

BUS & COACH LEASING LIMITED

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2002



Bus & Coach Leasing Limited is registered in England and Wales No. 2003546.
Registered Office: 3 Princess Way, Redhill, Surrey, RH1 1NP.

BUS & COACH LEASING LIMITED

DIRECTORS

N T J Clibbens
J J Fleming
M V Keaney
P E Lord
G McKenzie
S Recaldin

SECRETARY

A M Cunningham

BUS & COACH LEASING LIMITED

DIRECTORS' REPORT

The directors have pleasure in submitting their report and the financial statements for the year ended 30 September 2002.

PRINCIPAL ACTIVITY

The principal activity of the group is the provision of residual value undertakings and the provision of credit finance by way of leasing and contract hire.

BUSINESS REVIEW

The net amount financed under all forms of financial agreements entered into during the year was £nil (2001-£nil).

The results for the year are set out in the profit and loss account on page 6. The directors do not recommend the payment of a dividend (2001-£nil).

The group traded at a loss during the year under review.

DIRECTORS

The present directors are as shown on page 1.

The following were appointed to the board: -

Mr B Davidson on 13 February 2002.

Mr M V Keaney on 16 April 2003.

Mr N T J Clibbens on 1 June 2003.

Mr S Recaldin on 1 June 2003.

The following resigned from the board: -

Mr J I Smith on 12 December 2001.

Mr B Davidson on 16 April 2003.

Mr E A Flint on 31 May 2003.

Mr J D Stuart on 31 May 2003.

BUS & COACH LEASING LIMITED

DIRECTORS' REPORT (Continued)

DIRECTORS' INTERESTS

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

The following directors were beneficially interested in:

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

	Shareholdings		As at 1 October 2001*	Share Options				As at 30 September 2002
	As at 1 October 2001*	As at 30 September 2002		Granted during the period	Price	Options	Exercised during the period	
				Options	Price	Options	Price	
E A Flint	-	-	20,672	6,700	18.18	-	-	27,372
P E Lord	4,197	4,255	10,572	-	-	599	3.45	9,973
J D Stuart	644	1,244	14,464	4,700 3,900	17.18 18.18	599	3.45	22,465

***(or date of appointment, if later)**

No directors had an interest in any of the preference shares during the year to 30 September 2002.

As at 30 September 2002 P E Lord also held 4,123 Additional Value Shares ('AVS') (2001 – 3,899) and 2,308 Floating Rate Unsecured Loan notes 2005 in RBSG (2001 – 1,380).

As at 30 September 2002 J D Stuart also held 1,186 Additional Value Shares ('AVS') in RBSG (2001 – 812) and 2,148 Floating Rate Unsecured Loan notes 2005 in RBSG (2001 – nil).

Other than the loan notes detailed above, none of the directors in office at 30 September 2002 held any interest in the share or loan capital of the company or any other group company.

Pursuant to a shareholders' resolution, the company is not obliged to reappoint its auditors annually and KPMG Audit plc will therefore continue in office.

By order of the board



N T J Clibbens
Director

30th July 2003

BUS & COACH LEASING LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and group and of the profit or loss for that year. 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, subject to any material departures disclosed and explained in the financial statements; and
- iv. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group 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 have general responsibilities for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

BUS & COACH LEASING LIMITED

kpmg

KPMG Audit Plc
1 The Embankment
Neville Street
Leeds
LS1 4DW
United Kingdom

Report of the independent auditors to the members of Bus & Coach Leasing Limited

We have audited the financial statements on pages 6 to 16.

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 auditor's 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 are responsible for preparing the directors' report and, as described on page 4, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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 to you 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.

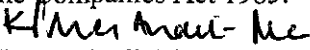
Basis of audit opinion

We conducted our audit in accordance with 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 group'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 affairs of the company and the group as at 30 September 2002 and of the loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


KPMG Audit Plc
Chartered Accountants
Registered Auditor

 2003

BUS & COACH LEASING LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 SEPTEMBER 2002

	<u>Notes</u>	<u>2002</u> <u>£'000</u>	<u>2001</u> <u>£'000</u>
Turnover	2	2,989	5,608
Cost of sales		(3,268)	(5,525)
Gross (loss) / profit		<u>(279)</u>	<u>83</u>
Administrative expenses		(24)	(5)
Operating profit	3	<u>(303)</u>	<u>78</u>
Interest receivable from National Westminster Bank Plc		33	74
Interest payable	5	(100)	(127)
Group (loss)/profit on ordinary activities before taxation		<u>(370)</u>	<u>25</u>
Taxation credit/(charge) on group (loss)/profit on ordinary activities	6	111	(7)
Retained (loss)/profit for the financial year	12	<u><u>(259)</u></u>	<u><u>18</u></u>

The company made no acquisitions and had no discontinued operations during the year.

