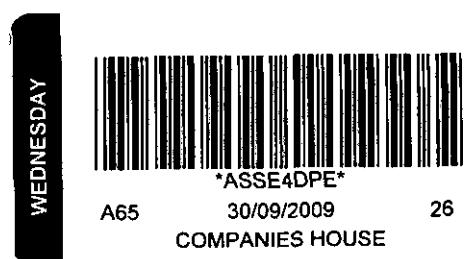


Company Registration No: SC058013

ROYAL BANK LEASING LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

30 September 2008



**Group Secretariat
The Royal Bank of Scotland Group plc
3 Princess Way
Redhill
Surrey
RH1 1NP**

ROYAL BANK LEASING LIMITED

CONTENTS	Page
Officers and Professional Advisers	1
Directors' Report	2-4
Independent Auditors' Report	5
Income Statement	6
Statement of Recognised Income and Expense	7
Balance Sheet	8
Cash Flow Statement	9
Notes to the Financial Statements	10-29

ROYAL BANK LEASING LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS: S J Caterer
P Sullivan
R Warren
J Rogers

SECRETARY: C J Whittaker

REGISTERED OFFICE: The Quadrangle
The Promenade
Cheltenham
Gloucestershire
GL50 1PX

AUDITORS: Deloitte LLP
Bristol

Registered in England and Wales.

ROYAL BANK LEASING LIMITED

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 30 September 2008.

ACTIVITIES AND BUSINESS REVIEW

Activity

The principal activity of the Company continues to be the provision of fixed asset finance usually involving individually structured facilities.

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 Company's performance in the year. The Company will be guided by its immediate parent company in seeking further opportunities for growth.

The Company's financial performance is presented in the Income Statement on Page 6. At the end of the year, the financial position showed total assets of £7,948,655,000 (2007: £6,571,451,000) and equity of £7,903,000 (2007: £73,841,000). A dividend of £216,000,000 (£11.37 per ordinary share) was paid during the year (2007: £77,000,000, equating to £4.05 per ordinary share).

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 on financial risk management policies and exposures is disclosed in Note 2. It also has exposure to asset risk on the residual value of property, plant and equipment. For more details see note 29.

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out above and below, along with the financial position of the Company.

The current economic conditions create higher levels of risks and uncertainties than have been present in earlier years. The Company has considerable financial resources together with long term contracts for the receivables within both the Company and its subsidiaries. The Company and its subsidiaries have transactions with a wide range of industries meaning that the Company is not heavily exposed to any particular sector. The Company's review of its credit risk and its subsidiaries credit risk has led the Directors to believe that the Company is well placed to manage those risks.

ROYAL BANK LEASING LIMITED

Going concern – continued

The directors, having made such enquiries as they considered appropriate, including regarding the continuing availability of sufficient resources from the Company, have prepared the financial statements on a going concern basis. They considered the interim financial statements of The Royal Bank of Scotland Group plc for the half year ended 30 June 2009, approved on 6 August 2009, which were prepared on a going concern basis.

Post balance sheet event

On 1 December 2008, the UK Government through HM Treasury acquired a controlling shareholding in The Royal Bank of Scotland Group plc. The UK Government has announced that its shareholdings in banks will be managed by UK Financial Investments Limited a company wholly-owned by the UK Government.

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 October 2007 to date the following changes have taken place:

Directors	Appointed	Resigned
A S Devine		31 July 2008
A C Farnell		31 July 2008
P A Tubb		15 August 2008
R Warren	31 July 2008	
P Sullivan	31 July 2008	
I Shephard	20 August 2008	10 February 2009
J Rogers	16 March 2009	

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; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

ROYAL BANK LEASING LIMITED

DIRECTORS' RESPONSIBILITIES - continued

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.

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.

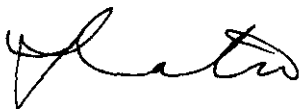
This confirmation is given and shall be interpreted in accordance with the provisions of section 234ZA of the Companies Act 1985.

AUDITORS

On 1 December 2008 Deloitte & Touche LLP changed their name to Deloitte LLP.

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



S J Caterer
Director
Date: 30 September 2009

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ROYAL BANK LEASING LIMITED

We have audited the financial statements of Royal Bank Leasing Limited ("the company") for the year ended 30 September 2008 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 32. 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 annual 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 statement of directors' responsibilities. 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 are properly prepared in accordance with the Companies Act 1985. We report to you whether in our opinion the information given in the directors' report is consistent with the financial statements. In addition we also 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 and consider the implications for our report if we become aware of any apparent misstatements within it.

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.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the company's affairs as at 30 September 2008 and of its profit for the year then ended;
- 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 LLP
Chartered Accountants and Registered Auditors
Bristol, United Kingdom

30 September 2009

ROYAL BANK LEASING LIMITED

INCOME STATEMENT
for the year ended 30 September 2008

	Note	2008 £'000	2007 £'000
CONTINUING OPERATIONS			
Revenue	4	12,578	13,094
Cost of sales	5	<u>(165)</u>	<u>(280)</u>
GROSS PROFIT		12,413	12,814
Other operating income	6	5,743	18,250
Administrative expenses	7	(4,560)	(6,354)
Other gains and losses	8	<u>-</u>	<u>(2,200)</u>
OPERATING PROFIT	7	13,596	22,510
Income from shares in group undertakings		168,295	39,621
Finance income/(expense)			
Interest receivable	10	336,915	292,908
Interest payable	10	(347,483)	(296,568)
Movement in fair value of derivatives and fair value hedges	10	<u>(28,284)</u>	<u>18,556</u>
PROFIT BEFORE TAXATION		143,039	77,027
Tax credit/(charge)	11	<u>7,023</u>	<u>(8,379)</u>
PROFIT FOR THE FINANCIAL YEAR	26	<u><u>150,062</u></u>	<u><u>68,648</u></u>

The notes on pages 10 to 29 form part of these financial statements.

