

Company Registration No: 05097950
Registered in England and Wales.

RBS Asset Management Limited

DIRECTOR'S REPORT AND FINANCIAL STATEMENTS

31 December 2004

Deloitte & Touche LLP
London



RBS ASSET MANAGEMENT LTD

REPORT AND FINANCIAL STATEMENTS 2004

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RBS ASSET MANAGEMENT LTD

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

B J Crowe
R A Dawkins
D A C Home
A J Hutton
F R Keating
G F Pell

SECRETARY

D J Lewis

REGISTERED OFFICE

135 Bishopsgate
London
EC2M 3UR

AUDITORS

Deloitte & Touche LLP
Chartered Accountants and
Registered Auditors

DIRECTORS' REPORT

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

INCORPORATION

The company was incorporated on 7 April 2004.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The principal activity of the company is the provision of fund advisory and management services. The retained profit for the period after appropriations was nil. The directors do not anticipate any material change in either the type or level of activities of the company.

SHARE CAPITAL

The authorised and issued share capital at incorporation on 7 April 2004 was £600,000 consisting of 600,000 ordinary shares of £1.00. The authorised and issued share capital of the Company increased from £600,000 to £2,500,000 on 7 June 2004 by the creation of 1,900,000 additional ordinary shares of £1.00 each ranking pari passu in all respects with the existing shares in the capital of the Company.

Furthermore, the subordinated loan stock of the Company increased from £1,400,000 to £1,500,000 on 7 June 2004 by the issue of an additional £100,000 loan stock notes

DIRECTORS AND SECRETARY

The names of the present directors and secretary are as listed on page 1. Subsequent to the date of incorporation, the following change has taken place:

Directors	Appointed	Resigned
London Law Services Limited	07 April 2004	07 April 2004
D A C Home	04 October 2004	
Secretary	Appointed	Resigned
London Law Secretarial Limited	07 April 2004	07 April 2004
D J Lewis	07 April 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 those 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; 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.

The directors confirm that these financial statements comply with the aforementioned requirements.

DIRECTORS' REPORT (CONTINUED)**DIRECTORS' INTERESTS**

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

The following directors were beneficially interested in ordinary shares of The Royal Bank of Scotland Group plc:

	As at 07 April 2004	As at 31 December 2004
B J Crowe	153,379	159,079
R A Dawkins	1,555	1,606
D A C Home	1,840	1,840
A J Hutton	1,937	2,552
F R Keating	7,153	7,390
G F Pell	582	582

The following directors were beneficially interested in ordinary shares of The Royal Bank of Scotland plc:

	As at 07 April 2004	As at 31 December 2004
G F Pell	2	-

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 connected persons are:

	As at 07 April 2004	Granted During the period		Exercised During the Period		As at 31 December 2004
		Options	Price	Options	Price	
B J Crowe	134,214	779	12.09	670	10.06	134,323
R A Dawkins	2,221	-	-	-	-	2,221
D A C Home	-	-	-	-	-	-
A J Hutton	851	1,352	12.09	551	6.12	1,652
F R Keating	49,126	-	-	150	12.40	48,976
G F Pell	204,933	-	-	-	-	204,933

The Royal Bank of Scotland Group plc options referred to in the above are exercisable at prices between 612p and 1734p per share.

DIRECTORS' REPORT (CONTINUED)

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 07 April 2004	As at 31 December 2004
R A Dawkins	2,176	2,176

Other than as disclosed, none of the directors in office at 31 December 2004 held any interest in the share or loan capital of the company or any other group 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 December 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.

AUDITORS

Deloitte & Touche LLP were appointed as auditors on 27 October 2004.

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and a resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board



D J Lewis
Secretary

Date: 16 March 2005

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF RBS ASSET MANAGEMENT LTD

We have audited the financial statements of RBS Asset Management Ltd for the period ended 31 December 2004 which comprise the profit and loss account, the balance sheet and the related notes 1 to 14. 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

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 as at 31 December 2004 and of its profit for the period from 7th April 2004 to 31st December and have been properly prepared in accordance with the Companies Act 1985.

Deloitte + Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London

17 March 2005

RBS ASSET MANAGEMENT LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE FINANCIAL PERIOD FROM 7 APRIL 2004 TO 31 DECEMBER 2004

	Notes	2004 £000
Turnover	2	9,509
Operating Costs		<u>(4,299)</u>
Operating Profit		5,210
Other interest receivable and similar income		142
Interest payable and similar charges		<u>(46)</u>
Profit on ordinary activities before taxation		5,306
Tax on profit on ordinary activities	6	<u>(1,592)</u>
Profit on ordinary activities after taxation		3,714
Dividends		<u>(3,714)</u>
Retained profit for the period		<u>0</u>

The results above arose wholly from continuing operations.

The Company had no recognised gains or losses in the current period other than those included in the profit and loss account above.

A statement of movement on reserves is given in note 11.

