

(Company No. 2012130)

R.B. LEASING (MARCH) LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 MARCH 1999



R.B. LEASING (MARCH) LIMITED

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 1999

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R.B. LEASING (MARCH) LIMITED

DIRECTORS AND OFFICERS

DIRECTORS

Thomas Carr
Adrian Colin Farnell
William Vaughan Latter
Jonathan Michael Sweetman

SECRETARY

John Albert Lea

REGISTERED OFFICE

The Quadrangle
The Promenade
Cheltenham
Gloucestershire GL50 1PX

PRINCIPAL OFFICE

The Quadrangle
The Promenade
Cheltenham
Gloucestershire GL50 1PX

R.B. LEASING (MARCH) LIMITED

DIRECTORS' REPORT

The Directors present their annual report, together with the audited financial statements for the year ended 31 March 1999.

RESULTS

The results for the year are set out on page 8. An interim dividend of £1,670,387 was paid on 1 July 1999 (1998: £1,078,000). The Directors do not recommend the payment of a final dividend. The accumulated loss for the year to 31 March 1999 to be charged against reserves will amount to £37,567.

BUSINESS REVIEW

The principal activity of the Company, which is a wholly owned subsidiary of R.B. Leasing (September) Limited, is the provision of fixed asset finance usually involving individually structured facilities.

The Company will continue to operate in the fixed asset financing market.

DIRECTORS

The present Members of the Board of Directors are named on page 2.

At 31 March 1999, the Members of the Board of Directors were:-

Mr Thomas Carr
Mr Adrian Colin Farnell
Mr William Vaughan Latter
Mr Jonathan Michael Sweetman

During the year to 31 March 1999, no changes were made in the composition of the Board.

DIRECTORS' INTERESTS

No Director had any interest in the ordinary shares of the Company on 31 March 1999 nor on 1 April 1998.

The interests of the Directors at 31 March 1999 in the share or loan capital of the ultimate holding company, The Royal Bank of Scotland Group plc, or in the share or loan capital of its subsidiary companies are shown on page 5.

R.B. LEASING (MARCH) LIMITED

YEAR 2000

The Directors recognise the importance of the Year 2000 issue and the consequences it may have for the Company and its suppliers and customers.

The Company has a continuous programme of systems maintenance and development, which includes addressing the problems posed by Year 2000. The costs of addressing the Year 2000 issue are therefore absorbed in the ongoing IT development expenditure of the Company.

POLICY AND PRACTICE ON PAYMENT OF CREDITORS

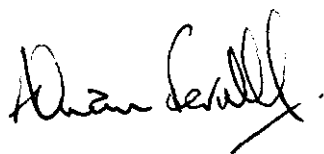
In the year ending 31 March 2000 the Company will adhere to the following payment policy in the respect of all suppliers. The Company is committed to maintaining a sound commercial relationship with its suppliers. The Company's policy for trade creditors arising on purchases of equipment for the purpose of letting under lease agreements is to pay in accordance with the contractual and legal obligations of each of those agreements. For other trade creditors, it is the Company's policy to negotiate and agree terms and conditions with its suppliers, which includes the giving of an undertaking by the Company to pay suppliers within 30 days of receipt of a correctly prepared invoice submitted in accordance with the terms of the contract.

The proportion which the amount owed to other trade creditors at 31 March 1999 bears to the amounts invoiced by suppliers during the year then ended equated to nil days proportion of 365 days.

AUDITORS

Following the merger of Messrs Price Waterhouse and Messrs Coopers & Lybrand, Messrs Coopers & Lybrand resigned as Auditors of the Company on 29 July 1998 and were replaced by Messrs PricewaterhouseCoopers who have indicated their willingness to continue in office and resolutions to re-appoint them and to authorise the Directors to fix their remuneration will be proposed at the Annual General Meeting.

By Order of the Board.



A C Farnell
Director
CHELTENHAM

27th July 1999

R.B. LEASING (MARCH) LIMITED

DIRECTORS' INTERESTS IN THE SHARE OR LOAN CAPITAL OF THE ROYAL BANK OF SCOTLAND GROUP plc AND SUBSIDIARY COMPANIES

The following Directors were beneficially interested in the 25p ordinary shares of The Royal Bank of Scotland Group plc, the ultimate holding company.

