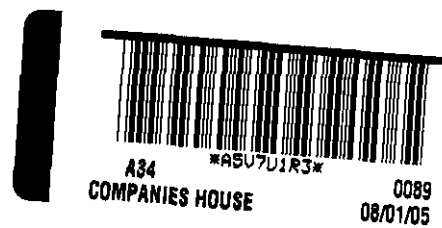


Company Registration No: 2060602

**LOMBARD LEASING CONTRACTS LIMITED**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**31 March 2004**



# LOMBARD LEASING CONTRACTS LIMITED

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**LOMBARD LEASING CONTRACTS LIMITED**

**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS:**

**Adrian Colin Farnell  
Sharon Jill Caterer  
Philip Anthony Tubb  
Trevor Castledine**

**SECRETARY:**

**Marina Louise Thomas**

**REGISTERED OFFICE:**

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

**AUDITORS:**

**Deloitte & Touche LLP  
Bristol**

**Registered in England and Wales.**

## LOMBARD LEASING CONTRACTS LIMITED

### DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 March 2004.

### ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company is the provision of fixed asset finance usually involving individually structured facilities.

The retained profit transferred to reserves was £64,000 (2003: accumulated loss £9,876,000). The directors recommend that an interim dividend of £3,250,000 be paid (2003: £13,500,000).

During the year the Virgin CrossCountry fleet of rolling stock was sold to an unconnected 3<sup>rd</sup> party, who then subsequently sold the trains to a further unconnected 3<sup>rd</sup> party. Lombard Leasing Contracts Limited then reacquired the rolling stock from this company with no change to the net asset position of the company. The rolling stock was sold and bought for the same consideration.

The directors do not anticipate any material change in either the type or level of activities of the company.

### DIRECTORS

The names of the present directors and secretary are as listed on page 1.

From 1 April 2003 to date the following changes have taken place:

|                           | Appointed     | Resigned         |
|---------------------------|---------------|------------------|
| <b>Directors</b>          |               |                  |
| Christopher Paul Sullivan |               | 31 May 2003      |
| Graham Colin Clemett      | 1 June 2003   | 29 February 2004 |
| Sharon Jill Caterer       | 1 March 2004  |                  |
| Nigel Pearce              |               | 18 March 2004    |
| Domhnal Slattery          | 18 March 2004 | 19 July 2004     |
| Philip Anthony Tubb       | 19 May 2004   |                  |
| William Vaughan Latter    |               | 7 June 2004      |
| Trevor Castledine         | 18 June 2004  |                  |
| <b>Secretary</b>          |               |                  |
| Angela Mary Cunningham    |               | 31 May 2003      |
| Marina Louise Thomas      | 1 June 2003   |                  |

## LOMBARD LEASING CONTRACTS LIMITED

### 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.

### DIRECTORS' INTERESTS

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

At the year end, Messrs N Pearce and C P Sullivan were also directors of the immediate parent undertaking, Lombard North Central PLC, a company which is itself required to keep a register of directors' interests. These directors were not therefore required to notify their interests in the shares or debentures of The Royal Bank of Scotland Group plc group undertakings to the company. The directors' interests of Messrs A C Farnell and W V Latter are set out below.

The following directors were beneficially interested in the ordinary shares of The Royal Bank of Scotland Group plc:

|             | As at 1 April 2003 | As at 31 March 2004 |
|-------------|--------------------|---------------------|
| A C Farnell | 11,398             | 11,973              |
| W V Latter  | 8,072              | 9,275               |

Options to subscribe for ordinary shares of 25p each in The Royal Bank of Scotland Group plc granted to and exercised during the period by the following directors of the Company and members of their immediate family are:

|             | As at 1<br>April 2003 | Granted<br>during the period<br>Options | Price | Exercised<br>during the period<br>Options | Price | As at 31<br>March 2004 |
|-------------|-----------------------|---|-------|---|-------|------------------------|
| A C Farnell | 1,550                 | -                                       | -     | -   | -     | 1,550                  |
| W V Latter  | 2,612                 | -                                       | -     | -   | -     | 2,612                  |

No director had an interest in any of the preference shares during the year to 31 March 2004.

## LOMBARD LEASING CONTRACTS LIMITED

### DIRECTORS' INTERESTS (CONTINUED)

The following directors were beneficially interested in the Additional Value Shares of The Royal Bank of Scotland Group plc:

|             | As at 1 April 2003 | As at 31 March 2004 |
|-------------|--------------------|---------------------|
| A C Farnell | 9,112              | 9,112               |
| W V Latter  | 6,825              | 6,144               |

None of the directors in office at 31 March 2004 held any interest in the share or loan capital of the company or any other group company during the year to 31 March 2004.