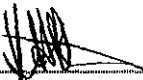
RBS ASSET MANAGEMENT LIMITED

BALANCE SHEET

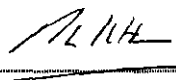
AS AT 31 DECEMBER 2004

	Notes	2004 £000
CURRENT ASSETS		
Debtors	7	1,274
Prepayments and accrued income	8	3,113
Cash at Bank	- Deposits with < 3 months notice	9,109
	- Deposits on demand	<u>114</u>
		13,610
CREDITORS - amounts falling due within one year		
Creditors	9	9,605
Accruals and deferred income		<u>5</u>
		9,610
NET CURRENT ASSETS		<u>4,000</u>
CREDITORS - amounts falling due in greater than one year		1,500
		<u>2,500</u>
NET ASSETS		<u><u>2,500</u></u>
CAPITAL AND RESERVES		
Called up share capital	10	2,500
Profit and loss account		<u>0</u>
SHAREHOLDERS' FUNDS		<u><u>2,500</u></u>

These financial statements were approved by the Board of Directors on 14 March 2005 and were signed on its behalf by:

 Director

14 March 2005

 Director

14 March 2005

NOTES TO THE ACCOUNTS

31 DECEMBER 2004

1. ACCOUNTING POLICIES

(a) Accounting convention

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom law and accounting standards.

(b) Fee income

Fee Income comprises advisory and administration fee income accounted for on an accruals basis.

(c) Foreign currencies

The functional currency of the company is Pounds Sterling. Monetary assets and liabilities denominated in foreign currencies are translated at the closing rate and the resulting exchange differences dealt with in the determination of the result for the period.

(d) Taxation

Provision is made for taxation at current enacted rates on taxable profits taking into account relief for overseas taxation where appropriate. Timing differences arise where gains and losses are accounted for in different periods for financial reporting purposes and for taxation purposes. Deferred taxation is accounted for in full for all such timing differences, except in relation to revaluations of fixed assets where there is no commitment to dispose of the asset, gains on sales of fixed assets that are rolled over into replacement assets, and the remittance of overseas earnings. Deferred tax assets are only recognised to the extent that it is regarded that it is more likely than not that they will be recovered. Deferred tax amounts are not discounted.

(e) Cash flow statement

The company's ultimate parent undertaking produces a cash flow statement. Accordingly, the company, which is a wholly owned subsidiary, has elected to avail itself of the exemption provided in Financial Reporting Standard ("FRS") 1 (Revised 1996) Cash Flow Statements and not produce a cash flow statement.

(f) Accounting Period

The company was incorporated on 7th April 2004. Accordingly the first financial statements are drawn up for the nine month period ended 31 December 2004.

NOTES TO THE ACCOUNTS

31 DECEMBER 2004

2. TURNOVER

	2004 £000
Fees received from group undertakings	<u>9,509</u>
	<u><u>9,509</u></u>

3. DIRECTORS' REMUNERATION

None of the directors received any remuneration for their services to the company during the year.

Transactions with Directors

No director had any contracts for securities, transactions with the company or any subsidiary other than on terms available to all other staff within the company.

Directors' share interests are disclosed under directors' interests in the Report of the Directors.

4. OPERATING PROFIT

The auditors fee has been borne by the parent company.

5. EMPLOYEES

This company has no employees. The company's ultimate parent company provides management and administration staff.

Staff costs were borne by RBS Employment (No1) Limited during the year, and the costs were recharged to the company. Staff numbers and salary costs are disclosed in the accounts of RBS Employment (No1) Limited.

NOTES TO THE ACCOUNTS

31 DECEMBER 2004

6. TAXATION

2004
£000

UK corporation tax credit for the period at 30%	<u>1,592</u>
	<u><u>1,592</u></u>

The actual tax charge agrees to the expected tax charge by applying the standard UK corporation tax rate of 30% as follows:

Expected tax charge	1,592
Factors affecting charge for the year	0
Total current tax	<u><u>1,592</u></u>

7. DEBTORS

2004
£000

Amounts owed by group companies	<u>1,274</u>
	<u><u>1,274</u></u>

8. ACCRUED INCOME

2004
£000

Amounts owed by group companies	<u>3,113</u>
	<u><u>3,113</u></u>

NOTES TO THE ACCOUNTS

31 DECEMBER 2004

9. CREDITORS

	2004 £000
Amounts owed to parent company	8,013
Provision for corporation tax	<u>1,592</u>
	<u><u>9,605</u></u>

10. CALLED UP SHARE CAPITAL

	2004 £000
Authorised, allotted and fully paid: 2,500,000 Ordinary voting shares of £1 each	2,500
	<u><u>2,500</u></u>

During the year the company allotted 2,500,000 ordinary shares with a nominal value of £2,500,000 in order to meet the regulatory capital requirements of the company.

The shares were issued at par for cash.

11. RECONCILIATION OF SHAREHOLDERS' FUNDS

	2004 £000
Ordinary share capital issued	2,500
Profit for financial period	3,714
Dividends declared	<u>(3,714)</u>
Movement in Shareholders' funds	<u>2,500</u>
Opening Shareholders' funds	<u>-</u>
Closing Shareholders' funds	<u><u>2,500</u></u>

NOTES TO THE ACCOUNTS

31 DECEMBER 2004

12. CONTINGENT LIABILITIES

The company is registered with HM Customs and Excise as a member of The Royal Bank of Scotland Group plc for VAT purposes and as a result is jointly and severally liable on a continuing basis for amounts owing by other members of that group in respect of unpaid VAT.

13. IMMEDIATE AND ULTIMATE PARENT COMPANY

The company's immediate parent company is The Royal Bank of Scotland 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 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, 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.

14. RELATED PARTY TRANSACTIONS

The company is exempt from the requirement 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 company's results are included in the consolidated financial statements of The Royal Bank of Scotland Group plc.