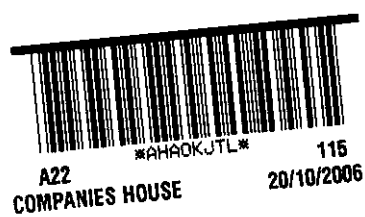


**Company Registration No: 01020385**

**RIOSI MOTORCYCLES LIMITED**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**31 December 2005**



# **RIOSI MOTORCYCLES LIMITED**

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**ROSSI MOTORCYCLES LIMITED**

**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS:**

**R A Bailey  
N T J Clibbens  
A L Pattern  
M A Spicknell**

**SECRETARY:**

**A M Cunningham**

**REGISTERED OFFICE:**

**3 Princess Way  
Redhill  
Surrey  
RH1 1NP**

**AUDITORS:**

**Deloitte & Touche LLP  
London**

**Registered in England and Wales.**

# **ROSSI MOTORCYCLES LIMITED**

## **DIRECTORS' REPORT**

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

## **REGISTERED OFFICE**

The Company changed registered office on 30 March 2006 from Dixons Distribution Centre, Capitol Park, Doncaster, South Yorkshire, DN8 5TX to 3 Princess Way, Redhill, Surrey, RH1 1NP.

## **ACTIVITIES AND BUSINESS REVIEW**

The Company's principal activity was the sale, repair and service of new and used motorcycles, including the supply of parts, clothing and accessories.

The loss for the year was £465,113 (2004: loss £1,106,836) and this was transferred to reserves. The directors did not recommend that a final dividend be paid (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 joint secretaries, 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:

<b>Directors</b>	<b>Appointed</b>	<b>Resigned</b>
S Ramanathan		23 February 2005
R A Bailey	3 March 2005	
T J Booth	3 March 2005	1 September 2005
A D Parkinson	3 March 2005	1 September 2005
M A Spicknell	3 March 2005	
M Stanworth		31 March 2005
K Haisman	17 August 2005	14 July 2006
N T J Clibbens	14 July 2006	
<b>Secretary</b>	<b>Appointed</b>	<b>Resigned</b>
D J Lewis	22 August 2005	14 July 2006

## **RIOSI MOTORCYCLES LIMITED**

### **DIRECTORS' REPORT (continued)**

#### **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 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.

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 Annual report and accounts complies with the requirements of 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's activities expose it to a variety of financial risks: credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's performance.

##### **Credit risk**

Credit risk represents the accounting loss that would be recognised at the reporting date if counterparties failed completely to perform as contracted. The Company is not materially exposed to credit risk as upon default the loss would be recovered from the ultimate parent company.

##### **Liquidity risk**

Liquidity risk reflects an enterprise's inability to raise funds to meet commitments. The Company follows effective cash management to ensure availability of funds and takes appropriate measures for new requirements.

#### **DIRECTORS' INDEMNITIES**

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

**DIRECTORS' INTERESTS**

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

The interests of Mr A L Pattern in the share capital of The Royal Bank of Scotland Group plc are disclosed in the financial statements of Motorsport Dealers International Limited. The interests of Mr R A Bailey, Mr K Haisman and Mr M A Spicknell in the share capital of The Royal Bank of Scotland Group plc are disclosed in the financial statements of Dixon Motorcycle 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.

**AUDITORS**

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and a resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting.

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

A handwritten signature in black ink, appearing to be 'M A Spicknell', written in a cursive style.

M A Spicknell  
Director

Date: 16 October, 2006

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF RIOSSI MOTORCYCLES LIMITED**

We have audited the financial statements of Riossi Motorcycles Limited for the year ended 31 December 2005 which comprise the income statement, the balance sheet, the statement of changes in equity, the cash flow statement and the related Notes 1 to 14. 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 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 (UK 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 (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.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF RIOSSI  
MOTORCYCLES LIMITED (continued)**

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 results 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.

