Company Registration No: 00662221

RBS INVOICE FINANCE LIMITED

(FORMERLY THE ROYAL BANK OF SCOTLAND COMMERCIAL SERVICES LIMITED)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 December 2005

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COMPANIES HOUSE 30/05/2006

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

CONTENTS **Page**

Officers and Professional Advisers	1
Directors' Report	2
Independent Auditors' Report	6
Income Statement	8
Statement of Changes in Equity	8
Balance Sheet	9
Cash Flow Statement	10
Notes to the Accounts	11 - 28

RBS INVOICE FINANCE LIMITED
(FORMERLY THE ROYAL BANK OF SCOTLAND COMMERCIAL SERVICES LIMITED)

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS:	N J Bradley J S Hunter P Marrow R W McFarlane N P Mills J A Morgan A A G Rankin A J Sainsbury F M Semple C J F Walls
SECRETARY:	A M Cunningham
REGISTERED OFFICE:	Smith House P. O. Box 50 Elmwood Avenue Feltham Middlesex TW13 7QH
AUDITORS:	Deloitte & Touche LLP London

Registered in England and Wales.

RBS INVOICE FINANCE LIMITED
(FORMERLY THE ROYAL BANK OF SCOTLAND COMMERCIAL SERVICES LIMITED)

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 31 December 2005.

CHANGE OF NAME

On the 3 January 2006 the company changed its name from The Royal Bank of Scotland Commercial Services Limited to RBS Invoice Finance Limited.

ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company is the discounting and factoring of domestic and export debts.

The retained profit for the year was £45,564,000 (2004: retained profit £35,073,000) and this was transferred to reserves. An interim divided of £43,000,000 was paid during the year (2004: £20,000,000). The directors do not recommend a payment of a final dividend. (2004: £nil).

The directors do not anticipate any material change in either the type or level of activities of the company.

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 January 2005 to date the following changes have taken place:

Directors	Appointed	Resigned
P N Comfort		24 January 2005
G Harrison		24 January 2005
P W Torrance		24 January 2005
K Haisman		30 March 2005
A J Sainsbury	30 March 2005	
J S Hunter	20 April 2005	
J A Morgan	1 September 2005	
L E D L Nichols		22 September 2005
F M Semple	26 January 2006	
D B Wilcox		17 March 2006

DIRECTORS' RESPONSIBILITIES

The directors are required by the Companies Act 1985 to prepare accounts 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 those 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.

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 accounts comply with the Companies Act 1985. 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.

USE OF FINANCIAL INSTRUMENTS

The company has taken out forward exchange contracts to eliminate foreign exchange risk arising from the settlement with clients in a different currency to that collected from debtors.

The company's principal financial assets are trade and other receivables. The amounts presented in the balance sheet are net of allowances for impairment where there is an identified loss event which is evidence of a reduction in the recoverability of the cash flows. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit rating agencies.

Interest rate risk is matched within the company as the rate it borrows at is the same as the rate it lends at.

There is no liquidity risk within the company as all funding is on a rolling basis, there are no fixed maturity dates.

DIRECTORS' INDEMNITIES

In terms of Section 309C of The Companies Act 1985 (as amended), Mr P Marrow has been granted Qualifying Third Party Indemnity Provisions by The Royal Bank of Scotland Group plc.

DIRECTORS' INTERESTS

No director had any interests 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 January 2005*	**As at 31 December 2005**
J S Hunter	5,707	6,293
N P Mills	4,601	4,504
A A G Rankin	783	549
C J F Walls	2,167	2,152

* or date of appointment if later

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 directors of the Company and connected persons are:

	As at 1 January 2005*	Granted during the period		Exercised during the period		As at 31 December 2005
		Options	Price	Options	Price	
J S Hunter	1,452	253	1304	342	985	1,363
N P Mills	2,729	456	1304	551	612	2,634
A A G Rankin	3,345	232	1304	246	1235	3,331
C J F Walls	3,628	-	-	150	1240	2,643
				150	1563	
				685	985	

No director had any interests in any of the preference shares of The Royal Bank of Scotland Group plc during the year to 31 December 2005.

