

Company Registration No: 02380601

LOMBARD PROPERTY FACILITIES LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 March 2006

WEDNESDAY



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COMPANIES HOUSE

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

LOMBARD PROPERTY FACILITIES LIMITED

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LOMBARD PROPERTY FACILITIES LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS:

**T V Castledine
S J Caterer
A C Farnell
P A Tubb**

SECRETARY:

C J Whittaker

REGISTERED OFFICE:

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

AUDITORS:

**Deloitte & Touche LLP
Bristol**

Registered in England and Wales.

LOMBARD PROPERTY FACILITIES LIMITED

DIRECTORS' REPORT

The directors present their report and financial statements for the year ended 31 March 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 fixed asset finance usually involving individually structured facilities.

The loss for the financial year was £351,000 (2005: £1,024,000).

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 April 2005 to date the following changes have taken place:

	Appointed	Resigned
Secretary		
C J Whittaker	16 November 2005	
M L Thomas		18 November 2005

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.

LOMBARD PROPERTY FACILITIES LIMITED

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.

DIRECTORS' INTERESTS

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

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

	As at 1 April 2005	As at 31 March 2006
T V Castledine	294	1,601
S J Caterer	12,197	13,125
A C Farnell	16,043	14,137
P A Tubb	1,721	1,877

Options to subscribe for ordinary shares of 25p each in The Royal Bank of Scotland Group plc granted to and exercised during the period by the following directors of the Company and connected persons are:

	As at 1 April 2005	Granted During the period		Exercised during the period		As at 31 March 2006
		Options	Price (p)	Options	Price (p)	
T V Castledine	5,444	-	-	-	-	5,444
S J Caterer	1,751	-	-	263	741	1,338
				150	1563	
P A Tubb	9,498	-	-	-	-	9,498

No director had an interest in any of the preference shares of The Royal Bank of Scotland Group plc during the year to 31 March 2006.

Other than as disclosed, none of the directors in office at 31 March 2006 held any interest in the share or loan capital of the Company or any other group company.

LOMBARD PROPERTY FACILITIES LIMITED

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.

Credit risk

As the company has 4 leases, the finance lease receivables on the balance sheet represent credit exposure to that number of counterparties.

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 31 March 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 31 March 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: 18 January 2007

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LOMBARD PROPERTY FACILITIES LIMITED

We have audited the financial statements of Lombard Property Facilities Limited ("the company") for the year ended 31 March 2006 which comprise the income statement, the balance sheet, the cash flow statement, and the related Notes 1 to 19. 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 annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

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 31 March 2006 and of its loss for the year 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

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

22 January 2007

LOMBARD PROPERTY FACILITIES LIMITED

INCOME STATEMENT
for the year ended 31 March 2006

	Note	2006 £'000	2005 £'000
CONTINUING OPERATIONS			
Revenue	3	1,230	1,661
Other operating income	4	3	2
Administrative expenses	5	<u>(49)</u>	<u>(11)</u>
OPERATING PROFIT	5	1,184	1,652
Finance costs	7	<u>(3,102)</u>	<u>(3,158)</u>
LOSS BEFORE TAXATION		(1,918)	(1,506)
Taxation credit on loss on ordinary activities	8	<u>1,567</u>	<u>482</u>
LOSS FOR THE FINANCIAL YEAR	16	<u><u>(351)</u></u>	<u><u>(1,024)</u></u>

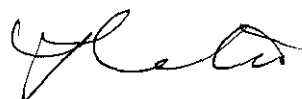
The notes on pages 9 to 18 form part of these financial statements.

