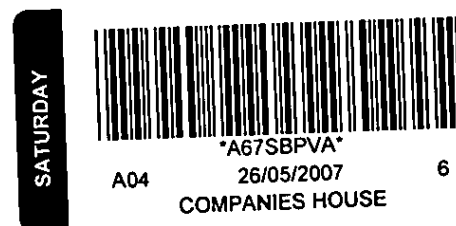


Company Registration No: 00436088

FARMING AND AGRICULTURAL FINANCE LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

30 September 2006



**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 annual report and the audited financial statements for the year ended 30 September 2006

ACTIVITIES AND BUSINESS REVIEW

The directors' report has been prepared in accordance with the special provisions relating to small companies under section 246(4)(a) of the Companies Act 1985

The principal activity of the Company was the provision of credit finance by way of instalment credit and leasing

The profit for the year was £88,000 (2005 loss of £19,000) and this was transferred to reserves
No dividend was paid during the year (2005 £nil)

The Company did not trade during the year under review and is not expected to in the foreseeable future

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 2005 to date the following changes have taken place

	Appointed	Resigned
Secretary		
C J Whittaker		28 November 2005
G Wraith-Carter	28 November 2005	

DIRECTORS' RESPONSIBILITIES

The directors are required by the Companies Act 1985 to prepare the directors' report and financial statements for each financial year and have elected to prepare them in accordance with International Financial Reporting Standards. They are responsible for preparing accounts that present fairly the financial position, financial performance and cash flows of the Company. In preparing these accounts 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, subject to any material departures disclosed and explained in the accounts, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

FARMING AND AGRICULTURAL FINANCE LIMITED

DIRECTORS' REPORT (Continued)

DIRECTORS' RESPONSIBILITIES (Continued)

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the directors' report and financial statements comply with the 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.

USE OF FINANCIAL INSTRUMENTS

The Company's financial risk management policies and exposure in relation to the respective risks are detailed in note 11 of the financial statements.

DISCLOSURE OF INFORMATION TO AUDITORS

Each of the directors of the Company holding office at the date of approval of this report confirm that

- (1) so far as each of the directors are aware, there is no relevant audit information of which the Company's Auditors are unaware, and
- (2) so far as each of the directors are aware they have taken all steps that they ought to have taken to make themselves 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 S 234ZA of the Companies Act 1985.

DIRECTORS' INDEMNITIES

In terms of Section 309C of the Companies Act 1985 (as amended), Mr G C Clemett, Mr N T J Clibbens and Mr P A Lynam had been granted Qualifying Third Party Indemnity Provisions by The Royal Bank of Scotland Group plc.

ELECTIVE RESOLUTIONS

The Company has elected to dispense with the requirement to hold annual general meetings, lay accounts before a general meeting and re-appointment of auditors annually.

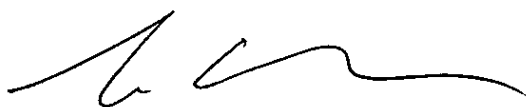
FARMING AND AGRICULTURAL FINANCE LIMITED

DIRECTORS' REPORT (Continued)

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



Director

Date

11 MAY 2007

FARMING AND AGRICULTURAL FINANCE LIMITED

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

We have audited the financial statements of Farming and Agricultural Finance Limited (the Company) for the year ended 30 September 2006 which comprise the income statement, the statement of changes in equity, the balance sheet, the cashflow statement and the related notes 1 to 17. 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 the 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 director's report, the Company's directors are responsible for the preparation of the annual report and the financial statements in accordance with applicable law and International Financial Reporting Standards ("IFRS") as adopted by the European Union. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985.

We also report to you whether in our opinion the information given in the director's report is consistent with the financial statements. In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions are not disclosed.

We read the annual report for the above year and consider whether it is consistent with the audited financial statements. We also consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibility does not extend to any further information outside the directors' report.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

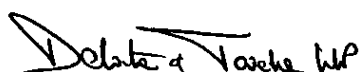
FARMING AND AGRICULTURAL FINANCE LIMITED

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

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 2006 and of its profit for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors report is consistent with the financial statements



Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London

Date: 24 May 2007

FARMING AND AGRICULTURAL FINANCE LIMITED

INCOME STATEMENT

for the year ended 30 September 2006

	Note	2006 <u>£'000</u>	2005 <u>£'000</u>
Continuing operations			
Other operating income	2	-	18
Other operating charges	3	-	(72)
		<hr/>	<hr/>
Operating loss		-	(54)
Finance income	4	126	36
		<hr/>	<hr/>
Profit/(loss) before tax		126	(18)
Tax	5	(38)	(1)
		<hr/>	<hr/>
Profit/(loss) for the year	6,10	88	(19)
		<hr/> <hr/>	<hr/> <hr/>

