

Company Registration No: SC080104

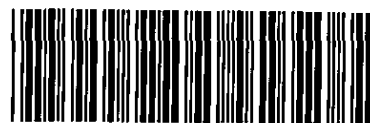
ROYAL SCOT LEASING LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

30 September 2009

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

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ROYAL SCOT LEASING LIMITED

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ROYAL SCOT LEASING LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS:

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

SECRETARY:

C Whittaker

REGISTERED OFFICE:

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

AUDITORS:

**Deloitte LLP
Bristol**

Registered in Scotland.

ROYAL SCOT LEASING LIMITED

DIRECTORS' REPORT

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

ACTIVITIES AND BUSINESS REVIEW

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

The Company is a member 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 development of the Company's activities during 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 £228,083,000 (2008: £233,375,000) and total equity of £3,911,000 (2007: £3,219,000). During the year a dividend of £3,000,000 (£300 per ordinary share) was paid (2008: £4,250,000 equating to £425 per share).

Post the year end 2 hire purchase transactions terminated reducing finance lease and hire purchase receivables by £45,000,000, no profit or loss was made on termination.

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

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

DIRECTORS AND SECRETARY

The present directors and secretary, who have served throughout the year except where noted below, are listed on page 1.

ROYAL SCOT LEASING LIMITED

DIRECTORS AND SECRETARY - continued

From 1 October 2008 to date the following changes have taken place:

Directors	Appointed	Resigned
I Shephard		10 February 2009
J Rogers	16 March 2009	

DIRECTORS' RESPONSIBILITIES

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

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

In preparing these financial statements, International Accounting Standard 1 requires that directors:

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

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

DISCLOSURE OF INFORMATION TO AUDITORS

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

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

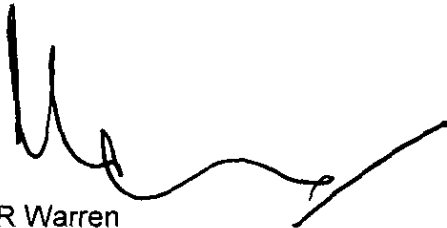
This confirmation is given and shall be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

ROYAL SCOT LEASING LIMITED

AUDITORS

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

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

A handwritten signature in black ink, appearing to be 'R Warren', with a long, sweeping horizontal stroke extending to the right.

R Warren
Director
Date: 25 June 2010

INDEPENDENT AUDITORS 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 2009 which comprise the income statement, the statement of recognised income and expense, the balance sheet, the cash flow statement and the related Notes 1 to 23. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS's) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2009 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006; and
- the directors were not entitled to take advantage of the small companies exemption in preparing the directors report.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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



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

28th JUNE 2010

ROYAL SCOT LEASING LIMITED

INCOME STATEMENT

for the year ended 30 September 2009

	Note	2009 £'000	2008 £'000
CONTINUING OPERATIONS			
Revenue	4	8,270	9,773
		<hr/>	<hr/>
GROSS PROFIT		8,270	9,773
Other operating income	5	4,612	1,871
Administrative expenses (Including an exceptional bad debt charge of £1,848,000, 2008 £nil)	6	(1,897)	(1,171)
		<hr/>	<hr/>
OPERATING PROFIT	6	10,985	10,473
Finance costs	8	(5,857)	(7,947)
		<hr/>	<hr/>
PROFIT BEFORE TAXATION		5,128	2,526
Tax charge	9	(1,436)	(729)
		<hr/>	<hr/>
PROFIT FOR THE FINANCIAL YEAR	19	<u>3,692</u>	<u>1,797</u>

ROYAL SCOT LEASING LIMITED

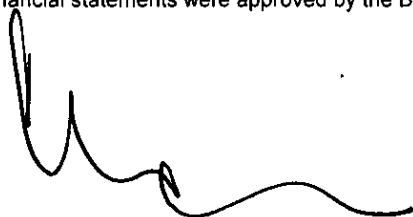
STATEMENT OF RECOGNISED INCOME AND EXPENSE
for the year ended 30 September 2009

