

**Company Registration No: 02060602**

**LOMBARD LEASING CONTRACTS LIMITED**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**31 March 2008**



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

## **LOMBARD LEASING CONTRACTS LIMITED**

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**LOMBARD LEASING CONTRACTS LIMITED**

**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS:**

**S J Caterer  
P Sullivan  
R Warren  
I Shepherd**

**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 2008

## ACTIVITIES AND BUSINESS REVIEW

### Activity

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

The Company is a subsidiary of The Royal Bank of Scotland Group plc 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 Group Secretariat, 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. An interim dividend of £2,500,000 was declared on 20 June 2007. Since the year end the Company has declared final dividends of £9,000,000 (£90,000 per ordinary share) on 4 April 2008 (2007: £nil). The Company's financial performance is presented in the Income Statement on Page 5. At the end of the year, the financial position showed total assets of £262,026,000 (2007: £253,350,000) and equity of £11,571,000 (2007: £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 2. It also has exposure to asset risk on the residual value of property, plant and equipment.

## 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 April 2007 to date the following changes have taken place

	Appointed	Resigned
<b>Directors</b>		
T V Castledine		19 July 2007
A S Devine	19 July 2007	31 July 2008
A C Farnell		31 July 2008
P A Tubb		15 August 2008
R Warren	31 July 2008	
P Sullivan	31 July 2008	
I Shephard	19 August 2008	

## **LOMBARD LEASING CONTRACTS LIMITED**

### **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.

### **DISCLOSURE OF INFORMATION TO AUDITORS**

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

- a) so far as he/she 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/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

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

### **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).

## **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 25 September 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 2008 which comprise the income statement, the balance sheet, the cash flow statement, the statement of recognised income and expense and the related Notes 1 to 24. 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 also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

### 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 IFRSs as adopted by the European Union, of the state of the company's affairs as at 31 March 2008 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements.

*Deloitte & Touche LLP*

Deloitte & Touche LLP  
Chartered Accountants and Registered Auditors  
Bristol, United Kingdom

*25th September 2008*

**LOMBARD LEASING CONTRACTS LIMITED****INCOME STATEMENT**  
**for the year ended 31 March 2008**

	Note	2008 £'000	2007 £'000
<b>CONTINUING OPERATIONS</b>			
Revenue	4	23,457	25,689
Cost of sales	10	<u>(11,178)</u>	<u>(10,522)</u>
<b>GROSS PROFIT</b>		12,279	15,167
Other operating income	5	100	7,140
Administrative expenses	6	<u>(292)</u>	<u>(324)</u>
<b>OPERATING PROFIT</b>	6	12,087	21,983
Finance costs	8	<u>(7,492)</u>	<u>(9,753)</u>
<b>PROFIT BEFORE TAXATION</b>		4,595	12,230
Tax credit/(charge)	9	<u>2,986</u>	<u>(1,667)</u>
<b>PROFIT FOR THE FINANCIAL YEAR</b>	20	<u><u>7,581</u></u>	<u><u>10,563</u></u>

The notes on pages 10 to 21 form part of these financial statements



**LOMBARD LEASING CONTRACTS LIMITED**

**STATEMENT OF RECOGNISED INCOME AND EXPENSE**  
**for the year ended 31 March 2008**

	2008 £'000	2007 £'000
Profit for the year	<u>7,581</u>	<u>10,563</u>
Total recognised income and expense for the year	<u>7,581</u>	<u>10,563</u>

**LOMBARD LEASING CONTRACTS LIMITED**

**BALANCE SHEET**  
as at 31 March 2008

	Note	2008 £'000	2007 £'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	10	207,354	216,041
Finance lease receivables	12	<u>29,676</u>	<u>34,497</u>
		<u>237,030</u>	<u>250,538</u>
<b>CURRENT ASSETS</b>			
Finance lease receivables	12	2,210	-
Trade and other receivables	13	340	567
Cash and cash equivalents	14	<u>22,446</u>	<u>2,245</u>
		<u>24,996</u>	<u>2,812</u>
<b>TOTAL ASSETS</b>		<u><u>262,026</u></u>	<u><u>253,350</u></u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	15	(3,618)	(10,600)
Bank overdraft and loans	17	<u>(3,823)</u>	<u>(11,355)</u>
		<u>(7,441)</u>	<u>(21,955)</u>
<b>NON CURRENT LIABILITIES</b>			
Provisions	16	(19,781)	(19,781)
Bank loans	17	(162,125)	(136,046)
Deferred tax liabilities	18	<u>(61,108)</u>	<u>(69,078)</u>
		<u>(243,014)</u>	<u>(224,905)</u>
<b>TOTAL LIABILITIES</b>		<u><u>(250,455)</u></u>	<u><u>(246,860)</u></u>
<b>NET ASSETS</b>		<u><u>11,571</u></u>	<u><u>6,490</u></u>
<b>EQUITY</b>			
Share capital	19	-	-
Retained earnings	20	<u>11,571</u>	<u>6,490</u>
<b>TOTAL EQUITY</b>		<u><u>11,571</u></u>	<u><u>6,490</u></u>

