

Company Registration No: 02060602

LOMBARD LEASING CONTRACTS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 March 2007

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

WEDNESDAY



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LOMBARD LEASING CONTRACTS LIMITED

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LOMBARD LEASING CONTRACTS LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS:

**S J Caterer
A S Devine
A C Farnell
P A Tubb**

SECRETARY:

C J Whittaker

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 report and the audited financial statements for the year ended 31 March 2007.

ACTIVITIES AND BUSINESS REVIEW

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

The company is a member of The Royal Bank of Scotland Group which provides the company with direction and access to all central resources it needs and determines policies in all key areas such as finance, risk, human resources or environment. For this reason, the directors believe that performance indicators specific to the company are not necessary or appropriate for an understanding of the development, performance or position of the business. The annual reports of The Royal Bank of Scotland Group plc review these matters on a group basis. Copies can be obtained from the Company Secretary, RBS Gogarburn, Edinburgh, EH12 1HQ, the Registrar of Companies or through the Group's web site at rbs.com

Review of the year

The directors are satisfied with the development of the company's activities during the year. The company will be guided by its immediate parent company in seeking further opportunities for growth.

The company's financial performance is presented in the Income Statement on Page 6. At the end of the year, the financial position showed total assets of £253,350,000 and equity of £6,490,000.

The company is funded by facilities from The Royal Bank of Scotland plc. It seeks to minimise its exposure to external financial risks other than credit risk, further information is disclosed in Note 1.

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

In the Budget on 21 March 2007, the UK Government proposed, among other things, to reduce Corporation Tax rates by 2% to 28% with effect from 1 April 2008. The Company estimates its deferred tax provision at 31 March 2007 and the tax charge for the year then ended would have been reduced by £4,313,000 if the Budget proposals as announced had been enacted by 31 March 2007.

DIRECTORS AND SECRETARY

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

LOMBARD LEASING CONTRACTS LIMITED

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

	Appointed	Resigned
Directors		
T V Castledine		19 July 2007
A S Devine	19 July 2007	

DIRECTORS' RESPONSIBILITIES

The directors are required by the Companies Act 1985 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 accounts, 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 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.

DISCLOSURE OF INFORMATION TO AUDITORS

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

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

DIRECTORS' INDEMNITIES

In terms of Section 309C of the Companies Act 1985 (as amended), Mr A C Farnell had been granted Qualifying Third Party Indemnity Provisions by The Royal Bank of Scotland Group plc

LOMBARD LEASING CONTRACTS LIMITED

RISK MANAGEMENT POLICY

Interest rate risk

The Company's policy is to avoid interest rate risk. Any movement in interest rates associated with the financing of the lease is charged or credited to the lessee.

Credit risk

Credit risk is the risk arising from the possibility that the Company will incur losses from the failure of lessees to meet their obligations. Credit risk is managed through The Royal Bank of Scotland plc Group Credit Risk Management Framework to enable the Group to achieve appropriate risk versus reward performance whilst maintaining credit risk exposure in line with approved risk appetite on a Group basis. The Framework encompasses credit risk assessment prior to the approval of any credit exposure, and the control and monitoring of these exposures against approved limits. The Company has credit exposure to one finance lessee. The gross investment in the lease less unearned finance income represents the maximum credit exposure.

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.

The proportion which the amount owed to trade creditors at 31 March 2007 bears to the amounts invoiced by suppliers during the period then ended equated to nil days proportion of 365 days (2006: nil days).

ELECTIVE RESOLUTIONS

The Company has elected to dispense with the requirement to hold annual general meetings, lay directors' report and financial statements before a general meeting and re-appointment of auditors annually.

LOMBARD LEASING CONTRACTS LIMITED

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 read 'S J Caterer', written in a cursive style.

S J Caterer
Director

Date 11 January 2008

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

We have audited the financial statements of Lombard Leasing Contracts Limited ("the company") for the year ended 31 March 2007 which comprise the income statement, the balance sheet, the cash flow statement and the related Notes 1 to 23. 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 annual 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 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 are properly prepared in accordance with the Companies Act 1985. We 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 other information contained in the Directors' Report 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.

