

RFS (4) LIMITED

REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2005

COMPANY NUMBER: 1319326



RFS (4) LIMITED

YEAR ENDED 31 DECEMBER 2005

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RFS (4) LIMITED

YEAR ENDED 31 DECEMBER 2005

REPORT OF THE DIRECTORS

The Directors hereby submit their Report and the accounts for the year ended 31 December 2005.

Principal activity

The principal activity of the Company is the provision of finance and associated services.

Review of the business and future developments

The Company's loss for the financial year is £313,000 (2004 Profit: £1,035,000).

No dividend is proposed for the financial year (2004: £nil).

The Company has conducted its activities throughout the year in a satisfactory manner.

On 13 July 2006 RCI Banque SA served notice of intent on the joint venture partner of the Company's ultimate parent undertaking, Capital Bank Plc, to end the joint venture of RFS Limited. The notice period is 12 months from this date, up to which business will continue as usual.

Financial instruments

The Company's policy relating to the management of financial risk and potential exposures is detailed in note 21.

Directors

The Directors of the Company during the year to 31 December 2005 were:

L J Town	(appointed 17 October 2005)
T Woolgrove	(appointed 18 March 2005)
A R Christie	(resigned 5 January 2005)
M Wooderson	(resigned 18 October 2005)

During the year no Director had any beneficial interest in the share capital of the Company or of any Group undertaking other than in HBOS Plc, the ultimate holding Company.

Auditor

Elective resolutions to dispense with holding annual general meetings, the laying of accounts before the Company in general meeting and the appointment of auditors annually are currently in force. The auditors, KPMG Audit Plc and Deloitte & Touche LLP, will therefore be deemed to have been reappointed at the end of the period of 28 days beginning with the day on which the copies of this report and accounts are sent to members unless a resolution is passed under section 393 of the Companies Act 1985 to the effect that their appointment be brought to an end.

RFS (4) LIMITED

YEAR ENDED 31 DECEMBER 2005

REPORT OF THE DIRECTORS (CONTINUED)

Statement of directors' responsibilities in respect of the Report and the financial statements

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

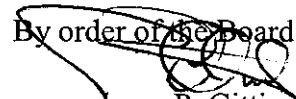
United Kingdom Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with IFRSs as adopted by the EU.

The financial statements are required by law to present fairly the financial position and performance of the company; the Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; 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 that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

By order of the Board

P. Gittins
Secretary

Charterhall House
Charterhall Drive
Chester
Cheshire
CH88 3AN

10 OCTOBER 2006

RFS (4) LIMITED

YEAR ENDED 31 DECEMBER 2005

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF RFS (4) LIMITED

We have audited the financial statements of RFS(4) Limited for the year ended 31 December 2005 which comprise the income statement, the statement of recognised income and expense, the balance sheet, the cash flow statement and the related notes. 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

The directors' responsibilities for preparing the directors' report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU are set out in the statement of directors' responsibilities on page 2.

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 and are 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 other transactions is not disclosed.

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

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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the company's affairs as at 31 December 2005 and of its loss for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc
KPMG Audit Plc
Chartered Accountants and Registered Auditors
Manchester

Deloitte & Touche LLP
Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London

12 October 2006

25th October 2006

RFS (4) LIMITED**YEAR ENDED 31 DECEMBER 2005****INCOME STATEMENT**

	Notes	2005	2004
		£'000	£'000
Finance lease income		84	371
Net operating lease income	2	2,343	2,678
Operating income		-	1,360
Interest expense and similar charges	3	(1,870)	(2,139)
Net income		557	2,270
Administrative expenses		(597)	(649)
Operating expenses		(407)	-
(Loss)/profit on ordinary activities before taxation		(447)	1,621
Income tax credit/(expense)	6	134	(586)
(Loss)/profit after tax for the financial year all attributable to equity shareholders	16	(313)	1,035

The notes on pages 8 to 27 form part of the financial statements.

RFS (4) LIMITED**YEAR ENDED 31 DECEMBER 2005****STATEMENT OF RECOGNISED INCOME AND EXPENSE**

	Note	2005	2004
		£'000	£'000
(Loss)/ profit for the year		(313)	1,035
Total recognised income and expense		(313)	1,035
Effect of change in accounting policy			
Effect of adoption of IAS32 and 39, net of tax on 1 January 2005 on:			
Retained earnings	23	404	-
		91	1,035

The notes on pages 8 to 27 form part of the financial statements.

