Company Registered No: SC080104

ROYAL SCOT LEASING LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

For the year ended 30 September 2011

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

DIRECTORS' REPORT AND FINANCIAL STATEMENTS 2011

CONTENTS

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS:	S J Caterer J E Rogers P D J Sullivan R F Warren
SECRETARY:	C J Down
REGISTERED OFFICE:	24/25 St Andrew Square Edinburgh EH2 1AF
AUDITOR:	Deloitte LLP 3 Rivergate Temple Quay Bristol BS1 6GD

Registered in Scotland

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 30 September 2011.

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 website at rbs.com.

Review of the year

Business review
A further provision of £18,933,000 (note 15) was made during the year which has caused the loss for the year. This relates to a one off event and is not expected to recur. Accordingly the directors are satisfied with the company's performance in the year. The company will be guided by its shareholders in seeking further opportunities for growth. Post balance sheet events are described in note 22 to the financial statements.

Financial performance
The company's financial performance is presented in the statement of comprehensive income.

Revenue fell by £1,202,000 (2010: £3,392,000) and finance costs fell by £549,000 (2010: rose by £3,751,000). After provisions and bad debt charges totalling £13,528,000 (2010: £7,109,000), the loss for the year was £10,492,000 (2010: loss for the year £3,406,000).

The directors do not recommend the payment of a dividend (2010: no dividend paid).

At the end of the year, the balance sheet showed total assets of £142,922,000, (2010: £154,039,000), including income-generating assets comprising of leased assets £106,112,000 (2010: £128,057,000), loan and receivables of £18,638,000 (2010: £18,318,000) and cash of £426,000 (2010: £nil). Total deficit was £9,987,000 (2010: equity of £505,000).

Principal risks and uncertainties
The company is funded by facilities from Royal Bank Leasing Limited.

The company's financial risk management objectives and policies regarding the use of financial instruments are set out in note 16 to these financial statements.

The company seeks to minimise its exposure to external financial risks other than equity and credit risk, further information on financial risk management policies and exposures is disclosed in notes 1 and 16.

Going concern
The directors, having made such enquiries as they considered appropriate, have prepared the financial statements on a going concern basis. They considered the accounts of The Royal Bank of Scotland Group plc for the year ended 31 December 2011, approved on 27 February 2012 which was prepared on a going concern basis.

DIRECTORS AND SECRETARY
The present directors and secretary, who have served throughout the year are listed on page 2.

DIRECTORS' RESPONSIBILITIES STATEMENT
The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare a directors' report and financial statements for each financial year and the directors have elected to prepare them in accordance with International Financial Reporting Standards ("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 at the end of the year and the profit or loss for the financial year of the company. In preparing these financial statements, under International Accounting Standard 1, the directors are required to:

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

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

DISCLOSURE OF INFORMATION TO AUDITOR
Each of the directors at the date of approval of this report confirms that:

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

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

DIRECTORS' REPORT (continued)

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

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

J E Rogers
Director
Date: 22 June 2012

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

We have audited the financial statements of Royal Scot Leasing Limited ('the company') for the year ended 30 September 2011 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity, the cash flow statement and the related notes 1 to 22. 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all of the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2011 and of its loss 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.

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

Matters on which we are required to report by exception

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

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

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

27th June 2012

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 September 2011

Continuing operations	Notes	2011 £'000	2010 £'000
Revenue	3	3,676	4,878
Operating income	4	601	175
Operating expenses	5	(13,799)	(7,497)
Operating loss		(9,522)	(2,444)
Finance costs	6	(1,737)	(2,286)
Loss before tax		(11,259)	(4,730)
Tax credit	7	767	1,324
Loss and total comprehensive loss for the year		(10,492)	(3,406)

The accompanying notes form an integral part of these financial statements.

