

RFS (4) LIMITED

REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2004

COMPANY NUMBER: 1319326



RFS (4) LIMITED
YEAR ENDED 31 DECEMBER 2004
CONTENTS

Report of the Directors	1 - 2
Independent Auditors' Report	3
Profit and Loss Account	4
Balance Sheet	5
Notes to the Accounts	6 - 13

RFS (4) LIMITED
YEAR ENDED 31 DECEMBER 2004
REPORT OF THE DIRECTORS

The directors hereby submit their Report and the accounts for the year ended 31 December 2004.

Principal activities

The principal activity of the company is the provision of finance and associated services.

Review of the business and future developments

The company's profit for the financial year is £1,315,000 (2003: £758,000). No dividend is proposed for the financial year (2003: nil).

The company has conducted its activities throughout the year in a satisfactory manner. No significant change in the company's activities is foreseen at the present time.

Directors

The directors of the company throughout the year to 31 December 2004 were: -

A. Breuils (resigned 31 August 2004)
A. R. Christie
T. Herbert (resigned 31 August 2004)
M. Wooderson (appointed 20 January 2004)

A. R. Christie resigned as a director of the company on 5 January 2005.

T. Woolgrove was appointed as a director of the company on 18 March 2005.

During the year no director had any interest in the share capital of the company.

Auditors

Elective resolutions to dispense with holding annual general meetings, the laying of accounts before the company in general meeting and the appointment of auditors annually are currently in force. The auditors, KPMG Audit Plc and Deloitte & Touche LLP, will therefore be deemed to have been reappointed at the end of the period of 28 days beginning with the day on which the copies of this report and accounts are sent to members unless a resolution is passed under section 393 of the Companies Act 1985 to the effect that their appointment be brought to an end.

RFS (4) LIMITED

YEAR ENDED 31 DECEMBER 2004

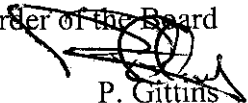
REPORT OF THE DIRECTORS (continued)

Statement of directors' responsibilities

United Kingdom company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss for that period. In preparing those 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; and
- prepare the accounts 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 accounts 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

By order of the Board

P. Gittins
Secretary

Thistle House
City Road
CHESTER
CH88 3AN

15 JUNE 2005

RFS (4) LIMITED

YEAR ENDED 31 DECEMBER 2004

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF RFS (4) LIMITED

We have audited the financial statements of RFS (4) Limited for the year ended 31 December 2004 which comprise the profit and loss account, the balance sheet 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 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 preparing the directors' report and, as described on page 2, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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 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 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.

KPMG Audit Plc
KPMG Audit Plc
Chartered Accountants and
Registered Auditors
Deloitte & Touche LLP
Deloitte & Touche LLP
Chartered Accountants and
Registered Auditors

St James Square
Manchester
M2 6DS
13 July 2005
4 August 2005 London

RFS (4) LIMITED

YEAR ENDED 31 DECEMBER 2004

PROFIT AND LOSS ACCOUNT

	Notes	2004	2003
Continuing operations		£'000	£'000
Turnover	2	25,611	11,114
Finance and trading costs		<u>(22,941)</u>	<u>(9,486)</u>
Gross profit		2,670	1,628
Administrative expenses		<u>(649)</u>	<u>(537)</u>
Operating profit on ordinary activities before taxation	3	2,021	1,091
Tax on profit on ordinary activities	5	<u>(706)</u>	<u>(333)</u>
Profit for the financial year		1,315	758
Profit and loss account balance brought forward		648	(110)
Profit and loss account balance carried forward		<u>1,963</u>	<u>648</u>

There are no recognised gains and losses other than those shown above, accordingly, no separate STRGL has been presented.

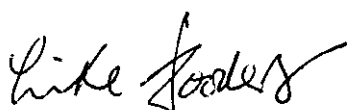
The notes on pages 6 to 13 form part of the financial statements.

RFS (4) LIMITED
AS AT 31 DECEMBER 2004
BALANCE SHEET

	Notes	2004 £'000	2003 £'000
Fixed assets			
Tangible assets	6	42,773	54,827
Current assets			
Cash held with Bank of Scotland		5,455	1,871
Debtors : receivable within one year	8	21,624	14,231
: receivable after more than one year	8	991	533
		<u>22,615</u>	<u>14,764</u>
Creditors: amounts falling due within one Year	9	(64,807)	(64,207)
Net current liabilities		(36,737)	(47,572)
Total assets less current liabilities		<u>6,036</u>	<u>7,255</u>
Provisions for liabilities and charges			
Deferred taxation	10	(341)	(2,384)
Deferred income			
Vehicle maintenance contracts		<u>(2,732)</u>	<u>(3,223)</u>
Net assets		<u>2,963</u>	<u>1,648</u>
Called up share capital	11	1,000	1,000
Profit and loss account		<u>1,963</u>	<u>648</u>
Equity Shareholders' funds	12	<u>2,963</u>	<u>1,648</u>

The notes on pages 6 to 13 form part of the financial statements.