*Deloitte + Touche LLP*

Deloitte & Touche LLP  
Chartered Accountants and Registered Auditors  
London, England  
Date: *16 October 2006*



# **RIOSI MOTORCYCLES LIMITED**

## **INCOME STATEMENT**

**For the year ended 31 December 2005**

	Notes	2005 £	2004 £
<b>Continuing operations</b>			
Rental income		125,438	-
Rental expense		(58,986)	-
Administration and property expenses		(30,719)	(701,550)
<b>OPERATING PROFIT/(LOSS)</b>		<u>35,733</u>	<u>(701,550)</u>
Loss from impairment of investment		(382,002)	-
Release of inter company debt		271,737	
Movement in property provisions		(207,451)	-
<b>LOSS BEFORE TAX</b>		<u>(281,983)</u>	<u>(701,550)</u>
Income tax charge	5	<u>(183,129)</u>	<u>(405,286)</u>
<b>LOSS FOR THE YEAR</b>		<u><u>(465,113)</u></u>	<u><u>(1,106,836)</u></u>

# **ROSSI MOTORCYCLES LIMITED**

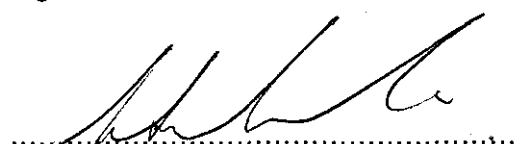
## **BALANCE SHEET**

**As at 31 December 2005**

	Notes	2005 £	2004 £
<b>ASSETS</b>			
<b>Non-current Assets</b>			
Investments	6	-	382,002
		-	382,002
<b>Current Assets</b>			
Trade and other receivables	7	78,710	69,177
		78,710	69,177
<b>TOTAL ASSETS</b>		<b>78,710</b>	<b>451,179</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Non-current Liabilities</b>			
Amounts owed to group companies	12	17,093,823	16,291,636
		17,093,823	16,291,636
<b>Current Liabilities</b>			
Trade and other payables	8	1,372	1,108,759
Provisions	9	620,000	-
Current tax payable		183,129	405,286
		804,501	1,514,045
<b>TOTAL LIABILITIES</b>		<b>17,898,324</b>	<b>17,805,681</b>
<b>Equity</b>			
Share capital	10	1,000	1,000
Retained earnings		(17,820,615)	(17,355,502)
<b>TOTAL EQUITY</b>		<b>(17,819,615)</b>	<b>(17,354,502)</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>78,710</b>	<b>451,179</b>

These financial statements were approved by the Board of Directors on 16 October, 2006.

Signed on behalf of the Board of Directors



M A Spicknell  
Director

**RIOSI MOTORCYCLES LIMITED**

**STATEMENT OF CHANGES IN EQUITY**  
**For the year ended 31 December 2005**

	<b>Share Capital £</b>	<b>Retained Earnings £</b>	<b>Total £</b>
<b>Balance at 1 January 2004</b>	1,000	(16,248,666)	(16,247,666)
Implementation of IFRS	-	-	-
Opening total equity as restated	<u>1,000</u>	<u>(16,248,666)</u>	<u>(16,247,666)</u>
Loss for the year	-	(1,106,836)	(1,106,836)
<b>Balance at 1 January 2005</b>	<u>1,000</u>	<u>(17,355,502)</u>	<u>(17,354,502)</u>
Loss for the year		(465,113)	(465,113)
<b>Total recognised income and expense for the year</b>	<u>-</u>	<u>(465,113)</u>	<u>(465,113)</u>
<b>Balance at 31 December 2005</b>	<u>1,000</u>	<u>(17,820,615)</u>	<u>(17,819,615)</u>

**RIOSI MOTORCYCLES LIMITED**

**CASH FLOW STATEMENT**

**For the year ended 31 December 2005**

	2005 £	2004 £
<b>Operating activities</b>		
Operating loss before tax	(281,983)	(701,550)
<b>Operating cash flows before movement in working capital</b>	(281,983)	(701,550)
(Increase)/Decrease in receivables	(9,533)	(2,070,092)
Increase in payables	314,800	701,381
<b>Cash generated by operations</b>	23,284	(2,070,261)
Income taxes (paid)/received	(405,286)	2,158,647
<b>Net cash from operating activities</b>	(382,002)	88,386
<b>Investing activities</b>		
Net investment in subsidiaries, associates and intangible assets	382,002	-
<b>Cash flows from investing activities</b>	382,002	-
Net increase in cash and cash equivalents	-	88,386
Cash and cash equivalents at the beginning of the year	-	(88,386)
<b>Cash and cash equivalents at the end of the year</b>	-	-

**NOTES TO THE ACCOUNTS**

**For the year ended 31 December 2005**

**1. GENERAL**

Rioosi Motorcycles Limited is a company incorporated in the Great Britain under Companies Act 1985. The address of the registered office is on page 1. The nature of the company's operations and its principal activities are set out in the Directors' Report.