RECOGNISED GAINS AND LOSSES

There are no recognised gains or losses other than the loss attributable to the group of £259,000 in the year ended 30 September 2002 and profit of £18,000 in the year ended 30 September 2001.

Then notes on pages 10 to 16 form part of these financial statements.

BUS & COACH LEASING LIMITED

CONSOLIDATED BALANCE SHEET

AT 30 SEPTEMBER 2002

	<u>Notes</u>	<u>2002</u> <u>£'000</u>	<u>2001</u> <u>£'000</u>
<u>ASSETS</u>			
CURRENT ASSETS			
Stocks	9	2,071	537
Debtors falling due within one year	10	509	1,883
		<u>2,580</u>	<u>2,420</u>
<u>LIABILITIES</u>			
CAPITAL AND RESERVES			
Called up share capital	11	100	100
Profit and loss account	12	197	456
Shareholders' fund	12	<u>297</u>	<u>556</u>
Creditors	14	2,283	1,864
		<u>2,580</u>	<u>2,420</u>

The financial statements were approved by the board of directors on

30th July 2003 and were signed on their behalf by: -



Nigel Timothy John Clibbens, Director

All of the above share capital relates to equity funds.

The notes on pages 10 to 16 form part of these financial statements.

BUS & COACH LEASING LIMITED

BALANCE SHEET

AT 30 SEPTEMBER 2002

	<u>Notes</u>	<u>2002</u> <u>£'000</u>	<u>2001</u> <u>£'000</u>
<u>ASSETS</u>			
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BUS & COACH LEASING LIMITED
CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2002

	<u>Notes</u>	<u>2002</u>	<u>2001</u>
		<u>£'000</u>	<u>£'000</u>
Net cash (outflow)/inflow from operating Activities	15	(1,240)	187
<u>Return on investments and servicing of Finance</u>			
Interest received		33	74
Interest paid		(100)	(127)
Net cash outflow from returns on investments And servicing of finance		(67)	(53)
<u>Taxation</u>			
Group relief paid		-	-
Net cash (outflow)/inflow before financing		<u>(1,307)</u>	<u>134</u>
<u>Financing activities</u>			
(Decrease) / increase in amounts owed by group undertakings	16	<u>(1,307)</u>	<u>134</u>

The notes on pages 10 to 16 form part of these financial statements.

BUS & COACH LEASING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

a) Accounting convention

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements except as noted below. The company has adopted FRS 18 'Accounting policies' and FRS 19 'Deferred tax' in these financial statements.

The financial statements have been prepared upon the basis of historical cost and in accordance with applicable accounting standards.

b) Basis of consolidation

The financial statements of the subsidiary are made up to 31 May 2002 for commercial reasons, but for consolidated purposes interim statements made up to 30 September 2002 have been consolidated.

c) Finance Leases

Assets made available to third parties under finance leases are treated as amounts receivable. Income from finance leases is credited to profit and loss account in proportion to the fund invested.

d) Operating Leases

Assets held for use in operating leases are recorded as tangible fixed assets.

Income from operating leases is credited to profit and loss account in proportion to the funds invested over the period of the relative contracts.

e) Depreciation

Depreciation is provided on tangible fixed assets so as to write them down to their estimated residual value over their estimated useful lives as follows:

	<u>Basis</u>	<u>Estimated useful life</u>
Assets held for use in operating leases	Actuarial	Term of the contract

f) Deferred taxation

The company has implemented Financial Reporting Standard 19, 'Deferred Tax'.

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

g) Stock

The stock of vehicles for resale is stated at the lower of cost, being the purchase price paid, and net realisable value.

h) Investments

Investments in subsidiary undertakings are stated at cost less provision for any impairment in value.

