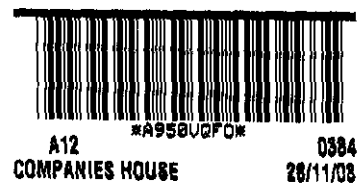


Company Registration No: 2353835

NATWEST CORPORATE FINANCE LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

30 June 2003



NATWEST CORPORATE FINANCE LIMITED

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NATWEST CORPORATE FINANCE LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS:

**Robert Duncan Brodie
Graham Colin Clemett
Adrian Colin Farnell
Nigel Pearce
Christopher Paul Sullivan**

SECRETARY:

Angela Mary 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 2003.

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 £117,000 (2002: £53,000) and this was transferred to reserves. The directors recommend that an interim dividend of £500,000 be paid (2002: £500,000).

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 2002 to date the following changes have taken place:

	Appointed	Resigned
Directors		
Eion Arthur Flint		31 May 2003
Christopher George Knowles		31 May 2003
Robert Duncan Brodie	1 June 2003	
Graham Colin Clemett	1 June 2003	

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 2002*	As at 30 June 2003
R D Brodie	2,755	2,818
G C Clemett	500	500
A C Farnell	10,679	12,139
N Pearce	1,279	1,490
C P Sullivan	2,149	8,535

* or date of appointment if later.

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 members of their immediate family are:

	As at 1 July 2002*	Granted during the period	Price	Exercised during the period	Price	As at 30 June 2003
R D Brodie	33,159	-	-	-	-	33,159
G C Clemett	10,100	-	-	-	-	10,100
A C Farnell	1,550	-	-	-	-	1,550
N Pearce	32,355	12,600	12.37	-	-	44,955
C P Sullivan	62,345	321 18,700	12.35 12.37	6,117 515	3.12 4.01	74,734

* or date of appointment if later.

No director had an interest in any of the preference shares during the year to 30 June 2003.

The following directors were beneficially interested in the Additional Value Shares of The Royal Bank of Scotland Group plc:

	As at 1 July 2002*	As at 30 June 2003
R D Brodie	-	1,620
A C Farnell	9,937	9,112
N Pearce	357	357
C P Sullivan	9,856	-

* or date of appointment if later.

NATWEST CORPORATE FINANCE LIMITED

DIRECTORS' INTERESTS (continued)

The following directors were beneficially interested in the Floating Rate Unsecured Loan Notes 2005 of The Royal Bank of Scotland Group plc:

	As at 1 July 2002*	As at 30 June 2003
R D Brodie	1,118	1,188
N Pearce	1,476	1,476
C P Sullivan	27,023	27,023

* or date of appointment if later.

Other than detailed above, none of the directors in office at 30 June 2003 held any interest in the share or loan capital of the company or any other group company during the year to 30 June 2003.

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 2004, 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 2003 bears to the amounts invoiced by suppliers during the year then ended equated to nil days proportion of 365 days (2002: nil days).

ELECTIVE RESOLUTIONS

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 were passed on 10 August 1999.

AUDITORS

On 1 August 2003, Deloitte & Touche, the Company's auditors transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnership Act 2000. The Company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 21 August 2003 under the provisions of Section 26(5) of the Companies Act 1989. 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 C Farnell
Director

Date: 26 November 2003

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 2003 which comprise the profit and loss account, the balance sheet, and the related notes 1 to 12. 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 2003 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

26 November 2003

NATWEST CORPORATE FINANCE LIMITED

PROFIT AND LOSS ACCOUNT
for the year ended 30 June 2003

	CONTINUING OPERATIONS		
	Note	2003 £'000	2002 £'000
Lease income	4	9,336	10,642
Other income	5	<u>32</u>	<u>-</u>
		9,368	10,642
Finance charges	5	(8,453)	(9,823)
Operating expenses	5	<u>(33)</u>	<u>(41)</u>
OPERATING PROFIT AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5	882	778
Taxation charge on profit on ordinary activities	6	<u>(265)</u>	<u>(225)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		617	553
Dividend for the year - interim proposed		<u>(500)</u>	<u>(500)</u>
RETAINED PROFIT FOR THE YEAR	11	<u><u>117</u></u>	<u><u>53</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 and therefore no separate statement of total recognised gains and losses has been presented.

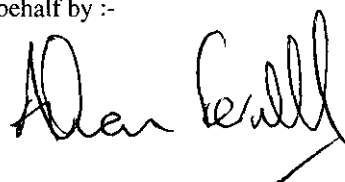
The notes on pages 8 to 11 form part of these financial statements.

NATWEST CORPORATE FINANCE LIMITED

BALANCE SHEET
as at 30 June 2003

	Note	2003 £'000	2002 £'000
CURRENT ASSETS			
Finance lease receivables due within one year		4,284	6,974
Finance lease receivables due after more than one year		195,177	199,455
Debtors	7	<u>955</u>	<u>4,298</u>
		200,416	210,727
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	8	<u>(10,367)</u>	<u>(14,129)</u>
NET CURRENT ASSETS		<u>190,049</u>	<u>196,598</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		190,049	196,598
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	8	(149,496)	(156,516)
PROVISIONS FOR LIABILITIES AND CHARGES	9	<u>(40,171)</u>	<u>(39,817)</u>
NET ASSETS		<u><u>382</u></u>	<u><u>265</u></u>
CAPITAL AND RESERVES			
Called up share capital	10	-	-
Profit and loss account	11	<u>382</u>	<u>265</u>
TOTAL EQUITY SHAREHOLDERS' FUNDS	12	<u><u>382</u></u>	<u><u>265</u></u>

The financial statements on pages 6 to 11 were approved by the Board of Directors on 26 November 2003 and were signed on its behalf by :-



A C Farnell
Director

The notes on pages 8 to 11 form part of these financial statements.