The financial statements on pages 6 to 21 were approved by the Board of Directors and authorised for issue on 25 September 2008. They were signed on its behalf by -



S J Caterer  
Director

The notes on pages 10 to 21 form part of these financial statements

**LOMBARD LEASING CONTRACTS LIMITED**

**CASH FLOW STATEMENT**  
for the year ended 31 March 2008

	Note	2008 £'000	2007 £'000
<b>NET CASH FROM OPERATING ACTIVITIES</b>	21	<u>6,646</u>	<u>12,856</u>
<b>INVESTING ACTIVITIES</b>			
Proceeds on disposal of property, plant and equipment		-	25,953
Purchases of property, plant and equipment		<u>(2,491)</u>	<u>(89)</u>
<b>NET CASH (USED IN)/FROM INVESTING ACTIVITIES</b>		<u>(2,491)</u>	<u>25,864</u>
<b>FINANCING ACTIVITIES</b>			
Dividends paid		(2,500)	-
New bank loans raised		18,546	-
Repayments of borrowings		<u>-</u>	<u>(39,023)</u>
<b>NET CASH FROM/(USED IN) FINANCING ACTIVITIES</b>		<u>16,046</u>	<u>(39,023)</u>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		20,201	(303)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		<u>2,245</u>	<u>2,548</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<u><u>22,446</u></u>	<u><u>2,245</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 Company in addition to complying with its legal obligation to comply with IFRS as adopted for use in the European Union, also complies with IFRS as issued by the International Accounting Standards Board.

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

IFRS 7 'Financial Instruments: Disclosures' which became effective in this period introduces new disclosures relating to financial instruments but does not have any impact on the classification or valuation of the Company's financial instruments.

The directors do not believe the adoption of any Standards or Interpretations that have been issued but are not yet effective will have any material impact on the financial statements of the Company.

The judgements and assumptions involved in the Company's accounting policies which have the most significant effect on the amounts recognised in the financial statements are those that relate to the criteria for assessing whether substantially all the significant risks and rewards of ownership lease assets are transferred to other entities.

#### **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 BORROWING COSTS**

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

#### **d TAXATION**

Provision is made for taxation at current enacted rates on taxable profits.

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.

#### **e OPERATING PROFIT**

Operating profit is stated before charging or crediting investment income and finance costs.

## LOMBARD LEASING CONTRACTS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

#### 1 SIGNIFICANT ACCOUNTING POLICIES - continued

##### 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

##### g FINANCIAL INSTRUMENTS

The Company's financial asset categories are finance lease receivables and loan and receivables. Loan and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the balance sheet

The Company's financial liabilities are all categorised as financial liabilities measured at amortised cost. This comprises 'bank overdraft and loans' and 'trade payables' in the balance sheet

The Company does not account for any financial asset or liabilities at fair value through profit or loss

##### h 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

##### i TRADE AND OTHER RECEIVABLES

Trade and other receivables are measured at initial recognition fair value, and subsequently measured at amortised cost using the effective interest rate method. Trade and other receivables do not carry any interest and are stated at their nominal value

##### j 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

##### k BORROWINGS

Interest-bearing loans and bank overdrafts are initially recorded at fair value and are subsequently measured at amortised cost using the effective interest rate method

##### l TRADE AND OTHER PAYABLES

Trade and other payables are initially measured at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Trade and other payables are not interest bearing and are stated at their nominal value

## **LOMBARD LEASING CONTRACTS LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

#### **2 FINANCIAL RISK MANAGEMENT**

##### **a Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates

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

##### **b Currency risk**

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company minimises currency risk by ensuring its leases and associated financing is in the same currency