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.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with those IFRSs as adopted by the European Union, of the state of the company's affairs as at 31 March 2007 and of its profit for the year then ended, and
- 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
Bristol, United Kingdom

22 January 2008

LOMBARD LEASING CONTRACTS LIMITED

INCOME STATEMENT for the year ended 31 March 2007

	Note	2007 £'000	2006 £'000
CONTINUING OPERATIONS			
Revenue	3	25,689	28,365
Cost of sales	9	<u>(10,522)</u>	<u>(14,144)</u>
GROSS PROFIT		15,167	14,221
Other operating income	4	7,140	61
Administrative expenses	5	<u>(324)</u>	<u>(41)</u>
OPERATING PROFIT	5	21,983	14,241
Finance costs	7	<u>(9,753)</u>	<u>(11,931)</u>
PROFIT BEFORE TAXATION		12,230	2,310
Taxation charge on profit on ordinary activities	8	<u>(1,667)</u>	<u>(700)</u>
PROFIT FOR THE FINANCIAL YEAR	18	<u>10,563</u>	<u>1,610</u>

There have been no other gains or losses in the financial year or prior year

The notes on pages 10 to 19 form part of these financial statements

LOMBARD LEASING CONTRACTS LIMITED

BALANCE SHEET as at 31 March 2007

	Note	2007 £'000	2006 £'000
NON-CURRENT ASSETS			
Property, plant and equipment	9	216,041	246,093
Finance lease receivables	10	<u>34,497</u>	<u>34,483</u>
		<u>250,538</u>	<u>280,576</u>
CURRENT ASSETS			
Finance lease receivables	10	-	4,298
Trade and other receivables	11	567	723
Cash and cash equivalents	12	<u>2,245</u>	<u>2,548</u>
		<u>2,812</u>	<u>7,569</u>
TOTAL ASSETS		<u>253,350</u>	<u>288,145</u>
CURRENT LIABILITIES			
Trade and other payables	13	(10,600)	(6,479)
Bank overdraft and loans	15	<u>(11,355)</u>	<u>(21,351)</u>
		<u>(21,955)</u>	<u>(27,830)</u>
NON CURRENT LIABILITIES			
Provisions	14	(19,781)	(19,781)
Bank loans	15	(136,046)	(165,073)
Deferred tax liabilities	16	<u>(69,078)</u>	<u>(79,534)</u>
		<u>(224,905)</u>	<u>(264,388)</u>
TOTAL LIABILITIES		<u>(246,860)</u>	<u>(292,218)</u>
NET ASSETS/(LIABILITIES)		<u>6,490</u>	<u>(4,073)</u>
EQUITY			
Share capital	17	-	-
Retained earnings	18	<u>6,490</u>	<u>(4,073)</u>
TOTAL EQUITY/(DEFICIT)		<u>6,490</u>	<u>(4,073)</u>

The financial statements on pages 7 to 19 were approved by the Board of Directors and authorised for issue on 11 January 2008



S J Caterer
Director

The notes on pages 10 to 19 form part of these financial statements

LOMBARD LEASING CONTRACTS LIMITED

CASH FLOW STATEMENT
for the year ended 31 March 2007

	Note	2007 £'000	2006 £'000
NET CASH FROM OPERATING ACTIVITIES	19	<u>12,856</u>	<u>14,799</u>
INVESTING ACTIVITIES			
Purchases of property, plant and equipment		(89)	-
Proceeds on disposal of property, plant and equipment		<u>25,953</u>	<u>-</u>
NET CASH USED IN INVESTING ACTIVITIES		<u>25,864</u>	<u>-</u>
FINANCING ACTIVITIES			
Repayments of borrowings		<u>(39,023)</u>	<u>(19,174)</u>
NET CASH USED IN FINANCING ACTIVITIES		<u>(39,023)</u>	<u>(19,174)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS		(303)	(4,375)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		<u>2,548</u>	<u>6,923</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR		<u><u>2,245</u></u>	<u><u>2,548</u></u>

LOMBARD LEASING CONTRACTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES

a BASIS OF ACCOUNTING

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the EU

The financial statements have been prepared on the historical cost basis. The principal accounting policies are set out below

b INCOME UNDER FINANCE AND OPERATING LEASES

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Finance lease income, which includes the amortisation of the investment in the lease, is allocated to accounting periods so as to reflect a constant periodic rate of return on the net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

c 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.

d BORROWING COSTS

All borrowing costs are recognised as an expense in the period in which they are incurred.

e TAXATION

Provision is made for taxation at current enacted rates on taxable profits, arising in income or in equity, taking into account relief for overseas taxation where appropriate.

