Company Registration No: 03660593

LOMBARD IT VENDOR FINANCE LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 December 2005

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

CONTENTS

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS:	**N T J Clibbens** **P A Lynam** **I C McVicar**
SECRETARY:	**A M Cunningham**
REGISTERED OFFICE:	**3 Princess Way** **Redhill** **Surrey** **RH1 1NP**
AUDITORS:	**Deloitte & Touche LLP** **St. Albans**

Registered in England and Wales.

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2005.

ACTIVITIES AND BUSINESS REVIEW

The company manages certain information technology finance arrangements, including billing and collection activities, for certain funders with whom the company placed business.

The result for the year was £nil (2004: loss of £9,000) and this was met from reserves. No interim divided was paid during the year (*2004: £9,000*). The directors do not recommend that a final dividend be paid (2004: £nil).

The directors envisage the company ceasing to trade once the trade receivables have been collected.

DIRECTORS AND SECRETARY

The present directors and secretary, who have served from 1 January 2005 to date, 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; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts.
- 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 statement complies 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.

DIRECTORS' INDEMNITIES

In terms of Section 309C of the Companies Act 1985 (as amended), Mr P A Lynam, Mr N T J Clibbens and Mr I C McVicar have been granted Qualifying Third Party Indemnity Provisions by The Royal Bank of Scotland Group plc.

DIRECTORS' REPORT (Continued)

DIRECTORS' INTERESTS

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

At the year end, Mr N T J Clibbens and Mr P A Lynam were also directors of the immediate parent undertaking, Lombard North Central PLC, a company which is itself required to keep a register of directors' interests. The directors were not therefore required to notify their interests in the shares or debentures of The Royal Bank of Scotland Group plc group undertakings to the company.

Other than as disclosed, none of the directors in office at 31 December 2005 held any interest in the share or loan capital of the Company or any other group company.

USE OF FINANCIAL INSTRUMENTS

The company's financial risk management policies and exposure in relation to the respective risks are detailed in note 11 of the financial statements.

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

On 7 September 2005 KPMG Audit Plc resigned as auditors of the Company. In accordance with section 394 of the Companies Act 1985, KPMG Audit Plc confirmed to the directors that there were no circumstances connected with their ceasing to hold office that they considered should be brought to the attention of the Company's members or creditors.

Deloitte & Touche LLP were subsequently appointed as the Company's auditors and have expressed their willingness to continue in office as auditors.

Approved by the Board of Directors and signed on behalf of the Board

N T J Clibbens
Director

30th June 2006

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LOMBARD IT VENDOR FINANCE LIMITED

We have audited the financial statements of Lombard IT Vendor Finance Limited (the Company) for the year ended 31 December 2005 which comprise the income statement, the statement of changes in equity, the balance sheet, the cash flow statement and the related notes 1 to 17. 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 the 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 financial statements in accordance with applicable United Kingdom law and International Financial Reporting Standards ("IFRS") as adopted for use in the European Union. 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 framework and whether the financial statements have been properly prepared in accordance with the Companies Act 1985.

We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if 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 transactions with the company and other members of the group is not disclosed.

We read the directors' report for the above year 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LOMBARD IT VENDOR 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 2005 and of its result for the year then ended in accordance with International Financial Reporting Standards as adopted for use in the European Union and have been properly prepared in accordance with the Companies Act 1985.

SEPARATE OPINION IN RELATION TO IFRS

As explained in Note 1, the company, in addition to complying with its legal obligation to comply with IFRS as adopted for use in the European Union, has also complied with the IFRS as issued by the International Accounting Standards Board. Accordingly, in our opinion the financial statements give a true and fair view, in accordance with IFRS, of the state of the company's affairs as at 31 December 2005 and of its result for the year then ended.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
St. Albans

30th June 2006

INCOME STATEMENT
for the year ended 31st December 2005

	Note	2005 £'000	2004 £'000
Continuing operations			
Revenue		-	-
Depreciation on tangible fixed assets		-	-
Other operating income/(charges)	*2,3*	-	-
Operating profit / (loss)		-	-
Finance costs		-	-
Profit/(loss) on ordinary activities before tax		-	-
Tax (charge)/credit on profit/(loss) on ordinary activities		-	-
Profit/(loss) after tax		-	-

The notes on pages 10 to 16 form a part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
for the year ended 31st December 2005

	Note	**Share capital £'000**	**Retained earnings £'000**	**Total Equity £'000**
At 1 January 2004		25	9	34
Dividends	*4*		(9)	(9)
At 31 December 2004		25	-	25
At 1 January 2005 and 31 December 2005		25	-	25

The notes on pages 10 to 16 form a part of these financial statements.

