Company Registration No: 02354702

LOMBARD PLANT FINANCE LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

30 September 2006

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

LOMBARD PLANT FINANCE LIMITED

CONTENTS

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS:	T V Castledine S J Caterer A C Farnell P A Tubb
SECRETARY:	A M Cunningham
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 report and the audited financial statements for the year ended 30 September 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, which is a wholly owned subsidiary of Royal Bank Leasing Limited, is the provision of fixed asset finance usually involving individually structured facilities

The loss for the financial year was £19,956,000 (2005 profit £568,000) The directors do not recommend that a dividend be paid (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 are listed on page 1

DIRECTORS' RESPONSIBILITIES

The directors are required by the Companies Act 1985 to prepare accounts for each financial year and have elected to prepare them in accordance with International Financial Reporting Standards They are responsible for preparing accounts that present fairly the financial position, financial performance, and cash flows of the Company In preparing these accounts, 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

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 Annual report and accounts complies 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

DISCLOSURE OF INFORMATION TO AUDITORS

Each of the directors of the Company holding office at the date of approval of this report confirm that

(1) so far as each of the directors are aware, there is no relevant audit information of which the Company's Auditors are unaware, and
(2) so far as each of the directors are aware they have taken all the steps that they ought to have taken to make themselves 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 S 234ZA of the Companies Act 1985

DIRECTORS' INDEMNITIES

In terms of Section 309C of the Companies Act 1985 (as amended), Mr A C Farnell had been granted Qualifying Third Party Indemnity Provisions by The Royal Bank of Scotland Group plc

RISK MANAGEMENT POLICY

Interest rate risk

The Company's policy is to avoid interest rate risk Any movement in interest rates associated with the financing of the lease is charged or credited to the lessee However in the event of an early lease termination the amount outstanding will be affected by Canadian LIBOR throughout the life of an exchange agreement with National Westminster Bank Plc

Credit risk

Credit risk is the risk arising from the possibility that the Company will incur losses from the failure of lessees to meet their obligations Credit risk is managed through The Royal Bank of Scotland plc Group Credit Risk Management Framework to enable the Group to achieve appropriate risk versus reward performance whilst maintaining credit risk exposure in line with approved risk appetite on a Group basis The Company has credit exposure to 1 lessee The finance lease receivables on the balance sheet represents the maximum credit exposure

Currency risk

Under an exchange agreement between a lessee and National Westminster Bank Plc the Company has exposure to Canadian dollar exchange rate fluctuations on early termination of a lease.

LOMBARD PLANT FINANCE LIMITED

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

In the year ending 30 September 2007, RBSG will adhere to the following payment policy in respect of all suppliers RBSG is committed to maintaining a sound commercial relationship with its suppliers Consequently, it is RBSG's policy to negotiate and agree terms and conditions with its suppliers, which includes the giving of an undertaking to pay suppliers within 30 days of receipt of a correctly prepared invoice submitted in accordance with the terms of the contract or such other payment period as may be agreed

The proportion which the amount owed to trade creditors at 30 September 2006 bears to the amounts invoiced by suppliers during the period then ended equated to nil days proportion of 365 days (2005 nil days)

ELECTIVE RESOLUTIONS

The Company has elected 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 2 July 2007

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

We have audited the financial statements of Lombard Plant Finance Limited ("the company") for the period ended 30 September 2006 which comprise the income statement, the balance sheet, the cash flow statement and the related Notes 1 to 18 These financial statements have been prepared under the accounting policies set out therein

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the statement of directors' responsibilities Our responsibility is to audit the financial statements in accordance with relevant United Kingdom 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, in accordance with the relevant financial reporting framework, and are properly prepared in accordance with the Companies Act 1985 We report to whether in our opinion the information given in the directors' report is consistent with the financial statements We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed

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

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

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with those IFRSs as adopted by the European Union, of the state of the company's affairs as at 30 September 2006 and of its loss for the period then ended, and

