

Company Registration No: 02003546

BUS & COACH LEASING LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

30 SEPTEMBER 2007



**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

SECRETARY: A M Cunningham

REGISTERED OFFICE: 3 Princess Way
Redhill
Surrey
RH1 1NP

AUDITORS: Deloitte & Touche LLP
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 2007

ACTIVITIES AND BUSINESS REVIEW

The directors' report has been prepared in accordance with the special provisions relating to small companies under section 246(4)(a) of the Companies Act 1985

The principal activity of the Company was the provision of residual value undertakings and the provision of credit finance by way of leasing and contract hire

The result for the year was £nil (2006 loss of £57,000) No dividend was paid during the year (2006 £nil)

On 30 September 2006 the entire leasing portfolio was transferred to a fellow group undertaking at net book value producing no profit or loss The Company has subsequently not traded

The Company did not trade during the year under review and is not expected to in the foreseeable future

DIRECTORS AND SECRETARY

The present directors and secretary, who have served throughout the year except where noted below, are listed on page 1

From 1 October 2006 to date the following changes have taken place

Directors	Appointed	Resigned
S D Recaldin		2 January 2007

DIRECTORS' RESPONSIBILITIES

The directors are required by the Companies Acts 1985 and 2006 to prepare a directors' report and financial statements for each financial year and have elected to prepare them in accordance with International Financial Reporting Standards as adopted by the European Union They are responsible for preparing financial statements that present fairly the financial position, financial performance and cash flows of the Company In preparing these 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 directors' report and financial statements comply with the requirements of the Companies Acts 1985 and 2006 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

BUS & COACH LEASING LIMITED

DIRECTORS' REPORT (Continued)

USE OF FINANCIAL INSTRUMENTS

The Company's financial risk management policies and exposure in relation to the respective risks are detailed in note 15 of the financial statements

DISCLOSURE OF INFORMATION TO AUDITORS

Each of the directors at the date of approval of this report confirms that

- (a) so far as he is aware there is no relevant audit information of which the Company's auditors are unaware, and
- (b) the director has taken all the steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

This confirmation is given and shall be interpreted in accordance with the provisions of section 234ZA of the Companies Act 1985

DIRECTORS' INDEMNITIES

In terms of Section 236 of the Companies Act 2006, Mr N T J Clibbens had been granted Qualifying Third Party Indemnity Provisions by The Royal Bank of Scotland Group plc

POLICY AND PRACTICE ON PAYMENT OF CREDITORS

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

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

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 handwritten signature in black ink, appearing to be 'N T J Clibbens', written in a cursive style.

N T J Clibbens

Director

Date 14 - 3 - 2008

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

We have audited the financial statements of Bus & Coach Leasing Limited ('the Company') for the year ended 30 September 2007 which comprise the income statement, the statement of changes in equity, the balance sheet, the cash flow statement and the related notes 1 to 19. 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 European Union are set out in the Directors' Report.

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 for the above year and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any information outside the Directors' report.

BASIS OF AUDIT OPINION

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

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.

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

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 2007 and of its result for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union
- 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

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London, United Kingdom
Date: *18 March 2008*

BUS & COACH LEASING LIMITED

INCOME STATEMENT for the year ended 30 September 2007

	Note	2007 £'000	2006 £'000
Continuing operations			
Revenue	3	-	982
Cost of sales		-	(989)
Gross loss		-	(7)
Other operating charges	4	-	(54)
Operating loss		-	(61)
Finance income	5	-	10
Finance costs	6	-	(30)
Loss before tax		-	(81)
Tax	7	-	24
Loss for the year attributable to the equity holders of the Company	14	-	(57)

The notes on pages 11 to 18 form a part of these financial statements

BUS & COACH LEASING LIMITED

STATEMENT OF CHANGES IN EQUITY for the year ended 30 September 2007

	Share capital <u>£'000</u>	Retained earnings <u>£'000</u>	Total equity <u>£'000</u>
At 1 October 2005	100	(772)	(672)
Loss for the year	-	(57)	(57)
At 30 September 2006	<u>100</u>	<u>(829)</u>	<u>(729)</u>
At 1 October 2006	100	(829)	(729)
Capital contribution	-	829	829
At 30 September 2007	<u>100</u>	<u>-</u>	<u>100</u>