BALANCE SHEET
as at 30 September 2011

	Notes	2011 £'000	2010 £'000
Assets			
Non-current assets			
Finance lease receivables	8	**73,863**	113,478
Trade and other receivables	10	**-**	4,216
		73,863	117,694
Current assets			
Finance lease receivables	8	**32,249**	14,579
Loan receivables	9	**18,638**	18,318
Trade and other receivables	10	**13,633**	310
Prepayments, accrued income and other assets	11	**4,113**	3,138
Cash		**426**	-
		65,059	36,345
Total assets		**142,922**	154,039
Liabilities			
Current liabilities			
Borrowings	12	**26,701**	10,097
Provisions	15	**35,538**	-
Trade and other payables	13	**664**	917
Accruals, deferred income and other liabilities	14	**526**	807
		63,429	11,821
Non-current liabilities			
Borrowings	12	**89,480**	125,108
Provisions	15	**-**	16,605
		89,480	141,713
Total liabilities		**152,909**	153,534
Equity			
Share capital	17	**10**	10
Retained (deficit)/earnings		**(9,997)**	495
Total equity		**(9,987)**	505
Total liabilities and equity		**145,922**	154,039

The accompanying notes form an integral part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 22 June 2012 and signed on its behalf by:

Julian Rogers

J E Rogers
Director

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

	Share capital £'000	Retained earnings/ (deficit) £'000	Total £'000
At 1 October 2009	10	3,901	3,911
Loss for the year	-	(3,406)	(3,406)
At 30 September 2010	10	495	505
Loss for the year	**-**	**(10,492)**	**(10,492)**
At 30 September 2011	**10**	**(9,997)**	**(9,987)**

Total comprehensive loss for the year of £10,492,000 (2010: comprehensive loss £3,406,000) was wholly attributable to the owners of the company.

The accompanying notes form an integral part of these financial statements.

CASH FLOW STATEMENT
for the year ended 30 September 2011

	Notes	2011 £'000	2010 £'000
Operating activities			
Loss for the year before tax		**(11,259)**	(4,730)
Adjustments for:			
Finance costs		**1,737**	2,286
Operating cash flows before movements in working capital		**(9,522)**	(2,444)
Decrease in finance lease receivables		**21,945**	84,171
Increase in trade and other receivables		**(9,107)**	(41)
Decrease in assets held for sale		**-**	31
(Decrease)/increase in trade and other payables		**(253)**	250
Increase in amounts owed to group undertakings		**-**	107
Increase in provisions		**18,933**	16,605
Decrease in accruals, deferred income and other liabilities		**(271)**	(165)
Net cash from operating activities before tax		**21,725**	98,514
Tax paid – immediate parent company		**(208)**	(2,966)
Net cash flows from operating activities		**21,517**	95,548
Cash flows from financing activities			
Repayment of borrowings – immediate parent company		**(18,959)**	(86,297)
Interest paid to group undertakings – immediate parent company		**(1,747)**	(2,336)
Net cash flows used by financing activities		**(20,706)**	(88,633)
Net increase in cash and cash equivalents		**811**	6,915
Cash and cash equivalents at beginning of year		**18,253**	11,338
Cash and cash equivalents at end of year	**18**	**19,064**	18,253

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies

a) Presentation of accounts
The accounts are prepared on a going concern basis and in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB as adopted by the European Union (EU) (together "IFRS").

The company is incorporated in the UK and registered in Scotland.

The accounts are prepared on the historical cost basis.

The company's accounts are presented in accordance with the Companies Act 2006.

Adoption of new and revised standards
There are a number of changes to IFRS that were effective from 1 October 2010. They have had no material effect on the company's financial statements for the year ended 30 September 2011.

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

Transactions in foreign currencies are translated into sterling at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date.

Foreign exchange differences arising on translation are reported in profit or loss. Non-monetary items denominated in foreign currencies that are stated at fair value are translated into sterling at the foreign exchange rates ruling at the dates the values are determined.

c) Revenue recognition
Revenue from finance leases and loans and receivables is recognised in accordance with the company's policies on leases and loans and receivables (see below). Revenue arises in the United Kingdom from continuing activities.

Finance lease income is allocated to accounting periods so as to give a constant periodic rate of return before tax on the net investment. Unguaranteed residual values are subject to regular review to identify potential impairment. If there has been a reduction in the estimated unguaranteed residual value, the income allocation is revised and any reduction in respect of amounts accrued is recognised immediately.

Fee income and interest on hire purchase agreements are credited to profit or loss in proportion to the balances outstanding.

