

**Company Registration No· 01196227**

**CHARTERHOUSE JAPHET 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**

**WEDNESDAY**



**A38      "A8OHFPSJ"      344  
23/05/2007  
COMPANIES HOUSE**

# CHARTERHOUSE JAPHET FINANCE LIMITED

<b>CONTENTS</b>	<b>Page</b>
Officers and Professional Advisers	2
Directors' Report	3
Independent Auditors' Report	6
Income Statement	8
Balance Sheet	9
Statement of Changes in Equity	10
Cash flow Statement	11
Notes to the Accounts	12

**CHARTERHOUSE JAPHET FINANCE LIMITED**

**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS:** P J Hall  
T W Hardy  
R J Whittick

**SECRETARY:** R E Fletcher

**REGISTERED OFFICE:** 3 Princess Way  
Redhill  
Surrey  
RH1 1NP

**AUDITORS:** Deloitte & Touche LLP  
London

**Registered in England and Wales.**

# CHARTERHOUSE JAPHET 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

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 Company, which is a wholly owned subsidiary of The Royal Bank of Scotland plc, continues to maintain its existing contracts to trade out its position that was taken on prior to 1 December 1986. In 2001, two fully funded transactions were taken on, one of which remained as at 31 December 2006 and will be traded out by the end of 2010

The retained profit for the period was £nil (2005 retained profit £nil)

The directors do not recommend the payment of a final dividend (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 except where noted below, are listed on page 1

From 1 January 2006 to date the following changes have taken place

	Appointed	Resigned
<b>Directors</b>		
T J D Boag		13 January 2006
A C Farnell	13 January 2006	2 March 2007
J M Thornton		6 December 2006
P J Hall	8 January 2007	
R J Whittick	2 March 2007	
<b>Secretary</b>		
A S Graham		1 September 2006
R E Fletcher	1 September 2006	

## STATEMENT OF 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 those financial statements, the directors are required to

## **CHARTERHOUSE JAPHET FINANCE LIMITED**

### **DIRECTORS' REPORT (continued)**

- 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 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 statement comply 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.

### **USE OF FINANCIAL INSTRUMENTS**

The Company's activities expose it to a variety of financial risks: credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company's financial performance.

#### **Credit risk**

The Company is exposed to credit risk on its financial assets relating to amounts receivable from customers. Upon default these assets would be recovered from the ultimate parent entity. The maximum exposure to credit risk on these assets is represented by the carrying amount of each financial asset and liability in the balance sheet.

#### **Liquidity risk**

The Company follows effective cash management to ensure availability of funds to meet commitments as and when they fall due.

### **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.

# **CHARTERHOUSE JAPHET FINANCE LIMITED**

## **DIRECTORS' REPORT (continued)**

### **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

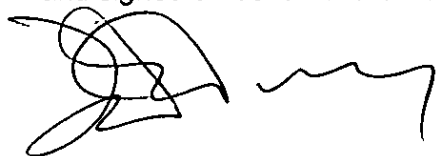
### **ELECTIVE RESOLUTIONS**

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

A handwritten signature in black ink, appearing to be 'T W Hardy', written over a faint grid background.

T W Hardy  
Director

Date 15 May 2007

## **CHARTERHOUSE JAPHET FINANCE LIMITED**

### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CHARTERHOUSE JAPHET FINANCE LIMITED**

We have audited the financial statements of Charterhouse Japhet Finance Limited (the company) for the year ended 31 December 2006 which comprise the income statement, the balance sheet, the statement of changes in equity, the cash flow statement and the related notes 1 to 14. 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**

The directors' responsibilities for preparing the directors' report in accordance with applicable law and International Financial Reporting Standards ("IFRS") as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditors (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are 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 transactions is not disclosed.

We read the other information contained in the directors' report 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 further information outside the directors' report.

#### **Basis of audit opinion**

We conducted our audit in accordance with the 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 Company's circumstances, consistently applied and adequately disclosed.

## CHARTERHOUSE JAPHET FINANCE LIMITED

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

### Opinion

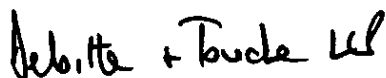
In our opinion

- the financial statements give a true and fair view in accordance with IFRSs as adopted by the European Union, of the state of the Company's affairs as at 31 December 2006 and of its result for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements

### Separate opinion in relation to IFRSs

As explained in Note 1 to the financial statements, the company in addition to complying with IFRSs as adopted by the European Union, has also complied with the IFRSs as issued by the International Accounting Standards Board.

In our opinion the financial statements give a true and fair view, in accordance with IFRSs, of the state of the company's affairs as at December 31, 2006 and of its profit for the year then ended.



