

Company Registration No: 3068485

ROYAL BANK ASSET MANAGEMENT LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 March 2004



ROYAL BANK ASSET MANAGEMENT LIMITED

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ROYAL BANK ASSET MANAGEMENT LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS:

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

SECRETARY:

Marina Louise Thomas

REGISTERED OFFICE:

**The Quadrangle
The Promenade
Cheltenham
Gloucestershire GL50 1PX**

AUDITORS:

**Deloitte & Touche LLP,
Bristol**

Registered in England and Wales.

ROYAL BANK ASSET MANAGEMENT LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 March 2004.

ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company, which is a wholly owned subsidiary of Royal Bank Leasing Limited, is the provision of asset finance by way of leasing.

The retained profit for the period was £396,000 (2003: £379,000) and this was transferred to reserves. The directors do not recommend that an interim dividend be paid (2003: 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 April 2003 to date the following changes have taken place:

	Appointed	Resigned
Directors		
Eion Arthur Flint		31 May 2003
Graham Colin Clemett	1 June 2003	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	
Company Secretary		
Angela Mary Cunningham		31 May 2003
Marina Louise Thomas	1 June 2003	

ROYAL BANK ASSET MANAGEMENT LIMITED

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 shares of the company.

At the year end, all of 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 31 March 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 31 March 2004 bears to the amounts invoiced by suppliers during the year then ended equated to nil days proportion of 365 days (2003: nil days).

ROYAL BANK ASSET MANAGEMENT LIMITED

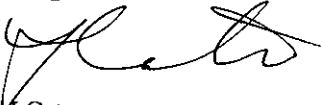
ELECTIVE RESOLUTIONS

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 1 March 2002.

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



SJ Caterer
Director

Date: 20 September 2004

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ROYAL BANK ASSET MANAGEMENT LIMITED

We have audited the financial statements of Royal Bank Asset Management Limited for the year ended 31 March 2004 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 31 March 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

24 September 2004

ROYAL BANK ASSET MANAGEMENT LTD

PROFIT AND LOSS ACCOUNT for the year ended 31 March 2004

		CONTINUING OPERATIONS	
	Note	2004 £'000	2003 (Note 2) £'000
Turnover	5	3,159	3,963
Administrative expenses	6	(17)	(18)
Other operating income	7	<u>15</u>	<u>13</u>
OPERATING PROFIT	6	3,157	3,958
Interest payable	8	<u>(2,591)</u>	<u>(3,417)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		566	541
Taxation charge on profit on ordinary activities	9	<u>(170)</u>	<u>(162)</u>
RETAINED PROFIT FOR THE YEAR	14	<u><u>396</u></u>	<u><u>379</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 13 form part of these financial statements.

ROYAL BANK ASSET MANAGEMENT LTD

BALANCE SHEET
as at 31 March 2004

	Note	2004 £'000	2003 (Note 2) £'000
CURRENT ASSETS			
DEBTORS:			
Finance lease receivables due within one year		918	-
Finance lease receivables due after more than one year		74,074	75,354
Other debtors	10	<u>428</u>	<u>1,796</u>
		75,420	77,150
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	11	<u>(4,215)</u>	<u>(5,518)</u>
NET CURRENT ASSETS		<u>71,205</u>	<u>71,632</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		71,205	71,632
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	11	(57,436)	(61,762)
PROVISIONS FOR LIABILITIES AND CHARGES	12	<u>(12,761)</u>	<u>(9,258)</u>
NET ASSETS		<u><u>1,008</u></u>	<u><u>612</u></u>
CAPITAL AND RESERVES			
Called up share capital	13	-	-
Profit and loss account	14	<u>1,008</u>	<u>612</u>
TOTAL EQUITY SHAREHOLDERS' FUNDS	15	<u><u>1,008</u></u>	<u><u>612</u></u>

The financial statements on pages 6 to 13 were approved by the Board of Directors on 20 September 2004 and were signed on its behalf by :-



S J Caterer
Director

The notes on pages 8 to 13 form part of these financial statements.

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, and in compliance with the UK leasing SORP.

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 AND OPERATING LEASES

Gross earnings under finance and operating 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.

