

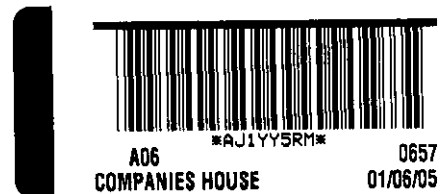
Company Registration No: 943038

THE ROYAL BANK OF SCOTLAND INVOICE DISCOUNTING LIMITED

REPORT AND FINANCIAL STATEMENTS

31 December 2004

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



THE ROYAL BANK OF SCOTLAND INVOICE DISCOUNTING LIMITED

CONTENTS	Page
Officers and Professional Advisers	1
Directors' Report	2-4
Independent Auditors' Report	5
Profit and Loss Account	6
Balance Sheet	7
Notes to the Accounts	8-13

THE ROYAL BANK OF SCOTLAND INVOICE DISCOUNTING LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS:

N J Bradley
R W McFarlane
L E de L Nichols
A A G Rankin
C J F Walls
D B Wilcox

SECRETARY:

A M Cunningham

REGISTERED OFFICE:

Smith House
P O Box 50
Elmwood Avenue
Feltham
Middlesex TW13 7QH

AUDITORS:

Deloitte & Touche LLP
London

Registered in England and Wales.

THE ROYAL BANK OF SCOTLAND INVOICE DISCOUNTING LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2004.

ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company is the discounting of invoices.

The profit after tax for the year was £5,994,000 (2003: £7,710,000). An interim dividend of £27,000,000 was paid during the year (2003: £5,000,000). The directors do not recommend the payment of a final dividend. (2003: £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 2004 to date the following changes have taken place:

	Appointed	Resigned
Directors		
N J Bradley	13 April 2004	
S A Holloway		11 June 2004
P N Comfort		24 January 2005
P W Torrance		24 January 2005
L E de L Nichols	24 January 2005	
A A G Rankin	24 January 2005	
C J F Walls	24 January 2005	
Secretary		
J A Lea		21 April 2004
A M Cunningham	21 April 2004	

DIRECTORS' RESPONSIBILITIES

United Kingdom 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 as at the end of the financial year and of the profit or loss of the company for that period. In preparing the 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;
- state whether applicable accounting standards have been followed; 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 financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control, safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that these financial statements comply with the aforementioned requirements.

THE ROYAL BANK OF SCOTLAND INVOICE DISCOUNTING LIMITED

DIRECTORS' REPORT (continued)

DIRECTORS' INTERESTS

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

The interests of N J Bradley, R W McFarlane, and D B Wilcox in the ordinary shares, and options to subscribe for ordinary shares of 25p each in The Royal Bank of Scotland Group plc, are reflected in the financial statements of The Royal Bank of Scotland Commercial Services (Holdings) Limited.

The following directors were beneficially interested in the ordinary shares of The Royal Bank of Scotland Group plc:

	As at 1 January 2004*	As at 31 December 2004
P N Comfort	1,996	2,240
P W Torrance	2,915	3,087

Options to subscribe for ordinary shares of 25p each in The Royal Bank of Scotland Group plc granted to and exercised during the period by the following directors of the Company and connected persons are:

	As at 1 January 2004*	Granted during the period		Exercised during the period		As at 31 December 2004
		Options	Price (p)	Options	Price (p)	
P N Comfort	5,744	270	1209	-	-	10,267
		4,253	1734			
P W Torrance	5,465			150	1563	5,165
				150	1240	

No director had an interest in any of the preference shares of The Royal Bank of Scotland Group plc during the year to 31 December 2004.

Other than as disclosed, none of the directors in office at 31 December 2004 held any interest in the share or loan capital of the company or any other group company.

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, as outlined below.

In the year ending 31 December 2005, the Group will adhere to the following payment policy in respect of all suppliers. The Group is committed to maintaining a sound commercial relationship with its suppliers. Consequently, it is the Group'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.

* or date of appointment, if later

THE ROYAL BANK OF SCOTLAND INVOICE DISCOUNTING LIMITED

DIRECTORS' REPORT (continued)

ELECTIVE RESOLUTIONS

The company has passed Elective Resolutions electing 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 'D B Wilcox', written in a cursive style.

D B Wilcox
Director

Date: 23 May, 2005

THE ROYAL BANK OF SCOTLAND INVOICE DISCOUNTING LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE ROYAL BANK OF SCOTLAND INVOICE DISCOUNTING LIMITED

We have audited the financial statements of The Royal Bank of Scotland Invoice Discounting Limited for the year ended 31 December 2004 set out on pages 6 to 13 which 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 accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

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 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 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.

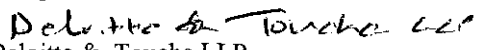
Basis of audit opinion

We conducted our audit in accordance with United Kingdom auditing standards 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.