ROYAL BANK LEASING LIMITED

STATEMENT OF RECOGNISED INCOME AND EXPENSE
for the year ended 30 September 2008

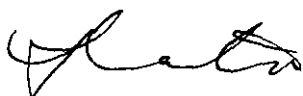
	2008 £'000	2007 £'000
Profit for the year	<u>150,062</u>	<u>68,648</u>
Total recognised income and expense for the year	<u>150,062</u>	<u>68,648</u>

ROYAL BANK LEASING LIMITED

BALANCE SHEET
as at 30 September 2008

	Note	2008 £'000	2007 £'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	8,522	9,330
Investment property	15	20,100	20,100
Investments in joint ventures	16	2,804	2,452
Investments in subsidiary undertakings	17	90,461	90,461
Finance lease receivables	18	138,708	149,186
Loans and other receivables	19	6,920,845	5,906,641
Derivatives at fair value	12	32,162	105,341
		<u>7,213,602</u>	<u>6,283,511</u>
CURRENT ASSETS			
Finance lease receivables	18	19,405	18,733
Loans and other receivables	19	707,432	266,584
Other receivables	20	366	2,612
Cash and cash equivalents	21	5,662	-
Derivatives at fair value	12	2,188	11
		<u>735,053</u>	<u>287,940</u>
TOTAL ASSETS		<u><u>7,948,655</u></u>	<u><u>6,571,451</u></u>
CURRENT LIABILITIES			
Trade and other payables	22	(62,865)	(85,430)
Derivatives at fair value	12	(114)	(48)
Bank overdraft and loans	23	(848,820)	(185,174)
		<u>(711,799)</u>	<u>(270,652)</u>
NON CURRENT LIABILITIES			
Derivatives at fair value	12	(48,098)	(7,948)
Bank loans	23	(7,155,957)	(6,182,038)
Deferred tax liabilities	24	(24,898)	(36,972)
		<u>(7,228,953)</u>	<u>(6,226,958)</u>
TOTAL LIABILITIES		<u><u>(7,940,752)</u></u>	<u><u>(6,497,610)</u></u>
NET ASSETS		<u><u>7,903</u></u>	<u><u>73,841</u></u>
EQUITY			
Share capital	25	19,000	19,000
Retained earnings	26	(11,097)	54,841
TOTAL EQUITY		<u><u>7,903</u></u>	<u><u>73,841</u></u>

The financial statements on pages 6 to 29 were approved by the Board of Directors and authorised for issue on 30 September 2009. They were signed on its behalf by :-



S J Caterer
Director

The notes on pages 10 to 29 form part of these financial statements.

ROYAL BANK LEASING LIMITED

CASH FLOW STATEMENT
for the year ended 30 September 2008

	Note	2008 £'000	2007 £'000
NET CASH (USED IN)/FROM OPERATING ACTIVITIES	27	<u>(4,506)</u>	<u>1,781</u>
INVESTING ACTIVITIES			
Dividends received from subsidiaries		168,295	102,800
Proceeds from disposal of subsidiary		-	53,095
Proceeds on disposal of property, plant and equipment		-	3,833
Purchases of property, plant and equipment		-	(12)
Proceeds from disposal of jointly controlled entities		-	1,902
Additional loans made		(1,379,692)	(755,548)
Acquisition of subsidiary		<u>-</u>	<u>(70,841)</u>
NET CASH USED IN INVESTING ACTIVITIES:		<u>(1,211,397)</u>	<u>(664,771)</u>
FINANCING ACTIVITIES			
Dividends paid		(218,000)	(77,000)
New bank loans raised		<u>1,444,629</u>	<u>742,275</u>
NET CASH FROM FINANCING ACTIVITIES:		<u>1,228,629</u>	<u>665,275</u>
NET INCREASE IN CASH & CASH EQUIVALENTS		12,726	2,285
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		<u>(7,064)</u>	<u>(9,349)</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR		<u><u>5,662</u></u>	<u><u>(7,064)</u></u>

ROYAL BANK LEASING 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.

IFRS 7 'Financial Instruments: Disclosures' which became effective in this period introduces new disclosures relating to financial instruments but does not have any impact on the classification or valuation of the Company's financial instruments.

The Company has applied the exemption of IAS 27 'Consolidated and Separate Financial Statements' not to present consolidated financial statements and therefore these statements are the separate financial statements of the Company.

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 AND OPERATING 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.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

c FEE INCOME

Fees are in respect of services and are recognised on the basis of Significant Act. The fee is recognised once the terms of the lease have been agreed.

d BORROWING COSTS

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

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES - continued

e DERIVATIVES AND HEDGING

All of the Company's derivatives are held for economic hedging purposes to manage balance sheet foreign exchange and interest rate risk, although not all may be designated for hedge accounting in accordance with the provisions of IAS 39. Derivatives entered into include swaps, forwards and options.