Approved by the Board of Directors on 15 June 2005 and signed on its behalf by:



.....
M. Wooderson
Director

RFS (4) LIMITED

YEAR ENDED 31 DECEMBER 2004

NOTES TO THE ACCOUNTS

1. Accounting policies

Basis of preparation

The accounts have been prepared on a going concern basis under the historical cost convention and in accordance with applicable United Kingdom Accounting Standards and in compliance with the Finance and Leasing Association Statement of Recommended Accounting Practice (SORP).

Group financial statements

As a wholly owned subsidiary of RFS Limited, a company incorporated in Great Britain, the company is exempt under Section 228(2) of the Companies Act 1985 from preparing consolidated financial statements. Consolidated financial statements are prepared by RFS Limited, a company registered in England and Wales.

Cash flow statement

As a wholly owned subsidiary undertaking the company is exempt from including a statement of cash flows in its accounts. RFS Limited has included a consolidated statement of cash flows in its consolidated accounts. Copies of RFS Limited's accounts can be obtained from Thistle House, City Road, Chester CH88 3AN.

Investments in subsidiary undertakings

Shares in subsidiaries are stated at cost unless, in the opinion of the directors, there has been impairment in value, in which circumstance a provision is made.

Deferred taxation

Deferred taxation is provided on the full provision method on those timing differences that have originated but not reversed by the balance sheet date. Deferred tax is not recognised on permanent timing differences.

Deferred tax assets are recognised only to the extent that they are considered recoverable.

Finance leases and operating leases

Assets leased to customers which transfer substantially all the risks and rewards of ownership to the customer are classified as finance leases and are recorded within finance debtors or loans and advances within debtors. The net investment in finance leases represents total minimum payments less gross earnings allocated to future periods. Obligations under leases with third party finance lessors are included in creditors.

All other assets leased to customers are classified as operating leases. These assets are separately disclosed in the balance sheet as tangible fixed assets and are recorded at cost less accumulated depreciation, which is charged to finance and trading costs.

Income from finance leases is credited to the profit and loss account using a method to give a constant periodic return on the net cash investment.

RFS (4) LIMITED

YEAR ENDED 31 DECEMBER 2004

NOTES TO THE ACCOUNTS (continued)

1. Accounting policies (continued)

Credit is taken in each accounting period for finance charges received and receivable after eliminating from the balance, at the conclusion of each such period, the unearned finance charges as calculated using the "investment period method".

The earnings element of leasing rentals is credited to revenue, after making a deduction for certain initial expenses, in proportion to the funds invested to the related contracts.

Rentals on leases in secondary periods are recognised on a cash received basis.

Operating lease rentals are recognised in the profit and loss account on a straight line basis with depreciation charged using a method to give a constant periodic return on the net cash investment.

Unguaranteed residual values are subject to regular review to identify potential impairments. Provisions are made for impairment arising on specific asset categories.

Provisions for bad and doubtful debts

Specific provisions are calculated using either an individual assessment basis or a formulae driven approach. The formulae driven assessment is made using statistical techniques developed based on previous experience. These formulae take into account factors such as the length of time that payments from the customer are overdue, the value of any collateral held and the level of past and expected losses in order to derive an appropriate provision.

A general provision is made against loans and advances to cover bad and doubtful debts which have not been separately identified, but which are known from experience to be present in portfolios of loans and advances. The level of general provision is determined in light of past experience, current economic and other factors affecting the business environment and management's monitoring and control procedures, including the scope of specific provisioning procedures.

Specific and general provisions are deducted from loans and advances. Provision made during the year, less amounts released and recoveries of amounts written off in previous years are charged to the profit and loss account.

Vehicle maintenance contracts

The excess of vehicle maintenance income over expenditure on any uncompleted contracts is deferred to the extent that future costs are expected to arise. Any profit / loss arising at the conclusion of a contract is taken to the profit and loss account.

Interest payable

Interest payable on funding from group undertakings is regarded as an operating cost and is included in operating profit in the profit and loss account.

RFS (4) LIMITED

YEAR ENDED 31 DECEMBER 2004

NOTES TO THE ACCOUNTS (continued)

2. Turnover

Turnover, all of which arose from activities within the United Kingdom, represents finance charges earned on leasing agreements and income from associated services.