RFS (4) LIMITED
AS AT 31 DECEMBER 2005
BALANCE SHEET

	Notes	2005 £'000	2004 £'000
Assets			
Operating leased assets	7	23,100	41,271
Deferred tax assets	10	1,812	54
Investment in subsidiaries	8	-	-
Total non-current assets		<u>24,912</u>	<u>41,325</u>
Cash and cash equivalents	15	31,781	5,455
Finance lease receivables	9	5,161	5,642
Current taxation debtor		1,191	-
Other current assets	11	17,354	16,825
Total current assets		<u>55,487</u>	<u>27,922</u>
Total assets		<u>80,399</u>	<u>69,247</u>
Equity			
Issued capital	16	1,000	1,000
Retained earnings	16	1,234	1,143
Total equity		<u>2,234</u>	<u>2,143</u>
Liabilities			
Deferred tax liabilities	10	120	43
Total non-current liabilities		<u>120</u>	<u>43</u>
Amounts owed to group undertakings and joint venture parties	17	66,807	51,950
Current taxation creditor		-	1,061
Other liabilities	12	11,238	14,050
Total current liabilities		<u>78,045</u>	<u>67,061</u>
Total liabilities		<u>78,165</u>	<u>67,104</u>
Total equity and liabilities		<u>80,399</u>	<u>69,247</u>

The notes on pages 8 to 27 form part of the financial statements.

Approved by the Board of Directors on 5/10/ 2006 and signed on its behalf by

.....
L.J.Town
Director



RFS (4) LIMITED

YEAR ENDED 31 DECEMBER 2005

CASH FLOW STATEMENT

	Notes	2005	2004
		£'000	£'000
Cash flows from operating activities			
(Loss)/profit before taxation		(447)	1,621
Adjustments for:			
Provisions		25	(164)
Depreciation and impairment		17,390	20,354
Movement in debtors		505	(9,519)
Movement in creditors		(2,812)	(2,662)
Loss/ (profit) on disposal		81	(1,483)
Cash generated from operations		<u>14,742</u>	<u>8,147</u>
Income taxes (paid)/income tax repayment received		(3,973)	660
Net cash from operating activities		<u>10,769</u>	<u>8,807</u>
Cash flows from investing activities			
Purchase of operating leased assets	7	(15,056)	(26,287)
Disposal of operating leased assets		15,756	19,923
Net cash from/(used in) investing activities		<u>700</u>	<u>(6,364)</u>
Net increase in cash and cash equivalents		11,469	2,443
Cash and cash equivalents at 1 January		<u>(46,495)</u>	<u>(48,938)</u>
Cash and cash equivalents at 31 December	15	<u><u>(35,026)</u></u>	<u><u>(46,495)</u></u>

RFS (4) LIMITED

YEAR ENDED 31 DECEMBER 2005

NOTES TO THE ACCOUNTS

1. Accounting Policies

General information

RFS (4) Limited is a company domiciled in the United Kingdom.

The financial statements were authorised for issue by the directors on 5/10/2006.

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and its interpretations as adopted by the EU.

The accounting policies set out below have been applied in respect of the financial year ended 31 December 2005. The company has adopted the following exemptions set out in IFRS1, 'First-time Adoption of International Financial Reporting Standards'. Using the exemptions within IFRS 1, IAS 32, IAS 39 and IFRS 4 only became effective from 1 January 2005. Where the implementation of these standards resulted in a change in accounting policy from 1 January 2005, the 2004 comparatives do not reflect the provisions of these standards.

IFRS 7 'Financial Instruments: Disclosure' applicable for years commencing on or after 1 January 2007 has not been applied. The application of IFRS 7 in 2005 would not have affected the balance sheet or income statement as the standard is only concerned with disclosure.

These are the company's first IFRS financial statements and IFRS 1 has been applied.

Basis of preparation

The financial statements are presented in sterling, rounded to the nearest thousand. They are prepared on the historical cost basis.

Non current assets are stated at the lower of carrying amount and fair value less costs to sell.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision only affects that period, or in the period of the revision and future periods if the revision affects both current and future periods.

