

Company Registration No: 02003546

BUS & COACH LEASING LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

30 September 2005

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



BUS & COACH LEASING LIMITED

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BUS & COACH LEASING LIMITED
OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

N T J Clibbens
P E Lord
S D Recaldin

SECRETARY

A M Cunningham

REGISTERED OFFICE

3 Princess Way
Redhill
Surrey
RH1 1NP

AUDITORS

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London

Registered in England and Wales.

BUS & COACH LEASING LIMITED

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 30 September 2005.

PRINCIPAL ACTIVITY

The principal activity of the group is the provision of residual value undertakings and the provision of credit finance by way of leasing and contract hire.

BUSINESS REVIEW

The net amount financed under all forms of financial agreements entered into during the year was £nil (2004-£nil).

The retained loss for the period was £ 343,000 (2004: £345,000) and this was transferred to reserves. The directors do not recommend the payment of a dividend (2004-£nil).

As at 30 September 2005 the company had an equity shareholders' deficit of £ 672,000. The company receives financial and other support from its immediate parent undertaking, Lombard North Central PLC. The directors of Lombard North Central PLC have confirmed that this support will continue to be made available for the foreseeable future.

DIRECTORS AND SECRETARY

The present directors and secretary, who have served throughout the year are as shown on page 1.

DIRECTORS' RESPONSIBILITIES

United Kingdom company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period. In preparing the financial statements, 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 financial statements; 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 financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that these financial statements comply with the aforementioned requirements.

DIRECTORS' REPORT (Continued)

The Royal Bank of Scotland Group plc (RBSG) Ordinary shares of 25p each

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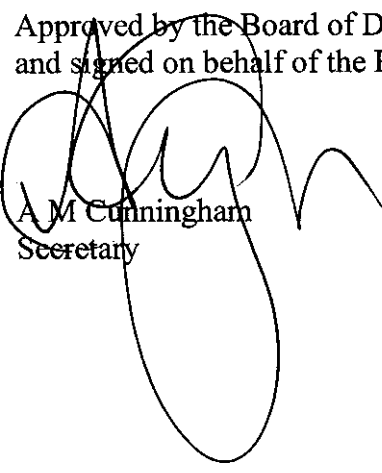
BUS & COACH LEASING LIMITED

DIRECTORS' REPORT (Continued)

AUDITORS

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors.

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



A. M. Cunningham
Secretary

30 MAR 2006

BUS & COACH LEASING LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BUS & COACH LEASING LIMITED

We have audited the financial statements of Bus & Coach Leasing Limited for the year ended 30 September 2005 which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes 1 to 20. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in the auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described in the directors' report, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

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 if, in our opinion, the director's 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 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.

BASIS OF OPINION

We conducted our audit in accordance with United Kingdom auditing standards 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 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 of the state of the company's affairs as at 30 September 2005 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors

London 31 March 2006

BUS & COACH LEASING LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30 SEPTEMBER 2005

	<u>Notes</u>	<u>2005</u> <u>£'000</u>	<u>2004</u> <u>£'000</u>
Turnover	2	2,714	1,201
Cost of sales		(3,030)	(1,489)
Gross loss		<u>(316)</u>	<u>(288)</u>
Administrative expenses		(43)	(25)
Operating loss	3	<u>(359)</u>	<u>(313)</u>
Interest receivable	5	10	6
Interest payable	6	(131)	(175)
Loss on ordinary activities before taxation		<u>(480)</u>	<u>(482)</u>
Taxation credit on loss on ordinary activities	7	137	137
Retained loss for the financial year	12	<u><u>(343)</u></u>	<u><u>(345)</u></u>

The company made no acquisitions and had no discontinued operations during the year.
Activities related to continuing operations.

RECOGNISED GAINS AND LOSSES

There are no recognised gains or losses other than the loss attributable to the company of £343,000 in the year ended 30 September 2005 and loss of £345,000 in the year ended 30 September 2004.

