Company Registered No: 03177092

ROYAL BANK OPERATING LEASING LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

For the year ended 30 September 2011

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

DIRECTORS' REPORT AND FINANCIAL STATEMENTS 2011

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS:	S J Caterer J E Rogers P D J Sullivan R F Warren
SECRETARY:	C J Down
REGISTERED OFFICE:	The Quadrangle The Promenade Cheltenham GL50 1PX
AUDITOR:	Deloitte LLP 3 Rivergate Temple Quay Bristol BS1 6GD

Registered in England and Wales.

DIRECTORS' REPORT

The directors of Royal Bank Operating Leasing Limited ("the company") present their report and the audited financial statements for the year ended 30 September 2011

This Directors' Report has been prepared in accordance with the special provisions available to companies entitled to the small companies exemption

ACTIVITIES AND BUSINESS REVIEW

Activity
The principal activity of the company is the provision of fixed asset finance, usually through structured facilities The company disposed of its leases in a prior period and has not traded in either the current or prior years

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 rbs com

Business review
The company did not trade during the current or prior years and, accordingly, no Statement of Comprehensive Income has been prepared The company will be guided by its shareholders in seeking further opportunities for growth

Financial performance
The company made neither a profit nor a loss in the current year (2010 £nil)

At the end of the year total assets were £nil (2010 £nil)

Dividends
The directors do not recommend the payment of a dividend (2010 £nil)

Principal risks and uncertainties
The company is funded by facilities from The Royal Bank of Scotland plc

The company's financial risk management objectives and policies regarding the use of financial instruments are set out in note 6 to these financial statements

The company 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 6

Going concern
The directors, having made such enquiries as they considered appropriate, have prepared the financial statements on a going concern basis

DIRECTORS' REPORT (continued)

DIRECTORS AND SECRETARY

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

DIRECTORS' RESPONSIBILITIES STATEMENT

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 (IFRS) 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 or loss for the financial year of the company In 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 IFRS 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

DISCLOSURE OF INFORMATION TO AUDITOR

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

- so far as they are aware, there is no relevant audit information of which the company's auditor is unaware, and
- the director has taken all the steps that they ought to have taken to make themselves aware of any relevant audit information, and to establish that the company's auditor is 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' REPORT (continued)

AUDITOR

Deloitte LLP has expressed its willingness to continue in office as auditor

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

R F Warren
Director
Date 24 May 2012

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ROYAL BANK OPERATING LEASING LIMITED

We have audited the financial statements of Royal Bank Operating Leasing Limited ('the company') for the year ended 30 September 2011 which comprise the balance sheet, the statement of changes in equity and the related notes 1 to 9 The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) 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 auditor's 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 auditor

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 and express an opinion on 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 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 In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 30 September 2011 and of its result for the year then ended,
- have been properly prepared in accordance with IFRS as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ROYAL BANK OPERATING LEASING LIMITED (continued)

Matters on which we are required to report by exception

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

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

Simon Cleveland FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Bristol, United Kingdom
Date 28 May 2012

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 September 2011

The company did not trade during the financial year nor during the preceding year, the company received no income and incurred no expenditure Consequently, during these years the company made neither a profit nor a loss and had no comprehensive income

The company had no other recognised income or expenses in the current year or the preceding reporting period Accordingly no statement of comprehensive income is presented

The accompanying notes form an integral part of these financial statements

BALANCE SHEET
as at 30 September 2011

	Notes	2011 £	2010 £
Liabilities			
Current liabilities			
Borrowings from Group undertakings	4	**12,748**	12,748
Total liabilities		**12,748**	12,748
Equity			
Share capital	7	**100**	100
Retained earnings		**(12,848)**	(12,848)
Total equity		**(12,748)**	(12,748)
Total liabilities and equity		-	-

The accompanying notes form an integral part of these financial statements

The financial statements were approved by the Board of Directors and authorised for issue on 24 May 2012 and signed on its behalf by

R F Warren
Director

STATEMENT OF CHANGES IN EQUITY
for the year ended 30 September 2011

	Share capital £	Retained earnings £	Total £
At 1 October 2009	100	(12,848)	(12,748)
At 30 September 2010	100	(12,848)	(12,748)
At 30 September 2011	**100**	**(12,848)**	**(12,748)**

The accompanying notes form an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies

a) Presentation of financial statements
The financial statements are 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 as adopted by the European Union (EU) (together IFRS) The company's financial statements are presented in accordance with the Companies Act 2006

The company is incorporated in the UK and registered in England and Wales The accounts are prepared on the historical cost basis

The company did not trade during the year and, accordingly, no statement of comprehensive income has been prepared