RFS (4) LIMITED

YEAR ENDED 31 DECEMBER 2005

NOTES TO THE ACCOUNTS (continued)

1. Accounting Policies (continued)

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and in preparing an opening IFRS balance sheet at 1 January 2004 for the purposes of transition to IFRS.

Investments in subsidiary undertakings

Shares in subsidiaries are stated at cost unless, in the opinion of the Directors, there has been impairment in value, in which circumstance a provision is made.

Finance leases, instalment credit and operating leases

Assets leased to customers which transfer substantially all the risks and rewards of ownership to the customer are classified as finance leases. Together with instalment credit agreements, they are recorded at an amount equal to the net investment in the lease, less any impairment provisions, within finance lease receivables.

The net investment in finance leases and instalment credit agreements represents the sum of the minimum payments receivable and unguaranteed residual value (gross investment in lease) discounted at the interest rate implicit in the lease. The difference between the gross investment in the lease and the net investment in the lease is recorded as unearned finance lease income.

All other assets leased to customers are classified as operating leases. These assets are separately disclosed in the balance sheet within operating leased assets and are recorded at cost less accumulated depreciation, which is calculated on a straight line basis. Operating leased assets are reviewed for impairment when there is an indication of impairment.

Income from finance leases and instalment credit agreements is credited to the profit and loss account using the net investment method to give a constant periodic rate of return. Initial direct costs incurred in arranging the lease are included in the initial measurement of the finance receivable and reduce income over the lease term.

Operating leased rentals are recognised in the profit and loss account on a straight line basis. Initial direct costs incurred are deferred and allocated to income over the lease term in proportion to the recognition of rental income.

RFS (4) LIMITED

YEAR ENDED 31 DECEMBER 2005

NOTES TO THE ACCOUNTS (continued)

1. Accounting Policies (continued)

Impairment provisions

The carrying amounts of the company's assets are reviewed at each balance sheet date to determine whether there is an indication of impairment. If any such indication exists, the assets' recoverable amount is estimated.

Impairment is assessed individually for financial assets that are individually significant and individually or collectively for assets that are not individually significant.

Individual impairment is identified at a counterparty specific level following objective evidence that a financial asset is impaired. This may be after a principal payment is missed.

The recoverable amount of finance lease receivables carried at amortised cost is calculated as the present value of future cash flows, discounted at the original effective interest rate in the lease.

The recoverable amount of other assets, including operating leases, is the greater of their net selling price and value in use. In assessing value in use, the estimated future cashflows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If impaired, the carrying value is adjusted and the difference charged to the income statement.

Collective assessment groups assets that share similar risk characteristics and applies a collective impairment methodology based on existing risk conditions or events that have a strong correlation with a tendency to default.

In circumstances where an asset has been collectively assessed for impairment and no objective evidence of impairment exists, then it may be subject to a collective assessment. In this situation impairment may be incurred but not yet reported.

The reversal of an impairment loss for an asset is recognised immediately in the income statement. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

RFS (4) LIMITED

YEAR ENDED 31 DECEMBER 2005

NOTES TO THE ACCOUNTS (continued)

1. Accounting Policies (continued)

2004 comparative accounting policy in respect of provisions for bad and doubtful debts

Specific provisions are calculated using either an individual assessment basis or a formulae driven approach. The formulae driven assessment is made using statistical techniques developed based on previous experience. These formulae take into account factors such as the length of time that payments from the customer are overdue, the value of any collateral held and the level of past and expected losses, in order to derive an appropriate provision.

A general provision is made against loans and advances to cover bad and doubtful debts which have not been separately identified, but which are known from experience to be present in portfolios of loans and advances. The level of general provision is determined in light of past experience, current economic and other factors affecting the business environment and management's monitoring and control procedures, including the scope of specific provisioning procedures.

Specific and general provisions are deducted from loans and advances. Provision made during the year, less amounts released and recoveries of amounts written off in previous years are charged to the profit and loss account.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, call deposits and short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant change in value. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows. Funding to the RFS Limited Group is provided by the Joint Venture investor, Capital Bank Plc.

Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided: goodwill not deductible for tax purposes, the initial recognition of assets and liabilities that affects neither accounting nor taxable profit and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates at the balance sheet date.

