>(483)</u>
Cash and cash equivalents at 31 March	16	<u>(165)</u>	<u>14</u>

The notes on pages 11 to 26 form a part of these financial statements

GROUP VEHICLE SERVICES (1) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2008

1 General information

Group Vehicle Services (1) Limited is a company incorporated in Great Britain under the Companies Act 1985. The address of the registered office is on page 1. The nature of the Company's principal activities are set out in the Directors' Report.

2 Adoption of new and revised Standards

In the current year the Company has adopted IFRS 7 Financial Instrument Disclosures which are effective for annual reporting periods beginning on or after 1 January 2007 and the related amendment to IAS 1 Presentation of Financial Statements. The impact of the adoption of IFRS 7 and the changes to IAS 1 has been to expand the disclosures provided in these financial statements regarding the Company's financial instruments and the management of capital.

Four Interpretations issued by the International Financial Reporting Interpretations Committee are effective for the current year. These are IFRIC10 Interim Financial Reporting and Impairment and IFRIC 11 IFRS2 - Group and Treasury Share Transactions. The adoption of these has not led to any changes in the Company's accounting policies.

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: IFRS 8 Operating Segments, IFRIC 12 Service Concession Arrangements, IFRIC 13 Customer Loyalty Programmes, IFRIC 14 IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction, IFRIC 15 Agreements for the Construction of Real Estate and IFRIC 16 Hedges of a Net Investment in a Foreign Operation. The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Company.

3 Accounting policies

a. Accounting convention

The financial statements have been prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB (together IFRS) as adopted by the European Union.

The financial statements have been prepared upon the basis of historical cost and are presented in accordance with applicable United Kingdom law.

b. Revenue recognition

Revenue from finance leases and operating leases is recognised in accordance with the Company's policies on leases (see below).

Revenue arises in the United Kingdom from continuing activities.

GROUP VEHICLE SERVICES (1) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) for the year ended 31 March 2008

3 Accounting policies (continued)

c. Leases

Contracts to lease assets are classified as finance leases if they transfer substantially all the risks and rewards of ownership of the asset to the customer. Other contracts to lease assets are classified as operating leases.

Finance lease receivables are stated in the balance sheet at the amount of the net investment in the lease being the minimum lease payments and any unguaranteed residual value discounted at the interest rate implicit in the lease.

Unguaranteed residual values are subject to regular review to identify potential impairment. If there has been a reduction in the estimated unguaranteed residual value, the income allocation is revised and any reduction in respect of amounts accrued is recognised immediately.

Finance lease income is allocated to accounting periods so as to give a constant periodic rate of return before tax on the net investment.

Operating lease rentals are recognised on an accruals basis.

d. Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment losses.

Depreciation is charged to the income statement on a straight-line basis so as to write them down to their estimated residual value over their estimated useful lives, as follows:

	<u>Estimated useful life</u>
Operating lease assets	Term of contract

e. Impairment of tangible assets

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and an impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

GROUP VEHICLE SERVICES (1) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) **for the year ended 31 March 2008**

3 Accounting policies (continued)

f. 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

g. Trade and other receivables

Trade and other receivables are measured at initial recognition at fair value. Appropriate allowances for estimated irrecoverable amounts are recognised in the income statement when there is objective evidence that the asset is impaired

h. Taxation

Provision is made for taxation at current enacted rates on taxable profits, arising in income or in equity.

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

i. Amounts owed to group undertakings

Amounts owed to group undertakings are initially measured at fair value and are subsequently measured at amortised cost using the effective interest rate method

Finance costs incurred on borrowings from group undertakings are recognised in the income statement in the period in which they are incurred

j. Trade and other payables

Trade and other payables are measured at fair value

k. Other operating income

Other operating income is accounted for on an accruals basis

l. Operating charges

Operating charges include provisions for bad and doubtful debts and other operating charges. Individually assessed provisions are made against advances for which recovery is considered to be doubtful. Collectively assessed provision is made in respect of losses which, although not separately identified, are from experience known to be present in any portfolio of financial assets. Other operating charges/credits are accounted for on an accruals basis

GROUP VEHICLE SERVICES (1) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) for the year ended 31 March 2008

4 Critical accounting judgements and key sources of estimation uncertainty

In the process of applying the Company's accounting policies above, management has made the following judgements that have the most significant effect on the amounts recognised in the financial statements

- Provisions for bad and doubtful debt

The Company's policy for provisions is noted above

5 Revenue

	2008 £'000	2007 £'000
Operating lease income	150	179
Finance lease income	196	315
	<u>346</u>	<u>494</u>

6 Other operating income

	2008 £'000	2007 £'000
Service Rental	<u>94</u>	<u>100</u>

7 Other operating charges

	2008 £'000	2007 £'000
Commission payable	(41)	(46)
Audit Costs	(8)	(5)
Operating Lease costs	(165)	(201)
	<u>(214)</u>	<u>(252)</u>