The following directors were beneficially interested in the Floating Rate Unsecured Loan Notes 2005 of The Royal Bank of Scotland Group plc:

	As at 1 January 2005*	As at 31 December 2005
N P Mills	2012	-

The interests of Mr N J Bradley, Mr P Marrow, Mr R W McFarlane, Mr J A Morgan, Mr A J Sainsbury, and Mr D B Wilcox in the share capital of The Royal Bank of Scotland Group plc are disclosed in the financial statements of RBS Invoice Finance (Holdings) Limited.

Other than as disclosed, none of the directors in office at 31 December 2005 held any interest in the share or loan capital of the company or any other group company.

EMPLOYEE POLICIES

STAFF

The company employs staff on its own behalf. The average total number of persons employed during the year was 746 (2004: 793).

EMPLOYMENT OF DISABLED PERSONS

During the year, the company gave full and fair consideration to applications for employment by disabled persons, having regard to their particular aptitudes and abilities and to appropriate vacancies.

The company will continue to ensure that disabled employees are considered on the same basis as any other member of staff with regard to training, career development and promotion.

EMPLOYEE INVOLVEMENT

Within the bounds of commercial confidentiality, information is disseminated to all levels of staff about matters that affect the progress of the company and are of interest and concern to them as employees. All permanent members of staff are eligible to participate in The Royal Bank of Scotland Group plc profit share scheme.

* or date of appointment if later

POLICY AND PRACTICE ON PAYMENT OF CREDITORS

The company follows the policy and practice on payment of creditors determined by The Royal Bank of Scotland Group plc ('RBSG'), as outlined below.

In the year ending 31 December 2006, RBSG will adhere to the following payment policy in respect of all suppliers. RBSG is committed to maintaining a sound commercial relationship with its suppliers. Consequently, RBSG's policy to negotiate and agree terms and conditions with its suppliers, which includes the giving of an undertaking to pay suppliers within 30 days of receipt of a correctly prepared invoice submitted in accordance with the terms of the contract or such other payment period as may be agreed.

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.

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

F M Semple
Director

Date: 25th May 2006

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF RBS INVOICE FINANCE LIMITED

We have audited the financial statements of RBS Invoice Finance Limited for the year ended 31 December 2005 which comprise the income statement, the statement of changes in equity, the balance sheet, the cash flow statement, the accounting policies and the related notes 1 to 23. 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 directors' report, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and International Financial Reporting standards ("IFRS") as adopted for use in the European Union. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (U.K. and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view in accordance with the relevant framework and whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you 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 and other members of the Group 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 or material inconsistencies with the financial statements.

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

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

Opinion
In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2005 and of its profit for the year then ended in accordance with International Financial Reporting Standards as adopted for use in the European Union and have been properly prepared in accordance with the Companies Act 1985.

Opinion in relation to IFRS

As explained in note 1 the company, in addition to complying with its legal obligation to comply with IFRS's as adapted for use in the European Union, has also complied with IFRS's as issued by the International Accounting Standards Board. Accordingly, in our opinion the financial statements give a true and fair view, in accordance with IFRS's, of the state of the company's affairs as at 31 December 2005 and its profit for the year then ended.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London
Date: 30th May 2006

COMPANY INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2005

	Notes	2005 £'000	2004 £'000
Revenue	3	199,151	156,436
Staff costs	6	(33,553)	(29,547)
Depreciation and amortisation expense	11	(795)	(766)
Operating expenses	4	(22,397)	(14,719)
Operating profit		142,406	111,404
Other gains and losses		(119)	-
Finance costs	8	(77,088)	(61,028)
Profit before tax		65,199	50,376
Income tax expense	9	(19,635)	(15,303)
Net profit attributable to equity holders of the parent	19	45,564	35,073

All of the above relate to continuing activities.