RFS (4) LIMITED

YEAR ENDED 31 DECEMBER 2005

NOTES TO THE ACCOUNTS (continued)

2. Net operating lease income

	2005 £'000	2004 £'000
Operating lease income	19,733	23,032
Operating lease depreciation and impairment	(17,390)	(20,354)
	<u>2,343</u>	<u>2,678</u>

3. Interest expense and similar charges

	2005 £'000	2004 £'000
Intra group and joint venture party interest	1,870	2,139
	<u>1,870</u>	<u>2,139</u>

4. Staff numbers and costs

The company has no employees. It uses the services of a related undertaking for which a management charge, included in administrative expenses, is made.

Auditors' remuneration of £6,000 (2004: £6,000) is included within administrative expenses.

5. Directors' emoluments

None of the Directors received any emoluments for their services as Directors of the company.

RFS (4) LIMITED

YEAR ENDED 31 DECEMBER 2005

NOTES TO THE ACCOUNTS (continued)

6. Income tax (credit)/expense

	2005 £'000	2004 £'000
Current tax		
Current tax charge for the period at a rate of 30% (2004: 30%)	1,733	2,500
Adjustments in respect of earlier years	<u>(12)</u>	<u>249</u>
	<u>1,721</u>	<u>2,749</u>
Deferred tax (note 10)		
Deferred tax credit for the period at a rate of 30% (2004: 30%)	(1,867)	(2,014)
Adjustments in respect of earlier years	<u>12</u>	<u>(149)</u>
	<u>(1,855)</u>	<u>(2,163)</u>
Total income tax (credit)/expense in income statement	<u>(134)</u>	<u>586</u>

Reconciliation of effective tax rate

The tax assessed for the year is equal to (2004: higher than) the standard rate of corporation tax in the UK of 30%. The differences are explained below:

	2005 £'000	2004 £'000
(Loss)/profit on ordinary activities before taxation	<u>(447)</u>	<u>1,621</u>
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2004: 30%)	(134)	486
Effects of:		
Adjustments in respect of earlier years	-	100
	<u>(134)</u>	<u>586</u>

RFS (4) LIMITED

YEAR ENDED 31 DECEMBER 2005

NOTES TO THE ACCOUNTS (continued)

7. Operating leased assets

	Operating leases £'000
Cost	
Balance at 1 January 2004	67,183
Additions	26,287
Disposals	(20,760)
At 31 December 2004	72,710
Balance at 1 January 2005	72,710
Additions	15,056
Disposals	(25,990)
At 31 December 2005	61,776
Depreciation and impairment losses	
Balance at 1 January 2004	13,405
Depreciation and Impairment charge for the year	20,354
Disposals	(2,320)
At 31 December 2004	31,439
Balance at 1 January 2005	31,439
Depreciation charge for the year	16,667
Impairment	723
Disposals	(10,153)
At 31 December 2005	38,676
Carrying amounts	
At 1 January 2005	41,271
At 31 December 2005	23,100
At 1 January 2004	53,778
At 31 December 2004	41,271

During the year, the company acquired, for cash, operating leased assets at a cost of £15,056,000 (2004: £26,287,000).

RFS (4) LIMITED

YEAR ENDED 31 DECEMBER 2005

NOTES TO THE ACCOUNTS (continued)

8. Investment in subsidiary undertakings

	£
Investment at 31 December 2005 and 2004	<u>6</u>

The company owns all the issued share capital of the companies listed below.

The company's subsidiary undertakings, which are incorporated in the United Kingdom, are:

	Class of capital & percentage held	Nature of business	Accounting reference date
RFS (1) Limited	100% of Ordinary Shares	Provision of finance and associated services	31 March
RFS (2) Limited	100% of Ordinary Shares	Provision of finance and associated services	30 June
RFS (3) Limited	100% of Ordinary Shares	Provision of finance and associated services	30 September

RFS (4) LIMITED

YEAR ENDED 31 DECEMBER 2005

NOTES TO THE ACCOUNTS (continued)

9. Finance lease receivables

	2005 £'000	2004 £'000
Gross investment in finance leases, receivable:		
No later than one year	4,235	4,664
Later than 1 year and no later than 5 years	1,898	2,090
Later than 5 years	-	-
	<u>6,133</u>	<u>6,754</u>
Unearned future finance income on finance leases	(922)	(508)
Net investment in finance leases	<u>5,211</u>	<u>6,246</u>
Impairment provisions	(50)	(604)
Finance lease receivables	<u>5,161</u>	<u>5,642</u>
The net investment in finance leases may be analysed as follows:		
	2005 £'000	2004 £'000
No later than one year	3,564	3,896
Later than 1 year and no later than 5 years	1,597	1,746
Later than 5 years	-	-
Net investment in finance leases	<u>5,161</u>	<u>5,642</u>

The unguaranteed residual value is £nil (2004: £6,000).

