

COMPANY NO. 2353800

NATWEST CAPITAL FINANCE LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 MARCH 2002



NATWEST CAPITAL FINANCE LIMITED

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2002

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NATWEST CAPITAL FINANCE LIMITED

DIRECTORS AND OFFICERS

DIRECTORS

Adrian Colin Farnell
Eion Arthur Flint
Christopher George Knowles
Nigel Pearce
Christopher Paul Sullivan

SECRETARY

Angela Mary Cunningham

REGISTERED OFFICE

3 Princess Way
Redhill
Surrey RH1 1NP

PRINCIPAL OFFICE

32 Lombard Street
London
EC3V 9BD

NATWEST CAPITAL FINANCE LIMITED

DIRECTORS' REPORT

The Directors present their annual report, together with the audited financial statements for the year ended 31 March 2002.

RESULTS

The results for the year are set out on page 8. The Directors recommend the payment of a final dividend of £750,000 (2001 £750,000). The retained profit to be transferred to reserves will amount to £45,000 (2001: £74,000).

BUSINESS REVIEW

The principal activity of the Company, which is a wholly owned subsidiary of National Westminster Bank Plc, 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 2002, the Members of the Board of Directors were:-

Mr Adrian Colin Farnell
Mr Eion Arthur Flint
Mr Christopher George Knowles
Mr Nigel Pearce
Mr Christopher Paul Sullivan

During the year to 31 March 2002, the following changes were made in the composition of the Board:-

On 1 July 2001, Mr Adrian Colin Farnell was appointed a Director of the Company.

On 1 July 2001, Mr Eion Arthur Flint was appointed a Director of the Company.

DIRECTORS' INTERESTS

No Director had any interest in the ordinary shares of the Company on 31 March 2002 nor on 1 April 2001.

The interests of the Directors at 31 March 2002 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.

NATWEST CAPITAL FINANCE LIMITED

POLICY AND PRACTICE ON PAYMENT OF CREDITORS

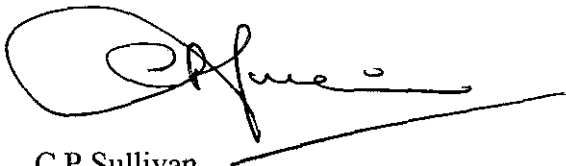
The Company is committed to maintaining a sound commercial relationship with its suppliers. Consequently, it is the Company's policy to negotiate and agree terms and conditions with its suppliers, which includes the giving of an undertaking by the Company to pay suppliers within 30 days of receipt of 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 2002 bears to the amounts invoiced by suppliers during the year then ended equated to nil days (2001: nil) proportion of 365 days.

AUDITORS

The Company has passed an Elective resolution to dispense with the annual appointment of auditors, accordingly Deloitte & Touche remain in office.

By Order of the Board.

A handwritten signature in black ink, appearing to read 'C P Sullivan', with a long horizontal line extending from the end of the signature.

C P Sullivan
Director

Date 22 January 2003

NATWEST CAPITAL FINANCE 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 Royal Bank of Scotland 25p ordinary shares

	At 31 March 2001 (or date of appointment if later)	At 31 March 2002
	<u>Shares</u>	<u>Shares</u>
A C Farnell	9,720	11,398
C G Knowles	6,373	7,535
N Pearce	841	1,279
C P Sullivan	8,761	1,550

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 2002 are included in the table below:-

	At 1 April 2001 (or date of appointment if later)	<u>Options</u> <u>Number</u>	<u>Granted</u> <u>Price</u> £	<u>Options Exercised</u> <u>Number</u>	<u>Price</u> £	At 31 March 2002
A C Farnell	2,440	312	13.64	888 314	3.88 7.41	1,550
E A Flint	22,065	6,200 6,700	17.18 18.18	4,377 3,216	6.85 6.96	27,372
C G Knowles	26,722	5,600 6,700 150	17.18 18.18 15.63	599 4,430	3.45 6.96	34,143
N Pearce	17,705	6,700 7,800 150	17.18 18.18 15.63	-	-	32,355
C P Sullivan	41,794	10,800 10,200 150	17.18 18.18 15.63	-	-	62,944

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 2002. As at 31 March 2002, 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>
A C Farnell	9,112	-
C G Knowles	3,110	12,852
N Pearce	357	1,476
C P Sullivan	9,856	27,023

Other than detailed above, none of the directors in office at 31 March 2002 held any interest in the share or loan capital of the company or any other group company during the year to 31 March 2002.