The swaps held are currency swaps and interest rate swaps. A swap is an agreement to exchange cash flows in the future in accordance with a pre-arranged formula. In currency swap transactions, interest payment obligations are exchanged on assets and liabilities denominated in different currencies; the exchange of principal may be notional or actual. Interest rate swap contracts generally involve exchange of fixed and floating interest payment obligations without the exchange of underlying principal amounts.

Forwards held are forward foreign exchange contracts. A forward contract is a contract to buy (or sell) a specified amount of a physical or financial commodity, at an agreed price, on an agreed future date. Forward foreign exchange contracts are contracts for the delayed delivery of currency on a specified future date.

Interest rate caps and floors are option contracts that give the holder the right but not the obligation to buy (or sell) a specified amount of the underlying financial commodity at an agreed date or over an agreed period.

An interest rate swaption is a financial instrument granting the holder the right but not the obligation to enter into an interest rate swap.

Derivative financial instruments are recognised initially, and subsequently measured, at fair value. Derivative fair values are determined from quoted prices in active markets where available. Where there is no active market for an instrument, fair value is derived from prices for the derivative's components using appropriate pricing or valuation models. The Company's pricing and valuation methods are managed by the ultimate holding company, The Royal Bank of Scotland Group plc's (the Group). Most of the Group's pricing models do not entail material subjectivity because the methodologies utilised do not incorporate significant judgement and the parameters included in the models can be calibrated to actively quoted market prices. Values established from pricing models are adjusted for credit risk, liquidity risk and future operational costs.

Derivatives are classified as fair value through profit and loss. Gains and losses arising from changes in fair value of a derivative are recognised as they arise in profit or loss.

The Company enters into fair value hedge relationships which hedge the changes in fair value of a recognised asset or liability or firm commitment. Principally, such hedges involve interest rate swaps hedging the interest rate risk in fixed rate loans. Hedge relationships are formally documented at inception, which includes the identification of the hedged item and hedged instrument, the risk that is being hedged, and the process for monitoring hedge effectiveness. The gain or loss on the hedging instrument or derivative is recognised in profit or loss. The gain or loss on the hedged item attributable to the hedged risk is recognised in profit or loss and adjusts the carrying value of the hedged item. Hedge accounting is discontinued if the hedge no longer meets the criteria for hedge accounting or if the hedge designation is revoked, and any cumulative adjustment is amortised to profit or loss over the remaining life of the hedged item.

f 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.

ROYAL BANK LEASING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES - continued

g PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation on assets for hire under operating leases is charged over the lease term, using the straight-line method.

Useful life

Plant and machinery	15 years
Computer and other equipment	5 years

The balance sheet carrying values of operating lease assets include balances in respect of residual values; unguaranteed residual values are subject to regular review with any corrections being made through depreciation.

h INVESTMENT PROPERTY

Investment property, which is property held to earn rentals and/or capital appreciation, is stated at its fair value at the balance sheet date. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

i INVESTMENTS IN LEASING PARTNERSHIPS

Investments in leasing partnerships are stated at cost less any provision for impairment. The Company's share of profits less losses is included in the profit and loss account. These amounts are taken from the latest audited financial statements or, where appropriate, the management accounts of the partnerships concerned.

j INVESTMENTS IN JOINT VENTURE

Investments in joint ventures are included in the financial statements at cost less any provision for impairment.

k INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

Investments in subsidiary undertakings are stated at cost, less any provision for impairment.

l 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 'bank overdraft and loans' 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.

m 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.

ROYAL BANK LEASING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES - continued

n LOAN RECEIVABLES

Loan receivables are measured on initial recognition at fair value, and subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

o 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.

p 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.

q BORROWINGS

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

r 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.

s OBLIGATIONS UNDER FINANCE LEASES

Assets held under finance leases are recognised as assets of the Company at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease payable obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

t COST OF SALES

Cost of sales is the depreciation on assets for hire under operating leases.

u 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. Any movement in interest rates associated with the financing of the lease is charged or credited to the lessee.

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.

NOTES TO THE FINANCIAL STATEMENTS

2 FINANCIAL RISK MANAGEMENT - continued

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.

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 PARENT COMPANIES

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 that is incorporated in Great Britain and registered in Scotland. 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.

The Company's immediate parent company and the smallest subgroup into which the Company is consolidated is The Royal Bank of Scotland plc, a Company incorporated in Great Britain and registered in Scotland. Copies of the consolidated financial statements for this subgroup can be obtained from The Royal Bank of Scotland Group plc, Gogarburn, Edinburgh, EH12 1HQ.

ROYAL BANK LEASING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

4 REVENUE	2008 £'000	2007 £'000
Finance leases:		
Rentals receivable	19,795	21,364
Amortisation	<u>(9,572)</u>	<u>(10,795)</u>
	<u>10,223</u>	<u>10,569</u>
Operating leases:		
Rentals receivable	<u>2,355</u>	<u>2,525</u>
	<u>12,578</u>	<u>13,094</u>
Included in the above are the following amounts;		
Contingent rentals	<u>(31)</u>	<u>(261)</u>
Capital cost of asset additions financed:		
Finance leases	-	2,874
Operating leases	<u>-</u>	<u>2</u>
	<u>-</u>	<u>2,876</u>
5 COST OF SALES	2008 £'000	2007 £'000
Depreciation on assets held for hire under operating leases	<u>165</u>	<u>280</u>
6 OTHER OPERATING INCOME	2008 £'000	2007 £'000
Fee income	1,390	5,068
Profit on disposal of lease	-	11
Profit on sale of jointly controlled entities	-	1,762
Profit on sale of subsidiary undertaking	-	6,947
Management charge	3,720	4,180
Other income	<u>633</u>	<u>282</u>
	<u>5,743</u>	<u>18,250</u>

