

Contents

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	Page
Directors	1
Report of the Directors	2
Statement of Directors' Responsibilities	3
Report of the Auditors	4
Income Statement	5
Balance Sheet	6
Consolidated Cash Flow Statement	7
Notes to the Financial Statements	8

THURSDAY



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COMPANIES HOUSE

KEY BUSINESS FINANCE LIMITED

Directors

Directors M.T.J. Sisney-Durrant
K.J. Malde
N.M. Sanders

Secretary D.R. Bull

Registered Office 1412 High Road, London, N20 0LH

Registered Number 2310958

Head Office 1412 High Road, London N20 0LH
Telephone (020) 8446 8386 Fax (020) 8445 5842

Auditors PricewaterhouseCoopers LLP

Report of the Directors

The directors have pleasure in presenting their report and the audited financial statements for the year ended 31st December, 2006

Principal Activity

The Company's principal activity during the year was the provision of leasing finance mainly to professional practices

Results and Dividend

Profit before tax amounted to £4,980 for the year (2005 £5,877 Net assets amounted to £99,332 (2005 £96,220)

The directors expect the Company to continue to trade profitably during 2007 The directors do not recommend the payment of a dividend

Directors

The directors who held office during the year were as follows

M T J Sisney-Durrant (Chairman)

K J Maide

N M Sanders (Managing Director)

D M Green

appointed 16/08/2006

resigned 23/05/2006

Directors' Interests

None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the Company

Statement of Directors' Responsibilities

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 and of the profit or loss of the Company for that period. In preparing those 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 financial statements on the going concern basis unless it is not appropriate

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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and prevent and detect fraud and other irregularities.

Each director has responsibility for ensuring that (a) as far as he is aware, there is no relevant audit information of which the auditors are unaware, and that (b) he has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information.

Internal Audit

The internal auditor, who is an employee of the ultimate holding company, Landsbanki Islands hf, reports directly to the Board.

Auditors

A resolution to re-appoint PricewaterhouseCoopers LLP as auditor of the Company will be proposed at the Annual General Meeting.

By Order of the Board



D R Bull
Secretary

20/3/07

KEY BUSINESS FINANCE LIMITED

Independent Auditor's Report

To the members of Key Business Finance Limited

We have audited the company financial statements (the "financial statements") of Key Business Finance Limited for the year ended 31 December 2006 which comprise the Company Income Statement, the Company Balance Sheets, the Company Cash Flow Statements, the Statements of Changes in Equity and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and 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, in accordance with IFRSs as adopted by the European Union, of the state of the company's affairs as at 31 December 2006 and of its profit and cash flows 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

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

28 March 2007

KEY BUSINESS FINANCE LIMITED

Income Statement

for the year ended 31st December 2006

	Notes	2006 £	2005 £
Interest and similar income	3	24,062	23,912
Interest expense and similar charges	3	(11,047)	(8,910)
Net interest income		<u>13,015</u>	<u>15,002</u>
Operating income		<u>13,015</u>	<u>15,002</u>
Operating expenses	4	(8,035)	(9,125)
Profit before tax		<u>4,980</u>	<u>5,877</u>
Corporation tax expense	5	-	-
Profit after tax		<u>4,980</u>	<u>5,877</u>

The results arise from continuing operations

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

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

Reconciliation of Movement in Shareholders' Funds

	2006 £	2005 £
Shareholder's funds brought forward	100,957	95,081
Movement on profit and loss account for the financial period	4,980	5,877
Shareholder's funds carried forward	<u>105,937</u>	<u>100,957</u>

