

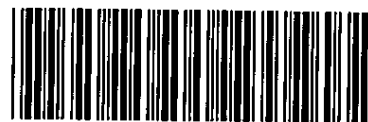
**Company Registration No: 03051085**

**ROYAL BANK STRUCTURED ASSET FINANCE LIMITED**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**30 September 2006**

THURSDAY



A42 \*AUEFUP1H\* 26/04/2007 698  
COMPANIES HOUSE

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

# **ROYAL BANK STRUCTURED ASSET FINANCE LIMITED**

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**ROYAL BANK STRUCTURED ASSET FINANCE LIMITED**

**OFFICERS AND PROFESSIONAL ADVISERS**

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

**SECRETARY:** C J Whittaker

**REGISTERED OFFICE:** The Quadrangle  
The Promenade  
Cheltenham  
Gloucestershire  
GL50 1PX

**AUDITORS:** Deloitte & Touche LLP  
Bristol

**Registered in England and Wales.**

# ROYAL BANK STRUCTURED ASSET FINANCE LIMITED

## 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 profit for the financial year was £80,000 (2005 £35,000) 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 except where noted below, are listed on page 1.

From 1 October 2005 to date the following changes have taken place

	Appointed	Resigned
<b>Secretary</b>		
M L Thomas		18 November 2005
C J Whittaker	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

## **ROYAL BANK STRUCTURED ASSET FINANCE 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 interests of Mr T V Castledine, Mrs S J Caterer, Mr A C Farnell and Mr P A Tubb in the share capital of The Royal Bank of Scotland Group plc group are disclosed in the financial statements of Royal Bank Leasing Limited

### **RISK MANAGEMENT POLICY**

#### **Interest rate risk**

The Company's policy is to avoid interest rate risk by matching the maturity of the lease and its associated loan finance and fixing the cost of borrowing at the inception of the lease when the effective interest rate in the lease is determined.

#### **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.

## **ROYAL BANK STRUCTURED ASSET 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 13 April 2007

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ROYAL BANK STRUCTURED ASSET FINANCE LIMITED

We have audited the financial statements of Royal Bank Structured Asset 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 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 you 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

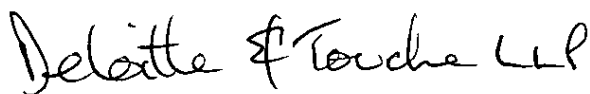
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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 profit 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  
Chartered Accountants and Registered Auditors  
Bristol, United Kingdom

19 April 2007

**ROYAL BANK STRUCTURED ASSET FINANCE LIMITED**

**INCOME STATEMENT**  
**for the year ended 30 September 2006**

	Note	2006 £'000	2005 £'000
<b>CONTINUING OPERATIONS</b>			
Revenue	3	1,342	1,430
Other operating income	4	3	-
Administrative expenses	5	<u>(15)</u>	<u>(16)</u>
OPERATING PROFIT	5	1,330	1,414
Finance costs	7	<u>(1,216)</u>	<u>(1,364)</u>
PROFIT BEFORE TAXATION		114	50
Taxation charge on profit on ordinary activities	8	<u>(34)</u>	<u>(15)</u>
PROFIT FOR THE FINANCIAL YEAR	16	<u>80</u>	<u>35</u>

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



**ROYAL BANK STRUCTURED ASSET FINANCE LIMITED**

**BALANCE SHEET**

as at 30 September 2006

	Note	2006 £'000	2005 £'000
<b>NON-CURRENT ASSETS</b>			
Finance lease receivables	9	<u>26,957</u>	<u>28,626</u>
		<u>26,957</u>	<u>28,626</u>
<b>CURRENT ASSETS</b>			
Finance lease receivables	9	1,670	1,585
Trade and other receivables	10	-	288
Cash and cash equivalents	11	<u>5,398</u>	<u>4,562</u>
		<u>7,068</u>	<u>6,435</u>
<b>TOTAL ASSETS</b>			
		<u>34,025</u>	<u>35,061</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	12	(536)	(407)
Bank overdraft and loans	13	<u>(1,769)</u>	<u>(1,863)</u>
		<u>(2,305)</u>	<u>(2,270)</u>
<b>NON CURRENT LIABILITIES</b>			
Bank loans	13	(25,486)	(26,780)
Deferred tax liabilities	14	<u>(6,627)</u>	<u>(6,484)</u>
		<u>(32,113)</u>	<u>(33,264)</u>
<b>TOTAL LIABILITIES</b>			
		<u>(34,418)</u>	<u>(35,534)</u>
<b>NET LIABILITIES</b>			
		<u>(393)</u>	<u>(473)</u>
<b>EQUITY</b>			
Share capital	15	-	-
Retained earnings	16	<u>(393)</u>	<u>(473)</u>
<b>TOTAL EQUITY</b>			
		<u>(393)</u>	<u>(473)</u>