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 of the state of the company's affairs as at 31 December 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London
Date: 25 May 2005

THE ROYAL BANK OF SCOTLAND INVOICE DISCOUNTING LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2004**

		2004	2003
	Notes	£'000	£'000
Turnover	2	26,220	28,699
Administrative expenses	3	(5,406)	(5,031)
Operating profit		<u>20,814</u>	<u>23,668</u>
Interest payable	5	(12,251)	(12,654)
		<u> </u>	<u> </u>
Profit on ordinary activities before taxation		8,563	11,014
Taxation charge on profit on ordinary activities	6	(2,569)	(3,304)
		<u> </u>	<u> </u>
Profit on ordinary activities after taxation		5,994	7,710
Dividends payable		(27,000)	(5,000)
		<u> </u>	<u> </u>
Retained (loss) / profit for the financial year	12	<u>(21,006)</u>	<u>2,710</u>

All of the above relate to continuing activities.

There are no recognised gains or losses for the current financial year and preceding financial year other than as stated in the profit and loss account and therefore no separate statement of total recognised gains and losses is presented.

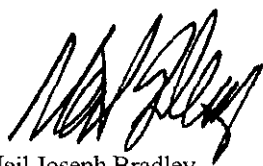
THE ROYAL BANK OF SCOTLAND INVOICE DISCOUNTING LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2004

		2004	2003
	Notes	£'000	£'000
CURRENT ASSETS			
Debtors	8	311,345	340,341
Deferred tax	7	261	283
Cash at bank and in hand	9	<u>973</u>	<u>63,331</u>
		312,579	403,955
Creditors: amounts falling due within one year	10	(306,087)	(376,457)
Net current assets		<u>6,492</u>	<u>27,498</u>
Total assets less liabilities		<u>6,492</u>	<u>27,498</u>
CAPITAL AND RESERVES			
Called up share capital	11	1	1
Profit and loss account	12	<u>6,491</u>	<u>27,497</u>
Equity shareholders funds	13	<u>6,492</u>	<u>27,498</u>

These financial statements were approved by the Board on 23rd May 2005 and signed on their behalf by:



Neil Joseph Bradley

Director



David Brian Wilcox

Director

The notes on pages 8 to 13 form part of these financial statements.

THE ROYAL BANK OF SCOTLAND INVOICE DISCOUNTING LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31st DECEMBER 2004

1. ACCOUNTING POLICIES

(a) Accounting convention

The financial statements have been prepared upon the basis of historical cost and in accordance with applicable United Kingdom law and accounting standards.

(b) Foreign currencies

Monetary assets and liabilities in foreign currencies have been translated into sterling at the rates ruling at the balance sheet date. Transactions are translated at either the rate of exchange ruling on the day, or as applicable at the rate specified by a matching forward contract.

All realised exchange differences are dealt with in arriving at the profit on ordinary activities.

(c) Debtors

Trade debtors represent assigned debts receivable for which the benefits and risks of ownership have been transferred to the company, with no recourse back to the client. The trade debtors are therefore shown net of recourse debts due to clients on collection, as the benefits and risks relating to the recourse debts are those of the client.

(d) Taxation

Provision is made for taxation at current enacted rates on taxable profits.

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

(e) Cash flow statement

As a wholly owned subsidiary undertaking of The Royal Bank of Scotland Group Plc, the company is exempt under Financial Reporting Standard 1 (revised), Cash Flow Statements, from the requirement to prepare a cash flow statement.

2. TURNOVER

Turnover represents discount, service and other charges to clients, all of which arises in the United Kingdom from continuing activities and is recognised on an accruals basis.

THE ROYAL BANK OF SCOTLAND INVOICE DISCOUNTING LIMITED

NOTES TO THE ACCOUNTS (continued)

3. ADMINISTRATIVE EXPENSES

	2004	2003
	£'000	£'000
Administrative expenses include the following:		
Management charge	<u>4,374</u>	<u>4,688</u>

The current and prior year audit fees are borne by another group company.

The Management charge for current and prior year includes an apportionment of staff pension scheme costs borne by The Royal Bank of Scotland Commercial Services Limited (RBSCS). Further information on the pension scheme is given in the Report and Accounts of RBSCS.

4. DIRECTORS' REMUNERATION AND INTERESTS

No emoluments were paid to any director during the year (2003: £nil). None of the directors had any material interest in any contract of significance in relation to the business of the company.