	2009 £'000	2008 £'000
Profit for the year	<u>3,692</u>	<u>1,797</u>
Total recognised income and expense for the year	<u><u>3,692</u></u>	<u><u>1,797</u></u>

BALANCE SHEET
 as at 30 September 2009

	Note	2009 £'000	2008 £'000
NON-CURRENT ASSETS			
Finance leases and hire purchase receivables	11	<u>166,393</u>	<u>194,268</u>
		<u>166,393</u>	<u>194,268</u>
CURRENT ASSETS			
Investment in associate	18	31	-
Finance leases and hire purchase receivables	11	45,835	27,632
Trade and other receivables	12	4,486	1,422
Cash and cash equivalents	13	<u>11,338</u>	<u>10,053</u>
		61,690	39,107
TOTAL ASSETS		<u>228,083</u>	<u>233,375</u>
CURRENT LIABILITIES			
Trade and other payables	14	(2,735)	(2,264)
Borrowings	15	<u>(12,660)</u>	<u>(27,499)</u>
		(15,395)	(29,763)
NON CURRENT LIABILITIES			
Borrowings	15	<u>(208,777)</u>	<u>(200,393)</u>
		(208,777)	(200,393)
TOTAL LIABILITIES		<u>(224,172)</u>	<u>(230,156)</u>
NET ASSETS		<u>3,911</u>	<u>3,219</u>
EQUITY			
Share capital	17	10	10
Retained earnings	19	<u>3,901</u>	<u>3,209</u>
TOTAL EQUITY		<u>3,911</u>	<u>3,219</u>

The financial statements were approved by the Board of Directors on 25 June 2010 and signed on its behalf by:



R Warren
Director

ROYAL SCOT LEASING LIMITED

CASH FLOW STATEMENT

for the year ended 30 September 2009

	Note	2009 £'000	2008 £'000
NET CASH FROM/(USED IN) OPERATING ACTIVITIES	20	<u>10,773</u>	<u>(101,359)</u>
INVESTING ACTIVITIES			
Acquisition of investment in an associate		<u>(31)</u>	<u>-</u>
NET CASH USED IN INVESTING ACTIVITIES		<u>(31)</u>	<u>-</u>
FINANCING ACTIVITIES			
Dividends paid		(3,000)	(4,250)
New bank loans raised		-	87,914
Repayments of borrowings		<u>(6,456)</u>	<u>-</u>
NET CASH (USED IN)/FROM FINANCING ACTIVITIES		<u>(9,456)</u>	<u>83,664</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		1,286	(17,695)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		<u>10,053</u>	<u>27,748</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	13	<u><u>11,339</u></u>	<u><u>10,053</u></u>

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES

a BASIS OF ACCOUNTING

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

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

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

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

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

b INCOME UNDER FINANCE LEASES

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

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

c FEE INCOME

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

d PROGRESS PAYMENTS INCOME RECOGNITION

Where assets are subject to progress payments being made prior to the commencement of the primary lease period, interest on the total of such payments at an appropriate rate is added to the cost of the asset and credited to the profit and loss account.

e BORROWING COSTS

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

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.

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES - continued

g FOREIGN CURRENCY

Transactions in foreign currencies are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rates prevailing at the date of the transaction. Gains and losses arising on retranslation are included in profit or loss for the period.

i 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 borrowings' and 'trade and other payables' in the balance sheet.

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

j AMOUNTS RECEIVABLE UNDER FINANCE LEASES AND HIRE PURCHASE

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.

k 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.

l 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.

m BORROWINGS

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

n 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.

o OPERATING PROFIT

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

NOTES TO THE FINANCIAL STATEMENTS

2 FINANCIAL RISK MANAGEMENT

a Interest rate risk

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

The Company's policy is to avoid interest rate risk by using two methods;

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

By matching the maturity of the lease and its associated loan finance and fixing the cost of borrowing at the inception of the lease when the effective interest rate in the lease is determined.

b Currency risk

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

c Credit risk

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

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 immediate parent company is Royal Bank Leasing Limited.