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, except in relation to overseas earnings where remittance is controlled by the Group, and goodwill.

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

f PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation on assets for hire under operating leases is charged over the lease term, using the straight-line method.

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 SIGNIFICANT ACCOUNTING POLICIES - continued

g AMOUNTS RECEIVABLE UNDER FINANCE LEASES

A lease is recognised when there is a contractual right to the asset's cash flows and derecognised when all contractual rights and obligations expire. Amounts due from lessees under finance leases are recorded as receivables at the amount of the net investment in the leases. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income.

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 TRADE RECEIVABLES

Trade 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 profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as 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.

i CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

j BANK BORROWINGS

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the profit or loss using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

k CASH FLOW STATEMENT

The cash flow statement has been presented using the indirect method of cash flows from operating activities.

l RISK MANAGEMENT POLICY

Interest rate risk

The Company's policy is to avoid interest rate risk by matching the maturity of the lease and its associated loan finance and fixing the cost of borrowing at the inception of the lease when the effective interest rate in the lease is determined.

Credit risk

Credit risk is the risk arising from the possibility that the Company will incur losses from the failure of lessees to meet their obligations. Credit risk is managed through The Royal Bank of Scotland plc Group Credit Risk Management Framework to enable the Group to achieve appropriate risk versus reward performance whilst maintaining credit risk exposure in line with approved risk appetite on a Group basis. The Framework encompasses credit risk assessment prior to the approval of any credit exposure, and the control and monitoring of these exposures against approved limits. The Company has credit exposure to one finance lessee. The gross investment in the lease less unearned finance income represents the maximum credit exposure.

LOMBARD LEASING CONTRACTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2 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 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, 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

3 REVENUE	2007	2006
	£'000	£'000
Finance leases		
Rentals receivable	6,731	7,092
Amortisation	<u>(4,285)</u>	<u>(4,127)</u>
	<u>2,446</u>	<u>2,965</u>
Operating leases		
Rentals receivable	<u>23,243</u>	<u>25,400</u>
	<u>25,689</u>	<u>28,365</u>
Capital cost of asset additions financed		
Operating leases	<u>89</u>	<u>19,801</u>
4 OTHER OPERATING INCOME	2007	2006
	£'000	£'000
Fee income	400	43
Profit on termination of lease	6,334	-
Other income	<u>406</u>	<u>18</u>
	<u>7,140</u>	<u>61</u>
5 OPERATING PROFIT		
Operating profit has been arrived at after charging	2007	2006
	£'000	£'000
Fees & commissions	92	25
Management charge	149	16
Other	<u>83</u>	<u>-</u>
	<u>324</u>	<u>41</u>
Costs incurred in respect of audit services to the Company are included in the management charge as shown below		
	£	£
Auditors' remuneration - for audit services	<u>9,485</u>	<u>1,754</u>

LOMBARD LEASING CONTRACTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

6 STAFF COSTS

All directors and employees are employed and remunerated by The Royal Bank of Scotland plc, which did not make a recharge to the Company in the year

The average monthly number of employees was nil (2006 nil)

7 FINANCE COSTS

	2007 £'000	2006 £'000
Interest payable to group undertakings	<u>9,753</u>	<u>11,931</u>

8 TAXATION

	2007 £'000	2006 £'000
A) ANALYSIS OF CHARGE FOR THE YEAR		
Current tax charge		
- Group relief payable on profits for the year	12,059	3,447
- Adjustment in respect of prior periods	<u>64</u>	<u>-</u>
	12,123	3,447
Deferred tax - origination and reversal of timing differences		
- Current year	(8,390)	(2,747)
- Adjustment in respect of prior periods	<u>(2,066)</u>	<u>-</u>
Taxation charge on profit on ordinary activities	<u>1,667</u>	<u>700</u>