- 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   9 July 2007

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

LOMBARD PLANT FINANCE LIMITED

INCOME STATEMENT
for the year ended 30 September 2006

	Note	2006 £'000	2005 £'000
CONTINUING OPERATIONS			
Revenue	3	5,299	5,602
Other operating income	4	-	13
Decrease in fair value of embedded derivative		(29,266)	-
Administrative expenses	5	(9)	(4)
OPERATING (LOSS)/PROFIT	5	(23,976)	5,611
Finance costs	7	(4,533)	(4,799)
(LOSS)/PROFIT BEFORE TAXATION		(28,509)	812
Taxation credit/(charge) on (loss)/profit on ordinary activities	8	8,553	(244)
(LOSS)/PROFIT FOR THE FINANCIAL YEAR	15	(19,956)	568

The notes on pages 9 to 17 form part of these financial statements

LOMBARD PLANT FINANCE LIMITED

BALANCE SHEET
as at 30 September 2006

	Note	2006 £'000	2005 £'000
NON-CURRENT ASSETS			
Finance lease receivables	9	68,224	70,772
		68,224	70,772
CURRENT ASSETS			
Finance lease receivables	9	2,549	2,361
		2,549	2,361
TOTAL ASSETS		70,773	73,133
CURRENT LIABILITIES			
Trade and other payables	10	(383)	(1,634)
Bank loans	11	(2,789)	(2,667)
		(3,172)	(4,301)
NON CURRENT LIABILITIES			
Bank loans	11	(51,597)	(53,360)
Derivatives at fair value	12	(29,266)	-
Deferred tax liabilities	13	(7,290)	(16,068)
		(88,153)	(69,428)
TOTAL LIABILITIES		(91,325)	(73,729)
NET LIABILITIES		(20,552)	(596)
EQUITY			
Share capital	14	-	-
Retained earnings	15	(20,552)	(596)
TOTAL EQUITY		(20,552)	(596)

The financial statements on pages 6 to 17 were approved by the Board of Directors and authorised for issue on 2 July 2007 They were signed on its behalf by -

S J Caterer
Director

The notes on pages 9 to 17 form part of these financial statements

LOMBARD PLANT FINANCE LIMITED

CASH FLOW STATEMENT
for the year ended 30 September 2006

	Note	2006 £'000	2005 £'000
NET CASH FROM OPERATING ACTIVITIES	16	1,641	4,405
FINANCING ACTIVITIES			
Repayments of borrowings		(1,641)	(4,405)
NET CASH USED IN FINANCING ACTIVITIES		(1,641)	(4,405)
NET INCREASE IN CASH AND CASH EQUIVALENTS		-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		-	-
CASH AND CASH EQUIVALENTS AT END OF YEAR		-	-

LOMBARD PLANT FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES

a BASIS OF ACCOUNTING

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the EU for the first time The disclosures required by IFRS 1 concerning the transition from UK GAAP to IFRS are given in Note 18

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

b INCOME UNDER FINANCE LEASES

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee

Finance lease income, which includes the amortisation of the investment in the lease, is allocated to accounting periods so as to reflect a constant periodic rate of return on the net investment outstanding in respect of the leases

c TAXATION

Provision is made for taxation at current enacted rates on taxable profits, arising in income or in equity, taking into account relief for overseas taxation where appropriate

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, except in relation to overseas earnings where remittance is controlled by the Group, and goodwill

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

d AMOUNTS RECEIVABLE UNDER FINANCE LEASES

A lease is recognised when there is a contractual right to the asset's cash flows and derecognised when all contractual rights and obligations expire Amounts due from lessees under finance leases are recorded as receivables at the amount of the net investment in the leases The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income

Progress payments made prior to the commencement of the primary lease are included at cost together with the amount of any interest charged on such payments

e BANK BORROWINGS

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the profit or loss using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise

f TRADE PAYABLES

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost using the effective interest rate method

1 SIGNIFICANT ACCOUNTING POLICIES - continued

g DERIVATIVES AT FAIR VALUE

The Company has entered into a lease which contains an embedded derivative The embedded derivative is accounted for, separately from the lease, as a derivative financial instrument from the lease in these financial statements

Derivative financial instruments are recognised initially, and subsequently measured, at fair value Derivative fair values are determined from quoted prices in active markets where available Where there is no active market for an instrument, fair value is derived from prices for the derivative's components using appropriate pricing or valuation models The Company's pricing and valuation methods are managed by the ultimate holding company, The Royal Bank of Scotland Group plc's (the Group) Most of the Group's pricing models do not entail material subjectivity because the methodologies utilised do not incorporate significant judgement and the parameters included in the models can be calibrated to actively quoted market prices Values established from pricing models are adjusted for credit risk, liquidity risk and future operational costs

