



2849992.

WEST REGISTER RESIDENTIAL PLC
(formerly BESSA RBS III PLC)

Report and Financial Statements

30 September 1999



DIRECTORS' REPORT

WEST REGISTER RESIDENTIAL PLC

DIRECTORS:

Robert Henry Beattie
Philip Andrew Carraro
David Edmund Cartledge
Simon Jonathan Chrispin
Derek Stephen Sach
Ernest Michael Sheavills
Grahame Taylor Whitehead

SECRETARY:

Shirley Margaret MacGillivray

REGISTERED OFFICE:

Waterhouse Square
138-142 Holborn
LONDON
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TELEPHONE:

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Registered in England No 2849992

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 30 September 1999.

PRINCIPAL ACTIVITIES

The principal activities of the company are the acquisition, sale and letting of freehold and leasehold interests in residential properties.

REVIEW OF THE BUSINESS AND FUTURE PROSPECTS

The directors believe that the level of operation of the company has been satisfactory for the year ended 30 September 1999. The name was changed to West Register Residential PLC on 27 May 1999. As of 31 May 1999 the assets and liabilities of a number of fellow subsidiaries were transferred into the company at net book value. Future prospects are considered to be satisfactory.

RESULTS AND DIVIDENDS

The results of the company for the year ended 30 September 1999 are set out in detail on page 7.

The directors do not recommend the payment of a dividend for the year ended 30 September 1999 (1998 - £nil).

DIRECTORS

The directors who served during the year and to date were as follows:

D E Cartledge	-	(appointed 5 December 1997)
C V Reader	-	(resigned 23 November 1998)
R H Beattie	-	(appointed 23 November 1998)
E M Sheavills	-	(appointed 23 November 1998)
G T Whitehead	-	(appointed 23 November 1998)
S J Chrispin	-	(appointed 15 April 1999)
D S Sach	-	(appointed 15 April 1999)
P A Carraro	-	(appointed 9 June 1999)

None of the directors had an interest in the shares of the company.

The following directors were beneficially interested in the 25p ordinary shares of The Royal Bank of Scotland Group plc, the ultimate holding company.

	At 1 October 1998 (or date of appointment if later)	At 30 September 1999
	No.	No.
R H Beattie	20,377	21,714
D E Cartledge	3,556	4,514
S J Chrispin	1,660	1,670
D S Sach	76,595	76,635
E M Sheavills	12,695	12,670
G T Whitehead	47,840	45,234

DIRECTORS' REPORT

DIRECTORS (continued)

Options to subscribe for ordinary shares of 25p each in The Royal Bank of Scotland Group plc granted to and exercised by directors during the year to 30 September 1999 are included in the table below:

	At 1 October 1998 (or date of appointment if later)	Options granted		Options exercised		At 30 September 1999
		Number	Price £	Number £	Price	
R H Beattie	3,499	261	10.85	842	3.44	2,918
P A Carraro	9,954	-	-	-	-	9,954
D E Cartledge	3,019	178	10.85	-	-	3,197
S J Chrispin	-	357	10.85	-	-	357
D S Sach	98,164	-	-	-	-	98,164
E M Sheavills	49,386	20,132	12.055	19,000	5.35	-
		357	10.85	2,005	3.44	48,870
G T Whitehead	147,798	6,705	12.91	-	-	-
		5,946	12.055	-	-	-
		192	10.85	-	-	160,641

No director had an interest in any of the preference shares of The Royal Bank of Scotland Group plc during the year to 30 September 1999. In addition, during that period, none of the directors held a beneficial interest in the loan capital of The Royal Bank of Scotland Group plc or in the share or loan capital of any of the other subsidiaries of The Royal Bank of Scotland Group plc, including the company.

SECRETARY

On 23 November 1998, William Edward Davis resigned as secretary of the company and Shirley Margaret MacGillivray was appointed as the secretary of the company.

SUPPLIER PAYMENT POLICY AND PRACTICE

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.

