

(Company No. 2718691)

R.B. INVESTMENT HOLDINGS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

30 SEPTEMBER 2001



R.B. INVESTMENT HOLDINGS LIMITED

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2001

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R.B. INVESTMENT HOLDINGS LIMITED

DIRECTORS AND OFFICERS

DIRECTORS

Adrian Colin Farnell
Eion Arthur Flint
William Vaughan Latter
Nigel Pearce

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 2001.

RESULTS

The results for the year are set out on page 8. The Directors do not recommend payment of a final dividend (2000: £ Nil). The retained profit for the year to 30 September 2001 amounts to £10,936 (2000: loss £4,932).

BUSINESS REVIEW

The principal activity of the Company is that of a holding and investment company. The Company will continue to operate in the investment market.

On 2nd January 2001, ownership of the Company was transferred to The Royal Bank of Scotland Group plc.

DIRECTORS

The current Directors are as shown on page 2.

At 30 September 2001, the Members of the Board of Directors were:-

Mr Davies Burns Elder
Mr Adrian Colin Farnell
Mr Eion Arthur Flint
Mr William Vaughan Latter
Mr Nigel Pearce

The following have been appointed to the board:-

Mr E A Flint on 1 July 2001
Mr N Pearce on 1 July 2001

The following have resigned from the board:-

Mr J M Sweetman on 16 July 2001.
Mr D B Elder on 9 November 2001.

DIRECTORS' INTERESTS

The interests of the Directors at 30 September 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.

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

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 2001 bears to the amounts invoiced by suppliers during the year then ended equated to nil days proportion of 365 days (2000 – nil).

AUDITORS

Messrs Deloitte & Touche have indicated their willingness to continue in office. 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

21 June 2002

R.B. INVESTMENT HOLDINGS 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 Group plc Ordinary shares of £0.25 each

	Shareholdings		As at 1 October 2000*	Granted during the period		Share Options Exercised During the Period		As at 30 September 2001
	As at 1 October 2000*	As at 30 September 2001		Options	Price	Options	Price	
D B Elder	3,969	3,539	38,084	5,100 150	17.18 15.63	7,912 290	5.01 4.01	35,132
A C Farnell	9,112	10,922	2,290	150	15.63	888 314	3.88 7.41	1,238
E A Flint	nil	Nil	22,065	6,200	17.18	4,377 3,216	6.85 6.96	20,672
W V Latter	6,825	7,604	2,064	548	9.85	-	-	2,612
N Pearce	847	847	17,855	6,700	17.18	-	-	24,555

*(or date of appointment, if later)

No director had an interest in any of the preference shares during the year to 30 September 2001.

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

	Additional Value Shares	Floating Rate Unsecured Loan Notes 2005
D B Elder	1,424	2,555
A C Farnell	9,112	Nil
E A Flint	Nil	Nil
W V Latter	6,825	Nil
N Pearce	357	1,476

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

R. B. INVESTMENT HOLDINGS LIMITED

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 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.

R. B. INVESTMENT HOLDINGS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF R.B. INVESTMENT HOLDINGS LTD

We have audited the financial statements of R.B. Investment Holdings Ltd for the year ended 30 September 2001 which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses and the related notes 1 to 13. 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 30 September 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 July 2002

R. B. INVESTMENT HOLDINGS LIMITED**PROFIT AND LOSS ACCOUNT**
for the year ended 30 September 2001

		CONTINUING OPERATIONS	
	Note	2001 £	2000 £
Sundry income	4	1,397	931
Finance income	5	7,086	143
Operating income/(expenses)	5	6,944	(8,120)
Income from interest in subsidiary undertakings		-	58,935
OPERATING PROFIT	5	15,427	51,889
Loss on disposal of subsidiary undertakings		-	(58,935)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		15,427	(7,046)
Taxation (charge)/credit on profit/(loss) on ordinary activities	6	(4,491)	2,114
RETAINED PROFIT/(LOSS) FOR THE YEAR	12	10,936	(4,932)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

Profit/(loss) for the financial year	10,936	(4,932)
Unrealised surplus on revaluation of investment in subsidiaries	75,675	68,634
TOTAL GAINS RECOGNISED SINCE LAST ANNUAL REPORT	86,611	63,702

STATEMENT OF HISTORICAL GAINS AND LOSSES

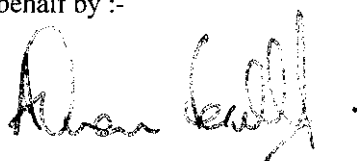
Profit/(loss) on ordinary activities before taxation	15,427	(7,046)
Revaluation losses realised on sale of investments	-	58,935
Historical cost profit on ordinary activities before taxation	15,427	51,889
Historical cost retained profit for the year	10,936	54,003

