

(COMPANY NO. 2060602)

LOMBARD LEASING CONTRACTS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 MARCH 2001



LOMBARD LEASING CONTRACTS LIMITED

REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2001

<u>Contents</u>	<u>Page</u>
Directors and officers	2
Directors' report	3-4
Directors' interests in shares	5
Statement of directors' responsibilities	6
Report of the Independent Auditors	7
Accounting policies	8-9
Profit and loss account	10
Balance sheet	11
Notes on the accounts	12-16

LOMBARD LEASING CONTRACTS LIMITED

DIRECTORS AND OFFICERS

DIRECTORS

Adrian Colin Farnell
William Vaughan Latter
Nigel Pearce
Christopher Paul Sullivan

SECRETARY

Angela Mary Cunningham

REGISTERED OFFICE

3 Princess Way
Redhill
Surrey RH1 1NP

PRINCIPAL OFFICE

3 Princess Way
Redhill
Surrey RH1 1NP

LOMBARD LEASING CONTRACTS LIMITED

DIRECTORS' REPORT

The directors present their annual report, together with the audited accounts for the year ended 31 March 2001.

RESULTS

The results for the year are set out on page 10. The directors do not recommend the payment of a dividend (2000 : £ Nil). The retained profit for the year to be transferred to reserves amounts to £7,976,000 (2000 : loss £1,041,000).

BUSINESS REVIEW

The principal activity of the company, which is a wholly owned subsidiary of Lombard North Central PLC, is the provision of asset leasing facilities. The directors anticipate that this will continue into the future.

DIRECTORS

The present directors of the company are listed on page 2. At 31 March 2001, the Members of the Board of Directors were:-

Mr D B Elder
Mr A C Farnell
Mr W V Latter
Mr N Pearce
Mr C P Sullivan
Mr J M Sweetman

During the year to 31 March 2001, the following changes were made to the composition of the Board:

On 6 September 2000 Mr D B Elder, Mr A C Farnell, Mr W V Latter and Mr J M Sweetman were appointed Directors of the Company.

On 30 April 2000, Ms H E Bromley resigned as Secretary to the Company.

On 1 May 2000, Ms A M Cunningham was appointed as Secretary to the Company.

Subsequent to the year end, the following changes occurred in the composition of the Board:

On 16 July 2001, Mr J M Sweetman resigned as a Director.

On 9 November 2001, Mr D B Elder resigned as a Director.

LOMBARD LEASING CONTRACTS LIMITED

DIRECTORS' INTERESTS

At the year end, Messrs N Pearce and C P Sullivan were also directors of the immediate parent undertaking, Lombard North Central plc, 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.

The directors interests of Messrs D B Elder, A C Farnell, W V Latter and J M Sweetman in the share capital of the ultimate holding company, The Royal Bank of Scotland Group plc, are shown on page 5.

No director had an interest in the shares of the company

POLICY AND PRACTICE ON PAYMENT OF CREDITORS

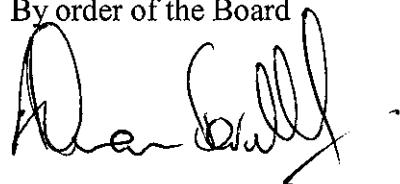
The Company is committed to maintaining a sound commercial relationship with its suppliers. Consequently, it is the Company's policy to negotiate and agree terms and conditions with its suppliers, which includes the giving of an undertaking by the Company to pay suppliers within 30 days of receipt of a correctly prepared invoice submitted in accordance with the terms of the contract.

The proportion which the amount owed to trade creditors at 31 March 2001 bears to the amounts invoiced by suppliers during the year then ended equated to 27 days proportion of 365 days (200 : nil).

AUDITORS

Deloitte & Touche have indicated their willingness to continue in office. 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

Date 22 July 2002

LOMBARD LEASING CONTRACTS LIMITED

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

On 29 November 1999 The Royal Bank of Scotland Group plc ('RBSG'), the company's ultimate holding company, announced an offer ('the Offer') to acquire the entire issued ordinary share capital of National Westminster Bank Plc ('NatWest'), the terms of which were increased on 31 January 2000. On 14 February 2000 RBSG announced that the Offer had become unconditional as to acceptances and on 6 March 2000 the Offer was declared unconditional in all respects at which time RBSG acquired control of NatWest.