The notes on pages 9 to 15 form part of these financial statements.

BUS & COACH LEASING LIMITED

BALANCE SHEET

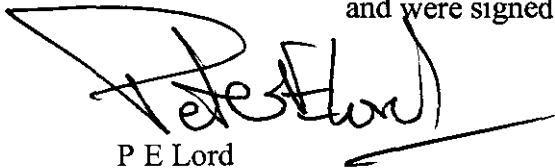
AT 30 SEPTEMBER 2005

	<u>Notes</u>	<u>2005</u> <u>£'000</u>	<u>2004</u> <u>£'000</u>
<u>ASSETS</u>			
CURRENT ASSETS			
Stocks	9	605	2,628
Debtors falling due within one year	10	470	364
Cash at bank and in hand		243	129
		<u>1,318</u>	<u>3,121</u>
<u>LIABILITIES</u>			
CAPITAL AND RESERVES			
Called up share capital	11	100	100
Profit and loss account	12	(772)	(429)
Shareholders' deficit	12	<u>(672)</u>	<u>(329)</u>
Creditors	14	1,990	3,450
		<u>1,318</u>	<u>3,121</u>

The financial statements were approved by the board of directors on

30 MAR 2006

and were signed on their behalf by: -



P E Lord
Director

All of the above share capital relates to equity funds.

The notes on pages 9 to 15 form part of these financial statements.

BUS & COACH LEASING LIMITED

CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 SEPTEMBER 2005

	<u>Notes</u>	<u>2005</u>	<u>2004</u>
		<u>£'000</u>	<u>£'000</u>
Net cash inflow/(outflow) from operating activities	15	198	(651)
<u>Return on investments and servicing of finance</u>			
Interest received		10	6
Interest paid		(94)	(110)
Net cash outflow from returns on investments and servicing of finance		(84)	(104)
Net cash inflow/(outflow) before financing		114	(755)
<u>Financing activities</u>			
Increase/(decrease) in amounts owed by group undertakings	16	114	(755)

The values disclosed above represent amounts owed by The Royal Bank of Scotland Group plc undertakings, and relate to cash balances held at bank.

The notes on pages 9 to 15 form part of these financial statements.

BUS & COACH LEASING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

a) Basis of preparation

The accounts have been prepared under the historical cost convention and in accordance with United Kingdom accounting standards, which have been applied consistently in the current and prior year.

The company is a subsidiary undertaking and as such is exempt from the requirements to prepare consolidated financial statements by virtue of S228 of the Companies Act 1985. These financial statements therefore present information about the company as an individual undertaking and not about its group. Transactions with other group companies have not been disclosed as permitted by Financial Reporting Standard ('FRS') 8.

b) Stocks

The stocks of vehicles for resale is stated at the lower of cost, being the purchase price paid, and net realisable value.

c) Investments

Investments in subsidiary undertakings are stated at cost less provision for any impairment in value.

d) Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its result as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

BUS & COACH LEASING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. TURNOVER

Turnover represents income generated from residual value activities during the year, all of which arises in the United Kingdom and is from continuing activities.

	<u>2005</u> <u>£'000</u>	<u>2004</u> <u>£'000</u>
Amounts receivable during the year were as follows:		
Residual value activity	<u>2,714</u>	<u>1,201</u>

3. OPERATING LOSS

	<u>2005</u> <u>£'000</u>	<u>2004</u> <u>£'000</u>
Operating loss is stated after charging:		
Auditors' remuneration in respect of audit services	<u>4</u>	<u>4</u>

4. DIRECTORS' REMUNERATION AND INTERESTS

No emoluments were paid to any director by the group during the year (2004 - £nil).

None of the directors had any material interest in any contract of significance in to relation to the business of the group (2004 - £nil).

The company has no employees (2004 - nil).