COMPANY STATEMENT OF CHANGES IN EQUITY

	Share Capital £'000	Retained Earnings £'000	Equity £'000
Balance as at 31 December 04	1,000	42,155	43,155
IAS 32 and 39 adjustments	-	(1,167)	(1,167)
Balance as at 1 January 05	1,000	40,988	41,988
Profit for the period	-	45,564	45,564
Total recognised income and expense	1,000	86,552	87,552
Dividends	-	(43,000)	(43,000)
Balance as at 31 December 05	1,000	43,552	44,552

COMPANY BALANCE SHEET

AS AT 31 DECEMBER 2005

	Notes	2005 £'000	2004 £'000
Non-Current Assets			
Property, plant and equipment	11	2,625	1,256
Deferred tax asset	12	2,300	1,889
Loans and receivables	15	181,000	131,000
		185,925	134,145
Current Assets			
Trade and other receivables	13	2,547,709	2,280,664
Cash and cash equivalents	16	4,714	125,872
		2,552,423	2,406,536
Total assets		2,738,348	2,540,681
Current Liabilities			
Trade and other payables	17	(427,848)	(333,272)
Bank overdrafts and loans	17	(2,265,948)	(2,164,254)
		(2,693,796)	(2,497,526)
Total liabilities		(2,693,796)	(2,497,526)
Net Assets		44,552	43,155
EQUITY			
Share capital	18	1,000	1,000
Retained earnings	19	43,552	42,155
Equity attributable to equity holders of the parent		44,552	43,155

The financial statements were approved by the Board of Directors and authorised for issue on 25th May 2006.
They were signed on its behalf by:

A J Sainsbury
Director

F M Semple
Director

The notes on pages 11 to 28 form part of these financial statements.

COMPANY CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2005

	Company	
	2005	2004
	£'000	£'000
OPERATING ACTIVITIES		
Operating Profit	142,406	111,404
Less Interest paid	(77,088)	(61,028)
Adjustments for:		
Other gains and losses	(119)	-
Foreign exchange movements	-	(891)
Depreciation and amortisation	795	766
Profit / loss on disposal of property, plant and equipment	37	6
Increase in bad and doubtful debt provisions	6,507	7,349
Increase in provisions for liabilities and charges	1,247	-
(Decrease) / increase in prepayments and accrue income	(177)	239
Increase in accruals and deferred income	5,742	3,171
Net cash flow from trading activities	79,350	61,016
Changes in operating assets and liabilities:		
Decrease in receivables / debtors	(846,944)	(633,719)
Increase in payables / creditors	725,722	617,584
Net cash flow from operating activities before tax	(41,872)	44,881
Taxes paid	(15,529)	(10,478)
Net Cash flows from operating activities	(57,401)	34,403
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(2,201)	(782)
Increase in investment	(50,000)	(131,000)
Net cash flows from investing activities	(52,201)	(131,782)
FINANCING ACTIVITIES		
Dividends paid	(43,000)	(20,000)
Increase in admin accounts / bank overdrafts	31,444	210,920
Net cash flows from financing activities	(11,556)	190,920
Net (decrease) / increase in cash and cash equivalents	(121,158)	93,541
Cash and cash equivalents at 1 January	125,872	32,331
Effect of foreign exchange rate changes		
Cash and cash equivalents at 31 December	4,714	125,872

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2005

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 (IFRS) adopted by the International Accounting Standards Board (IASB), and interpretations issued by the International Financial Reporting interpretations Committee of the IASB (together IFRS) as endorsed by the European Union (EU). The date of transition to IFRS for the company and the date of the opening IFRS balance sheet was 1 January 2004.

On initial adoption of IFRS, the company applied the following exemptions from the requirements of IFRS and from their retrospective application as permitted by IFRS 1 'First-time adoption of International Financial Reporting Standards':

Implementation of IAS 32, IAS 39 and IFRS 4 – as allowed by IFRS 1, the company implemented IAS 32, IAS 39 and IFRS 4 with effect from 1 January 2005 without restating the income statement, balance sheet and notes for 2004.

