

**Company Registration No: 05039001**

**PATALEX IV PRODUCTIONS LIMITED**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**30 November 2009**

**Group Secretariat  
The Royal Bank of Scotland Group plc  
Gogarburn  
P.O. Box 1000  
Edinburgh EH12 1HQ**

**WEDNESDAY**



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30/06/2010  
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## **PATALEX IV PRODUCTIONS LIMITED**

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**PATALEX IV PRODUCTIONS LIMITED**

**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS:**

**S Caterer  
P Sullivan  
R Warren  
J Rogers**

**SECRETARY:**

**C Whittaker**

**REGISTERED OFFICE:**

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

**AUDITORS:**

**Deloitte LLP  
Bristol**

**Registered in England and Wales.**

## **PATALEX IV PRODUCTIONS LIMITED**

### **DIRECTORS' REPORT**

The directors present their report and the audited financial statements for the year ended 30 November 2009

### **ACTIVITIES AND BUSINESS REVIEW**

#### **Activity**

The principal activity of the company, is to carry on the business of developing, making, producing, distributing, exhibiting (by any means now or hereafter becoming known) and otherwise exploiting cinematograph films and video and sound recordings, manufacturing, buying, selling and otherwise dealing in cinematograph films, video recordings and any material on which video or sound recordings can be made and all types of equipment capable of being used in connection with the manufacture or processing of cinematograph films or such material for the production, exhibition or playing of cinematograph films or video or sound recordings

#### **Business review**

The retained profit for the period was £798,000 (2008 retained profit £856,000) and this was transferred to reserves. During the year the company paid dividends of £750,000 which equates to £375,000 per Ordinary share (2008 £1,000,000 equating to £500,000 per ordinary share). The directors do not anticipate any material change in either the type or level of activities of the Company.

The directors, having made such enquiries as they considered appropriate, have prepared the financial statements on a going concern basis. They considered the financial statements of The Royal Bank of Scotland Group plc for the year ended 31 December 2009, approved on 24 February 2010, which were prepared on a going concern basis.

The Company is funded by facilities from The Royal Bank of Scotland plc. It seeks to minimise its exposure to external financial risks other than credit risk, further information is disclosed in Note 2.

### **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 December 2008 to date the following changes have taken place

	<b>Appointed</b>	<b>Resigned</b>
<b>Directors</b>		
I Shephard		10 February 2009
J Rogers	16 March 2009	

### **DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

## **PATALEX IV PRODUCTIONS LIMITED**

### **DIRECTORS' RESPONSIBILITIES - Continued**

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

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

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

### **DISCLOSURE OF INFORMATION TO AUDITORS**

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


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

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

### **AUDITORS**

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

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



R Warren  
Director  
Date 24 June 2010

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PATALEX IV PRODUCTIONS LIMITED**

We have audited the financial statements of Patalex IV Productions Limited ('the company') for the year ended 30 November 2009 which comprise the Income Statement, the Statement of Recognised Income and Expense, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 20. 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 30 November 2009 and of its profit for the year then ended,  
have been properly prepared in accordance with IFRSs as adopted by the European Union, and  
have been prepared in accordance with the requirements of the Companies Act 2006.

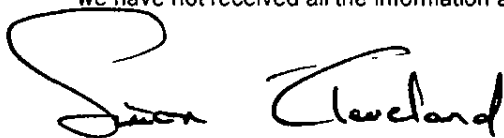
### **Opinion on other matter prescribed by the Companies Act 2006**

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

### **Matters on which we are required to report by exception**

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

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



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

25th June 2010

**PATALEX IV PRODUCTIONS LIMITED**

**INCOME STATEMENT**  
**for the year ended 30 November 2009**

	Note	2009 £'000	2008 £'000
<b>CONTINUING OPERATIONS</b>			
Revenue	3	6,268	6,551
Other operating income	4	6	6
Administrative expenses	5	<u>(6)</u>	<u>(2)</u>
<b>OPERATING PROFIT</b>	5	6,268	6,555
Finance costs	7	<u>(5,160)</u>	<u>(5,298)</u>
<b>PROFIT BEFORE TAXATION</b>		1,108	1,257
Tax charge	8	<u>(310)</u>	<u>(401)</u>
<b>PROFIT FOR THE FINANCIAL YEAR</b>	17	<u>798</u>	<u>856</u>

**PATALEX IV PRODUCTIONS LIMITED**

**STATEMENT OF RECOGNISED INCOME AND EXPENSE**  
**for the year ended 30 November 2009**

	2009 £'000	2008 £'000
Profit for the year	<u>798</u>	<u>856</u>
<b>Total recognised income and expense for the year</b>	<u><u>798</u></u>	<u><u>856</u></u>