NATWEST CORPORATE FINANCE LIMITED

NOTES ON THE FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES

The financial statements on pages 6 to 11 are prepared on the basis of the principal accounting policies adopted by the Company described below and applicable Accounting Standards. Accounting policies have been applied consistently.

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

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 Secretary, 135 Bishopsgate, London EC2M 3UR.

NATWEST CORPORATE FINANCE LIMITED

NOTES ON 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	2003 £'000	2002 £'000
	Lease income:		
	Finance leases:		
	Rentals receivable	16,294	19,768
	Amortisation	<u>(6,958)</u>	<u>(9,126)</u>
		<u>9,336</u>	<u>10,642</u>

The company did not enter into any new leasing transactions during the year (2002 : nil).

5	PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2003 £'000	2002 £'000
	Includes the following:		
	Other income:	<u>32</u>	<u>-</u>
	Finance charges:		
	Interest payable to group undertakings	<u>8,453</u>	<u>9,823</u>
	Operating expenses:		
	Fees & commissions	6	16
	Management charge	27	24
	Other	<u>-</u>	<u>1</u>
		<u>33</u>	<u>41</u>

The emoluments of Messrs Clemett and Sullivan are paid by the ultimate holding company, Royal Bank of Scotland Group plc, which makes no recharge to the company. Messrs Clemett and Sullivan are directors of a number of subsidiaries and it is not possible to make an accurate apportionment of their emoluments in respect of each of these companies. Accordingly, the above details include no emoluments in respect of these directors.

Other directors and employees are employed by Royal Bank of Scotland Group plc and remunerated by Royal Bank Leasing Limited. Costs incurred in respect of their services to the Company are included in the management charge as shown below:

	£	£
Directors' emoluments	2,124	2,645
Staff costs	<u>12,460</u>	<u>12,172</u>

The auditors' remuneration for audit services was borne by the parent undertaking which made no recharge to the company.

NATWEST CORPORATE FINANCE LIMITED

NOTES ON THE FINANCIAL STATEMENTS

6	TAXATION	2003 £'000	2002 £'000
	A) ANALYSIS OF CHARGE FOR THE YEAR		
	Current tax (credit)/charge:		
	- Group relief payable on profits for the year	(89)	165
	- Adjustment in respect of prior periods	-	(8)
		<u>(89)</u>	<u>157</u>
	Deferred tax - origination and reversal of timing differences:		
	- Current year	354	68
		<u>354</u>	<u>68</u>
	Taxation charge on profit on ordinary activities	<u>265</u>	<u>225</u>
	B) FACTORS AFFECTING THE CURRENT TAX CHARGE FOR THE YEAR		
	Profit on ordinary activities before tax	<u>882</u>	<u>778</u>
	Tax on profit on ordinary activities at the standard rate of 30% (2002: 30%)	265	233
	Capital allowances for period more than depreciation	(354)	(68)
	Adjustment to tax charge in respect of previous periods	<u>-</u>	<u>(8)</u>
	Current tax (credit)/charge	<u>(89)</u>	<u>157</u>
7	DEBTORS		
	Amounts falling due within one year:		
	Trade debtors	3	3
	Amounts due from group undertakings	321	2,985
	Other debtors	<u>631</u>	<u>1,310</u>
		<u>955</u>	<u>4,298</u>
8	CREDITORS		
	Amounts falling due within one year:		
	Amounts due to group undertakings	6,896	10,072
	Other creditors	<u>3,471</u>	<u>4,057</u>
		<u>10,367</u>	<u>14,129</u>
	Amounts falling due after more than one year:		
	Amounts due to group undertakings:		
	Between one and two years	5,792	4,722
	Between two and five years	18,684	19,971
	After more than five years	<u>125,020</u>	<u>131,823</u>
		<u>149,496</u>	<u>156,516</u>

NATWEST CORPORATE FINANCE LIMITED

NOTES ON THE FINANCIAL STATEMENTS

8 CREDITORS (continued)

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.

9 PROVISIONS FOR LIABILITIES AND CHARGES

Movements during the year	Deferred taxation £'000
At 1 July 2002	39,817
Charge to profit and loss account	<u>354</u>
At 30 June 2003	<u>40,171</u>

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

	2003 £'000	2002 £'000
Accelerated capital allowances on assets financed	<u>40,171</u>	<u>39,817</u>

10 SHARE CAPITAL

	2003 Ordinary shares of £1 each	2002
Authorised	<u>1,000</u>	<u>1,000</u>
Allotted, called up and fully paid	<u>100</u>	<u>100</u>

11 PROFIT AND LOSS ACCOUNT

	£'000
At 1 July 2002	265
Retained profit for the year	<u>117</u>
At 30 June 2003	<u>382</u>

12 RECONCILIATION OF SHAREHOLDERS' FUNDS

	2003 £'000	2002 £'000
Profit for the financial year	617	553
Dividend	<u>(500)</u>	<u>(500)</u>
Net addition to shareholders' funds	117	53
Opening shareholders' funds	<u>265</u>	<u>212</u>
Closing shareholders' funds	<u>382</u>	<u>265</u>