BUS & COACH LEASING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. TURNOVER

Turnover represents income generated from residual value activities, 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.

	<u>2002</u> <u>£'000</u>	<u>2001</u> <u>£'000</u>
Amounts receivable during the year were as follows:		
Finance leases	5	4
Residual value activity	2,984	4,581
	<u>2,989</u>	<u>4,585</u>

3. OPERATING PROFIT

	<u>2002</u> <u>£'000</u>	<u>2001</u> <u>£'000</u>
Operating profit is stated after charging:		
Auditors' remuneration in respect of audit services	4	4

4. DIRECTORS' REMUNERATION AND INTERESTS

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

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

The company has no employees (2001 - nil).

5. INTEREST PAYABLE

	<u>2002</u> <u>£'000</u>	<u>2001</u> <u>£'000</u>
<u>Interest on loans (other than bank loans & overdrafts):</u>		
From Lombard North Central PLC	80	99
From TransBus International Ltd	20	21
Other Interest payable	-	7
	<u>100</u>	<u>127</u>

BUS & COACH LEASING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. TAXATION CREDIT / (CHARGE)	<u>2002</u>	<u>2001</u>
	<u>£'000</u>	<u>£'000</u>

a) Analysis of charge in the year

Current taxation:

Group relief receivable / (payable)*	<u>111</u>	<u>(7)</u>
--------------------------------------	------------	------------

*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

Group relief credited / (charged) for the year is equal to that resulting from applying the standard rate of corporation tax in the UK: 30% (2001 – 30%), as explained below:

	<u>2002</u>	<u>2001</u>
	<u>£'000</u>	<u>£'000</u>
(Loss)/ profit on ordinary activities before tax	<u>(370)</u>	<u>25</u>
(Loss)/ profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2001:30%)	<u>111</u>	<u>(7)</u>

7. GROUP PROFIT DEALT WITH IN THE FINANCIAL STATEMENTS OF THE COMPANY

Advantage has been taken of the exemption from the requirement to publish a separate profit and loss account for Bus & Coach Leasing Limited and £259,000 of the group loss on ordinary activities after taxation has been dealt with in the financial statements of that company (2001 - £18,000 profit).

8. INVESTMENT IN SUBSIDIARY COMPANY

	<u>2002</u>	<u>2001</u>
Shares in subsidiary at cost	<u>£100</u>	<u>£100</u>

The company holds 100% of the ordinary share capital of Bus & Coach Contracts Limited. This company has remained dormant during the year.

9. STOCKS

	<u>2002</u>	<u>2001</u>
	<u>Group & Company</u>	<u>Group & Company</u>
	<u>£'000</u>	<u>£'000</u>
Stock of vehicles for resale	<u>£2,071</u>	<u>537</u>

BUS & COACH LEASING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10. DEBTORS

	<u>2002</u> <u>Group & Company</u> <u>£'000</u>	<u>2001</u> <u>Group & Company</u> <u>£'000</u>
<u>Amounts falling due within one year</u>		
Amounts owed by The Royal Bank of Scotland Group plc undertakings	493	1,800
Other debtors	8	3
Amounts owed by related party undertakings	8	80
	<u>509</u>	<u>1,883</u>

11. CALLED UP SHARE CAPITAL

	<u>2002</u> <u>Authorised</u> <u>£'000</u>	<u>2002</u> <u>Allotted,</u> <u>issued and</u> <u>fully paid</u> <u>£'000</u>	<u>2001</u> <u>Authorised</u> <u>£'000</u>	<u>2001</u> <u>Allotted,</u> <u>issued and</u> <u>fully paid</u> <u>£'000</u>
'A' Ordinary Shares of £1 each	250	25	250	25
'B' Ordinary Shares of £1 each	750	75	750	75
	<u>1,000</u>	<u>100</u>	<u>1,000</u>	<u>100</u>

12. PROFIT AND LOSS ACCOUNT AND RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

<u>Group and Company</u>	<u>Share</u> <u>capital</u> <u>£'000</u>	<u>Profit and</u> <u>loss account</u> <u>£'000</u>	<u>Total</u> <u>Shareholders'</u> <u>funds</u> <u>£'000</u>
Balance at 1 October 2001	100	456	556
Retained loss for the financial year	-	(259)	(259)
Balance at 30 September 2002	<u>100</u>	<u>197</u>	<u>297</u>

13. DEFERRED TAXATION

At 30 September 2002 there is no provision required in respect of deferred taxation.

