

Company Registration No: 00436088

FARMING AND AGRICULTURAL FINANCE LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

30 SEPTEMBER 2005



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

FARMING AND AGRICULTURAL FINANCE LIMITED

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FARMING AND AGRICULTURAL FINANCE LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

G C Clemett
N T J Clibbens
P A Lynam
J McLean

SECRETARY

G Wraith-Carter

REGISTERED OFFICE

3 Princess Way
Redhill
Surrey
RH1 1NP

AUDITORS

Deloitte & Touche LLP
London

Registered in England and Wales.

FARMING AND AGRICULTURAL FINANCE LIMITED

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 30 September 2005.

ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company is the provision of credit finance by way of instalment credit and leasing.

The loss after tax for the year was £19,000 (2004 profit after tax: £103,000)

The net amount financed under all forms of financial agreements entered into during the year was £nil (2004: £nil). The directors do not propose to pay a dividend (2004: £nil).

On 1 October 2004, the entire portfolio of the company was sold to Lothex Leasing Limited, a subsidiary of Gresham Financial Services Limited.

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 2004 to date the following changes have taken place:

Directors	Appointed	Resigned
N T J Clibbens	11 July 2005	
P A Lynam	11 July 2005	
Secretary		
C J Whittaker		28 November 2005
G Wraith-Carter	28 November 2005	

DIRECTORS' RESPONSIBILITIES

United Kingdom company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period. In preparing the 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;
- state whether applicable accounting standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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 financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that these financial statements comply with the aforementioned requirements.

FARMING AND AGRICULTURAL FINANCE LIMITED

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' INTERESTS

No director had an interest in the shares of the company.

The following directors were beneficially interested in the ordinary shares of The Royal Bank of Scotland Group plc:

	As at 1 October 2004	As at 30 September 2005
J McLean	3,896	3,189

Options to subscribe for ordinary shares of 25p each in The Royal Bank of Scotland Group plc granted to and exercised during the period by the following director of the company and connected persons are:

	As at 1 October 2004	Granted during the period Options Price (p)	Exercised During the period Options Price (p)	As at 30 September 2005
J McLean	860	779 1209	710 1364 150 1563	779

No director had any interest in any of the preference shares of the Royal Bank of Scotland Group plc during the year to 30 September 2005.

The interests of Mr G C Clemett, Mr N J T Clibbens and Mr P A Lynam in share capital of The Royal Bank of Scotland Group plc are disclosed in the financial statements of Lombard North Central PLC.

Other than as disclosed, none of the directors in office at 30 September 2005 held any interest in the share or loan capital of the company or any other group company.

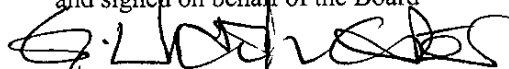
ELECTIVE RESOLUTIONS

The company has passed Elective Resolutions electing to dispense with the requirement to hold annual general meetings, lay accounts before a general meeting and re-appointment of auditors annually.

AUDITORS

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

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


G Wraith-Carter
Secretary

Date:

16 JUN 2006

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
FARMING AND AGRICULTURAL FINANCE LIMITED**

We have audited the financial statements of Farming and Agricultural Finance Limited for the year ended 30 September 2005, which comprise the profit and loss account, the balance sheet and the related notes 1 to 18. 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

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

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 also report if, in our opinion, the directors' report is not consistent with the financial statements, if 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 transactions with the company is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with United Kingdom auditing standards 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 company's circumstances, 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 of the state of the company's affairs as at 30 September 2005 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London 19 June 2006

FARMING AND AGRICULTURAL FINANCE LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30 SEPTEMBER 2005

	Note	2005 £'000	Reclassified 2004 £'000
Turnover	2	-	(324)
Depreciation on tangible fixed assets		-	(6)
Other operating (charges)/credits	3	(54)	387
Operating (loss)/profit	4	(54)	57
Interest receivable	5	36	91
(Loss)/profit on ordinary activities before taxation		(18)	148
Taxation charge on (loss)/profit on ordinary activities	7	(1)	(45)
(Loss)/profit after tax and retained for the financial year	12, 13	<u>(19)</u>	<u>103</u>

All items dealt with in arriving at the loss on ordinary activities before taxation for 2005 and the profit on ordinary activities before taxation for 2004 arise from continuing operations.

