

Company Registration No: 03068485

ROYAL BANK ASSET MANAGEMENT LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 March 2007

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

TUESDAY



A32 "AUOUBWD6" 507
15/01/2008
COMPANIES HOUSE

ROYAL BANK ASSET MANAGEMENT LIMITED

CONTENTS	Page
Officers and Professional Advisers	1
Directors' Report	2-4
Independent Auditors' Report	5
Income Statement	6
Balance Sheet	7
Cash Flow Statement	8
Notes to the Financial Statements	9-15

ROYAL BANK ASSET MANAGEMENT LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS:
S J Caterer
A S Devine
A C Farnell
P A Tubb

SECRETARY:
C J Whittaker

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 report and the audited financial statements for the year ended 31 March 2007

ACTIVITIES AND BUSINESS REVIEW

This directors' report has been prepared in accordance with the special provisions relating to small companies under section 246(4)(a) of the Companies Act 1985

The principal activity of the Company, which is a wholly owned subsidiary of Royal Bank Leasing Limited, is the provision of fixed asset finance usually involving individually structured facilities

The retained profit for the financial year was £185,000 (2006 £300,000) The directors do not recommend that a dividend be paid (2006 £nil)

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

DIRECTORS AND SECRETARY

The present directors and secretary, who have served throughout the year except where noted below, are listed on page 1

From 1 April 2006 to date the following changes have taken place

	Appointed	Resigned
Directors		
T V Castledine		19 July 2007
A S Devine	19 July 2007	

DIRECTORS' RESPONSIBILITIES

The directors are required by the Companies Act 1985 to prepare a directors' report and financial statements for each financial year and have elected to prepare them in accordance with International Financial Reporting Standards as adopted by the European Union They are responsible for preparing financial statements that present fairly the financial position, financial performance, and cash flows of the Company In preparing these 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 accounts, 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 directors' report and financial statements comply with the

ROYAL BANK ASSET MANAGEMENT LIMITED

requirements of 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.

DISCLOSURE OF INFORMATION TO AUDITORS

Each of the directors at the date of approval of this report confirm that

- (1) so far as he/she is aware, there is no relevant audit information of which the Company's Auditors are unaware, and
- (2) the director has taken all the steps that he/she ought to have taken to make himself/herself aware of any relevant audit information and to establish that the Company's Auditors are aware of that information.

DIRECTORS' INDEMNITIES

In terms of Section 309C of the Companies Act 1985 (as amended), Mr A C Farnell had been granted Qualifying Third Party Indemnity Provisions by The Royal Bank of Scotland Group plc.

RISK MANAGEMENT POLICY

Interest rate risk

The Company's policy is to avoid interest rate risk. Any movement in interest rates associated with the financing of the lease is charged or credited to the lessee.

Credit risk

Credit risk is the risk arising from the possibility that the Company will incur losses from the failure of lessees to meet their obligations. Credit risk is managed through The Royal Bank of Scotland plc Group Credit Risk Management Framework to enable the Group to achieve appropriate risk versus reward performance whilst maintaining credit risk exposure in line with approved risk appetite on a Group basis. The Framework encompasses credit risk assessment prior to the approval of any credit exposure, and the control and monitoring of these exposures against approved limits. The Company has credit exposure to one finance lessee. The gross investment in the lease less unearned finance income represents the maximum credit exposure.

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 ('RBSG'), as outlined below.

RBSG is committed to maintaining a sound commercial relationship with its suppliers. Consequently, it is RBSG'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.

ROYAL BANK ASSET MANAGEMENT LIMITED

The proportion which the amount owed to trade creditors at 31 March 2007 bears to the amounts invoiced by suppliers during the period then ended equated to nil days proportion of 365 days (2006 nil days)

ELECTIVE RESOLUTIONS

The Company has elected to dispense with the requirement to hold annual general meetings, lay directors' report and financial statements 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

A handwritten signature in black ink, appearing to read 'S J Caterer', is written over a horizontal line.

S J Caterer
Director

Date 03 January 2008

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

We have audited the financial statements of Royal Bank Asset Management Limited ("the company") for the year ended 31 March 2007 which comprise the income statement, the balance sheet, the cash flow statement and the related Notes 1 to 18. 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 for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the statement of directors' responsibilities. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 report to you whether in our opinion the information given in the directors' report is consistent with the financial statements. In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the other information contained in the Directors' Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 circumstances of the company, 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, in accordance with those IFRSs as adopted by the European Union, of the state of the company's affairs as at 31 March 2007 and of its profit for the year then ended, and
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements.