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 end of the financial year 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NATWEST CAPITAL FINANCE LIMITED

We have audited the financial statements of Natwest Capital Finance Limited for the year ended 31 March 2002 which comprise the profit and loss account, the balance sheet and the related notes 1 to 12. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

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 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.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

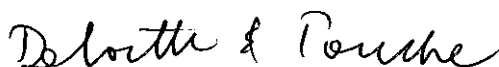
Basis of opinion

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 2002 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 and Registered Auditors
Bristol

27 January 2003

NATWEST CAPITAL FINANCE LIMITED

PROFIT AND LOSS ACCOUNT

for the year ended 31 March 2002

	Note	CONTINUING OPERATIONS	
		2002 £'000	2001 £'000
Lease income	4	9,238	12,998
Other income	5	<u>10</u>	<u>-</u>
		9,248	12,998
Finance charges	5	(8,155)	(11,700)
Operating expenses	5	<u>(15)</u>	<u>(121)</u>
OPERATING PROFIT AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5	1,078	1,177
Taxation charge on profit on ordinary activities	6	<u>(283)</u>	<u>(353)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		795	824
Dividend for the year - interim proposed		<u>(750)</u>	<u>(750)</u>
RETAINED PROFIT FOR THE YEAR	11	<u><u>45</u></u>	<u><u>74</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 10 to 14 form part of these financial statements.

NATWEST CAPITAL FINANCE LIMITED

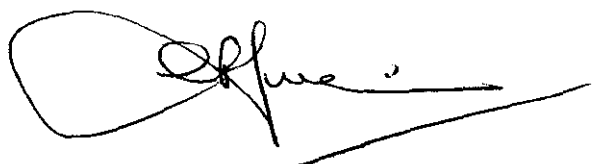
BALANCE SHEET

at 31 March 2002

	Note	2002 £'000	2001 £'000
CURRENT ASSETS			
Finance lease receivables due after more than one year		200,232	223,890
Debtors	7	<u>23</u>	<u>293</u>
		200,255	224,183
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	8	<u>(6,792)</u>	<u>(5,941)</u>
NET CURRENT ASSETS		<u>193,463</u>	<u>218,242</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		193,463	218,242
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	8	(165,580)	(190,827)
PROVISIONS FOR LIABILITIES AND CHARGES	9	<u>(27,738)</u>	<u>(27,315)</u>
NET ASSETS		<u>145</u>	<u>100</u>
CAPITAL AND RESERVES			
Called up share capital	10	-	-
Profit and loss account	11	<u>145</u>	<u>100</u>
TOTAL EQUITY SHAREHOLDERS' FUNDS	12	<u>145</u>	<u>100</u>

The financial statements on pages 8 to 14 were approved by the Board of Directors on and were signed on its behalf by :-

22 January 2003



C P Sullivan
Director

The notes on pages 10 to 14 form part of these financial statements.

NOTES ON THE FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES

The financial statements on pages 8 to 14 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. The adoption of Financial Reporting Standard 19 'Deferred Taxation' has not had an impact on the Company and hence there has not been an a restatement of opening reserves.

a 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.

b 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.

c DEFERRED TAXATION

Certain items of income and expenditure are accounted for in different periods for financial reporting purposes than for taxation purposes. Deferred taxation is provided on the full liability method in respect of timing differences which have originated but not reversed at the balance sheet date. Deferred taxation is calculated on a non-discounted basis.

d 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.

e 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).

2 ULTIMATE HOLDING COMPANY

The ultimate parent undertaking and ultimate controlling party is The Royal Bank of Scotland Group plc, which is registered in Scotland. The immediate parent undertaking is National Westminster Bank plc, registered in England and Wales, and is the lowest level within the group at which consolidated accounts are prepared.

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 may be obtained from the Company Secretary's office, The Royal Bank of Scotland Group plc, 42 St. Andrew Square, Edinburgh, EH2 2YE.

NOTES ON THE FINANCIAL STATEMENTS

3 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.