Adoption of new and revised standards
There are a number of changes to IFRS that were effective from 1 January 2011 They have had no material effect on the company's financial statements for the year ended 30 September 2011

b) Foreign currencies
The company's financial statements are presented in sterling which is the functional currency of the company

c) Taxation
Income tax expense or income, comprising current tax and deferred tax, is recorded in the income statement except income tax on items recognised outside profit or loss which is credited or charged to other comprehensive income or to equity as appropriate

Current tax is income tax payable or recoverable in respect of the taxable profit or loss for the year arising in income or in equity Provision is made for current tax at rates enacted or substantively enacted at the balance sheet date

d) Financial liabilities
On initial recognition financial liabilities are classified at amortised cost using the effective interest method

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. Accounting policies (continued)

e) Accounting developments

The IASB issued IFRS 9 'Financial Instruments' in November 2009, simplifying the classification and measurement requirements in IAS 39 'Financial Instruments Recognition and Measurement' in respect of financial assets The standard reduces the measurement categories for financial assets to two fair value and amortised cost A financial asset is classified on the basis of the entity's business model for managing the financial asset and the contractual cash flow characteristics of the financial asset Only assets with contractual terms that give rise to cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding and which are held within a business model whose objective is to hold assets in order to collect contractual cash flows are classified as amortised cost All other financial assets are measured at fair value Changes in the value of financial assets measured at fair value are generally taken to profit or loss

In October 2010, IFRS 9 was updated to include the classification and measurement of liabilities It is not markedly different from IAS 39, except for liabilities measured at fair value where the movement is due to changes in credit rating of the preparer it is recognised not in profit or loss but in other comprehensive income

The standard is effective for annual periods beginning on or after 1 January 2015, early application is permitted

This standard makes major changes to the framework for the classification and measurement of financial assets and will have a significant effect on the company's financial statements The changes relating to the classification and measurement of liabilities carried at fair value will have a less significant effect on the company The company is assessing these impacts which are likely to depend on the outcome of the other phases of IASB's IAS 39 replacement project

The IASB issued an amendment to IAS 12 'Income Taxes' in December 2010 to clarify that recognition of deferred tax should have regard to the expected manner of recovery or settlement of the asset or liability The amendment and consequential withdrawal of SIC 21 'Deferred Tax Recovery of Underlying Assets', effective for annual periods beginning on or after 1 January 2012, is not expected to have a material effect on the company

In May 2011, the IASB issued six new or revised standards

IFRS 10 Consolidated Financial Statements which replaces SIC-12 Consolidation - Special Purpose Entities and the consolidation elements of the existing IAS 27 Consolidated and Separate Financial Statements The new standard adopts a single definition of control a reporting entity controls another entity when the reporting entity has the power to direct the activities of that other entity to generate returns for the reporting entity

IAS 27 Separate Financial Statements which comprises those parts of the existing IAS 27 that dealt with separate financial statements

IFRS 11 Joint Arrangements which supersedes IAS 31 Interests in Joint Ventures IFRS 11 distinguishes between joint operations and joint ventures Joint operations are accounted for by the investor recognising its assets and liabilities including its share of any assets held and liabilities incurred jointly and its share of revenues and costs Joint ventures are accounted for in the investor's consolidated accounts using the equity method

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. Accounting policies (continued)

e) Accounting developments (continued)

IAS 28 Investments in Associates and Joint Ventures covers joint ventures as well as associates, both must be accounted for using the equity method The mechanics of the equity method are unchanged

IFRS 12 Disclosure of Interests in Other Entities covers disclosures for entities reporting under IFRS 10 and IFRS 11, replacing those in IAS 28 and IAS 27 Entities are required to disclose information that helps financial statement readers evaluate the nature, risks and financial effects associated with an entity's interests in subsidiaries, in associates and joint arrangements and in unconsolidated structured entities.

IFRS 13 Fair Value Measurement which sets out a single IFRS framework for defining and measuring fair value and requiring disclosures about fair value measurements

These standards are effective for annual periods beginning on or after 1 January 2013 Earlier application is permitted The company is reviewing the standards to determine their effect on the company's financial reporting

In June 2011, the IASB issued amendments to two standards

Amendments to IAS 1 Presentation of Items of Other Comprehensive Income that require items that will never be recognised in profit or loss to be presented separately in other comprehensive income from those that are subject to subsequent reclassification

Amendments to IAS 19 Employee Benefits - these require the immediate recognition of all actuarial gains and losses eliminating the 'corridor approach', interest cost to be calculated on the net pension liability or asset at the appropriate corporate bond rate, and all past service costs to be recognised immediately when a scheme is curtailed or amended

These amendments are effective for annual periods beginning on or after 1 July 2012 and 1 January 2013 respectively Earlier application is permitted The company is reviewing the amendments to determine their effect on the company's financial reporting

2. Operating expenses

Staff costs, number of employees and directors' emoluments

All staff and directors were employed by The Royal Bank of Scotland plc, the accounts for which contain full disclosure of employee benefit expenses incurred in the period including share-based payments and pensions. The company has no employees The directors of the company do not receive remuneration for specific services provided to the company

Auditor's remuneration

Audit fees of £5,000 (2010 £5,000) were borne by the parent company, Royal Bank Leasing Limited No charge was made to the company

3.