LOMBARD PROPERTY FACILITIES LIMITED

BALANCE SHEET
as at 31 March 2006

	Note	2006 £'000	2005 £'000
NON-CURRENT ASSETS			
Finance lease receivables	9	60,918	71,136
Loan receivables		<u>656</u>	<u>705</u>
		<u>61,574</u>	<u>71,841</u>
CURRENT ASSETS			
Finance lease receivables	9	9,387	-
Loan receivables		40	20
Trade and other receivables	10	57	63
Cash and cash equivalents	11	<u>118</u>	<u>1,864</u>
		<u>9,602</u>	<u>1,947</u>
TOTAL ASSETS		<u><u>71,176</u></u>	<u><u>73,788</u></u>
CURRENT LIABILITIES			
Trade and other payables	12	(1,824)	(1,667)
Bank overdraft and loans	13	<u>(9,557)</u>	<u>(246)</u>
		<u>(11,381)</u>	<u>(1,913)</u>
NON CURRENT LIABILITIES			
Bank loans	13	(54,789)	(66,552)
Deferred tax liabilities	14	<u>(65)</u>	<u>(31)</u>
		<u>(54,854)</u>	<u>(66,583)</u>
TOTAL LIABILITIES		<u><u>(66,235)</u></u>	<u><u>(68,496)</u></u>
NET ASSETS		<u><u>4,941</u></u>	<u><u>5,292</u></u>
EQUITY			
Share capital	15	-	-
Retained earnings	16	<u>4,941</u>	<u>5,292</u>
TOTAL EQUITY		<u><u>4,941</u></u>	<u><u>5,292</u></u>

The financial statements on pages 6 to 18 were approved by the Board of Directors and authorised for issue on 18 January 2007. They were signed on its behalf by :-



S J Caterer
Director

The notes on pages 9 to 18 form part of these financial statements.

LOMBARD PROPERTY FACILITIES LIMITED

CASH FLOW STATEMENT
for the year ended 31 March 2006

	Note	2006 £'000	2005 £'000
NET CASH FROM OPERATING ACTIVITIES	17	<u>706</u>	<u>581</u>
FINANCING ACTIVITIES			
Repayments of borrowings		<u>(2,452)</u>	<u>(438)</u>
NET CASH USED IN FINANCING ACTIVITIES		<u>(2,452)</u>	<u>(438)</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(1,746)	143
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		<u>1,864</u>	<u>1,721</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR		<u><u>118</u></u>	<u><u>1,864</u></u>

LOMBARD PROPERTY FACILITIES 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 (IFRSs) as adopted for by the EU for the first time. The disclosures required by IFRS 1 concerning the transition from UK GAAP to IFRSs are given in Note 19.

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 INCOME UNDER LOAN CONTRACTS

Total gross earnings under loan contracts are allocated to accounting periods to give a constant periodic rate of return on the net cash investment.

d 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.

e 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.

f AMOUNTS RECEIVABLE UNDER LOANS

Loans receivables are stated at loans receivable less capital repaid.

g TRADE RECEIVABLES

Trade receivables are measured at initial recognition fair value, and subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as 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.

h CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

LOMBARD PROPERTY FACILITIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i 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 accrual basis in 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.

j TRADE PAYABLES

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

k BORROWING COSTS

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

l CASH FLOW STATEMENT

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

m 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.

Credit risk

As the company has 4 leases, the finance lease receivables on the balance sheet represent credit exposure to that number of counterparties.

2 IMMEDIATE AND ULTIMATE PARENT COMPANY

The Company's immediate parent company is Lombard North Central PLC.

The Company's ultimate holding company, ultimate controlling party, and the parent of the largest group into which the company is consolidated is The Royal Bank of Scotland Group plc that is incorporated in Great Britain and registered in Scotland. Financial statements for The Royal Bank of Scotland Group plc can be obtained from The Royal Bank of Scotland Group plc, Gogarburn, PO Box 1000, Edinburgh, EH12 1HQ.

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

LOMBARD PROPERTY FACILITIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

3 REVENUE	2006 £'000	2005 £'000
Finance leases:		
Rentals receivable	2,043	1,706
Amortisation	<u>(858)</u>	<u>(92)</u>
	<u>1,185</u>	<u>1,614</u>
Loans:		
Gross repayments receivable	74	67
Capital element of repayments	<u>(29)</u>	<u>(20)</u>
	<u>45</u>	<u>47</u>
	<u>1,230</u>	<u>1,661</u>

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

4 OTHER OPERATING INCOME	2006 £'000	2005 £'000
Fee income	<u>3</u>	<u>2</u>

5 OPERATING PROFIT

Operating profit has been arrived at after charging:	2006 £'000	2005 £'000
Fees & commissions	12	-
Management charge	<u>37</u>	<u>11</u>
	<u>49</u>	<u>11</u>

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

	£	£
Auditors' remuneration - for audit services	<u>2,193</u>	<u>1,627</u>

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 (including directors) was nil.(2005: nil):

