

Company registration No' 04440067

LOMBARD CORPORATE FINANCE (7) LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 March 2010

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COMPANIES HOUSE

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

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LOMBARD CORPORATE FINANCE (7) LIMITED

Registered number: 04440067

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS:

**S J Caterer
J E Rogers
P D J Sullivan
R F Warren**

SECRETARY.

C J Whittaker

REGISTERED OFFICE:

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

AUDITORS:

**Deloitte LLP
Bristol**

Registered in England and Wales.

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 31 March 2010

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

ACTIVITIES AND BUSINESS REVIEW

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

The retained profit for the period was £312,000 (2009 £343,000) and this was transferred to reserves

The directors do not recommend that a dividend be paid (2009 a dividend of £1,250,000, equating to £625,000 per ordinary share was paid)

The directors, having a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future, have prepared the financial statements on a going concern basis

Post balance sheet event

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

DIRECTORS' AND SECRETARY

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

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

DIRECTORS' REPORT - continued

DIRECTORS' RESPONSIBILITIES STATEMENT - Continued

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

DISCLOSURE OF INFORMATION TO AUDITORS

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

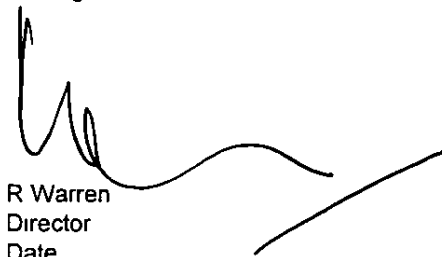
- a) so far as he/she is aware there is no relevant audit information of which the Company's auditors are unaware, and
- b) the director has taken all the steps that he/she ought to have taken to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and shall be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

AUDITORS

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

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


R Warren
Director
Date

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LOMBARD CORPORATE FINANCE (7) LIMITED

We have audited the financial statements of Lombard Corporate Finance (7) Limited ("the company") for the year ended 31 March 2010 which comprise the statement of comprehensive income, the balance sheet, the cash flow statement, the statement of changes in equity and the related Notes 1 to 17. 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 March 2010 and of its profit for the year then ended, have been properly prepared in accordance with IFRSs as adopted by the European Union, and have been prepared in accordance with the requirements of the Companies Act 2006.

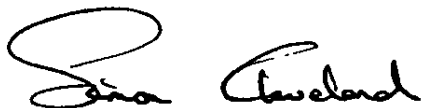
Opinion on other matter prescribed by the Companies Act 2006

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

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

30 September 2010

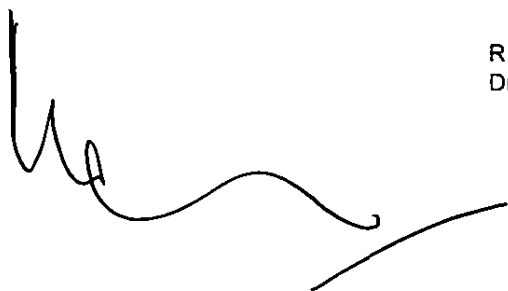
STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 March 2010

	Note	2010 £'000	2009 £'000
CONTINUING OPERATIONS			
Revenue	3	3,161	3,304
Administrative expenses	4	<u>(8)</u>	<u>(1)</u>
OPERATING PROFIT	4	3,153	3,303
Finance costs	6	<u>(2,720)</u>	<u>(2,826)</u>
PROFIT BEFORE TAXATION		433	477
Tax charge	7	<u>(121)</u>	<u>(134)</u>
PROFIT FOR THE FINANCIAL YEAR		<u>312</u>	<u>343</u>
OTHER COMPREHENSIVE INCOME			
Other comprehensive income after tax		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>312</u>	<u>343</u>