3. Cash flow statement

The company did not trade during the financial year or the preceding financial year It received no income and incurred no expenditure Consequently a cash flow statement has not been prepared

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. Borrowings

	2011 £	2010 £
Loan from Group undertakings – Royal Bank Leasing Limited	**12,748**	12,748

5. Financial instruments

Categories of financial instruments

There is no difference between the fair value of financial instruments carried on the balance sheet and their carrying value

The fair value of loans and receivables is estimated by discounting expected future cash flows using current interest rates and making adjustments for credit

All financial assets are classed as loans and receivables All financial liabilities are classed as amortised cost

6. Risk management

The principal risks associated with the company's businesses are as follows

Interest rate risk

Interest rate risk arises where assets and liabilities have different repricing maturities

The financial liabilities of the company consist of amounts due to Group undertakings The amounts due to Group undertakings do not have any interest rate risk as they are all non-interest bearing

Currency risk

The company has no currency risk as all transactions and balances are denominated in sterling

Liquidity risk

Liquidity risk is the risk that the company is unable to meet its obligations as they fall due The company has no material liquidity risk as it has access to Group funding

The following table shows by contractual maturity the undiscounted cash flows payable from the balance sheet date including future interest payments

2011	**4-12 months £**
Borrowings	**12,748**

2010	4-12 months £
Borrowings	12,748

NOTES TO THE FINANCIAL STATEMENTS (continued)

6. Risk management (continued)

Market risk

Market risk is the potential for loss as a result of adverse changes in risk factors including interest rates, foreign currency and equity prices together with related parameters such as market volatilities

The principal market risk to which the company is exposed is the interest rate, however this is deemed significant as the balances are all with other Group companies

7. Share capital

		2011 £	2010 £
Authorised:			
25	'HB' ordinary shares of £1	**25**	25
75	'RBL' ordinary shares of £1	**75**	75
		100	100
Allotted, called up and fully paid			
Equity shares			
25	'HB' ordinary shares of £1	**25**	25
75	'RBL' ordinary shares of £1	**75**	75
		100	100

The 'RBL' and 'HB' ordinary shares rank on a pari passu basis

The company has two classes of ordinary voting shares which carry no right to fixed income

8. Capital resources

The company's capital consists of equity comprising issued share capital, retained earnings, loans from Group undertakings The company is a member of The Royal Bank of Scotland Group of companies which has regulatory disciplines over the use of capital In the management of capital resources, the company is governed by the Group's policy which is to maintain a strong capital base it is not separately regulated The Group has complied with the Financial Services Authority's (FSA) capital requirements throughout the year

NOTES TO THE FINANCIAL STATEMENTS (continued)

9. 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, and its immediate parent company is Royal Bank Leasing Limited Both companies are incorporated in Great Britain and registered in Scotland

As at 30 September 2011, Royal Bank of Scotland Group plc heads the largest group in which the company is consolidated The Royal Bank of Scotland plc heads the smallest group in which the company is consolidated Copies of the consolidated accounts of both companies may be obtained from The Secretary, The Royal Bank of Scotland Group plc, Gogarburn, Edinburgh, EH12 1HQ

Amounts due to related parties 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 amounts owed by related parties

Capital support deed

The company, together with other members of The Royal Bank of Scotland Group plc, is party to a capital support deed (CSD) Under the terms of the CSD, the company may be required, if compatible with its legal obligations, to make distributions on, or repurchase or redeem, its ordinary shares The amount of this obligation is limited to the company's immediately accessible funds or assets, rights, facilities or other resources that, using best efforts, are reasonably capable of being converted to cleared, immediately available funds (the company's available resources) The CSD also provides that, in certain circumstances, funding received by the company from other parties to the CSD becomes immediately repayable, such repayment being limited to the company's available resources

Key management

The company is a subsidiary of The Royal Bank of Scotland Group plc whose policy is for companies to bear the costs of their full-time staff The time and costs of executives and other staff who are primarily employed by the Group are not specifically recharged However, the Group recharges subsidiaries for management fees which include an allocation of certain staff and administrative support costs

In the company and the Group, key management comprise directors of the company and members of the Group Executive Management Committee The emoluments of the directors of the company are met by the Group

The directors of the company do not receive remuneration for specific services provided to the company