YEAR 2000 STATEMENT

Year 2000 is an important issue which has been given considerable resource and attention by the company and its holding company, The Royal Bank of Scotland plc. The directors of the company have taken all reasonable steps to achieve Year 2000 compliance in all the information systems which will be critical to the adequate continuity of the company's business before, on and after 1 January 2000, whether supplied and maintained by us or by third parties.

The costs of addressing the Year 2000 issue have been absorbed in the on-going IT development expenditure of the company's holding company.



DIRECTORS' REPORT

AUDITORS

A resolution for the re-appointment of Deloitte & Touche as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By Order of the Board

S. J. C.
Director

18 November 1999

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 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;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume 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.



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AUDITORS' REPORT TO THE MEMBERS OF WEST REGISTER RESIDENTIAL PLC

We have audited the financial statements on pages 7 to 13 which have been prepared under the accounting policies set out on page 9.

Respective responsibilities of directors and auditors

As described on page 5 the company's directors are responsible for the preparation of financial statements. 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 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 as at 30 September 1999 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
18 November 1999

PROFIT AND LOSS ACCOUNT
Year ended 30 September 1999

	Note	1999 £	1998 £
TURNOVER	1		
Continuing activities		341,921	343,923
Acquisitions		945,318	-
		<u>1,287,239</u>	<u>343,923</u>
Direct property expenses	3	(683,890)	(146,725)
Administrative expenses	4	(70,798)	(42,406)
Continuing activities		152,131	154,792
Acquisitions		380,420	-
		<u>532,551</u>	<u>154,792</u>
OPERATING PROFIT		532,551	154,792
Write down of properties	8	(200,000)	-
Gain on sale of properties		37,013	-
		<u>369,564</u>	<u>154,792</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST		369,564	154,792
Interest payable	5	(217,559)	-
Interest receivable and similar income	6	46,092	12,542
		<u>198,097</u>	<u>167,334</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		198,097	167,334
Tax on profit on ordinary activities	7	(121,874)	(24,433)
Retained profit for the year	13	76,223	142,901
Retained profit brought forward		480,323	337,422
Retained profit carried forward		<u>556,546</u>	<u>480,323</u>

All figures relate to continuing operations.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
Year ended 30 September 1999

There are no recognised gains or losses other than the profit attributable to shareholders disclosed in the above profit and loss account.

BALANCE SHEET
30 September 1999

	Note	1999 £	1998 £
FIXED ASSETS			
Investment properties	8	57,200,741	5,009,001
Tangible assets	9	65,975	3,748
		<u>57,266,716</u>	<u>5,012,749</u>
CURRENT ASSETS			
Debtors	10	672,920	201,514
Cash at bank and in hand		-	59,723
		<u>672,920</u>	<u>261,237</u>
CREDITORS: amounts falling due within one year	11	<u>(52,658,088)</u>	<u>(68,661)</u>
NET CURRENT (LIABILITIES)/ASSETS		<u>(51,985,168)</u>	<u>192,576</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>5,281,548</u>	<u>5,205,325</u>
CAPITAL AND RESERVES			
Called up share capital	12	2,500,002	2,500,002
Share premium		2,225,000	2,225,000
Profit and loss account		556,546	480,323
TOTAL EQUITY SHAREHOLDERS' FUNDS	13	<u>5,281,548</u>	<u>5,205,325</u>


These financial statements were approved by the Board of Directors on 18 November 1999.

Signed on behalf of the Board of Directors

Director:



Director:



NOTES TO THE ACCOUNTS
Year ended 30 September 1999

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable accounting standards and are prepared under the historical cost convention modified by the revaluation of investment properties.

The particular accounting policies adopted are described below.

Turnover

Turnover is the gross rental income receivable from letting residential properties under assured tenancies, net of provision for and write off of bad debts. All turnover is derived in the United Kingdom.

Deferred taxation

Deferred taxation is provided at the anticipated tax rates on timing differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements to the extent that it is probable that a liability or asset will crystallise in the future.

