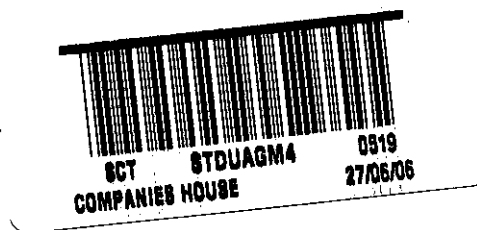


DUNFERMLINE COMMERCIAL FINANCE LTD

DIRECTORS' REPORT & ACCOUNTS
For the Year ended 31 December 2005

Company Reg. No. 113201



Directors' Report

Business Objectives

The objective of the company is to hold and administer loans to Local Authorities and other bodies.

Business Review

During the year the company purchased loans to Local Authorities, funded by a flexible loan from its parent undertaking.

Financial Review and Corporate Governance

The Directors are satisfied that the company will, for the foreseeable future, continue to be able to meet its obligations as they fall due, and have therefore prepared the financial statements on a going concern basis.

To ensure the same high standards of corporate governance and financial control operated by its parent, the company will adopt similar practices. The Audit and Governance Committee of the parent will have oversight over the affairs of the company.

The profit in the year is £330,000 (2004: £552,000).

Directors

The following persons served as Directors of the Company during the year: Sir John M Ward, Chairman; Graeme D Dalziel, and Peter Weanie.

Graeme D Dalziel holds shares in the company as the nominee of Dunfermline Building Society.

Auditors

Ernst & Young LLP Registered Auditors have expressed their willingness to continue in office as Auditors and a resolution to re-appoint them will be put to the forthcoming Annual General Meeting.

Directors' Responsibility for the Financial Statements

Company Law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements the directors are required to:

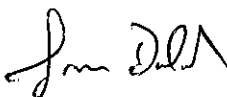
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business for the foreseeable future.

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 accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps the prevention and detection of fraud and other irregularities.

Small Company Exemptions

The Directors have taken advantage of the exemptions conferred by Part I of Schedule 8 to the Companies Act 1985.

On behalf of the Board



Graeme D Dalziel
Director
15 February 2005

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF DUNFERMLINE COMMERCIAL FINANCE LIMITED

We have audited the company's financial statements for the year ended 31 December 2005 which comprise the Profit and Loss Account, Balance Sheet and the related notes 1 to 9. These financial statements have been prepared in accordance with the accounting policies set out therein and the requirements of the Financial Reporting Standard for Smaller Entities.

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 are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as 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 Auditing (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 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

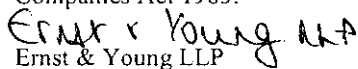
Basis of audit opinion

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 judgments 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.

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 United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities, of the state of the company's affairs as at 31 December 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Ernst & Young LLP

Registered auditor

Edinburgh

15th February 2006

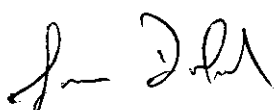
Profit and Loss Account
For year ended 31 December 2005

	Note	2005	2004
		£000	£000
Interest receivable and similar income		455	788
Interest payable and similar charges		0	0
Net interest receivable		455	788
Total income		455	788
Administrative expenses	3	0	0
Profit on ordinary activities before tax		455	788
Tax on profit on ordinary activities	4	(125)	(236)
Profit for the financial year		330	552

There are no recognised gains and losses other than the profit of £330,000 (2004: £552,000) for the year ended 31 December 2005.

Balance Sheet
As at 31 December 2005

	Note	2005 £000	2004 £000
Loans		7,286	10460
Current assets			
Cash at bank and in hand		0	2,027
Debtors: amounts falling due within 1 year	5	0	0
Creditors: Amounts falling due within one year			
Corporation tax		125	236
Overdraft		1	0
Net current assets		126	1,791
Creditors: Amounts falling due after one year			
Amounts owed to parent undertaking	6	6,278	11,699
Net Assets		882	552
Capital and Reserves			
Called-up share capital	7	0	0
Profit and Loss account	8	882	552
Equity Shareholders' funds	9	882	552



Graeme D Dalziel

Caledonia House
Carnegie Avenue
Dunfermline

15 February 2005

The notes on pages 5 to 7 form part of these accounts.

Notes to the Accounts

1) Accounting Policies

- a) **Basis of Preparation:** The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards.
- b) **Taxation:** Corporation tax is provided for at the enacted rate. Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax. Deferred tax is measured on an undiscounted basis, based on tax rates and laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the further reversal of the underlying timing differences can be deducted. Deferred tax assets are not recognised on permanent differences.
- c) **Related Parties:** The Company has taken advantage of the exemption available under FRS 8 not to disclose details of transactions with related parties that are part of the Dunfermline Building Society group.

2. Directors' remuneration, interests and transactions

The directors of the company are employees of the parent company, Dunfermline Building Society and are remunerated by the Society for their directorship of Dunfermline Commercial Finance Limited (formerly Dunfermline Estate Agents Ltd) as part of their duties.

None of the directors held any beneficial interest in the company.

3. Administration expenses

The audit fees are borne by the parent entity.

4. Tax on Profit on Ordinary Activities

The tax charge comprises:	2005	2004
Current Tax	£000	£000
UK corporation tax	125	236

Tax is charged at the UK current tax rate of 30%.

5. Debtors

Amounts falling due within one year

	2005	2004
	£	£
Share capital	2	2

6. Creditors: amounts falling due after more than one year

	2005	2004
	£000	£000
Amounts due to parent undertaking	6,278	11,699

7. Called up share capital

	2005	2004
	£	£
Authorised:		
Ordinary shares of £1	100	100
Allotted and unpaid:		
Ordinary shares of £1	2	2

8. Reserves

	£000
At 1 January 2005	552
Retained profit for the year	330
At 31 December 2005	882

9. Reconciliation of movements in shareholders' funds

	2005	2004
	£000	£000
Profit for the financial year	330	0
Opening shareholders' funds	552	552
Closing shareholders' funds	882	552

10. Controlling Party

Dunfermline Building Society, the parent undertaking, controls all of the equity shares of the company.

Copies of the reports and accounts of Dunfermline Building Society can be obtained by writing to Dunfermline Building Society, Caledonia House, Carnegie Avenue, Pitreavie Business Park, Dunfermline, FIFE, KY11 8PJ.