**BALANCE SHEET**

as at 30 November 2009

	Note	2009 £'000	2008 £'000
<b>NON-CURRENT ASSETS</b>			
Finance lease receivables	10	<u>133,497</u>	<u>141,935</u>
		<u>133,497</u>	<u>141,935</u>
<b>CURRENT ASSETS</b>			
Finance lease receivables	10	14,206	13,531
Trade and other receivables	11	200	163
Cash and cash equivalents	12	<u>2,784</u>	<u>3,271</u>
		17,190	16,965
<b>TOTAL ASSETS</b>		<u>150,687</u>	<u>158,900</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	13	(505)	(517)
Borrowings	14	<u>(5,559)</u>	<u>(5,747)</u>
		<u>(6,064)</u>	<u>(6,264)</u>
<b>NON CURRENT LIABILITIES</b>			
Borrowings	14	(97,984)	(104,102)
Deferred tax liabilities	15	<u>(44,573)</u>	<u>(46,516)</u>
		(142,557)	(150,618)
<b>TOTAL LIABILITIES</b>		<u>(148,621)</u>	<u>(156,882)</u>
<b>NET ASSETS</b>		<u>2,066</u>	<u>2,018</u>
<b>EQUITY</b>			
Share capital	16	-	-
Retained earnings	17	<u>2,066</u>	<u>2,018</u>
<b>TOTAL EQUITY</b>		<u>2,066</u>	<u>2,018</u>

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

R Warren  
Director



**PATALEX IV PRODUCTIONS LIMITED**

**CASH FLOW STATEMENT**

for the year ended 30 November 2009

	Note	2009 £'000	2008 £'000
<b>NET CASH FROM OPERATING ACTIVITIES</b>	18	<u>6,570</u>	<u>5,653</u>
<b>FINANCING ACTIVITIES</b>			
Dividends paid		(750)	(1,000)
Repayments of borrowings		<u>(6,307)</u>	<u>(16,547)</u>
<b>NET CASH USED IN FINANCING ACTIVITIES</b>		<u>(7,057)</u>	<u>(17,547)</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		(487)	(11,894)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		3,271	15,165
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	12	<u><u>2,784</u></u>	<u><u>3,271</u></u>

**PATALEX IV PRODUCTIONS LIMITED**

**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.

**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 FEE INCOME**

Fee income is recognised by reference to the stage of completion of the service provided.

**d BORROWING COSTS**

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

**e TAXATION**

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

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

**f FINANCIAL INSTRUMENTS**

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

The Company's financial liabilities are all categorised as financial liabilities measured at amortised cost. This comprises '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.

**PATALEX IV PRODUCTIONS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**1 SIGNIFICANT ACCOUNTING POLICIES - continued**

**g 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.

**h TRADE AND OTHER RECEIVABLES**

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

**i 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.

**j BORROWINGS**

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

**k TRADE AND OTHER PAYABLES**

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

**l OPERATING PROFIT**

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

**PATALEX IV PRODUCTIONS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**2 FINANCIAL RISK MANAGEMENT - continued**

**c CREDIT RISK**

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

**d LIQUIDITY RISK**

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

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

**e CAPITAL MANAGEMENT**

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

<b>3 REVENUE</b>	<b>2009 £'000</b>	<b>2008 £'000</b>
Finance leases		
Rentals receivable	13,428	12,792
Amortisation	(7,160)	(6,241)
	<u>6,268</u>	<u>6,551</u>

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

<b>4 OTHER OPERATING INCOME</b>	<b>2009 £'000</b>	<b>2008 £'000</b>
Fee income	<u>6</u>	<u>6</u>

<b>5 OPERATING PROFIT</b>	<b>2009 £'000</b>	<b>2008 £'000</b>
Operating profit has been arrived at after charging		
Management charge	<u>6</u>	<u>2</u>

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

	<b>£</b>	<b>£</b>
Auditors' remuneration - for audit services	<u>564</u>	<u>651</u>

# PATALEX IV PRODUCTIONS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 6 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 (2008 nil)

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

### 7 FINANCE COSTS

	2009 £'000	2008 £'000
Interest payable to group undertakings	<u>5,160</u>	<u>5,298</u>

### 8 TAXATION

	2009 £'000	2008 £'000
<b>a ANALYSIS OF TAX CHARGE FOR THE YEAR</b>		
Current tax charge		
- Group relief payable on profit for the year	2,253	2,081
Deferred tax - origination and reversal of timing differences		
- Current year	<u>(1,943)</u>	<u>(1,680)</u>
Tax charge	<u>310</u>	<u>401</u>
<b>b FACTORS AFFECTING THE TAX CHARGE FOR THE YEAR</b>		
Profit before tax	<u>1,108</u>	<u>1,257</u>
Tax on profit at the rate of 28% (2008 blended rate 28.67%)	310	360
Impact of rate change from 30% to 28%	<u>-</u>	<u>41</u>
Tax charge	<u>310</u>	<u>401</u>

