

**Company Registration No: 02354214**

**LOMBARD VENTURE FINANCE 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**

**FRIDAY**



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**17/08/2007**

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**COMPANIES HOUSE**

# **LOMBARD VENTURE FINANCE LIMITED**

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**LOMBARD VENTURE FINANCE 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 VENTURE FINANCE LIMITED**

### **DIRECTORS' REPORT**

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

### **ACTIVITIES AND BUSINESS REVIEW**

The 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 loss for the year was £195,000 (2005 profit of £11,000) and this was met from reserves  
No dividend was paid during the year (2005 £nil)

As at 31 December 2006 the Company had an equity shareholders' deficit of £4,510,000. The Company receives financial and other support from its immediate parent undertaking, Lombard North Central PLC. The directors of Lombard North Central PLC have confirmed that this support will continue to be made available for the foreseeable future.

### **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

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

## **LOMBARD VENTURE FINANCE LIMITED**

### **DIRECTORS' REPORT (Continued)**

#### **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 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 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 17 of the financial statements.

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

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

- (a) so far as he 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 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.

## **LOMBARD VENTURE FINANCE LIMITED**

### **DIRECTORS' REPORT (Continued)**

#### **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

#### **ELECTIVE RESOLUTIONS**

The Company has elected to dispense with the requirement to hold annual general meetings, lay accounts 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

Date

**10 AUG 2007**

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LOMBARD VENTURE FINANCE LIMITED**

We have audited the financial statements of Lombard Venture Finance 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 21. 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 VENTURE FINANCE 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 loss 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, United Kingdom  
Date: *10 August 2007*



# LOMBARD VENTURE FINANCE LIMITED

## INCOME STATEMENT for the year ended 31 December 2006

	Note	2006 <u>£'000</u>	2005 <u>£'000</u>
<b>Continuing operations</b>			
Revenue	3	270	386
Other operating income	4	9	16
Operating (credits)/charges	5	<u>(53)</u>	<u>33</u>
<b>Operating profit</b>		<b>226</b>	<b>435</b>
Finance costs	6	<u>(295)</u>	<u>(419)</u>
<b>(Loss)/profit before tax</b>		<b>(69)</b>	<b>16</b>
Tax	7	<u>(126)</u>	<u>(5)</u>
<b>(Loss)/profit for the year</b>	16	<b><u>(195)</u></b>	<b><u>11</u></b>

The notes on pages 11 to 21 form a part of these financial statements

# **LOMBARD VENTURE FINANCE LIMITED**

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

	<b>Share capital £'000</b>	<b>Retained earnings £'000</b>	<b>Total equity £'000</b>
At 1 January 2005	-	(4,326)	(4,326)
Profit for the year		11	11
At 31 December 2005	<u>-</u>	<u>(4,315)</u>	<u>(4,315)</u>
At 1 January 2006	-	(4,315)	(4,315)
Loss for the year		(195)	(195)
At 31 December 2006	<u>-</u>	<u>(4,510)</u>	<u>(4,510)</u>

The notes on pages 11 to 21 form a part of these financial statements

# **LOMBARD VENTURE FINANCE LIMITED**

## **BALANCE SHEET** **at 31 December 2006**

	<b>Note</b>	<b>2006</b> <b>£'000</b>	<b>2005</b> <b>£'000</b>
<b>Non-current assets</b>			
Finance lease receivables	9	-	7
Deferred tax assets	10	-	5
		<u>-</u>	<u>12</u>
<b>Current assets</b>			
Finance lease receivables	9	465	3,388
Trade and other receivables	11	13	28
		<u>478</u>	<u>3,416</u>
<b>Total assets</b>		<u>478</u>	<u>3,428</u>
<b>Current liabilities</b>			
Amounts owed to group undertakings	12	4,486	4,511
Trade and other payables	13	-	19
Obligations under finance leases	14	502	3,213
		<u>4,988</u>	<u>7,743</u>
<b>Total liabilities</b>		<u>4,988</u>	<u>7,743</u>
<b>Net liabilities</b>		<u>(4,510)</u>	<u>(4,315)</u>
<b>Equity</b>			
Share capital	15	-	-
Reserves	16	(4,510)	(4,315)
<b>Total equity</b>		<u>(4,510)</u>	<u>(4,315)</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

10 AUG 2007

The notes on pages 11 to 21 form a part of these financial statements

# **LOMBARD VENTURE FINANCE LIMITED**

## **CASH FLOW STATEMENT**

**for the year ended 31 December 2006**

	Note	2006 <u>£'000</u>	2005 <u>£'000</u>
<b>Operating activities</b>			
(Loss)/profit before tax		(69)	16
<i>Adjustments for:</i>			
Finance costs	6	295	419
<b>Operating profit before changes in working capital</b>		<u>226</u>	<u>435</u>
Decrease in finance lease receivables		2,930	4,899
Decrease in trade and other receivables		15	70
(Decrease)/increase in amounts owed to group undertakings		(146)	249
Decrease in trade and other payables		(19)	(568)
<b>Net cash generated from the operations</b>		<u>3,006</u>	<u>5,085</u>
Interest paid		(104)	(92)
<b>Net cash from operating activities</b>		<u>2,902</u>	<u>4,993</u>
 <b>Net cash from investing activities</b>		 <u>-</u>	 <u>-</u>
 <b>Financing activities</b>			
Repayment of finance lease liabilities		(2,711)	(4,666)
Interest paid		(191)	(327)
<b>Net cash used in financing activities</b>		<u>(2,902)</u>	<u>(4,993)</u>
 <b>Net increase/(decrease) in cash and cash equivalents</b>		 -	 -
Cash and cash equivalents at 1 January		-	-
<b>Cash and cash equivalents at 31 December</b>		<u>-</u>	<u>-</u>

