

Company Registration No: 2060602

LOMBARD LEASING CONTRACTS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 March 2005



LOMBARD LEASING CONTRACTS LIMITED

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LOMBARD LEASING CONTRACTS LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS:

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

SECRETARY:

Marina Louise Thomas

REGISTERED OFFICE:

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

AUDITORS:

**Deloitte & Touche LLP
Bristol**

Registered in England and Wales.

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 March 2005.

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 £2,989,000 (2004: £64,000). The directors do not recommend that an interim dividend be paid (2004: £3,250,000).

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 2004 to date the following changes have taken place:

	Appointed	Resigned
Directors		
Domhnal Slattery		19 July 2004
Philip Anthony Tubb	19 May 2004	
William Vaughan Latter		7 June 2004
Trevor Vaughan Castledine	18 June 2004	

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.

LOMBARD LEASING CONTRACTS LIMITED

DIRECTORS' INTERESTS

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

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

	As at 1 April 2004*	As at 31 March 2005
T V Castledine	60	294
S J Caterer	10,052	12,197
A C Farnell	13,170	16,043
P A Tubb	1,721	1,721

* Or date of appointment if later.

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 April 2004*	Granted during the period		Exercised during the period		As at 31 March 2005
		Options	Price	Options	Price	
T V Castledine	707	4,737	1729	-	-	5,444
S J Caterer	2,042	1,217	1209	1,508	1006	1,751
A C Farnell	1,400	-	-	938 312 150	1006 1364 1563	-
P A Tubb	5,739	3,759	1729	-	-	9,498

* Or date of appointment if later.

No director had an interest in any of the preference shares during the year to 31 March 2005.

Other than detailed above, none of the directors in office at 31 March 2005 held any interest in the share or loan capital of the company or any other group company during the year to 31 March 2005.

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 2006, 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 2005 bears to the amounts invoiced by suppliers during the year then ended equated to nil days proportion of 365 days (2004: nil days).

ELECTIVE RESOLUTIONS

The company has passed 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.

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



S J Caterer
Director

Date: 28 September 2005

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 2005 which comprise the profit and loss account, the balance sheet and the related notes 1 to 16. 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.

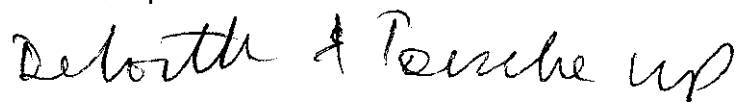
Basis of audit opinion

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 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche LLP

Chartered Accountants and Registered Auditors
Bristol



LOMBARD LEASING CONTRACTS LIMITED

PROFIT AND LOSS ACCOUNT
for the year ended 31 March 2005

		CONTINUING OPERATIONS	
	Note	2005 £'000	2004 £'000
Turnover	4	28,631	32,322
Cost of sales	9	<u>(11,145)</u>	<u>(11,260)</u>
GROSS PROFIT		17,486	21,062
Administrative expenses	5	(637)	(610)
Other operating income	6	<u>-</u>	<u>567</u>
OPERATING PROFIT	5	16,849	21,019
Interest payable	7	<u>(12,576)</u>	<u>(16,277)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		4,273	4,742
Taxation charge on profit on ordinary activities	8	<u>(1,284)</u>	<u>(1,428)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		2,989	3,314
Dividend for the year - interim proposed		<u>-</u>	<u>(3,250)</u>
RETAINED PROFIT FOR THE YEAR	14	2,989	64

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 13 form part of these financial statements.

LOMBARD LEASING CONTRACTS LIMITED

BALANCE SHEET

as at 31 March 2005

	Note	2005 £'000	2004 £'000
FIXED ASSETS	9	246,647	257,792
CURRENT ASSETS			
DEBTORS:			
Finance lease receivables due after more than one year		39,898	48,810
Finance lease receivables due within one year		4,821	3,170
Other debtors	10	<u>8,510</u>	<u>11,212</u>
		53,229	63,192
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	11	<u>(29,538)</u>	<u>(32,700)</u>
NET CURRENT ASSETS		<u>23,691</u>	<u>30,492</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		270,338	288,284
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	11	(182,231)	(198,632)
PROVISIONS FOR LIABILITIES AND CHARGES	12	(84,676)	(89,210)
NET ASSETS		<u>3,431</u>	<u>442</u>
CAPITAL AND RESERVES			
Called up share capital	13	-	-
Profit and loss account	14	<u>3,431</u>	<u>442</u>
TOTAL EQUITY SHAREHOLDERS' FUNDS	15	<u>3,431</u>	<u>442</u>

The financial statements on pages 6 to 13 were approved by the Board of Directors on 28 September 2005 and were signed on its behalf by :-



S J Caterer
Director

The notes on pages 8 to 13 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES

The financial statements on pages 6 to 13 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.

The Company's accounts have been prepared in accordance with the Statement of Recommended Practice (SORP) issued by the Finance & Leasing Association. The SORP, 'Accounting issues in the asset finance and leasing industry', was published in April 2000.

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.

NOTES TO THE FINANCIAL STATEMENTS

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 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, Gogarburn, PO Box 1000, Edinburgh, EH12 1HQ.

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

3 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.