The following Directors were beneficially interested in:

The Royal Bank of Scotland Plc 25p ordinary shares		
	At 1 April 2000 [or date of appointment if later]	At 31 March 2001
	<u>Shares</u>	<u>Shares</u>
D B Elder	3,969	4,259
A C Farnell	9,112	10,447
W V Latter	6,825	6,869
J M Sweetman	15,482	15,059

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 2001 are included in the table below:-

	At 1 April 2000 [or date of appointment if later]	<u>Options Granted</u>		<u>Options Exercised</u>		At 31 March 2001
		<u>Number</u>	<u>Price</u> £	<u>Number</u>	<u>Price</u> £	
D B Elder	38,084	-	-	290	4.01	37,794
A C Farnell	2,290	-	-	-	-	2,290
W V Latter	2,064	548	9.85	-	-	2,612
J M Sweetman	18,282	171	9.85	-	-	18,453

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 2001.

As at 31 March 2001, the Directors also held Additional Value Shares ('AVS') and Floating Rate Unsecured Loan Notes 2005 in RBSG.

	<u>Additional Value Shares</u>	<u>Floating Rate Unsecured Loan Notes</u>
	<u>Shares</u>	<u>Notes</u>
D B Elder	1,193	1,229
A C Farnell	9,112	NIL
W V Latter	6,825	NIL
J M Sweetman	15,049	NIL

Other than the loan notes and AVS detailed above, none of the directors in office at 31 March 2001 held any interest in the share or loan capital of the company or any other group company.

LOMBARD LEASING CONTRACTS LIMITED

STATEMENT OF 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 financial year end 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; and

prepare the financial statements on the going concern basis unless it is inappropriate to assume 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.

AUDITORS' REPORT TO THE MEMBERS OF LOMBARD LEASING CONTRACTS LIMITED

We have audited the financial statements on pages 8 to 16 which have been prepared under the accounting policies set out on pages 8 and 9.

Respective responsibilities of directors and auditors.

As described on page 6, the company's directors are responsible for the preparation of financial statements, which are required to be prepared in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of 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 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Deloitte & Touche
Chartered Accountants and Registered Auditors
Queen Anne House
69-71 Queen Square
Bristol BS1 4JP

24 July 2002

LOMBARD LEASING CONTRACTS LIMITED

ACCOUNTING POLICIES

The financial statements on pages 8 to 16 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 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 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. For those leasing transactions where a permanent difference arises between the accounting and tax treatments of income and expense, a tax equalisation adjustment is made to each period to ensure that the resulting post tax profit is recognised in accordance with the actuarial after tax method.

3 GROSS EARNINGS UNDER FINANCE SUB LEASES

Total gross earnings under finance sub leases are recognised according to the actuarial after tax method whereby gross earnings are allocated to accounting periods so as to give a constant periodic rate of return on the net cash investment.

4 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.

5 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.

6 TANGIBLE FIXED ASSETS

Tangible fixed assets are included in the balance sheet at cost less accumulated depreciation. Depreciation on assets for hire under operating leases is charged over the lease term so that the resulting profits are allocated to accounting periods to give a constant periodic rate of return on the net cash investment.

LOMBARD LEASING CONTRACTS LIMITED

ACCOUNTING POLICIES - continued

7 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.

8 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).

LOMBARD LEASING CONTRACTS LIMITED

PROFIT AND LOSS ACCOUNT for the year ended 31 March 2001

	Note	CONTINUING OPERATIONS	
		2001 £'000	2000 £'000
Lease income	4	5,098	2
Other income	6	103	-
Depreciation on operating leases	8	<u>(329)</u>	<u>-</u>
		4,872	2
Operating expenses	6	(78)	
Finance charges	6	<u>(4,618)</u>	<u>-</u>
OPERATING PROFIT		176	2
Exceptional profit on disposal of fixed asset	5	<u>8,056</u>	<u>-</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	6	8,232	2
Taxation charge on profit on ordinary activities	7	<u>(256)</u>	<u>(1,043)</u>
RETAINED PROFIT FOR THE YEAR	14	<u><u>7,976</u></u>	<u><u>(1,041)</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.

