

Company Registration No: 2353835

NATWEST CORPORATE FINANCE LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

30 June 2004



NATWEST CORPORATE FINANCE LIMITED

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NATWEST CORPORATE FINANCE LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS:

**Sharon Jill Caterer
Adrian Colin Farnell
Philip Anthony Tubb
Trevor Castledine**

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 2004.

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 £604,000 (2003: £117,000) and this was transferred to reserves. The directors do not recommend that an interim dividend be paid (2003: £500,000).

On the 24th December 2003, 2 finance leases, were transferred at net book value to a fellow subsidiary, Natwest Machinery Leasing Limited, for a consideration of £23,678,000.

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 2003 to date the following changes have taken place:

	Appointed	Resigned
Directors		
Graham Colin Clemett		29 February 2004
Robert Duncan Brodie		29 February 2004
Christopher Paul Sullivan		29 February 2004
Sharon Jill Caterer	1 March 2004	
Nigel Pearce		18 March 2004
Domhnal Slattery	18 March 2004	19 July 2004
Philip Anthony Tubb	19 May 2004	
William Vaughan Latter		7 June 2004
Trevor Castledine	18 June 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.

DIRECTORS' INTERESTS

No director had an interest in the ordinary shares of the company on 30 June 2004 nor on 1 July 2003.

At the period end, the directors were also directors of the immediate parent undertaking, Royal Bank Leasing Limited, a company which is itself required to keep a register of directors' interests. The directors were not therefore required to notify their interests in the shares or debentures of The Royal Bank of Scotland Group plc group undertakings to the 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 30 June 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.

The proportion which the amount owed to trade creditors at 30 June 2004 bears to the amounts invoiced by suppliers during the year then ended equated to nil days proportion of 365 days (2003: 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.

NATWEST CORPORATE FINANCE LIMITED

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 read 'S J Caterer', written in a cursive style.

S J Caterer
Director

Date: 25 April 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 2004 which comprise the profit and loss account, the balance sheet and the related notes 1 to 17. These financial 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 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

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Bristol

29 April 2005

NATWEST CORPORATE FINANCE LIMITED

PROFIT AND LOSS ACCOUNT for the year ended 30 June 2004

		CONTINUING OPERATIONS	
	Note	2004 £'000	2003 (Note 2) £'000
Turnover	5	6,480	9,336
Administrative expenses	6	(30)	(33)
Profit on termination of lease	7	1,856	-
Other operating income	8	<u>7</u>	<u>32</u>
OPERATING PROFIT	6	8,313	9,335
Interest payable	9	<u>(6,242)</u>	<u>(8,453)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		2,071	882
Taxation charge on profit on ordinary activities	10	<u>(1,467)</u>	<u>(265)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		604	617
Dividend for the year - interim proposed		<u>-</u>	<u>(500)</u>
RETAINED PROFIT FOR THE YEAR	16	<u><u>604</u></u>	<u><u>117</u></u>

There is no difference between the profit on ordinary activities before taxation and the retained profit for the years 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 13 form part of these financial statements.

NATWEST CORPORATE FINANCE LIMITED

BALANCE SHEET

as at 30 June 2004

	Note	2004 £'000	2003 £'000
CURRENT ASSETS			
DEBTORS:			
Finance lease receivables due after more than one year		55,772	4,284
Finance lease receivables due within one year		725	195,177
Other debtors	12	<u>2,504</u>	<u>955</u>
		59,001	200,416
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	13	<u>(6,123)</u>	<u>(10,367)</u>
NET CURRENT ASSETS		<u>52,878</u>	<u>190,049</u>
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	13	(41,743)	(149,496)
PROVISIONS FOR LIABILITIES AND CHARGES	14	<u>(10,149)</u>	<u>(40,171)</u>
NET ASSETS		<u><u>986</u></u>	<u><u>382</u></u>
CAPITAL AND RESERVES			
Called up share capital	15	-	-
Profit and loss account	16	<u>986</u>	<u>382</u>
TOTAL EQUITY SHAREHOLDERS' FUNDS	17	<u><u>986</u></u>	<u><u>382</u></u>

The financial statements on pages 6 to 13 were approved by the Board of Directors on 25 April 2005 and were signed on its behalf by :-



S J Caterer
Director

The notes on pages 8 to 13 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 13 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 2003 COMPARATIVE RESULTS

The directors have reviewed the ordering of the items in the profit and loss account and have adapted the format for 2004 results, as they consider this to be more representative of best practice. Comparative results for 2003 have been reordered accordingly. There is no profit effect due to this reordering.

NATWEST CORPORATE FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

3 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, 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 National Westminster Bank plc, 135 Bishopsgate, London EC2M 3UR.

4 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.

5	TURNOVER	2004 £'000	2003 (Note 2) £'000
	Finance leases:		
	Rentals receivable	8,574	16,294
	Amortisation	<u>(2,094)</u>	<u>(6,958)</u>
		<u>6,480</u>	<u>9,336</u>

The Company did not enter into any new leasing transactions during the year (2003 : £Nil)

NATWEST CORPORATE FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

6	OPERATING PROFIT	2004 £'000	2003 (Note 2) £'000
	Includes the following:		
	Administrative expenses:		
	Fees & commissions	15	6
	Management charge	<u>15</u>	<u>27</u>
		<u>30</u>	<u>33</u>

The emoluments of Mr C P Sullivan, Mr R D Brodie and Mr G C Clemett are paid by fellow subsidiary, Lombard North Central PLC.

