

LOMBARD VENTURE FINANCE LIMITED

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2002



Lombard Venture Finance Limited is registered in England and Wales No. 2354214.
Registered Office: 3 Princess Way, Redhill, Surrey, RH1 1NP.

LOMBARD VENTURE FINANCE LIMITED

DIRECTORS

G S-S Ashworth

P Marrow

GC Clemett

NTJ Clibbens

SECRETARY

C J Whittaker

LOMBARD VENTURE FINANCE LIMITED

DIRECTORS' REPORT

The directors have pleasure in submitting their report and the financial statements for the year ended 31 December 2002.

PRINCIPAL ACTIVITY

The principal activity of the company is the provision of credit finance by way of leasing.

BUSINESS REVIEW

The net amount financed under all forms of financial agreements entered into during the year was £nil. The results for the year are set out in the profit and loss account on page 6. The directors do not recommend a dividend for the year.

The company traded profitably during the year under review and the directors expect that it will continue to do so.

DIRECTORS

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

From 1 January 2002 to date the following changes have taken place:

Directors	Appointed	Resigned
Mr CG Knowles		4 March 2004
Mr CP Sullivan		4 March 2004
Mr G S-S Ashworth	5 March 2004	
Mr P Marrow	5 March 2004	
Mr GC Clemett	7 May 2004	
Mr NTJ Clibbens	7 May 2004	
Mr N Pearce		7 May 2004
Mr JD Stuart		7 May 2004

LOMBARD VENTURE FINANCE LIMITED

DIRECTORS' REPORT

DIRECTORS' INTERESTS

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

The following director was beneficially interested in:

The Royal Bank of Scotland Group plc ("RBSG") Ordinary shares of £0.25 each

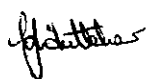
Shareholdings			Share Options				
As at 1 January 2002 No.	As at 31 December 2002 No.	As at 1 January 2002 No.	Granted during the period Options No.	Price £	Exercised during the period Options No.	Price £	As at 31 December 2002 No.
J D Stuart 1,406	1,769	18,565	-	-	515	4.01	22,299
			349	12.35			
			3,900	18.18			

At 31 December 2002 Mr J D Stuart also held 1,186 Additional Value Shares ('AVS') and 2,148 Floating Rate Unsecured Loan Notes 2005 in RBSG.

At the year end Mr C G Knowles, Mr N Pearce and Mr C P Sullivan were also directors of the immediate parent undertaking, Lombard North Central PLC, a company which is itself required to keep a register of directors' interests. Their interest in the shares of The Royal Bank of Scotland Group plc are disclosed in the accounts of Lombard North Central PLC.

No other interests in the share or loan capital of The Royal Bank of Scotland Group plc group undertakings have been notified by any director.

By order of the board



Carolyn J Whittaker
Secretary

28 July

2004

LOMBARD VENTURE FINANCE LIMITED

STATEMENT OF 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 at the end of the financial year and of the profit or loss for that period. In preparing those financial statements, the directors are required to:-

- (i) select suitable accounting policies and then apply them consistently;
- (ii) make judgements and estimates that are reasonable and prudent;
- (iii) state whether applicable accounting standards have been followed; and
- (iv) 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, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
LOMBARD VENTURE FINANCE LIMITED**

We have audited the financial statements of Lombard Venture Finance Limited for the year ended 31 December 2002 which comprise the profit and loss account, the statement of recognised gains and losses, the balance sheet and the related notes 1 to 16 of the 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

As described in the statement of directors' responsibilities, 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 as at 31 December 2002 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

London, 28 July 2004

LOMBARD VENTURE FINANCE LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2002

	Note	2002 <u>£'000</u>	2001 <u>£'000</u>
Turnover	2	1,544	2,042
Operating (charges)/credits		<u>(215)</u>	<u>7</u>
Operating profit	3	1,329	2,049
Interest payable	4	<u>(615)</u>	<u>(525)</u>
Profit on ordinary activities before taxation		714	1,524
Taxation charge on profit on ordinary activities	6	<u>(325)</u>	<u>(472)</u>
Profit on ordinary activities after taxation		389	1,052
Dividends	7	-	(1,000)
Retained profit for the financial year	10	<u><u>389</u></u>	<u><u>52</u></u>

All items dealt with in arriving at profit on ordinary activities before taxation for 2002 and for 2001 arise from continuing operations.

STATEMENT OF RECOGNISED GAINS AND LOSSES

FOR THE YEAR ENDED 31 DECEMBER 2002

	2002 <u>£'000</u>	2001 <u>£'000</u>
Profit attributable to shareholders of the company	389	1,052
Prior year adjustments (note 11)	<u>(5,463)</u>	<u>-</u>
Total gains and losses recognised since the last annual report	<u><u>(5,074)</u></u>	<u><u>1,052</u></u>

The notes on pages 8 to 14 form part of these financial statements.