5. INTEREST RECEIVABLE

	<u>2005</u> <u>£'000</u>	<u>2004</u> <u>£'000</u>
On bank deposits :		
From group undertakings	<u>10</u>	<u>6</u>

BUS & COACH LEASING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. INTEREST PAYABLE

	<u>2005</u> <u>£'000</u>	<u>2004</u> <u>£'000</u>
Interest on loans (other than bank loans & overdrafts):		
From Lombard North Central PLC	108	164
From Specialist Vehicles Holdings Limited	23	11
	<u>131</u>	<u>175</u>

7. TAXATION CREDIT

	<u>2005</u> <u>£'000</u>	<u>2004</u> <u>£'000</u>
A) Analysis of credit in the year		
Current taxation:		
Group relief receivable*	137	137

*Provision for group relief is made on the assumption that the claimant companies will make payment to the surrendering companies at rates appropriate to the periods in which the losses claimed are utilised.

B) Factors affecting the tax credit for the year

Group relief credited for the year is equal to that resulting from applying the standard rate of corporation tax in the UK: 30% (2004 – 30%), as explained below:

	<u>2005</u> <u>£'000</u>	<u>2004</u> <u>£'000</u>
Loss on ordinary activities before tax	(480)	(482)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2004: 30%)	144	144
Group relief – other	-	(7)
Adjustments in respect of prior years - sundry	(7)	-
Taxation credit on loss on ordinary activities	<u>137</u>	<u>137</u>

BUS & COACH LEASING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8. INVESTMENT IN SUBSIDIARY COMPANY

	<u>2005</u>	<u>2004</u>
Shares in subsidiary at cost	£100	£100
	=====	=====

The company holds 100% of the ordinary share capital of Bus & Coach Contracts Limited. This company has remained dormant during the year.

9. STOCKS

	<u>2005</u> <u>£'000</u>	<u>2004</u> <u>£'000</u>
Stock of vehicles for resale	605	2,628
	=====	=====

10. DEBTORS

	<u>2005</u> <u>£'000</u>	<u>2004</u> <u>£'000</u>
<u>Amounts falling due within one year</u>		
Amounts owed by The Royal Bank of Scotland Group plc undertakings	326	137
Other debtors	85	227
Other taxes	59	-
	470	364
	=====	=====

11. CALLED UP SHARE CAPITAL

	<u>2005</u> <u>Authorised</u> <u>£'000</u>	<u>2005</u> <u>Allotted,</u> <u>called up and</u> <u>fully paid</u> <u>£'000</u>	<u>2004</u> <u>Authorised</u> <u>£'000</u>	<u>2004</u> <u>Allotted,</u> <u>called up and</u> <u>fully paid</u> <u>£'000</u>
'A' Ordinary Shares of £1 each	250	25	250	25
'B' Ordinary Shares of £1 each	750	75	750	75
	1,000	100	1,000	100
	=====	=====	=====	=====

BUS & COACH LEASING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. PROFIT AND LOSS ACCOUNT AND RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' DEFICIT

	<u>Share capital</u> <u>£'000</u>	<u>Profit and loss account</u> <u>£'000</u>	<u>Total Shareholders' deficit</u> <u>£'000</u>
Balance at 1 October 2004	100	(429)	(329)
Retained loss for the financial year	-	(343)	(343)
Balance at 30 September 2005	<u>100</u>	<u>(772)</u>	<u>(672)</u>

13. DEFERRED TAXATION

At 30 September 2005 there is no provision required in respect of deferred taxation (2004:£nil).