The notes on pages 11 to 20 form a part of these financial statements

FARMING AND AGRICULTURAL FINANCE LIMITED

STATEMENT OF CHANGES IN EQUITY for the year ended 30 September 2006

	Share capital £'000	Share premium £'000	Retained earnings £'000	Total equity £'000
At 1 October 2004	456	15	(2)	469
Profit for the year	-	-	(19)	(19)
At 30 September 2005	<u>456</u>	<u>15</u>	<u>(21)</u>	<u>450</u>
At 1 October 2005	456	15	(21)	450
Implementation of IAS 32 and IAS 39	-	-	-	-
At 1 October 2005 restated	<u>456</u>	<u>15</u>	<u>(21)</u>	<u>450</u>
Profit for the year	-	-	88	88
At 30 September 2006	<u>456</u>	<u>15</u>	<u>67</u>	<u>538</u>

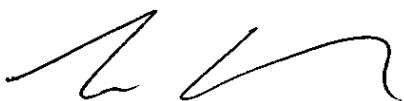
The notes on pages 11 to 20 form a part of these financial statements

FARMING AND AGRICULTURAL FINANCE LIMITED

BALANCE SHEET at 30 September 2006

	Note	2006 <u>£'000</u>	2005 <u>£'000</u>
Non-current assets			
Investment in subsidiary undertakings	7	<u>10,020</u>	<u>10,020</u>
Current liabilities			
Amounts owed to group undertakings	8	<u>9,482</u>	<u>9,570</u>
Net assets		<u><u>538</u></u>	<u><u>450</u></u>
Equity			
Share capital	9	456	456
Reserves	10	82	(6)
Total equity		<u><u>538</u></u>	<u><u>450</u></u>

The financial statements were approved by the board of directors and authorised for issue on and were signed on its behalf by



Director

11 MAY 2007

The notes on pages 11 to 20 form a part of these financial statements

FARMING AND AGRICULTURAL FINANCE LIMITED

CASH FLOW STATEMENT

for the year ended 30 September 2006

	Note	2006 £'000	2005 £'000
Operating activities			
Profit/loss before tax		126	(18)
<i>Adjustments for</i>			
Profit on disposal of property, plant and equipment		-	(138)
Impairment of investments		-	21
Finance income	4	(126)	(36)
Operating profit before changes in working capital		-	(171)
Decrease in finance lease receivables		-	244
Decrease in other instalment credit receivables		-	352
Decrease in trade and other receivables		-	5
Decrease in amounts owed to group undertakings		(126)	(300)
Decrease in trade and other payables		-	(344)
Net cash generated used in the operations		(126)	(214)
Interest received		126	36
Net cash used in operating activities		-	(178)
Investing activities			
Proceeds from disposal of property, plant and equipment		-	178
Net cash from investing activities		-	178
Net cash from financing activities		-	-
Net increase in cash and cash equivalents		-	-
Cash and cash equivalents at 1 October		-	-
Cash and cash equivalents at 30 September		-	-

The notes on pages 11 to 20 form a part of these financial statements

FARMING AND AGRICULTURAL FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 September 2006

1 Accounting policies

a. Adoption of International Financial Reporting Standards

The financial statements have, for the first time, been prepared in accordance with International Financial Reporting Standards adopted by the International Accounting Standards Board (IASB), and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB (together IFRS). The financial statements have also been prepared in accordance with IFRSs adopted for use in the European Union (EU) and therefore comply with Article 4 of the EU IAS regulation. The date of transition to IFRS for the Company and date of its opening IFRS balance sheet was 1 October 2004.

The main differences between IFRS and previously applied UK generally accepted accounting principles (UK GAAP) and the effect of implementing IFRS on the Company's balance sheets as at 1 October 2004 and 30 September 2005 and the Company's 2005 income statement are set out in notes 16 and 17.

On initial adoption of IFRS, the Company applied the following exemptions from the requirements of IFRS and from their retrospective application as permitted by IFRS1 'First-time adoption of International Financial Reporting Standards' (IFRS1):

Implementation of IAS 32 and IAS 39 - as allowed by IFRS 1, the Company implemented IAS 32 and IAS 39 with effect from 1 October 2005 without restating the income statement, balance sheet and notes for 2005. In preparing the Company's 2005 income statement and balance sheet, UK GAAP principles then current have been applied to financial instruments. The effect of implementing IAS 32 and IAS 39 is given in note 17.

At the date of authorisation of these financial statements, the following relevant Standards and Interpretations, which have not been applied in the financial statements, were in issue but not yet effective:

IFRS 7 *Financial instruments: Disclosures* and the related amendment to IAS 1 on capital disclosures.

