

RFS (4) LIMITED

**REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006**

COMPANY NUMBER: 1319326



RFS (4) LIMITED
YEAR ENDED 31 DECEMBER 2006
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RFS (4) LIMITED
YEAR ENDED 31 DECEMBER 2006
REPORT OF THE DIRECTORS

The Directors hereby submit their Report and the Financial Statements for the year ended 31 December 2006

Business Review

The main objective of the company is to lease assets to third parties for an agreed term. During the year the company continued to manage leasing transactions.

In addition, the company is a subsidiary where the parent, RFS Limited, provides finance and associated services. 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.

Risk Management

The key risks and uncertainties faced by the company are managed within the framework established for the HBOS group. The company does not have any exposure to foreign exchange risk. Interest rate risk is discussed below. The company is funded by its parent and its liquidity risk is currently managed within the HBOS group.

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.

Interest rate risk

The company has fixed rate agreements with customers.

Fixed rate agreements are where the customer is committed to pay interest at a fixed rate for the term of the agreement.

The company is funded on a short term basis and is exposed to interest rate risk in relation to fixed rate agreements. However, this is managed at the joint venture partner level where exposures are hedged.

Residual risk

The leasing portfolio includes agreements where the company has a risk in respect of residual value of the assets. This area of credit policy is monitored by a separate residual value committee which meets on a regular basis to consider the exposure taking into account current and projected industry trends in addition to the company's own risk management data.

RFS (4) LIMITED

YEAR ENDED 31 DECEMBER 2006

REPORT OF THE DIRECTORS (continued)

Performance

The Company has conducted its activities throughout the year in a satisfactory manner. No significant change in the Company's activities is foreseen at the present time.

The Company's loss after tax for the financial year is £819,000 (2005 restated loss after tax of £825,000).

The Company has total assets of £66.5m compared to £78.9m in 2005. This is mainly due to a reduced level of both operating leased assets and assets awaiting sale.

Future Developments

On 13 July 2006 RCI Banque SA served notice of intent on the joint venture partner, Capital Bank Plc, to end the joint venture of RFS Limited. The notice period was 12 months from that date, up to which business will continue as usual.

Under the terms of the joint venture, RCI Banque SA have agreed to purchase Capital Bank Plc's shares in RFS Limited at the end of the 12 month notice period.

Results and Dividends

The results for the year are shown in the Income Statement on page 5. The directors do not recommend the payment of a dividend.

Going Concern

The Directors are satisfied that the Company has adequate resources to continue in business for the foreseeable future and consequently the going concern basis continues to be appropriate in preparing the accounts.

The Company has received a letter of comfort from RFS Limited that confirms that it will provide sufficient funds or other financial support and adequate resources to enable the Company to continue in business for the next year.

Directors

The Directors of the Company during the year to 31 December 2006 were

L J Town	
G A Grant	(appointed 31 October 2006)
P A Cottle	(appointed 31 October 2006)
T Woolgrove	(resigned 31 October 2006)

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.

RFS (4) LIMITED

YEAR ENDED 31 DECEMBER 2006

REPORT OF THE DIRECTORS (continued)

Auditor

Elective resolutions to dispense with holding annual general meetings, the laying of financial statements 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 financial statements 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.

In the case of each of the persons who are directors of the company at the date when the report is approved

- so far as each is aware, there is no relevant audit information (as defined in the Companies Act 1985) of which the Company's auditors are unaware, and
- each of the directors has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

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.

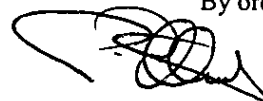
The financial statements are required by law to present fairly the financial position and performance of the company; the Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references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

2 JULY 2007

RFS (4) LIMITED

YEAR ENDED 31 DECEMBER 2006

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 2006 which comprise the Income Statement, the Statement of Recognised Income and Expense, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 22. 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 auditor's 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 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.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions 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. Our responsibilities do not extend to any further information outside the Report and 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 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 2006 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG Audit Plc
KPMG Audit Plc