8 Finance income

	2008 £'000	2007 £'000
On loans and receivables		
From group undertakings	<u>62</u>	<u>30</u>

GROUP VEHICLE SERVICES (1) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) for the year ended 31 March 2008

9 Finance costs

	2008 <u>£'000</u>	2007 <u>£'000</u>
On loans and payables		
To group undertakings	<u>(31)</u>	<u>(88)</u>

10 Tax charge on profit before tax

A) Analysis of charge for the year

	2008 <u>£'000</u>	2007 <u>£'000</u>
Current taxation		
Income tax charge/(credit) for the year	218	(65)
Under provision in respect of prior periods	315	4
Current tax charge/(credit) for the year	<u>533</u>	<u>(61)</u>
Deferred taxation		
(credit)/charge for the year	(178)	119
Over provision in respect of prior periods	(315)	(4)
	<u>(493)</u>	<u>115</u>
Tax charge for the year	<u>40</u>	<u>54</u>

B) Factors affecting the tax charge for the year

The actual tax charge differs from the expected tax charge computed by applying the standard rate of UK corporation tax of 30% (2007 30%) as follows

	2008 <u>£'000</u>	2007 <u>£'000</u>
Expected tax charge	49	54
Capital gains tax at lower rates	(2)	-
Change in tax rate	(7)	
Actual tax charge	<u>40</u>	<u>54</u>

In March 2007 the UK government announced that it would introduce legislation that would reduce the corporation tax rate to 28% with effect from 1st April 2008. This legislation has substantially been enacted on 26 June 2007.

GROUP VEHICLE SERVICES (1) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) for the year ended 31 March 2008

11 Profit for the year

Profit for the year has been arrived at after charging/(crediting)

	2008 £'000	2007 £'000
Loss/(profit) on disposal of property, plant and equipment	5	(27)
Auditors' remuneration		
Audit services	(8)	(5)

12 Finance lease receivables

	Year in which receipt is expected			
	Within 1 year £'000	Between 1 and 5 years £'000	After 5 years £'000	Total £'000
2008				
Future minimum lease payments	1,600	91		1,691
Unearned finance income	(103)	(1)		(104)
Other balances	(63)			(63)
Net carrying value	<u>1,434</u>	<u>90</u>	<u>-</u>	<u>1,524</u>
2007				
Future minimum lease payments	990	1,665	-	2,655
Unearned finance income	(221)	(115)	-	(336)
Other balances	(53)	-	-	(53)
Net carrying value	<u>716</u>	<u>1,550</u>	<u>-</u>	<u>2,266</u>

The Company entered into new finance lease agreements totalling £137,000 (2007 £1,952,000) during the year and the portfolio is due to mature fully within 5 years

The average effective interest rate in relation to finance lease agreements approximates 2% (2007 2%)

The fair value of finance lease receivables is considered not to be materially different to the carrying amounts in the balance sheet

GROUP VEHICLE SERVICES (1) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) for the year ended 31 March 2008

13 Operating lease arrangements

At the balance sheet date, the Company had contracted with customers for the following future minimum lease payments under non-cancellable operating leases

	Year in which receipt is expected				Total £'000
	Within 1 year £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	After 5 years £'000	
2008	<u>92</u>	<u>53</u>	<u>-</u>	<u>-</u>	<u>145</u>
2007	<u>156</u>	<u>114</u>	<u>64</u>	<u>-</u>	<u>334</u>

Nature of operating lease assets in the balance sheet

	2008 £'000	2007 £'000
Cars and light commercial vehicles	<u>236</u>	<u>447</u>

GROUP VEHICLE SERVICES (1) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) for the year ended 31 March 2008

14 Property, plant and equipment

	Car & light commercial vehicles £'000
Cost	
1 April 2007	611
Additions	(2)
Disposals	(235)
Assets held for Sale	(21)
31 March 2008	<u>353</u>
Accumulated depreciation and impairment	
1 April 2007	(164)
Depreciation charge	(93)
Disposals	128
Assets held for Sale	12
31 March 2008	<u>(117)</u>
Cost	
1 April 2006	571
Additions	416
Disposals	(362)
Assets held for Sale	(14)
31 March 2007	<u>611</u>
Accumulated depreciation and impairment	
1 April 2006	(320)
Depreciation charge	(105)
Disposals	248
Assets held for Sale	13
31 March 2007	<u>(164)</u>
Net book value	
31 March 2008	<u>236</u>
31 March 2007	<u>447</u>
Security	
No property, plant and equipment has been pledged as security for liabilities of the Company	

GROUP VEHICLE SERVICES (1) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) for the year ended 31 March 2008