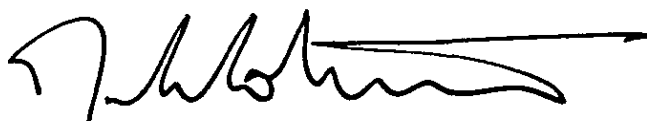
KEY BUSINESS FINANCE LIMITED

Balance Sheet

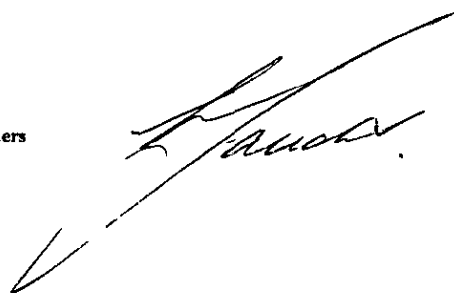
at 31st December, 2006

	Notes	2006 £	2005 £
ASSETS			
Non-current assets			
Debtors due after one year	6, 7	219,399	158 650
Current assets			
Debtors due within one year	6, 7	68,830	63,200
Other debtors	8	148,799	236,136
Total assets		437,028	457,986
LIABILITIES			
Non-current liabilities			
Borrowed funds repayable after one year	12	278,787	148 674
Current liabilities			
Borrowed funds repayable within one year	12	57,042	213 092
		335,829	361 766
Share capital	10	100	100
Retained earnings	11	101,099	96,120
Shareholders' funds		101,199	96,220
Total liabilities		437,028	457 986
Analysis of shareholders' funds			
Equity shareholders' funds		101,199	96 220
		101,199	96,220

The financial statements on pages 5 to 11 were approved by the Board of Directors on 20 March, 2007 and were signed on its behalf by


M T J Sismey-Durrant
Director

N M Sanders
Director



KEY BUSINESS FINANCE LIMITED

Cash Flow Statement

for the year ended 31st December, 2006

	Notes	2006 £	2005 £
Cashflows from operating activities			
Net cash (outflow) / inflow from operating activities	14	27,805	(253,001)
		-	-
Net cash from operating activities		27,805	(253,001)
Cashflows from financing activities			
Proceeds from borrowed funds		(27,805)	253 001
		-	-
Net cash from financing activities		(27,805)	253 001
Net increase in cash and cash equivalents		-	-
(Decrease)/increase in cash in the period		-	-
Cash and overdrafts at the beginning of the period		-	-
Cash and overdrafts at the end of the period		-	-

Notes to the Financial Statements

1 General information

Key Business Finance Limited provides leasing finance to clients throughout the United Kingdom.

The Company's parent company is Key Business Finance Corporation Plc a wholly owned subsidiary of Hentable Bank Limited, a company registered in the United Kingdom. Hentable Bank Limited is a wholly subsidiary of Landsbanki Islands h.f., a company incorporated in Iceland.

These financial statements are for a twelve month period to December 31st 2006. The previous financial statements were for a fourteen month period to December 31st 2005.

2 Summary of Significant Accounting Policies

(a) Basis of presentation

The Company financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in European Union. Financial statements are prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies.

(b) Interest income and expense

Interest income and expense are recognised in the income statement for all instruments recorded at amortised cost based upon an effective interest method.

When calculating the effective interest rate, the Company takes into consideration all future expected cashflows but does not consider possible future credit losses.

Interest income is reported net of any interest suspended.

(c) Financial assets

The Company currently classifies its financial assets as finance leases.

Finance leases

Amounts due under finance leases are shown under a separate heading within assets at the value of the net investment in the lease. Finance charges on leases are credited to the profit and loss account over the period of the net investment in those leases.

(d) Impairment of financial assets

Assets carried at amortised costs

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. Such impairment and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event has an adverse impact on the future expected cashflows of the asset(s). Objective evidence that a financial asset is impaired may include, but is not limited to the significant financial difficulty of the hirer, a material breach of contract, it becoming probable that the hirer will enter bankruptcy or the Company granting to the hirer a concession it would not normally consider.

The Company assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually and collectively for financial assets that are not individually significant. If there is objective evidence that an impairment loss has occurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of its estimated future cashflows discounted at the financial asset's original interest rate. The carrying amount is reduced through the use of an allowance account and the loss is recognised in the income statement.

When the debt is uncollectable, it is written off against the related provision for debt impairment.

If in a subsequent period, the amount of the impairment loss decreases, then this is credited against the provision for debt impairment.

