

(Company No. 2718691)

R.B. INVESTMENT HOLDINGS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

30 SEPTEMBER 2000



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R.B. INVESTMENT HOLDINGS LIMITED

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2000

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R.B. INVESTMENT HOLDINGS LIMITED

DIRECTORS AND OFFICERS

DIRECTORS

Davies Burns Elder
Adrian Colin Farnell
William Vaughan Latter
Jonathan Michael Sweetman

SECRETARY

Angela Mary Cunningham

REGISTERED OFFICE

The Quadrangle
The Promenade
Cheltenham
Gloucestershire GL50 1PX

PRINCIPAL OFFICE

The Quadrangle
The Promenade
Cheltenham
Gloucestershire GL50 1PX

R.B. INVESTMENT HOLDINGS LIMITED

DIRECTORS' REPORT

The Directors present their annual report, together with the audited financial statements for the year ended 30 September 2000.

RESULTS

The results for the year are set out on page 10. The Directors do not recommend payment of a final dividend (1999: £ Nil). The accumulated loss for the year to 30 September 2000 amounts to £4,932.

BUSINESS REVIEW

The principal activity of the Company, which is a wholly owned subsidiary of Royal Bank Leasing Limited, is that of a holding and investment company. The Company will continue to operate in the investment market.

DIRECTORS

The current Directors are as shown on page 2.

At 30 September 2000, the Members of the Board of Directors were:-

Mr Davies Burns Elder
Mr Adrian Colin Farnell
Mr William Vaughan Latter
Mr Jonathan Michael Sweetman

The following were appointed to the board:-

Mr D B Elder on 1 July 2000
Mr A C Farnell on 12 August 2000

The following have resigned from the board:-

Mr I S Robertson on 10 March 2000

DIRECTORS' INTERESTS

No Director had any interest in the ordinary shares of the Company.

The interests of the Directors at 30 September 2000 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 pages 5 and 6.

R.B. INVESTMENT HOLDINGS LIMITED

POLICY AND PRACTICE ON PAYMENT OF CREDITORS

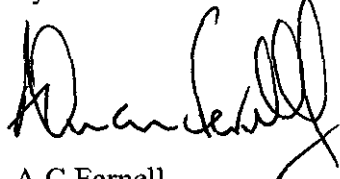
The Company is committed to maintaining a sound commercial relationship with its suppliers. Consequently, it is the Company's policy to negotiate and agree terms and conditions with its suppliers, which includes the giving of an undertaking by the Company to pay suppliers within 30 days of receipt of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

The proportion which the amount owed to trade creditors at 30 September 2000 bears to the amounts invoiced by suppliers during the year then ended equated to nil days proportion of 365 days.

AUDITORS

Messrs PricewaterhouseCoopers resigned as Auditors of the Company on 21 March 2000 and were replaced by Messrs Deloitte & Touche who have indicated their willingness to continue in office and 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
CHELTENHAM

26 February 2001

R.B. INVESTMENT HOLDINGS LIMITED

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

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 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 Group plc Ordinary shares of £0.25 each

	Shareholdings		As at 1 October 1999*	Post AVS adjustment	Share Options				As at 30 September 2000
	As at 1 October 1999*	As at 30 September 2000			Granted during the period		Exercised During the Period		
					Options	Price	Options	Price	
D B Elder	3,096	3,969	36,385	39,219	526 6,974 150	12.87 12.87 12.40	873 7,912	2.76 3.73	38,084
A C Farnell	9,112	9,112	2,290	-	-	-	-	-	2,290
W V Latter	5,344	6,825	3,502	3,772	150	12.40	1,858	2.97	2,064
J M Sweetman	14,029	15,482	10,357	11,165	7,500 150	12.87 12.40	533	2.97	18,282

*(or date of appointment, if later)

No director had an interest in any of the preference shares during the year to 30 September 2000.

R.B. INVESTMENT HOLDINGS LIMITED

(DIRECTORS' INTERESTS) continued

As at 30 September 2000 D B Elder also held 1,193 Additional Value Shares ('AVS'), and 1,229 Floating Rate Unsecured Loan notes 2005 in RBSG.