The Company's ultimate holding company and the parent of the largest group into which the Company is consolidated, is The Royal Bank of Scotland Group plc which is incorporated in Great Britain and registered in Scotland. Copies of the 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 smallest subgroup into which the Company is consolidated has as its parent company 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.

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 has announced that its shareholdings in banks will be managed by UK Financial Investments Limited a company wholly-owned by the UK Government.

ROYAL SCOT LEASING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

4 REVENUE	2009 £'000	2008 £'000
Finance leases:		
Rentals receivable	30,271	22,724
Amortisation	(22,001)	(12,951)
	<u>8,270</u>	<u>9,773</u>
Included in the above are the following amounts:		
Contingent rentals (payable)/receivable	<u>(2,497)</u>	<u>5</u>
Capital cost of asset additions financed:		
Finance leases and hire purchases	<u>14,942</u>	<u>132,151</u>
5 OTHER OPERATING INCOME	2009 £'000	2008 £'000
Fee income	137	99
Management charge	272	-
Profit on disposal of leases	1,697	544
Foreign exchange profit	2,473	1,219
Other income	33	9
	<u>4,612</u>	<u>1,871</u>
6 OPERATING PROFIT		
Operating profit has been arrived at after charging:	2009 £'000	2008 £'000
Fees & commissions	34	-
Bad debt charge	1,848	-
Management charge	-	487
Other	15	684
	<u>1,897</u>	<u>1,171</u>
Costs incurred in respect of audit services to the Company are included in the management charge as shown below:		
	£	£
Auditors' remuneration - for audit services	<u>13,546</u>	<u>52,976</u>

NOTES TO THE FINANCIAL STATEMENTS

7 STAFF COSTS

All directors are employed and remunerated by The Royal Bank of Scotland plc, which did not make a recharge to the Company in the year (2008:nil).

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

8 FINANCE COSTS

2009	2008
£'000	£'000

Interest payable to group undertakings	5,855	7,947
Break costs	2	-
	<u>5,857</u>	<u>7,947</u>

9 TAXATION

2009	2008
£'000	£'000

A) ANALYSIS OF TAX CHARGE FOR THE YEAR

Current tax charge:

- Group relief payable on profit for the year	1,436	734
- Adjustment in respect of prior periods	-	(3)
	<u>1,436</u>	<u>731</u>

Deferred tax - origination and reversal of timing differences:

- Current year	-	(2)
	<u>-</u>	<u>(2)</u>
Tax charge	<u>1,436</u>	<u>729</u>

B) FACTORS AFFECTING THE TAX CHARGE FOR THE YEAR

Profit before tax	<u>5,128</u>	<u>2,526</u>
Tax on profit at the rate of 28% (2008: 29%)	1,436	733
Adjustment to tax charge in respect of prior periods	-	(4)
Tax charge	<u>1,436</u>	<u>729</u>

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

NOTES TO THE FINANCIAL STATEMENTS

10 FINANCIAL INSTRUMENTS

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

	Carrying value 2009 £'000	Fair value 2009 £'000	Carrying value 2008 £'000	Fair value 2008 £'000
Finance lease and hire purchase receivables	212,228	193,948	221,900	191,104
Loans and receivables				
Trade and other receivables	4,486	4,486	1,422	1,422
Cash and cash equivalents	11,338	11,338	10,053	10,053
Financial assets	<u>228,052</u>	<u>209,772</u>	<u>233,375</u>	<u>202,579</u>
Financial liabilities measured at amortised cost				
Trade and other payables	2,735	2,735	2,264	2,264
Borrowings	221,437	223,793	227,892	226,581
Financial liabilities	<u>224,172</u>	<u>226,528</u>	<u>230,156</u>	<u>228,845</u>

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

b) Financial instrument - carrying amount by market risk exposure:

	2009 £'000	2008 £'000
Interest rate risk:		
Financial assets		
- variable rate	187,049	169,482
- fixed rate	36,517	53,840
- non-interest bearing	4,486	1,422
	<u>228,052</u>	<u>224,744</u>
Financial liabilities		
- variable rate	184,449	174,554
- fixed rate	36,988	53,338
- non-interest bearing	2,735	2,264
	<u>224,172</u>	<u>230,156</u>

If market interest rates had been 2% (2008 :1%) higher or lower the profit or loss and equity of the Company would not have been materially affected in either year.

c) Financial asset - credit quality and concentration of credit risk:

		2009 £'000	2008 £'000
Maximum credit exposure and neither past due nor impaired:			
Sector:	No. of counterparties :		
Aircraft	14 lessees	209,374	216,444
Medical equipment	1 lessee	2,854	5,456
Finance lease receivables		212,228	221,900
Group undertakings		11,338	11,475
		<u>223,566</u>	<u>233,375</u>

NOTES TO THE FINANCIAL STATEMENTS

10 FINANCIAL INSTRUMENTS - Continued

Amounts past due:

	2009 £'000	2008 £'000
< 12 months	<u>4,486</u>	<u>194</u>
Maximum credit exposure	<u>228,052</u>	<u>233,569</u>

Based on counterparty history the Company considers that the counterparties of the majority of the financial assets to be of sufficient credit quality to be fully recoverable. Included within the assets there is an amount of £4,486,000 relating to lessees where the credit payments are not considered as good and the Company is recovering its assets.

d) Liquidity risk:

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

	Less than 1 year £'000	In the 2nd year £'000	3 to 5 years £'000	Over 5 years £'000
2009				
Trade payables	2,735	-	-	-
Borrowings	<u>13,442</u>	<u>16,011</u>	<u>123,011</u>	<u>97,268</u>
	<u>16,177</u>	<u>16,011</u>	<u>123,011</u>	<u>97,268</u>
2008				
Trade payables	2,264	-	-	-
Borrowings	<u>39,860</u>	<u>23,954</u>	<u>100,340</u>	<u>127,271</u>
	<u>42,124</u>	<u>23,954</u>	<u>100,340</u>	<u>127,271</u>

11 FINANCE LEASE AND HIRE PURCHASE RECEIVABLES

	Gross investment in lease		Present value of minimum lease payments	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Amounts receivable under finance leases and hire purchase:				
Within one year	47,132	28,143	45,835	27,632
In the second to fifth years inclusive	128,817	117,145	108,644	105,443
After five years	<u>92,005</u>	<u>112,148</u>	<u>57,749</u>	<u>88,825</u>
	267,954	257,436	212,228	221,900
Less: unearned finance income	<u>(55,726)</u>	<u>(35,536)</u>	<u>N/A</u>	<u>N/A</u>
Present value of minimum lease payments receivable	<u>212,228</u>	<u>221,900</u>	<u>212,228</u>	<u>221,900</u>

Analysed as:

Non-current finance lease and hire purchase receivables (recoverable after 12 months)	166,393	194,268
Current finance lease and hire purchase receivables (recoverable within 12 months)	<u>45,835</u>	<u>27,632</u>
	<u>212,228</u>	<u>221,900</u>

The Company has entered into finance leasing arrangements for plant, equipment and aircraft. The average term of the finance leases entered into is 9 years.

NOTES TO THE FINANCIAL STATEMENTS

11 FINANCE LEASE AND HIRE PURCHASE RECEIVABLES - Continued

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

The interest rate inherent in the leases is determined at the contract date for all the lease term. The average effective interest rate contracted approximates to 5.4% (2008: 3.2%) p.a.