BALANCE SHEET
as at 31 March 2010

	Note	2010 £'000	2009 £'000
NON-CURRENT ASSETS			
Finance lease receivables	9	<u>67,441</u>	<u>71,441</u>
CURRENT ASSETS			
Finance lease receivables	9	6,917	6,359
Cash and cash equivalents	10	<u>393</u>	<u>66</u>
		<u>7,310</u>	<u>6,425</u>
TOTAL ASSETS		<u><u>74,751</u></u>	<u><u>77,866</u></u>
CURRENT LIABILITIES			
Trade and other payables	11	(398)	(361)
Borrowings	12	<u>(3,055)</u>	<u>(2,512)</u>
		<u>(3,453)</u>	<u>(2,873)</u>
NON CURRENT LIABILITIES			
Borrowings	12	(46,646)	(49,803)
Deferred tax liabilities	13	<u>(23,246)</u>	<u>(24,096)</u>
		<u>(69,892)</u>	<u>(73,899)</u>
TOTAL LIABILITIES		<u><u>(73,345)</u></u>	<u><u>(76,772)</u></u>
NET ASSETS		<u><u>1,406</u></u>	<u><u>1,094</u></u>
EQUITY			
Share capital	14	-	-
Retained earnings		<u>1,406</u>	<u>1,094</u>
TOTAL EQUITY		<u><u>1,406</u></u>	<u><u>1,094</u></u>

The financial statements were approved by the Board of Directors on 29 September 2010 and signed on its behalf by



R F Warren
Director

CASH FLOW STATEMENT
for the year ended 31 March 2010

	Note	2010 £'000	2009 £'000
NET CASH FROM OPERATING ACTIVITIES	15	<u>2,940</u>	<u>2,481</u>
FINANCING ACTIVITIES			
Dividends paid		-	(1,250)
Repayments of borrowings		<u>(2,613)</u>	<u>(2,149)</u>
NET CASH USED IN FINANCING ACTIVITIES		<u>(2,613)</u>	<u>(3,399)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		327	(918)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		<u>66</u>	<u>984</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	10	<u>393</u>	<u>66</u>

STATEMENT OF CHANGES IN EQUITY
as at 31 March 2010

	Share Capital £'000	Retained Earnings £'000	Total Equity £'000
BALANCE AT 1 APRIL 2008	-	2,001	2,001
Total comprehensive income for the year	-	343	343
Dividends paid	-	(1,250)	(1,250)
	<hr/>	<hr/>	<hr/>
BALANCE AT 1 APRIL 2009	-	1,094	1,094
Total comprehensive income for the year	-	312	312
	<hr/>	<hr/>	<hr/>
BALANCE AT 31 MARCH 2010	<hr/>	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES

a BASIS OF ACCOUNTING

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the EU. The Company in addition to complying with its legal obligation to comply with IFRS as adopted for use in the European Union, also complies with IFRS as issued by the International Accounting Standards Board.

The financial statements have been prepared on the historical cost basis. The principal accounting policies are set out below.

The directors do not believe the adoption of any Standards or Interpretations that have been issued but are not yet effective will have any material impact on the financial statements of the Company.

The judgements and assumptions involved in the Company's accounting policies which have the most significant effect on the amounts recognised in the financial statements are those that relate to the criteria for assessing whether substantially all the significant risks and rewards of ownership of leased assets are transferred to other entities.

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

IAS 1 (Revised 2007) Presentation of Financial Statements has introduced a number of changes in the format and content of 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 statement of comprehensive income immediately following the income statement.

b INCOME UNDER FINANCE LEASES

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Finance lease income, which includes the amortisation of the investment in the lease, is allocated to accounting periods so as to reflect a constant periodic rate of return on the net investment outstanding in respect of the leases.

c BORROWING COSTS

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

d TAXATION

Provision is made for taxation at current enacted rates on taxable profits.

Deferred taxation is accounted for in full for all temporary differences between the carrying amount of an asset or liability for accounting purposes and its carrying amount for tax purposes. Deferred tax assets are only recognised to the extent that it is probable that they will be recovered.

e FINANCIAL INSTRUMENTS

The Company's financial asset categories are finance lease receivables and loans and receivables. Loans and receivables comprise 'cash and cash equivalents' in the balance sheet.