5. INTEREST PAYABLE

	2004	2003
	£'000	£'000
On bank loans and overdrafts, and other loans wholly repayable within one year:		
Unsecured lending from The Royal Bank of Scotland Group plc undertakings	<u>12,251</u>	<u>12,654</u>

THE ROYAL BANK OF SCOTLAND INVOICE DISCOUNTING LIMITED

NOTES TO THE ACCOUNTS (continued)

6. TAXATION CHARGE

	2004	2003
	£'000	£'000
i) Analysis of Tax Charge on Ordinary Activities		
UK Corporation tax based on the results for the year at 30%	2,547	3,101
Deferred Tax (note 7)	<u>22</u>	<u>203</u>
	<u>2,569</u>	<u>3,304</u>

ii) Factors Affecting Tax Charge for the Current Period

The tax assessed for the period is lower than that resulting from applying the standard rate of corporation tax in the UK: 30% (2003: 30%)

The differences are explained below:

	2004	2003
	£'000	£'000
Profit on ordinary activities before tax	<u>8,563</u>	<u>11,014</u>
Tax at 30% thereon:	2,569	3,304
Effects of:		
Non taxable items	<u>(22)</u>	<u>(203)</u>
Current tax charge for period	<u>2,547</u>	<u>3,101</u>

THE ROYAL BANK OF SCOTLAND INVOICE DISCOUNTING LIMITED

NOTES TO THE ACCOUNTS (continued)

7. DEFERRED TAXATION ASSET

	2004	2003
	£'000	£'000
General provision	<u>261</u>	<u>283</u>
Deferred tax asset	<u>261</u>	<u>283</u>
The movement on the deferred taxation account is as follows:		
Balance as at 1 January	283	486
Charge for year	<u>(22)</u>	<u>(203)</u>
Balance as at 31 December	<u>261</u>	<u>283</u>

8. DEBTORS

	2004	2003
	£'000	£'000
Amounts falling due within one year:		
Trade debtors	310,960	339,879
Other debtors	<u>385</u>	<u>462</u>
Total debtors	<u>311,345</u>	<u>340,341</u>
Trade debtors comprise:		
Assigned debts receivable	601,595	673,846
Less: recourse debts due to clients on collection	<u>(290,635)</u>	<u>(333,967)</u>
	<u>310,960</u>	<u>339,879</u>

9. CASH AT BANK AND IN HAND

	2004	2003
	£'000	£'000
With The Royal Bank of Scotland Group plc undertakings	<u>973</u>	<u>63,331</u>

THE ROYAL BANK OF SCOTLAND INVOICE DISCOUNTING LIMITED

NOTES TO THE ACCOUNTS (continued)

10. CREDITORS

	2004	2003
	£'000	£'000
Amounts falling due within one year:		
Trade creditors	28,559	33,278
Amounts owed to The Royal Bank of Scotland Group plc undertakings	273,695	338,988
Other creditors	1,253	1,026
Corporation tax	2,547	3,101
Accruals and deferred income	<u>33</u>	<u>64</u>
	<u>306,087</u>	<u>376,457</u>

Amounts owing to group relate to un-subordinated loans, which will be paid at varying rates.

11. CALLED UP SHARE CAPITAL

	2004		2003	
	Authorised	Allotted, Called up and fully paid	Authorised	Allotted, Called up and fully paid
	£'000	£'000	£'000	£'000
1,000 Ordinary shares of £1 each	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

12. PROFIT AND LOSS ACCOUNT

	£'000
Balance at 1 January 2004	27,497
Retained loss for the financial year	(21,006)
Balance at 31 December 2004	<u>6,491</u>

THE ROYAL BANK OF SCOTLAND INVOICE DISCOUNTING LIMITED

NOTES TO THE ACCOUNTS (continued)

13. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2004	2003
	£'000	£'000
Profit attributable to members of the company	5,994	7,710
Dividends	(27,000)	(5,000)
Net movement in shareholders' funds	(21,006)	2,710
Opening shareholders' funds	<u>27,498</u>	<u>24,788</u>
Closing shareholders' funds	<u>6,492</u>	<u>27,498</u>

14. CONTINGENT LIABILITIES

	2004	2003
	£'000	£'000
Joint liability for VAT registration – The Royal Bank of Scotland Commercial Services group	<u>2,851</u>	<u>2,373</u>

15. IMMEDIATE AND ULTIMATE PARENT COMPANY

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, 42 St Andrew Square, Edinburgh, EH2 2YE.

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, 42 St Andrew Square, Edinburgh, EH2 2YE. The immediate parent of the company is The Royal Bank of Scotland Commercial Services (Holdings) Ltd.

16. RELATED PARTY TRANSACTIONS

The company is exempt from the requirement of Financial Reporting Standard 8 'Related Party Disclosures' to disclose transactions and balances with other subsidiaries or investees of The Royal Bank of Scotland Group plc as the company's results are included in the Consolidated Financial Statements of The Royal Bank of Scotland Group plc.

There were no other related party transactions during the year or any amounts due to or from related parties outstanding at the balance sheet date.