The emoluments of Mr D Slattery are paid by fellow subsidiary, RBS Aerospace Limited. Neither company makes a recharge to the company. The above are directors of a number of fellow subsidiaries and it is not possible to make an accurate apportionment of their emoluments in respect of each of the companies.

Accordingly, the above details include no emoluments in respect of Mr Sullivan, Mr Brodie, Mr Clemett nor Mr Slattery.

All other directors and employees are employed by The Royal Bank of Scotland plc and remunerated by Royal Bank Leasing Limited, which makes no recharge to the Company.

	£	£
Directors' emoluments	3,330	2,124
Auditors' remuneration - for audit services	1,323	-
Staff costs	<u>9,619</u>	<u>12,460</u>

The auditors' remuneration for audit services in 2003 was borne by Royal Bank Leasing Limited which made no recharge to the company.

7	PROFIT ON TERMINATION OF LEASE	2004	2003 (Note 2)
	Profit on termination of lease	<u>1,856</u>	<u>-</u>
8	OTHER OPERATING INCOME	2004 £'000	2003 (Note 2) £'000
	Fee income	<u>7</u>	<u>32</u>
9	INTEREST PAYABLE	2004 £'000	2003 (Note 2) £'000
	Interest payable to group undertakings	<u>6,242</u>	<u>8,453</u>

NATWEST CORPORATE FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

10	TAXATION	2004 £'000	2003 (Note 2) £'000
	A) ANALYSIS OF CHARGE FOR THE YEAR		
	Current tax charge:		
	- Group relief payable/(receivable) on profits for the year	15	(89)
	- Adjustment in respect of prior periods	<u>22,839</u>	<u>-</u>
		22,854	(89)
	Deferred tax - origination and reversal of timing differences:		
	- Current year	363	354
	- Adjustment in respect of prior periods	<u>(21,750)</u>	<u>-</u>
	Taxation charge on profit on ordinary activities	<u>1,467</u>	<u>265</u>
	B) FACTORS AFFECTING THE CURRENT TAX CHARGE FOR THE YEAR		
	Profit on ordinary activities before tax	<u>2,071</u>	<u>882</u>
	Tax on profit on ordinary activities at the standard rate of 30% (2003 (Note 2): 30%)	621	265
	Capital allowances for period more than depreciation	(363)	(354)
	Permanent difference - assets not qualifying for capital allowances	(243)	-
	Adjustment to tax charge in respect of previous periods	<u>22,839</u>	<u>-</u>
	Current tax charge/(credit)	<u>22,854</u>	<u>(89)</u>
11	TRANSFER OF TRADE		
	On 24 December 2003, 2 finance leases were transferred to a fellow subsidiary, Natwest Machinery Leasing Limited, for a consideration of £23,678,000.		
	Balances transferred at 24 December 2003:		£'000
	Finance lease		32,313
	Provision for liabilities and charges		<u>(8,635)</u>
			<u>23,678</u>
12	DEBTORS	2004 £'000	2003 £'000
	Amounts falling due within one year:		
	Trade debtors	-	3
	Amounts due from group undertakings	2,493	321
	Other debtors	<u>11</u>	<u>631</u>
		<u>2,504</u>	<u>955</u>

NATWEST CORPORATE FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

13	CREDITORS	2004 £'000	2003 £'000
	Amounts falling due within one year:		
	Payments received on account	2	-
	Amounts due to group undertakings	5,969	6,896
	Other creditors	152	3,471
		<u>6,123</u>	<u>10,367</u>
	Amounts falling due after more than one year:		
	Amounts due to group undertakings:		
	Between one and two years	6,512	5,792
	Between two and five years	13,076	18,684
	After more than five years	22,155	125,020
		<u>41,743</u>	<u>149,496</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.

14 PROVISIONS FOR LIABILITIES AND CHARGES

Movements during the year:	Deferred taxation £'000
At 1 July 2003	40,171
Credit to profit and loss account	(21,387)
Transfer of trade to Natwest Machinery Leasing Limited (Note 11)	<u>(8,635)</u>
At 30 June 2004	<u>10,149</u>

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

	2004 £'000	2003 £'000
Accelerated capital allowances on assets financed	<u>10,149</u>	<u>40,171</u>

15	SHARE CAPITAL	2004	2003
		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

16 PROFIT AND LOSS ACCOUNT

£'000

At 1 July 2003

382

Retained profit for the year

604

At 30 June 2004

986

17 RECONCILIATION OF SHAREHOLDERS' FUNDS

2004

2003

£'000

£'000

Profit for the financial year

604

618

Dividend

-

(500)

Net addition to shareholders' funds

604

118

Opening shareholders' funds

382

264

Closing shareholders' funds

986

382