NOTES TO THE FINANCIAL STATEMENTS

3 IMMEDIATE AND ULTIMATE PARENT COMPANY

The Company's immediate parent company is Royal Bank Leasing Limited.

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 The Royal Bank of Scotland plc, a company incorporated in Great Britain and registered in Scotland. Copies of the consolidated financial statements for this subgroup can be obtained from The Royal Bank of Scotland Group plc, 42 St Andrew Square, Edinburgh, EH2 2YE.

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	3,350	3,632
	Amortisation	(191)	331
		<u>3,159</u>	<u>3,963</u>

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

NOTES TO THE FINANCIAL STATEMENTS

6	OPERATING PROFIT	2004 £'000	2003 (Note 2) £'000
	Includes the following:		
	Administrative expenses:		
	Management charge	14	15
	Other	<u>3</u>	<u>3</u>
		<u>17</u>	<u>18</u>

The emoluments of Mr E A Flint 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 Flint, Mr Clemett nor Mr Slattery.

Other directors and employees are employed by The Royal Bank of Scotland plc and remunerated by a recharge 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	1,110	531
Auditors' remuneration - for audit services	441	-
Staff costs	<u>10,567</u>	<u>10,459</u>

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

7	OTHER OPERATING INCOME	2004 £'000	2003 (Note 2) £'000
	Other income	<u>15</u>	<u>13</u>

ROYAL BANK ASSET MANAGEMENT LTD

NOTES TO THE FINANCIAL STATEMENTS

8	INTEREST PAYABLE	2004 £'000	2003 (Note 2) £'000
	Interest payable to group undertakings	<u>2,591</u>	<u>3,417</u>
9	TAXATION	2004 £'000	2003 (Note 2) £'000
	A) ANALYSIS OF CHARGE FOR THE YEAR		
	Current tax credit:		
	- Group relief receivable on profits for the year	(3,333)	(4,508)
	Deferred tax - origination and reversal of timing differences:		
	- Current year	3,503	4,670
	Taxation charge on profit on ordinary activities	<u>170</u>	<u>162</u>
	B) FACTORS AFFECTING THE CURRENT TAX CHARGE FOR THE YEAR		
	Profit on ordinary activities before tax	<u>566</u>	<u>541</u>
	Tax on profit on ordinary activities at the standard rate of 30% (2003 (Note 2): 30%)	170	162
	Capital allowances for period more than depreciation	(3,503)	(4,670)
	Current tax credit	<u>(3,333)</u>	<u>(4,508)</u>
10	DEBTORS	2004 £'000	2003 £'000
	Amounts falling due within one year:		
	Amounts due from group undertakings	<u>428</u>	<u>1,796</u>

ROYAL BANK ASSET MANAGEMENT LTD

NOTES TO THE FINANCIAL STATEMENTS

11	CREDITORS	2004 £'000	2003 £'000
	Amounts falling due within one year:		
	Amounts due to group undertakings	3,888	5,095
	Other creditors	<u>327</u>	<u>423</u>
		<u>4,215</u>	<u>5,518</u>
	Amounts falling due after more than one year:		
	Amounts due to group undertakings:		
	Between one and two years	3,534	3,877
	Between two and five years	9,398	9,821
	After more than five years	<u>44,504</u>	<u>48,064</u>
		<u>57,436</u>	<u>61,762</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 April 2003	9,258
Charge to profit and loss account	<u>3,503</u>
At 31 March 2004	<u>12,761</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>12,761</u>	<u>9,258</u>

NOTES TO THE FINANCIAL STATEMENTS

13	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>2</u>	<u>2</u>
14	PROFIT AND LOSS ACCOUNT		
		£'000	
	At 1 April 2003	612	
	Retained profit for the year	<u>396</u>	
	At 31 March 2004	<u>1,008</u>	
15	RECONCILIATION OF SHAREHOLDERS' FUNDS		
		2004	2003
		£'000	£'000
	Profit for the financial year and net addition to shareholders' funds	396	379
	Opening shareholders' funds	<u>612</u>	<u>612</u>
	Closing shareholders' funds	<u>1,008</u>	<u>612</u>