ROYAL BANK LEASING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

7 OPERATING PROFIT

Operating profit has been arrived at after charging/(crediting):	2008 £'000	2007 £'000
Bad debt recoveries	-	(2)
Loss on disposal of leases	105	-
Fees & commissions	70	285
Exchange loss	1,732	74
Depreciation - computer and other equipment	9	20
Depreciation - plant and machinery	590	601
Auditors' remuneration for audit services	51	76
Purchases	1,600	5,200
Other	403	100
	<u>4,560</u>	<u>6,354</u>

8 OTHER GAINS AND LOSSES

	2008 £'000	2007 £'000
Increase/(reduction) in fair value of investment property	<u>-</u>	<u>(2,200)</u>

9 STAFF COSTS

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

The average monthly number of employees was nil (2007: nil).

10 FINANCE COSTS

	2008 £'000	2007 £'000
Interest receivable:		
Interest receivable from group undertakings	(332,645)	(290,229)
Interest receivable from jointly controlled entities	<u>(4,270)</u>	<u>(2,679)</u>
	<u>(336,915)</u>	<u>(292,908)</u>
Interest payable:		
Interest payable to group undertakings	347,476	296,553
Finance lease charges	<u>7</u>	<u>15</u>
	<u>347,483</u>	<u>296,568</u>
Movement in fair value of derivatives and fair value hedges:		
Loss/(gain) from movement in fair value of non-hedge derivatives	13,450	(16,484)
Loss/(gain) arising from fair value hedge ineffectiveness	<u>14,834</u>	<u>(2,072)</u>
	<u>28,284</u>	<u>(18,556)</u>

ROYAL BANK LEASING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

11 TAXATION

2008
£'000

2007
£'000

A) ANALYSIS OF TAX (CREDIT)/CHARGE FOR THE YEAR

Current tax charge:

- Group relief payable on profit for the year
- Adjustment in respect of prior periods

695	6,584
4,356	(1,869)
<u>5,051</u>	<u>4,715</u>

Deferred tax - origination and reversal of timing differences:

- Current year
- Impact of rate change from 30% to 28%
- Adjustment in respect of prior periods

(7,130)	4,299
-	(2,374)
<u>(4,944)</u>	<u>1,739</u>

Tax (credit)/charge

<u>(7,023)</u>	<u>8,379</u>
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B) FACTORS AFFECTING THE TAX (CREDIT)/CHARGE FOR THE YEAR

Profit before tax

<u>143,039</u>	<u>77,027</u>
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- Tax on profit at the blended rate of 29% (2007: 30%)
- Permanent difference - non-taxable/disallowable items
- Permanent difference - assets not qualifying for capital allowances
- Impact of withdrawal of Industrial Buildings Allowances
- Impact of rate change from 30% to 28%
- Adjustment to tax charge in respect of previous periods

41,481	23,108
(48,890)	(12,045)
(3,123)	89
3,843	-
254	(2,643)
<u>(588)</u>	<u>(130)</u>

Tax (credit)/charge

<u>(7,023)</u>	<u>8,379</u>
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The standard corporation tax rate changed from 30% to 28% effective 1 April 2008. The implication for the Company is that corporation tax has been charged at 30% for 6 months to 31 March 2008 and 6 months at 28% to 30 September 2008. This has given rise to an average (blended) rate of corporation tax for the year of 29%.

NOTES TO THE FINANCIAL STATEMENTS

12 DERIVATIVES AT FAIR VALUE

	Assets 2008 £'000	Liabilities 2008 £'000	Assets 2007 £'000	Liabilities 2007 £'000
Forward exchange contracts	2,166	-	1,863	-
Interest rate swaps	3,433	(10,503)	9,163	(2,477)
Interest rate swaps in fair value hedge	28,751	(37,709)	94,326	(5,519)
	<u>34,350</u>	<u>(48,212)</u>	<u>105,352</u>	<u>(7,996)</u>
Maturity analysis for derivatives				
Within one year				
Forward exchange contracts	2,166	-	-	-
Interest rate swaps	22	(8)	7	(43)
Interest rate swaps in fair value hedge	-	(106)	4	(5)
	<u>2,188</u>	<u>(114)</u>	<u>11</u>	<u>(48)</u>
In the second to fifth years				
Forward exchange contracts	-	-	1,863	-
Interest rate swaps	18	(18)	202	(361)
Interest rate swaps in fair value hedge	25	(2,882)	331	(526)
	<u>43</u>	<u>(2,900)</u>	<u>2,396</u>	<u>(887)</u>
After five years				
Interest rate swaps	3,393	(10,477)	8,954	(2,073)
Interest rate swaps in fair value hedge	28,726	(34,721)	93,991	(4,988)
	<u>32,119</u>	<u>(45,198)</u>	<u>102,945</u>	<u>(7,061)</u>
	<u>34,350</u>	<u>(48,212)</u>	<u>105,352</u>	<u>(7,996)</u>
Notional aggregate principals				
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Forward exchange contracts	29,426	-	8,210	(6,014)
Interest rate swaps	2,348,579	1,263,140	2,958,498	(645,205)
Total aggregate principal	<u>2,378,005</u>	<u>1,263,140</u>	<u>2,966,708</u>	<u>(651,219)</u>

All derivatives held at the balance sheet date are with The Royal Bank of Scotland plc, and are in UK Sterling, US Dollars and Euros. The derivatives held are governed by the International Swap Dealers Association. All derivatives held are carried at fair value. The value of derivatives designated as a fair value hedge is shown above. No derivatives are in a cash flow hedge relationships.