The notes on pages 11 to 21 form a part of these financial statements

## **LOMBARD VENTURE FINANCE LIMITED**

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

#### **1 General information**

Lombard Venture Finance 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 directors have prepared the financial statements on the basis that the Company is no longer a going concern. No material adjustments arose as a result of ceasing to apply the going concern basis.

##### **b. Revenue recognition**

Revenue from finance leases, operating leases, hire purchase business and loans and receivables is recognised in accordance with the Company's policies on leases, hire purchase business and loans and receivables (see below).

Revenue arises in the United Kingdom from continuing activities.

## **LOMBARD VENTURE FINANCE LIMITED**

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

#### **2 Accounting policies (continued)**

##### **c. 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.

##### **d. 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.

##### **e. Trade and other receivables**

Trade and other receivables are measured at initial recognition at fair value. Appropriate allowances for estimated irrecoverable amounts are recognised in the income statement when there is objective evidence that the asset is impaired.

##### **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 VENTURE FINANCE LIMITED

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

#### 2 Accounting policies (continued)

##### h. Other operating income

Other operating income is accounted for on an accruals basis

##### i. Operating credits/charges

Operating credits/charges include provisions for bad and doubtful debts and other operating credits and 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 credits/charges are accounted for on an accruals basis.

##### j. 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

	<b>2006</b> <b>£'000</b>	<b>2005</b> <b>£'000</b>
Finance lease income	270	363
Other revenue	-	23
	<u>270</u>	<u>386</u>

#### 4 Other operating income

	<b>2006</b> <b>£'000</b>	<b>2005</b> <b>£'000</b>
Commission receivable	<u>9</u>	<u>16</u>

# **LOMBARD VENTURE FINANCE LIMITED**

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

### **5 Other operating charges**

	<b>2006</b>	2005
	<b><u>£'000</u></b>	<u>£'000</u>
Bad debt charge/(credit)	72	(112)
Management fees	(19)	78
Other	-	1
	<u><b>53</b></u>	<u><b>(33)</b></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

### **6 Finance costs**

	<b>2006</b>	2005
	<b><u>£'000</u></b>	<u>£'000</u>
On loans and payables		
To group undertakings	104	92
Finance charges in respect of finance leases payable	191	327
	<u><b>295</b></u>	<u><b>419</b></u>

### **7 Tax charge on profit before tax**

#### **A) Analysis of charge for the year**

	<b>2006</b>	2005
	<b><u>£'000</u></b>	<u>£'000</u>
Current taxation		
Income tax (credit)/charge for the year	(25)	9
Under provision in respect of prior periods	146	1
Current tax charge for the year	<u><b>121</b></u>	<u><b>10</b></u>
Deferred taxation		
Charge/(credit) for the year	5	(5)
Tax charge for the year	<u><b>126</b></u>	<u><b>5</b></u>



# **LOMBARD VENTURE FINANCE LIMITED**

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

### **7 Tax charge on profit before tax (continued)**

#### **B) Factors affecting the tax charge for the year**

The actual tax charge differs from the expected tax (credit)/charge computed by applying the standard rate of UK corporation tax of 30% (2005 30%) as follows

	<b>2006</b>	<b>2005</b>
	<b><u>£'000</u></b>	<b><u>£'000</u></b>
Expected tax (credit)/charge	(21)	5
Non-deductible items	1	-
Adjustments in respect of prior periods	146	-
Actual tax charge	<u>126</u>	<u>5</u>

### **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

### **9 Finance lease receivables**

<b>2006</b>	<b>Year in which receipt is expected</b>			<b>Total</b>
	<b>Within 1</b>	<b>Between</b>	<b>After</b>	
	<b>year</b>	<b>1 and 5</b>	<b>5 years</b>	
	<b><u>£'000</u></b>	<b><u>£'000</u></b>	<b><u>£'000</u></b>	<b><u>£'000</u></b>
Future minimum lease payments	449	-	-	449
Unguaranteed residual values	4	-	-	4
Unearned finance income	(8)	-	-	(8)
Other balances	41	-	-	41
Present value	<u>486</u>	-	-	<u>486</u>
Provisions	(21)	-	-	(21)
Net carrying value	<u>465</u>	-	-	<u>465</u>