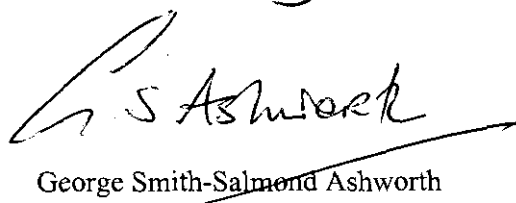
LOMBARD VENTURE FINANCE LIMITED

BALANCE SHEET

AT 31 DECEMBER 2002

	Note	2002 £'000	2001 (Restated) £'000
<u>ASSETS</u>			
CURRENT ASSETS			
Debtors falling due within one year	8	4,784	7,100
Debtors falling due after more than one year	8	9,665	11,538
		<u>14,449</u>	<u>18,638</u>
<u>LIABILITIES</u>			
CAPITAL AND RESERVES			
Called up share capital	9	-	-
Profit and loss account	10	(4,845)	(5,234)
TOTAL EQUITY SHAREHOLDERS' FUNDS	12	(4,845)	(5,234)
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred taxation	13	-	5
CREDITORS	14	19,294	23,867
		<u>14,449</u>	<u>18,638</u>

The financial statements were approved at a meeting of the board of directors
on 28 July 2004 and were signed on their behalf by:


George Smith-Salmond Ashworth

Director

The notes on pages 8 to 14 form part of these financial statements.

LOMBARD VENTURE FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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.

The company's accounts fall within the scope of Statements of Recommended Practice ("SORP") issued by the Finance & Leasing Association. The accounts have been prepared in accordance with all relevant SORPs currently in effect, in all material aspects.

b. Finance Leases

Income from finance leases is recognised over the primary period of the lease in order that 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. Finance lease receivables are stated at the amount of the net investment in the lease.

The balance sheet carrying values of finance lease assets include balances in respect of residual values. Unguaranteed residual values are subject to regular review and movements are reflected via the depreciation charge. Details in respect of unguaranteed residual values are given in note 15.

c. Provisions for bad and doubtful debts

Provisions for bad and doubtful debts are based on the year-end appraisal of loans and advances having regard to both specific and general factors. The general element arises in relation to existing losses which, although not separately identified, are known from experience to be present in any portfolio of loans and advances. Provisions have been made in respect of all impaired advances. Provisions made, less amounts released, during the year are included in operating charges.

d. Deferred Taxation

The company has implemented Financial Reporting Standard 19, 'Deferred Tax'. Deferred tax is now provided in full, without discounting, in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes.

The previous policy was to provide deferred tax using the liability method on all timing differences to the extent that a tax liability or asset was expected to arise in the future. The change in the accounting policy has not had a material financial effect.

e. Related Party Transactions/Cashflow Statement

As a wholly owned subsidiary of The Royal Bank of Scotland Group plc, the company has taken advantage of the exemption permitted by Financial Reporting Standard 8, 'Related Party Disclosures', and does not disclose inter company transactions. Similarly, the company is exempted under Financial Reporting Standard 1, 'Cash Flow Statements', from the requirement to prepare a cash flow statement.

LOMBARD VENTURE FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. TURNOVER

- (i) Turnover represents lease income and termination adjustments credited to the profit and loss account during the year, all of which arises in the United Kingdom and is from continuing activities.

	2002	2001
	<u>£'000</u>	<u>£'000</u>
(ii) Net amounts financed under finance leases entered into during the year	<u>-</u>	<u>23</u>
(iii) Aggregate rentals receivable during the year under finance leases	<u>4,466</u>	<u>6,156</u>

3. OPERATING PROFIT

There is no charge in this year's financial statements for auditors' remuneration as the fee is to be charged in the financial statements of the immediate parent undertaking (2001 - £nil).

4. INTEREST PAYABLE

	2002	2001
	<u>£'000</u>	<u>£'000</u>
On bank loans and overdrafts, and other loans:		
To group undertakings	95	17
Finance charges in respect of finance leases	<u>520</u>	<u>508</u>
	<u>615</u>	<u>525</u>

5. EMPLOYEES, DIRECTORS' REMUNERATION AND INTERESTS

No emoluments were paid to any director by the company during the year (2001 - £nil).

None of the directors had any material interest in any contract of significance in relation to the business of the company (2001 - £nil).

Employee costs are incurred by the immediate parent company, Lombard North Central PLC, and allocated together with other overheads by way of management charge to the company.

LOMBARD VENTURE FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. TAXATION (CREDIT)/CHARGE ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES	2002 £'000	2001 £'000
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A) Analysis of charge in the year

Current taxation:

Group relief payable*	2,130	545
Adjustments in respect of prior years	(1,800)	-
	<u>330</u>	<u>545</u>

Deferred Taxation:

Origination and reversal of timing differences (note 13)	(4,204)	(73)
Adjustments in respect of prior years (note 13)	4,199	-
	<u>(5)</u>	<u>(73)</u>

	<u>325</u>	<u>472</u>
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* Provision for group relief is made on the assumption that the claimant companies will make payment to the surrendering companies at rates appropriate to the periods in which the losses claimed are utilised.