The Company's financial liabilities are all categorised as financial liabilities measured at amortised cost. This comprises 'borrowings' and 'trade and other payables' in the balance sheet.

The Company does not account for any financial assets or liabilities at fair value through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES - continued

f AMOUNTS RECEIVABLE UNDER FINANCE LEASES

A lease is recognised when there is a contractual right to the asset's cash flows and derecognised when all contractual rights and obligations expire. Amounts due from lessees under finance leases are recorded as receivables at the amount of the net investment in the leases. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income.

Progress payments made prior to the commencement of the primary lease are included at cost together with the amount of any interest charged on such payments.

g TRADE AND OTHER RECEIVABLES

Trade and other receivables are measured on initial recognition at fair value, and subsequently measured at amortised cost using the effective interest rate method. Trade and other receivables do not carry any interest.

h 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.

i BORROWINGS

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

j TRADE AND OTHER PAYABLES

Trade and other payables are initially measured at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Trade and other payables are not interest bearing.

k OPERATING PROFIT

Operating profit is stated before charging finance costs.

2 FINANCIAL RISK MANAGEMENT

a INTEREST RATE RISK

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company's policy is to avoid interest rate risk by matching the maturity of the lease and its associated loan finance and fixing the cost of borrowing at the inception of the lease when the effective interest rate in the lease is determined.

b CURRENCY RISK

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company minimises currency risk by ensuring its leases and associated financing is in the same currency.

c CREDIT RISK

Credit risk is the risk arising from the possibility that the Company will incur losses from the failure of counterparties to meet their obligations. Credit risk is managed through The Royal Bank of Scotland plc Group Credit Risk Management Framework to enable the Group to achieve appropriate risk versus reward performance whilst maintaining credit risk exposure in line with approved risk appetite on a Group basis. The Framework encompasses credit risk assessment prior to the approval of any credit exposure, and the control and monitoring of these exposures against approved limits.

NOTES TO THE FINANCIAL STATEMENTS

2 FINANCIAL RISK MANAGEMENT - continued

d LIQUIDITY RISK

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due

Any maturity mis-match within the overall long-term structure of the Company's assets and liabilities is managed to ensure that term asset commitments may be funded on an economic basis over their life. The short-term maturity structure of the Company's liabilities and assets is managed on a daily basis to ensure that all cash flow obligations can be met as they arise

e CAPITAL MANAGEMENT

The Company is a member of a group with regulatory disciplines over the use of its capital. Although the Company itself is not regulated it aims to maintain capital resources commensurate with the nature, scale and risk profile of its business. It regards its capital as the total equity as shown on the balance sheet

3 REVENUE	2010 £'000	2009 £'000
Finance leases		
Rentals receivable	6,202	5,683
Amortisation	<u>(3,041)</u>	<u>(2,379)</u>
	<u>3,161</u>	<u>3,304</u>

The Company did not enter into any new leasing transactions during the year (2009 £nil)

4 OPERATING PROFIT	2010 £'000	2009 £'000
Operating profit has been arrived after charging		
Management charge	<u>8</u>	<u>1</u>

Costs incurred in respect of audit services to the Company are included in the management charge as shown below

	£'000	£'000
Auditors' remuneration - for audit services	<u>1</u>	<u>1</u>

5 STAFF COSTS

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

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

6 FINANCE COSTS	2010 £'000	2009 £'000
Interest payable to group undertakings	<u>2,720</u>	<u>2,826</u>

NOTES TO THE FINANCIAL STATEMENTS

7 TAXATION	2010 £'000	2009 £'000
a ANALYSIS OF TAX CHARGE FOR THE YEAR		
Current tax charge		
- Group relief payable on profit for the year	971	797
Deferred tax - origination and reversal of timing differences		
- Current year	(850)	(663)
Tax charge	<u>121</u>	<u>134</u>
b FACTORS AFFECTING THE TAX CHARGE FOR THE YEAR		
Profit before tax	<u>433</u>	<u>477</u>
Tax on profit at the rate of 28% (2009 28%)	<u>121</u>	<u>134</u>