Deloitte & Touche LLP  
Chartered Accountants and Registered Auditors  
London  
Date 11 May 2007



# CHARTERHOUSE JAPHET FINANCE LIMITED

## INCOME STATEMENT

For the year ended 31 December 2006

	Note	2006 £	2005 £
<b>CONTINUING OPERATIONS</b>			
Revenue	2	777,883	993,091
Other operating charges		-	-
<b>OPERATING PROFIT</b>		<u>777,883</u>	<u>993,091</u>
Interest payable	4	(777,883)	(993,091)
<b>PROFIT/(LOSS) BEFORE TAX</b>		<u>-</u>	<u>-</u>
Tax credit	5	-	-
<b>PROFIT/(LOSS) FOR THE YEAR</b>		<u>-</u>	<u>-</u>
Profit/(Loss) attributable to ordinary shareholders		<u>-</u>	<u>-</u>

# CHARTERHOUSE JAPHET FINANCE LIMITED

## BALANCE SHEET

As at 31 December 2006

	Note	2006 £	2005 £
<b>ASSETS</b>			
<b>Non-current Assets</b>			
Finance lease receivable	8	8,001,492	11,557,710
Deferred tax asset	6	279	373
		<u>8,001,771</u>	<u>11,558,083</u>
<b>Current Assets</b>			
Finance lease receivable	8	3,556,218	3,556,219
Other receivables	7	64,214	75,737
		<u>3,620,432</u>	<u>3,631,956</u>
<b>TOTAL ASSETS</b>		<u><u>11,622,203</u></u>	<u><u>15,190,039</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Non-current liabilities</b>			
Amounts owed to group undertakings	10	8,001,492	15,188,666
<b>Current liabilities</b>			
Amounts owed to group undertakings	10	3,619,711	373
<b>TOTAL LIABILITIES</b>		<u><u>11,621,203</u></u>	<u><u>15,189,039</u></u>
<b>Equity</b>			
Share capital	9	1,000	1,000
<b>TOTAL EQUITY</b>		<u><u>1,000</u></u>	<u><u>1,000</u></u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>11,622,203</u></u>	<u><u>15,190,039</u></u>

These financial statements were approved by the Board of Directors and authorised for issue on 15 May 2007

Signed on behalf of the Board of Directors



T W Hardy  
Director

# CHARTERHOUSE JAPHET FINANCE LIMITED

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

	Share capital £	Retained Earnings £	Total £
<b>Balance at 1 January 2005</b>	1,000	-	1,000
Implementation of IFRS	-	-	-
Opening total equity as restated	<u>1,000</u>	<u>-</u>	<u>1,000</u>
Profit for the year	-	-	-
<b>Total recognised income and expense for the year</b>	<u>-</u>	<u>-</u>	<u>-</u>
Dividends	-	-	-
<b>Balance at 1 January 2006</b>	<u>1,000</u>	<u>-</u>	<u>1,000</u>
Profit for the year	-	-	-
<b>Total recognised income and expense for the year</b>	<u>-</u>	<u>-</u>	<u>-</u>
Dividends	-	-	-
<b>Balance at 31 December 2006</b>	<u>1,000</u>	<u>-</u>	<u>1,000</u>

**CASH FLOW STATEMENT****For the year ended 31 December 2006**

	Note	2006 £	2005 £
<b>Operating activities</b>			
Profit before tax		-	-
Adjustments for Increase in the fair value of investments		-	-
<b>Net cashflows before movement in working capital</b>		-	-
Decrease in receivables		-	-
Increase in payables		-	-
<b>Cash generated by operations</b>		-	-
Income taxes paid		-	-
<b>Net cash from operating activities</b>		-	-
<b>Investing activities</b>			
Purchases of investments		-	-
Proceeds from sale of investments		-	-
Repayment of loan by customers and subsidiaries		3,556,218	3,556,219
Loans made to customers and subsidiaries		-	-
<b>Net cash used in investing activities</b>		3,556,218	3,556,219
<b>Financing activities</b>			
Repayments of borrowings		(3,556,218)	(3,556,219)
Dividends paid		-	-
<b>Net cash from financing activities</b>		(3,556,218)	(3,556,219)
Net increase in cash and cash equivalents		-	-
Cash and cash equivalents at the beginning of the year		-	-
<b>Cash and cash equivalents at the end of the year</b>		-	-

## NOTES TO THE ACCOUNTS

For the year ended 31 December 2006

### 1. ACCOUNTING POLICIES

Charterhouse Japhet Finance Limited is a company incorporated in the United Kingdom under the Companies Act 1985. The address of the registered office is on the cover page. The nature of the Company's operations and its principal activities are set out in the Directors' Report.

The accounts are 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 ("EU"). The EU has not adopted the complete text of IAS 39 'Financial Instruments: Recognition and Measurement', it has relaxed some of the standard's hedging requirements. The Company has not taken advantage of this relaxation and has adopted IAS 39 as issued by the IASB.

The particular accounting policies adopted are described below.

#### **Accounting Developments**

##### *International Financial Reporting Standards*

As at the date of authorisation of these financial statements, the following Standards which have not been applied in these 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 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.

#### **Accounting convention**

The financial statements are prepared under the historical cost convention, in compliance with the Companies Act 1985.