The directors anticipate that the adoption of these Standards in future periods will have no material impact on the financial statements of the Company except for additional disclosures on capital and financial instruments when the relevant standards come into effect for periods commencing on or after 1 January 2007.

b. Accounting convention

The financial statements have been prepared upon the basis of historical cost and in accordance with applicable United Kingdom law and International Financial Reporting Standards.

The company is a wholly owned subsidiary of Lombard North Central PLC and in accordance with S228 of the Companies Act 1985 has chosen not to prepare consolidated accounts. The company's results are consolidated within the financial statements of The Royal Bank of Scotland plc. Therefore the information presented is in relation to the Company and not the group.

FARMING AND AGRICULTURAL FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 September 2006

1 Accounting policies (continued)

c 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.

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.

d. Loans and receivables

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

e. Investment in subsidiary, joint venture and associated undertakings

A subsidiary is an undertaking in which the Company has a long term interest and over which it exercises control. An associate is an undertaking in which the Company has a long-term interest and over which it exercises significant influence. A joint venture is an undertaking in which the Company has a long term interest and over which it exercises joint control.

The Company's interests in subsidiary, joint venture and associated undertakings are stated at cost less any impairment.

FARMING AND AGRICULTURAL FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 September 2006

1 Accounting policies (continued)

f. Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment losses

Depreciation is charged to the income statement on a straight-line basis so as to write them down to their estimated residual value over their estimated useful lives, as follows

	<u>Estimated useful life</u>
Operating lease assets	Term of contract

g Impairment of tangible assets

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and an impairment loss is recognised as an expense immediately

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately

h. Trade receivables

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

i. Amounts owed to group undertakings

Amounts owed to group undertakings are initially measured at fair value and are subsequently measured at amortised cost using the effective interest rate method.

Finance costs incurred on borrowings from group undertakings are recognised in the income statement in the period in which they are incurred.

j. Trade payables

Trade payables are initially measured at fair value and are subsequently measured at amortised cost using the effective interest rate method.

FARMING AND AGRICULTURAL FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 September 2006

1 Accounting policies (continued)

k. Taxation

Provision is made for taxation at current enacted rates on taxable profits, arising in income or in equity, taking into account relief for overseas taxation where appropriate

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, except in relation to overseas earning where remittance is controlled by the Group

Deferred tax assets are only recognised to the extent that it is probable that they will be recovered

l. Other operating income

Other operating income is accounted for on an accruals basis

m. Other operating charges

Other operating charges include provisions for bad and doubtful debts and other operating charges. Individually assessed provisions are made against advances for which recovery is considered to be doubtful. Collectively assessed provision is made in respect of losses which, although not separately identified, are from experience known to be present in any portfolio of financial assets. Other operating charges, including management charges payable, are accounted for on an accruals basis.

2 Other operating income

	2006 £'000	2005 £'000
Portfolio disposal	-	18

3 Other operating charges

	2006 £'000	2005 £'000
Bad debt charge	-	21
Fees payable	-	51
	-	72

The Company had no employees in the current year (2005 – nil)

Employee costs are incurred by the immediate parent company, Lombard North Central PLC

FARMING AND AGRICULTURAL FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) for the year ended 30 September 2006

4 Finance income

	2006 £'000	2005 £'000
On loans and receivables		
From group undertakings	<u>126</u>	<u>36</u>

5 Tax charge on profit/(loss) on ordinary activities

A) Analysis of charge for the year

	2006 £'000	2005 £'000
Current taxation		
Income tax charge/(credit) for the year	38	(1)
Deferred taxation		
Charge for the year	-	2
Tax charge for the year	<u>38</u>	<u>2</u>

B) Factors affecting the tax charge for the year

The actual tax charge differs from the expected tax charge computed by applying the standard rate of UK corporation tax of 30% (2005 30%) as follows

	2006 £'000	2005 £'000
Expected tax charge	38	(5)
Non-taxable items	-	6
Actual tax charge	<u>38</u>	<u>1</u>

6 Profit for the year

Profit for the year has been arrived at after crediting

	2006 £'000	2005 £'000
Profit on disposal of property, plant and equipment	<u>-</u>	<u>138</u>

Fees payable to the Company's auditors for the audit of the Company's annual accounts is £5,000 (2005 £5,000). There was no charge in either the current or prior year's financial statements for auditors' remuneration as the fees were charged in the financial statements of the immediate parent undertaking.

FARMING AND AGRICULTURAL FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) for the year ended 30 September 2006

7 Investments in subsidiary undertakings

	2006 £'000	2005 £'000
Cost:		
At 1 October and 30 September	<u>10,041</u>	<u>10,041</u>
Provisions:		
At 1 April	21	-
Impairment	-	21
At 31 March	<u>21</u>	<u>21</u>
Carrying Value:		
At 31 March	<u>10,020</u>	<u>10,020</u>

The subsidiaries of the Company, which have an accounting reference date of 30 September, are incorporated in Great Britain and registered in England and Wales are

	Country of incorporation	Nature of business	Interest in ordinary share capital 2006 %	2005 %
FAF Growbook Limited	Great Britain	Providing point of sale finance	100	100
Farming and Agricultural Finance (Holdings) Limited	Great Britain	Holding company	100	100

On 23 May 2006, a former subsidiary, FAF Contracts Limited was dissolved. There was no loss generated as the investment was previously fully provided against impairment.