**2. ACCOUNTING POLICIES**

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. The financial statements have also been prepared in accordance with IFRSs adopted in the European Union and therefore comply with Article 4 of the EU IAS regulation. The date of transition to IFRS for the company and the date of its opening IFRS balance sheet was 1 January 2004.

There were no differences in equity at 1 January 2004 or 31 December 2004, or in the income statement for the year ended 31 December 2004, between UK GAAP and IFRS. Consequently no reconciliations between UK GAAP and IFRS at these dates have been provided.

The particular accounting policies adopted are described below.

**Accounting convention**

The financial statements are prepared under the historical cost convention, in compliance with the Companies Act 1985.

**Investments**

The company's interests in subsidiary undertakings are stated at cost less provision for any impairment in accordance with IAS 36.

**Consolidated accounts**

The financial statements contain information about RBS Specialised Property Investment Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under section 228 of the Companies Act 1985 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its parent, The Royal Bank of Scotland Group plc, a company registered in Scotland.

**Financial instruments**

Financial assets and liabilities are recognised on the company's balance sheet when the company becomes a party to the contractual provisions of the instrument.

**Trade and other receivables**

Trade and other receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method.

**Trade and other payables**

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

**NOTES TO THE ACCOUNTS**

**For the year ended 31 December 2005**

**Provisions**

Provisions are recognised when the Company has a present obligation as a result of a past event, and it is probable that the Company will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

**Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable from rentals earned and development properties sold in the normal course of business, net of discounts, VAT and other sales related taxes.

Rental income, excluding charges for services such as insurance and maintenance, is recognised on a straight-line basis over the lease term even if the payments are not made on that basis, unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished.

**Operating lease**

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the term of the lease. Benefits received and receivables as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

**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 earnings where remittance is controlled by the Group, and goodwill

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

**Accounting Developments**

*International Financial Reporting Standards*

As at the date of authorisation of these financial statements, the following Standards which have not been applied in these 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 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.

# **RIOSI MOTORCYCLES LIMITED**

## **NOTES TO THE ACCOUNTS**

**For the year ended 31 December 2005**

### **3. OPERATING PROFIT**

The auditors' remuneration was borne by the parent company.

### **4. DIRECTORS AND EMPLOYEES**

The directors received no emoluments directly from the company during the current or prior year. None of the directors had any material interest in any contract of significance in relation to the business of the company during the current or prior year.

The company has no employees (2004: none).

### **5. INCOME TAX CHARGE**

	<b>2005</b>	<b>2004</b>
	<b>£</b>	<b>£</b>
Current taxation:		
Income tax charge for the year	63,985	-
Under provision in respect of prior periods	119,144	405,286
Income tax charge for the year	<u>183,129</u>	<u>405,286</u>

The actual tax charge differs from the expected tax charge computed by applying the standard UK corporation tax rate of 30% (2004: 30%) as follows:

	<b>2005</b>	<b>2004</b>
	<b>£</b>	<b>£</b>
Expected tax credit	(84,595)	(210,465)
Non-deductible items	230,101	210,465
Non-taxable items	(81,521)	
Capital allowances in excess of depreciation		
Adjustments in respect of prior periods	119,144	405,286
Actual tax charge	<u>183,129</u>	<u>405,286</u>

# **RIOSI MOTORCYCLES LIMITED**

## **NOTES TO THE ACCOUNTS**

**For the year ended 31 December 2005**

<b>6 INVESTMENTS</b>	<b>2005</b>	<b>2004</b>
	<b>£</b>	<b>£</b>
At cost	1,300,867	1,300,867
Amounts provided for	(1,300,867)	(918,865)
Net book value at 31 December	<u>-</u>	<u>382,002</u>

The principal subsidiary undertakings, all of which are registered in England and Wales are as follows:

	<b>Class of Shares Held</b>	<b>Percentage Held by the Company</b>	<b>Nature of the Business</b>
Roadmaster Extended Warranties Limited	Ordinary	100%	Non-trading
Dixon Bikes Limited	Ordinary	100%	Dormant
APS Motorcycles Limited	Ordinary	100%	Dormant
Dixon Motorcycles Limited	Ordinary	100%	Dormant
Motorcycles City Insurance Services Limited	Ordinary	100%	Dormant

<b>7. TRADE AND OTHER RECEIVABLES</b>	<b>2005</b>	<b>2004</b>
	<b>£</b>	<b>£</b>
VAT	5,272	-
Prepayments and accrued income	73,438	69,177
	<u>78,710</u>	<u>69,177</u>

<b>8. TRADE AND OTHER PAYABLES</b>	<b>2005</b>	<b>2004</b>
	<b>£</b>	<b>£</b>
Other payables	1,372	-
Accruals and deferred income	-	1,108,759
	<u>1,372</u>	<u>1,108,759</u>

<b>9. PROVISIONS</b>	<b>Others</b>	<b>Total</b>
	<b>£</b>	<b>£</b>
At 1 January 2004	1,502,810	1,502,810
Additional provision for the year	207,451	207,451
Utilisation of provision	(1,090,261)	(1,090,261)
At 31 December 2005	<u>620,000</u>	<u>620,000</u>
Included in current liabilities		620,000
Included in non-current liabilities		-
		<u>620,000</u>

The provision relates to a termination provision determined by taking the cost to exit all leases less any anticipated income to be derived from these leases.



# **RIOSI MOTORCYCLES LIMITED**

## **NOTES TO THE ACCOUNTS**

**For the year ended 31 December 2005**

<b>10. SHARE CAPITAL</b>	<b>2005</b>	<b>2004</b>
	<b>£</b>	<b>£</b>
<b>Authorised:</b>		
1,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
<b>Issued, allotted and fully paid:</b>		
1,000 ordinary shares of £1 each		
At the beginning of the year	1,000	1,000
Issued in the year	-	-
At the end of the year	<u>1,000</u>	<u>1,000</u>

<b>11. OPERATING LEASES</b>	<b>2005</b>	<b>2004</b>
<b><i>The Company as lessee</i></b>	<b>£</b>	<b>£</b>
Minimum lease payments under operating leases recognised as an expense in the year	58,986	-

The Company's annual commitments under non-cancellable operating leases are as follows:

	<i>Land and Buildings</i>	
	<b>2005</b>	<b>2004</b>
	<b>£</b>	<b>£</b>
Leases expiring:		
Within one year	189,000	-
In the second to fifth years inclusive	756,000	-
After five years	2,445,073	618,470
	<u>3,390,073</u>	<u>618,470</u>

**NOTES TO THE ACCOUNTS**

**For the year ended 31 December 2005**

**12. RELATED PARTY TRANSACTIONS**

Related parties comprise group companies, companies with common directorships and directors and directors of the company. Details of transactions with related parties during the year are as follows:

	<b>Opening Balance</b>	<b>Receipts/ (Payments)</b>	<b>Income/ (Expenses)</b>	<b>Closing Balance</b>
	£	£	£	£
<b>2005</b>				
Accounts with:				
Amounts owed to group companies	(16,291,636)	-	-	(16,291,636)
Transactions during the year:				
Intercompany expenses	-	13,306	(815,493)	(802,187)
<b>Total</b>	<u>(16,291,636)</u>	<u>13,306</u>	<u>(815,493)</u>	<u>(17,093,823)</u>

**2004**

Accounts with:				
Amounts owed to group companies	(15,244,550)	-	(1,047,086)	(16,291,636)
<b>Total</b>	<u>(15,244,550)</u>	<u>-</u>	<u>(1,047,086)</u>	<u>(16,291,636)</u>

The amounts outstanding are unsecured. No guarantees have been given or received. No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

**13. ULTIMATE PARENT COMPANY**

The company's immediate parent company is Motorsport Dealers International 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 National Westminster Bank plc, a company incorporated in Great Britain and registered in England and Wales. Copies of the consolidated financial statements for this subgroup can be obtained from The Royal Bank of Scotland Group plc, Gogarburn, Edinburgh, EH12 1HQ.

**14. EVENTS AFTER THE BALANCE SHEET DATE**

There have been no significant events between the year end and the date of approval of the accounts which would require a change or additional disclosure in the accounts.