8 FINANCIAL INSTRUMENTS

a CARRYING VALUE AND FAIR VALUE OF FINANCIAL INSTRUMENT BY CATEGORY

	Carrying value 2010 £'000	Fair value 2010 £'000	Carrying value 2009 £'000	Fair value 2009 £'000
Finance lease receivables	74,358	80,057	77,800	83,370
Loans and receivables				
Cash and cash equivalents	<u>393</u>	<u>393</u>	<u>66</u>	<u>66</u>
Financial assets	<u>74,751</u>	<u>80,450</u>	<u>77,866</u>	<u>83,436</u>
Financial liabilities measured at amortised cost				
Trade and other payables	398	398	361	361
Borrowings	<u>49,701</u>	<u>55,400</u>	<u>52,315</u>	<u>57,885</u>
Financial liabilities	<u>50,099</u>	<u>55,798</u>	<u>52,676</u>	<u>58,246</u>

b FINANCIAL INSTRUMENT - CARRYING AMOUNT BY MARKET RISK EXPOSURE

Interest rate risk

Financial assets

- fixed rate	74,358	77,800
- variable rate	<u>393</u>	<u>66</u>
	<u>74,751</u>	<u>77,866</u>

Financial liabilities

- fixed rate	49,701	52,315
- non-interest bearing	<u>398</u>	<u>361</u>
	<u>50,099</u>	<u>52,676</u>

If market interest rates had been 2% (2009 2%) higher or lower the profit or loss and equity of the Company would not have been materially affected (2009 no material effect)

NOTES TO THE FINANCIAL STATEMENTS

8 FINANCIAL INSTRUMENTS - continued

c FINANCIAL ASSET - CREDIT QUALITY AND CONCENTRATION OF CREDIT RISK	2010 £'000	2009 £'000
Maximum credit exposure and neither past due nor impaired		
Finance lease receivables relating to 1 lessee involved in film productions	74,358	77,800
Group undertakings	393	66
	<u>74,751</u>	<u>77,866</u>

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

In respect of the film lease another bank has issued to the Company a letter of credit for a credit exposure of £70,360,088 (2009 £73,204,000)

d LIQUIDITY RISK

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

	Less than 1 year £'000	In the 2nd year £'000	3 to 5 years £'000	Over 5 years £'000
2010				
Trade payables	398	-	-	-
Borrowings	<u>5,624</u>	<u>6,072</u>	<u>21,325</u>	<u>31,463</u>
	<u>6,022</u>	<u>6,072</u>	<u>21,325</u>	<u>31,463</u>
2009				
Trade payables	361	-	-	-
Borrowings	<u>5,208</u>	<u>5,629</u>	<u>19,747</u>	<u>39,550</u>
	<u>5,569</u>	<u>5,629</u>	<u>19,747</u>	<u>39,550</u>

9 FINANCE LEASE RECEIVABLES

	Gross investment in lease		Present value of minimum lease payments	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Amounts receivable under finance leases				
Within one year	7,183	6,602	6,917	6,359
In the second to fifth years inclusive	35,541	32,703	30,870	28,405
After five years	<u>49,414</u>	<u>59,435</u>	<u>36,571</u>	<u>43,036</u>
	92,138	98,740	74,358	77,800
Less unearned finance income	<u>(17,780)</u>	<u>(20,940)</u>	<u>N/A</u>	<u>N/A</u>
Present value of minimum lease payments receivable	<u>74,358</u>	<u>77,800</u>	<u>74,358</u>	<u>77,800</u>

NOTES TO THE FINANCIAL STATEMENTS

9 FINANCE LEASE RECEIVABLES - continued

	2010 £'000	2009 £'000
Analysed as		
Non-current finance lease receivables (recoverable after 12 months)	67,441	71,441
Current finance lease receivables (recoverable within 12 months)	6,917	6,359
	<u>74,358</u>	<u>77,800</u>

The Company has entered into finance leasing arrangements for a large film deal. The lease term is 15 years.