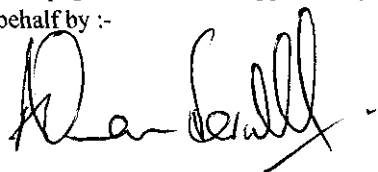
The notes on pages 12 to 16 form part of these financial statements.

LOMBARD LEASING CONTRACTS LIMITED

BALANCE SHEET at 31 March 2001

	Note	2001 £'000	2000 £'000
FIXED ASSETS	8	262,892	428,981
CURRENT ASSETS			
Finance lease receivables due within one year		3,779	4
Finance lease receivables due after more than one year		158,970	-
Debtors	9	<u>45,984</u>	<u>52,197</u>
		208,733	52,201
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	10	<u>(50,854)</u>	<u>(414,516)</u>
NET CURRENT ASSETS		<u>157,879</u>	<u>(362,315)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		420,771	66,666
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	10	(309,855)	-
PROVISIONS FOR LIABILITIES AND CHARGES	11	<u>(101,796)</u>	<u>(65,522)</u>
NET ASSETS		<u>9,120</u>	<u>1,144</u>
CAPITAL AND RESERVES			
Called up share capital	13	-	-
Profit and loss account	14	<u>9,120</u>	<u>1,144</u>
EQUITY SHAREHOLDERS' FUNDS	15	<u>9,120</u>	<u>1,144</u>

The financial statements on pages 8 to 16 were approved by the Board of Directors on 22 July 2002 and were signed on its behalf by :-



Director

The notes on pages 12 to 16 form part of these financial statements.

✓ LOMBARD LEASING CONTRACTS LIMITED

NOTES ON THE FINANCIAL STATEMENTS

1 ULTIMATE HOLDING COMPANY

The Company is a wholly owned subsidiary of Lombard North Central plc. 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. Copies of the financial statements of Lombard North Central plc may be obtained from The Secretary, Lombard North Central Plc, 3 Princess Way, Redhill, Surrey, RH1 1NP.

2 RELATED PARTY TRANSACTIONS

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

3 PARTIAL TRANSFER OF TRADE

On 1 November 2000, the Company acquired the rights and obligations to 12 existing leases through a partial transfer of trade, at net book value, from fellow subsidiaries of Lombard North Central plc for a cash consideration receivable, representing a fair value, of £558,633.

Balances acquired at 1 November 2000:

	£'000
Net book value of tangible fixed assets	27,957
Finance lease receivables	200,555
Amounts due to group undertakings	(189,495)
Other liabilities	(1,361)
Provisions for liabilities and charges	<u>(38,215)</u>
	<u>(559)</u>

On 31 March 2001, the Company transferred the rights and obligations to 3 existing leases through a partial transfer of trade, at net book value, to fellow subsidiaries of Lombard North Central plc for a cash consideration receivable, representing a fair value, of £422,519.

Balances transferred out of Company at 31 March 2001:

	£'000
Finance lease receivables	28,093
Amounts due to group undertakings	(21,490)
Other liabilities	(152)
Provisions for liabilities and charges	<u>(6,028)</u>
	<u>423</u>

LOMBARD LEASING CONTRACTS LIMITED

NOTES ON THE FINANCIAL STATEMENTS

4	TURNOVER	2001 £'000	2000 £'000
	Lease income:		
	Finance leases:		
	Rentals receivable	7,183	2
	Amortisation	<u>(3,252)</u>	<u>-</u>
		<u>3,931</u>	<u>2</u>
	Operating leases:		
	Rentals receivable	<u>1,167</u>	<u>-</u>
		<u>5,098</u>	<u>2</u>
	Capital cost of assets financed:		
	Finance leases	39	-
	Operating leases	23,080	23,079
		<u>23,119</u>	<u>23,079</u>

5 EXCEPTIONAL PROFIT ON DISPOSAL OF FIXED ASSET

During the year, the Company disposed of an operating lease asset for a profit after costs of £8,055,874.