# **LOMBARD VENTURE FINANCE LIMITED**

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

### **9 Finance lease receivables (continued)**

2005	Year in which receipt is expected			Total £'000
	Within 1 year £'000	Between 1 and 5 years £'000	After 5 years £'000	
Future minimum lease payments	3,259	6	-	3,265
Unguaranteed residual values	10	1	-	11
Unearned finance income	(69)	-	-	(69)
Other balances	309	-	-	309
Present value	3,509	7	-	3,516
Provisions	(121)	-	-	(121)
Net carrying value	<u>3,388</u>	<u>7</u>	<u>-</u>	<u>3,395</u>

The Company has not entered into any new business during the year and the portfolio is due to mature fully within 1 year

The average effective interest rate in relation to finance lease agreements approximates 7.7% (2005 7.4%)

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

There were no contingent rentals recognised as income in the year

### **10 Deferred taxation**

Provision for deferred taxation has been made as follows

	<b>Accelerated capital allowances £'000</b>
At 1 January 2005	-
Credit to income statement	5
At 31 December 2005	<u>5</u>
At 1 January 2006	5
Charge to income statement	(5)
At 31 December 2006	<u>-</u>

# **LOMBARD VENTURE FINANCE LIMITED**

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

### **11 Trade and other receivables**

	<b>2006</b>	2005
	<b><u>£'000</u></b>	<b><u>£'000</u></b>
Trade receivables	-	13
Other receivables	<u>13</u>	<u>15</u>
	<u><b>13</b></u>	<u><b>28</b></u>

### **12 Amounts owed to group undertakings**

	<b>2006</b>	2005
	<b><u>£'000</u></b>	<b><u>£'000</u></b>
<b>Current liabilities</b>		
Amounts due within 1 year	<u><b>4,486</b></u>	<u><b>4,511</b></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

The directors of the immediate parent company have waived the right to charge interest on £2,268,000 of the above amounts due (2005 £2,379,000) The average effective interest rate over the remaining amounts is 4.7% (2005 4.5%)

### **13 Trade and other payables**

	<b>2006</b>	2005
	<b><u>£'000</u></b>	<b><u>£'000</u></b>
<b>Current liabilities</b>		
Other payables	<u><b>-</b></u>	<u><b>19</b></u>

### **14 Finance lease obligations**

	Year in which payment is expected			
	Between			<b>Total</b>
	<b>Within 1</b>	<b>1 and 5</b>	<b>After</b>	
	<b>year</b>	<b>years</b>	<b>5 years</b>	
	<b><u>£'000</u></b>	<b><u>£'000</u></b>	<b><u>£'000</u></b>	<b><u>£'000</u></b>
Future minimum lease payments	61	-	-	61
Unguaranteed residual values	443	-	-	443
Unearned finance income	(2)	-	-	(2)
Net carrying value	<u><b>502</b></u>	<u><b>-</b></u>	<u><b>-</b></u>	<u><b>502</b></u>

# **LOMBARD VENTURE FINANCE LIMITED**

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

### **14 Finance lease obligations (continued)**

2005	Year in which payment is expected			Total £'000
	Within 1 year £'000	Between 1 and 5 years £'000	After 5 years £'000	
Future minimum lease payments	627	-	-	627
Unguaranteed residual values	2,605	-	-	2,605
Unearned finance income	(19)	-	-	(19)
Net carrying value	<u>3,213</u>	<u>-</u>	<u>-</u>	<u>3,213</u>

The Company has not entered into any new obligations during the year and the portfolio is due to mature fully within 1 year

The average effective interest rate in relation to finance lease obligations approximates 7% (2005 7%)

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

There were no contingent rentals recognised as income in the year

### **15 Share capital**

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

### **16 Reserves**

	Retained earnings £'000
At 1 January 2005	(4,326)
Profit for the year	11
At 31 December 2005	<u>(4,315)</u>
At 1 January 2006	(4,315)
Loss for the year	(195)
At 31 December 2006	<u>(4,510)</u>

## **LOMBARD VENTURE FINANCE LIMITED**

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

#### **17 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.

##### **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.

#### **18 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.

## LOMBARD VENTURE FINANCE LIMITED

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

#### 19 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 the tax charge for the year if the Bill had been enacted by 31 December 2006.

#### 20 Related parties

The Company's immediate parent and ultimate controlling party is described in note 21.

The table below details balances and transactions with group undertakings.

	Opening balance <u>£'000</u>	Net receipts / (payments) <u>£'000</u>	Net interest paid <u>£'000</u>	Closing balance <u>£'000</u>
Banking members of the group				
Immediate parent	(2,132)	(15)	(104)	(2,251)
Other, non-banking members of the group				
Other RBS Group undertakings	(2,379)	144	-	(2,235)
<b>Total</b>	<u>(4,511)</u>	<u>129</u>	<u>(104)</u>	<u>(4,486)</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 £21,000 (2005: £78,000) were paid by other members of the group and then recharged to the Company by way of management charges.

The Company was overcharged in respect of management charges in previous years. As a result, the Company received £40,000 by way of a rebate during the year from other members of the group.

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).

## **LOMBARD VENTURE FINANCE LIMITED**

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

#### **21 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