15 Deferred taxation

Provision for deferred taxation has been made as follows

	Accelerated capital allowances £'000
At 1 April 2006	(482)
Charge to income statement	(115)
At 31 March 2007	<u>(597)</u>
At 1 April 2007	(597)
Charge to income statement	493
At 31 March 2008	<u>(104)</u>
The above is analysed as follows	
Deferred tax liabilities	<u>(104)</u>

16 Cash and cash equivalents

	2008 £'000	2007 £'000
Cash and cash equivalents per balance sheet		
Amounts held with group undertakings	<u>-</u>	<u>14</u>
	-	14
Overdrafts per balance sheet		
Amounts held with group undertakings	<u>(165)</u>	<u>-</u>
	(165)	-
Cash and cash equivalents per cash flow statement	<u>(165)</u>	<u>14</u>

GROUP VEHICLE SERVICES (1) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) for the year ended 31 March 2008

17 Trade and other receivables

	2008 <u>£'000</u>	2007 <u>£'000</u>
Trade receivables	-	265
Other receivables	395	520
Prepayments and accrued income	<u>208</u>	<u>139</u>
	<u>603</u>	<u>923</u>

18 Assets held for sale

	2008 <u>£'000</u>	2007 <u>£'000</u>
Vehicles held in stock awaiting resale	<u>9</u>	<u>1</u>

The vehicles held in stock are vehicles which have been returned from being leased to customers and are not being re-leased. The Company are actively arranging for their sale.

19 Amounts owed to group undertakings

	2008 <u>£'000</u>	2007 <u>£'000</u>
Current liabilities		
Amounts due within 1 year	(13)	(2,510)
Group Relief	<u>(955)</u>	<u>(422)</u>
	<u>(968)</u>	<u>(2,932)</u>

The fair value of amounts owed to group undertakings is considered not to be materially different to the carrying amounts in the balance sheet.

The average effective interest rate over this loan is 5% (2007: 5%).

20 Trade and other payables

	2008 <u>£'000</u>	2007 <u>£'000</u>
Current liabilities		
Trade payables	(20)	(11)
Other payables	(10)	(248)
Accruals and deferred income	<u>(205)</u>	<u>(168)</u>
	<u>(235)</u>	<u>(426)</u>

GROUP VEHICLE SERVICES (1) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) for the year ended 31 March 2008

21 Share capital

	2008 £	2007 £
Authorised:		
100 (2007 100) ordinary shares of £1 each	<u>100</u>	<u>100</u>
Allotted, called up and fully paid:		
1 (2007 1) ordinary shares of £1 each	<u>1</u>	<u>1</u>

22 Reserves

	Retained earnings £'000
At 1 April 2006	651
Profit/(loss) for the year	125
At 31 March 2007	<u>776</u>
At 1 April 2007	776
Profit/(loss) for the year	124
At 31 March 2008	<u>900</u>

23 Financial instruments and risk management

Capital risk management

The Company considers its capital to consist of equity attributable to the equity holders of the Company, comprising issued share capital, reserves and retained earnings as disclosed in notes 21 and 22. The Company is a member of the Royal Bank of Scotland group of companies which has regulatory disciplines over the use of its capital. The Company operates controls and policies put in place by the group to ensure that the Company can continue as a going concern and to ensure that the group complies with these regulatory disciplines.

Accounting Policies

Details of the accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in note 3.

GROUP VEHICLE SERVICES (1) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) for the year ended 31 March 2008

23 Financial instruments and risk management

Categories of financial instruments

The carrying value of each category of financial instruments, as defined in IAS 39, is disclosed in the following table

	2008 <u>£'000</u>	2007 <u>£'000</u>
Financial assets		
Loans and receivables	1,524	2,266
Available for sale	<u>9</u>	<u>1</u>
	1,533	2,267
Non financial assets	<u>838</u>	<u>2,450</u>
	<u>2,371</u>	<u>4,717</u>
Financial liabilities		
Amortised cost	1,133	2,918
Non financial liabilities	<u>339</u>	<u>1,023</u>
	<u>1,472</u>	<u>3,941</u>

Risk management

The Company uses a comprehensive framework for managing risks established by the Lombard group of companies and the Royal Bank of Scotland group of companies

The risks associated with the Company's businesses are as follows

Interest rate risk and sensitivity analysis

Structural interest rate risk arises where assets and liabilities have different repricing maturities

Finance lease receivables, hire purchase receivables and other instalment credit receivables may be based on fixed and/or floating interest rates. These are funded primarily through balances owed to group undertakings which are due primarily on demand and on a variable interest rate basis. The repricing maturity profile of the financial assets of the Company may be different to that of the associated borrowings and hence give potential exposure to interest rate risk.