Chartered Accountants and Registered Auditor
Manchester

Deloitte & Touche LLP
Deloitte & Touche LLP

Chartered Accountants and Registered Auditor
London

3 July 2007
9 July 2007

RFS (4) LIMITED**YEAR ENDED 31 DECEMBER 2006****INCOME STATEMENT**

	Notes	2006	Restated 2005
		£'000	£'000
Finance lease income		152	84
Net operating lease income	2	2,052	2,343
Interest expense and similar charges	3	(1,598)	(1,870)
Net income		<u>606</u>	<u>557</u>
Administrative expenses		(1,416)	(1,328)
Operating expenses		(360)	(407)
Loss on ordinary activities before taxation		<u>(1,170)</u>	<u>(1,178)</u>
Income tax credit	6	351	353
Loss after tax for the financial year all attributable to equity shareholders	16	<u>(819)</u>	<u>(825)</u>

The notes on pages 9 to 23 form part of the financial statements

Explanation of restated comparatives is given in note 22

RFS (4) LIMITED**YEAR ENDED 31 DECEMBER 2006****STATEMENT OF RECOGNISED INCOME AND EXPENSE**

		2006	Restated 2005
		£'000	£'000
Loss for the year		(819)	(825)
Total recognised income and expense		(819)	(825)
Effect of adoption of IAS32 and 39, net of tax on 1 January 2005 on			
Retained earnings	16	-	404
Effect of prior year adjustment on			
Retained earnings	16	(1,002)	-
		(1,821)	(421)

The notes on pages 9 to 23 form part of the financial statements.

RFS (4) LIMITED
AS AT 31 DECEMBER 2006
BALANCE SHEET

	Notes	2006	Restated 2005
		£'000	£'000
Assets			
Operating leased assets	7	15,782	20,937
Deferred tax assets	10	-	2,461
Investment in subsidiaries	8	-	-
Total non-current assets		<u>15,782</u>	<u>23,398</u>
Cash and cash equivalents	15	35,925	31,781
Finance lease receivables	9	3,980	5,161
Current taxation debtor		6,549	1,191
Other current assets	11	1,606	3,369
Assets awaiting sale	7	2,680	13,985
Total current assets		<u>50,740</u>	<u>55,487</u>
Total assets		<u>66,522</u>	<u>78,885</u>
Equity			
Issued capital	16	1,000	1,000
Retained earnings	16	(1,099)	(280)
Total equity		<u>(99)</u>	<u>720</u>
Liabilities			
Deferred tax liabilities	10	2,184	120
Total non-current liabilities		<u>2,184</u>	<u>120</u>
Amounts owed to group undertakings and joint venture parties	17	48,501	66,807
Other liabilities	12	15,936	11,238
Total current liabilities		<u>64,437</u>	<u>78,045</u>
Total liabilities		<u>66,621</u>	<u>78,165</u>
Total equity and liabilities		<u>66,522</u>	<u>78,885</u>

The notes on pages 9 to 23 form part of the financial statements

Approved by the Board of Directors on 2 JULY 2007 and signed on its behalf by


G.A. Grant
Director

RFS (4) LIMITED
YEAR ENDED 31 DECEMBER 2006
CASH FLOW STATEMENT

	Notes	2006	Restated 2005
		£'000	£'000
Cash flows from operating activities			
Loss before taxation		(1,170)	(1,178)
Adjustments for			
Finance lease impairment		40	25
Operating lease depreciation and impairment	2	5,457	4,136
Movement in receivables		2,905	505
Movement in payables		4,697	(2,812)
Net (profit)/loss on sale of operating leased assets		(108)	81
Cash generated from operations		<u>11,821</u>	<u>757</u>
Income taxes paid		(482)	(3,973)
Net cash from operating activities		<u>11,339</u>	<u>(3,216)</u>
Cash flows from investing activities			
Purchase of operating leased assets	7	(7,961)	(15,056)
Proceeds from sale of operating leased assets		19,072	29,741
Net cash from investing activities		<u>11,111</u>	<u>14,685</u>
Net increase in cash and cash equivalents		22,450	11,469
Cash and cash equivalents at 1 January		<u>(35,026)</u>	<u>(46,495)</u>
Cash and cash equivalents at 31 December	15	<u>(12,576)</u>	<u>(35,026)</u>

RFS (4) LIMITED

YEAR ENDED 31 DECEMBER 2006

NOTES TO THE FINANCIAL STATEMENTS

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 2 JULY 2007

Statement of compliance

The 2006 statutory financial statements set out on pages 5 to 23 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS)

The standards adopted by the Company are those endorsed by the European Union and effective at the date the IFRS financial statements are approved by the Board

The accounts also comply with the relevant provisions of Part VII of the Companies Act 1985, as amended by the Companies Act 1985 (International Accounting Standards and Other Accounting Amendments) Regulations 2004

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 2006 would not have affected the balance sheet or income statement as the standard is only concerned with disclosure

The parent has indicated its intention to continue to provide sufficient finance to the company to enable it to continue trading for at least one year from the date of approval of these accounts

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.