4	TURNOVER	2002 £'000	2001 £'000
	Lease income:		
	Finance leases:		
	Rentals receivable	3,556	6,032
	Amortisation	<u>5,682</u>	<u>6,966</u>
		<u>9,238</u>	<u>12,998</u>

The company did not enter into any new leasing transactions during the year (2001: Nil)

5	PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2002 £'000	2001 £'000
	Includes the following:		
	Other income:	<u>10</u>	<u>-</u>
	Finance charges:		
	Interest payable to group undertakings	<u>8,155</u>	<u>11,700</u>
	Operating expenses:		
	Management charge	15	121
	Auditors' remuneration - for audit services	-	1
	Other	<u>-</u>	<u>(1)</u>
		<u>15</u>	<u>121</u>

NOTES ON THE FINANCIAL STATEMENTS

5 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION - continued

The directors emoluments of Messrs Flint, Knowles and Sullivan are paid by a fellow subsidiary, Lombard North Central PLC, which makes no recharge to the company. They are directors of a number of fellow subsidiaries and it is not possible to make an accurate apportionment of their emoluments in respect of each of the companies. Accordingly, the above details include no emoluments in respect of these directors.

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

	2002 £	2001 £
Director's emoluments	1,603	-
Staff costs	<u>7,378</u>	<u>-</u>

The auditors' remuneration, for audit services, in 2002 is borne by the parent undertaking which makes no recharge to the company.

6	TAXATION	2002 £'000	2001 £'000
	A) ANALYSIS OF CHARGE IN THE YEAR		
	Current tax credit:		
	- Group relief receivable on profits for the year	(99)	(4,664)
	- Adjustment in respect of prior periods	<u>(41)</u>	<u>-</u>
		(140)	(4,664)
	Deferred tax - origination and reversal of timing differences	423	5,017
		<u>283</u>	<u>353</u>
	Taxation charge on profit on ordinary activities		
	B) FACTORS AFFECTING THE TAX CREDIT FOR THE YEAR		
	Profit on ordinary activities before tax	<u>1,078</u>	<u>1,177</u>
	Tax on profit on ordinary activities at the standard rate of 30% (2001: 30%)	324	353
	Capital allowances for period in excess of depreciation	(423)	(5,017)
	Adjustment to tax charge in respect of previous periods	<u>(41)</u>	<u>-</u>
	Current tax credit	<u>(140)</u>	<u>(4,664)</u>

NATWEST CAPITAL FINANCE LIMITED

NOTES ON THE FINANCIAL STATEMENTS

7	DEBTORS	2002 £'000	2001 £'000
	Amounts falling due within one year:		
	Trade debtors	10	-
	Amounts due from group undertakings	-	280
	Other debtors	13	13
		<u>23</u>	<u>293</u>
8	CREDITORS	2002 £'000	2001 £'000
	Amounts falling due within one year:		
	Amounts due to group undertakings	3,148	3,300
	Other creditors	3,644	2,641
		<u>6,792</u>	<u>5,941</u>
	Amounts falling due after more than one year:		
	Amounts due to group undertakings:		
	After more than five years	165,580	190,827
		<u>165,580</u>	<u>190,827</u>
	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.		
9	PROVISIONS FOR LIABILITIES AND CHARGES		
	Movements during the year:	Deferred taxation £'000	
	At 1 April 2001	27,315	
	Charge to profit and loss account	423	
	At 31 March 2002	<u>27,738</u>	
	Full provision has been made for the potential amount of deferred taxation shown below:		
		2002 £'000	2001 £'000
	Capital allowances on assets financed	<u>27,738</u>	<u>27,315</u>

NATWEST CAPITAL FINANCE LIMITED

NOTES ON THE FINANCIAL STATEMENTS

10 SHARE CAPITAL

Ordinary shares of £1 each

Authorised	<u>100</u>	<u>100</u>
Allotted, called up and fully paid	<u>100</u>	<u>100</u>

11 PROFIT AND LOSS ACCOUNT

£'000

At 1 April 2001	100
Retained profit for the year	<u>45</u>
At 31 March 2002	<u>145</u>

12 RECONCILIATION OF SHAREHOLDERS' FUNDS

2002
£'000

2001
£'000

Profit for the financial year	795	824
Dividend	<u>(750)</u>	<u>(750)</u>
Net addition to shareholders' funds	45	74
Opening shareholders' funds	<u>100</u>	<u>26</u>
Closing shareholders' funds	<u>145</u>	<u>100</u>