KEY BUSINESS FINANCE LIMITED

Notes to the Financial Statements (continued)

3 Net interest income

	2006	2005
	£	£
Interest income		
Finance leases	24,062	23,912
	<u>24,062</u>	<u>23,912</u>
Interest expense		
Borrowed funds	11,047	8,910
	<u>11,047</u>	<u>8,910</u>

4 Operating expenses

	2006	2005
	£	£
Administrative expenses	8,035	9,125
	<u>8,035</u>	<u>9,125</u>
Other administrative expenses include the following	£	£
Auditors' remuneration		
Audit work	4,500	4,400

5. Corporation tax expense

	2006	2005
	£	£
Based on the profit for the year at 30% (2005 30%)		
Corporation tax payable	-	-
	<u></u>	<u></u>
Operating profit before tax	4,980	5,877
	<u></u>	<u></u>
Profit on ordinary activities multiplied by the standard rate in the UK (30%)	1,494	1,763
Effects of		
Group rental lease income	23,620	-
Accelerated capital allowances and other timing differences	(34,895)	-
Group relief surrendered for nil consideration	9,781	8,327
Current tax charge for the year	-	-
	<u></u>	<u></u>

The company also has a potential deferred tax asset with respect to capital allowances, finance lease receivables and carry forward losses
The amount of the potential deferred tax asset which has not been adjusted in the accounts for 2006 is £20,218

6 Debtors

	2006	2005
	£	£
Corporation Tax receivable	3,389	-
Finance lease receivables	284,840	221,850
	<u>288,229</u>	<u>221,850</u>

Notes to the Financial Statements (continued)

7 Debtors, net	2006	2005
Analysed by remaining contracted maturity	£	£
Over 5 years	4,199	26,439
5 years or less but over 1 year	215,202	132,211
1 year or less but over 3 months	51,257	43,886
3 months or less	17,571	19,314
	<u>288,229</u>	<u>221,850</u>
	2006	2005
	£	£
Gross investment in finance leases, receivable		
No later than one year	89,321	78,447
Later than 1 year and no later than 5 years	248,295	158,100
Later than 5 years	4,195	27,544
	<u>341,810</u>	<u>264,091</u>
Unearned future finance income on finance leases	(53,581)	(42,241)
Net investment in finance leases	<u>288,229</u>	<u>221,850</u>
The net investment in finance leases may be analysed as follows		
No later than 1 year	68,830	63,200
Later than 1 year and no later than 5 years	215,200	132,211
Later than 5 years	4,199	26,439
	<u>288,229</u>	<u>221,850</u>
All of the above finance leases relate to activities in the United Kingdom		
8 Other debtors	2006	2005
	£	£
Amount owed by parent company	148,799	236,036
	<u></u>	<u></u>

Notes to the Financial Statements (continued)

10 Share capital

	2006	2005
Authorised	Number	Number
Ordinary shares of £1 each	10,000	10,000
Allotted, called up and fully paid	£	£
Ordinary shares of £1 each	100	100
	<u>100</u>	<u>100</u>

On a distribution of assets on a winding up or other return of capital (except a conversion or redemption or purchase by the Company of its own shares), the holders of ordinary shares are entitled out of the surplus assets of the Company to the return of the nominal capital paid up on the ordinary shares held by them

The entire issued share capital of the Company is held by Key Business Finance Corporation Plc

11 Shareholders' funds

	Called up share capital £	Profit and loss account £	Total £
At 1st January, 2006	100	96,120	96,220
Profit for the year	-	4,980	4,980
At 31st December, 2006	<u>100</u>	<u>101,099</u>	<u>101,199</u>

12 Borrowed funds

	2006	2005
	£	£
	<u>335,828</u>	<u>361,776</u>

Borrowed funds comprise borrowings from UK financial institutions, some of which are secured against specific agreements

13 Related party transactions

There were no related party transactions in the year between the company and its directors or staff

The company's immediate parent company, Key Business Finance Corporation Plc, owed £148,799 to the company as at the balance sheet date

14 Reconciliation of operating profit to operating cash flows

	2006	2005
	£	£
Profit for the year	4,980	5,877
Increase/decrease in debtors	22,825	(246,725)
Increase/decrease in creditors	-	(12,153)
	<u>27,805</u>	<u>(253,001)</u>

15. Events after the balance sheet date

There were no material post balance sheet events to report

16 Ultimate parent undertaking

The results of Key Business Finance Limited are consolidated in the financial statements of the Company's ultimate parent undertaking, Landsbanki Islands hf a company incorporated in Iceland. Copies of the financial statements of Landsbanki Islands hf can be obtained from Austurstraeti 11, 155 Reykjavik, Iceland, or www.landsbanki.com.