Derivatives are classifed as fair value through profit and loss Gains and losses arising from changes in fair value of a derivative are recognised as they arise in profit or loss

h BORROWING COSTS

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

i CASH FLOW STATEMENT

The cash flow statement has been presented using the indirect method of cash flows from operating activities

j RISK MANAGEMENT POLICY

Interest rate risk

The Company's policy is to avoid interest rate risk Any movement in interest rates associated with the financing of the lease is charged or credited to the lessee However as explained in note 12 in the event of an early lease termination the amount outstanding will be affected by Canadian LIBOR throughout the life of an exchange agreement with National Westminster Bank Plc

Credit risk

Credit risk is the risk arising from the possibility that the Company will incur losses from the failure of lessees to meet their obligations Credit risk is managed through The Royal Bank of Scotland plc Group Credit Risk Management Framework to enable the Group to achieve appropriate risk versus reward performance whilst maintaining credit risk exposure in line with approved risk appetite on a Group basis The Company has credit exposure to 1 lessee The finance lease receivables on the balance sheet represents the maximum credit exposure

Currency risk

As explained in note 12, there is an exchange agreement with National Westminster Bank Plc whereby the Company has exposure to Canadian dollar exchange rate fluctuations on early termination of a lease

2 IMMEDIATE AND ULTIMATE PARENT COMPANY

The Company's immediate parent company is National Westminster Bank 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 National Westminster Bank Plc, a company incorporated in Great Britain and registered in England and Wales 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 REVENUE

	2006 £'000	2005 £'000
Finance leases		
Rentals receivable	7,659	7,788
Amortisation	(2,360)	(2,186)
	5,299	5,602

The Company did not enter into any new leasing transactions during the year (2005 £Nil)

4 OTHER OPERATING INCOME

	2006 £'000	2005 £'000
Other income	-	13

5 OPERATING (LOSS)/PROFIT

Operating profit has been arrived at after charging	2006 £'000	2005 £'000
Management charge	9	4

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

	£	£
Auditors' remuneration - for audit services	439	326

6 STAFF COSTS

All directors and employees are employed and remunerated by The Royal Bank of Scotland plc, which did not make a recharge to the company in the year

The average monthly number of employees was nil (2005 nil)

7 FINANCE COSTS

	2006 £'000	2005 £'000
Interest payable to group undertakings	4,533	4,799

8 TAXATION

	2006 £'000	2005 £'000
A) ANALYSIS OF CHARGE FOR THE YEAR		
Current tax charge		
- Group relief payable on profits for the year	225	130
Deferred tax - origination and reversal of timing differences		
- Current year	(8,778)	114
Taxation charge on profit on ordinary activities	(8,553)	244
B) FACTORS AFFECTING THE TAX CHARGE FOR THE YEAR		
Profit before tax	(28,509)	812
Tax on profit at the standard rate of 30% (2005 30%)	(8,553)	244
Tax charge	(8,553)	244

9 FINANCE LEASE RECEIVABLES

	Gross investment in lease 2006 £'000	2005 £'000	Present value of minimum lease payments 2006 £'000	2005 £'000
Amounts receivable under finance leases				
Within one year	8,023	8,023	2,549	2,361
In the second to fifth years inclusive	36,056	34,989	15,185	12,933
After five years	68,179	77,270	53,039	57,839
	112,258	120,282	70,773	73,133
Less unearned finance income	(41,485)	(47,149)	N/A	N/A
Present value of minimum lease payments receivable	70,773	73,133	70,773	73,133

Analysed as

	2006 £'000	2005 £'000
Non-current finance lease receivables (recoverable after 12 months)	68,224	70,772
Current finance lease receivables (recoverable within 12 months)	2,549	2,361
	70,773	73,133

The Company has entered into finance leasing arrangements for 8 aircraft The lease term is 27 years

Unguaranteed residual values of assets leased under finance leases at the balance sheet date are estimated at £nil (2005 £nil)

The interest rate inherent in the leases is variable during its lease term The average effective interest rate contracted approximates 8 23 per cent (2005 8 25 per cent) per annum

