

COMPANY NO. 2353835

NATWEST CORPORATE FINANCE LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

30 JUNE 2001



NATWEST CORPORATE FINANCE LIMITED

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2001

<u>Contents</u>	<u>Pages</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
Profit and Loss account	8
Balance Sheet	9
Notes on the financial statements	10-14

NATWEST CORPORATE 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 CORPORATE FINANCE LIMITED

DIRECTORS' REPORT

The Directors present their annual report, together with the audited financial statements for the year ended 30 June 2001.

RESULTS

The results for the year are set out on page 8. The Directors recommend the payment of an interim dividend of £500,000 (2000 £2,200,000). The retained profit for the year to 30 June 2001 to be transferred to reserves will amount to £105,000 (2000: loss £1,585,000).

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 30 June 2001, the Members of the Board of Directors were:-

Mr Christopher George Knowles
Mr Nigel Pearce
Mr Christopher Paul Sullivan

During the year to 30 June 2001, there were no changes were made in the composition of the Board.

Subsequent to the year end, Mr A C Farnell and Mr E A Flint were appointed to the board on 1 July 2001.

DIRECTORS' INTERESTS

No Director had any interest in the ordinary shares of the Company on 30 June 2001 nor on 1 July 2000.

The interests of the Directors at 30 June 2001 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 CORPORATE FINANCE LIMITED

POLICY AND PRACTICE ON PAYMENT OF CREDITORS

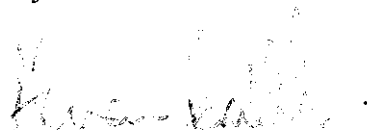
The Company is committed to maintaining a sound commercial relationship with its suppliers. Consequently, it is the Company's policy to negotiate and agree terms and conditions with its suppliers, which includes the giving of an undertaking by the Company to pay suppliers within 30 days of receipt of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

The proportion which the amount owed to trade creditors at 30 June 2001 bears to the amounts invoiced by suppliers during the year then ended equated to nil days proportion of 365 days.

AUDITORS

KPMG Audit Plc resigned as auditors of the Company and were replaced by Deloitte & Touche on 29 November 2000. 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.



Director
CHELTENHAM

26th April 2002

NATWEST CORPORATE 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:

<u>The Royal Bank of Scotland 25p ordinary shares</u>		
	<u>At 1 July 2000</u>	<u>At 30 June 2001</u>
	<u>(or date of appointment if later)</u>	
	<u>Shares</u>	<u>Shares</u>
C G Knowles	3,110	6,464
N Pearce	357	847
C P Sullivan	9,856	6,961

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 30 June 2001 are included in the table below:-

	<u>At 1 July 2000</u>	<u>Post AVS Adjustment</u>	<u>Options Number</u>	<u>Granted Price</u>	<u>Options Exercised Number</u>	<u>Exercised Price</u>	<u>At 30 June 2001</u>
				£		£	
C G Knowles	22,159	23,882	7,500	12.87	873	2.76	26,872
			746	9.85	4,683	5.01	
			150	12.4			
			150	15.63			
N Pearce	7,739	8,342	7,500	12.87	-	-	17,855
			1,713	9.85			
			150	12.4			
			150	15.63			
C P Sullivan	34,214	36,878	15,000	12.87	723	2.76	41,944
			616	9.85	10,127	5.01	
			150	12.4			
			150	15.63			

No Director had an interest in any of the preference shares of The Royal Bank of Scotland Group plc during the year to 30 June 2001.

As at 30 June 2001, the Directors also held Additional Value Shares ('AVS') and Floating Rate Unsecured Loan Notes 2005 in The Royal Bank of Scotland Group Plc.

	<u>Additional Value Shares</u>	<u>Floating Rate Unsecured Loan Notes</u>
	<u>Shares</u>	<u>Notes</u>
C G Knowles	3,110	11,724
N Pearce	357	1,476
C P Sullivan	9,856	27,023

Other than the loan notes detailed above, none of the directors in office at 30 June 2001 held any interest in the share or loan capital of the company or any other group company.

NATWEST CORPORATE FINANCE LTD

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 CORPORATE FINANCE LTD

We have audited the financial statements of Natwest Corporate Finance Ltd for the year ended 30 June 2001 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 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 30 June 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

29 April 2002

NATWEST CORPORATE FINANCE LTD

PROFIT AND LOSS ACCOUNT
for the year ended 30 June 2001

	Note	CONTINUING OPERATIONS	
		2001 £'000	2000 £'000
Lease income	4	13,006	13,818
Other income	5	<u>2</u>	<u>-</u>
		13,008	13,818
Finance charges	5	(11,986)	(12,691)
Operating expenses	5	<u>(158)</u>	<u>(249)</u>
OPERATING PROFIT AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5	864	878
Taxation charge on profit on ordinary activities		(259)	(263)
		<u>605</u>	<u>615</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		605	615
Dividend for the year - interim proposed		<u>(500)</u>	<u>(2,200)</u>
RETAINED PROFIT/(ACCUMULATED LOSS) FOR THE YEAR	11	<u>105</u>	<u>(1,585)</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 CORPORATE FINANCE LTD