There were no differences in equity between UK GAAP and IFRSs at either 1 January 2004 or 31 December 2004. Furthermore there were no differences between the reported profit for 2004 under UK GAAP and IFRS. Accordingly the disclosures required by IFRS 1 concerning the transition from UK GAAP to IFRS are not presented.

The effect of implementing IAS 32, IAS 39 and IFRS 4 on the company balance sheet and shareholders' funds as at 1 January 2005 is set out in note 2. In preparing the 2004 comparatives, UK GAAP principles then current have been applied to financial instruments.

The financial statements have been prepared upon the basis of historical cost and in accordance with applicable United Kingdom law. The principle accounting policies adopted are set out below.

(b) Revenue

Revenue represents services to other group companies, discount, service and other charges to clients, all of which arises in the United Kingdom from continuing activities. Revenue is measured at the fair value of the consideration received or receivable.

(c) Foreign currencies

Monetary assets and liabilities in foreign currencies have been translated into sterling at the rates ruling at the balance sheet date. Transactions are translated at either the rate of exchange ruling on the day, or if applicable at the rate specified by a matching forward contract.

All realised exchange differences are dealt with in arriving at the operating profit.

NOTES TO THE ACCOUNTS (continued)

(d) Trade Receivables

Trade receivables represent assigned debts receivable for which the benefits and risks of ownership have been transferred to the company, with no recourse back to the client. The trade debtors are therefore shown net of recourse debts due to clients on collection, as the benefits and risks relating to the recourse debts are those of the client.

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 profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

(e) Depreciation

Fixtures and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is charged so as to write off the cost of assets using the straight line basis over their estimated useful lives, as follows:

	Estimated Useful Life
Motor vehicles	4 years
Computer and office equipment	3 to 5 years
Office furniture and fittings	6 years and 8 months

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

(f) Operating leases

Rental costs under operating leases is credited to the income statement in equal annual amounts over the periods of the leases.

***NOTES TO THE ACCOUNTS* (continued)**

(g) Pensions and Other Post Retirement Benefits

The company provides post-retirement benefits in the form of pensions and healthcare plans to eligible employees.

The cost of defined benefit pension schemes and healthcare plans to the Royal Bank of Scotland Group is assessed by independent professionally qualified actuaries and recognised on a systematic basis over employees' service lives. For defined benefit schemes, scheme liabilities are measured on an actuarial basis using the projected unit credit method and discounted at a rate that reflects the current rate of return on a high quality corporate bond of equivalent term and currency to the scheme liabilities. Scheme assets are measured at their fair value. Any surplus or deficit of scheme assets over liabilities is recognised in the balance sheet as an asset (surplus) or liability (deficit). The current service cost and any past service costs together with the expected return on scheme assets less the unwinding of the discount on the scheme liabilities is charged to operating expenses. Actuarial gains and losses are recognised in full in the period in which they occur outside profit or loss and presented in the statement of recognised income and expense.

There is no contractual agreement or policy on the way that the cost of Royal Bank of Scotland Group defined benefit pension schemes and healthcare plans are allocated to the company. It therefore accounts for the charges it incurs as payments to a defined contribution scheme.

(h) Financial Assets – Loans and Receivables

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.

NOTES TO THE ACCOUNTS (continued)

(i) Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on the taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. 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 taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arise from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

(j) Impairment of tangible assets

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) 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 (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

NOTES TO THE ACCOUNTS **(continued)**

(k) 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.

(l) Trade Payables

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

(m) Bank Borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in profit or loss using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

(n) Share-Based Payments

The company grants options over shares in The Royal Bank of Scotland Group plc to its employees under various share option schemes. IFRS 2 'Share-based Payment' is applied to grants under these schemes after 7 November 2002 that had not vested on 1 January 2005. The Royal Bank of Scotland recognises an expense for these transactions with its employees based on the fair value on the date the options are granted.

