

Company Registration No: 02208679

LOMBARD PLANT LEASING LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2006



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

LOMBARD PLANT LEASING LIMITED

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LOMBARD PLANT LEASING LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS:
N T J Clibbens
N Kapur
P A Lynam
R M Priestman

SECRETARY: G Wraith-Carter

REGISTERED OFFICE:
3 Princess Way
Redhill
Surrey
RH1 1NP

AUDITORS: Deloitte & Touche LLP
London

Registered in England and Wales.

LOMBARD PLANT LEASING LIMITED

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 31 December 2006

ACTIVITIES AND BUSINESS REVIEW

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

The principal activity of the Company is the provision of credit finance by way of leasing

The profit for the year was £46,000 (2005 £61,000) No dividend was paid during the year (2005 £nil)

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

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 January 2006 to date the following changes have taken place

Directors	Appointed	Resigned
G C Clemett		1 June 2007
N Kapur	1 June 2007	
R M Priestman	1 June 2007	
G S-S Ashworth		25 June 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

LOMBARD PLANT LEASING LIMITED

DIRECTORS' REPORT (Continued)

DIRECTORS' RESPONSIBILITIES (Continued)

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 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.

USE OF FINANCIAL INSTRUMENTS

The Company's financial risk management policies and exposure in relation to the respective risks are detailed in note 16 of the financial statements.

DISCLOSURE OF INFORMATION TO AUDITORS

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

- (1) so far as he 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 ought to have taken to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

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

DIRECTORS' INDEMNITIES

In terms of section 309C of the Companies Act 1985 (as amended), Mr G S-S Ashworth, Mr G C Clemett, Mr N T J Clibbens and Mr P A Lynam had been granted Qualifying Third Party Indemnity Provisions by The Royal Bank of Scotland Group plc.

POLICY AND PRACTICE ON PAYMENT OF CREDITORS

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

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

LOMBARD PLANT LEASING LIMITED

DIRECTORS' REPORT (Continued)

ELECTIVE RESOLUTIONS

The Company has elected to dispense with the requirement to hold annual general meetings, lay directors' reports and financial statements before a general meeting and re-appoint 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



N Kapur
Director

07 SEP 2007

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

We have audited the financial statements of Lombard Plant Leasing Limited (the Company) for the year ended 31 December 2006 which comprise the income statement, the statement of changes in equity, the balance sheet, the cash flow statement and the related notes 1 to 20. 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

As described in the directors' report, the Company's directors are responsible for the preparation of the directors' report and the financial statements in accordance with applicable law and International Financial Reporting Standards ("IFRS") as adopted by the European Union. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether, in our opinion, the information given in the directors' report is consistent with the financial statements. In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

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

BASIS OF AUDIT OPINION

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

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LOMBARD PLANT LEASING
LIMITED (Continued)**

OPINION

In our opinion

- the financial statements give a true and fair view of the state of the Company's affairs as at 31 December 2006 and of its profit for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements

Deloitte & Touche LLP

**Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London**

Date: *13 September 2007*

LOMBARD PLANT LEASING LIMITED

INCOME STATEMENT **for the year ended 31 December 2006**

	Note	2006 <u>£'000</u>	2005 <u>£'000</u>
Continuing operations			
Revenue	3	83	129
Operating charges	4	<u>(22)</u>	<u>(33)</u>
Operating profit		61	96
Finance income	5	5	-
Finance costs	6	<u>-</u>	<u>(9)</u>
Profit before tax		66	87
Tax	7	<u>(20)</u>	<u>(26)</u>
Profit for the year	15	<u>46</u>	<u>61</u>

The notes on pages 11 to 19 form a part of these financial statements

LOMBARD PLANT LEASING LIMITED

STATEMENT OF CHANGES IN EQUITY **for the year ended 31 December 2006**

	Share capital <u>£'000</u>	Retained earnings <u>£'000</u>	Total equity <u>£'000</u>
At 1 January 2005	-	303	303
Profit for the year	-	61	61
At 31 December 2005	<u>-</u>	<u>364</u>	<u>364</u>
At 1 January 2006	-	364	364
Profit for the year	-	46	46
At 31 December 2006	<u>-</u>	<u>410</u>	<u>410</u>

The notes on pages 11 to 19 form a part of these financial statements

LOMBARD PLANT LEASING LIMITED

BALANCE SHEET **at 31 December 2006**

	Note	2006 £'000	2005 £'000
Non-current assets			
Deferred tax asset	9	160	196
		<u>160</u>	<u>196</u>
Current assets			
Finance lease receivables	10	31	279
Loans and receivables	11	242	1
		<u>273</u>	<u>280</u>
Total assets		<u>433</u>	<u>476</u>
Current liabilities			
Amounts owed to group undertakings	12	-	74
Trade and other payables	13	23	38
		<u>23</u>	<u>112</u>
Total liabilities		<u>23</u>	<u>112</u>
Net assets		<u>410</u>	<u>364</u>
Equity			
Share capital	14	-	-
Reserves	15	410	364
Total equity		<u>410</u>	<u>364</u>