BALANCE SHEET
As at 31st December 2005

	Note	2005 £'000	2004 £'000
Current assets			
Cash and cash equivalents	5	241	137
Trade and other receivables	6	208	352
Total assets		449	489
Current liabilities			
Amounts owed to group undertakings	7	(424)	(364)
Trade and other payables	8	-	(100)
Total liabilities		(424)	(464)
Net assets		25	25
Equity			
Share capital	9	25	25
Reserves	10	-	-
Total equity		25	25

The notes on pages 10 to 16 form a part of these financial statements

The financial statements were approved by the board of directors on 30th June 2006 and were signed on its behalf by:

N T J Clibbens
Director

CASH FLOW STATEMENT
For the year ended 31st December 2005

	Note	2005 £'000	2004 £'000
Operating activities			
Operating profit before tax and changes in working capital and provisions		-	-
Decrease in trade and other receivables		144	584
Decrease in trade and other payables		(40)	(917)
Net cash from operating activities		104	(333)
Financing activities			
Dividends paid	4	-	(9)
Net cash used by financing activities		-	(9)
Net increase/(decrease) in cash and cash equivalents		104	(342)
Cash and cash equivalents at 1 January		137	479
Cash and cash equivalents at 31 December	5	241	137

The notes on pages 10 to 16 form a part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31st December 2005

1. ACCOUNTING POLICIES

a. Adoption of International Financial Reporting Standards

The financial statements have, for the first time, been prepared in accordance with International Financial Reporting Standards adopted by the International Accounting Standards Board (IASB), and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB (together IFRS). The financial statements have also been prepared in accordance with IFRS's adopted for use in the European Union (EU) and therefore comply with Article 4 of the EU IAS regulation. The date of transition to IFRS for the Company and date of its opening IFRS balance sheet was 1 January 2004.

The main differences between IFRS and previously applied generally accepted accounting principles (UK GAAP) and the effect of implementing IFRS on the company's balance sheets as at 1 January 2004 and 31 December 2004 and the company's 2004 income statement is set out in notes 16 and 17.

On initial adoption of IFRS, the company applied the following exemptions from the requirements of IFRS and from their retrospective application as permitted by IFRS 1 'First-time adoption of International Financial Reporting Standards' (IFRS 1):

Implementation of IAS 32 and IAS 39 - as allowed by IFRS 1, the company implemented IAS 32 and IAS 39 with effect from 1 January 2005 without restating the income statement, balance sheet and notes for 2004. In preparing the company's 2004 income statement and balance sheet, UK GAAP principles then current have been applied to financial instruments. The effect of implementing IAS 32 and IAS 39 is given in note 17.

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.

b. *Accounting convention*

The financial statements have been prepared upon the basis of historical cost and in accordance with applicable United Kingdom law and International Financial Reporting Standards.

c. Revenue recognition

Fees in respect of services are recognised as the right to consideration accrues through the provision of the service to the customer. The arrangements are generally contractual and the cost of providing the service is incurred as the service is rendered. The price is usually fixed and always determinable. Revenue arises in the United Kingdom from continuing activities.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
for the year ended 31st December 2005

1. ACCOUNTING POLICIES (Continued)

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 earning where remittance is controlled by the Group.

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

e. 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.

f. Trade receivables

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

g. Trade payables

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

h. Related parties

IFRS requires all entities to disclose related party transactions. The company's policy is to have regard to materiality from the shareholders' perspective.

i. Judgements

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)
for the year ended 31st December 2005

2. OTHER OPERATING CHARGES

The company had no employees in the current year (2004: nil).

3. AUDITORS' REMUNERATION

There is no charge in this year's financial statements for auditors' remuneration as the fee is to be charged in the financial statements of Lombard Technology Services Limited, a fellow subsidiary undertaking (2004: £nil).