The fair value of the Company's finance lease receivables at 30 September 2006 is estimated at £73,562,000 (2005 £76,282,000)

10 TRADE AND OTHER PAYABLES

	2006 £'000	2005 £'000
Amounts falling due within one year		
Amounts due to group undertakings	359	1,633
Other creditors	24	1
	383	1,634

The directors consider that the carrying amount of trade and other payables approximates to their fair value

11 BANK LOANS

	2006 £'000	2005 £'000
Loan amount due to group undertakings	54,386	56,027
The borrowings are repayable as follows		
On demand or within one year	2,789	2,667
In the second year	3,585	2,789
In the third to fifth year inclusive	12,669	11,832
After five years	35,343	38,739
	54,386	56,027
Less Amounts due for settlement within 12 months (shown under current liabilities)	(2,789)	(2,667)
Amounts due for settlement after 12 months	51,597	53,360

A right of set-off exists over the Company's bank account with The Royal Bank of Scotland plc against advances made to the Company's immediate holding company and its subsidiaries

The effective interest rate on the bank loan is variable at 8 23% and matures in 2023

The fair value of bank loans is estimated to be £61,489,000 (2005 £65,842,000)

12 DERIVATIVES AT FAIR VALUE

Ageing of derivatives at fair value by maturity date

	Within one year £'000	From second to fifth years inclusive £'000	After five years £'000	Total Liabilities £'000
Embedded exchange agreement	-	-	29,266	29,266

Notional aggregate principal - as at 30 September 2006	Liabilities £'000
Embedded exchange agreement	69,985

An exchange agreement exists between the lessee and National Westminster Bank Plc for each aircraft whereby the Sterling payments under the lease are fulfilled in exchange for the lessee making payments in Canadian dollars to National Westminster Bank Plc as specified by the agreement

On early termination of the lease the balance payable by the lessee to the Company is adjusted by an amount being the difference between the Sterling value of the amortised Canadian dollar balance and the amortised Sterling

12 DERIVATIVES AT FAIR VALUE (continued)

account However there is no formal agreement for this amount to be paid by National Westminster Bank plc to the Company

This arrangement has been treated as an embedded derivative Interest rates on the Canadian dollar account are variable, whilst the effective rate for the Sterling account is fixed at 8 25% The asset drawdowns in Sterling were converted for the purpose of the exchange agreement at an average rate of C$ 2 04 £1

As allowed by IFRS 1, the Company implemented IAS 32 and IAS 39 with effect from 1 July 2005 without restating the income statement, balance sheet and notes for 2005 The effect of implementing IAS 32 and IAS 39 on the Company balance sheets and shareholders' funds as at 1 July 2005 are set out in Note 18 In preparing the 2005 comparatives, UK GAAP principles then current have been applied to derivatives The main differences between UK GAAP and IFRS on derivatives are summarised in Note 18

All derivatives held are carried at fair value None of the derivatives are in designated fair value hedge or cash flow hedge relationships

The total amount of the change in fair value estimated using a valuation technique recognised in profit or loss during the year was £29,266,060

13 DEFERRED TAX

Movements during the year	Deferred taxation £'000
At 1 October 2004	15,954
Charge to income statement	114
At 1 October 2005	16,068
Credit to income statement	(8,778)
At 30 September 2006	7,290

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

	2006 £'000	2005 £'000
Deferred tax liability - accelerated capital allowances on assets financed	16,070	16,068
Deferred tax asset - fair value of derivatives	(8,780)	-
	7,290	16,068

14 SHARE CAPITAL

	2006	2005
	Ordinary shares of £1 each	
Authorised	1,000	1,000
Allotted, called up and fully paid	100	100

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

15 RETAINED EARNINGS

	£'000
Balance at 1 October 2004	(1,164)
Profit for the financial year	568
Balance at 1 October 2005	(596)
Loss for the financial year	(19,956)
Balance at 30 September 2006	(20,552)

16 NOTES TO THE CASH FLOW STATEMENT

	2006 £'000	2005 £'000
Profit before tax	(28,509)	812
Adjustments for		
Fair value loss on embedded derivative	29,266	-
Interest expense	4,533	4,799
Decrease in receivables	2,360	2,176
(Decrease)/increase in payables	(1,299)	1,234
Cash generated by operations	6,351	9,021
Income taxes (paid)/received	(188)	183
Interest paid	(4,522)	(4,799)
Net cash from operating activities	1,641	4,405