#### **Finance Leases**

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

## CHARTERHOUSE JAPHET FINANCE LIMITED

### NOTES TO THE ACCOUNTS

For the year ended 31 December 2006

#### 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.

2. REVENUE	2006 £	2005 £
Finance lease income	<u>777,883</u>	<u>993,091</u>

#### 3. OPERATING PROFIT

The auditors' remuneration as of £5,000 (2005 £5,000) is borne by the immediate parent company, The Royal Bank of Scotland plc. The directors received no emoluments from the company during the current and prior year. The company had no employees.

4. INTEREST PAYABLE	2006 £	2005 £
On bank loans and overdrafts, and other loans		
To group undertakings	<u>777,883</u>	<u>993,091</u>

5. TAX CREDIT	2006 £	2005 £
Current tax		
Tax credit for the year	(94)	(124)
Deferred tax	<u>94</u>	<u>124</u>
Tax credit for the year	<u>-</u>	<u>-</u>

Tax expense is calculated by applying the standard UK corporation tax rate of 30% to profit before tax.

# CHARTERHOUSE JAPHET FINANCE LIMITED

## NOTES TO THE ACCOUNTS

For the year ended 31 December 2006

### 6. DEFERRED TAXATION

Capital Allowances for deferred taxation has been made as follows

	Provisions £
At 1 January 2005	497
Charge to income statement	(124)
At 1 January 2006	373
Charge to income statement	(94)
At 31 December 2006	279
The above is analysed as follows	
Deferred tax assets	279

### 7. OTHER RECEIVABLES

	2006 £	2005 £
Amounts owed by group undertakings	628	1,000
Prepayments and accrued income	63,586	74,737
	64,214	75,737

# CHARTERHOUSE JAPHET FINANCE LIMITED

## NOTES TO THE ACCOUNTS

For the year ended 31 December 2006

### 8. FINANCE LEASE RECEIVABLE

	Minimum lease payments		Present value of minimum lease payments	
	2006	2005	2006	2005
	£	£	£	£
Amounts receivable under finance leases	12,844,603	17,060,486	11,557,710	15,113,929
Within one year	4,217,515	4,323,195	3,556,218	3,556,219
In the second to fifth year inclusive	8,627,088	12,737,291	8,001,492	11,557,710
After five years	-	-	-	-
Less unearned finance income	(1,286,893)	(1,946,557)	-	-
Present value of minimum lease payments receivable	11,557,710	15,113,929	11,557,710	15,113,929
Analysed as				
Non-current finance lease receivable (recoverable after 12 months)			8,001,492	11,557,710
Current finance lease receivable (recoverable within 12 months)			3,556,218	3,556,219
			11,557,710	15,113,929

The Company entered into a finance lease arrangement for IT equipment. The term of the lease is 10 years and expires February 2010. The average effective interest rate of the finance lease is 5.8435%. The fair value of the Company's finance lease receivables at 31 December 2006 is equivalent to carrying value.



# CHARTERHOUSE JAPHET FINANCE LIMITED

## NOTES TO THE ACCOUNTS

For the year ended 31 December 2006

### 9. SHARE CAPITAL

	2006 £	2005 £
<b>Authorised:</b>		
1,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
<b>Allotted, called up and fully paid</b>		
1,000 ordinary shares of £1 each		
At the beginning of the year	1,000	1,000
Issued in the year	-	-
At the end of the year	<u>1,000</u>	<u>1,000</u>

Ordinary shares carry one vote per share

### 10. RELATED PARTY TRANSACTIONS

Related parties comprise group companies, companies with common directorships and directors of the Company. Details of transactions with related parties during the year are as follows

2006	Balance £	Income/ (expense) £
Transactions during the year		
Loan from immediate parent	11,621,203	-
Amount due from immediate parent	(628)	-
Interest payable to immediate parent	-	777,883
<b>Total</b>	<u>11,620,575</u>	<u>777,883</u>
<b>2005</b>		
Transactions during the year		
Loan from immediate parent	15,188,666	-
Interest payable to immediate parent	-	993,091
<b>Total</b>	<u>15,188,666</u>	<u>993,091</u>

## **CHARTERHOUSE JAPHET FINANCE LIMITED**

### **NOTES TO THE ACCOUNTS**

**For the year ended 31 December 2006**

#### **11. FINANCIAL INSTRUMENTS**

The loan from the parent company has an effective interest rate of 6.26610% and is repayable 26 February 2010

The carrying values of the loans in the financial statements approximate their fair values

#### **12. ULTIMATE PARENT COMPANY**

The Company's ultimate parent 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, EH2 2YE

The Company's immediate parent company and the smallest subgroup into which the Company is consolidated is 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, EH2 2YE

#### **13. CONTINGENT LIABILITIES AND COMMITMENTS**

The Royal Bank of Scotland Group has agreed to compensate UK members for any adjustments in respect of UK Transfer Pricing that may arise under paragraph 1A of Schedule 28AA, Income and Corporation Taxes Act 1988

#### **14. EVENTS AFTER THE BALANCE SHEET DATE**

There have been no significant events between the year end and the date of approval of the accounts which would require a change or additional disclosure in the accounts