(o) Related Parties

IFRS requires all entities to disclose related party transactions.

2. EXPLANATION OF TRANSITION TO IFRSs

The effect of implementing IAS 39 on the company's balance sheet and shareholders' funds as at 1 January 2005 is set out below:

	IFRS 31 December 2004	Provisioning and Impairment	IFRS 1 January 2005
	£'000	£'000	£'000
Assets			
Property, plant and equipment	1,256	-	1,256
Deferred tax asset	1,889	500	2,389
Loans and receivables	131,000	-	131,000
Trade and other receivables	2,280,664	(1,667)	2,278,997
Cash and cash equivalents	125,872	-	125,872
Total assets	2,540,681	(1,167)	2,539,514
Liabilities			
Trade and other payables	(333,272)	-	(333,272)
Bank overdrafts	(2,164,254)	-	(2,164,254)
Shareholders' equity	(43,155)	1,167	(41,988)
Total liabilities and equity	(2,540,681)	1,167	(2,539,514)

Significant differences between the UKGAAP and IFRS accounting policies are as follows:

	UK GAAP	IFRS
(a)	Loan Impairment	
	Under UKGAAP provisions for bad and doubtful debts are made so as to record impaired loans at their ultimate net realisable value. Specific provisions are established against individual advances or portfolios of smaller balance homogeneous advances and the general provision covers advances impaired at the balance sheet date but which have not been identified as such. Interest receivable from loans and advances is credited to the income statement as it accrues unless there is significant doubt that it can be collected.	IFRS require impairment losses on financial assets carried at amortised cost to be measured as the difference between the asset's carrying amount and the present value estimated future cash flows discounted at the asset's original effective interest rate. There is no concept of specific and general provision – under IFRS impairment is assessed individually for individually significant assets but can be assessed collectively for other assets. Once an impairment loss has been recognised on a financial asset or group of financial assets, interest income is recognised on the carrying amount using the rate of interest at which estimated future cash flows were discounted in measuring impairment.

3. REVENUE

Revenue represents services to other group companies, discount, service and other charges to clients, all of which arises in the United Kingdom from continuing activities, and is recognised following the accounting policy described in note 1.

	2005	2004
	£'000	£'000
Interest from clients	95,603	72,058
Interest from group companies	23,876	22,838
Service charges	60,912	50,509
Arrangement and termination fees	13,638	6,557
Payment charges	4,540	3,712
Other client charges	582	762
	199,151	156,436

4. OPERATING EXPENSES

	2005	2004
	£'000	£'000
Inter-company income	(14,713)	(15,935)
Bad and doubtful debts	13,990	10,261
Occupation costs	4,617	2,945
Equipment costs	826	815
Commission payable	1,437	1,122
Other admin expenses	16,204	15,558
Statutory audit fee and expenses	36	(47)
Total operating expenses	22,397	14,719

5. DIRECTORS' REMUNERATION AND INTERESTS

	2005	2004
	£'000	£'000
Directors' emoluments excluding pension contributions:	2,257	1,305
Pension contributions	17	35
	2,274	1,340
Highest paid directors' emoluments:		
Highest paid director	351	171
Pension contributions	-	18
	351	189

In 2005 there were 15 directors accruing retirement benefits under the pension scheme (2004: 12).

None of the directors had any material interest in any contract of significance in relation to the business of the company.

6. EMPLOYEES AND STAFF COSTS

The average number of persons employed during the financial year was as follows:

	2005	2004
	No.	No.
	746	793

	2005	2004
	£'000	£'000
Staff costs were as follows:		
Wages and salaries	24,839	23,983
Social security costs	2,276	2,172
Pension costs	4,277	1,332
Profit sharing scheme	2,161	2,060
	33,553	29,547

7. PENSIONS COSTS

Outstanding contributions at 31 December 2005 in respect of defined contribution schemes amounted to £6,042,862 (2004: £2,012,715).