12 TRADE AND OTHER RECEIVABLES	2009 £'000	2008 £'000
Trade debtors	4,486	193
Amounts due from group undertakings	-	830
Other debtors	-	399
	<u>4,486</u>	<u>1,422</u>

13 CASH AND CASH EQUIVALENTS	2009 £'000	2008 £'000
Bank account with group undertakings	865	737
Short term deposits with group undertakings	<u>10,473</u>	<u>9,316</u>
	<u>11,338</u>	<u>10,053</u>

14 TRADE AND OTHER PAYABLES	2009 £'000	2008 £'000
Payments received on account	473	199
Amounts due to group undertakings	1,465	1,453
Other creditors	<u>797</u>	<u>612</u>
	<u>2,735</u>	<u>2,264</u>

15 BORROWINGS	2009 £'000	2008 £'000
Loan amount due to group undertakings	<u>221,437</u>	<u>227,892</u>
The borrowings are repayable as follows:		
On demand or within one year	12,660	27,499
In the second year	13,288	12,704
In the third to fifth year inclusive	108,636	72,214
After five years	<u>86,853</u>	<u>115,475</u>
	221,437	227,892
Less: Amounts due for settlement within 12 months (shown under current liabilities)	<u>(12,660)</u>	<u>(27,499)</u>
Amounts due for settlement after 12 months	<u>208,777</u>	<u>200,393</u>

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

The effective interest rate on the loan is 1.84% (2008: 5.1%) p.a.

NOTES TO THE FINANCIAL STATEMENTS

16 DEFERRED TAX

Movements during the year:

Deferred
taxation
£'000

At 1 October 2007

2

Credit to income statement

(2)

At 1 October 2008 and 30 September 2009

-

17 SHARE CAPITAL

	2009 Number of shares	2008 Number of shares	2009 £	2008 £
Ordinary shares of £1 each:				
Authorised:				
- Ordinary shares of £1 each	10,000	10,000	10,000	10,000
Issued, called up and fully paid:				
- Ordinary shares of £1 each	10,000	10,000	10,000	10,000

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

18 INVESTMENT IN ASSOCIATE

During the period the Company acquired an interest in Nevis Range Limited for £31,000 these were then sold in November 2009 at nil gain nil loss.

19 RETAINED EARNINGS

	£'000
Balance at 1 October 2007	5,662
Dividends paid	(4,250)
Profit for the financial year	1,797
Balance at 1 October 2008	3,209
Dividends paid	(3,000)
Profit for the financial year	3,692
Balance at 30 September 2009	3,901

During the year the company paid dividends of £300 (2008: £425) per ordinary share.

20 NOTES TO THE CASH FLOW STATEMENT

	2009 £'000	2008 £'000
Profit before tax	5,128	2,526
Adjustments for:		
Interest expense	5,857	7,947
Operating cash flows before movements in working capital	10,985	10,473
Decrease/(increase) in receivables	5,779	(101,586)
(Decrease)/increase in payables	(255)	629
Cash generated by operations	16,509	(90,484)
Income taxes received/(paid)	545	(3,211)
Interest paid	(6,281)	(7,664)
Net cash from/(used in) operating activities	10,773	(101,359)

NOTES TO THE FINANCIAL STATEMENTS

21 RELATED PARTY TRANSACTIONS

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

	2009 £'000	2008 £'000
Royal Bank Leasing Limited		
Transactions during the period:		
Management charge paid to related party	-	487
Interest on loan paid to related party	6,281	7,664
Group relief (received from)/paid to related party	(545)	3,211
Loan repaid to related party/(Additional borrowing from related party)	<u>6,456</u>	<u>(87,914)</u>
Group relief owed (to)/by related party	(1,152)	830
Outstanding balance owed by related party	<u>(211,237)</u>	<u>(219,936)</u>
The Royal Bank of Scotland plc		
Bank account with group undertakings	<u>865</u>	<u>736</u>

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties. Both The Royal Bank of Scotland plc and Royal Bank Leasing Limited are fellow subsidiaries of the ultimate holding company The Royal Bank of Scotland Group plc.

22 POST BALANCE SHEET EVENT

Post the year end 2 hire purchase transactions terminated reducing the finance lease and hire purchase balance by £45,000,000.

23 CONTINGENT LIABILITY

The Company currently has an ongoing enquiry from the Spanish Tax authorities in relation to a number of corporate jet leases. At this stage it is not possible to quantify any potential cost that may arise.