17 RELATED PARTY TRANSACTIONS

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

	2006 £'000	2005 £'000
Royal Bank Leasing Limited		
Transactions during the period		
- Management charge paid to related party	9	4
Group relief owed to related party	(331)	(294)
Outstanding balance owed to the related party	(335)	(1,620)
The Royal Bank of Scotland plc		
Transactions during the period		
- Interest on loan paid to related party	4,533	4,799
- Loans repaid to related party	(1,641)	(4,405)
Outstanding balance owed to the related party	(54,410)	(56,040)

The amounts outstanding are unsecured and will be settled in cash No guarantees have been given or received No provisions have been made for doubtful debts in respect of the amounts owed by related parties
Both The Royal Bank of Scotland plc and Royal Bank Leasing Limited are fellow subsidiaries of the ultimate holding company The Royal Bank of Scotland Group plc

18 EXPLANATION OF TRANSITION TO IFRS

This is the first year that the Company has presented its financial statements under IFRS The following disclosures are required in the year of transition The last financial statements under UK GAAP were for the year ended 30 September 2005 and the date of transition to IFRS was therefore 1 October 2005 The company in addition to complying with its legal obligation to comply with IFRS as adopted for use in the European Union, now also complies with the IFRS as issued by the International Accounting Standards Board

Reconciliation of equity at 1 October 2005 (date of transition to IFRS)

	UK GAAP £'000	Effect of transition to IFRS £'000	IFRS £'000
Finance lease receivables	73,562	(2,790)	70,772
Total non-current assets	73,562	(2,790)	70,772
Finance lease receivables	2,720	(359)	2,361
Total current assets	2,720	(359)	2,361
Total assets	76,282	(3,149)	73,133
Trade and other payables	(1,483)	(151)	(1,634)
Bank overdraft and loans	(56,027)	-	(56,027)
Derivatives at fair value	-	(29,996)	(29,996)
Deferred tax liabilities	(17,163)	1,095	(16,068)
Total liabilities	(74,673)	(29,052)	(103,725)
Total assets less total liabilities	1,609	(32,201)	(30,592)
Share capital	-	-	-
Retained earnings	1,609	(32,201)	(30,592)
Total equity	1,609	(32,201)	(30,592)

In the prior year under UKGAAP cash was included within intercompany debtors, and loans within intercompany creditors

18 EXPLANATION OF TRANSITION TO IFRS - continued

Reconciliation of profit or loss for 2005

	UK GAAP £'000	Effect of transition to IFRS £'000	IFRS £'000
Revenue	5,939	(337)	5,602
Other operating income	13	-	13
Administrative expenses	(4)	-	(4)
Operating profit	5,948	(337)	5,611
Finance costs	(4,799)	-	(4,799)
Profit before tax	1,149	(337)	812
Tax expense	(345)	101	(244)
Profit for the financial year	804	(236)	568

The change to both finance lease receivables and revenue is partly attributable to the move from the actuarial after tax to actuarial before tax method of valuing finance lease receivables and finance income as detailed by IAS 17

The change to finance lease receivables and revenue is also due to fees previously expensed as incurred under UKGAAP, which now are spread over the life of the lease under IFRS as detailed in IAS 17 The spread fees are disclosed within revenue as amortisation All fee expenses under IFRS are capitalised within finance lease receivables

The movement in trade and other payables, deferred taxation and the tax charge is due to the taxable changes in the valuation method and expense treatment

Under UKGAAP derivatives held were held off-balance sheet by the Company without a fair value adjustment Under IAS 39, all derivatives are measured at fair value Any gain or loss on the derivatives held are recognised in profit or loss as they arise The Company has adopted the amendment to IAS 39 'The Fair Value Option' issued by the IASB in June 2005 also from 1 October 2005 As allowed by IFRS 1, the Company implemented IAS 32 and IAS 39 with effect from 1 October 2005 without restating the 2005 comparatives Hence on transition to IFRS on 1 October 2005 a derivatives at fair value adjustment went through net assets and equity On initial recognition a financial asset or financial liability as at fair value is taken through profit or loss