### 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, as outlined below.

In the year ending 31 March 2005, the Group will adhere to the following payment policy in respect of all suppliers. The Group is committed to maintaining a sound commercial relationship with its suppliers. Consequently, it is the Group'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.

The proportion which the amount owed to trade creditors at 31 March 2004 bears to the amounts invoiced by suppliers during the year then ended equated to nil days proportion of 365 days (2003: nil days).

### ELECTIVE RESOLUTIONS

Elective Resolutions electing to dispense with the requirement to hold annual general meetings, lay accounts before a general meeting and re-appointment of auditors annually were passed on 7 October 1992.

### AUDITORS

On 1 August 2003, Deloitte & Touche, the Company's auditors transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnership Act 2000. The Company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 21 August 2003 under the provisions of Section 26(5) of the Companies Act 1989. 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



S J Caterer  
Director

Date: 30 December 2004

## LOMBARD LEASING CONTRACTS LIMITED

### INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LOMBARD LEASING CONTRACTS LIMITED

We have audited the financial statements of Lombard Leasing Contracts Limited for the year ended 31 March 2004 which comprise the profit and loss account, the balance sheet and the related notes 1 to 18. 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 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 directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company 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 audit 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 at 31 March 2004 and of its profit 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  
Bristol

*7 January 2005*

# LOMBARD LEASING CONTRACTS LIMITED

## **PROFIT AND LOSS ACCOUNT** for the year ended 31 March 2004

|  |      | CONTINUING OPERATIONS |                        |
|--|------|-----------------------|------------------------|
|  | Note | 2004<br>£'000         | 2003 (Note 2)<br>£'000 |
| Turnover   | 5    | 32,322                | 30,598                 |
| Depreciation on assets for hire under operating leases | 11   | (11,260)              | (7,411)                |
| Administrative expenses                                | 6    | (610)                 | (609)                  |
| Other operating income                                 | 7    | <u>567</u>            | <u>100</u>             |
| OPERATING PROFIT                                       | 6    | 21,019                | 22,678                 |
| Interest payable                                       | 8    | <u>(16,277)</u>       | <u>(17,939)</u>        |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION          |      | 4,742                 | 4,739                  |
| Taxation charge on profit on ordinary activities       | 9    | <u>(1,428)</u>        | <u>(1,115)</u>         |
| PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION           |      | 3,314                 | 3,624                  |
| Dividend for the year - interim proposed               |      | <u>(3,250)</u>        | <u>(13,500)</u>        |
| RETAINED PROFIT/(ACCUMULATED LOSS) FOR THE YEAR        | 16   | <u><u>64</u></u>      | <u><u>(9,876)</u></u>  |

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above and their historical cost equivalents.

The Company has no recognised gains and losses other than those included in the profits shown above therefore no separate statement of total recognised gains and losses has been presented.

The notes on pages 8 to 14 form part of these financial statements.



# LOMBARD LEASING CONTRACTS LIMITED

## **BALANCE SHEET** as at 31 March 2004

|   | Note | 2004<br>£'000   | 2003 (Note 2)<br>£'000 |
|---|------|-----------------|------------------------|
| FIXED ASSETS  | 11   | 257,792         | 269,052                |
| CURRENT ASSETS  |      |                 |                        |
| DEBTORS:  |      |                 |                        |
| Finance lease receivables due within one year           |      | 3,170           | 6,012                  |
| Finance lease receivables due after more than one year  |      | 48,810          | 127,648                |
| Other debtors   | 12   | <u>11,212</u>   | <u>20,077</u>          |
|   |      | 63,192          | 153,737                |
| CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR          | 13   | <u>(32,699)</u> | <u>(36,868)</u>        |
| NET CURRENT ASSETS                                      |      | <u>30,493</u>   | <u>116,869</u>         |
| TOTAL ASSETS LESS CURRENT LIABILITIES                   |      | 288,285         | 385,921                |
| CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR | 13   | (198,632)       | (272,898)              |
| PROVISIONS FOR LIABILITIES AND CHARGES                  | 14   | <u>(89,211)</u> | <u>(112,645)</u>       |
| NET ASSETS  |      | <u>442</u>      | <u>378</u>             |
| CAPITAL AND RESERVES                                    |      |                 |                        |
| Called up share capital                                 | 15   | -               | -                      |
| Profit and loss account                                 | 16   | <u>442</u>      | <u>378</u>             |
| TOTAL EQUITY SHAREHOLDERS' FUNDS                        | 17   | <u>442</u>      | <u>378</u>             |

The financial statements on pages 6 to 14 were approved by the Board of Directors on 30 December 2004 and were signed on its behalf by :-



S J Caterer  
Director

The notes on pages 8 to 14 form part of these financial statements.

