

Company Registration No: 2353835

NATWEST CORPORATE FINANCE LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

30 June 2005



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

NATWEST CORPORATE FINANCE 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 Financial Statements	8-12

NATWEST CORPORATE FINANCE LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

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

SECRETARY: A M Cunningham

REGISTERED OFFICE:
3 Princess Way
Redhill
Surrey
RH1 1NP

AUDITORS: Deloitte & Touche LLP
Bristol

Registered in England and Wales.

NATWEST CORPORATE FINANCE LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 30 June 2005.

ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company is the provision of fixed asset finance usually involving individually structured facilities.

The retained profit for the period was £207,000 (2004: £604,000) and this was transferred to reserves. The directors do not recommend that an interim dividend be paid (2004: £nil).

The directors do not anticipate any material change in either the type or level of activities of the company.

DIRECTORS AND SECRETARY

The names of the present directors and secretary are as listed on page 1.

From 1 July 2004 to date the following changes have taken place:

	Appointed	Resigned
Directors		
D Slattery		19 July 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, subject to any material departures disclosed and explained in the financial statements; 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 safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

NATWEST CORPORATE FINANCE LIMITED

DIRECTORS' INTERESTS

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

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

	As at 1 July 2004	As at 30 June 2005
T V Castledine	60	317
S J Caterer	10,352	12,472
A C Farnell	13,499	16,690
P A Tubb	1,421	1,421

Options to subscribe for ordinary shares of 25p each in The Royal Bank of Scotland Group plc granted to and exercised during the year by the following directors of the Company and members of their immediate family are:

	At 1 July 2004	Granted during the period		Exercised During the period		As at 30 June 2005
		Options	Price	Options	Price	
T V Castledine	707	4,737	1729	-	-	5,444
S J Caterer	2,042	1,217	1209	1,508	1006	1,751
A C Farnell	1,400	-	-	938	1006	-
				312	1364	
				150	1563	
P A Tubb	5,739	3,759	1729	-	-	9,498

No director had an interest in any of the preference shares during the year to 30 June 2005.

None of the directors in office at 30 June 2005 held any other interest in the share or loan capital of the company or any other group company during the year to 30 June 2005.

NATWEST CORPORATE 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, as outlined below.

In the year ending 30 June 2006, 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.

The proportion which the amount owed to trade creditors at 30 June 2005 bears to the amounts invoiced by suppliers during the year then ended equated to nil days proportion of 365 days (2004: nil).

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



S J Caterer
Director

Date: 16 December 2005

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NATWEST CORPORATE FINANCE LIMITED

We have audited the financial statements of Natwest Corporate Finance Limited for the year ended 30 June 2005 which comprise the profit and loss account, the balance sheet and the related notes 1 to 15. 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 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.

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 at 30 June 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Bristol

20/12/2005

NATWEST CORPORATE FINANCE LIMITED

PROFIT AND LOSS ACCOUNT
for the year ended 30 June 2005

	Note	CONTINUING OPERATIONS	
		2005 £'000	2004 £'000
Turnover	4	3,075	6,480
Administrative expenses	5	(5)	(30)
Exceptional profit on termination of lease	6	-	1,856
Other operating income	7	<u>295</u>	<u>7</u>
OPERATING PROFIT	5	3,365	8,313
Interest payable	8	<u>(2,744)</u>	<u>(6,242)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		621	2,071
Taxation charge on profit on ordinary activities	9	<u>(414)</u>	<u>(1,467)</u>
RETAINED PROFIT FOR THE YEAR	14	<u><u>207</u></u>	<u><u>604</u></u>

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above and their historical cost equivalents.

The Company has no recognised gains and losses other than those included in the profits shown above therefore no separate statement of total recognised gains and losses has been presented.

The notes on pages 8 to 12 form part of these financial statements.