7 FINANCE COSTS	2006 £'000	2005 £'000
Interest payable to group undertakings	<u>3,102</u>	<u>3,158</u>

LOMBARD PROPERTY FACILITIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

8 TAXATION	2006 £'000	2005 £'000
A) ANALYSIS OF CREDIT FOR THE YEAR		
Current tax credit:		
- Group relief receivable on profits for the year	(1,604)	(2,138)
- Adjustment in respect of prior periods	<u>3</u>	<u>-</u>
	(1,601)	(2,138)
Deferred tax - origination and reversal of timing differences:		
- Current year	<u>34</u>	<u>1,656</u>
Taxation credit on profit on ordinary activities	<u>(1,567)</u>	<u>(482)</u>
B) FACTORS AFFECTING THE TAX CREDIT FOR THE YEAR		
Loss before tax	<u>(1,918)</u>	<u>(1,506)</u>
Tax on loss at the standard rate of 30% (2005: 30%)	(575)	(452)
Capital allowances for period more than depreciation	(34)	(1,656)
Permanent difference - assets not qualifying for capital allowances	(995)	(30)
Adjustment to tax charge in respect of previous periods	<u>3</u>	<u>-</u>
Tax credit	<u>(1,601)</u>	<u>(2,138)</u>

LOMBARD PROPERTY FACILITIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

9 FINANCE LEASE RECEIVABLES

Gross investment in lease		Present value of minimum lease payments	
2006	2005	2006	2005
£'000	£'000	£'000	£'000

Amounts receivable under finance leases:

Within one year	11,942	2,016	9,387	-
In the second to fifth years inclusive	21,049	20,454	11,500	11,206
After five years	56,699	69,236	49,418	59,930
	<u>89,690</u>	<u>91,706</u>	<u>70,305</u>	<u>71,136</u>
Less: unearned finance income	<u>(19,385)</u>	<u>(20,570)</u>	<u>N/A</u>	<u>N/A</u>
Present value of minimum lease payments receivable	<u>70,305</u>	<u>71,136</u>	<u>70,305</u>	<u>71,136</u>

Analysed as:

Non-current finance lease receivables (recoverable after 12 months)		60,918	71,136
Current finance lease receivables (recoverable within 12 months)		<u>9,387</u>	<u>-</u>
		<u>70,305</u>	<u>71,136</u>

The Company has entered into finance leasing arrangements for property. The average term of the finance leases entered into 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 lease is variable during its lease term. The average effective interest rate contracted approximates 4.81 per cent (2005: 5.22 per cent) per annum.

The fair value of the Company's finance lease receivables at 31 March 2006 is estimated at £71,118,000 (2005: £71,176,000).

10 TRADE AND OTHER RECEIVABLES

	2006	2005
	£'000	£'000
Trade debtors	5	5
Other debtors	<u>52</u>	<u>58</u>
	<u>57</u>	<u>63</u>

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

11 CASH AND CASH EQUIVALENTS

	2006	2005
	£'000	£'000
Bank account with group undertakings	<u>118</u>	<u>1,864</u>

The directors consider that the carrying amount of cash and cash equivalents approximates to their fair value.

LOMBARD PROPERTY FACILITIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

12 TRADE AND OTHER PAYABLES	2006 £'000	2005 £'000
Amounts falling due within one year:		
Payments received on account	-	12
Amounts due to group undertakings	1,706	1,586
Other creditors	118	69
	<u>1,824</u>	<u>1,667</u>

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

13 BANK OVERDRAFT AND LOANS	2006 £'000	2005 £'000
Loan amount due to group undertakings	<u>64,346</u>	<u>66,798</u>
The borrowings are repayable as follows:		
On demand or within one year	9,557	246
In the second year	124	9,768
In the third to fifth year inclusive	8,962	-
After five years	<u>45,703</u>	<u>56,784</u>
	64,346	66,798
Less: Amounts due for settlement within 12 months (shown under current liabilities)	<u>(9,557)</u>	<u>(246)</u>
Amounts due for settlement after 12 months	<u>54,789</u>	<u>66,552</u>

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

The effective interest rate on the bank loan is variable at 4.81% and matures in 2031.

The directors consider that the carrying amount of bank overdraft and loans approximates to their fair value.