The fixed rates on the interest rate swaps vary from 3.9% to 8.7% (2007: 3.9% to 8.7%).

NOTES TO THE FINANCIAL STATEMENTS

13 PROPERTY, PLANT AND EQUIPMENT

	Assets for hire under operating leases £'000	Plant and Machinery £'000	Computer and other equipment £'000	TOTAL £'000
COST OR VALUATION				
At 1 October 2006	11,989	8,855	1,710	22,554
Additions	2	-	10	12
Disposals	(6,945)	-	-	(6,945)
At 1 October 2007	5,046	8,855	1,720	15,621
Disposals	-	-	(849)	(849)
At 30 September 2008	5,046	8,855	871	14,772
ACCUMULATED DEPRECIATION AND IMPAIRMENT				
At 1 October 2006	4,986	2,193	1,581	8,760
Charge for the year	280	601	20	901
Disposals	(3,370)	-	-	(3,370)
At 1 October 2007	1,896	2,794	1,601	6,291
Charge for the year	165	590	9	764
Disposals	-	-	(805)	(805)
At 30 September 2008	2,061	3,384	805	6,250
CARRYING AMOUNT				
At 30 September 2008	2,985	5,471	66	8,522
At 30 September 2007	3,150	6,061	119	9,330

14 FINANCIAL INSTRUMENTS

a) Carrying value and fair value of financial instrument by category:

	Carrying value 2008 £'000	Fair value 2008 £'000	Carrying value 2007 £'000	Fair value 2007 £'000
Finance lease receivables	158,113	159,288	167,919	167,949
Derivatives at fair value	34,350	34,350	105,352	105,352
Loans and receivables				
Loans and other receivables	7,628,277	7,624,795	6,173,225	6,161,951
Trade and other receivables	366	366	2,612	2,612
Cash and cash equivalents	5,662	5,662	-	-
Financial assets	7,826,768	7,824,461	6,449,108	6,437,864
Financial liabilities measured at amortised cost				
Derivatives at fair value	48,212	48,212	7,996	7,996
Trade and other payables	62,865	62,865	85,430	85,430
Bank overdraft and loans	7,804,777	7,807,313	6,367,212	6,369,587
Financial liabilities	7,915,854	7,918,390	6,460,638	6,463,013

ROYAL BANK LEASING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

14 FINANCIAL INSTRUMENTS - continued

b) Financial instrument - carrying amount by market risk exposure:	2008	2007
	£'000	£'000
Interest rate risk:		
Financial assets		
- variable rate	3,898,410	2,929,270
- fixed rate	3,893,642	3,411,874
- non-interest bearing	34,716	107,964
	<u>7,826,768</u>	<u>6,449,108</u>
Financial liabilities		
- variable rate	3,061,276	3,013,808
- fixed rate	4,743,501	3,353,404
- non-interest bearing	111,077	93,426
	<u>7,915,854</u>	<u>6,460,638</u>

If market interest rates had been 1% higher or lower the profit or loss and equity of the Company would not have been materially affected.

c) Financial asset - credit quality and concentration of credit risk:	2008	2007
	£'000	£'000
Maximum credit exposure and neither past due nor impaired:		
Counterparty	Sector	
2 lessees	Natural resources	4,466
7 lessees	Transport	139,529
2 lessees	Films	14,118
Finance lease receivables		<u>158,113</u>
		<u>167,919</u>
Amounts due from jointly controlled entities	90,402	56,342
Amounts due from group undertakings	7,543,537	6,116,883
Derivatives	34,350	105,352
Other	366	2,612
Total	<u>7,826,768</u>	<u>6,449,108</u>
Invoices past due	2008	2007
	£'000	£'000
< 1 month	199	158
1 month	9	3
2-6 months	32	1,089
> 6 months	44	22
	<u>284</u>	<u>1,272</u>

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

In respect of the film leases third party banks have issued to the Company letters of credit for a credit exposure of £14,621,000 (2007: £13,403,000).

ROYAL BANK LEASING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

14 FINANCIAL INSTRUMENTS - continued

d) Liquidity risk:

Contractual cashflows 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
2008				
Trade payables	62,865	-	-	-
Amounts payable on all derivative financial instruments	103,651	112,575	155,116	52,122
Bank overdraft and loans	937,845	663,009	2,766,512	3,832,674
	<u>1,104,361</u>	<u>775,584</u>	<u>2,921,628</u>	<u>3,884,796</u>
2007				
Trade payables	85,430	-	-	-
Amounts payable on all derivative financial instruments	75,253	121,990	165,431	62,195
Bank overdraft and loans	502,500	591,444	2,208,097	6,930,521
	<u>663,183</u>	<u>713,434</u>	<u>2,373,528</u>	<u>6,992,716</u>

15 INVESTMENT PROPERTY

FAIR VALUATION	£'000
At 30 September 2006	22,300
Decrease in value	<u>(2,200)</u>
At 30 September 2007 and 30 September 2008	<u>20,100</u>

The fair value of the Company's investment property has been arrived at by reference to market evidence of transaction prices for similar properties. The valuation has been completed by an independent valuer with the appropriate qualifications (MRICS).