The turnover and pre-tax result are attributable to one continuing activity, the provision of finance and associated services.

3. Operating profit

	2004 £'000	2003 £'000
Operating profit is stated after crediting:		
Finance lease rentals	830	1,538
Operating lease rentals	23,233	9,257
Interest receivable from Capital Bank plc	386	171
Profit on sale of operating lease assets	363	263
And after charging:		
Depreciation	19,901	6,284
Loss on sale of operating lease assets	339	541
Interest payable to RFS Limited	2,526	1,601
Auditors' remuneration:		
Audit	6	6

The company has no employees. It uses the services of a related undertaking for which a management charge, included in administrative expenses, is made.

4. Directors' emoluments

None of the directors received any emoluments for their services as directors of the company (2003: same).

RFS (4) LIMITED

YEAR ENDED 31 DECEMBER 2004

NOTES TO THE ACCOUNTS (continued)

5. Tax on profit on ordinary activities

a. Analysis of tax charge in the year

	2004		2003	
	£'000	£'000	£'000	£'000
Current tax				
UK corporation tax at 30% (2003: 30%) on profits for the year	2,500		(1,688)	
Adjustments in respect of prior years	<u>249</u>		<u>-</u>	
		2,749		(1,688)
Deferred tax				
Origination and reversal of timing differences	(1,894)		2,015	
Adjustments in respect of prior years	<u>(149)</u>		<u>6</u>	
		(2,043)		2,021
Tax on profits from ordinary activities		<u>706</u>		<u>333</u>

b. Factors affecting tax charge for the year

The current tax charge for the year is higher (2003: lower) than the standard rate of corporation tax in the UK of 30% (2003: 30%). The differences are explained below:

	2004 £'000	2003 £'000
Profit on ordinary activities before taxation	<u>2,021</u>	<u>1,091</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2003: 30%)	606	327
Effects of:		
Income not chargeable for tax purposes	(784)	(234)
Movements on provisions not deductible for tax purposes	(49)	(25)
Depreciation for the year in excess of capital allowances	2,727	(1,756)
Adjustments to tax charge in respect of previous years	249	-
Current tax charge/(credit) for the year	<u>2,749</u>	<u>(1,688)</u>

c. Factors that may affect future tax charges

The company expects its effective tax rate in future years to be broadly in line with the standard rate of corporation tax in the UK.

RFS (4) LIMITED

YEAR ENDED 31 DECEMBER 2004

NOTES TO THE ACCOUNTS (continued)

6. Tangible fixed assets

	Motor vehicles held for use in operating leases £'000
Cost	
At 1 January 2004	67,183
Additions	26,287
Disposals	(20,760)
At 31 December 2004	72,710
Depreciation	
At 1 January 2004	12,356
Disposals	(2,320)
Charge for year	19,901
At 31 December 2004	29,937
Net book value at 31 December 2004	42,773
Net book value at 31 December 2003	54,827

7. Investment in subsidiary undertakings

	2004 £	2003 £
Shares in subsidiary undertakings at cost	6	6

The Company's operating subsidiary undertakings are:

	Class of capital and percentage held	Accounting Reference date
RFS (1) Limited	100% of Ordinary Shares	31 March
RFS (2) Limited	100% of Ordinary Shares	30 June
RFS (3) Limited	100% of Ordinary Shares	30 September

All of the subsidiary undertakings, which are incorporated in the United Kingdom, have as their principal activity the provision of finance and associated services. Group accounts are not submitted, as the company is a wholly owned subsidiary of another body corporate incorporated in the United Kingdom which prepares consolidated accounts.

RFS (4) LIMITED

YEAR ENDED 31 DECEMBER 2004

NOTES TO THE ACCOUNTS (continued)

8. Debtors

Receivable within one year

	2004 £'000	2003 £'000
Finance lease debtors	4,822	343
VAT	3,438	5,826
Corporation tax	-	2,348
Other debtors	13,364	5,714
	<u>21,624</u>	<u>14,231</u>

Receivable after more than one year

	2004 £'000	2003 £'000
Finance lease debtors	969	447
Other debtors	22	86
	<u>991</u>	<u>533</u>

The cost of assets acquired during the year for the purpose of finance leasing was £2,657,641 (2003: £2,327,216).

The following table sets out the maturity of the company's unguaranteed residual values of assets leased to customers.