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

R. B. INVESTMENT HOLDINGS LIMITED**BALANCE SHEET**
at 30 September 2001

	Note	2001 £	2000 £
FIXED ASSETS			
Investments	7	10,040	10,084
Investments in subsidiary companies	8	569,159,879	569,084,204
CURRENT ASSETS			
Debtors	9	127,867	11,827
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	10	<u>(566,034,036)</u>	<u>(565,928,976)</u>
NET CURRENT LIABILITIES		<u>(565,906,169)</u>	<u>(565,917,149)</u>
NET ASSETS		<u>3,263,750</u>	<u>3,177,139</u>
CAPITAL AND RESERVES			
Called up share capital	11	200,000	200,000
Revaluation reserve	12	50,589,879	50,514,204
Profit and loss account	12	<u>(47,526,129)</u>	<u>(47,537,065)</u>
EQUITY SHAREHOLDERS' FUNDS	13	<u>3,263,750</u>	<u>3,177,139</u>

The financial statements on pages 8 to 14 were approved by the Board of Directors on **21 June 2002** and were signed on its behalf by :-



Director

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

R. B. INVESTMENT HOLDINGS LIMITED

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 are 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.

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

b INVESTMENT INCOME

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

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 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.

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).

R. B. INVESTMENT HOLDINGS LIMITED

NOTES ON THE FINANCIAL STATEMENTS

2 ULTIMATE HOLDING COMPANY

The Company is a wholly owned subsidiary of The Royal Bank of Scotland Group plc. 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.

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	SUNDRY INCOME	2001 £	2000 £
	Interest on listed investments	975	975
	Amortisation of discounts and premiums on acquisition of investments	(44)	(44)
	Sundry income	466	-
		<u>1,397</u>	<u>931</u>
5	PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2001 £	2000 £
	Includes the following:		
	Finance income:		
	Interest payable to group undertakings	-	(8,643)
	Interest receivable from group undertakings	7,086	8,786
		<u>7,086</u>	<u>143</u>
	Operating income/(expenses):		
	Fees & commissions	13,860	-
	Management charge	(6,892)	(8,100)
	Other	(24)	(20)
		<u>6,944</u>	<u>(8,120)</u>

The emoluments of Messrs. D. Elder, E Flint and N Pearce are paid by a fellow subsidiary company, Lombard North Central PLC, which makes no recharge to the company. These individuals 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.

R. B. INVESTMENT HOLDINGS LIMITED

NOTES ON THE FINANCIAL STATEMENTS

5 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION - continued

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:

	2001 £	2000 £
Directors' emoluments	1,271	1,280
Auditors' remuneration - for audit services	nil	1,763
Staff costs	<u>3,655</u>	<u>3,132</u>

The auditors' remuneration is paid by a fellow subsidiary, Lombard North Central plc, which makes no recharge to the company.

6 TAXATION	2001 £	2000 £
Group relief:		
- current year payable	333	2,114
Deferred taxation:		
- current year	4,158	-
	<u>4,491</u>	<u>2,114</u>

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

7 INVESTMENTS	2001 £	2000 £
Listed investments:		
British Government Securities	<u>10,040</u>	<u>10,084</u>
Market value of listed investments	<u>10,481</u>	<u>10,675</u>
Movement on investments:		
At 1 October 2000	10,084	10,128
Amortisation of discount	<u>(44)</u>	<u>(44)</u>
At 30 September 2001	<u>10,040</u>	<u>10,084</u>

R. B. INVESTMENT HOLDINGS LIMITED

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
	2001	2000
	£	£
Movement on investments:		
At 1 October 2000	569,084,204	569,374,505
Disposals	-	(358,935)
Surplus on revaluation	75,675	68,634
At 30 September 2001	<u>569,159,879</u>	<u>569,084,204</u>
Historical cost	<u>518,570,000</u>	<u>518,570,000</u>

9	DEBTORS	2001	2000
		£	£
	Amounts falling due within one year:		
	Amounts due by group undertakings	125,697	48
	Income tax recoverable	-	5,410
	Deferred taxation	2,114	6,272
	Other debtors	56	97
		<u>127,867</u>	<u>11,827</u>

Full provision has been made for the potential amount of deferred taxation shown below:

	2001	2000
	£	£
Capital allowances on assets financed	<u>2,114</u>	<u>6,272</u>

R. B. INVESTMENT HOLDINGS LIMITED

NOTES ON THE FINANCIAL STATEMENTS

10	CREDITORS	2001 £	2000 £
	Amounts falling due within one year:		
	Amounts due to group undertakings	566,034,036	565,915,116
	Other creditors	-	13,860
		<u>566,034,036</u>	<u>565,928,976</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	Ordinary shares of £1 each 2001	2000
	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 & LOSS ACCOUNT £	TOTAL £
	At 1 October 2000	50,514,204	(47,537,065)	2,977,139
	Retained profit for the year	<u>75,675</u>	<u>10,936</u>	<u>86,611</u>
	At 30 September 2001	<u>50,589,879</u>	<u>(47,526,129)</u>	<u>3,063,750</u>

13	RECONCILIATION OF SHAREHOLDERS' FUNDS	2001 £	2000 £
	Profit/(loss) for the financial year	10,936	(4,932)
	Other recognised gains in the year	<u>75,675</u>	<u>68,634</u>
	Net addition to shareholders' funds	86,611	63,702
	Opening shareholders' funds	<u>3,177,139</u>	<u>3,113,437</u>
	Closing shareholders' funds	<u>3,263,750</u>	<u>3,177,139</u>