14. CREDITORS

	<u>2005</u> <u>£'000</u>	<u>2004</u> <u>£'000</u>
<u>Amounts falling due:</u>		
i) Within one year:		
Amounts owed to The Royal Bank of Scotland Group Plc undertakings	144	1,505
Amounts owed to Specialist Vehicles Holdings Limited	33	5
Accruals and deferred income	8	60
Other creditors	5	-
Other taxes	-	80
	<u>190</u>	<u>1,650</u>
ii) After one year:		
Repayable in two to five years*		
Amounts owed to The Royal Bank of Scotland Group Plc undertakings	1,350	1,350
Amounts owed to Specialist Vehicles Holdings Limited	450	450
	<u>1,800</u>	<u>1,800</u>
Total Creditors	<u>1,990</u>	<u>3,450</u>

*Represents subordinated unsecured loan stock at the London Interbank Market offer rate for one year sterling deposits, repayable on 30 September 2007.

BUS & COACH LEASING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15. RECONCILIATION OF OPERATING LOSS TO NET CASH INFLOW / (OUTFLOW) FROM OPERATING ACTIVITIES

	<u>2005</u> <u>£'000</u>	<u>2004</u> <u>£'000</u>
Operating loss	(359)	(313)
Increase in debtors and prepayments	(106)	(122)
(Decrease)/increase in creditors and accruals	(1,360)	575
Decrease/(increase) in stock	2,023	(791)
Net cash inflow/(outflow) from operating activities	<u>198</u> =====	<u>(651)</u> =====

16. ANALYSIS OF NET DEBT

	<u>At</u> <u>30 September</u> <u>2004</u> <u>£'000</u>	<u>Cashflow</u> <u>£'000</u>	<u>At</u> <u>30 September</u> <u>2005</u> <u>£'000</u>
Cash at bank	129	114	243
Subordinated loan stock (note 14)	(1,800)	-	(1,800)
	<u>(1,671)</u> =====	<u>114</u> =====	<u>(1,557)</u> =====

Cash disclosed above represents amounts owed by The Royal Bank of Scotland Group plc undertakings.

17. FUTURE FINANCIAL COMMITMENTS

Bus & Coach Leasing Limited has guaranteed to buy back vehicles from companies within the Lombard North Central PLC group, to the value of £544,000 between October 2005 and September 2008, (2004 - £2.2 million).

18. ULTIMATE PARENT UNDERTAKING

The company's immediate parent undertaking is Lombard North Central PLC.

The company's ultimate holding company, ultimate controlling party, and the parent of the largest group into which the company is consolidated is The Royal Bank of Scotland Group plc which is incorporated in Great Britain and registered in Scotland. Financial statements for The Royal Bank of Scotland Group plc can be obtained from the Royal Bank of Scotland Group plc, Gogarburn, PO Box 1000, Edinburgh, EH12 1HQ.

The smallest subgroup into which the company is consolidated has as its parent company The Royal Bank of Scotland Group plc, a company incorporated in Great Britain and registered in Scotland. Copies of the consolidated financial statements for this subgroup can be obtained from the Royal Bank of Scotland Group plc, Gogarburn, PO Box 1000, Edinburgh, EH12 1HQ.

BUS & COACH LEASING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

19. RELATED PARTY TRANSACTIONS

At 30 September 2005, Lombard North Central PLC held 75% of the share capital of Bus & Coach Leasing Limited; Specialised Vehicles Holdings Limited held the remaining 25%. The subordinated loan stock as disclosed in note 14 is similarly shared.

The company is exempt from the requirement of Financial Reporting Standard 8 'Related Party Disclosures' to disclose transactions and balances with other subsidiaries or investees of The Royal Bank of Scotland Group plc as the company's results are included in the consolidated financial statements of The Royal Bank of Scotland Group plc.

During the year Bus & Coach Leasing Limited did not sell any used coaches to Specialised Vehicles Holdings Limited (2004: £220,000).

During the year Bus & Coach Leasing Limited did not pay Specialised Vehicles Holdings Limited a management charge (2004: £10,000). No amount was outstanding at the year-end in relation to such items (2004: £5,875).

Both parties received interest during the year from Bus & Coach Leasing Limited as disclosed in note 6.

20. CONTINGENT LIABILITIES AND COMMITMENTS

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