Residual values

Year in which residual value will be recovered:	Finance lease £'000	Operating lease £'000	Total £'000
Within one year	-	28,150	28,150
Between one and two years	-	5,092	5,092
Between two and five years	6	2,408	2,414
More than five years	-	-	-
Total exposure	<u>6</u>	<u>35,650</u>	<u>35,656</u>

Regular reviews are made of the residual values in the light of available market data and provisions are made in respect of leases where ultimate recovery is in doubt.

RFS (4) LIMITED

YEAR ENDED 31 DECEMBER 2004

NOTES TO THE ACCOUNTS (continued)

9. Creditors

Amounts falling due within one year

	2004 £'000	2003 £'000
Amounts due to group undertakings	51,950	50,809
Corporation tax	1,061	-
Other creditors	11,796	13,398
	<u>64,807</u>	<u>64,207</u>

10. Deferred taxation

	2004 £'000	2003 £'000
Deferred tax provision at the beginning of the year	2,384	363
(Credit)/charge for the year (note 5)	(1,894)	2,015
Prior year (credit)/charge	(149)	6
Deferred tax provision at the end of the year	<u>341</u>	<u>2,384</u>
Accelerated capital allowances	522	2,713
Other timing differences	(181)	(329)
Deferred tax provision	<u>341</u>	<u>2,384</u>

11. Share capital

	2004 £	2003 £
Authorised, allotted, called up and fully paid		
500,001 'A' ordinary shares of £1 each	500,001	500,001
500,001 'B' ordinary shares of £1 each	500,001	500,001
2 'C' ordinary shares of £1 each	2	2
	<u>1,000,004</u>	<u>1,000,004</u>

The 'A' 'B' and 'C' shares rank pari passu with regards to the rights to dividends and to a distribution on winding up. The 'A' and 'B' shares hold equal voting rights and rights regarding the appointment of directors. The 'C' shares hold no voting rights or rights regarding the appointment of directors.

RFS (4) LIMITED

YEAR ENDED 31 DECEMBER 2004

NOTES TO THE ACCOUNTS (continued)

12. Reconciliation of movements in shareholders' funds

	2004	2003
	£'000	£'000
Shareholders' funds at the beginning of the year	1,648	890
Profit for the financial year	1,315	758
Shareholders' funds at the end of the year	<u>2,963</u>	<u>1,648</u>

13. Related party transactions

During the year, in addition to those transactions disclosed separately in the accounts, the company had the following transactions with related parties:

		Companies under the ultimate control of:			
		HBOS Plc		Renault SA	
Included within	Description	2004 £'000	2003 £'000	2004 £'000	2003 £'000
Turnover	Earned finance charges subsidy receivable	-	-	2,565	991
Finance and trading costs	Commission	-	-	296	546
Administrative expenses	Charges for services	587	397	-	-
Debtors	New business subsidy receivable	-	-	10,892	2,131
Creditors	New business subsidy deferred income	-	-	8,918	5,847

The table above includes both transactions occurring in the year and positions at the year end.

14. Parent undertakings

The immediate parent and parent undertaking of the largest and smallest group of undertakings for which group accounts are drawn up and of which the company is a member is RFS Limited, incorporated in Great Britain.

RFS Limited is a joint venture with 50% of its issued share capital being held by Renault Acceptance Limited, a subsidiary of Renault SA, and 50% by Capital Bank plc, whose ultimate parent undertaking is HBOS Plc.

RFS (4) LIMITED**YEAR ENDED 31 DECEMBER 2004****ANALYSIS OF PROFIT AND LOSS ACCOUNT**

	2004 £	2003 £
Turnover		
Leasing rental income	24,062,518	10,795,367
Fees and additional charges	952,543	989,951
Insurance commission	18,482	92,960
Depreciation on finance leased assets	(590,866)	(1,299,456)
Profit on sale of leased assets	363,031	263,421
Net profit or loss on maintenance	805,296	272,034
Per profit and loss account	25,611,004	11,114,277
Finance and trading costs		
Leasing – commission payable	309,522	545,637
Other interest	(8,834)	(9,059)
Intra group interest	2,139,404	1,429,677
Depreciation on operating leased assets	19,900,841	6,284,186
Bad debts, less recoveries	424,602	295,278
Loss on sale of leased assets	338,878	541,498
Increase/(decrease) in provisions for bad and doubtful debts:		
Specific	(124,034)	212,720
General	(39,653)	186,508
Per profit and loss account	22,940,726	9,486,445
Administrative expenses		
Promotional costs	55,780	134,144
Management charge: Capital Bank plc	587,479	396,963
Audit fee	6,000	6,000
Per profit and loss account	649,259	537,107
Operating profit	2,021,019	1,090,725

This page does not form part of the audited financial statements.