The Company has pledged all of its investment property to secure general banking facilities granted to the Company.

The property rental income earned by the Company from its investment property, all of which is leased out under operating leases, amounted to £2,105,000 (2007: £2,105,000). Direct operating expenses arising on investment property in the period amounted to £nil (2007: £nil).

ROYAL BANK LEASING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

16 INVESTMENT IN JOINTLY CONTROLLED ENTITIES

The Company owns an equity interest in the following joint ventures which are classed as jointly controlled entities:

	Company share	Nature of Business
Tay Valley Lighting (Stoke on Trent) Limited	50%	Provision and maintenance of public street lighting
Tay Valley Lighting (Leeds) Limited	50%	Provision and maintenance of public street lighting
Tay Valley Lighting (Newcastle & North Tyneside) Limited	50%	Provision and maintenance of public street lighting
Gate Leasing Limited	50%	Leasing of assets

All jointly controlled entities are registered in England and have a reporting year end of 31 December. Royal Bank Leasing Limited holds ordinary voting shares in the joint ventures.

	Cost £'000s
At 1 October 2006	2,828
Disposal	(140)
Exchange loss	(236)
At 30 September 2007	2,452
Exchange gain	352
At 30 September 2008	2,804

17 SHARES IN SUBSIDIARY UNDERTAKINGS

Cost:	£'000
At 30 September 2007 and 2008	90,461

The principal trading subsidiary undertakings, the capital of which consists of ordinary shares and preference shares, are shown below. All share capital is wholly owned.

Owned by the Company:	Nature of business:	Statutory year end:
Desertlands Entertainment Limited	Leasing	28 February
Royal Bank Asset Management Limited	Leasing	31 March
Royal Bank of Scotland (Industrial Leasing) Limited	Leasing	31 March
R.B. Quadrangle Leasing Limited	Leasing	31 March
W. & G. Industrial Leasing Limited	Leasing	31 March
Lombard Corporate Finance (March 1) Limited	Leasing	31 March
Sandford Leasing Limited	Leasing	31 March
Lombard Corporate Finance (7) Limited	Leasing	31 March
RBSSAF (2) Limited	Leasing	31 March
RBSSAF (3) Limited	Leasing	31 March
RBSSAF (19) Limited	Leasing	31 March
R.B. Leasing (April) Limited	Leasing	30 April
R.B. Capital Leasing Limited	Leasing	30 June
Helena Productions Limited	Film production & development	30 June
Winchcombe Finance Limited	Leasing	30 June
Pittville Leasing Limited	Leasing	30 June
Lombard Corporate Finance (10) Limited	Leasing	30 June
Lombard Corporate Finance (11) Limited	Leasing	30 June
Lombard Corporate Finance (June 1) Limited	Leasing	30 June
Lombard Corporate Finance (June 2) Limited	Leasing	30 June
P of A Productions Limited	Leasing	30 June
RBSSAF (4) Limited	Leasing	30 June
Patalex III Productions Limited	Film production & development	30 June
Patalex II Productions Limited	Film production & development	30 September
R.B. Leasing (Eden) Limited	Leasing	30 September
Royal Scot Leasing Limited	Film production & development	30 September
R.B. Leasing Company Limited	Leasing	30 September

ROYAL BANK LEASING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

17 SHARES IN SUBSIDIARY UNDERTAKINGS - continued

Owned by the Company:	Nature of business:	Statutory year end:
Williams & Glyn's Leasing Company Limited	Leasing and Hire Purchase	30 September
R.B. Leasing (September) Limited	Leasing and Hire Purchase	30 September
Royal Bank Operating Leasing Limited	Leasing	30 September
R.B. Asset Value Limited	Provision of residual value guarantees	30 September
Royal Bank Structured Asset Finance Limited	Leasing	30 September
R.B. Leasing (Shaftesbury) Limited	Asset Valuation	30 September
Lombard Corporate Finance (13) Limited	Leasing	30 September
Lombard Corporate Finance (14) Limited	Leasing	30 September
Lombard Corporate Finance (15) Limited	Leasing	30 September
Lombard Corporate Finance (September 1) Limited	Leasing	30 September
RBSSAF (5) Limited	Leasing	30 September
RBSSAF (6) Limited	Leasing	30 September
RBSSAF (7) Limited	Leasing	30 September
RBSSAF (8) Limited	Leasing	30 September
Price Productions Limited	Film production & development	30 September
Nanny McPhee Productions Limited	Film production & development	30 September
Patalex V Productions Limited	Film production & development	31 October
Distant Planet Productions Limited	Film production & development	31 October
Patalex Productions Limited	Film production & development	31 October
R.B. Equipment Leasing Limited	Leasing	30 November
RBSSAF (10) Limited	Leasing	30 November
Patalex IV Productions Limited	Film production & development	30 November
TS4i (Power Resources 3) Limited	Provision of energy and power related products	31 December
R.B. Leasing (December) Limited	Leasing	31 December
W. & G. Lease Finance Limited	Leasing	31 December
R.B. Leasing (Bluewater) Limited	Leasing	31 December
Leckhampton Finance Limited	Leasing	31 December
Lombard Corporate Finance (6) Limited	Leasing	31 December
Lombard Corporate Finance (December 1) Limited	Leasing	31 December
Lombard Corporate Finance (December 2) Limited	Leasing	31 December
Lombard Corporate Finance (December 3) Limited	Leasing	31 December
RBS Aerospace (UK) Limited	Leasing	31 December
RBSSAF (11) Limited	Leasing	31 December
RBSSAF (12) Limited	Leasing	31 December
RBSSAF (13) Limited	Leasing	31 December
RBSSAF (16) Limited	Leasing	31 December
RBS Asset Finance Europe Limited	Leasing	31 December
RBSSAF (18) Limited	Leasing	31 December
RBSSAF (20) Limited	Leasing	31 December
RBSSAF (21) Limited	Leasing	31 December
RBSSAF (22) Limited	Leasing	31 December
RBSSAF (23) Limited	Leasing	31 December
RBSSAF (25) Limited	Leasing	31 December
RBSSAF (26) Limited	Leasing	31 December
RBSSAF (27) Limited	Leasing	31 December
RBSSAF (28) Limited	Leasing	31 December
RBS Asset Finance Asia Limited	Leasing	31 December
Owned by R.B. Leasing (September) Limited:		
R.B. Leasing (March) Limited	Leasing	31 March
Owned by R. B. Leasing Company:		
G L Lease Company No.12 Limited	Provision of residual value guarantees	30 September
Owned by Lombard Corporate Finance (13) Limited and RBSSAF (6) Limited:		
Theobald Film Production LLP	Film production & development	28 June