The financial statements on pages 6 to 17 were approved by the Board of Directors and authorised for issue on 13 April 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

**ROYAL BANK STRUCTURED ASSET FINANCE LIMITED**

**CASH FLOW STATEMENT**  
for the year ended 30 September 2006

	Note	2006 £'000	2005 £'000
<b>NET CASH FROM OPERATING ACTIVITIES</b>	17	<u>2,224</u>	<u>2,184</u>
<b>FINANCING ACTIVITIES</b>			
New bank loans raised		-	2,375
Repayments of borrowings		<u>(1,389)</u>	<u>-</u>
<b>NET CASH (USED IN)/FROM FINANCING ACTIVITIES</b>		<u>(1,389)</u>	<u>2,375</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		835	4,559
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		<u>4,562</u>	<u>3</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<u><u>5,397</u></u>	<u><u>4,562</u></u>

# **ROYAL BANK STRUCTURED ASSET 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 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 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 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.

#### **f 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.

#### **g 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.

# ROYAL BANK STRUCTURED ASSET FINANCE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### h TRADE PAYABLES

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

#### i BORROWING COSTS

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

#### j CASH FLOW STATEMENT

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

#### k RISK MANAGEMENT POLICY

##### Interest rate risk

The Company's policy is to avoid interest rate risk by matching the maturity of the lease and its associated loan finance and fixing the cost of borrowing at the inception of the lease when the effective interest rate in the lease is determined

##### 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.

### 2 IMMEDIATE AND ULTIMATE PARENT COMPANY

The Company's immediate parent company is Royal Bank Leasing Limited

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.

3 REVENUE	2006 £'000	2005 £'000
Finance leases		
Rentals receivable	2,927	2,932
Amortisation	<u>(1,585)</u>	<u>(1,502)</u>
	<u>1,342</u>	<u>1,430</u>

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

# ROYAL BANK STRUCTURED ASSET FINANCE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

4 OTHER OPERATING INCOME	2006 £'000	2005 £'000
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Fee income	<u>3</u>	<u>-</u>
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## 5 OPERATING PROFIT

Operating profit has been arrived at after charging	2006 £'000	2005 £'000
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Fees & commissions	-	5
Management charge	<u>15</u>	<u>11</u>
	<u>15</u>	<u>16</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>877</u>	<u>979</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
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Interest payable to group undertakings	<u>1,216</u>	<u>1,364</u>
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8 TAXATION	2006 £'000	2005 £'000
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### A) ANALYSIS OF CHARGE FOR THE YEAR

Current tax charge		
- Group relief receivable on profits for the year	(109)	(359)

Deferred tax - origination and reversal of timing differences		
- Current year	<u>143</u>	<u>374</u>

Taxation charge on profit on ordinary activities	<u>34</u>	<u>15</u>
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### B) FACTORS AFFECTING THE TAX CREDIT FOR THE YEAR

Profit before tax	<u>114</u>	<u>50</u>
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Tax on profit at the standard rate of 30% (2005 30%)	34	15
Capital allowances for period more than depreciation	<u>(143)</u>	<u>(374)</u>

Tax credit	<u>(109)</u>	<u>(359)</u>
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ROYAL BANK STRUCTURED ASSET FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

9 FINANCE LEASE RECEIVABLES

	Gross investment in lease		Present value of minimum lease payments	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Amounts receivable under finance leases				
Within one year	3,210	3,210	1,670	1,585
In the second to fifth years inclusive	12,840	12,840	7,678	7,278
After five years	<u>21,906</u>	<u>25,116</u>	<u>19,279</u>	<u>21,348</u>
	37,956	41,166	28,627	30,211
Less unearned finance income	<u>(9,329)</u>	<u>(10,955)</u>	<u>N/A</u>	<u>N/A</u>
Present value of minimum lease payments receivable	<u>28,627</u>	<u>30,211</u>	<u>28,627</u>	<u>30,211</u>
Analysed as				
Non-current finance lease receivables (recoverable after 12 months)			26,957	28,626
Current finance lease receivables (recoverable within 12 months)			<u>1,670</u>	<u>1,585</u>
			<u>28,627</u>	<u>30,211</u>

The Company has entered into a finance leasing arrangement for a large shipping deal. The lease term is 14 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 fixed at the contract date for all the lease term. The average effective interest rate contracted approximates 6 1/2 per cent (2005 6 1/2 per cent) per annum.