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

### 9 FINANCIAL INSTRUMENTS

#### a Carrying value and fair value of financial instrument by category

	Carrying value 2009 £'000	Fair value 2009 £'000	Carrying value 2008 £'000	Fair value 2008 £'000
Finance lease receivables	147,703	155,162	155,466	158,866
Loans and receivables				
Trade and other receivables	200	200	163	163
Cash and cash equivalents	<u>2,784</u>	<u>2,784</u>	<u>3,271</u>	<u>3,271</u>
Financial assets	<u>150,687</u>	<u>158,146</u>	<u>158,900</u>	<u>162,300</u>
Financial liabilities measured at amortised cost				
Trade and other payables	505	505	517	517
Borrowings	<u>103,543</u>	<u>111,003</u>	<u>109,849</u>	<u>122,985</u>
Financial liabilities	<u>104,048</u>	<u>111,508</u>	<u>110,366</u>	<u>123,502</u>

Where the interest rate on the finance lease and the borrowings have been fixed by way of an interest rate swap in the parent company the fair value has been calculated by adjusting the carrying value by the associated mark to market arising on the swap

**PATALEX IV PRODUCTIONS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**9 FINANCIAL INSTRUMENTS - Continued**

b Financial instrument - carrying amount by market risk exposure	2009 £'000	2008 £'000
Interest rate risk		
Financial assets		
- fixed rate	147,703	155,466
- variable rate	2,784	3,271
- non-interest bearing	200	163
	<u>150,687</u>	<u>158,900</u>
Financial liabilities		
- fixed rate	103,543	109,849
- non-interest bearing	505	517
	<u>104,048</u>	<u>110,366</u>

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

c Financial asset - credit quality and concentration of credit risk	2009 £'000	2008 £'000
Maximum credit exposure and neither past due nor impaired		
Sector	No. of counterparties	
Film productions	1	
	147,703	155,466
Finance lease receivables	147,703	155,466
Group undertakings	2,984	3,434
	<u>150,687</u>	<u>158,900</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 a third party bank has issued to the Company a letter of credit for a credit exposure of £143,117,000 (2008 £150,186,000)

**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
2009				
Trade payables	505	-	-	-
Borrowings	<u>8,786</u>	<u>9,328</u>	<u>35,468</u>	<u>83,176</u>
	<u>9,291</u>	<u>9,328</u>	<u>35,468</u>	<u>83,176</u>
2008				
Trade payables	517	-	-	-
Borrowings	<u>10,813</u>	<u>11,336</u>	<u>37,153</u>	<u>83,274</u>
	<u>11,330</u>	<u>11,336</u>	<u>37,153</u>	<u>83,274</u>

**PATALEX IV PRODUCTIONS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

<b>10 FINANCE LEASE RECEIVABLES</b>	<b>Gross investment in lease</b>		<b>Present value of minimum lease payments may be aged as follows,</b>	
	<b>2009 £'000</b>	<b>2008 £'000</b>	<b>2009 £'000</b>	<b>2008 £'000</b>
Amounts receivable under finance leases				
Within one year	14,732	14,030	14,206	13,531
In the second to fifth years inclusive	66,671	63,497	58,060	55,307
After five years	103,893	121,800	75,437	86,628
	185,296	199,327	147,703	155,466
Less unearned finance income	(37,593)	(43,861)	N/A	N/A
Present value of minimum lease payments receivable	147,703	155,466	147,703	155,466
Analysed as				
Non-current finance lease receivables (recoverable after 12 months)			133,497	141,935
Current finance lease receivables (recoverable within 12 months)			14,206	13,531
			147,703	155,466

The Company has entered into finance leasing arrangements for a large film deal. The lease term is 16 years.

Unguaranteed residual values of assets leased under finance leases at the balance sheet date are estimated at £nil (2008: £nil).

The interest rate inherent in the leases is determined at the contract date for all the lease term. The average effective interest rate contracted approximates 4.0% (2008: 4.0%) p.a.