RECOGNISED GAINS AND LOSSES

There are no recognised gains or losses other than the loss attributable to shareholders of the company of £19,000 in the year ended 30 September 2005 and the profit of £103,000 in the year ended 30 September 2004.

The notes on pages 7 to 14 form part of these financial statements.

FARMING AND AGRICULTURAL FINANCE LIMITED

BALANCE SHEET

AT 30 SEPTEMBER 2005

	Note	2005 <u>£'000</u>	2004 <u>£'000</u>
<u>ASSETS</u>			
FIXED ASSETS			
Tangible assets	8	-	40
Investments	9	<u>10,020</u>	<u>10,041</u>
		10,020	10,081
CURRENT ASSETS			
Debtors falling due within one year	10	-	2,530
Debtors falling due after more than one year	10	<u>-</u>	<u>291</u>
		<u>10,020</u>	<u>12,902</u>
<u>LIABILITIES</u>			
CAPITAL AND RESERVES			
Called up share capital	11	456	456
Share premium account		15	15
Profit and loss account	12	<u>(21)</u>	<u>(2)</u>
TOTAL EQUITY SHAREHOLDERS' FUNDS	13	450	469
CREDITORS			
Amounts falling due within one year	15	<u>9,570</u>	<u>12,433</u>
		<u>10,020</u>	<u>12,902</u>

The financial statements were approved at a meeting of the board of directors
on **16 JUN 2006** and were signed on their behalf by:


N T J Clibbens Director

All of the above share capital relates to equity funds.

The notes on pages 7 to 14 form part of these financial statements.

FARMING AND AGRICULTURAL FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

a. Accounting Convention

The financial statements have been prepared on the basis of historical cost and in accordance with applicable United Kingdom law and accounting standards.

The company's accounts fall within the scope of the Statement of Recommended Practice ("SORP") issued by the Finance & Leasing Association. The accounts have been prepared in accordance with the SORP in all material aspects.

b. Finance Leases

Income from finance leases is recognised over the primary period of the lease in order that post tax profits are allocated to accounting periods so as to give a constant periodic rate of return on the net cash investment. Finance lease receivables are stated at the amount of the net cash investment in the lease.

The balance sheet carrying values of finance lease assets include balances in respect of residual values. Unguaranteed residual values are subject to regular review and movements are reflected via the depreciation charge.

c. Operating Leases

Assets held for use in operating leases are recorded as tangible fixed assets.

Net income from operating leases, after charging interest, depreciation, maintenance and other costs, is credited to the profit and loss account to give a constant periodic return on the operating lease fixed asset throughout the period of the lease.

The balance sheet carrying values of operating lease assets include balances in respect of residual values. Unguaranteed residual values are subject to regular review and movements are reflected via the depreciation charge.

d. Income from Instalment Credit Business

Where charges on instalment credit agreements are added to the amount financed at the commencement of the agreement, income and unearned charges have been calculated in accordance with a formula known as the 'Rule of 78'. In other transactions, charges are debited to customers' accounts as and when they fall due.

e. Depreciation

Depreciation is provided on tangible fixed assets so as to write them down to their estimated residual value over their estimated useful lives, as follows:-

	<u>Basis</u>	<u>Estimated Useful Life</u>
Assets held for use in operating leases	Actuarial	Term of contract

FARMING AND AGRICULTURAL FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

f. Other Operating (Charges)/Credits

Other operating (charges)/credits includes the release of bad and doubtful debts and other operating (charges)/credits. Specific provisions are made against advances for which recovery is considered to be doubtful. General provision is made in respect of losses which, although not separately identified, are from experience to be present in any portfolio of leasing/hire purchase assets. Other operating (charges)/credits are accounted for on an accruals basis.

g. Taxation

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

Deferred tax is provided in full, without discounting, in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax assets are only recognised to the extent that it is regarded that it is more likely than not that they will be recovered.

h. Cash flow statement

As a wholly owned subsidiary of The Royal Bank of Scotland Group plc, the company has taken advantage of the exemption permitted by Financial Reporting Standard 1, 'Cash Flow Statement' and does not prepare a cash flow statement.

i. Investments

Interests in subsidiary undertakings are stated at cost less provision for any impairment in value.