6	PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2001 £'000	2000 £'000
	Includes the following:		
	Other income:	<u>103</u>	<u>-</u>
	Finance charges:		
	Interest payable to group undertakings	19,985	23,079
	Capitalised interest	<u>(15,367)</u>	<u>(23,079)</u>
		<u>4,618</u>	<u>-</u>
	Operating expenses:		
	Fees & commissions	65	-
	Other	<u>13</u>	<u>-</u>
		<u>78</u>	<u>-</u>

The emoluments of the directors are paid either by the immediate parent company, Lombard North Central PLC, or by fellow subsidiary, Royal Bank Leasing Limited, neither of which makes any recharge to the company. These individuals are directors of a number of companies and it is not possible to make an accurate apportionment of their emoluments in respect of each of the companies. Accordingly, no directors' emoluments are reported within this Company.

The auditors' remuneration is paid by Lombard North Central plc, which makes no recharge to the Company.

LOMBARD LEASING CONTRACTS LIMITED

NOTES ON THE FINANCIAL STATEMENTS

7	TAXATION	2001	2000
		£'000	£'000
	Group relief:		
	- current year (receivable)/payable	(3,831)	64,482
	Deferred taxation:		
	- current year	4,087	(63,439)
		<u>256</u>	<u>1,043</u>

The tax charge for the current year has been based on an average Corporation Tax rate of 30% (2000 - 30%).

8	FIXED ASSETS	Assets for hire under operating leases £'000
	COST	
	At 1 April 2000	428,981
	Additions	23,080
	Acquired through partial transfer of trade	28,033
	Disposals	<u>(216,797)</u>
	At 31 March 2001	<u>263,297</u>
	DEPRECIATION	
	At 1 April 2000	-
	Acquired through partial transfer of trade	(76)
	Charge for the year	<u>(329)</u>
	At 31 March 2001	<u>(405)</u>
	NET BOOK VALUE	
	At 31 March 2001	<u>262,892</u>
	At 31 March 2000	<u>428,981</u>

LOMBARD LEASING CONTRACTS LIMITED

NOTES ON THE FINANCIAL STATEMENTS

9	DEBTORS	2001 £'000	2000 £'000
	Amounts falling due within one year:		
	Trade debtors	2,957	-
	Amounts owed by group undertakings	41,996	52,197
	Other debtors	1,031	-
		<u>45,984</u>	<u>52,197</u>

10	CREDITORS	2001 £'000	2000 £'000
	Amounts falling due within one year:		
	Payments received on account	1,137	-
	Trade creditors	1,705	-
	Amounts due to group undertakings	44,943	414,516
	Other creditors	3,069	-
		<u>50,854</u>	<u>414,516</u>

Amounts falling due after more than one year:

Amounts due to group undertakings:

Between one and two years	32,625	-
Between two and five years	41,457	-
After more than five years	235,773	-
	<u>309,855</u>	<u>-</u>

Amounts falling due after more than five years are repayable by instalments. The rates of interest applicable to these amounts 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:	Deferred taxation £'000
At 1 April 2000	65,522
Acquired through partial transfer of trade	38,215
Disposed of through partial transfer of trade	(6,028)
Charge to profit and loss account	4,087
At 31 March 2001	<u>101,796</u>

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

	2001 £'000	2000 £'000
Capital allowances on assets financed	<u>101,796</u>	<u>65,522</u>

LOMBARD LEASING CONTRACTS LIMITED

NOTES ON THE FINANCIAL STATEMENTS

12 CAPITAL COMMITMENTS

The Company has entered into capital commitments, contracted and authorised, of £7,313,111 (2000: £8,208,000).

13 SHARE CAPITAL

Ordinary shares of £1 each
2001 2000

Authorised	<u>100</u>	<u>100</u>
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Allotted, called up and fully paid	<u>100</u>	<u>100</u>
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14 PROFIT AND LOSS ACCOUNT

£'000

At 1 April 2000	1,144
Retained profit for the year	<u>7,976</u>

At 31 March 2001	<u>9,120</u>
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15 RECONCILIATION OF SHAREHOLDERS' FUNDS

2001	2000
£'000	£'000

Profit for the financial year and net addition to shareholders' funds	7,976	1,044
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Opening shareholders' funds	<u>1,144</u>	<u>100</u>
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Closing shareholders' funds	<u>9,120</u>	<u>1,144</u>
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