Deloitte & Touche LLP

11 January 2008

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Bristol, United Kingdom

ROYAL BANK ASSET MANAGEMENT LIMITED

INCOME STATEMENT
for the year ended 31 March 2007

	Note	2007 £'000	2006 £'000
CONTINUING OPERATIONS			
Revenue	3	2,751	2,753
Other operating income	4	14	488
Administrative expenses	5	<u>(50)</u>	<u>(7)</u>
OPERATING PROFIT	5	2,715	3,234
Interest payable	7	<u>(2,558)</u>	<u>(2,805)</u>
PROFIT BEFORE TAXATION		157	429
Taxation income/(expense)	8	<u>28</u>	<u>(129)</u>
PROFIT FOR THE FINANCIAL YEAR	16	<u>185</u>	<u>300</u>

There have been no other gains or losses in the financial year or prior year

The notes on pages 9 to 15 form part of these financial statements

ROYAL BANK ASSET MANAGEMENT LIMITED

BALANCE SHEET
as at 31 March 2007

	Note	2007 £'000	2006 £'000
NON-CURRENT ASSETS			
Finance lease receivables	9	<u>68,356</u>	<u>68,134</u>
		<u>68,356</u>	<u>68,134</u>
CURRENT ASSETS			
Finance lease receivables	9	2,431	1,735
Trade and other receivables	10	221	800
Cash and cash equivalents	11	<u>2,377</u>	<u>1,837</u>
		5,029	4,372
		<u>5,029</u>	<u>4,372</u>
TOTAL ASSETS		<u>73,385</u>	<u>72,506</u>
CURRENT LIABILITIES			
Trade and other payables	12	(854)	(992)
Bank overdraft and loans	13	<u>(942)</u>	<u>(3,308)</u>
		<u>(1,796)</u>	<u>(4,300)</u>
NON CURRENT LIABILITIES			
Bank loans	13	(54,241)	(52,141)
Deferred tax liabilities	14	<u>(17,366)</u>	<u>(16,268)</u>
		<u>(71,607)</u>	<u>(68,409)</u>
TOTAL LIABILITIES		<u>(73,403)</u>	<u>(72,709)</u>
NET LIABILITIES		<u>(18)</u>	<u>(203)</u>
EQUITY			
Share capital	15	-	-
Retained earnings	16	<u>(18)</u>	<u>(203)</u>
TOTAL EQUITY		<u>(18)</u>	<u>(203)</u>

The financial statements on pages 6 to 15 were approved by the Board of Directors and authorised for issue on 03 January 2008. They were signed on its behalf by -



S J Caterer
Director

The notes on pages 9 to 15 form part of these financial statements

ROYAL BANK ASSET MANAGEMENT LIMITED

CASH FLOW STATEMENT
for the year ended 31 March 2007

	Note	2007 £'000	2006 £'000
NET CASH FROM OPERATING ACTIVITIES	17	<u>806</u>	<u>3,831</u>
FINANCING ACTIVITIES			
Repayments of borrowings		<u>(266)</u>	<u>(2,335)</u>
NET CASH USED IN FINANCING ACTIVITIES		<u>(266)</u>	<u>(2,335)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		540	1,496
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		<u>1,837</u>	<u>341</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR		<u><u>2,377</u></u>	<u><u>1,837</u></u>

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES

a BASIS OF ACCOUNTING

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the EU

The financial statements have been prepared on the historical cost basis. The principal accounting policies are set out below

b INCOME UNDER FINANCE LEASES

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee

Finance lease income, which includes the amortisation of the investment in the lease, is allocated to accounting periods so as to reflect a constant periodic rate of return on the net investment outstanding in respect of the leases

c BORROWING COSTS

All borrowing costs are recognised as an expense in the period in which they are incurred

d TAXATION

Provision is made for taxation at current enacted rates on taxable profits, arising in income or in equity, taking into account relief for overseas taxation where appropriate

Deferred taxation is accounted for in full for all temporary differences between the carrying amount of an asset or liability for accounting purposes and its carrying amount for tax purposes, except in relation to overseas earnings where remittance is controlled by the Group, and goodwill