<b>11 TRADE AND OTHER RECEIVABLES</b>	<b>2009 £'000</b>	<b>2008 £'000</b>
Amounts due from group undertakings	200	163

<b>12 CASH AND CASH EQUIVALENTS</b>	<b>2009 £'000</b>	<b>2008 £'000</b>
Short term deposits with group undertakings	2,784	3,271



**PATALEX IV PRODUCTIONS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**13 TRADE AND OTHER PAYABLES**

	2009 £'000	2008 £'000
Amounts due to group undertakings	476	482
Other creditors	29	35
	<u>505</u>	<u>517</u>

**14 BORROWINGS**

	2009 £'000	2008 £'000
Loan amount due to group undertakings	<u>103,543</u>	<u>109,849</u>
The borrowings are repayable as follows		
On demand or within one year	5,559	5,747
In the second year	6,300	6,511
In the third to fifth year inclusive	23,928	24,658
After five years	<u>67,756</u>	<u>72,933</u>
	103,543	109,849
Less Amounts due for settlement within 12 months (shown under current liabilities)	<u>(5,559)</u>	<u>(5,747)</u>
Amounts due for settlement after 12 months	<u>97,984</u>	<u>104,102</u>

A right of set-off exists over the Company's bank account with The Royal Bank of Scotland plc against advances made to the Company's immediate holding company and its subsidiaries

The effective interest rate on the loan is 4.7% (2008 4.7%) p a

**15 DEFERRED TAX**

		Deferred taxation £'000
Movements during the year		
At 1 December 2007		48,196
Credit to income statement		<u>(1,680)</u>
At 1 December 2008		46,516
Credit to income statement		<u>(1,943)</u>
At 30 November 2009		<u>44,573</u>
Full provision has been made for the potential amount of deferred taxation shown below		
	2009 £'000	2008 £'000
Accelerated capital allowances on assets financed	44,468	46,393
Other temporary differences	<u>105</u>	<u>123</u>
	<u>44,573</u>	<u>46,516</u>

**PATALEX IV PRODUCTIONS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

<b>16 SHARE CAPITAL</b>	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>Number of shares</b>		<b>£</b>	<b>£</b>
Authorised				
- Ordinary shares of £1 each	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>
Issued, called up and fully paid				
- Ordinary shares of £1 each	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>

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

<b>17 RETAINED EARNINGS</b>	<b>£'000</b>
Balance at 1 December 2007	2,162
Dividends paid	(1,000)
Profit for the financial year	<u>856</u>
Balance at 1 December 2008	2,018
Dividends paid	(750)
Profit for the financial year	<u>798</u>
Balance at 30 November 2009	<u>2,066</u>

During the year the company paid dividends of £750,000 which equates to £375,000 per Ordinary share (2008 £1,000,000 equating to £500,000 per ordinary share)

<b>18 NOTES TO THE CASH FLOW STATEMENT</b>	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Profit before tax	1,108	1,257
Adjustments for Interest expense	<u>5,160</u>	<u>5,298</u>
Operating cash flows before movements in working capital	6,268	6,555
Decrease in receivables	7,763	6,813
Decrease in payables	<u>-</u>	<u>(10)</u>
Cash generated by operations	14,031	13,358
Income taxes paid	(2,291)	(2,328)
Interest paid	<u>(5,170)</u>	<u>(5,377)</u>
Net cash from operating activities	<u>6,570</u>	<u>5,653</u>

## NOTES TO THE FINANCIAL STATEMENTS

## 19 RELATED PARTY TRANSACTIONS

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 The Royal Bank Leasing Limited. Both companies are incorporated in Great Britain and registered in Scotland.

As at 30 November 2009, The Royal Bank of Scotland Group plc heads the largest group in which the Group is consolidated and The Royal Bank of Scotland plc heads the smallest group in which the Group is consolidated. Copies of the consolidated accounts of both companies may be obtained from The Secretary, The Royal Bank of Scotland Group plc, Gogarburn, PO Box 1000, Edinburgh EH12 1HQ.

During the period, the Company entered into the following related party transactions:

	2009 £'000	2008 £'000
Royal Bank Leasing Limited		
Transactions during the period		
Management charge paid to related party	6	2
Interest on loan paid to related party	5,170	5,377
Group relief paid to related party	2,291	2,328
Loan repaid to related party	<u>6,307</u>	<u>16,547</u>
Balances at year end		
Group relief owed by related party	200	163
Outstanding balance owed to related party	<u>(101,236)</u>	<u>(106,897)</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.

In addition to the UK Government's shareholding in the Group, the UK Government and UK Government controlled bodies may hold debt securities, subordinated liabilities and other liabilities or shares issued by the Group in the normal course of business. It is not practicable to ascertain and disclose these amounts. Certain of the liability balances are secured. No impairment losses were recognised by the Company in the year in respect of balances with UK Government and affiliated bodies.

## 20 CONTINGENT LIABILITIES

The Company is currently involved in discussions with HMRC in relation to the lease within this company. At this stage it is not possible to quantify the financial impact on this company.