Interest income on financial assets that are classified as loans and receivables, available-for-sale or held-to-maturity and interest expense on financial liabilities other than those at fair value through profit or loss are determined using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability (or group of financial assets or liabilities) and of allocating the interest income or interest expense over the expected life of the asset or liability.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. Accounting policies (continued)

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

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

Deferred tax is the tax expected to be payable or recoverable in respect of temporary differences between the carrying amount of an asset or liability for accounting purposes and its carrying amount for tax purposes. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered. Deferred tax is calculated using tax rates expected to apply in the periods when the assets will be realised or the liabilities settled, based on tax rates and laws enacted, or substantively enacted, at the balance sheet date

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

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

f) Provisions
The company recognises a provision for a present obligation resulting from a past event when it is more likely than not that it will be required to transfer economic benefits to settle the obligation and the amount of the obligation can be estimated reliably.

g) Financial assets
On initial recognition, financial assets are classified into held-to-maturity investments; loans and receivables; held-for-trading; designated as at fair value through profit or loss; or available-for-sale financial assets.

Loans and receivables
Non-derivative financial assets with fixed or determinable repayments that are not quoted in an active market are classified as loans and receivables, except those that are classified as available-for-sale or as held-for-trading, or designated as at fair value through profit or loss. Loans and receivables are initially recognised at fair value plus directly related transaction costs. They are subsequently measured at amortised cost using the effective interest method less any impairment losses.

h) Impairment of financial assets
The company assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets classified as held-to-maturity, available-for-sale or loans and receivables is impaired. A financial asset or portfolio of financial assets is impaired and an impairment loss incurred if there is objective evidence that an event or events since initial recognition of the asset have adversely affected the amount or timing of future cash flows from the asset.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. Accounting policies (continued)

i) Financial liabilities

On initial recognition financial liabilities are classified into held-for-trading; designated as at fair value through profit or loss; or amortised cost.

Amortised cost

Other than derivatives, which are recognised and measured at fair value, all other financial liabilities are measured at amortised cost using the effective interest method.

j) Cash and cash equivalents

Cash and cash equivalents comprises cash and demand deposits with banks together with short-term highly liquid investments that are readily convertible to known amounts of cash and subject to insignificant risk of change in value.

k) Accounting developments

The IASB issued IFRS 9 'Financial Instruments' in October 2010 simplifying the classification and measurement requirements in IAS 39 'Financial Instruments: Recognition and Measurement' in respect of financial assets and liabilities. The standard reduces the measurement categories for financial assets to two: fair value and amortised cost while keeping categories for liabilities broadly the same. Only financial assets with contractual terms that give rise to cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding and which are held within a business model whose objective is to hold assets in order to collect contractual cash flows are classified as amortised cost. All other financial assets are measured at fair value with changes in value generally taken to profit or loss. The IASB will add impairment and hedging requirements to the standard before it becomes effective for annual periods beginning on or after 1 January 2013; early application is permitted.

This standard makes major changes to the framework for the classification and measurement of financial assets and will have an effect on the company's Financial Statements. The company is assessing the effect which also depends on the outcome of the other phases of IASB's IAS 39 replacement project.

The IASB issued 'Disclosures - Transfers of Financial Assets' (Amendments to IFRS 7) in October 2010 to extend the standard's disclosure requirements about derecognition to align with US GAAP. The revisions are effective for annual periods beginning on or after 1 July 2011 and will not affect the financial position or reported performance of the company.

The International Financial Reporting Interpretations Committee ("IRRIC") issued interpretation IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments' in December 2009. The interpretation clarifies that the profit or loss on extinguishing liabilities by issuing equity instruments should be measured by reference to fair value, preferably of the equity instruments. The interpretation, effective for the company for annual periods beginning on or after 1 January 2011, is not expected to have a material effect on the company.

The IASB issued IFRS 10 'Consolidated Financial Statements' in May 2011, it establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 will supersede the current IAS 27 'Consolidated and Separate Financial Statements' and SIC 12 'Consolidation – Special Purpose Entities'. A new IAS 27 'Separate Financial Statements' has been published. The new IAS 27 now only contains the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates in the parent company's separate financial statements.