The capital contribution arose from an intercompany loan that was waived

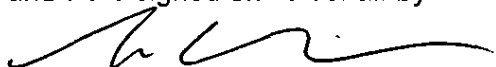
The notes on pages 11 to 18 form a part of these financial statements

BUS & COACH LEASING LIMITED

BALANCE SHEET at 30 September 2007

	Note	2007 <u>£'000</u>	2006 <u>£'000</u>
Non-current assets			
Investments in subsidiary undertakings	9	-	-
Current assets			
Loans and receivables	10	100	505
Trade and other receivables	11	-	9
		<u>100</u>	<u>514</u>
Total assets		<u>100</u>	<u>514</u>
Current liabilities			
Amounts owed to group undertakings	12	-	1,243
Total liabilities		<u>-</u>	<u>1,243</u>
Net assets/(liabilities)		<u>100</u>	<u>(729)</u>
Equity			
Share capital	13	100	100
Reserves	14	-	(829)
Total equity/(deficit)		<u>100</u>	<u>(729)</u>

The financial statements were approved by the board of directors and authorised for issue on 14-3-2008 and were signed on its behalf by



N T J Clibbens
Director

The notes on pages 11 to 18 form a part of these financial statements

BUS & COACH LEASING LIMITED

CASH FLOW STATEMENT

for the year ended 30 September 2007

	Note	2007 <u>£'000</u>	2006 <u>£'000</u>
Operating activities			
Loss before tax		-	(81)
<i>Adjustments for</i>			
Finance income	5	-	(10)
Finance costs	6	-	30
Operating loss before changes in working capital		<u>-</u>	<u>(61)</u>
Decrease in trade and other receivables		9	135
Decrease in inventories		-	605
(Decrease)/increase in amounts owed to group undertakings		(9)	944
Decrease in trade and other payables		-	(46)
Net cash (used in)/generated from the operations		<u>-</u>	<u>1,577</u>
Interest received		-	10
Net cash (used in)/generated from operating activities		<u>-</u>	<u>1,587</u>
 Net cash used in investing activities		 <u>-</u>	 <u>-</u>
 Net cash used in financing activities			
Repayment of subordinated loan stock		-	(1,800)
Interest paid		-	(30)
Net cash generated from/(used in) financing activities		<u>-</u>	<u>(1,830)</u>
 Net decrease in cash and cash equivalents		 -	 (243)
Cash and cash equivalents at 1 October		-	243
Cash and cash equivalents at 30 September		<u>-</u>	<u>-</u>

The notes on pages 11 to 18 form a part of these financial statements

BUS & COACH LEASING LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 September 2007

1 General information

Bus & Coach Leasing Limited is a company incorporated in Great Britain under the Companies Act 1985. The address of the registered office is on page 1. The nature of the Company's principal activities are set out in the Directors' Report.

At the date of authorisation of these financial statements, there are a number of Standards and Interpretations in issue but not yet effective. The directors have considered all of these and identified those relevant to the Company but not applied to these financial statements as follows: IFRS 7 *Financial instruments: Disclosures* and the related amendment to IAS 1 on capital disclosures.

The directors anticipate that the adoption of these Standards in future periods will have no material impact on the financial statements of the Company except for additional disclosures on capital and financial instruments when the relevant standards come into effect for periods commencing on or after 1 January 2007.

2 Accounting policies

a. Accounting convention

The financial statements have been prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB (together IFRS) as adopted by the European Union.

The Company sold its business to a fellow group company during the 2006 financial year and has not traded since then. These events did not require the Company to remeasure, reclassify or adjust the settlement date of any assets or liabilities. IAS 1 23 *'Presentation of Financial Statements'* describes the preparation of financial statements in such circumstances as being other than on a going concern basis.

b. Revenue recognition

Revenue represents income generated from residual value activities during the year, all of which arises in the United Kingdom, is from continuing activities and is accounted for on an accruals basis.

c. Investments in subsidiary undertakings

A subsidiary is an undertaking in which the Company has a long term interest and over which it exercises control.