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

N Kapur
Director



07 SEP 2007

The notes on pages 11 to 19 form a part of these financial statements

LOMBARD PLANT LEASING LIMITED

CASH FLOW STATEMENT

for the year ended 31 December 2006

	Note	2006 <u>£'000</u>	2005 <u>£'000</u>
Operating activities			
Profit before tax		66	87
<i>Adjustments for</i>			
Finance income		(5)	-
Finance costs		-	9
Operating profit before changes in working capital		<u>61</u>	<u>96</u>
Decrease in finance lease receivables		248	699
Decrease in amounts owed to group undertakings		(299)	(295)
Decrease in trade and other payables		(15)	(491)
Net cash (used in)/generated from the operations		<u>(5)</u>	<u>9</u>
Interest received		5	-
Interest paid		-	(9)
Net cash from operating activities		<u>-</u>	<u>-</u>
 Net cash used in investing activities		 <u>-</u>	 <u>-</u>
 Net cash from financing activities		 <u>-</u>	 <u>-</u>
 Net increase in cash and cash equivalents		 <u>-</u>	 <u>-</u>
Cash and cash equivalents at 1 January		-	-
Cash and cash equivalents at 31 December		<u>-</u>	<u>-</u>

The notes on pages 11 to 19 form a part of these financial statements

LOMBARD PLANT LEASING LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2006

1 General information

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

At the date of authorisation of these financial statements, the following relevant Standards and Interpretations, which have not been applied in the financial statements, were in issue but not yet effective:

IFRS 7 *Financial instruments: Disclosures* and the related amendment to IAS 1 on capital disclosures.

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

2 Accounting policies

a. Accounting convention

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

The financial statements have been prepared upon the basis of historical cost except as noted in the following accounting policies and are presented in accordance with applicable United Kingdom law.

b. Revenue recognition

Revenue from finance leases and loans and receivables is recognised in accordance with the Company's policies on leases and loans and receivables (see below). Revenue arises in the United Kingdom from continuing activities.

c. Taxation

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

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

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

LOMBARD PLANT LEASING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) for the year ended 31 December 2006

2 Accounting policies (continued)

d. Leases

Contracts to lease assets are classified as finance leases if they transfer substantially all the risks and rewards of ownership of the asset to the customer. Other contracts to lease assets are classified as operating leases.

Finance lease receivables are stated in the balance sheet at the amount of the net investment in the lease being the minimum lease payments and any unguaranteed residual value discounted at the interest rate implicit in the lease.

Unguaranteed residual values are subject to regular review to identify potential impairment. If there has been a reduction in the estimated unguaranteed residual value, the income allocation is revised and any reduction in respect of amounts accrued is recognised immediately.

Finance lease income is allocated to accounting periods so as to give a constant periodic rate of return before tax on the net investment.

e. Loans and receivables

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

f. Amounts owed to group undertakings

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

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

g. Trade and other payables

Trade and other payables are measured at fair value.

LOMBARD PLANT LEASING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) for the year ended 31 December 2006

2 Accounting policies (continued)

h Operating charges

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

i. Critical accounting judgements and key sources of estimation uncertainty

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

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

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

3 Revenue

	2006 £'000	2005 £'000
Finance lease income	68	117
Other revenue	15	12
	<u>83</u>	<u>129</u>

4 Other operating charges

	2006 £'000	2005 £'000
Bad debt (credit)/charge	(4)	18
Management fees	26	15
	<u>22</u>	<u>33</u>

The Company had no employees in the current year (2005 – nil)

Employee costs are incurred by the immediate parent company, Lombard North Central PLC, and allocated together with other overheads by way of a management charge to the Company.

LOMBARD PLANT LEASING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) for the year ended 31 December 2006

5 Finance income

	2006 <u>£'000</u>	2005 <u>£'000</u>
On loans and receivables		
From group undertakings	<u>5</u>	<u>-</u>

6 Finance costs

	2006 <u>£'000</u>	2005 <u>£'000</u>
On loans and payables		
To group undertakings	<u>-</u>	<u>9</u>

7 Tax charge on profit before tax

A) Analysis of charge for the year

	2006 <u>£'000</u>	2005 <u>£'000</u>
Current taxation		
Income tax credit for the year	<u>(16)</u>	<u>(29)</u>
	<u>(16)</u>	<u>(29)</u>
Deferred taxation		
Charge for the year	<u>36</u>	<u>55</u>
	<u>36</u>	<u>55</u>
Tax charge for the year	<u>20</u>	<u>26</u>

B) Factors affecting the tax charge for the year

The actual tax charge in the current and prior year does not differ from the expected tax charge computed by applying the standard rate of UK corporation tax of 30% (2005 30%)

8 Auditors' Remuneration

Fees payable to the Company's auditors for the audit of the Company's annual financial statements are £5,000 (2005 £5,000). There was no charge in either the current or prior year's financial statements for auditors' remuneration as the fees were charged in the financial statements of the immediate parent undertaking, Lombard North Central PLC.