ROYAL BANK LEASING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

18 FINANCE LEASE RECEIVABLES

	Gross investment in lease		Present value of minimum lease payments	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Amounts receivable under finance leases:				
Within one year	19,912	19,213	19,405	18,733
In the second to fifth years inclusive	87,107	81,245	75,366	70,618
After five years	94,202	117,241	63,342	78,568
	<u>201,221</u>	<u>217,699</u>	<u>158,113</u>	<u>167,919</u>
Less: unearned finance income	<u>(43,108)</u>	<u>(49,780)</u>	<u>N/A</u>	<u>N/A</u>
Present value of minimum lease payments receivable	<u>158,113</u>	<u>167,919</u>	<u>158,113</u>	<u>167,919</u>
Analysed as:				
Non-current finance lease receivables (recoverable after 12 months)			138,708	149,186
Current finance lease receivables (recoverable within 12 months)			<u>19,405</u>	<u>18,733</u>
			<u>158,113</u>	<u>167,919</u>

The Company enters into various finance leasing arrangements. The average term of the finance leases entered into is 12 years (2007: 17 years)

Unguaranteed residual values of assets leased under finance leases at the balance sheet date are estimated at £nil (2007: £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 4.9% (2007: 4.8%) p.a.

19 LOAN RECEIVABLES

	2008	2007
	£'000	£'000
Amounts falling due within one year:		
Loan receivables:		
Amounts due from group companies	696,226	256,784
Amounts due from jointly controlled entities	<u>11,206</u>	<u>9,800</u>
	<u>707,432</u>	<u>266,584</u>
Amounts falling due after more than one year:		
Loan receivables:		
Amounts due from group undertakings	6,841,649	5,860,099
Amounts due from jointly controlled entities	<u>79,196</u>	<u>46,542</u>
	<u>6,920,845</u>	<u>5,906,641</u>

The effective interest rate of the loan receivables is 5.5% (2007: 5.7%).

ROYAL BANK LEASING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

20 TRADE AND OTHER RECEIVABLES

2008	2007
£'000	£'000

Trade debtors	284	1,321
Amounts due from group undertakings	-	-
Other debtors	82	1,291
	<u>366</u>	<u>2,612</u>

21 CASH AND CASH EQUIVALENTS

2008	2007
£'000	£'000

Bank account with group undertakings	<u>5,662</u>	<u>-</u>
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Included in the cash and cash equivalents on the cash flow statement is an amount of £nil (2007: £7,064,000) in respect of the bank overdraft.

22 TRADE AND OTHER PAYABLES

2008	2007
£'000	£'000

Payments received on account	164	315
Trade creditors	(8)	-
Amounts due to group undertakings	49,835	71,961
Obligations under finance leases	146	203
Other creditors	12,728	12,951
	<u>62,865</u>	<u>85,430</u>

23 BANK OVERDRAFT AND LOANS

2008	2007
£'000	£'000

Bank overdraft due to group undertakings	-	7,064
Loan amount due to group undertakings	<u>7,804,777</u>	<u>6,360,148</u>
	<u>7,804,777</u>	<u>6,367,212</u>

The borrowings are repayable as follows:

On demand or within one year	648,820	185,174
In the second year	371,601	226,993
In the third to fifth year inclusive	2,042,197	1,177,977
After five years	<u>4,742,159</u>	<u>4,777,068</u>

	7,804,777	6,367,212
Less: Amounts due for settlement within 12 months (shown under current liabilities)	<u>(648,820)</u>	<u>(185,174)</u>

Amounts due for settlement after 12 months	<u>7,155,957</u>	<u>6,182,038</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 at 5.3% (2007: 5.9%) p.a.

ROYAL BANK LEASING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

24 DEFERRED TAX

Movements during the year:	Deferred taxation £'000
At 1 October 2006	33,308
Charge to income statement	<u>3,664</u>
At 1 October 2007	36,972
Credit to income statement	<u>(12,074)</u>
At 30 September 2008	<u>24,898</u>

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

	2008 £'000	2007 £'000
Accelerated capital allowances on assets financed	35,784	34,841
Other temporary differences	<u>(10,886)</u>	<u>2,131</u>
	<u>24,898</u>	<u>36,972</u>

The Finance Act 2008 enacted the withdrawal of Industrial Building Allowances and as a result the company's deferred tax liabilities have increased by £3,711,000.