The Company's interests in subsidiary undertakings are stated at cost less any impairment.

BUS & COACH LEASING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) **for the year ended 30 September 2007**

2 Accounting policies (continued)

d. Consolidation

The Company is exempt from the requirement to prepare consolidated accounts in accordance with S228 of the Companies Act 1985 as the Company is a wholly owned subsidiary of Lombard North Central PLC and the Company's results are consolidated within the financial statements of The Royal Bank of Scotland plc. These accounts therefore present information about the Company as an individual entity and not about the group.

e. Loans and receivables

Loans and receivables are measured at initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in the income statement when there is objective evidence that the asset is impaired. The allowance recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

f. Trade and other receivables

Trade and other receivables are measured at initial recognition at fair value. Appropriate allowances for estimated irrecoverable amounts are recognised in the income statement when there is objective evidence that the asset is impaired.

g. Amounts owed to group undertakings

Amounts owed to group undertakings are initially measured at fair value and are subsequently measured at amortised cost using the effective interest rate method.

Finance costs incurred on borrowings from group undertakings are recognised in the income statement in the period in which they are incurred.

h. Taxation

Provision is made for taxation at current enacted rates on taxable profits, arising in income or in equity.

Deferred taxation is accounted for in full for all temporary differences between the carrying amount of an asset or liability for accounting purposes and its carrying amount for tax purposes.

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

BUS & COACH LEASING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) for the year ended 30 September 2007

2 Accounting policies (continued)

i. Other operating charges

Other operating charges include charges and releases of provisions for bad and doubtful debts and other operating charges. Individually assessed provisions are made against advances for which recovery is considered to be doubtful. Collectively assessed provision is made in respect of losses which, although not separately identified, are from experience known to be present in any portfolio of financial assets. Other operating charges are accounted for on an accruals basis.

j. Critical accounting judgements and key sources of estimation uncertainty

In the process of applying the Company's accounting policies above, management has made the following judgements that have the most significant effect on the amounts recognised in the financial statements:

- Provisions for bad and doubtful debt
- Impairment of unguaranteed residual values

The Company's policy for provisions and impairment of unguaranteed residual values is noted above.

3 Revenue

	2007 £'000	2006 £'000
Residual value activity	<u>-</u>	<u>982</u>

4 Other operating charges

	2007 £'000	2006 £'000
Bad debt charge	-	11
Management fees	-	15
Other	<u>-</u>	<u>28</u>
	<u>-</u>	<u>54</u>

The Company had no employees in the current year (2006 – nil)

Employee costs are incurred by the immediate parent company, Lombard North Central PLC

BUS & COACH LEASING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) for the year ended 30 September 2007

5 Finance income

	2007 £'000	2006 £'000
On loans and receivables		
From group undertakings	<u>-</u>	<u>10</u>

6 Finance costs

	2007 £'000	2006 £'000
On loans and payables		
Loan stock interest	<u>-</u>	<u>30</u>

7 Tax credit on loss on ordinary activities

A) Analysis of credit for the year

	2007 £'000	2006 £'000
Current taxation		
Income tax credit for the year	<u>-</u>	<u>(24)</u>

B) Factors affecting the tax credit for the year

The actual tax credit in the current and prior year does not differ from the expected tax credit computed by applying the standard rate of UK corporation tax of 30% (2006 30%)

8 Auditors' remuneration

Fees payable to the Company's auditors for the audit of the Company's annual accounts are £5,000 (2006 £5,000). There was no charge in either the current or prior year's financial statements for auditors' remuneration as the fees were charged in the financial statements of the immediate parent undertaking, Lombard North Central PLC.

Fees payable to the Company's auditors and their associates for non-audit services to the Company are not required to be disclosed because the consolidated financial statements of the parent company are required to disclose such fees on a consolidated basis.