Unguaranteed residual values of assets leased under finance leases at the balance sheet date are estimated at £nil (2009 £nil).

The interest rate inherent in the leases is determined at the contract date for all the lease term. The average effective interest rate contracted approximates 4.1% (2009 4.1%) p.a.

10 CASH AND CASH EQUIVALENTS

	2010 £'000	2009 £'000
Short term deposits with group undertakings	<u>393</u>	<u>66</u>

11 TRADE AND OTHER PAYABLES

	2010 £'000	2009 £'000
Amounts due to group undertakings	<u>398</u>	<u>361</u>

12 BORROWINGS

	2010 £'000	2009 £'000
Loan amount due to group undertakings	<u>49,701</u>	<u>52,315</u>

The borrowings are repayable as follows:

On demand or within one year	3,055	2,512
In the second year	3,646	3,055
In the third to fifth year inclusive	15,279	13,040
After five years	<u>27,721</u>	<u>33,708</u>

Less: Amounts due for settlement within 12 months (shown under current liabilities)	<u>49,701</u> <u>(3,055)</u>	<u>52,315</u> <u>(2,512)</u>
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Amounts due for settlement after 12 months	<u>46,646</u>	<u>49,803</u>
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A right of set-off exists over the Company's bank account with The Royal Bank of Scotland plc against advances made to the Company's immediate holding company and its subsidiaries.

The effective interest rate on the loan is 5.1% (2009 5.1%) p.a.

NOTES TO THE FINANCIAL STATEMENTS

13 DEFERRED TAX

	Deferred taxation £'000
Movements during the year	
At 1 April 2008	24,759
Credit to income statement	(663)
At 1 April 2009	24,096
Credit to income statement	(850)
At 31 March 2010	23,246

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

	2010 £'000	2009 £'000
Accelerated capital allowances on assets financed	23,246	24,096

14 SHARE CAPITAL

	2010 Number of shares	2009 Number of shares	2010 £	2009 £
Ordinary shares of £1				
Authorised	100	100	100	100
Issued, called up and fully paid	2	2	2	2

The Company has one class of ordinary voting shares which carry no right to fixed income

15 NOTES TO THE CASH FLOW STATEMENT

	2010 £'000	2009 £'000
Profit before tax	433	477
Adjustments for Interest expense	2,720	2,826
Operating cash flows before movements in working capital	3,153	3,303
Decrease in receivables	3,442	2,762
Cash generated by operations	6,595	6,065
Income taxes paid	(927)	(759)
Interest paid	(2,728)	(2,825)
Net cash from operating activities	2,940	2,481

16 RELATED PARTIES

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

The Group's ultimate holding company is The Royal Bank of Scotland Group plc and its immediate parent company is Royal Bank Leasing Limited. Both companies are incorporated in Great Britain and registered in Scotland.

As at 31 March 2010, The Royal Bank of Scotland Group plc heads the largest group in which the Group is consolidated and The Royal Bank of Scotland plc heads the smallest group in which the Group is consolidated. Copies of the consolidated accounts of both companies may be obtained from The Secretary, The Royal Bank of Scotland Group plc, Gogarburn, PO Box 1000, Edinburgh EH12 1HQ.

NOTES TO THE FINANCIAL STATEMENTS

16 RELATED PARTIES - continued

RELATED PARTY TRANSACTIONS	2010 £'000	2009 £'000
Royal Bank Leasing Limited		
Transactions during the period		
Management charge paid to related party	8	1
Interest on loan paid to related party	2,728	2,825
Group relief paid to related party	927	759
Loan repaid to related party	<u>2,613</u>	<u>2,149</u>
Balances at year end		
Group relief owed to related party	(237)	(194)
Outstanding balance owed to related party	<u>(49,469)</u>	<u>(52,416)</u>

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

No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

Royal Bank Leasing Limited is a fellow subsidiary of the ultimate holding company, The Royal Bank of Scotland Group plc.

17 POST BALANCE SHEET EVENT

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