As a wholly owned subsidiary of RFS Ltd, a company incorporated in Great Britain, the Company is exempt under Section 228(2) of the Companies Act 1985 from preparing consolidated financial statements. Consolidated financial statements are prepared by RFS Ltd, a Company registered in England.

RFS (4) LIMITED

YEAR ENDED 31 DECEMBER 2006

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. Accounting Policies (continued)

The accounting policies set out below have been applied consistently to all periods presented in these financial statements

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 that transfer substantially all the risks and rewards incidental to 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 provisions for impairment, 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 income statement 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 income statement 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.

Assets awaiting sale

Assets awaiting sale comprise operating leased assets where the agreements have reached their termination date, but the assets will not be sold until after the balance sheet date.

Any potential losses on disposal of these assets have been reflected in the Residual value impairment provision.

RFS (4) LIMITED

YEAR ENDED 31 DECEMBER 2006

NOTES TO THE FINANCIAL STATEMENTS (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 2006

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. Accounting Policies (continued)

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.

2. Net operating lease income

	2006 £'000	Restated 2005 £'000
Operating lease income	7,509	6,479
Operating lease depreciation and impairment	(5,457)	(4,136)
	<u>2,052</u>	<u>2,343</u>

3. Interest expense and similar charges

	2006 £'000	2005 £'000
Intra group and joint venture party interest	1,598	1,870
	<u>1,598</u>	<u>1,870</u>

RFS (4) LIMITED

YEAR ENDED 31 DECEMBER 2006

NOTES TO THE FINANCIAL STATEMENTS (continued)

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 £5,250 (2005: £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.

6. Income tax credit

	2006 £'000	Restated 2005 £'000
Current tax		
Current tax (credit)/charge for the period at a rate of 30% (2005: 30%)	(4,911)	1,733
Adjustments in respect of earlier years	35	(12)
	<u>(4,876)</u>	<u>1,721</u>
Deferred tax (note 10)		
Deferred tax charge/(credit) for the period at a rate of 30% (2005: 30%)	4,560	(2,086)
Adjustments in respect of earlier years	(35)	12
	<u>4,525</u>	<u>(2,074)</u>
Total income tax credit in income statement	<u>(351)</u>	<u>(353)</u>

Reconciliation of effective tax rate

The tax assessed for the year is the same as (2005: same as) the standard rate of corporation tax in the UK of 30%.

RFS (4) LIMITED

YEAR ENDED 31 DECEMBER 2006

NOTES TO THE FINANCIAL STATEMENTS (continued)

7. Operating leased assets

	Operating leases £'000
Cost	
Balance at 1 January 2005	72,710
Additions	15,056
Disposals	<u>(25,990)</u>
At 31 December 2005	<u>61,776</u>
Balance at 1 January 2006	61,776
Additions	7,961
Disposals	<u>(33,136)</u>
At 31 December 2006	<u>36,601</u>
Depreciation and impairment losses	
Restated balance at 1 January 2005	32,871
Restated depreciation charge for the year	3,413
Impairment	723
Disposals	<u>(10,153)</u>
Restated at 31 December 2005	<u>26,854</u>
Balance at 1 January 2006	26,854
Depreciation charge for the year	5,745
Impairment	(288)
Disposals	<u>(14,172)</u>
At 31 December 2006	<u>18,139</u>
Carrying amounts	
At 31 December 2005	
Restated operating leased assets	20,937
Assets awaiting sale	<u>13,985</u>
	<u>34,922</u>
At 31 December 2006	
Operating leased assets	15,782
Assets awaiting sale	<u>2,680</u>
	<u>18,462</u>

During the year, the company acquired, for cash, operating leased assets at a cost of £7,961,000 (2005: £15,056,000)

Assets awaiting sale relate to operating leased assets which have reached the end of their agreement period, and are awaiting sale. Assets awaiting sale are shown separately on the balance sheet.