## LOMBARD LEASING CONTRACTS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

#### 1 ACCOUNTING POLICIES

The financial statements on pages 6 to 14 are prepared on the basis of the principal accounting policies adopted by the Company described below and applicable United Kingdom Accounting Standards. Accounting policies have been applied consistently, and in compliance with the UK leasing SORP.

##### a ACCOUNTING CONVENTION

The financial statements of the Company are prepared under the historical cost convention. In accordance with the Companies Act 1985, the Directors have adapted the prescribed formats of the financial statements as required by the special nature of the business.

##### b GROSS EARNINGS UNDER FINANCE AND OPERATING LEASES

Gross earnings under finance and operating leases are recognised according to the actuarial after tax method whereby pre tax and post tax profits are allocated to accounting periods so as to give a constant periodic rate of return on the net cash investment.

##### c GROSS EARNINGS UNDER FINANCE SUB LEASES

Total gross earnings under finance sub leases are recognised according to the actuarial after tax method whereby gross earnings are allocated to accounting periods so as to give a constant periodic rate of return on the net cash investment.

##### d PROGRESS PAYMENTS INCOME RECOGNITION

Where assets are subject to progress payments being made prior to the commencement of the primary lease period, interest on the total of such payments at an appropriate rate is added to the cost of the asset and credited to the profit and loss account.

##### e DEFERRED TAXATION

Certain items of income and expenditure are accounted for in different periods for financial reporting purposes than for taxation purposes. Deferred taxation is provided on the full liability method in respect of timing differences which have originated but not reversed at the balance sheet date. Deferred taxation is calculated on a non-discounted basis.

##### f TANGIBLE FIXED ASSETS

Tangible fixed assets are included in the balance sheet at cost less accumulated depreciation.

*Depreciation on assets for hire under operating leases is charged over the lease term so that the resulting profits are allocated to accounting periods to give a constant periodic rate of return on the net cash investment.*

The balance sheet carrying values of operating lease assets include balances in respect of residual values; unguaranteed residual values are subject to regular review with any corrections being made through depreciation.

# **LOMBARD LEASING CONTRACTS LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **1 ACCOUNTING POLICIES - continued**

#### **g AMOUNTS RECEIVABLE UNDER FINANCE LEASES**

Finance lease receivables are stated in the balance sheet at the amount of the net investment in the leases. Progress payments made prior to the commencement of the primary lease are included at cost together with the amount of any interest charged on such payments.

#### **h CASH FLOW STATEMENT**

The company is a wholly-owned subsidiary of The Royal Bank of Scotland Group plc and is included in the consolidated financial statements of The Royal Bank of Scotland Group plc, which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1 (revised).

### **2 2003 COMPARATIVE RESULTS**

The directors have reviewed the ordering of the items in the profit and loss account and have adapted the format for 2004 results, as they consider this to be more representative of best practice. Comparative results for 2003 have been reordered accordingly.

### **3 IMMEDIATE AND ULTIMATE PARENT COMPANY**

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 that 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, 42 St. Andrew Square, Edinburgh, EH2 2YE.

The smallest subgroup into which the company is consolidated has as its parent company Lombard North Central 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, 42 St Andrew Square, Edinburgh, EH2 2YE.

### **4 RELATED PARTY TRANSACTIONS**

The Company is exempt from the requirements 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 results are included in the consolidated financial statements of The Royal Bank of Scotland Group plc.

There were no other related party transactions during the year or any amounts due to or from related parties outstanding at the balance sheet date.

**LOMBARD LEASING CONTRACTS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

|   |   |                |                        |
|---|---|----------------|------------------------|
| 5 | TURNOVER                                  | 2004<br>£'000  | 2003 (Note 2)<br>£'000 |
|   | Finance leases:                           |                |                        |
|   | Rentals receivable                        | 12,413         | 10,647                 |
|   | Amortisation                              | <u>(6,303)</u> | <u>(2,145)</u>         |
|   |   | <u>6,110</u>   | <u>8,502</u>           |
|   | Operating leases:                         |                |                        |
|   | Rentals receivable                        | <u>26,212</u>  | <u>22,096</u>          |
|   |   | <u>32,322</u>  | <u>30,598</u>          |
|   | Capital cost of asset additions financed: |                |                        |
|   | Operating leases                          | <u>-</u>       | <u>6,158</u>           |
| 6 | OPERATING PROFIT                          | 2004<br>£'000  | 2003 (Note 2)<br>£'000 |
|   | Includes the following:                   |                |                        |
|   | Administrative expenses:                  |                |                        |
|   | Fees & commissions                        | 545            | 538                    |
|   | Management charge                         | 65             | 69                     |
|   | Other                                     | <u>-</u>       | <u>2</u>               |
|   |   | <u>610</u>     | <u>609</u>             |