The cost of assets acquired during the year for the purpose of finance leasing was £1,961,000 (2004: £2,658,000).

RFS (4) LIMITED

YEAR ENDED 31 DECEMBER 2005

NOTES TO THE ACCOUNTS (continued)

10. Deferred tax assets and liabilities

	2005 £'000	2004 £'000
Deferred tax liabilities	(120)	(43)
Deferred tax assets	1,812	54
Net position	<u>1,692</u>	<u>11</u>

The movement for the year in the company's net deferred tax position was as follows:

	2005 £'000	2004 £'000
At 1 January	11	(2,152)
Effect of adoption of IAS32 and 39	(174)	-
Opening balance restated	<u>(163)</u>	<u>(2,152)</u>
Credit to income for the year (note 6)	1,855	2,163
Balance carried forward as at 31 December	<u>1,692</u>	<u>11</u>

Deferred tax liabilities	Capital allowances on assets leased to customers £'000	Other £'000	Total £'000
Asset as at 1 January 2005	-	54	54
Effect of adoption of IAS32 and 39	-	(174)	(174)
Opening balance restated	<u>-</u>	<u>(120)</u>	<u>(120)</u>
Liability carried forward as at 31 December 2005	<u>-</u>	<u>(120)</u>	<u>(120)</u>

RFS (4) LIMITED

YEAR ENDED 31 DECEMBER 2005

NOTES TO THE ACCOUNTS (continued)

10. Deferred tax assets and liabilities (continued)

Deferred tax assets	Capital allowances on assets leased to customers £'000	Total £'000
Liability as at 1 January 2005	(43)	(43)
Credit to income for the year (note 6)	1,855	1,855
Asset carried forward as at 31 December 2005	<u>1,812</u>	<u>1,812</u>

11. Other current assets

	2005 £'000	2004 £'000
VAT	940	3,438
Other debtors	16,414	13,387
	<u>17,354</u>	<u>16,825</u>

12. Other liabilities

	2005 £'000	2004 £'000
Other creditors	11,238	14,050
	<u>11,238</u>	<u>14,050</u>

RFS (4) LIMITED**YEAR ENDED 31 DECEMBER 2005****NOTES TO THE ACCOUNTS (continued)****13. Operating lease minimum lease receipts**

The future minimum rentals receivable under non cancellable operating leases are as follows:

	2005 £'000	2004 £'000
Less than one year	6,751	9,320
Between one and five years	4,205	5,847
	<u>10,956</u>	<u>15,167</u>

14. Significant leasing arrangements**Operating leases**

The company leases vehicles under operating leases for any period up to five years.

Finance leases

The company leases vehicles under finance leases for any period up to five years.

15. Cash and cash equivalents

	2005 £'000	2004 £'000
Bank balances	2,603	5,455
Amounts due from RFS Limited group undertakings and joint venture parties	29,178	-
Cash and cash equivalents	<u>31,781</u>	<u>5,455</u>
Amounts due to RFS Limited group undertakings and joint venture parties	<u>(66,807)</u>	<u>(51,950)</u>
Cash and cash equivalents in the statement of cash flows	<u>(35,026)</u>	<u>(46,495)</u>

RFS (4) LIMITED**YEAR ENDED 31 DECEMBER 2005****NOTES TO THE ACCOUNTS (continued)****16. Capital and reserves****Reconciliation of movement in capital and reserves**

	Share capital £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2004	1,000	108	1,108
Profit for the year	-	1,035	1,035
Balance at 31 December 2004	<u>1,000</u>	<u>1,143</u>	<u>2,143</u>
Balance at 1 January 2005 as originally stated	1,000	1,143	2,143
Effect of adoption of IAS32 and 39, net of tax	-	404	404
Balance at 1 January 2005	<u>1,000</u>	<u>1,547</u>	<u>2,547</u>
Loss for the year	-	(313)	(313)
Balance at 31 December 2005	<u>1,000</u>	<u>1,234</u>	<u>2,234</u>