	At 1 April 1998 [or date of appointment if later]	At 31 March 1999
	<u>Shares</u>	<u>Shares</u>
T Carr	4,744	4,259
A C Farnell	3,729	5,410
W V Latter	3,209	3,320
J M Sweetman	10,379	12,766

Options to subscribe for 25p ordinary shares of The Royal Bank of Scotland Group plc granted to and exercised by Directors during the year to 31 March 1999 are included in the table below:-

	At 1 April 1998 [or date of appointment if later]	<u>Options Granted</u>		<u>Options Exercised</u>		At 31 March 1999
		<u>Number</u>	<u>Price</u> £	<u>Number</u>	<u>Price</u> £	
T Carr	3,142	-	-	455	2.120	2,687
A C Farnell	3,633	292	7.990	-	-	3,925
W V Latter	4,885	-	-	-	-	4,885
J M Sweetman	5,817	5,000	10.065	2,961	2.120	11,141
		2,500	12.055			
		785	7.990			

No Director had an interest in any of the preference shares of The Royal Bank of Scotland Group plc during the year to 31 March 1999.

In addition, during that period, none of the Directors held a beneficial interest in the loan capital of The Royal Bank of Scotland Group plc or in the share or loan capital of any of the other subsidiaries of The Royal Bank of Scotland Group plc.

R B LEASING (MARCH) LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 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, subject to any material departures disclosed and explained in the financial statements;

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.

R B LEASING (MARCH) LIMITED

ACCOUNTING POLICIES

The financial statements on pages 7 to 13 are prepared on the basis of the principal accounting policies adopted by the Company described below and applicable Accounting Standards. Accounting policies have been applied consistently.

1 ACCOUNTING CONVENTION

The financial statements of the Company are prepared under the historical cost convention. In accordance with Schedule 4 of the Companies Act 1985, the Directors have adapted the prescribed formats of the financial statements as required by the special nature of the business.

2 GROSS EARNINGS UNDER FINANCE LEASES

Gross earnings under finance 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. In order to preserve the recognition of after tax profits in accordance with the actuarial after tax method, tax equalisation adjustments are made on those transactions which include permanent tax differences resulting from income and expenses subject to non standard rates of tax.

3 PROGRESS PAYMENTS INCOME RECOGNITION

Where assets are subject to progress payments being made prior to the commencement of the primary lease period, interest on the total of such payments at an appropriate rate is added to the cost of the asset and credited to the profit and loss account.

4 DEFERRED TAXATION

Certain items of income and expenditure are accounted for in different periods for financial reporting purposes and for taxation purposes. Deferred taxation is provided on the liability method in respect of timing differences which are expected to result in a taxation liability in the foreseeable future.

5 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.

6 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 1996).

R B LEASING (MARCH) LIMITED

PROFIT AND LOSS ACCOUNT
for the year ended 31 March 1999

	Note	CONTINUING OPERATIONS	
		1998 £000	1998 £000
Gross earnings under finance leases	4	27,873	25,318
Exceptional reduction in earnings under leases	5	-	(8,099)
Other income	6	165	422
		<u>28,038</u>	<u>17,641</u>
Finance charges	6	(25,477)	(21,876)
Operating expenses	6	<u>(190)</u>	<u>(199)</u>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	6	2,371	(4,434)
Taxation charge before exceptional item	7	(738)	(1,099)
Exceptional taxation credit	7	-	8,030
Taxation (charge)/credit on profit/(loss) on ordinary activities		<u>(738)</u>	<u>6,931</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		1,633	2,497
Dividend for the year - interim proposed		<u>(1,670)</u>	<u>(1,078)</u>
ACCUMULATED (LOSS)/RETAINED PROFIT FOR THE YEAR	13	<u>(37)</u>	<u>1,419</u>

There is no difference between the profit on ordinary activities before taxation and the accumulated loss 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.

