

LOMBARD LEASING CONTRACTS LIMITED

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2000



Lombard Leasing Contracts Limited is registered in England and Wales No. 2060602.
Registered Office: 3 Princess Way, Redhill, Surrey, RH1 1NP.

LOMBARD LEASING CONTRACTS LIMITED

DIRECTORS

D B Elder

N Pearce

C P Sullivan

A C Farnell

W V Latter

J M Sweetman

SECRETARY

A M Cunningham

LOMBARD LEASING CONTRACTS LIMITED

DIRECTORS' REPORT

The directors have pleasure in submitting their report and the financial statements for the year ended 31 March 2000.

PRINCIPAL ACTIVITY

The principal activity of the company is the provision of credit finance by way of leasing.

BUSINESS REVIEW

The net amount financed under all forms of financial agreements entered into during the year was £23,079,000 (1999 - 15 months £405,902,000). 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.

The company traded profitably during the year under review and the directors expect that it will continue to do so.

DIRECTORS

The present directors are as shown on page 1.

The following were appointed to the board:-

Mr C P Sullivan on 4 November 1999.
Mr D B Elder on 6 September 2000.
Mr A C Farnell on 6 September 2000.
Mr W V Latter on 6 September 2000.
Mr J M Sweetman on 6 September 2000.

Mr J Johnson resigned from the board on 8 November 1999.

POST BALANCE SHEET EVENT

Subsequent to the end of the year, the company entered into transactions with third parties which resulted in the transfer of its interests in operating lease assets with a net book value of £199,486,000 at 31 March 2000. A profit of £4,800,000 was recognised on the transactions.


LOMBARD LEASING CONTRACTS LIMITED

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' INTERESTS

All of the directors at the year end 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.

By order of the board



Angela M Cunningham
Secretary

29th January

2001

LOMBARD LEASING CONTRACTS 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 of the profit or loss for that period. 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 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

REPORT OF THE AUDITORS, DELOITTE & TOUCHE, TO THE MEMBERS OF

LOMBARD LEASING CONTRACTS LIMITED

We have audited the financial statements on pages 6 to 14 which have been prepared under the accounting policies set out on page 8.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 4, 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 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 as at 31 March 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Deloitte & Touche

Chartered Accountants

Registered Auditors

Crawley,

2001

30 January

LOMBARD LEASING CONTRACTS LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2000

		12 months ended 31 March 2000 £'000	15 months ended 31 March 1999 £'000
	Note		
Turnover	2	2	3
Other operating charges		-	(2)
Operating profit	3	2	1
Interest payable	4	-	(29)
Profit/(Loss) on ordinary activities before taxation		2	(28)
Taxation credit on profit/(loss) on ordinary activities	6	1,043	82
Retained profit for the financial year	10	1,045	54

All items dealt with in arriving at Profit/(Loss) on ordinary activities before taxation for 2000 and 1999 relate to continuing operations.

RECOGNISED GAINS AND LOSSES

There are no recognised gains or losses other than the profit attributable to shareholders of the company of £1,045,000 in the year ended 31 March 2000 and of £54,000 in the period ended 31 March 1999.

The notes on pages 8 to 14 form part of these financial statements.

LOMBARD LEASING CONTRACTS LIMITED

BALANCE SHEET

AT 31 MARCH 2000

	Note	<u>£'000</u>	<u>£'000</u>
<u>ASSETS</u>			
FIXED ASSETS			
Tangible assets	7	428,981	405,902
CURRENT ASSETS			
Debtors falling due within one year	8	52,201	2,150
Debtors falling due after more than one year	8	-	5
		<u>481,182</u>	<u>408,057</u>
<u>LIABILITIES</u>			
CAPITAL AND RESERVES			
Called up share capital	9	-	-
Profit and loss account	10	<u>1,144</u>	<u>99</u>
TOTAL EQUITY SHAREHOLDERS' FUNDS		1,144	99
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred taxation	12	65,522	2,083
CREDITORS	13	<u>414,516</u>	<u>405,875</u>
		<u>481,182</u>	<u>408,057</u>

The financial statements were approved at a meeting of the board of directors
on 29th January 2001 and were signed on their behalf by:



Nigel Pearce

Director

The notes on pages 8 to 14 form part of these financial statements.

LOMBARD LEASING CONTRACTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

a. Accounting Convention

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

b. Finance Leases

Assets made available to third parties under finance leases are treated as amounts receivable.

Income from finance leases is credited to the profit and loss account in proportion to the funds invested.

c. Operating Leases

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

Net income from operating leases, after charging interest, depreciation, maintenance and other costs, is credited to the profit and loss account to give a constant periodic return on the operating lease fixed asset throughout the period of the lease. No income is credited to the profit and loss account during the construction period.

d. 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 contract

e. Capitalisation of finance costs

Finance costs that are directly attributable to the construction of tangible fixed assets are capitalised as part of the costs of those assets.

f. Deferred Taxation

Deferred tax is provided using the liability method on all timing differences to the extent that a tax liability is expected to arise in the future.

g. Related Party Transactions/Financial Reporting Standard 1

As a wholly owned subsidiary of Lombard North Central PLC, the company has taken advantage of the exemption permitted by Financial Reporting Standard 8, 'Related Party Disclosures', and does not disclose inter company transactions. Similarly, the company is exempted under Financial Reporting Standard 1, 'Cash Flow Statements', from the requirement to prepare a cash flow statement.