##### **c Credit risk**

Credit risk is the risk arising from the possibility that the Company will incur losses from the failure of counterparties 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

##### **d Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due

Any maturity mis-match within the overall long-term structure of the Company's assets and liabilities is managed to ensure that term asset commitments may be funded on an economic basis over their life. The short-term maturity structure of the Company's liabilities and assets is managed on a daily basis to ensure that all cash flow obligations can be met as they arise

##### **e Capital management**

The Company is a member of a group with regulatory disciplines over the use of its capital. Although the Company itself is not regulated it aims to maintain capital resources commensurate with the nature, scale and risk profile of its business. It regards its capital as the total equity as shown on the balance sheet

#### **3 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. 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 Group plc, a Company incorporated in Great Britain and registered in Scotland. Copies of the financial statements for this subgroup can be obtained from The Royal Bank of Scotland Group plc, Gogarburn, Edinburgh, EH12 1HQ

**LOMBARD LEASING CONTRACTS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

<b>4 REVENUE</b>	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>
Finance leases		
Rentals receivable	3,239	6,731
Amortisation	<u>(2,458)</u>	<u>(4,285)</u>
	<u>781</u>	<u>2,446</u>
Included in the above are the following amounts,		
Contingent rentals	<u>(1,324)</u>	<u>(102)</u>
Operating leases		
Rentals receivable	<u>22,676</u>	<u>23,243</u>
	<u>23,457</u>	<u>25,689</u>
<b>Capital cost of asset additions financed</b>		
Operating leases	<u>2,491</u>	<u>89</u>
<b>5 OTHER OPERATING INCOME</b>	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>
Fee income	100	400
Profit on termination of lease	-	6,334
Other income	<u>-</u>	<u>406</u>
	<u>100</u>	<u>7,140</u>
<b>6 OPERATING PROFIT</b>		
Operating profit has been arrived at after charging	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>
Fees & commissions	197	92
Management charge	95	149
Other	<u>-</u>	<u>83</u>
	<u>292</u>	<u>324</u>
Costs incurred in respect of audit services to the Company are included in the management charge as shown below		
	<b>£</b>	<b>£</b>
Auditors' remuneration - for audit services	<u>11,724</u>	<u>9,485</u>

**LOMBARD LEASING CONTRACTS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**7 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 (2007 nil)

**8 FINANCE COSTS**

2008	2007
£'000	£'000

Interest payable to group undertakings	<u>7,492</u>	<u>9,753</u>
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**9 TAXATION**

2008	2007
£'000	£'000

**A) ANALYSIS OF TAX (CREDIT)/CHARGE FOR THE YEAR**

Current tax charge

- Group relief payable on profit for the year	4,984	12,059
- Adjustment in respect of prior periods	-	64
	<u>4,984</u>	<u>12,123</u>

Deferred tax - origination and reversal of timing differences

- Current year	(3,365)	(8,390)
- Impact of rate change from 30% to 28%	(4,605)	-
- Adjustment in respect of prior periods	-	(2,066)

Tax (credit)/charge	<u>• (2,986)</u>	<u>1,667</u>
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**B) FACTORS AFFECTING THE TAX (CREDIT)/CHARGE FOR THE YEAR**

Profit before tax	<u>4,595</u>	<u>12,230</u>
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Tax on profit at the standard rate of 30% (2007 30%)	1,379	3,669
Impact of rate change from 30% to 28%	(4,365)	-
Adjustment to tax charge in respect of previous periods	-	(2,002)

Tax (credit)/charge	<u>(2,986)</u>	<u>1,667</u>
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LOMBARD LEASING CONTRACTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

10 PROPERTY, PLANT AND EQUIPMENT

Assets for  
hire under  
operating  
leases  
£'000

COST OR VALUATION

At 1 April 2006	304,231
Additions	89
Disposals	<u>(28,434)</u>
At 1 April 2007	275,886
Additions	<u>2,491</u>
At 31 March 2008	<u>278,377</u>

ACCUMULATED DEPRECIATION

At 1 April 2006	58,138
Charge for the year	10,522
Disposals	<u>(8,815)</u>
At 1 April 2007	59,845
Charge for the year	<u>11,178</u>
At 31 March 2008	<u>71,023</u>