Deferred tax assets are only recognised to the extent that it is probable that they will be recovered

e AMOUNTS RECEIVABLE UNDER FINANCE LEASES

A lease is recognised when there is a contractual right to the asset's cash flows and derecognised when all contractual rights and obligations expire. Amounts due from lessees under finance leases are recorded as receivables at the amount of the net investment in the leases. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income

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

f TRADE RECEIVABLES

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition

g CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value

h BANK BORROWINGS

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the profit or loss using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES

i CASH FLOW STATEMENT

The cash flow statement has been presented using the indirect method of cash flows from operating activities

j RISK MANAGEMENT POLICY

Interest rate risk

The Company's policy is to avoid interest rate risk. Any movement in interest rates associated with the financing of the lease is charged or credited to the lessee.

Credit risk

Credit risk is the risk arising from the possibility that the Company will incur losses from the failure of lessees to meet their obligations. Credit risk is managed through The Royal Bank of Scotland plc Group Credit Risk Management Framework to enable the Group to achieve appropriate risk versus reward performance whilst maintaining credit risk exposure in line with approved risk appetite on a Group basis. The Framework encompasses credit risk assessment prior to the approval of any credit exposure, and the control and monitoring of these exposures against approved limits. The Company has credit exposure to one finance lessee. The gross investment in the lease less unearned finance income represents the maximum credit exposure.

2 PARENT COMPANIES

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 which 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, Edinburgh, EH12 1HQ.

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, Gogarburn, Edinburgh, EH12 1HQ.

3 REVENUE

2007	2006
£'000	£'000

Finance leases

Rentals receivable
Amortisation

4,016	4,388
(1,265)	(1,635)
<u>2,751</u>	<u>2,753</u>

The Company did not enter into any new leasing transactions during the year (2006: £Nil).

ROYAL BANK ASSET MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

4 OTHER OPERATING INCOME	2007 £'000	2006 £'000
Fee income	<u>14</u>	<u>488</u>

5 OPERATING PROFIT

Operating profit has been arrived at after charging	2007 £'000	2006 £'000
Fees & commissions	21	-
Management charge	21	7
Other	<u>8</u>	<u>-</u>
	<u>50</u>	<u>7</u>

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

	£	£
Auditors' remuneration - for audit services	<u>1,355</u>	<u>439</u>

6 STAFF COSTS

All 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

The average monthly number of employees was nil (2006 nil)

7 INTEREST PAYABLE	2007 £'000	2006 £'000
Interest payable to group undertakings	<u>2,558</u>	<u>2,805</u>

8 TAXATION	2007 £'000	2006 £'000
------------	---------------	---------------

A) ANALYSIS OF (INCOME)/EXPENSE FOR THE YEAR

Current tax income		
- Group relief receivable on profits for the year	(1,051)	(1,351)
- Adjustment in respect of prior periods	<u>(75)</u>	<u>-</u>
	<u>(1,126)</u>	<u>(1,351)</u>
Deferred tax - origination and reversal of temporary differences		
- Current year	<u>1,098</u>	<u>1,480</u>
Taxation (income)/expense on profit on ordinary activities	<u>(28)</u>	<u>129</u>

B) FACTORS AFFECTING THE TAX (INCOME)/EXPENSE FOR THE YEAR

Profit before tax	<u>157</u>	<u>429</u>
Tax on profit at the standard rate of 30% (2006 30%)	47	129
Adjustment to tax charge in respect of previous periods	<u>(75)</u>	<u>-</u>
Tax (income)/expense	<u>(28)</u>	<u>129</u>

NOTES TO THE FINANCIAL STATEMENTS

9 FINANCE LEASE RECEIVABLES	Gross investment in lease		Present value of minimum lease payments	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Amounts receivable under finance leases				
Within one year	2,500	2,500	2,431	1,735
In the second to fifth years inclusive	10,000	10,000	8,861	11,787
After five years	87,476	89,976	59,495	56,347
	99,976	102,476	70,787	69,869
Less unearned finance income	(29,189)	(32,607)	N/A	N/A
Present value of minimum lease payments receivable	70,787	69,869	70,787	69,869
Analysed as				
Non-current finance lease receivables (recoverable after 12 months)			68,356	68,134
Current finance lease receivables (recoverable within 12 months)			2,431	1,735
			70,787	69,869

The Company has entered into finance leasing arrangements for rail infrastructure. The term of the finance lease entered into is 17 years.