The emoluments of Mr C P Sullivan and Mr G C Clemett are paid by the holding company, Lombard North Central PLC. The emoluments of Mr D Slattery are paid by fellow subsidiary, RBS Aerospace Limited. Neither company makes a recharge to the company. The above are directors of a number of fellow subsidiaries and it is not possible to make an accurate apportionment of their emoluments in respect of each of the companies. Accordingly, the above details include no emoluments in respect of Mr Sullivan, Mr Clemett nor Mr Slattery.

Other directors and employees are employed by The Royal Bank of Scotland plc and remunerated by a recharge by Royal Bank Leasing Limited. Costs incurred in respect of their services to the Company are included in the management charge as shown below:

|   |               |               |
|---|---------------|---------------|
|   | £             | £             |
| Directors' emoluments                       | 4,967         | 2,404         |
| Auditors' remuneration - for audit services | 1,973         | -             |
| Staff costs                                 | <u>47,442</u> | <u>47,357</u> |

The auditors' remuneration for audit services in 2003 was borne by Royal Bank Leasing Limited which made no recharge to the company.

|   |                        |               |                        |
|---|------------------------|---------------|------------------------|
| 7 | OTHER OPERATING INCOME | 2004<br>£'000 | 2003 (Note 2)<br>£'000 |
|   | Fee income             | <u>567</u>    | <u>100</u>             |

LOMBARD LEASING CONTRACTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

| 8 | INTEREST PAYABLE                       | 2004<br>£'000 | 2003 (Note 2)<br>£'000 |
|---|--|---------------|------------------------|
|   | Interest payable to group undertakings | 16,277        | 18,421                 |
|   | Finance lease charges                  | -             | (482)                  |
|   |  | <u>16,277</u> | <u>17,939</u>          |

| 9 | TAXATION | 2004<br>£'000 | 2003 (Note 2)<br>£'000 |
|---|----------|---------------|------------------------|
|---|----------|---------------|------------------------|

A) ANALYSIS OF CHARGE FOR THE YEAR

Current tax charge:

|  |              |            |
|--|--------------|------------|
| - Group relief payable on profits for the year | 4,862        | 1,155      |
| - Adjustment in respect of prior periods       | 3            | (307)      |
|  | <u>4,865</u> | <u>848</u> |

Deferred tax - origination and reversal of timing differences:

|  |         |     |
|--|---------|-----|
| - Current year                           | (3,439) | 267 |
| - Adjustment in respect of prior periods | 2       | -   |

|  |              |              |
|--|--------------|--------------|
| Taxation charge on profit on ordinary activities | <u>1,428</u> | <u>1,115</u> |
|--|--------------|--------------|

B) FACTORS AFFECTING THE CURRENT TAX CHARGE FOR THE YEAR

|   |              |              |
|---|--------------|--------------|
| Profit on ordinary activities before tax  | <u>4,742</u> | <u>4,739</u> |
| Tax on profit on ordinary activities at the standard rate of 30% (2003 (Note 2): 30%) | 1,423        | 1,422        |
| Capital allowances for period less than depreciation                                  | 3,439        | (267)        |
| Adjustment to tax charge in respect of previous periods                               | 3            | (307)        |
|   | <u>4,865</u> | <u>848</u>   |

10 TRANSFER OF TRADE

On 23 October 2003, 2 leases were transferred to a fellow subsidiary, Lombard Venture Leasing Limited, for a consideration of £55,599,000.