B) FACTORS AFFECTING THE TAX CHARGE FOR THE YEAR

Profit before tax	<u>12,230</u>	<u>2,310</u>
Tax on profit at the standard rate of 30% (2006 30%)	3,669	693
Permanent difference - disallowed fees	-	7
Adjustment to tax charge in respect of previous periods	<u>(2,002)</u>	<u>-</u>
Tax charge	<u>1,667</u>	<u>700</u>

LOMBARD LEASING CONTRACTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

9 PROPERTY, PLANT AND EQUIPMENT

Assets for
hire under
operating
leases
£'000

COST OR VALUATION

At 1 April 2005
Additions

284,430
19,801

At 1 April 2006
Additions
Disposals

304,231
89
(28,434)

At 31 March 2007

275,886

ACCUMULATED DEPRECIATION AND IMPAIRMENT

At 1 April 2005
Charge for the year

43,994
14,144

At 1 April 2006
Charge for the year
Disposals

58,138
10,522
(8,815)

At 31 March 2007

59,845

CARRYING AMOUNT

At 31 March 2007

216,041

At 31 March 2006

246,093

LOMBARD LEASING CONTRACTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

10 FINANCE LEASE RECEIVABLES

	Gross investment in lease		Present value of minimum lease payments	
	2007	2006	2007	2006
	£'000	£'000	£'000	£'000
Amounts receivable under finance leases				
Within one year	2,231	6,833	-	4,298
In the second to fifth years inclusive	12,571	13,761	3,592	4,468
After five years	<u>41,224</u>	<u>45,303</u>	<u>30,905</u>	<u>30,015</u>
	56,026	65,897	34,497	38,781
Less unearned finance income	<u>(21,529)</u>	<u>(27,116)</u>	<u>N/A</u>	<u>N/A</u>
Present value of minimum lease payments receivable	<u>34,497</u>	<u>38,781</u>	<u>34,497</u>	<u>38,781</u>
Analysed as				
Non-current finance lease receivables (recoverable after 12 months)			34,497	34,483
Current finance lease receivables (recoverable within 12 months)			<u>-</u>	<u>4,298</u>
			<u>34,497</u>	<u>38,781</u>

The Company has entered into finance leasing arrangements for a plane and freight containers. The average term of the finance leases entered into is 25 years.

Unguaranteed residual values of assets leased under finance leases at the balance sheet date are estimated at £nil (2006: £nil).

The interest rate inherent in the leases is determined at the contract date for all the lease term. The average effective interest rate approximates 7.7% (2006: 6.5%) per annum.

The fair value of the Company's finance lease receivables at 31 March 2007 is estimated at £34,497,000 (2006: £39,898,000).

11 TRADE AND OTHER RECEIVABLES

	2007	2006
	£'000	£'000
Trade debtors	236	378
Other debtors	<u>331</u>	<u>345</u>
	<u>567</u>	<u>723</u>

The directors consider that the carrying amount of trade and other receivables approximates to their fair value.

12 CASH AND CASH EQUIVALENTS

	2007	2006
	£'000	£'000
Bank account with group undertakings	<u>2,245</u>	<u>2,548</u>

The directors consider that the carrying amount of cash and cash equivalents approximates to their fair value.

LOMBARD LEASING CONTRACTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

13 TRADE AND OTHER PAYABLES	2007 £'000	2006 £'000
Amounts falling due within one year		
Payments received on account	-	439
Amounts due to group undertakings	9,317	3,189
Other creditors	<u>1,283</u>	<u>2,851</u>
	<u>10,600</u>	<u>6,479</u>

The directors consider that the carrying amount of trade and other payables approximates to their fair value

14 PROVISIONS	Upside sharing provision £'000
Included in non-current liabilities	
At 31 March 2007 and at 31 March 2006	<u>19,781</u>

The provision represents the best estimate of the Company's liability under an upside sharing arrangement relating to an operating lease which is potentially payable from 2012

15 BANK OVERDRAFT AND LOANS	2007 £'000	2006 £'000
Loan amount due to group undertakings	<u>147,401</u>	<u>186,424</u>
The borrowings are repayable as follows		
On demand or within one year	11,355	21,351
In the second year	9,168	18,307
In the third to fifth year inclusive	126,878	48,062
After five years	<u>-</u>	<u>98,704</u>
	147,401	186,424
Less Amounts due for settlement within 12 months (shown under current liabilities)	<u>(11,355)</u>	<u>(21,351)</u>
Amounts due for settlement after 12 months	<u>136,046</u>	<u>165,073</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