8 Amounts owed to group undertakings

	2006 £'000	2005 £'000
Current liabilities		
Amounts repayable on demand	<u>9,482</u>	<u>9,570</u>

The above balance is comprised of an asset of £2,841,000 (2005 £2,698,000) which has been netted under a right of set off against liabilities of £12,323,000 (2005 £12,268,000). The directors of the group undertakings have waived the right to charge interest in relation to the intercompany liabilities.

The average effective interest rate over the intercompany loan asset is 5%.

FARMING AND AGRICULTURAL FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) for the year ended 30 September 2006

9 Share capital

	2006 £'000	2005 £'000
Authorised:		
500,000 (2005 500,000) ordinary shares of £1 each	<u>500</u>	<u>500</u>
Allotted, called up and fully paid:		
455,800 (2005 455,800) ordinary shares of £1 each	<u>456</u>	<u>456</u>

10 Reserves

	Share premium £'000	Retained earnings £'000	Total equity £'000
At 1 October 2004	15	(2)	13
Profit for the year	-	(19)	(19)
At 30 September 2005	<u>15</u>	<u>(21)</u>	<u>(6)</u>
At 1 October 2005	15	(21)	(6)
Implementation of IAS 32 and IAS 39	-	-	-
At 1 October 2005 restated	<u>15</u>	<u>(21)</u>	<u>(6)</u>
Profit for the year	-	88	88
At 30 September 2006	<u>15</u>	<u>67</u>	<u>82</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)
for the year ended 30 September 2006

11 Financial instruments

The Company uses a comprehensive framework for managing risks established by the Lombard group of companies and the Royal Bank of Scotland group of companies
The risks associated with the Company's businesses are as follows

Market risk

Market risk is the risk that changes in interest rates, foreign exchange or other market conditions will have an adverse impact on the Company's financial condition or results

The Company has no significant market risk and all balances are denominated in Sterling

Interest rate risk

Structural interest rate risk arises where assets and liabilities have different repricing maturities

The Company has no significant interest rate risk as all amounts owed to and from group undertakings are due primarily on demand and interest has been waived

Credit risk

Credit risk is the risk that companies, financial institutions, individuals and other counterparties will be unable to meet their obligations to the Company

The Company has no significant credit risk as all loans and receivables are with group undertakings

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

12 Contingent liabilities

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

FARMING AND AGRICULTURAL FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) for the year ended 30 September 2006

13 Post balance sheet events

There have been no significant events between the year end and the approval of these accounts which would require a change to the disclosures in the accounts

14 Related parties

The Company's immediate parent and ultimate controlling party is described in note 15

The table below details balances and transactions with group undertakings

	Opening balance £'000	Net receipts / (payments) £'000	Net interest (paid) / received £'000	Closing balance £'000
Banking members of the group				
Parent	2,450	(16)	126	2,560
Other, non-banking members of the group				
Subsidiaries	(10,914)	-	-	(10,914)
Other RBS Group undertakings	(1,106)	(22)	-	(1,128)
Total	<u>(9,570)</u>	<u>(38)</u>	<u>126</u>	<u>(9,482)</u>

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received.

Other related party transactions

No emoluments were paid to any director by the Company during the year (2005 - £nil)

None of the directors had any material interest in any contract of significance in relation to the business of the Company (2005 - £nil)

FARMING AND AGRICULTURAL FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) for the year ended 30 September 2006

15 Parent companies

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 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. 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

16 Explanation of transition to adopted IFRS

As stated in note 1, these are the Company's first financial statements prepared in accordance with Adopted IFRS

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 30 September 2006, the comparative information presented in these financial statements for the year ended 30 September 2005 and in the preparation of an opening IFRS balance sheet at 1 October 2004

The transition from the Company's old basis of accounting (UK GAAP) to adopted IFRS has not affected the Company's financial position, financial performance and cash flows. Accordingly the Company has not had to adjust amounts reported in previous financial statements prepared under UK GAAP

17 Implementation of IAS 32 and IAS39

The Company implemented IAS 32 and IAS 39 with effect from 1 October 2005

As allowed by IFRS, the Company has not restated its 2005 income statement and balance sheet to comply with IAS 32 and IAS 39. In preparing the Company's 2005 income statement and balance sheet, UK GAAP principles then current have been applied to financial instruments

In the opinion of the directors there are no material impacts resulting from the implementation of IAS 32 and IAS 39 in the current year