CARRYING AMOUNT

At 31 March 2008	<u>207,354</u>
At 31 March 2007	<u>216,041</u>

**LOMBARD LEASING CONTRACTS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**11 FINANCIAL INSTRUMENTS**

a) Carrying value and fair value of financial instrument by category

	Carrying value 2008 £'000	Fair value 2008 £'000	Carrying value 2007 £'000	Fair value 2007 £'000
Finance lease receivables	31,886	31,886	34,497	34,497
Loans and receivables				
Trade and other receivables	340	340	567	567
Cash and cash equivalents	<u>22,446</u>	<u>22,446</u>	<u>2,245</u>	<u>2,245</u>
Financial assets	<u>54,672</u>	<u>54,672</u>	<u>37,309</u>	<u>37,309</u>
Financial liabilities measured at amortised cost				
Trade and other payables	3,618	3,618	10,600	10,600
Bank overdraft and loans	<u>165,948</u>	<u>170,500</u>	<u>147,401</u>	<u>141,049</u>
Financial liabilities	<u>169,566</u>	<u>174,118</u>	<u>158,001</u>	<u>158,001</u>

b) Financial instrument - carrying amount by market risk exposure

	2008 £'000	2007 £'000
Interest rate risk		
Financial assets		
- variable rate	54,332	36,742
- non-interest bearing	<u>340</u>	<u>567</u>
	<u>54,672</u>	<u>37,309</u>
Financial liabilities		
- fixed rate	165,948	147,401
- non-interest bearing	<u>3,618</u>	<u>10,600</u>
	<u>169,566</u>	<u>158,001</u>

If market interest rates had been higher or lower the profit or loss and equity of the Company would not have been materially affected

c) Financial asset - credit quality

	2008 £'000	2007 £'000
Summary and concentration of credit risk		
Finance lease receivables relating to 1 lessee in the aircraft industry	31,886	34,497
Group undertakings	<u>22,786</u>	<u>2,812</u>
	<u>54,672</u>	<u>37,309</u>
Ageing of invoices within one month	2008 £'000	2007 £'000
Ageing of invoices past due as at the balance sheet date	<u>1</u>	<u>235</u>

In both years the amounts were paid or amended within two months and the past due are not considered impaired

Based on counterparty payment history the Company considers all the above financial assets to be of good credit quality

**LOMBARD LEASING CONTRACTS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**11 FINANCIAL INSTRUMENTS - continued**

d) Liquidity risk

Contractual cash flows payable to maturity on financial liabilities on an undiscounted basis

	Less than 1 year £'000	In the 2nd year £'000	3 to 5 years £'000	Over 5 years £'000
2008				
Trade payables	3,618	-	-	-
Bank overdraft and loans	22,398	24,672	114,539	158,936
	<u>26,016</u>	<u>24,672</u>	<u>114,539</u>	<u>158,936</u>
2007				
Trade payables	10,600	-	-	-
Bank overdraft and loans	25,557	23,883	215,170	39,809
	<u>36,157</u>	<u>23,883</u>	<u>215,170</u>	<u>39,809</u>

**12 FINANCE LEASE RECEIVABLES**

	Gross investment in lease		Present value of minimum lease payments	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Amounts receivable under finance leases				
Within one year	2,210	2,231	2,210	-
In the second to fifth years inclusive	13,829	12,571	11,462	3,592
After five years	37,766	41,224	18,214	30,905
	53,805	56,026	31,886	34,497
Less unearned finance income	<u>(21,919)</u>	<u>(21,529)</u>	<u>N/A</u>	<u>N/A</u>
Present value of minimum lease payments receivable	<u>31,886</u>	<u>34,497</u>	<u>31,886</u>	<u>34,497</u>
Analysed as				
Non-current finance lease receivables (recoverable after 12 months)			29,676	34,497
Current finance lease receivables (recoverable within 12 months)			<u>2,210</u>	<u>-</u>
			<u>31,886</u>	<u>34,497</u>

The Company has entered into finance leasing arrangements for a plane. 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 (2007: £nil).

The interest rate inherent in the leases is determined at the contract date for all the lease term. The average effective interest rate contracted approximates 7.9% (2007: 7.7%) p.a.