RFS (4) LIMITED

YEAR ENDED 31 DECEMBER 2006

NOTES TO THE FINANCIAL STATEMENTS (continued)

8. Investment in subsidiary undertakings

	£
Investment at 31 December 2006 and 2005	<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 2006

NOTES TO THE FINANCIAL STATEMENTS (continued)

9. Finance lease receivables

	2006	2005
	£'000	£'000
Gross investment in finance leases, receivable		
No later than one year	2,772	4,235
Later than 1 year and no later than 5 years	1,524	1,898
Later than 5 years	-	-
	4,296	6,133
Unearned future finance income on finance leases	(306)	(922)
	3,990	5,211
Impairment provisions	(10)	(50)
Net investment in finance leases	3,980	5,161
The net investment in finance leases may be analysed as follows		
	2006	2005
	£'000	£'000
No later than one year	2,568	3,564
Later than 1 year and no later than 5 years	1,412	1,597
Later than 5 years	-	-
Net investment in finance leases	3,980	5,161

The unguaranteed residual value is £nil (2005 £nil)

The cost of assets acquired during the year for the purpose of finance leasing was £9,437,000 (2005 £15,468,000)

RFS (4) LIMITED

YEAR ENDED 31 DECEMBER 2006

NOTES TO THE FINANCIAL STATEMENTS (continued)

10. Deferred tax assets and liabilities

	2006	Restated 2005
	£'000	£'000
Deferred tax liabilities	(2,184)	(120)
Deferred tax assets	-	2,461
Net position	<u>(2,184)</u>	<u>2,341</u>

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

	2006	Restated 2005
	£'000	£'000
Balance brought forward as at 1 January	2,341	441
(Charge)/credit to income for the year (note 6)	(4,525)	2,074
Balance carried forward as at 31 December	<u>(2,184)</u>	<u>2,341</u>

Deferred tax liabilities

	Other	Total
	£'000	£'000
Liability as at 1 January 2006	(120)	(120)
Charge to income for the year	<u>(2,064)</u>	<u>(2,064)</u>
Liability carried forward as at 31 December 2006	<u>(2,184)</u>	<u>(2,184)</u>

RFS (4) LIMITED

YEAR ENDED 31 DECEMBER 2006

NOTES TO THE FINANCIAL STATEMENTS (continued)

10. Deferred tax assets and liabilities (continued)

Deferred tax assets	Capital allowances on assets leased to customers £'000	Total £'000
Asset as at 1 January 2006	2,461	2,461
Charge to income for the year	(2,461)	(2,461)
Liability carried forward as at 31 December 2006	-	-

On 21st March 2007 the UK Government announced that it proposed to reduce corporation tax from 30% to 28%. It is not expected that this will be substantively enacted during 2007. It is not expected that this will have a significant effect on the Company's current and deferred tax assets and liabilities.

11. Other current assets

	2006 £'000	2005 £'000
VAT	-	940
Other debtors	1,606	2,429
	<u>1,606</u>	<u>3,369</u>

12. Other liabilities

	2006 £'000	2005 £'000
VAT	34	-
Other creditors	15,902	11,238
	<u>15,936</u>	<u>11,238</u>

13. Operating lease minimum lease receipts

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

	2006 £'000	2005 £'000
Less than one year	4,800	6,751
Between one and five years	2,981	4,205
	<u>7,781</u>	<u>10,956</u>

RFS (4) LIMITED

YEAR ENDED 31 DECEMBER 2006

NOTES TO THE FINANCIAL STATEMENTS (continued)

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

	2006 £'000	2005 £'000
Bank balances	653	2,603
Amounts due from RFS Limited group undertakings and joint venture parties	35,272	29,178
Cash and cash equivalents	<u>35,925</u>	<u>31,781</u>
Amounts due to RFS Limited group undertakings and joint venture parties	(48,501)	(66,807)
Cash and cash equivalents in the statement of cash flows	<u>(12,576)</u>	<u>(35,026)</u>

16. Capital and reserves

Reconciliation of movement in capital and reserves

	Share capital £'000	Retained earnings £'000	Total £'000
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
Effect of prior year adjustment net of tax	22 -	(1,002)	(1,002)
Balance at 1 January 2005	<u>1,000</u>	<u>545</u>	<u>1,545</u>
Loss for the year as originally stated	-	(313)	(313)
Effect of prior year adjustment net of tax	22 -	(512)	(512)
Loss for the year	-	(825)	(825)
Balance at 31 December 2005	<u>1,000</u>	<u>(280)</u>	<u>720</u>
Loss for the year	-	(819)	(819)
Balance at 31 December 2006	<u>1,000</u>	<u>(1,099)</u>	<u>(99)</u>