25 SHARE CAPITAL

	2008 Number of shares ('000s)	2007 Number of shares ('000s)	2008 £'000s	2007 £'000s
Ordinary shares of £1 each				
Authorised:	<u>22,000</u>	<u>22,000</u>	<u>22,000</u>	<u>22,000</u>
Issued, called up and fully paid:	<u>19,000</u>	<u>19,000</u>	<u>19,000</u>	<u>19,000</u>

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

26 RETAINED EARNINGS

	£'000
Balance at 1 October 2006	63,193
Dividends paid	(77,000)
Profit for the financial year	<u>68,648</u>
Balance at 1 October 2007	54,841
Dividends paid	(216,000)
Profit for the financial year	<u>150,062</u>
Balance at 30 September 2008	<u>(11,097)</u>

During the period the Company paid a dividend of £216,000,000 equating to £11.37 per share (2007: £77,000,000 at £4.053 per share).

ROYAL BANK LEASING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

27 NOTES TO THE CASH FLOW STATEMENT

	2008 £'000	2007 £'000
Profit before tax	143,039	77,027
Adjustments for:		
Movement in fair value of non-hedge derivatives	13,450	(16,484)
Fair value hedge ineffectiveness	14,834	(2,072)
Fair value adjustment on investment property	-	2,200
Income from shares in subsidiary undertakings	(168,295)	(39,621)
Depreciation - assets for hire under operating leases	165	280
Depreciation - computer and office equipment	599	621
Interest expense	10,568	3,660
Profit on disposal of subsidiary undertaking	-	(6,947)
Profit on disposal of jointly controlled entities	-	(1,762)
(Profit) / loss on disposal of property, plant and equipment	44	(258)
Movement in investment in jointly controlled entities	(352)	236
Operating cash flows before movements in working capital	14,052	16,880
Decrease in receivables	12,194	6,870
Increase in payables	(5,156)	706
Cash generated by operations	21,090	24,456
Income taxes paid/(received)	(16,385)	(18,074)
Interest paid	(9,211)	(4,601)
Net cash (used in)/from operating activities	(4,506)	1,781

28 OPERATING LEASE ARRANGEMENTS

The future minimum lease payments receivable under non-cancellable operating leases are as follows:

	2008 £'000	2007 £'000
Within one year	750	692
In the second to fifth years inclusive	3,865	2,894
After five years	2,174	1,613
	6,789	5,199

The future minimum lease payments receivable for the investment property are as follows:

	2008 £'000	2007 £'000
Within one year	2,343	2,343
In the second to fifth years inclusive	9,372	9,372
After five years	10,154	12,497
	21,869	24,212

ROYAL BANK LEASING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

29 RESIDUAL VALUE EXPOSURE

The table below gives details in respect of unguaranteed residual values included in the carrying value of operating lease assets at the balance sheet date.

	2008 £'000	2007 £'000
Year in which residual value will be recovered		
Within 1 year	-	184
More than 5 years	980	980
Total	980	1,164

The unguaranteed residual value on the investment property is £9,226,000 recoverable after 5 years (2007: £9,226,000).

30 RELATED PARTY TRANSACTIONS

During the period, the company entered into the following related party transactions.

	2008 £'000	2007 £'000
The Royal Bank of Scotland plc		
Transactions during the period		
- Interest on loan paid to related party	347,476	296,553
- Additional borrowing from related party	1,518,579	179,862
Group relief owed to related party	(304)	(11,638)
Bank account held with related party	5,662	(7,064)
Outstanding balance owed to the related party	(43,625)	(73,760)

Royal Bank Leasing Limited subsidiaries with outstanding balances owed by the Company

Transactions during the period		
- Management charge paid by related party	3,720	44
- Interest on deposits received by related party	(130,091)	(19,729)
- Additional deposits held by related party	(26,868)	753
Outstanding balance owed to the related party	(70,597)	(43,310)

Royal Bank Leasing Limited subsidiaries with outstanding balances owed to the Company

Transactions during the period		
- Management charge paid by related party	-	4,180
- Interest on loan paid by related party	375,358	241,231
- (Repaid)/additional borrowing by related party	539,536	(181,326)
Outstanding balance owed by the related party	5,021,675	4,480,480

Plant and machinery is used by a subsidiary TS4i (Power Resources 3) Limited, no rentals are charged to the subsidiary.

Tay Valley jointly controlled entities

Transactions during the period		
- Interest on loan paid by related party	4,270	2,679
- Additional borrowing by related party	25,162	23,589
Outstanding balance owed by the related party	87,855	61,428

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. All the companies are fellow subsidiaries of the ultimate holding company The Royal Bank of Scotland Group plc.

NOTES TO THE FINANCIAL STATEMENTS

31 POST BALANCE SHEET EVENT

On 1 December 2008, the UK Government through HM Treasury acquired a controlling shareholding in The Royal Bank of Scotland Group plc. The UK Government has announced that its shareholdings in banks will be managed by UK Financial Investments Limited a company wholly-owned by the UK Government.

32 Contingent Liability

The Company's business and financial condition can be affected by the fiscal or other policies and other actions by various governmental and regulatory authorities in the UK. The remoteness of potentially unfavourable events or any potential financial effect on the Company is still not clear.