LOMBARD PLANT LEASING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) **for the year ended 31 December 2006**

9 Deferred taxation

Provision for deferred taxation has been made as follows

	Accelerated capital allowances £'000
At 1 January 2005	251
(Charge)/credit to income statement	(55)
At 31 December 2005	<u>196</u>
At 1 January 2006	196
Charge to income statement	(36)
At 31 December 2006	<u>160</u>

10 Finance lease receivables

	Year in which receipt is expected			
	Within 1 year £'000	Between 1 and 5 years £'000	After 5 years £'000	Total £'000
2006				
Future minimum lease payments	43	-	-	43
Other balances	7	-	-	7
Present value	<u>50</u>	-	-	<u>50</u>
Provisions	(19)	-	-	(19)
Net carrying value	<u>31</u>	-	-	<u>31</u>
2005				
Future minimum lease payments	49	-	-	49
Unguaranteed residual values	49	-	-	49
Unearned finance income	(7)	-	-	(7)
Other balances	207	-	-	207
Present value	<u>298</u>	-	-	<u>298</u>
Provisions	(19)	-	-	(19)
Net carrying value	<u>279</u>	-	-	<u>279</u>

LOMBARD PLANT LEASING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) for the year ended 31 December 2006

10 Finance lease receivables (continued)

The Company has not entered into any business during the year

The average effective interest rate in relation to finance lease agreements approximates 8.56%

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

In addition to finance lease agreements within their primary period, there are also a number in a secondary period. The carrying value of such agreements is nil, though the Company expects to receive secondary rentals in respect of these in future periods

There were no contingent rentals recognised as income in the year

11 Loans and receivables

	2006 £'000	2005 £'000
Current		
Amounts owed by group undertakings	<u>242</u>	<u>1</u>

The average effective interest rate over amounts owed to group undertakings approximates 4.8%

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

12 Amounts owed to group undertakings

	2006 £'000	2005 £'000
Amounts due within 1 year	<u>-</u>	<u>74</u>

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

13 Trade and other payables

	2006 £'000	2005 £'000
Current liabilities		
Other payables	23	-
Accruals and deferred income	-	38
	<u>23</u>	<u>38</u>

LOMBARD PLANT LEASING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) **for the year ended 31 December 2006**

14 Share capital

	2006 £	2005 £
Authorised:		
1,000 (2005 1,000) ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
Allotted, called up and fully paid:		
100 (2005 100) ordinary shares of £1 each	<u>100</u>	<u>100</u>

15 Reserves

	Retained earnings £'000
At 1 January 2005	303
Profit for the year	<u>61</u>
At 31 December 2005	<u>364</u>
At 1 January 2006	364
Profit for the year	<u>46</u>
At 31 December 2006	<u>410</u>

16 Financial instruments

The Company uses a comprehensive framework for managing risks established by the Lombard group of companies and the Royal Bank of Scotland group of companies
The risks associated with the Company's businesses are as follows

Interest rate risk

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

Finance lease receivables are funded primarily through balances owed to group undertakings
This funding is due primarily on demand whereas the repricing maturity profile of the financial assets of the Company will be over a longer period of time

The matching of the repricing maturity characteristics of the Company's assets and liabilities is achieved through hedges transacted within another group company This results in the Company having exposure to interest rate risk, though this would be offset elsewhere within the group

Currency risk

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

LOMBARD PLANT LEASING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) for the year ended 31 December 2006

16 Financial instruments (continued)

Credit risk

Credit risk is the risk that companies, financial institutions, individuals and other counterparties will be unable to meet their obligations to the Company. Credit risk arises principally from the Company's lending activities.

The Company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Operational risk

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

17 Contingent liabilities

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.

18 Post balance sheet events

On 26 June 2007 the 2007 Finance Bill was substantively enacted which included a reduction in Corporation Tax rates by 2% to 28% with effect from 1 April 2008. The company estimates that there would be no material impact on its deferred tax asset at 31 December 2006 nor on the tax charge for the year if the Bill had been enacted by 31 December 2006.

LOMBARD PLANT LEASING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) for the year ended 31 December 2006

19 Related parties

The Company's immediate parent and ultimate controlling party is described in note 20

The table below details balances and transactions with group undertakings

	Opening balance <u>£'000</u>	Net (receipts) / payments <u>£'000</u>	Net interest received <u>£'000</u>	Closing balance <u>£'000</u>
Non-banking members of the group				
Immediate parent	(74)	311	5	242
Other RBS Group undertakings	1	(1)	-	-
Total	<u>(73)</u>	<u>310</u>	<u>5</u>	<u>242</u>

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

Other related party transactions

Expenses of £26,000 (2005: £15,000) were paid by other members of the group and then recharged to the Company by way of management charges.

No emoluments were paid to any director by the Company during the year (2005 - £nil).

None of the directors had any material interest in any contract of significance in relation to the business of the Company (2005 - £nil).

20 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 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.