14 DEFERRED TAX

Movements during the year:	Deferred taxation £'000
At 1 April 2004	(1,625)
Charge to income statement	<u>1,656</u>
At 1 April 2005	31
Charge to income statement	<u>34</u>
At 31 March 2006	<u>65</u>

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

	2006 £'000	2005 £'000
Accelerated capital allowances on assets financed	<u>65</u>	<u>31</u>

LOMBARD PROPERTY FACILITIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

15 SHARE CAPITAL	2006	2005
	Ordinary shares of £1 each	
Authorised	<u>100</u>	<u>100</u>
Allotted, called up and fully paid	<u>100</u>	<u>100</u>
The Company has one class of ordinary voting shares which carry no right to fixed income.		
16 RETAINED EARNINGS		
	£'000	
Balance at 1 April 2004	6,316	
Loss for the financial year	<u>(1,024)</u>	
Balance at 1 April 2005	5,292	
Loss for the financial year	<u>(351)</u>	
Balance at 31 March 2006	<u>4,941</u>	
17 NOTES TO THE CASH FLOW STATEMENT	2006	2005
	£'000	£'000
Loss before tax	(1,918)	(1,506)
Adjustments for:		
Interest expense	3,102	3,158
Decrease in receivables	866	243
Increase/(decrease) in payables	<u>42</u>	<u>(487)</u>
Cash generated by operations	2,092	1,408
Income taxes received	1,774	2,241
Interest paid	<u>(3,160)</u>	<u>(3,068)</u>
Net cash from operating activities	<u>706</u>	<u>581</u>

LOMBARD PROPERTY FACILITIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

18 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	<u>37</u>	<u>11</u>
Group relief owed to related party	<u>(974)</u>	<u>(800)</u>
The Royal Bank of Scotland plc		
- Interest on loan paid to related party	3,102	3,158
- Loans repaid to related party	<u>(2,452)</u>	<u>(438)</u>
Bank account held with related party	118	1,864
Outstanding balance owed to the related party	<u>(64,960)</u>	<u>(65,720)</u>

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.

NOTES TO THE FINANCIAL STATEMENTS

19 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 31 March 2005 and the date of transition to IFRS was therefore 1 April 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 April 2005 (date of transition to IFRS)

	UK GAAP £'000	Effect of transition to IFRS £'000	IFRS £'000
Finance lease receivables	71,118	18	71,136
Loan receivables	<u>705</u>	<u>-</u>	<u>705</u>
Total non-current assets	71,823	18	71,841
Finance lease receivables	58	(58)	-
Loan receivables	20	-	20
Trade and other receivables	7,363	(7,300)	63
Cash and cash equivalents	<u>1,864</u>	<u>-</u>	<u>1,864</u>
Total currents assets	9,305	(7,358)	1,947
Total assets	<u>81,128</u>	<u>(7,340)</u>	<u>73,788</u>
Trade and other payables	(1,661)	(6)	(1,667)
Bank overdraft and loans	(66,798)	-	(66,798)
Deferred tax liabilities	<u>(11,888)</u>	<u>11,857</u>	<u>(31)</u>
Total liabilities	<u>(80,347)</u>	<u>11,851</u>	<u>(68,496)</u>
Total assets less total liabilities	<u>781</u>	<u>4,511</u>	<u>5,292</u>
Issued share capital	-	-	-
Retained earnings	<u>781</u>	<u>4,511</u>	<u>5,292</u>
Total Equity	<u>781</u>	<u>4,511</u>	<u>5,292</u>

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

NOTES TO THE FINANCIAL STATEMENTS

19 EXPLANATION OF TRANSITION TO IFRS (CONTINUED)

Reconciliation of loss for 2005

	UK GAAP £'000	Effect of transition to IFRS £'000	IFRS £'000
Revenue	1,500	161	1,661
Other operating income	-	2	2
Administrative expenses	(11)	-	(11)
Operating profit	1,489	163	1,652
Finance costs	(3,158)	-	(3,158)
Loss before tax	(1,669)	163	(1,506)
Tax credit	2,141	(1,659)	482
Loss for the financial year	472	(1,496)	(1,024)

The change to both finance lease receivables and revenue is wholly 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 adjustments shown in trade and other receivables and the tax credit reflect the impact of IAS 12 which disallows the inclusion of tax equalisation under IFRS.

The change to trade and other payables and other operating income, is due to fee income, which was previously credited as incurred within other operating income under UKGAAP, and are now spread over the life of the lease under IFRS as detailed in IAS 18. The spread fee income is disclosed within other operating income and the accrued liability within trade and other payables.

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