RFS (4) LIMITED

YEAR ENDED 31 DECEMBER 2005

NOTES TO THE ACCOUNTS (continued)

16. Capital and reserves (continued)

Share Capital

	2005 £	2004 £
Authorised		
A ordinary shares of £1 each	500,001	500,001
B ordinary shares of £1 each	500,001	500,001
C ordinary shares of £1 each	2	2
	<u>1,000,004</u>	<u>1,000,004</u>
Allotted, called up and fully paid		
A ordinary shares of £1 each	500,001	500,001
B ordinary shares of £1 each	500,001	500,001
C ordinary shares of £1 each	2	2
	<u>1,000,004</u>	<u>1,000,004</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company.

17. Amounts owed by and to group undertakings and joint venture parties

	2005 £'000	2004 £'000
Current assets		
Amounts owed by RFS Limited group undertakings and joint venture parties	<u>29,178</u>	<u>-</u>
Current liabilities		
Amounts owed to RFS Limited group undertakings and joint venture parties	<u>66,807</u>	<u>51,950</u>

The above amounts are repayable on demand.

RFS (4) LIMITED

YEAR ENDED 31 DECEMBER 2005

NOTES TO THE ACCOUNTS (continued)

18. Related parties

Key management personnel and members of their close families have not undertaken any transactions with RFS (4) Limited in the normal course of business.

The company had the following reportable transactions with related parties:

Transactions included within		HBOS Plc Group		Renault SA Group		Other related parties	
Income statement	Description	2005 £'000	2004 £'000	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Income	Earned finance charges subsidy receivable	-	-	4,225	2,565	-	-
Finance and trading costs	Other commission payable	-	-	142	296	-	-
Administrative expenses	Management charge	529	587	-	-	-	-
Outstanding balances included within							
Balance sheet	Description						
Current assets	New business subsidy receivable	-	-	301	10,892	-	-
Current liabilities	Amounts owed to group undertakings and joint venture parties	-	-	-	-	37,629	51,950
Other liabilities	New business subsidy payable	-	-	7,421	8,918	-	-

19. Parent undertaking

RFS Limited is the ultimate parent undertaking of RFS (4) Limited and heads the largest and smallest group into which the accounts of the Company are consolidated. The consolidated accounts of RFS Limited may be obtained from its registered office at Charterhall House, Charterhall Drive, Chester, CH88 3AN.

RFS Limited is a joint venture with 50% of its issued share capital being held by Capital Bank Plc, whose ultimate parent undertaking is HBOS plc, and 50% by Renault Acceptance Limited, a subsidiary of Renault SA.

20. Post balance sheet event

On 13 July 2006 RCI Banque SA served notice of intent on the joint venture partner of the Company's ultimate parent undertaking, Capital Bank Plc, to end the joint venture of RFS Limited. The notice period is 12 months from this date, up to which business will continue as usual.

RFS (4) LIMITED**YEAR ENDED 31 DECEMBER 2005****NOTES TO THE ACCOUNTS (continued)****21. Financial instruments**

Exposure to credit and interest rate risks arises in the normal course of the company's business.

Credit risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed for all customers.

At the balance sheet date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

Fair values

The fair values together with the carrying amounts shown in the balance sheet are as follows:

	Note	Carrying amount 2005 £'000	Fair value 2005 £'000	Carrying amount 2004 £'000	Fair value 2004 £'000
Finance leases receivables	9	5,161	5,161	5,642	5,642
Cash and cash equivalents	15	31,781	31,781	5,455	5,455
Other assets	11	16,414	16,414	13,387	13,387
Amounts owed to group undertakings and joint venture parties	15	(66,807)	(66,807)	(51,950)	(51,950)
Other liabilities	12	(11,238)	(11,238)	(14,050)	(14,050)
		<u>(24,689)</u>	<u>(24,689)</u>	<u>(41,516)</u>	<u>(41,516)</u>
Unrecognised (losses)/gains			<u>-</u>		<u>-</u>

22. Interest rate risk

In relation to income earning financial assets and interest bearing financial liabilities, the company does not have interest rate risk exposure.

Lease agreements are either fixed rate agreements where the customer is committed to pay interest at a rate fixed at the commencement of the agreement for the agreement term or, for agreements which have variable interest rates, any rise or fall in the base rate is passed onto the customer at the date of change and are matched by changes to the funding liability. Consequently the Company does not have any significant exposure to interest rate risk.