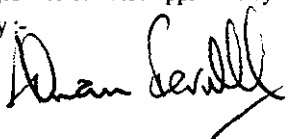
The notes on pages 10 to 13 form part of these financial statements.

R B LEASING (MARCH) LIMITED

BALANCE SHEET at 31 March 1999

	Note	£000	1998 £000
CURRENT ASSETS			
Finance lease and hire purchase receivables due within one year		805	4,153
Finance lease and hire purchase receivables due after more than one year		68,941	403,253
Debtors	9	<u>31,310</u>	<u>51,208</u>
		101,056	458,614
Creditors: amounts falling due within one year	10	<u>(22,381)</u>	<u>(13,326)</u>
NET CURRENT ASSETS		<u>78,675</u>	<u>445,288</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		78,675	445,288
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	10	(59,872)	(377,342)
PROVISIONS FOR LIABILITIES AND CHARGES	11	(13,376)	(62,482)
NET ASSETS		<u>5,427</u>	<u>5,464</u>
CAPITAL AND RESERVES			
Called up share capital	12	-	-
Reserves	13	<u>5,427</u>	<u>5,464</u>
EQUITY SHAREHOLDERS' FUNDS	14	<u>5,427</u>	<u>5,464</u>

The financial statements on pages 7 to 13 were approved by the Board of Directors on 27th July 1999 and were signed on its behalf by :-



Director

The notes on pages 10 to 13 form part of these financial statements.

R B LEASING (MARCH) LIMITED

NOTES ON THE FINANCIAL STATEMENTS

1 ULTIMATE HOLDING COMPANY

The Company is a wholly owned subsidiary of R. B. Leasing (September) Limited. The Company's ultimate holding company and hence its controlling party is The Royal Bank of Scotland Group plc. Copies of the group financial statements of The Royal Bank of Scotland Group plc may be obtained from the Company Secretary's office, The Royal Bank of Scotland Group plc, 42 St. Andrews Square, Edinburgh, EH2 2YE.

2 RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemptions available to it in Financial Reporting Standard 8, Related Party Disclosures+B229, not to disclose any transactions with entities that are part of the Group or investees of the Group qualifying as related parties.

3 TURNOVER

	1998 £'000	1998 £'000
Capital cost of assets financed:		
Finance leases	<u>7,710</u>	<u>87,130</u>

4 GROSS EARNINGS UNDER FINANCE LEASES

	1998 £'000	1998 £'000
Finance leases:		
Rentals receivable	22,648	14,915
Amortisation	<u>5,225</u>	<u>10,403</u>
	<u>27,873</u>	<u>25,318</u>

5 EXCEPTIONAL CHARGE

The exceptional charge in 1998 was due to the reduction in the rate of corporation tax from 33% to 31% on 1 April 1997 and from 31% to 30% on 1 April 1999. Tax variation clauses in the leases which are included to maintain the post-tax rate of return, result in lower future gross rentals. The resultant reduction in pre tax profit was provided for in the current year and offset by a reduction in the taxation charge.

6 PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION

	1998 £'000	1998 £'000
Includes the following:		
Other income:	<u>165</u>	<u>422</u>
Finance charges:		
Interest payable to group undertakings	<u>25,477</u>	<u>21,876</u>
Operating expenses:		
Bad debt recoveries	-	(1)
Fees & commissions	28	31
Management charge	<u>162</u>	<u>169</u>
	<u>190</u>	<u>199</u>

R B LEASING (MARCH) LIMITED

NOTES ON THE FINANCIAL STATEMENTS

6 PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION - Cont.

The directors and employees are employed and remunerated by Royal Bank Leasing Limited. Costs incurred in respect of their services to the Company are included in the management charge as shown below:

	£	1998 £
Directors' emoluments	17,087	18,507
Auditors' remuneration - for audit services	3,330	3,200
Staff costs	94,313	93,579

7 TAXATION

	£'000	1998 £'000
Group relief:		
- current year receivable	15,741	22,684
- prior year (payable)/receivable	(47)	787
Taxation equalisation	(1)	-
Deferred taxation:		
- current year	(16,482)	(23,783)
- prior year	51	(787)
Exceptional credit:		
- tax rate change	-	8,030
	<u>(738)</u>	<u>6,931</u>

The tax (charge)/credit for the current year has been based on an average Corporation Tax rate of 31% (1998 - 31%).