The effective interest rate on the bank loan is variable at 5.6% (2006 6.5%) and matures in 2027

The directors consider that the carrying amount of bank overdraft and loans approximates to their fair value

LOMBARD LEASING CONTRACTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

16 DEFERRED TAX

Movements during the year	Deferred taxation £'000
At 1 April 2005	82,281
Credit to income statement	<u>(2,747)</u>
At 1 April 2006	79,534
Credit to income statement	<u>(10,456)</u>
At 31 March 2007	<u>69,078</u>

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

	2007 £'000	2006 £'000
Accelerated capital allowances on assets financed	<u>69,078</u>	<u>79,534</u>

17 SHARE CAPITAL

	2007	2006
	Ordinary shares of £1 each	
Authorised	<u>100</u>	<u>100</u>
Allotted, called up and fully paid	<u>100</u>	<u>100</u>

The Company has one class of ordinary voting shares which carry no right to fixed income

18 RETAINED EARNINGS

	£'000
Balance at 1 April 2005	(5,683)
Profit for the financial year	<u>1,610</u>
Balance at 1 April 2006	(4,073)
Profit for the financial year	<u>10,563</u>
Balance at 31 March 2007	<u>6,490</u>

LOMBARD LEASING CONTRACTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

19 NOTES TO THE CASH FLOW STATEMENT

	2007 £'000	2006 £'000
Profit before tax	12,230	2,310
Adjustments for		
Depreciation on assets for hire under operating leases	10,522	14,144
(Profit) / loss on disposal of assets held under operating leases	<u>(6,334)</u>	<u>(19,801)</u>
Operating cash flows before movements in working capital	16,418	(3,347)
Interest expense	9,753	11,931
Decrease in receivables	4,442	3,790
(Increase)/decrease in payables	<u>(1,983)</u>	<u>20,059</u>
Cash generated by operations	28,630	32,433
Income taxes paid	(5,919)	(5,689)
Interest paid	<u>(9,855)</u>	<u>(11,945)</u>
Net cash from operating activities	<u>12,856</u>	<u>14,799</u>

20 OPERATING LEASE ARRANGEMENTS

The future minimum lease payments receivable under non-cancellable operating leases are as follows

	2007 £'000	2006 £'000
Within one year	22,643	22,643
Between two and five years	90,573	90,573
After more than five years	<u>-</u>	<u>22,643</u>
	<u>113,216</u>	<u>135,859</u>

21 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

	2007 £'000	2006 £'000
Year in which residual value will be recovered		
Between 2-5 years	165,351	-
More than 5 years	<u>-</u>	<u>176,421</u>
Total	<u>165,351</u>	<u>176,421</u>

NOTES TO THE FINANCIAL STATEMENTS

22 RELATED PARTY TRANSACTIONS

During the period, the Company entered into the following related party transactions

	2007 £'000	2006 £'000
Royal Bank Leasing Limited		
Transactions during the period		
- Management charge paid to related party	<u>149</u>	<u>16</u>
Group relief owed to related party	<u>(8,576)</u>	<u>(2,370)</u>
The Royal Bank of Scotland plc		
Transactions during the period		
- Interest on loan paid to related party	9,753	11,931
- Additional borrowing from related party	<u>(39,023)</u>	<u>(19,174)</u>
Bank account held with related party	2,245	2,548
Outstanding balance owed to the related party	<u>(145,897)</u>	<u>(184,695)</u>

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties. Both The Royal Bank of Scotland plc and Royal Bank Leasing Limited are fellow subsidiaries of the ultimate holding company The Royal Bank of Scotland Group plc.

23 POST BALANCE SHEET EVENT

In the Budget on 21 March 2007, the UK Government proposed, among other things, to reduce Corporation Tax rates by 2% to 28% with effect from 1 April 2008. The company estimates its deferred tax provision at 31 March 2007 and the tax charge for the year then ended would have been reduced by £4,313,000 if the Budget proposals as announced had been enacted by 31 March 2007.