RFS (4) LIMITED

YEAR ENDED 31 DECEMBER 2005

NOTES TO THE ACCOUNTS (continued)

23. Explanation of transition to IFRS

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

The accounting policies applied in preparing the financial statements are set out in note 1.

In preparing its opening IFRS balance sheet, the Company has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (previous GAAP). An explanation of how the transition from previous GAAP has affected the Company's financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

Explanation of the major IFRS adjustments

Operating lease assets have been impacted by the change in depreciation method required by IAS17 from an actuarial to a straight-line basis.

Finance lease assets have been impacted by the change in earnings recognition required by IAS17 to an actuarial before tax basis from an actuarial after tax basis and by different treatment of initial direct costs.

Individual and collective impairment provisions on operating leases and finance leases are covered by IAS36 and IAS39 respectively. The different method of calculation of impairment under IFRS compared to bad debt provisions previously calculated under UKGAAP gives rise to IFRS adjustments.

IAS39 adjustments relate to individual and collective impairment provisions on finance lease deals.

RFS (4) LIMITED

YEAR ENDED 31 DECEMBER 2005

NOTES TO THE ACCOUNTS (continued)

23. Explanation of transition to IFRS (continued)

Reconciliation of equity

	1 January 2004		31 December 2004		1 January 2005	
	UK GAAP	Effect of transition to IFRS	IFRS	UK GAAP	Effect of transition to IFRS	IFRS
Assets						
Operating leased assets	54,827	(1,049)	53,778	42,773	(1,502)	41,271
Deferred tax assets	-	-	-	(298)	352	54
Total non-current assets	54,827	(1,049)	53,778	42,475	(1,150)	41,325
Cash and cash equivalents	1,871	-	1,871	5,455	-	5,455
Finance lease receivables	1,557	277	1,834	5,312	330	5,642
Current taxation debtor	2,348	-	2,348	-	-	-
Other current assets	10,950	-	10,950	16,825	-	16,825
Total current assets	16,726	277	17,003	27,592	330	27,922
Total assets	71,553	(772)	70,781	70,067	(820)	69,404
Equity						
Issued capital	1,000	-	1,000	1,000	-	1,000
Retained earnings	648	(540)	108	1,963	(820)	1,143
Total equity	1,648	(540)	1,108	2,963	(820)	2,143

RFS (4) LIMITED

YEAR ENDED 31 DECEMBER 2005

NOTES TO THE ACCOUNTS (continued)

23. Explanation of transition to IFRS (continued)

Reconciliation of equity (continued)

	1 January 2004		31 December 2004		1 January 2005	
	UK GAAP	Effect of transition to IFRS	IFRS	UK GAAP	Effect of transition to IFRS	IFRS
Deferred tax liabilities	2,384	(232)	2,152	43	-	43
Total non-current liabilities	2,384	(232)	2,152	43	-	43
Liabilities						
Amounts owed to group undertakings and joint venture parties	50,809	-	50,809	51,950	-	51,950
Current taxation creditor	-	-	-	1,061	-	1,061
Other liabilities	16,712	-	16,712	14,050	-	14,050
Total current liabilities	67,521	-	67,521	67,061	-	67,061
Total liabilities	69,905	(232)	69,673	67,104	-	67,104
Total equity and liabilities	71,553	(772)	70,781	70,067	404	69,651

RFS (4) LIMITED

YEAR ENDED 31 DECEMBER 2005

NOTES TO THE ACCOUNTS (continued)

23. Explanation of transition to IFRS (continued)

Reconciliation of profit for 2004

	UK GAAP	Effect of transition to IFRS	IFRS
	£'000	£'000	£'000
Finance lease income	318	53	371
Net operating lease income	3,131	(453)	2,678
Interest expense and similar charges	(2,139)	-	(2,139)
Net income	1,310	(400)	910
Administrative expenses	(649)	-	(649)
Operating expenses	1,360	-	1,360
Profit on ordinary activities before taxation	2,021	(400)	1,621
Income tax expense	(706)	120	(586)
Profit after tax for the financial year all attributable to equity shareholders	1,315	(280)	1,035

Explanation of material adjustments to the cash flow statement for 2004

A cash flow statement was not included in the financial statements under previous UK GAAP.