NATWEST CORPORATE FINANCE LIMITED

BALANCE SHEET

as at 30 June 2005

	Note	2005 £'000	2004 £'000
CURRENT ASSETS			
DEBTORS:			
Finance lease receivables due after more than one year		38,220	55,772
Finance lease receivables due within one year		1,147	725
Other debtors	10	<u>2,533</u>	<u>2,504</u>
		41,900	59,001
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	11	<u>(7,835)</u>	<u>(6,123)</u>
NET CURRENT ASSETS		<u>34,065</u>	<u>52,878</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		34,065	52,878
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	11	(25,561)	(41,743)
PROVISIONS FOR LIABILITIES AND CHARGES	12	<u>(7,311)</u>	<u>(10,149)</u>
NET ASSETS		<u>1,193</u>	<u>986</u>
CAPITAL AND RESERVES			
Called up share capital	13	-	-
Profit and loss account	14	<u>1,193</u>	<u>986</u>
TOTAL EQUITY SHAREHOLDERS' FUNDS	15	<u>1,193</u>	<u>986</u>

The financial statements on pages 6 to 12 were approved by the Board of Directors on 16 December 2005 and were signed on its behalf by :-



S J Caterer
Director

The notes on pages 8 to 12 form part of these financial statements.

NATWEST CORPORATE FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES

The financial statements on pages 6 to 12 are prepared on the basis of the principal accounting policies adopted by the Company described below and applicable United Kingdom Accounting Standards. Accounting policies have been applied consistently.

The Company's accounts have been prepared in accordance with the Statement of Recommended Practice (SORP) issued by the Finance & Leasing Association. The SORP, 'Accounting issues in the asset finance and leasing industry', was published in April 2000.

a ACCOUNTING CONVENTION

The financial statements of the Company are prepared under the historical cost convention. In accordance with the Companies Act 1985, the Directors have adapted the prescribed formats of the financial statements as required by the special nature of the business.

b GROSS EARNINGS UNDER FINANCE LEASES

Gross earnings under finance leases are recognised according to the actuarial after tax method whereby pre tax and post tax profits are allocated to accounting periods so as to give a constant periodic rate of return on the net cash investment.

c DEFERRED TAXATION

Certain items of income and expenditure are accounted for in different periods for financial reporting purposes than for taxation purposes. Deferred taxation is provided on the full liability method in respect of timing differences which have originated but not reversed at the balance sheet date. Deferred taxation is calculated on a non-discounted basis.

d AMOUNTS RECEIVABLE UNDER FINANCE LEASES

Finance lease receivables are stated in the balance sheet at the amount of the net investment in the leases. 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 CASH FLOW STATEMENT

The company is a wholly-owned subsidiary of The Royal Bank of Scotland Group plc and is included in the consolidated financial statements of The Royal Bank of Scotland Group plc, which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1 (revised).

2 IMMEDIATE AND ULTIMATE PARENT COMPANY

The Company's immediate parent company is Natwest Westminster Bank plc.

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 National Westminster Bank plc. 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.

NATWEST CORPORATE FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

3 RELATED PARTY TRANSACTIONS

The Company is exempt from the requirements 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 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.

4 TURNOVER	2005 £'000	2004 £'000
Finance leases:		
Rentals receivable	4,080	8,574
Amortisation	(1,005)	(2,094)
	<u>3,075</u>	<u>6,480</u>

The Company did not enter into any new leasing transactions during the year (2004 : £Nil).

5 OPERATING PROFIT	2005 £'000	2004 £'000
Includes the following:		
Administrative expenses:		
Fees & commissions	9	15
Management charge	(4)	15
	<u>5</u>	<u>30</u>

The emoluments of Mr D Slattery were paid by fellow subsidiary company RBS Aerospace Limited which did not make a recharge to the company. He was a director of a number of fellow subsidiaries and it was not possible to make an accurate apportionment of his emoluments in respect of each of the companies. Accordingly, the above details include no emoluments in respect of Mr Slattery.

Other 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. Costs incurred in respect of audit services to the Company are included in the management charge as shown below:

	£	£
Directors' emoluments	-	3,330
Auditors' remuneration - for audit services	325	1,323
Staff costs	-	9,619

The Royal Bank of Scotland Group has agreed to compensate UK members for any adjustments in respect of UK:UK Transfer Pricing that may arise under paragraph 1A of Schedule 28 AA, Income and Corporation Taxes Act 1988.