**LOMBARD LEASING CONTRACTS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

<b>13 TRADE AND OTHER RECEIVABLES</b>	<b>2008 £'000</b>	<b>2007 £'000</b>
Trade debtors	1	236
Other debtors	<u>339</u>	<u>331</u>
	<u>340</u>	<u>567</u>

<b>14 CASH AND CASH EQUIVALENTS</b>	<b>2008 £'000</b>	<b>2007 £'000</b>
Bank account with group undertakings	108	2,245
Short term deposits with group undertakings	<u>22,338</u>	<u>-</u>
	<u>22,446</u>	<u>2,245</u>

<b>15 TRADE AND OTHER PAYABLES</b>	<b>2008 £'000</b>	<b>2007 £'000</b>
Amounts due to group undertakings	2,817	9,317
Other creditors	<u>801</u>	<u>1,283</u>
	<u>3,618</u>	<u>10,600</u>

<b>16 PROVISIONS</b>	<b>Upside sharing provision £'000</b>
Included in non-current liabilities	
At 31 March 2008 and at 31 March 2007	<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

<b>17 BANK LOANS</b>	<b>2008 £'000</b>	<b>2007 £'000</b>
Loan amount due to group undertakings	<u>165,948</u>	<u>147,401</u>
The borrowings are repayable as follows		
On demand or within one year	3,823	11,355
In the second year	7,315	9,168
In the third to fifth year inclusive	50,590	126,878
After five years	<u>104,220</u>	<u>-</u>
	165,948	147,401
Less Amounts due for settlement within 12 months (shown under current liabilities)	<u>(3,823)</u>	<u>(11,355)</u>
Amounts due for settlement after 12 months	<u>162,125</u>	<u>136,046</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 loan is variable at 5.6% (2007: 5.6%) p.a.

**LOMBARD LEASING CONTRACTS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**18 DEFERRED TAX**

Movements during the year	Deferred taxation £'000
At 1 April 2006	79,534
Charge to income statement	<u>(10,456)</u>
At 1 April 2007	69,078
Charge to income statement	<u>(7,970)</u>
At 31 March 2008	<u>61,108</u>

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

	2008 £'000	2007 £'000
Accelerated capital allowances on assets financed	63,593	69,078
Other temporary differences	<u>(2,485)</u>	<u>-</u>
	<u>61,108</u>	<u>69,078</u>

**19 SHARE CAPITAL**

	2008 Number of shares	2007 Number of shares	2008 £	2007 £
Ordinary Shares of £1				
Authorised	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>
Issued and fully paid	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

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

**20 RETAINED EARNINGS**

	£'000
Balance at 1 April 2006	(4,073)
Profit for the financial year	<u>10,563</u>
Balance at 1 April 2007	6,490
Dividends paid	(2,500)
Profit for the financial year	<u>7,581</u>
Balance at 31 March 2008	<u>11,571</u>

On the 4 April 2008 the company declared a dividend of £9,000,000 (£90,000 per ordinary share)

**LOMBARD LEASING CONTRACTS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**21 NOTES TO THE CASH FLOW STATEMENT**

	2008 £'000	2007 £'000
Profit before tax	4,595	12,230
Adjustments for		
Depreciation on assets for hire under operating leases	11,178	10,522
Interest expense	7,492	9,753
Profit on disposal of assets held under operating leases	-	(6,334)
Operating cash flows before movements in working capital	23,265	26,171
Decrease in receivables	2,837	4,442
Decrease in payables	(486)	(1,983)
Cash generated by operations	25,616	28,630
Income taxes paid	(11,229)	(5,919)
Interest paid	(7,741)	(9,855)
Net cash from operating activities	6,646	12,856

**22 OPERATING LEASE ARRANGEMENTS**

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

	2008 £'000	2007 £'000
Within one year	23,750	22,643
In the second to fifth years inclusive	87,975	90,573
After five years	11,495	-
	123,220	113,216

**23 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

	2008 £'000	2007 £'000
Year in which residual value will be recovered		
Between 2-5 years	51,238	165,351
More than 5 years	110,511	-
Total	161,749	165,351

**LOMBARD LEASING CONTRACTS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**24 RELATED PARTY TRANSACTIONS**

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

	2008 £'000	2007 £'000
Royal Bank Leasing Limited		
Transactions during the period		
- Management charge paid to related party	95	149
- Interest on loan paid to related party	7,492	9,753
- Group relief paid	11,229	5,919
- Additional borrowing from related party	<u>18,546</u>	<u>(39,023)</u>
Group relief owed to related party	(2,331)	(8,576)
Outstanding balance owed to the related party	<u>(146,428)</u>	<u>(156,718)</u>
The Royal Bank of Scotland plc		
Bank account held with related party	<u>108</u>	<u>2,245</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.