The matching of the repricing maturity characteristics of the Company's assets and liabilities is achieved through hedges transacted within another group company. This results in the Company having exposure to interest rate risk, though this would be offset elsewhere within the group.

The sensitivity analysis below has been determined based on the exposure to interest rates at the balance sheet date. The analysis is prepared on the assumption that the balances receivable and/or payable at the balance sheet date were receivable and/or payable for the whole year.

If interest rates had been 0.5% higher and all other variables were held constant, the Company's profit for the year would have decreased by £6000 (2007 profit for the year would have decreased by £15000). This is mainly due to the Company's exposure to interest rates on its variable rate borrowings. There would be no other material impact on equity.

GROUP VEHICLE SERVICES (1) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) for the year ended 31 March 2008

23 Financial instruments and risk management (continued)

Currency risk

The Company has no currency risk as all transactions and balances are denominated in Sterling

Credit risk

Credit risk is the risk that companies, financial institutions, individuals and other counterparties will be unable to meet their obligations to the Company. Credit risk arises principally from the Company's lending activities.

Analysis of credit quality by credit rating

The following tables provide an analysis of the credit quality of the Company's financial assets at the balance sheet date

	Analysis of credit quality by quality grade			Accruing past due	Non accrual	Less Impair- ment provision	Total
	AQ1 to 3	AQ4	AQ5				
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
2008							
Finance lease receivables	1,428			96			1,524
	<u>1,428</u>	<u>-</u>	<u>-</u>	<u>96</u>	<u>-</u>	<u>-</u>	<u>1,524</u>
2007							
Finance lease receivables	2,183			83			2,266
	<u>2,183</u>	<u>-</u>	<u>-</u>	<u>83</u>	<u>-</u>	<u>-</u>	<u>2,266</u>

The analysis of credit quality by quality grade represents the maximum exposure to credit risk excluding past due and non accrual. Assets are graded according to the following

Asset quality grade	probability of default (PD)
AQ1	<=0.2%
AQ2	>0.2% and <=0.6%
AQ3	>0.6% and <=1.5%
AQ4	>1.5% and <=5%
AQ5	>5%

GROUP VEHICLE SERVICES (1) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) for the year ended 31 March 2008

23 Financial instruments and risk management (continued)

Credit risk (continued)

Analysis of assets accruing past due

The following assets were past due at the balance sheet date but not considered impaired

	Past due				Total £'000
	1-29 days	30-59 days	60-89 days	more than 90 days	
	£'000	£'000	£'000	£'000	
2008					
Finance lease receivables		96			96
	-	96	-	-	96
2007					
Finance lease receivables		83			83
	-	83	-	-	83

The Company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers

Liquidity risk

Liquidity risk arises where assets and liabilities have different contractual maturities. The Company manages liquidity risk through applying the established framework put in place within the group.

The maturity analysis of financial liabilities is disclosed in notes 19 and 20.

The Company has no significant liquidity risk as it has access to financing facilities and support provided by fellow group companies.

Operational risk

Operational risk is the risk of unexpected losses attributable to human error, systems failures, fraud or inadequate internal financial controls and procedures. The Company manages this risk, in line with the RBS group framework, through systems and procedures to monitor transactions and positions, the documentation of transactions and periodic review by internal audit. The Company also maintains contingency facilities to support operations in the event of disasters.

GROUP VEHICLE SERVICES (1) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) for the year ended 31 March 2008

24 Contingent liabilities

The Royal Bank of Scotland group has agreed to compensate UK members for any adjustments in respect of UK UK Transfer Pricing that may arise under paragraph 1A of Schedule 28 AA, Income and Corporation Taxes Act 1988

25 Post balance sheet events

There have been no significant events between the year end and the approval of these financial statements which would require a change to the disclosures in the accounts

26 Related parties

The Company's immediate parent and ultimate controlling party is described in note 27

The table below details balances and transactions with group undertakings

	At 1 April 2007 <u>£'000</u>	Net (receipts) / payments <u>£'000</u>	Net interest (paid) / received <u>£'000</u>	At 31 March 2008 <u>£'000</u>
Banking members of the group				
Other RBS Group undertakings	(15)	348	62	395
Other, non-banking members of the group				
Immediate parent	(133)	297	(31)	133
Other RBS Group undertakings	(2,770)	1,108	-	(1,662)
Total	<u>(2,918)</u>	<u>1,753</u>	<u>31</u>	<u>(1,133)</u>

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received.

Other related party transactions

No emoluments were paid to any director by the Company during the year (2007 - £nil)

None of the directors had any material interest in any contract of significance in relation to the business of the Company (2007 - none)

GROUP VEHICLE SERVICES (1) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) for the year ended 31 March 2008

27 Parent companies

The Company's immediate parent company is Group Vehicle Services Limited

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