NATWEST CORPORATE FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

6	EXCEPTIONAL PROFIT ON TERMINATION OF LEASE	2005	2004
	Exceptional profit on termination of lease	<u>-</u>	<u>1,856</u>
7	OTHER OPERATING INCOME	2005	2004
		£'000	£'000
	Profit on termination of leases	295	-
	Fee income	<u>-</u>	<u>7</u>
		<u>295</u>	<u>7</u>
8	INTEREST PAYABLE	2005	2004
		£'000	£'000
	Interest payable to group undertakings	<u>2,744</u>	<u>6,242</u>
9	TAXATION	2005	2004
		£'000	£'000
	A) ANALYSIS OF CHARGE FOR THE YEAR		
	Current tax charge:		
	- Group relief (receivable)/payable on profits for the year	(150)	15
	- Adjustment in respect of prior periods	<u>3,402</u>	<u>22,839</u>
		3,252	22,854
	Deferred tax - origination and reversal of timing differences:		
	- Current year	209	363
	- Adjustment in respect of prior periods	<u>(3,047)</u>	<u>(21,750)</u>
	Taxation charge on profit on ordinary activities	<u>414</u>	<u>1,467</u>
	B) FACTORS AFFECTING THE CURRENT TAX CHARGE FOR THE YEAR		
	Profit on ordinary activities before tax	<u>621</u>	<u>2,071</u>
	Tax on profit on ordinary activities at the standard rate of 30% (2004: 30%)	186	621
	Capital allowances for period more than depreciation	(209)	(363)
	Permanent difference - assets not qualifying for capital allowances	(127)	(243)
	Adjustment to tax charge in respect of previous periods	<u>3,402</u>	<u>22,839</u>
	Current tax charge	<u>3,252</u>	<u>22,854</u>
10	DEBTORS	2005	2004
		£'000	£'000
	Amounts falling due within one year:		
	Trade debtors	27	-
	Amounts due from group undertakings	2,506	2,493
	Other debtors	<u>-</u>	<u>11</u>
		<u>2,533</u>	<u>2,504</u>

NATWEST CORPORATE FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

11 CREDITORS	2005 £'000	2004 £'000
Amounts falling due within one year:		
Payments received on account	33	2
Amounts due to group undertakings	7,802	5,969
Other creditors	-	152
	<u>7,835</u>	<u>6,123</u>
Amounts falling due after more than one year:		
Amounts due to group undertakings:		
Between one and two years	7,378	6,512
Between two and five years	8,016	13,076
After more than five years	10,167	22,155
	<u>25,561</u>	<u>41,743</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.

Amounts falling due after more than five years are repayable by instalments with varying repayment terms. Interest rates applicable to these amounts will be determined by reference to inter bank rates for three, six and twelve months.

12 PROVISIONS FOR LIABILITIES AND CHARGES

Movements during the year:	Deferred taxation £'000
At 1 July 2004	10,149
Credit to profit and loss account	<u>(2,838)</u>
At 30 June 2005	<u>7,311</u>

Full provision has been made for the potential amount of deferred taxation shown below:

	2005 £'000	2004 £'000
Accelerated capital allowances on assets financed	<u>7,311</u>	<u>10,149</u>

13 SHARE CAPITAL	2005	2004
	Ordinary shares of £1 each	
Authorised	<u>1,000</u>	<u>1,000</u>
Allotted, called up and fully paid	<u>100</u>	<u>100</u>

NATWEST CORPORATE FINANCE LIMITED

, NOTES TO THE FINANCIAL STATEMENTS

14 PROFIT AND LOSS ACCOUNT

£'000

At 1 July 2004

986

Retained profit for the year

207

At 30 June 2005

1,193

15 RECONCILIATION OF SHAREHOLDERS' FUNDS

2005

2004

£'000

£'000

Profit for the financial year and net addition to shareholders' funds

207

604

Opening shareholders' funds

986

382

Closing shareholders' funds

1,193

986