BUS & COACH LEASING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) **for the year ended 30 September 2007**

9 Investments in subsidiary undertakings

	2007	2006
	£	£
Shares in subsidiary undertakings at cost - 100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>

The Company holds 100% of the ordinary share capital of Bus & Coach Contracts Limited
Bus & Coach Contracts Limited, which has remained dormant during the year, is registered in
England and Wales and has an accounting reference date of 31 May

10 Loans and receivables

	2007	2006
	£'000	£'000
Current		
Amounts owed by group undertakings	<u>100</u>	<u>505</u>

The directors of the Company have waived the right to charge interest on the amounts owed by
group undertakings

The fair value of loans and receivables is considered not to be materially different to the
carrying amounts in the balance sheet

11 Trade and other receivables

	2007	2006
	£'000	£'000
Other receivables	<u>-</u>	<u>9</u>

12 Amounts owed to group undertakings

	2007	2006
	£'000	£'000
Current liabilities		
Amounts repayable on demand	<u>-</u>	<u>1,243</u>

The directors of the Company have waived the right to charge interest on the amounts owed to
group undertakings

The fair value of amounts owed to group undertakings is considered not to be materially different
to the carrying amounts in the balance sheet

BUS & COACH LEASING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) for the year ended 30 September 2007

13 Share capital

	2007 £'000	2006 £'000
Authorised:		
250,000 (2005 250,000) "A" ordinary shares of £1 each	250	250
750,000 (2005 750,000) "B" ordinary shares of £1 each	750	750
	<u>1,000</u>	<u>1,000</u>
Allotted, called up and fully paid:		
25,000 (2005 25,000) "A" ordinary shares of £1 each	25	25
75,000 (2005 75,000) "B" ordinary shares of £1 each	75	75
	<u>100</u>	<u>100</u>

The holders of "A" and "B" 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

14 Reserves

	Retained earnings £'000
At 1 October 2005	(772)
Loss for the year	(57)
At 30 September 2006	<u>(829)</u>
At 1 October 2006	(829)
Capital contribution	829
At 30 September 2007	<u>-</u>

The capital contribution arose from an intercompany loan that was waived

BUS & COACH LEASING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) **for the year ended 30 September 2007**

15 Financial instruments

The Company uses a comprehensive framework for managing risks established by the Lombard group of companies and the Royal Bank of Scotland group of companies

The risks associated with the Company's businesses are as follows

Interest rate risk

Structural interest rate risk arises where assets and liabilities have different repricing maturities

The Company has no significant interest rate risk as all amounts owed to and from group undertakings are due primarily on demand

Currency risk

The Company has no significant currency risk as all balances are denominated in Sterling

Credit risk

The Company has no significant credit risk as all loans and receivables are with group undertakings

Operational risk

Operational risk is the risk of unexpected losses attributable to human error, systems failures, fraud or inadequate internal financial controls and procedures. The Company manages this risk, in line with the RBS group framework, through systems and procedures to monitor transactions and positions, the documentation of transactions and periodic review by internal audit. The Company also maintains contingency facilities to support operations in the event of disasters.

16 Contingent liabilities

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

17 Post balance sheet events

There have been no significant events between the year end and the approval of these accounts which would require a change to the disclosures in the accounts.

BUS & COACH LEASING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) for the year ended 30 September 2007

18 Related parties

The Company's immediate parent and ultimate controlling party is described in note 19

The table below details balances and transactions with group undertakings

	Opening balance <u>£'000</u>	Net receipts / (payments) <u>£'000</u>	Closing balance <u>£'000</u>
Banking members of the group			
Immediate parent - subordinated loan stock	(1,202)	1,302	100
Non-banking members of the group			
Other RBS Group undertakings	464	(464)	-
Total	<u>(738)</u>	<u>838</u>	<u>100</u>

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

Other related party transactions

No emoluments were paid to any director by the Company during the year (2006 - £nil)

None of the directors had any material interest in any contract of significance in relation to the business of the Company (2006 - £nil)

19 Parent companies

The Company's immediate parent company 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. Copies of the financial statements for The Royal Bank of Scotland Group plc can be obtained from The Royal Bank of Scotland Group plc, Gogarburn, Edinburgh, EH12 1HQ.

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