Disclosures in respect of the RBS Group Pension arrangements

The Group operates a number of UK and overseas pension schemes which are predominantly funded defined benefit schemes whose assets are independent of the group's finances. The Main Scheme, The Royal Bank of Scotland Group Pension Fund, is legally sponsored by National Westminster Bank Plc. The group also provides other post-retirement benefits, principally through subscriptions to private healthcare schemes in the UK and unfunded post-retirement benefit plans. The group recognises the cost of these benefits in the income statement over the average remaining future service lives of the eligible employees.

Interim valuations of the Main Scheme were prepared to 31 December by independent actuaries, using the following assumptions:

	2005	2004
Rate of increase in salaries	4.0%	4.0%
Rate of increase in pensions in payment	2.7%	2.7%
Discount rate	4.8%	5.4%
Inflation assumption	2.7%	2.7%
Expected return on plan assets	6.5%	6.7%

Post-retirement mortality assumptions

	2005	2004
Longevity at age 60 for current pensioners (years)		
Males	25.4	25.4
Females	28.2	28.2
Longevity at age 60 for future pensioners (years)		
Males	26.2	26.2
Females	29.0	29.0

The assets of the Main Scheme were as follows:

	2005	2004
Assets:	%	%
Equities	61.3	56.7
Bonds	34.5	31.1
Property	3.6	3.1
Cash and other assets	0.6	9.1
Total fair value of assets	100	100

The assumptions for long term rates of return on the principal classes of assets at 31 December 2005 were equities 7.7%, gilts 4.1%, other bonds 4.8%, property 5.9% and cash and other assets 4.2% (2004 – equities 8.1%, gilts 4.5%, other bonds 5.4%, property 6.3% and cash and other assets 4.6%).

NOTES TO THE ACCOUNTS (continued)

7. PENSIONS COSTS (continued)

Movement in the Main Scheme deficit during the year

	2005			2004		
	Fair value of plan assets	Present value of defined benefit obligations	Net	Fair value of plan assets	Present value of defined benefit obligations	Net
	£m	£m	£m	£m	£m	£m
At 1 January	13,569	16,051	2,482	11,797	13,594	1,797
Income statement						
Expected return	930	-	(930)	838	-	(838)
Interest cost	-	865	865	-	759	759
Current service cost	-	447	447	-	400	400
Past service cost	-	3	3	-	-	-
Actuarial gains and losses	1,556	2,273	717	392	1,825	1,433
Contributions by employers	380	-	(380)	1,069	-	(1,069)
Benefits paid	(504)	(504)	-	(494)	(494)	-
Expenses included in service cost	(17)	(17)	-	(33)	(33)	-
At 31 December	15,914	19,118	3,204	13,569	16,051	2,482

Following the latest formal valuation carried out by independent actuaries as at 31 March 2004, the contribution rate with effect from 1 April 2004 for the main UK scheme is 21.5% of pensionable salaries. Contributions for 2005 include a lump sum of £750 million paid into the Main Fund in addition to the monthly contributions; the Group expects to contribute £384 million in 2006.

8. FINANCE COSTS

	2005	2004
	£'000	£'000
On bank loans and overdrafts, and other loans wholly repayable within one year:		
Unsecured lending from net overdraft and treasury borrowings from Group companies	77,088	61,028

NOTES TO THE ACCOUNTS (continued)

9. INCOME TAX EXPENSE

	2005	2004
	£'000	£'000
Current tax charge	19,546	15,529
Over provision in respect of prior periods	-	(801)
Deferred tax (note 12)		
Charge / (credit) for the year	89	(224)
Under provision in respect of prior periods	-	799
	19,635	15,303

Corporation tax is calculated at 30% (2004: 30%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The charge for the year can be reconciled to the profit per the income statement as follows:

	2005	2004
	£'000	£'000
Profit before tax	65,199	50,376
Tax at the UK corporation tax rate of 30% (2004: 30%)	19,560	15,113
Effects of:		
Expenses not deductible for tax purposes	75	192
Prior period adjustments	-	(2)
Tax expense for the year	19,635	15,303

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 28AA, Income and Corporation Taxes Act 1988.