4. DIVIDENDS

	2005	2004
	£'000	£'000
Interim dividend paid £nil per ordinary share (2004: £0.35p)	-	9

5. CASH AND CASH EQUIVALENTS

	2005	2004
	£'000	£'000
Cash and cash equivalents per balance sheet and cash flow statements	241	137

6. TRADE AND OTHER RECEIVABLES

	2005	2004
	£'000	£'000
Trade receivables	208	352

Trade receivables are all due on demand.

NOTESTO THE FINANCIAL STATEMENTS (Continued)
for the year ended 31st December 2005

7. AMOUNTS OWED TO GROUP UNDERTAKINGS

	2005	2004
	£'000	£'000
Current liabilities		
Amounts due on demand	424	364

The directors of the fellow group undertaking to which the amount is owed have agreed to waive the right to charge interest on this balance.

The fair value of the debt is considered not to be materially different from the carrying value in the balance sheet.

8. TRADE AND OTHER PAYABLES

	2005	2004
	£'000	£'000
Current liabilities		
Other creditors	-	100

9. SHARE CAPITAL

	2005	2004
	£'000	£'000
Authorised:		
50,000 (2004: 50,000) ordinary shares of £1 each	50	50
Allotted, called up and fully paid:		
25,002 (2004: 25,002) ordinary shares of £1 each	25	25

NOTESTO THE FINANCIAL STATEMENTS (Continued)
for the year ended 31st December 2005

10. RESERVES

	Retained earnings £'000
At 1 January 2004	9
Dividends	(9)
At 31 December 2004	-
At 1 January 2005 and 31 December 2005	-

11. FINANCIAL INSTRUMENTS

The company uses a comprehensive framework for managing risks established by the Lombard Group and the RBS Group.
The risks associated with the company's businesses are as follows:

Market risk

Market risk is the risk that changes in interest rates, foreign exchange or other market conditions will have an adverse impact on the company's financial condition or results.

The Company has no significant market risk and all balances are denominated in sterling.

Interest rate risk

Structural interest rate risk arises where assets and liabilities have different repricing maturities.
Trade and other receivables are funded primarily through balances owed to group undertakings. This funding is due primarily on demand matching the profile of the receivables.

The company has no significant interest rate risk.

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 credit risk has been guaranteed by Lombard Technology Services Limited, a fellow group undertaking.

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
for the year ended 31st December 2005

12. 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.

13. RELATED PARTIES

The company's immediate parent and ultimate controlling party are described in note 31.

Amounts due from / (to) group undertakings and cash and cash equivalents;

The table below details balances and transactions with group undertakings.

	Opening balance	Net receipts/ (payments)	Closing balance
	£'000	£'000	£'000
Banking members of the group			
National Westminster Bank plc	137	104	241
Non banking members of the group			
Lombard technology Services Limited	(364)	(60)	(424)
Total	(227)	44	(183)

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

No emoluments were paid to any director by the company during the year (2004: £nil).

None of the directors had any material interest in any contract of significance in relation to the business of the company (2004: £nil).

Other than the directors, there are no other personnel that are considered to be key management personnel for the purposes of related party disclosure.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
for the year ended 31st December 2005

14. 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

15. POST BALANCE SHEET EVENTS

There have been no significant events between the year end and the approval of these accounts which would require a change to the disclosures in the accounts.

16. EXPLANATION OF TRANSITION TO ADOPTED IFRS

As stated in note 1, these are the Company's first financial statements prepared in accordance with Adopted IFRS.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 31 December2005, the comparative information presented in these financial statements for the year ended 31 December 2004 and in the preparation of an opening IFRS balance sheet at 1 January 2004.

The transition from the company's old basis of accounting (UK GAAP) to adopted IFRS has not affected the company's financial position, financial performance and cash flows. Accordingly the company has not had to adjust amounts reported in previous financial statements prepared under UK GAAP.

17. IMPLEMENTATION OF IAS 32 AND IAS 39

The company implemented IAS 32 and IAS 39 with effect from 1 January 2005.

As allowed by IFRS, the company has not restated its 2004 income statement and balance sheet to comply with IAS 32 and IAS 39. In preparing the company's 2004 income statement and balance sheet, UK GAAP principles then current have been applied to financial instruments.

The principal areas affected by the implementation of IAS 32 and IAS 39 are:
- the carrying value of financial assets and financial liabilities.
- the methodology assessing the impairment of financial assets.

In the opinion of the directors there are no material impacts resulting from the implementation of IAS 32 and IAS 39 in the current year.