Balances transferred at 23 November 2003:

|                                       | £                   |
|---------------------------------------|---------------------|
| Finance lease receivables             | 77,402,000          |
| Other debtors                         | 182,000             |
| Other creditors                       | (1,988,000)         |
| Provision for liabilities and charges | <u>(19,997,000)</u> |
|                                       | <u>55,599,000</u>   |

LOMBARD LEASING CONTRACTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

|    |                                      |               |  |
|----|--------------------------------------|---------------|--|
| 11 | FIXED ASSETS                         |               | Assets for<br>hire under<br>operating<br>leases<br>£'000 |
|    | COST                                 |               |  |
|    | At 1 April 2003 and 31 March 2004    |               | <u>278,775</u>   |
|    | DEPRECIATION                         |               |  |
|    | At 1 April 2003                      |               | 9,723  |
|    | Charge for the year                  |               | <u>11,260</u>  |
|    | At 31 March 2004                     |               | <u>20,983</u>  |
|    | NET BOOK VALUE                       |               |  |
|    | At 31 March 2004                     |               | <u>257,792</u>   |
|    | At 31 March 2003                     |               | <u>269,052</u>   |
| 12 | DEBTORS                              | 2004<br>£'000 | 2003<br>£'000  |
|    | Amounts falling due within one year: |               |  |
|    | Trade debtors                        | -             | 952  |
|    | Amounts due from group undertakings  | 9,352         | 17,213   |
|    | Other debtors                        | <u>1,860</u>  | <u>1,912</u>   |
|    |                                      | <u>11,212</u> | <u>20,077</u>  |

# LOMBARD LEASING CONTRACTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

|    |                                      |               |               |
|----|--------------------------------------|---------------|---------------|
| 13 | CREDITORS                            | 2004<br>£'000 | 2003<br>£'000 |
|    | Amounts falling due within one year: |               |               |
|    | Payments received on account         | 62            | 222           |
|    | Amounts due to group undertakings    | 30,500        | 33,739        |
|    | Other creditors                      | <u>2,137</u>  | <u>2,907</u>  |
|    |                                      | <u>32,699</u> | <u>36,868</u> |

Amounts falling due after more than one year:

Amounts due to group undertakings:

|                            |                |                |
|----------------------------|----------------|----------------|
| Between one and two years  | 18,401         | 18,658         |
| Between two and five years | 48,935         | 45,334         |
| After more than five years | <u>131,296</u> | <u>208,906</u> |
|                            | <u>198,632</u> | <u>272,898</u> |

A right of set-off exists over the Company's bank account with The Royal Bank of Scotland plc against advances made to the Company's immediate holding company and its subsidiaries.

Amounts falling due after more than five years are repayable by instalments with varying repayment terms. Interest rates applicable to these amounts will be determined by reference to inter bank rates for three, six and twelve months.

## 14 PROVISIONS FOR LIABILITIES AND CHARGES

|   |                               |
|---|-------------------------------|
| Movements during the year                             | Deferred<br>taxation<br>£'000 |
| At 1 April 2003                                       | 112,645                       |
| Transfer to Lombard Venture Leasing Limited (note 10) | (19,997)                      |
| Credit to profit and loss account                     | <u>(3,437)</u>                |
| At 31 March 2004                                      | <u>89,211</u>                 |

Full provision has been made for the potential amount of deferred taxation shown below:

|   |               |                |
|---|---------------|----------------|
|   | 2004<br>£'000 | 2003<br>£'000  |
| Accelerated capital allowances on assets financed | <u>89,211</u> | <u>112,645</u> |

|    |                                    |                            |            |
|----|------------------------------------|----------------------------|------------|
| 15 | SHARE CAPITAL                      | 2004                       | 2003       |
|    |                                    | Ordinary shares of £1 each |            |
|    | Authorised                         | <u>100</u>                 | <u>100</u> |
|    | Allotted, called up and fully paid | <u>100</u>                 | <u>100</u> |

**LOMBARD LEASING CONTRACTS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**16 PROFIT AND LOSS ACCOUNT**

|                              | £'000             |
|------------------------------|-------------------|
| At 1 April 2003              | 378               |
| Retained profit for the year | <u>64</u>         |
| At 31 March 2004             | <u><u>442</u></u> |

**17 RECONCILIATION OF SHAREHOLDERS' FUNDS**

|  | 2004<br>£'000     | 2003<br>£'000     |
|--|-------------------|-------------------|
| Profit for the financial year                      | 3,314             | 3,624             |
| Dividend   | <u>(3,250)</u>    | <u>(13,500)</u>   |
| Net addition to/(reduction in) shareholders' funds | 64                | (9,876)           |
| Opening shareholders' funds                        | <u>378</u>        | <u>10,253</u>     |
| Closing shareholders' funds                        | <u><u>442</u></u> | <u><u>378</u></u> |

**18 RESIDUAL VALUE EXPOSURE**

The table below gives details in respect of unguaranteed residual values included in the carrying value of operating lease assets at the balance sheet date.

|  | 2004<br>£'000         | 2003<br>£'000         |
|--|-----------------------|-----------------------|
| Year in which residual value will be recovered |                       |                       |
| More than 5 years                              | <u><u>155,608</u></u> | <u><u>155,608</u></u> |