BUS & COACH LEASING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14. CREDITORS

	<u>2002</u> <u>Group & Company</u> <u>£'000</u>	<u>2001</u> <u>Group & Company</u> <u>£'000</u>
<u>Amounts falling due:</u>		
i) Within one year:		
Amounts owed to The Royal Bank of Scotland Group Plc undertakings	407	1,359
Amounts owed to TransBus International Ltd	-	450
Accruals and deferred income	45	5
Other taxes	31	50
	<u>483</u>	<u>1,864</u>
ii) After one year:		
Repayable in two to five years*		
Amounts owed to The Royal Bank of Scotland Group Plc undertakings	1,350	-
Amounts owed to TransBus International Ltd	450	-
	<u>1,800</u>	<u>-</u>
Total Creditors	<u><u>2,283</u></u>	<u><u>1,864</u></u>

*Represents subordinated unsecured loan stock at the London Interbank Market rate for one year sterling deposits, repayable on 30 September 2007.

15. RECONCILIATION OF OPERATING (LOSS)/PROFIT TO NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES

	<u>2002</u> <u>£'000</u>	<u>2001</u> <u>£'000</u>
Operating (loss)/profit	(303)	78
Decrease/(increase) in debtors and prepayments	67	(44)
Increase in creditors and accruals	530	43
(Increase)/decrease in stock	(1,534)	110
Net cash (outflow)/inflow from operating activities	<u><u>(1,240)</u></u>	<u><u>187</u></u>

BUS & COACH LEASING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16. ANALYSIS OF NET DEBT

	<u>At</u> <u>30 September</u> <u>2001</u> <u>£'000</u>	<u>Cashflow</u> <u>£'000</u>	<u>At</u> <u>30 September</u> <u>2002</u> <u>£'000</u>
Cash at bank	1,800	(1,307)	493
Subordinated loan stock (note 14)	(1,800)	-	(1,800)
	<u>nil</u>	<u>(1,307)</u>	<u>(1,307)</u>

Cash disclosed above represents amounts owed by The Royal Bank of Scotland Group plc undertakings.

17. FUTURE FINANCIAL COMMITMENTS

Bus & Coach Leasing Limited has guaranteed to buy back vehicles from companies within the Lombard North Central PLC group, to the value of £9.3 million between October 2002 and September 2008.

18. ULTIMATE PARENT UNDERTAKING

The immediate parent undertaking is Lombard North Central PLC registered in England and Wales. The ultimate parent undertaking is The Royal Bank of Scotland Group plc, registered in Scotland.

Copies of the financial statements of Lombard North Central PLC can be obtained from: The Secretary, Lombard North Central PLC, 3 Princess Way, Redhill, Surrey, RH1 1NP.

Copies of the financial statements of The Royal Bank of Scotland Group plc can be obtained from: The Secretary, The Royal Bank of Scotland Group plc, 42 St Andrew Square, Edinburgh EH2 2YB.

BUS & COACH LEASING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

19. RELATED PARTY TRANSACTIONS

At 30 September 2002, Lombard North Central PLC held 75% of the share capital of Bus & Coach Leasing Limited; TransBus International Limited held the remaining 25%. The subordinated loan stock as disclosed in note 14 is similarly shared.

During the year Bus & Coach Leasing Limited purchased vehicles from within the Lombard North Central PLC group to the value of £5.0 million (2001: £2.9 million) and £nil from TransBus International Limited (2001: £2.7 million). No amount was outstanding at the year-end in relation to such purchases.

During the year Bus & Coach Leasing Limited sold £2.0 million of used coaches to TransBus International Limited (2001: £5.6 million).). The amount of £8,295 was outstanding at the year-end in relation to such sales.

During the year Bus & Coach Leasing paid TransBus International Limited a management fee of £20,000. No amount was outstanding at the year-end in relation to such items.

Both parties received interest during the year from Bus & Coach Leasing Limited as disclosed in note 5.