2. TURNOVER

- (i) Turnover represents lease income, charges on instalment credit agreements and termination adjustments credited to the profit and loss account during the year all of which arises in the United Kingdom and is from continuing activities.

	2005 £'000	2004 £'000
(ii) Aggregate rentals receivable during the year were as follows:		
Finance leases	-	635
Operating leases	-	7
Instalment credit agreements	-	482
	<u>-</u>	<u>1,124</u>

FARMING AND AGRICULTURAL FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. EXCEPTIONAL ITEM

On 1st October 2004, the company disposed of its entire leasing and instalment credit portfolio and discharged other related balances. Total consideration received was £509,000 realising an overall net gain of £18,000. This amount is included within other operating charges.

4. OPERATING (LOSS)/PROFIT

There is no charge in this year's financial statements for auditors' remuneration as the fee is to be charged in the financial statements of the immediate parent undertaking (2004: £nil).

5. INTEREST RECEIVABLE

	2005	2004
	<u>£'000</u>	<u>£'000</u>
From group undertakings	<u>36</u>	<u>91</u>

6. EMPLOYEES, DIRECTORS' REMUNERATION AND INTERESTS

No emoluments were paid to any director by the company during the year (2004: £nil).

None of the directors had any material interest in any contract of significance in relation to the business of the company (2004: £nil).

The company had no employees during the year (2004: none).

Employee costs are incurred by the immediate parent company, Lombard North Central PLC, and allocated together with other overheads by way of a management charge to the company.

FARMING AND AGRICULTURAL FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. TAXATION CHARGE ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES	2005 £'000	2004 £'000
A) Analysis of charge in the year		
Current taxation:		
Group relief (receivable)/payable*	(1)	(14)
Adjustments in respect of prior years	-	30
Deferred Taxation:		
Origination and reversal of timing differences (note 14)	2	59
Adjustments in respect of prior years (note 14)	-	(30)
	<u>1</u>	<u>45</u>

* Provision for group relief is made on the assumption that the claimant companies will make payment to the surrendering companies at rates appropriate to the periods in which the losses claimed are utilised.

B) Factors affecting the tax charge for the year

The actual tax charge for the year is different to that resulting from applying the standard rate of UK corporation tax of 30% (2004: 30%). The differences are explained below:

	2005 £'000	2004 £'000
(Loss)/profit on ordinary activities before tax	<u>(18)</u>	<u>148</u>
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2004: 30%)	(5)	45
Effects of:		
Capital allowances in excess of depreciation	(2)	(59)
Impairment of investment	6	-
Adjustments in respect of prior years	-	30
Current tax charge for the year	<u>(1)</u>	<u>16</u>
Deferred taxation:		
Origination and reversal of timing differences (note 14)	2	59
Adjustments in respect of prior years (note 14)	-	(30)
	<u>1</u>	<u>45</u>

FARMING AND AGRICULTURAL FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. TANGIBLE FIXED ASSETS

	Assets held for use in operating leases <u>£'000</u>
<u>Cost</u>	
At 1 October 2004	170
Disposals	(170)
At 30 September 2005	<u>-</u>
<u>Depreciation</u>	
At 1 October 2004	130
Disposals	(130)
At 30 September 2005	<u>-</u>
Net book value at 30 September 2005	<u>-</u>
Net book value at 30 September 2004	<u>40</u>

9. INVESTMENTS

	2005 <u>£'000</u>	2004 <u>£'000</u>
Shares in subsidiary undertakings at cost:		
Cost:		
At 1 October and 30 September	<u>10,041</u>	<u>10,041</u>
Provisions:		
At 1 October	-	-
Increase in provision	21	-
At 30 September	<u>21</u>	<u>-</u>
Carrying Value:		
At 30 September	<u>10,020</u>	<u>10,041</u>

The above impairment of investment is included within other operating charges.