1. Accounting policies (continued)

k) Accounting developments (continued)

The IASB issued IFRS 11 'Joint Arrangements' in May 2011, it establishes the distinction between joint operations and joint ventures and the principles for financial reporting of them. IFRS 11 supersedes IAS 31 'Interests in Joint Ventures'. There are some consequential changes to IAS 28 'Investments in Associates', which is renamed IAS 28 'Investments in Associates and Joint Ventures'.

The IASB issued IFRS 12 'Disclosure of Interests in Other Entities' in May 2011. IFRS 12 brings the disclosure requirements in consolidated financial statements for interests in subsidiaries, joint arrangements, associates and unconsolidated structures under one standard. Disclosures required in separate financial statements are dealt with in IAS 27 'Separate Financial Statements'.

IFRS 10, IFRS 11, and IFRS 12 as well as revised IAS 27 and IAS 28 are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted. If adopted early all standards must be adopted together (IFRS 12 may be adopted early without having to adopt the other standards). None of these standards applies to the company.

The IASB issued IFRS 13 'Fair Value Measurement' in May 2011, setting out a single IFRS framework for defining and measuring fair value and requiring disclosures about fair value measurements. IFRS 13 is effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted. The company is assessing the impact of this standard.

2. Critical accounting policies and key sources of estimation uncertainty

The reported results of the company are sensitive to the accounting policies, assumptions and estimates that underlie the preparation of its financial statements. UK company law and IFRS require the directors, in preparing the company's financial statements, to select suitable accounting policies, apply them consistently and make judgements and estimates that are reasonable and prudent. In the absence of an applicable standard or interpretation, IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors', requires management to develop and apply an accounting policy that results in relevant and reliable information in the light of the requirements and guidance in IFRS dealing with similar and related issues and the IASB's Framework for the Preparation and Presentation of Financial Statements. The judgements and assumptions involved in the company's accounting policies that are considered by the directors to be the most important to the portrayal of its financial condition are discussed below. The use of estimates, assumptions or models that differ from those adopted by the company would affect its reported results.

Leased assets

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. Revenue

	2011 £'000	2010 £'000
Finance lease income:		
Rents receivable	**15,669**	25,206
Amortisation	**(9,880)**	(16,365)
Contingent rental expense	**(2,113)**	(3,963)
	3,676	4,878

4. Operating income

	2011 £'000	2010 £'000
Bad debt credit	**292**	-
Profit on disposal of leases	**167**	-
Fee income	**47**	90
Foreign exchange profit	**95**	85
	601	175

5. Operating expenses

	2011 £'000	2010 £'000
Provisions for foreign taxes not reimbursed by lessees	**10,416**	7,109
Bad debt charge	**3,112**	-
Loss on disposal of leases	**-**	93
Fees and commissions	**188**	45
Management fees – immediate parent company	**21**	187
Other charges	**62**	63
	13,799	7,497

Staff costs, number of employees and directors' emoluments
All staff and directors were employed by The Royal Bank of Scotland plc ("RBS"), the accounts for which contain full disclosure of employee benefit expenses incurred in the period including share based payments and pensions. The company has no employees and pays a management charge for services provided by other group companies. The directors of the company do not receive remuneration for specific services provided to the company.

Management recharge
Management charges relate to the company's share of group resources such as the use of IT platforms, staff and a share of central resources. These are re-charged on an annual basis by Royal Bank Leasing Limited.

Auditor's remuneration	2011 £'000	2010 £'000
Auditor's remuneration – audit services (included within the management fee shown above)	**5**	5

NOTES TO THE FINANCIAL STATEMENTS (continued)

6. Finance costs

	2011 £'000	2010 £'000
Interest on loans from group undertakings – immediate parent company	**1,733**	2,279
Other bank interest – intermediate parent company	**4**	7
	1,737	2,286

7. Tax

	2011 £'000	2010 £'000
Current taxation:		
UK corporation tax credit for the year	**767**	1,324

Where appropriate current tax consists of sums payable or receivable for group relief.