10. DIVIDENDS

	Year ended 2005	Year ended 2004
	£'000	£'000
Amounts recognised as distributions to equity holders in the period:		
Final dividend paid	43,000	20,000

Final dividend paid of £43 (2004: £20) per share.

NOTES TO THE ACCOUNTS (continued)

11. PROPERTY, PLANT AND EQUIPMENT

	Fixtures, Fittings and Equipment	Vehicles	Total
	£'000	£'000	£'000
Cost			
At 1 January 2005	13,531	564	14,095
Additions	2,201	-	2,201
Disposals	(247)	-	(247)
At 31 December 2005	15,485	564	16,049
Accumulated Depreciation			
At 1 January 2005	12,291	548	12,839
Charge for the year	785	10	795
Disposals	(210)	-	(210)
At 31 December 2005	12,866	558	13,424
Carrying amount at 31 December 2005	2,619	6	2,625
Carrying amount at 31 December 2004	1,240	16	1,256

NOTES TO THE ACCOUNTS (continued)

12. DEFERRED TAX ASSET

	Accelerated Capital Allowances	Pension	Other Transition	Other Provision	Total
	£'000	£'000	£'000	£'000	£'000
Balance as at 1 January 2004 under UKGAAP	694	768	-	1,002	2,464
Implementation of IFRS (excluding IAS 32 and IAS 39)	-	-	-	-	-
Balance as at 1 January 2004 restated	694	768	-	1,002	2,464
(Charge) / credit for the year	(9)	(768)	-	202	(575)
Balance as at 1 January 2005	685	-	-	1,204	1,889
Implementation of IAS 32 and IAS 39	-	-	500	-	500
Balance as at 1 January 2005 restated	685	-	500	1,204	2,389
Charge for the year	(71)	-	-	(18)	(89)
Balance as at 31 December 2005	614	-	500	1,186	2,300

The above is analysed as follows:	
Deferred tax assets	2,300
Deferred tax liabilities	-

13. TRADE AND OTHER RECEIVABLES

	2005	2004
	£'000	£'000
Amounts falling due within one year:		
Trade debtors	1,938,854	1,508,936
Amounts owed by The Royal Bank of Scotland Group plc undertakings	607,418	769,862
Other debtors	1,437	1,866
	2,547,709	2,280,664
Trade debtors comprise:		
Assigned debts receivable	3,505,670	2,666,350
Less: recourse debts due to clients on collection	(1,566,816)	(1,157,414)
	1,938,854	1,508,936

The carrying amount of these assets approximates their fair value.

The company's principal financial assets are trade and other receivables. The amounts presented in the balance sheet are net of allowances for impairment where there is an identified loss event which is evidence of a reduction in the recoverability of the cash flows. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit rating agencies.

NOTES TO THE ACCOUNTS (continued)

14. PROVISIONS

	Bad Debt
	£'000
At 31 December 2004	27,702
Implementation of IAS 32 and IAS 39	1,667
At 1 January 2005	29,369
Write offs	(7,483)
Charge during the year	13,990
At 31 December 2005	35,876

15. LOANS AND RECEIVABLES

	2005	2004
	£'000	£'000
Between 1 - 2 years	16,000	-
Between 2 - 5 years	75,000	61,000
After 5 years	90,000	70,000
	181,000	131,000

The weighted average interest rates paid were as follows:

	2005	2004
	%	%
Between 1 - 2 years	5.345	5.265
Between 2 - 5 years	5.030	4.994
After 5 years	4.802	5.217

The carrying amount of the loans equals their fair value.

16. CASH AND CASH EQUIVALENTS

	2005	2004
	£'000	£'000
With The Royal Bank of Scotland Group plc undertakings	-	123,665
Other	4,714	2,207
	4,714	125,872

The carrying amount of these assets approximates their fair value.