The fair value of the Company's finance lease receivables at 30 September 2006 is estimated at £29,401,000 (2005 £30,967,000).

10 TRADE AND OTHER RECEIVABLES

	2006 £'000	2005 £'000
Amounts due from group undertakings	-	271
Other debtors	<u>-</u>	<u>17</u>
	<u>-</u>	<u>288</u>

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

11 CASH AND CASH EQUIVALENTS

	2006 £'000	2005 £'000
Short term deposit with group undertakings	5,398	4,556
Bank account with group undertakings	<u>-</u>	<u>6</u>
	<u>5,398</u>	<u>4,562</u>

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

ROYAL BANK STRUCTURED ASSET FINANCE 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	268	268
Amounts due to group undertakings	232	114
Other creditors	36	25
	<u>536</u>	<u>407</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
Bank overdraft due to group undertakings	1	-
Loan amount due to group undertakings	27,254	28,643
	<u>27,255</u>	<u>28,643</u>

The borrowings are repayable as follows

On demand or within one year	1,769	1,863
In the second year	1,712	1,768
In the third to fifth year inclusive	5,115	5,105
After five years	18,659	19,907
	<u>27,255</u>	<u>28,643</u>
Less Amounts due for settlement within 12 months (shown under current liabilities)	(1,769)	(1,863)
Amounts due for settlement after 12 months	<u>25,486</u>	<u>26,780</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 fixed at 6.12% and matures in 2014

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 October 2004	6,110
Charge to income statement	<u>374</u>
At 1 October 2005	6,484
Charge to income statement	<u>143</u>
At 30 September 2006	<u>6,627</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>6,627</u>	<u>6,484</u>

ROYAL BANK STRUCTURED ASSET FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

15 SHARE CAPITAL

2006 2005

Ordinary shares of £1 each

Authorised	<u>1,000</u>	<u>1,000</u>
Allotted, called up and fully paid	<u>2</u>	<u>2</u>

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

16 RETAINED EARNINGS

£'000

Balance at 1 October 2004	(508)
Profit for the financial year	<u>35</u>
Balance at 1 October 2005	(473)
Profit for the financial year	<u>80</u>
Balance at 30 September 2006	<u>(393)</u>

17 NOTES TO THE CASH FLOW STATEMENT

2006 2005  
£'000 £'000

Profit before tax	114	50
Adjustments for		
Interest expense	1,216	1,364
Decrease in receivables	1,601	1,526
Increase in payables	<u>13</u>	<u>7</u>
Cash generated by operations	2,944	2,947
Income taxes received	501	611
Interest paid	<u>(1,221)</u>	<u>(1,374)</u>
Net cash from operating activities	<u>2,224</u>	<u>2,184</u>



# ROYAL BANK STRUCTURED ASSET FINANCE 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
<b>Royal Bank Leasing Limited</b>		
Transactions during the period		
- Management charge paid to related party	15	11
- Interest on loan paid to related party	1,216	1,364
- (Loans repaid to)/loans from related party	<u>(1,389)</u>	<u>2,375</u>
Group relief owed to related party	(122)	270
Outstanding balance owed to the related party	<u>(22,088)</u>	<u>(23,930)</u>
<b>The Royal Bank of Scotland plc</b>		
Bank account held with related party	<u>(1)</u>	<u>6</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 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	29,401	(775)	28,626
Total non-current assets	29,401	(775)	28,626
Finance lease receivables	1,566	19	1,585
Trade and other receivables	539	(251)	288
Cash and cash equivalents	4,562	-	4,562
Total current assets	6,667	(232)	6,435
Total assets	36,068	(1,007)	35,061
Trade and other payables	(407)	-	(407)
Bank overdraft and loans	(28,643)	-	(28,643)
Deferred tax liabilities	(6,786)	302	(6,484)
Total liabilities	(35,836)	302	(35,534)
Total assets less total liabilities	232	(705)	(473)
Share capital	-	-	-
Retained earnings	232	(705)	(473)
Total Equity	232	(705)	(473)

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 profit for 2005

	UK GAAP £'000	Effect of transition to IFRS £'000	IFRS £'000
Revenue	1,502	(72)	1,430
Administrative expenses	<u>(69)</u>	<u>53</u>	<u>(16)</u>
Operating profit	1,433	(19)	1,414
Finance costs	<u>(1,364)</u>	<u>-</u>	<u>(1,364)</u>
Profit before tax	69	(19)	50
Tax expense	<u>(21)</u>	<u>6</u>	<u>(15)</u>
Profit for the financial year	<u>48</u>	<u>(13)</u>	<u>35</u>

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 administrative expenses is 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 receivables is because under UKGAAP, fees that were not expensed as incurred were capitalised as a debtor

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