The actual tax credit differs from the expected tax credit computed by applying the blended rate of UK corporation tax of 27% (2011: standard tax rate 28%) as follows:

	2012 £'000	2011 £'000
Expected tax charge	**3,040**	1,324
Non-deductible items	**(2,273)**	-
Actual tax credit for the year	**767**	1,324

The changes to tax rates and capital allowances proposed in the Budget on 22 June 2010, 23 March 2011 and 21 March 2012 are not expected to have any material effect on the company.

8. Finance lease receivables

	Within 1 year £'000	Between 1 and 5 years £'000	After 5 years £'000	Total £'000
2011				
Future minimum lease payments	**32,772**	**53,621**	**27,712**	**114,105**
Unearned finance income	**(523)**	**(3,221)**	**(4,249)**	**(7,993)**
Carrying value	**32,249**	**50,400**	**23,463**	**106,112**
2010				
Future minimum lease payments	14,810	90,094	38,104	143,008
Unearned finance income	(231)	(6,872)	(7,848)	(14,951)
Carrying value	14,579	83,222	30,256	128,057

NOTES TO THE FINANCIAL STATEMENTS (continued)

8. Finance lease receivables (continued)

	2011 £'000	2010 £'000
Current	**32,249**	14,579
Non-current	**73,863**	113,478
	106,112	128,057

The company has entered into finance leasing arrangements for plant, equipment and aircraft. The average lease term of the finance leases entered into is 9 years (2010: 9 years). Unguaranteed residual values are estimated at £nil (2010: £nil).

The average effective interest rate in relation to finance lease agreements approximates 2.38% (2010: 3.05%).

9. Loan receivables

	2011 £'000	2010 £'000
Current		
Amounts owed by group undertakings – immediate parent company	**18,638**	18,318

The fair value of loans and receivables is considered not to be materially different to the carrying amounts in the balance sheet.

10. Trade and other receivables

	2011 £'000	2010 £'000
Trade receivables	**13,629**	4,526
Other receivables	**4**	-
	13,633	4,526

11. Prepayments, accrued income and other assets

	2011 £'000	2010 £'000
Group relief receivable from group undertaking – immediate parent company	**4,113**	3,138

NOTES TO THE FINANCIAL STATEMENTS (continued)

12. Borrowings

	2011 £'000	2010 £'000
Overdrafts from group banks – intermediate parent company	-	65
Loans from group undertakings – immediate parent company	**116,181**	135,140
	116,181	135,205
Current	**26,701**	10,097
Non-current	**89,480**	125,108
	116,181	135,205

13. Trade and other payables

	2011 £'000	2010 £'000
Trade creditors	-	76
Other payables	**630**	800
Other payables – immediate parent company	**34**	41
	664	917

14. Accruals, deferred income and other liabilities

	2011 £'000	2010 £'000
Accruals – immediate parent company	**274**	327
Deferred income	**252**	480
	526	807

15. Provisions

	2011 £'000	2010 £'000
At 1 October 2010	16,605	-
Charge to income	**10,416**	7,109
Assets held as security or recoverable from lessees	**9,292**	4,216
Cash held as security	**(575)**	5,280
Movement in provision due to change in exchange rate	**(200)**	-
At 30 September 2011	**35,538**	**16,605**
Assets held as security or recoverable from lessees, included within trade and other receivables	**13,480**	4,216

The company is currently appealing against a ruling from the Spanish Tax authorities in relation to a number of corporate jet leases. The amount provided represents the directors' best estimate of the liability. The directors believe that the payment will be made within one year of the balance sheet date. Assets held as security, or recoverable from lessees, are disclosed as current assets for similar reasons.

NOTES TO THE FINANCIAL STATEMENTS (continued)

16. Financial instruments and risk management

(i) Categories of Financial instruments

The following table shows the carrying value and the fair value of financial instruments carried on the balance sheet where financial instruments are not carried at fair value on the balance sheet. Where the financial instruments are of short maturity, the carrying value is equal to the fair value.

Where the interest rates 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.

All financial assets are classed as finance lease receivables or loans and receivables. All financial liabilities are classed as amortised cost.

	2011 Carrying value £'000	2011 Fair value £'000	2010 Carrying value £'000	2010 Fair value £'000
Financial assets				
Finance lease receivables	**106,112**	**98,530**	128,057	119,175
Financial liabilities				
Borrowings	**116,181**	**117,592**	135,205	137,425

(ii) Financial risk management

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

Interest rate risk

Structural interest rate risk arises where assets and liabilities have different re-pricing maturities.