8 TRANSFER OF TRADE

On 28 February 1999, the Company undertook a partial transfer of trade to a fellow subsidiary, Royal Bank of Scotland (Industrial Leasing) Limited, for a consideration of £288,963,966

Balances transferred at 28 February 1999:

	£000
Finance lease receivables	355,691
Other creditors	(1,189)
Provisions for liabilities and charges	(65,538)
	<u>288,964</u>

9 DEBTORS

	£'000	1998 £'000
Amounts falling due within one year:		
Trade debtors	-	465
Amounts due by group undertakings	31,310	39,196
Other debtors	-	11,547
	<u>31,310</u>	<u>51,208</u>

R B LEASING (MARCH) LIMITED

NOTES ON THE FINANCIAL STATEMENTS

10	CREDITORS		1998
		£'000	£'000
	Amounts falling due within one year:		
	Payments received on account	-	12
	Amounts due to group undertakings	21,536	12,129
	Other creditors	845	1,185
		<u>22,381</u>	<u>13,326</u>

	Amounts falling due after more than one year:		1998
		£'000	£'000
	Amounts due to group undertakings:		
	Between one and two years	3,304	10,657
	Between two and five years	7,906	22,454
	After more than five years	48,662	344,231
		<u>59,872</u>	<u>377,342</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 rates of interest applicable to those amounts due after more than five years will be by reference to inter bank rates for periods of three, six and twelve months.

11 PROVISIONS FOR LIABILITIES AND CHARGES

Movements during the year:	Tax equalisation £'000	Deferred taxation £'000	Total £'000
At 1 April 1998	12	62,470	62,482
Charge to profit and loss account	1	16,431	16,432
Transfer of trade	<u>(13)</u>	<u>(65,525)</u>	<u>(65,538)</u>
At 31 March 1999	<u>-</u>	<u>13,376</u>	<u>13,376</u>

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

	£'000
Capital allowances on assets financed	13,383
Other short term timing differences	<u>(7)</u>
	<u>13,376</u>

R B LEASING (MARCH) LIMITED

NOTES ON THE FINANCIAL STATEMENTS

12 SHARE CAPITAL

Ordinary shares of £1 each
1998

Authorised	<u>500,000</u>	<u>500,000</u>
Allotted, called up and fully paid	<u>2</u>	<u>2</u>

13 RESERVES

£'000

At 1 April 1998	5,464
Accumulated loss for the year	<u>(37)</u>
At 31 March 1999	<u>5,427</u>

14 RECONCILIATION OF SHAREHOLDERS' FUNDS

1998
£'000

Profit for the financial year	1,633	2,497
Dividend	<u>(1,670)</u>	<u>(1,078)</u>
Net (reduction in)/addition to shareholders' funds	(37)	1,419
Opening shareholders' funds	<u>5,464</u>	<u>4,045</u>
Closing shareholders' funds	<u>5,427</u>	<u>5,464</u>

AUDITORS' REPORT TO THE MEMBERS OF R.B. LEASING (MARCH) LIMITED

We have audited the financial statements on pages 7 to 13 which have been prepared under the historical cost convention and the accounting policies set out on page 7.

Respective responsibilities of directors and auditors.

The directors are responsible for preparing the Annual Report including, as described on page 6, the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board and 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. 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 is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

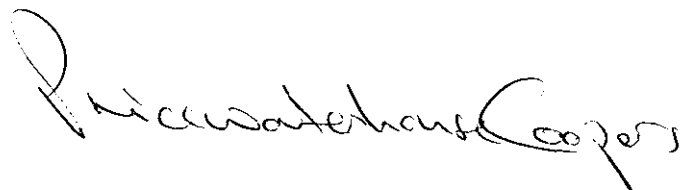
Basis of opinion.

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 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 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers

Chartered Accountants and Registered Auditors

Bristol

30 July 1999