

NATWEST CAPITAL FINANCE LIMITED

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2000



NatWest Capital Finance Limited is registered in England and Wales No. 2353800.
Registered Office: 3 Princess Way, Redhill, Surrey, RH1 1NP.

NATWEST CAPITAL FINANCE LIMITED

DIRECTORS

C G Knowles
N Pearce
C P Sullivan

SECRETARY

A M Cunningham

NATWEST CAPITAL FINANCE 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 asset finance by way of leasing.

RESULTS AND DIVIDENDS

The net amount financed under all forms of financial agreements entered into during the year was £NIL (1999: £NIL).

The profit for the year on ordinary activities before taxation amounted to £960,000 (1999: £1,331,000) on which there was a taxation charge of £288,000 (1999: taxation charge of £219,000). The Directors have approved a first interim dividend of £1,000,000 (1999: £600,000) and recommend the payment of a second interim dividend of £750,000 (1999: £NIL) and the retained loss of £1,078,000 (1999: profit £512,000) will be transferred to reserves as shown in the profit and loss account on page 8.

DIRECTORS

The present directors are as shown on page 1

The following were appointed to the board: -

Mr P Higgins on 17 May 1999
Mr J Johnson on 17 May 1999
Mr N Pearce on 17 May 1999
Mr C P Sullivan on 7 December 1999
Mr C G Knowles on 17 April 2000

The following resigned from the board: -

Mr H J Henderson-Cleland on 21 April 1999
Mr P Carpenter on 17 May 1999
Mr N M Dent (as alternate to A R Hilliard) on 17 May 1999
Mr P T Keighley on 17 May 1999
Mr J Johnson on 8 November 1999
Mr P Higgins on 30 March 2000
Mr A R Hilliard on 30 April 2000

NATWEST CAPITAL FINANCE LIMITED

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' INTERESTS

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

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 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 acceptance and on 6 March 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 Group plc Ordinary shares of £0.25 each

	As at 1 April 1999 or date of appointment if later	As at 31 March 2000
C P Sullivan	-	4,832
A R Hilliard	-	687

No director had an interest in any of the preference shares during the year to 31 March 2000.

As at 31 March 2000, C P Sullivan also held 22,323 Floating Rate Unsecured Loan Notes 2005 in RBSG.

NATWEST CAPITAL FINANCE LIMITED

DIRECTORS' REPORT (CONTINUED)

National Westminster Bank Plc Ordinary shares of £1 each

	As at 1 April 1999 or date of appointment if later	As at 31 March 2000	As at 1 April 1999 or date of appointment if later	Granted during the year		Exercised during the year		As at 31 March 2000
				Options	Price (p)	Options	Price (p)	
A R Hilliard	1,320	1,228	1,071	348	969	-	-	1,419
N Pearce	369	369	5,272	-	-	-	-	5,272
C P Sullivan	6,524	1,175	28,309	-	-	-	-	28,309

Options outstanding are exercisable at share prices between 436p and 1463p per share.

During the year, certain NatWest Group employees were granted potential awards under the Medium Term Equity Plan. This is a type of Employee Share Ownership Plan funded by National Westminster Bank Plc and administered by an independent trustee.

As at 31 March 2000 500,664 (1999: 1,486,414) shares were held by the independent trustee for the Plan and, in terms of the trust deeds setting up the Plan, the directors of the company are deemed to have an interest as potential beneficiaries in those ordinary shares. Following the acquisition of National Westminster Bank Plc by The Royal Bank of Scotland Group plc, the scheme terminated with effect from 12 December 2000.

In October 1997 National Westminster Bank Plc established a Qualifying Employee Share Ownership Trust (QUEST) to operate in connection with National Westminster Bank Plc's Savings Related Option Scheme. The trustee of the QUEST is NatWest QUEST Limited a wholly owned subsidiary.

NATWEST CAPITAL FINANCE LIMITED

DIRECTORS' REPORT (CONTINUED)

As at 31 March 2000 nil (1999: 416,863) ordinary shares were held by the trustee. In terms of the trust deed setting up the QUEST, all employees and executive directors are deemed to have an interest as potential discretionary beneficiaries in those ordinary shares. Following the acquisition of National Westminster Bank Plc by The Royal Bank of Scotland Group plc, the QUEST has held no shares.

Other than the loan notes detailed above, none of the directors in office at 31 March 2000 held any interest in the share or loan capital of the company or any other group company.

By Order of the Board

A M Cunningham

Secretary

14th March 2001

NATWEST CAPITAL FINANCE LIMITED

DIRECTORS' STATEMENT OF RESPONSIBILITIES FOR FINANCIAL REPORTING

The following statement, which should be read in conjunction with the Report of the Auditors on page 7, is made to enable shareholders to distinguish between the responsibilities of the Directors and of the Auditors in relation to the Accounts.

The Directors are required by the Companies Act 1985 to prepare, for each financial year, accounts 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 Company's profit for the financial year.

The Directors confirm that the accounts set out on pages 8 to 15 have been prepared on the going concern basis and consider that in preparing those accounts, the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates and that all accounting standards which they consider to be applicable have been followed.

The Directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company and which enable them to ensure that the financial statements comply with the Companies Act 1985.

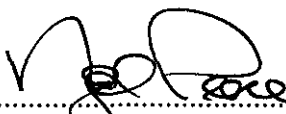
The Board of Directors is responsible for the Company's system of internal financial control. The responsibility for its day-to-day operation is delegated to executive management which has established and disseminated clearly defined Company policies and standards. The Company's system of internal financial control is designed to provide reasonable, but not absolute, assurance: -

- as to the reliability and integrity of the accounts
- that assets are safeguarded and only authorised transactions are entered into
- that fraud and other irregularities are prevented and detected.

In devising internal financial controls, the board has regard to the materiality of the relevant financial risk, the likelihood of the risk crystallising and the cost of control.

The system of internal control is subject to close scrutiny by management and internal audit.

For and on behalf of the Board of Directors


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N Pearce, Director
14th March 2001

REPORT OF THE AUDITORS, DELOITTE & TOUCHE, TO THE
MEMBERS OF
NATWEST CAPITAL FINANCE LIMITED

We have audited the financial statements on pages 8 to 15 which have been prepared under the accounting policies set out on page 10.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 6, the company's directors are responsible for the preparation of the 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.

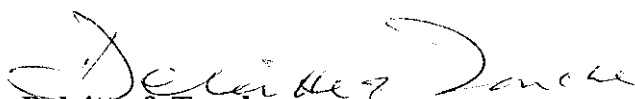
BASIS OF OPINION

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 the 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 Auditor
Crawley, 16 March 2001

NATWEST CAPITAL FINANCE LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2000

	<u>Note</u>	2000 £'000	1999 <u>£'000</u>
Income from finance leases	2	12,077	15,142
Operating charges		(173)	(1)
		<hr/>	<hr/>
Net operating income from continuing operations		11,904	15,141
Interest payable to group undertakings		(10,944)	(13,810)
		<hr/>	<hr/>
Profit on ordinary activities before taxation	4	960	1,331
Tax on profit on ordinary activities	5	(288)	(219)
		<hr/>	<hr/>
Profit on ordinary activities after taxation		672	1,112
Dividend	6	(1,750)	(600)
		<hr/>	<hr/>
Retained (loss)/profit for the financial year		(1,078)	512
		<hr/> <hr/>	<hr/> <hr/>

All items dealt with in arriving at Profit on ordinary activities before taxation for 2000 and 1999 arise from continuing operations.

The Company had no gains or losses other than the profit for the current year or prior year.

The notes on pages 10 to 15 form part of these financial statements.

NATWEST CAPITAL FINANCE LIMITED

BALANCE SHEET

AT 31 MARCH 2000

	<u>Note</u>	<u>2000</u> <u>£'000</u>	<u>1999</u> <u>£'000</u>
Current Assets			
Debtors	7	221,138	213,845
Creditors: amounts falling due within one year	8	(5,875)	(2,708)
Net Current Assets:			
Amounts falling due within one year		(1,415)	4,018
Debtors falling due after more than one year	7	216,678	207,119
Total Net Current Assets		215,263	211,137
Creditors: amounts falling due after more than one year	9	(192,939)	(193,143)
Provisions for Liabilities and Charges			
Deferred taxation	11	(22,298)	(16,890)
Net Assets		<u>26</u>	<u>1,104</u>
Capital and Reserves			
Called up share capital	12	-	-
Profit and loss account	13	26	1,104
Total Equity Shareholders' Funds		<u>26</u>	<u>1,104</u>

The financial statements were approved by the Board of Directors on 14th March 2001 and signed on their behalf by:



 N Pearce, Director

The notes on pages 10 to 15 form part of these financial statements.

NATWEST CAPITAL FINANCE LIMITED

NOTES TO THE ACCOUNTS

1. Accounting Policies

a) Accounting Convention

The accounts have been prepared in accordance with applicable accounting standards and under the historical cost convention.

As a wholly owned subsidiary of The Royal Bank of Scotland Group plc ("RBS"), the company has taken advantage of the exemption permitted by Financial Reporting Standard 8, 'Related Party Disclosures', and does not disclose transactions with other RBS group companies and investees of the RBS group qualifying as related parties. Similarly, as a wholly owned subsidiary undertaking, the company is exempt under Financial Reporting Standard 1, 'Cash Flow Statements', from the requirement to prepare a cash flow statement.

b) Finance Leases

Assets 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.

Where the lease rentals reflect the benefits of declining corporation tax rates or other permanent tax effects, the tax effect is recognised as it arises with a corresponding adjustment of lease receivables.

c) Taxation

The taxation charge is based on the results for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

NATWEST CAPITAL FINANCE LIMITED

NOTES TO THE ACCOUNTS (cont'd)

2. Income from Finance Leases

- i) Income from finance leases credited to the Profit and Loss Account arose in the United Kingdom.

