

DUNFERMLINE COMMERCIAL FINANCE LTD

DIRECTORS' REPORT & ACCOUNTS
For the Year ended 31 December 2006

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 held 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 has adopted similar practices. The Audit and Governance Committee of the parent has oversight over the affairs of the company

The profit in the year is £226,000 (2005 £330,000)

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

Following an audit tender process conducted during the year the Audit & Governance Committee recommended that Deloitte & Touche LLP be appointed to carry out the external audit for 2007. The Board accepted the recommendation

Deloitte & Touche LLP Registered Auditors have expressed their willingness to be appointed as Auditors and a resolution to 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

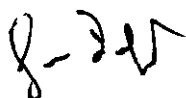
- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business for the foreseeable future

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
21 February 2007

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

We have audited the company's financial statements for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet, and the related notes 1 to 6. 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 United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 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 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 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, of the state of the company's affairs as at 31 December 2006 and of its profit 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

Ernst & Young LLP

Registered auditor

Edinburgh

21 February 2007

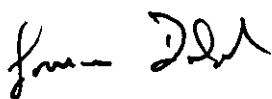
Profit and Loss Account
For year ended 31 December 2006

	Note	2006	2005
		£000	£000
Interest receivable and similar income		328	455
Interest payable and similar charges		0	0
Net interest receivable		328	455
Total income		328	455
Administrative expenses	3	0	0
Profit on ordinary activities before tax		328	455
Tax on profit on ordinary activities	4	(102)	(125)
Profit for the financial year		226	330

There are no recognised gains and losses other than the profit of £226,000 (2005 £330,000) for the year ended 31 December 2006

Balance Sheet
As at 31 December 2006

	Note	2006 £000	2005 £000
Loans		5,325	7286
Current assets			
Cash at bank and in hand		0	0
Debtors amounts falling due within 1 year	5	0	0
Creditors Amounts falling due within one year			
Corporation tax		102	125
Overdraft		4	1
Net current assets		106	126
Creditors Amounts falling due after one year			
Amounts owed to parent undertaking	6	4,112	6,278
Net Assets		1,108	882
Capital and Reserves			
Called up share capital	7	0	0
Profit and Loss account	8	1,108	882
Equity Shareholders' funds	9	1,108	882



Graeme D Dalziel

Caledonia House
Carnegie Avenue
Dunfermline

21 February 2007

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	2006	2005
Current Tax	£000	£000
UK corporation tax	102	125

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

5. Debtors

Amounts falling due within one year

	2006	2005
	£	£
Share capital	<u>2</u>	<u>2</u>

6 Creditors amounts falling due after more than one year

	2006	2005
	£000	£000
Amounts due to parent undertaking	<u>4,112</u>	<u>6,278</u>

7 Called up share capital

	2006	2005
	£	£
Authorised Ordinary shares of £1	<u>100</u>	<u>100</u>
Allotted and unpaid Ordinary shares of £1	<u>2</u>	<u>2</u>

8 Reserves

	£000
At 1 January 2006	882
Retained profit for the year	<u>226</u>
At 31 December 2006	<u>1,108</u>

9 Reconciliation of movements in shareholders' funds

	2006	2005
	£000	£000
Profit for the financial year	226	330
Opening shareholders' funds	<u>882</u>	<u>552</u>
Closing shareholders' funds	<u>1,108</u>	<u>882</u>

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