LOMBARD LEASING CONTRACTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2. TURNOVER

- (i) Turnover represents lease income credited to the profit and loss account during the year, all of which arises in the United Kingdom and is from continuing activities.

12 months ended	15 months ended
31 March	31 March
2000	1999
<u>£'000</u>	<u>£'000</u>

- (ii) Net amounts financed under all forms of financial agreements entered into during the year were as follows:

Finance leases	-	-
Operating leases	23,079	405,902
	<u>23,079</u>	<u>405,902</u>

- (iii) Aggregate rentals receivable during the year were as follows:

Finance leases	1	27
Operating leases	-	-
	<u>1</u>	<u>27</u>

3. OPERATING PROFIT

There is no charge in this year's financial statements for auditors' remuneration as the fee is to be charged in the financial statements of the immediate parent undertaking (1999 - £nil).

4. INTEREST PAYABLE

12 months ended	15 months ended
31 March	31 March
2000	1999
<u>£'000</u>	<u>£'000</u>

On bank loans and overdrafts, and other loans:

To group undertakings	-	29
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LOMBARD LEASING CONTRACTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. EMPLOYEES, DIRECTORS' REMUNERATION AND INTERESTS

No emoluments were paid to any director by the company during the year (1999 - £nil).

None of the directors had any material interest in any contract of significance in relation to the business of the company (1999 - £nil).

The company has no direct employees.

6. TAXATION CREDIT ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES	12 months ended	15 months ended
	31 March	31 March
	2000	1999
	<u>£'000</u>	<u>£'000</u>
Group relief receivable*	(27,982)	(2,149)
Transfer to deferred tax (note 12)	27,982	2,071
Adjustments in respect of prior years:		
U K corporation tax	-	(7)
Group relief (receivable)/payable*	(36,500)	3
Transfer to deferred tax (note 12)	35,457	-
	<u>(1,043)</u>	<u>(82)</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.

LOMBARD LEASING CONTRACTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. TANGIBLE FIXED ASSETS

	Assets held for use in operating leases <u>£'000</u>
<u>Cost</u>	
At 1 April 1999	405,902
Additions	23,079
Disposals	-
At 31 March 2000	<u>428,981</u>
<u>Depreciation</u>	
At 1 April 1999 and 31 March 2000	<u>-</u>
Net book value at 31 March 2000	<u>428,981</u>
Net book value at 31 March 1999	<u>405,902</u>

The cost of tangible fixed assets, held for use in operating leases, includes £30,008,000 of capitalised interest (1999 £6,929,000). The rates used to capitalise these costs were as charged on various loans taken out to fund the deals.

LOMBARD LEASING CONTRACTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. DEBTORS	2000	1999
	<u>£'000</u>	<u>£'000</u>
Amounts falling due:		
i) Within one year		
Amounts owed by group undertakings	52,197	2,140
Net investment in finance leases	<u>4</u>	<u>10</u>
	52,201	2,150
ii) After more than one year		
Net investment in finance leases	<u>-</u>	<u>5</u>
Total debtors	<u><u>52,201</u></u>	<u><u>2,155</u></u>

9. CALLED UP SHARE CAPITAL

	2000		1999	
	<u>Authorised</u>	<u>Allotted, called up and fully paid</u>	<u>Authorised</u>	<u>Allotted, called up and fully paid</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
Ordinary shares of £1 each	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

All of the above share capital relates to equity funds.

LOMBARD LEASING CONTRACTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. PROFIT AND LOSS ACCOUNT

	<u>£'000</u>
Balance at 1 April 1999	99
Retained profit for the financial year	1,045
Balance at 31 March 2000	<u><u>1,144</u></u>

11. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	12 months ended	15 months ended
	31 March	31 March
	2000	1999
	<u>£'000</u>	<u>£'000</u>
Profit attributable to members of the company	1,045	54
Dividend	<u>-</u>	<u>-</u>
Net movement in shareholders' funds	1,045	54
Opening shareholders' funds	<u>99</u>	<u>45</u>
Closing shareholders' funds	<u><u>1,144</u></u>	<u><u>99</u></u>

12. DEFERRED TAXATION

	<u>£'000</u>
Balance at 1 April 1999	2,083
Transfer from profit and loss account (note 6)	63,439
Balance at 31 March 2000	<u><u>65,522</u></u>

The above balance represents the full potential liability in respect of the following:

	2000	1999
	<u>£'000</u>	<u>£'000</u>
Capital allowances	56,520	4
Other	<u>9,002</u>	<u>2,079</u>
	<u><u>65,522</u></u>	<u><u>2,083</u></u>

LOMBARD LEASING CONTRACTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	12 months ended 31 March 2000 <u>£'000</u>	15 months ended 31 March 1999 <u>£'000</u>
13. CREDITORS		
Amounts falling due within one year:		
Amounts owed to group undertakings	414,516	405,873
Other creditors	-	2
	<u>414,516</u>	<u>405,875</u>

14. COMMITMENTS

The company has entered into capital commitments, contracted and authorised, of £8,208,000 (1999 : £8,208,000).

15. ULTIMATE PARENT UNDERTAKING

The immediate parent undertaking is Lombard North Central PLC, registered in England and Wales. The ultimate parent undertaking and ultimate controlling party 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, 36 St Andrew Square, Edinburgh, EH2 2YB.

16. POST BALANCE SHEET EVENT

Subsequent to the end of the year, the company entered into transactions with third parties which resulted in the transfer of its interests in operating lease assets with a net book value of £199,486,000 at 31 March 2000. A profit of £4,800,000 was recognised on the transactions.