2000	1999
<u>£'000</u>	<u>£'000</u>

- ii) Aggregate rentals receivable during the year under finance leases

4,633	7,185
<u>=====</u>	<u>=====</u>

3. Directors and Employees

None of the Directors received any emoluments from the Company (1999 - £NIL).

None of the Directors had any material interest in any contract of significance in relation to the business of the Company.

The Company does not have any employees.

4. Profit on Ordinary Activities before Taxation

Auditors' remuneration is borne by the parent undertaking.

NATWEST CAPITAL FINANCE LIMITED

NOTES TO THE ACCOUNTS (cont'd)

5. Taxation

	2000 <u>£'000</u>	1999 <u>£'000</u>
Group relief receivable (see below)	5,120	5,604
Deferred taxation (see note 11)	(5,408)	(5,823)
	<hr/>	<hr/>
Taxation charge	<u>(288)</u>	<u>(219)</u>

Provision for group relief is made on the basis that the claimant companies will make payment to the surrendering company at rates appropriate to the periods in which the losses claimed are utilised.

6. Dividends

	2000 <u>£'000</u>	1999 <u>£'000</u>
Ordinary Shares:		
Dividend paid	1,000	600
Dividend proposed	750	-
	<hr/>	<hr/>
	<u>1,750</u>	<u>600</u>

7. Debtors

	2000 <u>£'000</u>	1999 <u>£'000</u>
i) Debtors falling due within one year		
Net investment in finance leases	121	105
Amounts owed by group undertakings	4,339	6,621
	<hr/>	<hr/>
	4,460	6,726
ii) Debtors falling due after one year		
Net investment in finance leases	216,678	207,119
	<hr/>	<hr/>
	<u>221,138</u>	<u>213,845</u>

NATWEST CAPITAL FINANCE LIMITED

NOTES TO THE ACCOUNTS (cont'd)

8. Creditors: amounts falling due within one year

	2000 <u>£'000</u>	1999 <u>£'000</u>
Amounts owed to group undertakings	2,539	2,339
Loans from group undertakings (see note 10)	95	368
Other creditors	2,491	1
Proposed dividend	750	-
	<hr/>	<hr/>
	5,875	2,708
	<hr/> <hr/>	<hr/> <hr/>

9. Creditors: amounts falling due after one year

	2000 <u>£'000</u>	1999 <u>£'000</u>
Loans from group undertakings (see note 10)	192,939	193,143
	<hr/> <hr/>	<hr/> <hr/>

10. Analysis of loans from group undertakings:

	2000 <u>£'000</u>	1999 <u>£'000</u>
Wholly repayable within five years		
Within one year	95	129
between one and two years	68	92
between two and five years	91	123
	<hr/>	<hr/>
	254	344
Not wholly repayable within five years due:		
Within one year	-	278
between one and two years	-	-
between two and five years	-	-
in more than five years	192,780	192,889
	<hr/>	<hr/>
	193,034	193,511
	<hr/> <hr/>	<hr/> <hr/>

The loans are repayable in accordance with the cash flows relating to the respective lease agreements and bear interest at rates linked to relevant 3 month or 6 month LIBOR rates.

NATWEST CAPITAL FINANCE LIMITED

NOTES TO THE ACCOUNTS (cont'd)

11. Deferred Taxation

	<u>£'000</u>
At 1 April 1999	16,890
Charge for the year	5,408
	<hr/>
At 31 March 2000	<u>22,298</u>

The above balance represents the full potential liability in respect of capital allowances.

12. Share Capital

	<u>2000</u> Allotted, Called Up Fully Paid	<u>1999</u> Allotted, Called Up Fully Paid
	<u>Authorised</u>	<u>Authorised</u>
Ordinary Shares of £1 each	100	100
	<u> </u>	<u> </u>

13. Movement in Reserves and Reconciliation of Movements in Shareholders' Funds

	<u>Share Capital</u>	<u>Profit & Loss</u> <u>Account</u>	<u>Total</u> <u>Shareholders'</u> <u>Funds</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Balance at 1 April 1999	-	1,104	1,104
Dividend	-	(1,750)	(1,750)
Profit for the financial year	-	672	672
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2000	<u>-</u>	<u>26</u>	<u>26</u>

NATWEST CAPITAL FINANCE LIMITED

NOTES TO THE ACCOUNTS (cont'd)

14. Transaction with Parent, Subsidiary and Fellow Subsidiary Undertakings

As the Company is wholly controlled by National Westminster Bank Plc it has taken advantage of the exemption provided under Financial Reporting Standard 8 not to disclose transactions with its parent, subsidiary and fellow subsidiary undertakings.

15. Contingent Liability

The company has a contingent liability in respect of a joint and several undertaking for VAT due by certain fellow subsidiary undertakings under a group registration.

16. Holding Company

The immediate parent undertaking is National Westminster Bank plc, registered England and Wales, the ultimate parent undertaking and ultimate controlling party is The Royal Bank of Scotland Group plc, which is registered in Scotland.

Copies of financial statements of National Westminster Bank Plc can be obtained from The Secretary, 135 Bishopsgate, London EC2M 3UR.

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 Andrew Square, Edinburgh EH2 2YB.