B) Factors affecting the tax charge for the year

Current tax charged for the year is lower than that resulting from applying the standard rate of corporation tax in the UK: 30% (2001-30%). The differences are explained below:

	2002 £'000	2001 £'000
Profit on ordinary activities before tax	<u>714</u>	<u>1,524</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2001: 30%)	215	457
Effects of:		
Capital allowances for the year in excess of depreciation	115	73
Other timing differences	-	15
Current tax charge for the year	<u>330</u>	<u>545</u>
Deferred Taxation:		
Origination and reversal of timing differences (note 13)	(4,204)	(73)
Adjustments in respect of prior years (note 13)	4,199	-
	<u>325</u>	<u>472</u>

LOMBARD VENTURE FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. DIVIDENDS	2002	2001
	<u>£'000</u>	<u>£'000</u>
Ordinary shares:		
Dividend proposed - £nil per ordinary share (2001 - £10,000)	<u>-</u>	<u>1,000</u>
8. DEBTORS	2002	2001
	<u>£'000</u>	<u>£'000</u>
Amounts falling due:		
i) Within one year		
Trade debtors	50	450
Amounts owed by group undertakings	1,150	2,145
Net investment in finance leases	3,377	4,481
Other debtors	43	23
Prepayments and accrued income	<u>164</u>	<u>1</u>
	4,784	7,100
ii) After more than one year		
Net investment in finance leases	9,665	11,538
Total debtors	<u>14,449</u>	<u>18,638</u>

9. CALLED UP SHARE CAPITAL

	2002		2001	
	<u>Authorised</u>	Allotted, called up and <u>fully paid</u>	<u>Authorised</u>	Allotted, called up and <u>fully paid</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
Ordinary shares of £1 each	<u>1,000</u>	<u>100</u>	<u>1,000</u>	<u>100</u>

All of the above share capital relates to equity funds.

LOMBARD VENTURE FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. PROFIT AND LOSS ACCOUNT

	<u>£'000</u>
Balance at 1 January 2002	229
Prior year adjustments	<u>(5,463)</u>
At 1 January 2002 (as restated)	(5,234)
Profit for the financial year	389
Balance at 31 December 2002	<u><u>(4,845)</u></u>

11. PRIOR YEAR ADJUSTMENTS

A prior period adjustment gives rise to a cumulative debit to reserves of £5,463,000 in the 2002 accounts, of which all relates to the periods prior to 31 December 2001.

12. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<u>2002</u>	<u>2001</u>
	<u>£'000</u>	<u>£'000</u>
		(Restated)
Profit attributable to members of the company	389	1,052
Dividends	<u>-</u>	<u>(1,000)</u>
Net addition to shareholders' funds	389	52
Opening shareholders' funds	(5,234)	177
Prior year adjustments	<u>-</u>	<u>(5,463)</u>
Opening shareholders' funds as restated	-	(5,286)
Closing shareholders' funds as restated	<u><u>(4,845)</u></u>	<u><u>(5,234)</u></u>

LOMBARD VENTURE FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13. DEFERRED TAXATION

	2002
	<u>£'000</u>
Capital allowances	-
Balance as at 1 January 2002	4,200
Adjustments in respect of prior years	(4,195)
Balance as at 1 January 2002 (as restated)	5
Transfer from profit and loss account (note 6)	(5)
Balance at 31 December 2002	-

14. CREDITORS

	2002	2001
	<u>£'000</u>	<u>£'000</u>
		(Restated)
Amounts falling due:		
i) Within one year		
Trade creditors	389	482
Net obligations due under finance leases	3,143	6,586
Amounts owed to group undertakings	6,307	6,650
Other creditors	25	-
Declared dividend	-	1,000
	<u>9,864</u>	<u>14,718</u>
ii) After more than one year		
Net obligations due under finance leases:	9,430	9,149
	<u>19,294</u>	<u>23,867</u>

LOMBARD VENTURE FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15. RESIDUAL VALUE EXPOSURES

The table below gives details in respect of unguaranteed residual values included in the carrying value of finance lease assets at the balance sheet date.

	Year in which residual value will be recovered				Total
	Within 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
At 31 December 2002	<u>106</u>	<u>50</u>	<u>95</u>	<u>-</u>	<u>251</u>
At 31 December 2001	<u>586</u>	<u>31</u>	<u>127</u>	<u>-</u>	<u>744</u>

16. ULTIMATE PARENT UNDERTAKING

The company's immediate parent company is Lombard North Central 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 Lombard North Central PLC, a company incorporated in Great Britain and registered in England and Wales. Copies of the consolidated financial statements for this subgroup can be obtained from Lombard North Central PLC, 3 Princess Way, Redhill, Surrey, RH1 1NP.