RFS (4) LIMITED

YEAR ENDED 31 DECEMBER 2006

NOTES TO THE FINANCIAL STATEMENTS (continued)

16. Capital and reserves (continued)

Share Capital

	2006 £	2005 £
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

	2006 £'000	2005 £'000
Current assets		
Amounts owed by RFS Limited group undertakings and joint venture parties	<u>35,272</u>	<u>29,178</u>
Current liabilities		
Amounts owed to RFS Limited group undertakings and joint venture parties	<u>48,501</u>	<u>66,807</u>

The above amounts are repayable on demand

RFS (4) LIMITED

YEAR ENDED 31 DECEMBER 2006

NOTES TO THE FINANCIAL STATEMENTS (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	2006 £'000	2005 £'000	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Income	Earned finance charges subsidy receivable	-	-	4,577	4,225	-	-
Income	New business subsidy receivable	-	-	1,925	2,727	-	-
Net operating lease income	Other commission payable	-	-	112	142	-	-
Interest expense and similar charges	Intra group interest	1,598	1,870	-	-	-	-
Administrative expenses	Management charge	1,202	1,261	-	-	-	-
Outstanding balances included within							
Balance sheet	Description						
Current assets	New business subsidy receivable	-	-	-	301	-	-
Current assets	Amounts owed to group undertakings and joint venture parties	-	-	-	-	35,272	29,178
Current liabilities	Amounts owed to group undertakings and joint venture parties	-	-	-	-	48,501	66,807
Current liabilities	New business subsidy payable	-	-	11,099	7,421	-	-

RFS (4) LIMITED

YEAR ENDED 31 DECEMBER 2006

NOTES TO THE FINANCIAL STATEMENTS (continued)

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. 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

There are no differences between the carrying amounts shown in the balance sheet and the fair value.

21. Interest rate risk

The company has fixed rate agreements with customers.

Fixed rate agreements are where the customer is committed to pay interest at a fixed rate for the term of the agreement.

The company is funded on a short term basis and is exposed to interest rate risk in relation to fixed rate agreements. However, this is managed at the joint venture partner level where exposures are hedged.

RFS (4) LIMITED

YEAR ENDED 31 DECEMBER 2006

NOTES TO THE FINANCIAL STATEMENTS (continued)

22. Prior year adjustment

A prior year adjustment has been made in respect of the omission from the previously reported 2005 result of management fees payable to the HBOS group. This has resulted in an increase in administrative expenses of £731,000 in 2005. The tax effect of this is a credit of £219,000 which results in a net restatement of £512,000 to the income statement. A debit adjustment to the 2005 opening reserves of £1,002,000 has also been made which is net of £430,000 tax.

In the 2006 result an adjustment has been made to increase deferred income in respect of maintenance. Due to system constraints it has not been practicable to attribute this adjustment to prior years and the adjustment has therefore been made in the stating the current year's result.

RFS 4 LIMITED

YEAR ENDED 31 DECEMBER 2006

ANALYSIS OF INCOME STATEMENT

This page does not form part of the audited and filed Financial Statements – for internal use only

	2006	Restated 2005
	£	£
<i>Finance Leases & HP agreements</i>		
Leasing rental income	79,252	434,539
Depreciation on finance leased assets	44,341	(227,840)
Fees & additional charges	28,230	(122,264)
Finance Lease Income	151,823	84,435
<i>Operating Leases</i>		
Leasing rental income	7,698,572	6,736,738
Depreciation on operating leased assets	(5,454,843)	(4,137,960)
Fees & additional charges	(191,221)	(256,058)
Net Operating Lease Income	2,052,508	2,342,720
Intra group interest	(1,597,858)	(1,869,688)
Interest expense & similar charges	(1,597,858)	(1,869,688)
Net loss on sale of assets	108,357	(80,602)
Bad debts, less recoveries	(508,157)	(303,493)
Increase in impairment for bad and doubtful debts		
Collective	10,668	(20,580)
Individual	29,108	(2,686)
Operating Expenses	(360,024)	(407,361)
Audit	(5,250)	(6,000)
Direct costs	(208,092)	(61,587)
Management charge Joint venture partner undertaking	(1,202,055)	(1,260,550)
Administrative expenses	(1,415,397)	(1,328,137)
Loss on ordinary activities before taxation	(1,168,948)	(1,178,031)