FARMING AND AGRICULTURAL FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. INVESTMENTS (CONTINUED)

The company holds 100% of the ordinary share capital of the following companies, registered in England and Wales, none of which are currently trading but for which former activities are shown:

	<u>Accounting Reference Date</u>
Providing credit finance by way of leasing: FAF Contracts Limited	30 June
Holding company: Farming and Agricultural Finance (Holdings) Limited	30 September
Providing point of sale finance: FAF Growbook Limited	30 September

The company is exempt under Section 228 of the Companies Act 1985 from the obligation to prepare group financial statements as the company is itself a wholly owned subsidiary of The Royal Bank of Scotland plc, which is registered in Scotland. The financial statements present information about the company as an individual undertaking and not about its group.

10. DEBTORS

	<u>2005 £'000</u>	<u>2004 £'000</u>
Amounts falling due:		
i) Within one year		
Amounts owed by group undertakings	-	2,218
Net investment in finance leases	-	86
Net investment in instalment credit agreements	-	221
Other debtors	-	5
	<hr/>	<hr/>
	-	2,530
ii) After more than one year		
Net investment in finance leases	-	158
Net investment in instalment credit agreements	-	131
Deferred taxation (note 14)	-	2
	<hr/>	<hr/>
	-	291
	<hr/>	<hr/>
Total debtors	<hr/>	<hr/>
	-	2,821

FARMING AND AGRICULTURAL FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. CALLED UP SHARE CAPITAL	2005 £'000	2004 £'000
Authorised:		
500,000 Ordinary shares of £1 each	<u>500</u>	<u>500</u>
Allotted, called up and fully paid:		
455,800 Ordinary shares of £1 each	<u>456</u>	<u>456</u>

All of the above share capital relates to equity funds.

12. PROFIT AND LOSS ACCOUNT	£'000
Balance at 1 October 2004	(2)
Retained loss for the financial year	(19)
Balance at 30 September 2005	<u>(21)</u>

13. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2005 £'000	2004 £'000
(Loss)/profit attributable to members of the company	(19)	103
Opening shareholders' funds	<u>469</u>	<u>366</u>
Closing shareholders' funds	<u>450</u>	<u>469</u>

14. DEFERRED TAXATION ASSET	2005 £'000	2004 £'000
Accelerated capital allowances	-	(63)
Other	<u>-</u>	<u>65</u>
	<u>-</u>	<u>2</u>
Balance at 1 October 2004	2	
Transfer to profit and loss account (note 7)	(2)	
Balance at 30 September 2005	<u>-</u>	

FARMING AND AGRICULTURAL FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15. CREDITORS	2005 £'000	2004 £'000
Amounts falling due within one year:		
Amounts owed to group undertakings	9,570	12,089
Other creditors	-	344
	<u>9,570</u>	<u>12,433</u>

16. ULTIMATE PARENT UNDERTAKING

The company's immediate parent company is Lombard North Central PLC.

The company's ultimate holding company, ultimate controlling party, and the parent of the largest 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, P O Box 1000, Edinburgh EH12 1HQ.

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, P O Box 1000, Edinburgh EH12 1HQ.

17. RELATED PARTY TRANSACTIONS

The company is exempt from the requirement of Financial Reporting Standard 8 'Related Party Disclosures' to disclose transactions and balances with other subsidiaries or investees of The Royal Bank of Scotland Group plc as the company's results are included in the Consolidated Financial Statements of The Royal Bank of Scotland Group plc.

There were no other related party transactions during the year or any amounts due to or from related parties outstanding at the balance sheet date.

18. CONTINGENT LIABILITIES AND COMMITMENTS

The Royal Bank of Scotland Group has agreed to compensate UK members for any adjustments in respect of UK:UK Transfer Pricing that may arise under paragraph 1A of Schedule 28 AA, Income and Corporation Taxes Act 1988.