As at 30 September 2000 A C Farnell also held 9,112 Additional Value Shares ('AVS') in RBSG.

As at 30 September 2000 W V Latter also held 6,825 Additional Value Shares ('AVS') in RBSG.

As at 30 September 2000 J M Sweetman also held 15,049 Additional Value Shares ('AVS') in RBSG.

National Westminster Bank Plc Ordinary Shares of £1 each

	Shareholdings			Share Options				As at 30 September 2000
	As at 1 October 1999*	As at 30 September 2000	As at 1 October 1999*	Granted during the period		Exercised During the Period		
				Options	Price	Options	Price	
D B Elder	-	-	-	-	-	-	-	-

*(or date of appointment, if later)

Medium Term Equity Plan

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 30 September 2000, 416,635 Ordinary shares of 25p in the share capital of The Royal Bank of Scotland Group plc were held by the independent trustee for the Plan, together with a further 416,635 Additional Value Shares. Such shares having been exchanged for those National Westminster Bank Plc shares held by the trustees at that date. In terms of the trust deed setting up the Plan, Mr D B Elder is deemed to have an interest as a potential beneficiary in those shares. Following the acquisition of National Westminster Bank Plc by The Royal Bank of Scotland Group plc, the scheme terminated on 12 December 2000.

Other than the loan notes detailed above, none of the directors in office at 30 September 2000 held any interest in the share or loan capital of the company or any other group company.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 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;

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 R.B. INVESTMENT HOLDINGS LIMITED

We have audited the financial statements on pages 9 to 15 which have been prepared under the accounting policies set out on page 9.

Respective responsibilities of directors and auditors.

As described on page 7, 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 30 September 2000 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deborah A Touche

27 February 2001

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

ACCOUNTING POLICIES

The financial statements on pages 9 to 15 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.

The Company is exempt from preparing group accounts by virtue of it being a wholly owned subsidiary undertaking of Royal bank Leasing Limited, a company registered in England and Wales. Consequently, these statements include information about the Company as an individual entity and not as a group.

2 INVESTMENT INCOME

Investment income includes interest on dated stocks and the amortisation of discounts and premiums on the acquisition of investments.

3 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.

4 INVESTMENTS

Premiums and discounts on the acquisition of dated stocks are amortised over the period from date of purchase to date of maturity and an appropriate proportion thereof is included in the profit and loss account. Such stocks are shown in the balance sheet at amortised cost.

Investments in subsidiaries are included in the balance sheet at the investing company's share of net tangible assets.

The profit or loss on disposal of a subsidiary is recognised in the profit and loss account as the difference between sales proceeds and net asset value.

5 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).

PROFIT AND LOSS ACCOUNT
for the year ended 30 September 2000

		CONTINUING OPERATIONS	
	Note	2000 £	1999 £
Investment income	3	931	2,405
Finance income/(charges)	4	143	(21,303)
Operating expenses	4	(8,120)	(7,607)
Income from interest in subsidiary undertakings		<u>58,935</u>	<u>21,571</u>
OPERATING PROFIT/(LOSS)		51,889	(4,934)
Loss on disposal of subsidiary undertakings	5	<u>(58,935)</u>	<u>(19,324)</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	4	(7,046)	(24,258)
Taxation credit on loss on ordinary activities	6	<u>2,114</u>	<u>4,483</u>
ACCUMULATED LOSS FOR THE YEAR	12	<u>(4,932)</u>	<u>(19,775)</u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

LOSS FOR THE FINANCIAL YEAR		(4,932)	(19,775)
Unrealised surplus on revaluation of investment in subsidiaries	13	<u>68,634</u>	<u>62,173</u>
TOTAL GAINS RECOGNISED SINCE LAST ANNUAL REPORT		<u>63,702</u>	<u>42,398</u>