Unguaranteed residual values of assets leased under finance leases at the balance sheet date are estimated at £nil (2006: £nil).

The interest rate inherent in the leases is determined at the contract date for all the lease term. The average effective interest rate contracted approximates 3.95 per cent (2006: 4.58 per cent) per annum.

The fair value of the Company's finance lease receivables at 31 March 2007 is estimated at £70,787,000 (2006: £69,869,000).

10 TRADE AND OTHER RECEIVABLES	2007 £'000	2006 £'000
Trade debtors	-	560
Amounts due from group undertakings	98	239
Other debtors	123	1
	221	800

The directors consider that the carrying amount of trade and other receivables approximates to their fair value.

11 CASH AND CASH EQUIVALENTS	2007 £'000	2006 £'000
Short term deposits with group undertakings	2,367	1,824
Bank account with group undertakings	10	13
	2,377	1,837

The directors consider that the carrying amount of cash and cash equivalents approximates to their fair value.

ROYAL BANK ASSET MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

12 TRADE AND OTHER PAYABLES	2007 £'000	2006 £'000
Amounts falling due within one year		
Amounts due to group undertakings	784	638
Other creditors	<u>70</u>	<u>354</u>
	<u>854</u>	<u>992</u>

The directors consider that the carrying amount of trade and other payables approximates to their fair value

13 BANK OVERDRAFT AND LOANS	2007 £'000	2006 £'000
Loan amount due to group undertakings	<u>55,183</u>	<u>55,449</u>
The borrowings are repayable as follows		
On demand or within one year	942	3,308
In the second year	869	3,171
In the third to fifth year inclusive	1,531	10,052
After five years	<u>51,841</u>	<u>38,918</u>
	55,183	55,449
Less Amounts due for settlement within 12 months (shown under current liabilities)	<u>(942)</u>	<u>(3,308)</u>
Amounts due for settlement after 12 months	<u>54,241</u>	<u>52,141</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

The effective interest rate on the bank loan is variable at 5.60% (2006 4.58%) and matures in 2019

The directors consider that the carrying amount of bank overdraft and loans approximates to their fair value

14 DEFERRED TAX

Movements during the year	Deferred taxation £'000
At 1 April 2005	14,788
Charge to income statement	<u>1,480</u>
At 1 April 2006	16,268
Charge to income statement	<u>1,098</u>
At 31 March 2007	<u>17,366</u>

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

	2007 £'000	2006 £'000
Accelerated capital allowances on assets financed	<u>17,366</u>	<u>16,268</u>

ROYAL BANK ASSET MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

15 SHARE CAPITAL

	2007	2006
	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>

The Company has one class of ordinary voting shares which carry no right to fixed income

16 RETAINED EARNINGS

	£'000
Balance at 1 April 2005	(503)
Profit for the financial year	<u>300</u>
Balance at 1 April 2006	(203)
Profit for the financial year	<u>185</u>
Balance at 31 March 2007	<u>(18)</u>

17 NOTES TO THE CASH FLOW STATEMENT

	2007 £'000	2006 £'000
Profit before tax	157	429
Adjustments for		
Interest expense	2,558	2,805
(Increase)/decrease in receivables	(479)	1,141
(Decrease)/increase in payables	<u>(281)</u>	<u>113</u>
Cash generated by operations	1,955	4,488
Income taxes received	1,266	1,519
Interest paid	<u>(2,415)</u>	<u>(2,176)</u>
Net cash from operating activities	<u>806</u>	<u>3,831</u>

18 RELATED PARTY TRANSACTIONS

During the period, the Company entered into the following related party transactions

	2007 £'000	2006 £'000
Royal Bank Leasing Limited		
Transactions during the period		
- Management charge paid to related party	21	7
- Interest on loan paid to related party	2,558	2,805
- Loans repaid to related party	<u>(266)</u>	<u>(2,335)</u>
Group relief owed by related party	98	239
Outstanding balance owed to the related party	<u>(53,502)</u>	<u>(54,024)</u>
The Royal Bank of Scotland plc		
Bank account held with related party	<u>10</u>	<u>13</u>

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties. Both The Royal Bank of Scotland plc and Royal Bank Leasing Limited are fellow subsidiaries of the ultimate holding company The Royal Bank of Scotland Group plc.