4 TURNOVER	2005 £'000	2004 £'000
Finance leases:		
Rentals receivable	10,465	12,413
Amortisation	(7,231)	(6,303)
	<u>3,234</u>	<u>6,110</u>
Operating leases:		
Rentals receivable	<u>25,397</u>	<u>26,212</u>
	<u>28,631</u>	<u>32,322</u>

The Company did not enter into any new leasing transactions during the year (2004 : £Nil)

LOMBARD LEASING CONTRACTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

5	OPERATING PROFIT	2005 £'000	2004 £'000
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Includes the following:

Administrative expenses:

Fees & commissions

Management charge

618	545
<u>19</u>	<u>65</u>
<u>637</u>	<u>610</u>

The emoluments of Mr D Slattery are paid by fellow subsidiary company RBS Aerospace Limited which did not make a recharge to the company. He is a director of a number of fellow subsidiaries and it is not possible to make an accurate apportionment of his emoluments in respect of each of the companies. Accordingly, the above details include no emoluments in respect of Mr Slattery.

Other 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. Costs incurred in respect of audit services to the Company are included in the management charge as shown below:

	£	£
Directors' emoluments	-	4,967
Auditors' remuneration - for audit services	1,952	1,973
Staff costs	<u>-</u>	<u>47,442</u>

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

6	OTHER OPERATING INCOME	2005 £'000	2004 £'000
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Fee income

<u>-</u>	<u>567</u>
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7	INTEREST PAYABLE	2005 £'000	2004 £'000
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Interest payable to group undertakings

<u>12,576</u>	<u>16,277</u>
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LOMBARD LEASING CONTRACTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

8	TAXATION	2005 £'000	2004 £'000
	A) ANALYSIS OF CHARGE FOR THE YEAR		
	Current tax charge:		
	- Group relief payable on profits for the year	5,816	4,862
	- Adjustment in respect of prior periods	<u>2</u>	<u>5</u>
		5,818	4,867
	Deferred tax - origination and reversal of timing differences:		
	- Current year	(4,534)	(3,439)
		<u></u>	<u></u>
	Taxation charge on profit on ordinary activities	<u>1,284</u>	<u>1,428</u>
	B) FACTORS AFFECTING THE CURRENT TAX CHARGE FOR THE YEAR		
	Profit on ordinary activities before tax	<u>4,273</u>	<u>4,742</u>
	Tax on profit on ordinary activities at the standard rate of 30% (2004: 30%)	1,282	1,423
	Capital allowances for period less than depreciation	4,534	3,439
	Adjustment to tax charge in respect of previous periods	<u>2</u>	<u>5</u>
		<u></u>	<u></u>
	Current tax charge	<u>5,818</u>	<u>4,867</u>
9	FIXED ASSETS		Assets for hire under operating leases £'000
	COST		
	At 1 April 2004 and at 31 March 2005		<u>278,775</u>
	DEPRECIATION		
	At 1 April 2004		20,983
	Charge for the year		<u>11,145</u>
	At 31 March 2005		<u>32,128</u>
	NET BOOK VALUE		
	At 31 March 2005		<u>246,647</u>
	At 31 March 2004		<u>257,792</u>

LOMBARD LEASING CONTRACTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

10	DEBTORS	2005 £'000	2004 £'000
	Amounts falling due within one year:		
	Trade debtors	17	-
	Amounts due from group undertakings	6,923	9,352
	Other debtors	<u>1,570</u>	<u>1,860</u>
		<u>8,510</u>	<u>11,212</u>

11	CREDITORS	2005 £'000	2004 £'000
	Amounts falling due within one year:		
	Payments received on account	61	62
	Amounts due to group undertakings	27,485	30,500
	Other creditors	<u>1,992</u>	<u>2,138</u>
		<u>29,538</u>	<u>32,700</u>

Amounts falling due after more than one year:

Amounts due to group undertakings:

Between one and two years	21,354	18,401
Between two and five years	49,532	48,935
After more than five years	<u>111,345</u>	<u>131,296</u>
	<u>182,231</u>	<u>198,632</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.

12 PROVISIONS FOR LIABILITIES AND CHARGES

Movements during the year:	Deferred taxation £'000
At 1 April 2004	89,210
Credit to profit and loss account	<u>(4,534)</u>
At 31 March 2005	<u>84,676</u>

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

	2005 £'000	2004 £'000
Accelerated capital allowances on assets financed	<u>84,676</u>	<u>89,210</u>

LOMBARD LEASING CONTRACTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

13	SHARE CAPITAL	2005	2004
		Ordinary shares of £1 each	
	Authorised	<u>100</u>	<u>100</u>
	Allotted, called up and fully paid	<u>100</u>	<u>100</u>
14	PROFIT AND LOSS ACCOUNT		
		£'000	
	At 1 April 2004	442	
	Retained profit for the year	<u>2,989</u>	
	At 31 March 2005	<u>3,431</u>	
15	RECONCILIATION OF SHAREHOLDERS' FUNDS		
		2005	2004
		£'000	£'000
	Profit for the financial year	2,989	3,314
	Dividend	<u>-</u>	<u>(3,250)</u>
	Net addition to shareholders' funds	2,989	64
	Opening shareholders' funds	<u>442</u>	<u>378</u>
	Closing shareholders' funds	<u>3,431</u>	<u>442</u>
16	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.		
		2005	2004
		£'000	£'000
	Year in which residual value will be recovered		
	More than 5 years	<u>155,608</u>	<u>155,608</u>