STATEMENT OF HISTORICAL GAINS AND LOSSES

Loss on ordinary activities before taxation		(7,046)	(24,258)
Revaluation losses realised on sale of investments		<u>58,935</u>	<u>19,324</u>
Historical cost profit/(loss) on ordinary activities before taxation		<u>51,889</u>	<u>(4,934)</u>
Historical cost retained profit/(accumulated loss) for the year		<u>54,003</u>	<u>(451)</u>

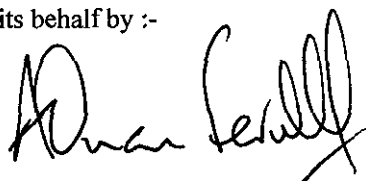
The notes on pages 12 to 15 form part of these financial statements.

BALANCE SHEET

at 30 September 2000

	Note	2000 £	1999 £
FIXED ASSETS			
Investments	7	10,084	10,128
Investment in subsidiary companies	8	569,084,204	569,374,505
CURRENT ASSETS			
Debtors	9	11,827	117,556
Creditors: amounts falling due within one year	10	<u>(565,928,976)</u>	<u>(566,388,752)</u>
NET CURRENT LIABILITIES		<u>(565,917,149)</u>	<u>(566,271,196)</u>
TOTAL NET ASSETS		<u><u>3,177,139</u></u>	<u><u>3,113,437</u></u>
CAPITAL AND RESERVES			
Called up share capital	11	200,000	200,000
Revaluation reserve	12	50,514,204	50,504,505
Profit and Loss account	12	<u>(47,537,065)</u>	<u>(47,591,068)</u>
EQUITY SHAREHOLDERS' FUNDS	13	<u><u>3,177,139</u></u>	<u><u>3,113,437</u></u>

The financial statements on pages 9 to 15 were approved by the Board of Directors on 26 February 2001 and were signed on its behalf by :-



Director

The notes on pages 12 to 15 form part of these financial statements.

NOTES ON THE FINANCIAL STATEMENTS

1 ULTIMATE HOLDING COMPANY

The Company is a wholly owned subsidiary of Royal Bank Leasing Limited. 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 Royal Bank Leasing Limited may be obtained from The Quadrangle, The Promenade, Cheltenham, Gloucestershire, GL50 1PX.

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 INVESTMENT INCOME	2000 £	1999 £
Interest on listed investments	975	2,596
Amortisation of discounts and premiums on acquisition of investments	(44)	(191)
	<u>931</u>	<u>2,405</u>

4 LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	2000 £	1999 £
Includes the following:		
Finance income/(charges):		
Interest payable to group undertakings	(8,643)	(22,237)
Interest receivable from group undertakings	<u>8,786</u>	<u>934</u>
	<u>143</u>	<u>(21,303)</u>
Operating expenses:		
Management charge	8,100	7,555
Other	<u>20</u>	<u>52</u>
	<u>8,120</u>	<u>7,607</u>

The emoluments of Mr. D. Elder are paid by a fellow subsidiary, Lombard North Central PLC, which makes no recharge to the company. Mr. Elder is a director 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 Mr. Elder.

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

	£	£
Directors' emoluments	1,280	1,119
Auditors' remuneration - for audit services	1,763	1,550
Staff costs	<u>3,132</u>	<u>2,293</u>

NOTES ON THE FINANCIAL STATEMENTS

4 LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION - continued

Two directors exercised options in the ultimate holding company during the year.

The emoluments of one Director are paid by the Royal Bank of Scotland plc. The services of this director to the Company are of a non-executive nature and his emoluments are deemed to be wholly attributable to his services to the holding company. Accordingly, the above details include no emoluments in respect of this director (1999 -£Nil).

5 LOSS ON DISPOSAL OF SUBSIDIARY UNDERTAKINGS

During the prior year, the Company disposed of its investments in R.B. (5) Investment Company, R.B. Property Investments Limited and R.B. Property Investments (2) Limited at a loss of £58,935, offset by the realisation of a revaluation surplus.