The company manages interest rate risk by monitoring the consistency in the interest rate profile of its assets and liabilities, and limiting any re-pricing mismatches.

NOTES TO THE FINANCIAL STATEMENTS (continued)

16. Financial instruments and risk management (continued)

(ii) Finance risk management (continued)

The following tables indicate financial assets and liabilities that are exposed to interest rate risk together with the corresponding range of applicable interest rates:

2011	Fixed rate £'000	Variable rate £'000	Non-interest earning £'000	Total £'000
Financial assets				
Finance leases	29,112	77,000	-	106,112
Loan receivables	-	18,638	-	18,638
Trade and other receivables	-	-	13,633	13,633
Prepayments and other assets	-	-	4,113	4,113
Cash	-	426	-	426
	29,112	96,064	17,746	142,922
Financial liabilities				
Borrowings	32,219	83,962	-	116,181
Trade and other payables	-	-	664	664
Accruals and other liabilities	-	-	274	274
	32,219	83,962	938	117,119
Net financial assets	(3,107)	12,102	16,808	25,803

2010	Fixed rate £'000	Variable rate £'000	Non-interest earning £'000	Total £'000
Financial assets				
Finance leases	34,593	93,464	-	128,057
Loan receivables	-	18,318	-	18,318
Trade and other receivables	-	-	4,526	4,526
Prepayments and other assets	-	-	3,138	3,138
	34,593	111,782	7,664	154,039
Financial liabilities				
Borrowings	34,919	100,286	-	135,205
Trade and other payables	-	-	917	917
Accruals and other liabilities	-	-	327	327
	34,919	100,286	1,244	136,449
Net financial assets	(326)	11,496	6,420	17,590

The sensitivity analysis below has been determined based on the exposure to interest rates at the balance sheet date. The analysis is prepared on the assumption that the balances receivable and/or payable moved in equal instalments across the year.

If interest rates had been 0.5% (2010: 0.5%) higher and all other variables were held constant, the company's loss before tax for the year would have decreased by £54,000 (2010: loss before tax for the year would have decreased by £4,000). This is mainly due to the company's exposure to interest rates on its variable rate deposits. There would be no other material impact on equity.

NOTES TO THE FINANCIAL STATEMENTS (continued)

16. Financial instruments and risk management (continued)

(ii) Financial risk management (continued)

Currency risk
The company is mainly exposed to Euro and US dollar currencies.

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

The following table details the impact on the company's profit before tax for the year and equity if the rate of sterling against foreign currencies had been 10% higher and all other variables were held constant.

	Euro Currency impact £'000	US dollar Currency impact £'000
2011		
Increase in loss before tax	**(890)**	**139**
Equity	**(659)**	**103**
2010		
Increase in loss before tax	(473)	148
Equity	(341)	106

The impact on profit before tax is mainly due to the company's gap between its foreign currency lending and its foreign currency borrowings. There would be no other material impact on equity

Credit risk
The objective of credit risk management is to enable the company to achieve appropriate risk versus reward performance whilst maintaining credit risk exposure in line with approved appetite for the risk that customers will be unable to meet their obligations to the company.

The key principles of the group's Credit Risk Management Framework are set out below:

- Approval of all credit exposure is granted prior to any advance or extension of credit.
- An appropriate credit risk assessment of the customer and credit facilities is undertaken prior to approval of credit exposure. This includes a review of, amongst other things, the purpose of credit and sources of repayment, compliance with affordability tests, repayment history, capacity to repay, sensitivity to economic and market developments and risk-adjusted return.
- Credit risk authority is dictated by the Board and specifically granted in writing to all individuals involved in the granting of credit approval. In exercising credit authority, the individuals act independently of any related business revenue origination.
- All credit exposures, once approved, are effectively monitored and managed and reviewed periodically against approved limits. Lower quality exposures are subject to a greater frequency of analysis and assessment.