BALANCE SHEET
at 30 June 2001

	Note	2001 £'000	2000 £'000
CURRENT ASSETS			
Finance lease receivables due within one year		9,141	10,462
Finance lease receivables due after more than one year		206,424	212,115
Debtors	7	<u>4,096</u>	<u>3,526</u>
		219,661	226,103
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	8	<u>(13,537)</u>	<u>(16,416)</u>
TOTAL NET CURRENT ASSETS		206,124	209,687
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	8	(166,163)	(170,972)
PROVISIONS FOR LIABILITIES AND CHARGES	9	(39,749)	(38,608)
NET ASSETS		<u>212</u>	<u>107</u>
CAPITAL AND RESERVES			
Called up share capital	10	-	-
Profit and loss account	11	<u>212</u>	<u>107</u>
EQUITY SHAREHOLDERS' FUNDS	12	<u>212</u>	<u>107</u>

The financial statements on pages 8 to 14 were approved by the Board of Directors on 26th April 2002
and were signed on its behalf by :-



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.

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 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.

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).

NATWEST CORPORATE FINANCE LTD

NOTES ON THE FINANCIAL STATEMENTS

ACCOUNTING POLICIES - continued

2 ULTIMATE HOLDING COMPANY

The immediate parent undertaking is National Westminster Bank plc, registered in 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 may be obtained from the Company Secretary's office, The Royal Bank of Scotland Group plc, 42 St. Andrews Square, Edinburgh, EH2 2YE.

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	2001	2000
		£'000	£'000
	Lease income:		
	Finance leases:		
	Rentals receivable	20,009	19,225
	Amortisation	(7,003)	(5,407)
		<u>13,006</u>	<u>13,818</u>

The company did not enter into any new leasing transactions during the year (2000: Nil)

NATWEST CORPORATE FINANCE LTD

NOTES ON THE FINANCIAL STATEMENTS

5	PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2001 £'000	2000 £'000
	Includes the following:		
	Other income:	<u>2</u>	<u>-</u>
	Finance charges:		
	Interest payable to group undertakings	<u>11,986</u>	<u>12,691</u>
	Operating expenses:		
	Fees & commissions	12	13
	Management charge	<u>146</u>	<u>236</u>
		<u>158</u>	<u>249</u>

The Directors emoluments 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 his emoluments in respect of each of the companies. Accordingly, the above details include no emoluments in respect of the Directors. The Company does not have any employees.

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

6	TAXATION	2001 £'000	2000 £'000
	Group relief:		
	- current year receivable	(882)	(1,883)
	Deferred taxation:		
	- current year	<u>1,141</u>	<u>2,146</u>
		<u>259</u>	<u>263</u>

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

7	DEBTORS	2001 £'000	2000 £'000
	Amounts falling due within one year:		
	Trade debtors	1	-
	Amounts due by group undertakings	2,896	3,526
	Other debtors	<u>1,199</u>	<u>-</u>
		<u>4,096</u>	<u>3,526</u>

NATWEST CORPORATE FINANCE LTD

NOTES ON THE FINANCIAL STATEMENTS

8	CREDITORS	2001 £'000	2000 £'000
	Amounts falling due within one year:		
	Payments received on account	2	-
	Amounts due to group undertakings	10,231	16,416
	Other creditors	3,304	-
		<u>13,537</u>	<u>16,416</u>
	Amounts falling due after more than one year:		
	Amounts due to group undertakings:		
	Between one and two years	6,935	1,784
	Between two and five years	17,197	5,351
	After more than five years	142,031	163,837
		<u>166,163</u>	<u>170,972</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 July 2000		38,608
	Charge to profit and loss account		<u>1,141</u>
	At 30 June 2001		<u>39,749</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>39,749</u>	<u>38,608</u>
10	SHARE CAPITAL		
		Ordinary shares of £1 each	
	Authorised	<u>1,000</u>	<u>1,000</u>
	Allotted, called up and fully paid	<u>100</u>	<u>100</u>

NATWEST CORPORATE FINANCE LTD

NOTES ON THE FINANCIAL STATEMENTS

11 PROFIT AND LOSS ACCOUNT

	£'000
At 1 July 2000	107
Retained profit for the year	<u>105</u>
At 30 June 2001	<u><u>212</u></u>

12 RECONCILIATION OF SHAREHOLDERS' FUNDS

	2001 £'000	2000 £'000
Profit for the financial year	605	615
Dividend	<u>(500)</u>	<u>(2,200)</u>
Net addition to/(reduction in) shareholders' funds	105	(1,585)
Opening shareholders' funds	<u>107</u>	<u>1,692</u>
Closing shareholders' funds	<u><u>212</u></u>	<u><u>107</u></u>