6 TAXATION

	2000	1999
	£	£
Group relief:		
- current year receivable	2,114	8,084
- prior year payable	-	(32)
Deferred taxation:		
- current year	-	(3,569)
	<u>2,114</u>	<u>4,483</u>

The tax credit for the current year has been based on an average Corporation Tax rate of 30% (1999 - 30.5%).

7 INVESTMENTS

	2000	1999
	£	£
Listed investments:		
British Government Securities	<u>10,084</u>	<u>10,128</u>
Market value of listed investments	<u>10,675</u>	<u>10,901</u>
Movement on investments:		
At 1 October 1999	10,128	50,319
Maturity of investments	-	(40,000)
Amortisation of discount	<u>(44)</u>	<u>(191)</u>
At 30 September 2000	<u>10,084</u>	<u>10,128</u>

NOTES ON THE FINANCIAL STATEMENTS

8 INVESTMENT IN SUBSIDIARY UNDERTAKINGS

The subsidiary companies, the capital of which consists solely of ordinary shares, are shown below. All the companies operate in the United Kingdom and are wholly owned.

	Nature of business	Country of incorporation or registration
R.B. Investment Company	Investment	England
R.B. (2) Investment Company	Investment	England
R.B. (3) Investment Company	Investment	England
Boxford Limited	Investment	Jersey
Owned by Boxford Limited:-		
Rushton Limited	Investment	Jersey
	2000	1999
	£	£
Movement on investments:		
At 1 October 1999	569,374,505	569,431,656
Disposals	(358,935)	(119,324)
Surplus on revaluation	68,634	62,173
At 30 September 2000	<u>569,084,204</u>	<u>569,374,505</u>
Historical cost	<u>518,570,000</u>	<u>518,870,000</u>

9	DEBTORS	2000	1999
		£	£
	Amounts falling due within one year:		
	Amounts due by group undertakings	48	108,087
	Income tax recoverable	5,410	5,215
	Deferred taxation	6,272	4,158
	Other debtors	97	96
		<u>11,827</u>	<u>117,556</u>
	Full recognition has been made of the deferred taxation asset shown below:		
		£	£
	Short term timing differences	<u>6,272</u>	<u>4,158</u>

NOTES ON THE FINANCIAL STATEMENTS

10	CREDITORS	2000 £	1999 £
	Amounts falling due within one year:		
	Amounts due to group undertakings	565,915,116	566,374,892
	Other creditors	<u>13,860</u>	<u>13,860</u>
		<u>565,928,976</u>	<u>566,388,752</u>

A right of set-off exists over the Company's bank account with The Royal Bank of Scotland plc against advances made to the Company's immediate holding company and its subsidiaries.

11	SHARE CAPITAL	2000 Ordinary shares of £1 each	1999
	Authorised	<u>50,000,000</u>	<u>50,000,000</u>
	Allotted, called up and fully paid	<u>200,000</u>	<u>200,000</u>

12	RESERVES	Revaluation reserve £	Profit and loss account £	Total £
	At 1 October 1999	50,504,505	(47,591,068)	2,913,437
	Accumulated loss for the year	-	(4,932)	(4,932)
	Disposal of subsidiary undertakings	(58,935)	58,935	-
	Surplus on revaluation of investment in subsidiaries	<u>68,634</u>	<u>-</u>	<u>68,634</u>
	At 30 September 2000	<u>50,514,204</u>	<u>(47,537,065)</u>	<u>2,977,139</u>

13	RECONCILIATION OF SHAREHOLDERS' FUNDS	2000 £	1999 £
	Loss for the financial year	(4,932)	(19,775)
	Other recognised gains in the year	<u>68,634</u>	<u>62,173</u>
	Net addition to shareholders' funds	63,702	42,398
	Opening shareholders' funds	<u>3,113,437</u>	<u>3,071,039</u>
	Closing shareholders' funds	<u>3,177,139</u>	<u>3,113,437</u>

14 POST BALANCE SHEET EVENT

On 2 January 2001, ownership of the Company was transferred to The Royal Bank of Scotland plc, a company whose ultimate holding company is The Royal Bank of Scotland Group plc.