NOTES TO THE FINANCIAL STATEMENTS (continued)

16. Financial instruments and risk management (continued)

(ii) Financial risk management (continued)

Credit risk (continued)

Maximum credit exposure and neither past due nor impaired:

Sector	No. of counterparties	2011 £'000	2010 £'000
Aircraft	10 (2010: 11)	**103,801**	125,374
Medical equipment	1	**2,311**	2,683
Finance lease receivables		**106,112**	128,057
Group undertakings		**36,657**	25,672
		142,769	153,729
Amounts past due:			
>60 days		**153**	310
Maximum credit exposure		**142,922**	154,039

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

Liquidity risk
The company has no material liquidity risk as it has access to group funding

Management focuses on both overall balance sheet structure and the control, within prudent limits, of risk arising from the mismatch of maturities across the balance sheet and from undrawn commitments and other contingent obligations. It is undertaken within limits and other policy parameters set by Group Asset and Liability Management Committee (GALCO).

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

2011	0 – 3 months £'000	4 – 12 months £'000	1 – 3 years £'000	4 – 5 years £'000	6 - 10 years £'000	11 - 20 years £'000
Borrowings	3,372	25,232	29,634	20,665	34,545	10,791
Trade and other payables	664	-	-	-	-	-
Accruals and other liabilities	274	-	-	-	-	-
	4,310	25,232	29,634	20,665	34,545	10,791

16. Financial instruments and risk management (continued)

(ii) Financial risk management (continued)

Liquidity risk (continued)

2010	0 – 3 months £'000	4 – 12 months £'000	1 – 3 years £'000	4 – 5 years £'000	6 - 10 years £'000	11 - 20 years £'000
Borrowings	-	11,751	29,163	51,644	33,283	3,326
Trade and other payables	917	-	-	-	-	-
Accruals and other liabilities	327	-	-	-	-	-
	1,244	11,751	29,163	51,644	33,283	3,326

The company's intra-group liabilities may in certain circumstances become repayable on demand pursuant to the terms of the capital support deed (see note 20 – commitments). liabilities).

Operational risk

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

17. Share capital

		2011 £'000	2010 £'000
Authorised:			
1,000,000	Ordinary shares of £1	**1,000**	1,000
Allotted, called up and fully paid:			
Equity shares			
10,000	Ordinary shares of £1	**10**	10

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

18. Cash and cash equivalents

	2011 £'000	2010 £'000
Cash held with group undertaking – intermediate parent company	**426**	-
Deposits with group companies placed at within 3 months original maturity (note 9)	**18,638**	18,318
Overdrafts:		
Amounts owed to group banks (note 12)	**-**	(65)
Cash and cash equivalents per cash flow statement	**19,064**	18,253

NOTES TO THE FINANCIAL STATEMENTS (continued)

19. Capital resources

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

20. Commitments

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

Other Commitments	**2011 £'000**	**2010 £'000**
Contracts to buy assets to be leased under finance leases	**5,508**	5,508

21. Related parties

UK Government

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

The company enters into transactions with these bodies on an arms' length basis; they include the payment of taxes including UK corporation tax and value added tax together with leasing transactions undertaken in the normal course of lessor-customer relationships.

Group undertakings

The company's immediate parent company is Royal Bank Leasing Limited, a company incorporated in Great Britain and registered in Scotland, a company incorporated in Great Britain and registered in England and Wales. As at 30 September 2011, The Royal Bank of Scotland plc heads the smallest group in which the company is consolidated. Copies of the consolidated accounts of this company may be obtained from The Secretary, The Royal Bank of Scotland Group plc, Gogarburn, Edinburgh EH12 1HQ.

NOTES TO THE FINANCIAL STATEMENTS (continued)

21. Related parties - continued

The company's ultimate holding company is The Royal Bank of Scotland Group plc, a company incorporated in Great Britain and registered in Scotland. As at 30 September 2011, The Royal Bank of Scotland Group plc heads the largest group in which the company is consolidated. Copies of the consolidated accounts of this company may be obtained from The Secretary, The Royal Bank of Scotland Group plc, Gogarburn, Edinburgh EH12 1HQ.

Amounts due to or from related parties are unsecured and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of amounts owed by related parties.

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

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

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

22. Post balance sheet events

There have been no significant events between the year end and the date of approval of these financial statements which would require a change to/or a disclosure in the financial statements.