17. TRADE AND OTHER PAYABLES

	2005	2004
	£'000	£'000
Amounts falling due within one year:		
Trade creditors	361,136	275,820
Amounts owed to The Royal Bank of Scotland Group plc undertakings (overdrafts)	2,265,948	2,164,254
Other creditors	24,289	25,265
Corporation tax	19,546	15,529
VAT creditor	3,327	2,851
Accruals and deferred income	19,550	13,807
	2,693,796	2,497,526

Analysis of overdrafts by currency:

	2005	2004
	£'000	£'000
Australian dollars	1,241	849
Canadian dollars	190	410
Swiss francs	-	661
Danish kroner	-	55
Euros	327,385	282,217
Sterling	1,900,073	1,856,067
Hong Kong dollars	311	285
Japanese yen	94	42
Norwegian kroner	227	235
Swedish kroner	411	839
US dollars	35,495	22,241
South African rand	521	353
Total	2,265,948	2,164,254

Amounts owing to group are overdrafts repayable on demand. The average effective interest rate on bank overdrafts approximates 4.322% (2004: 4.502%) per annum.

The directors consider that the carrying amount of trade payables approximates to their fair value.

18. SHARE CAPITAL

	2005	2004
	£'000	£'000
Authorised:		
1,000,000 Ordinary shares of £1 each	1,000	1,000
Allotted, called up and fully paid:		
1,000,000 Ordinary shares of £1 each	1,000	1,000

19. RETAINED EARNINGS

	£'000
As at 31 December 2004	42,155
Implementation of IAS 32 and IAS 39	(1,167)
Balance as at 1 January 2005 restated	40,988
Dividends paid	(43,000)
Retained profit for the financial year	45,564
As at 31 December 2005	43,552

20. COMMITMENTS

The company utilises currency derivatives to hedge future transactions and cash flows. The instruments purchased are primarily denominated in the currencies of the company's principal markets.

	2005	2004
	£'000	£'000
At the balance sheet date there were The following commitments:		
Outstanding contracts for the sale of foreign currencies	7,334	8,621

The company does not designate its foreign currency denominated debt as a hedging instrument for the purpose of hedging the translation of its foreign operations.

21. OPERATING LEASE COMMITMENTS

The company is committed to make the following payments during the next year under operating leases expiring:

		2005	2004
		Land And Buildings	Land and Buildings
		£'000	£'000
Within	1 year	-	119
Within	2-5 years	-	-
After	5 years	985	526
		985	645

22. IMMEDIATE AND ULTIMATE PARENT COMPANY

The company's immediate parent company is RBS Invoice Finance (Holdings) Limited.

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.

NOTES TO THE ACCOUNTS (continued)

23. RELATED PARTY TRANSACTIONS

In addition to the immediate parent and ultimate controlling party disclosed in note 22, the company has related party relationships with the following fellow subsidiaries of the group:

The Royal Bank of Scotland Invoice Discounting Limited
Royal Bank Invoice Finance Limited
Euro Sales Finance Plc
Premier Audit Company Limited

At the year end the company had the following balances with related parties.

	2005 £'000	2004 £'000
Transactions with:		
Banking members of the Group	(1,640,808)	(1,296,661)
Other Non-banking members of the Group:		
Parent	(6,186)	(8,235)
Subsidiaries	220,232	156,813
Other related parties	27	25
Total	(1,426,735)	(1,148,058)

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

The company is funded by The Royal Bank of Scotland Group and cash balances are held with other banking members of the group.

Finance charges of £77,088,000 on the net funding from related parties accrued in the income statement during 2005 (2004: £61,028,000).

The amount of funds in use from The Royal Bank of Scotland Group varies according to the level of invoices and trade debts that the company has financed.

Other related party transactions

Expenses of £14,919,939 (2004: £15,935,558) were paid on behalf of other members of the group and then recharged to the group companies. As at 31 December 2005 £696,699 (2004: £487,258) was outstanding.

Compensation of key management personnel

The directors emoluments in respect of their services to the company during the year are disclosed in note 5.