Investment properties

Investment properties are revalued by the directors to open market value annually and the aggregate surplus or deficit is transferred to a revaluation reserve. Any permanent diminution in the value of investment properties is charged to the profit and loss account to the extent that a deficit exceed revaluation surpluses.

No depreciation is provided in respect of freehold and leasehold (with over 20 years to run) investment properties. The directors consider that this accounting policy results in the accounts giving a true and fair view. Depreciation is only one of many factors reflected in the valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

Depreciation

Depreciation is provided on the cost of furniture in equal annual instalments over the estimated useful lives of the assets. The rate of depreciation is 20% per annum.

Cash flow statement

The company is a wholly owned subsidiary of The Royal Bank of Scotland plc and the cash flows of the company are included in the consolidated group cash flow statement of The Royal Bank of Scotland plc, the company's ultimate parent undertaking. Consequently the company is exempt under the terms of Financial Reporting Standard No 1 from publishing a cash flow statement.

2. CURRENT YEAR AMALGAMATION

As of 31 May 1999, the net assets of RBS Bessa I, II, IV, V, VI, VII, VIII, IX, X, XI, XII, plcs and West Register Residential Limited, were transferred into RBS Bessa III plc, and the name changed to West Register Residential Plc.

NOTES TO THE ACCOUNTS
Year ended 30 September 1999

3. DIRECT PROPERTY EXPENSES

	1999	1998
	£	£
Depreciation	523	2,101
Property manager's fees	148,867	60,836
Repairs and maintenance	433,045	63,410
Insurance	33,275	4,664
Other property costs	68,180	15,714
	<u>683,890</u>	<u>146,725</u>

Direct property expenses include £150,000 in respect of continuing operations and £533,890 in respect of acquisitions.

4. ADMINISTRATIVE EXPENSES

The company had no employees during the year (1998 - none). In accordance with an agreements dated 1 June 1999, Oriel Management Limited and Kerrington Property Services Limited charge a management fee which is calculated after taking into account all non-property related overhead expenses of the company. In the year ended 30 September 1999 a total of £70,798 (1998 - £42,406) was paid by the company which included the management fee, director's emoluments for the Chairman, audit, accounting and taxation fees, company secretarial and registration costs, bank charges and printing, stationery and postage expenses. No directors have received any fees or emoluments from the company (1998 - £nil).

Administrative expenses include £39,789 in respect of continuing operations and £31,009 in respect of acquisitions.

5. INTEREST PAYABLE

	1999	1998
	£	£
Interest on amount due to parent undertaking	<u>217,559</u>	<u>-</u>

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	1999	1998
	£	£
Interest on amount due from parent undertaking	46,092	-
Interest received on loan to Bessa RBS VII	-	8,170
Bank deposit interest	-	4,372
	<u>46,092</u>	<u>12,542</u>

NOTES TO THE ACCOUNTS

Year ended 30 September 1999

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1999	1998
	£	£
United Kingdom corporation tax for the year to 30 September 1999 at 30% (1998 – 21%)	121,874	35,581
Adjustment in respect of prior year	-	(11,148)
	<u>121,874</u>	<u>24,433</u>

The tax charge is high due to the disallowance of certain items of expenditure for tax purposes.

8. INVESTMENT PROPERTIES

	1999	1998
	£	£
At 1 October 1998	5,009,001	5,001,162
Acquisitions	52,509,711	7,839
Disposals during the year	(117,971)	-
Diminution in value	(200,000)	-
	<u>57,200,741</u>	<u>5,009,001</u>
At 30 September 1999	<u>57,200,741</u>	<u>5,009,001</u>
Freehold properties	42,657,878	3,885,609
Leasehold properties	14,542,863	1,123,392
	<u>57,200,741</u>	<u>5,009,001</u>
At 30 September 1999	<u>57,200,741</u>	<u>5,009,001</u>

The company's properties were valued at 30 September 1999 by a director of the company, being a qualified Chartered Surveyor (FRICS), employed by the parent company. The valuation is on an open market basis, and approved by the directors.

The historical cost of company's investment properties was £57,400,741 (1998 - £5,009,001).

NOTES TO THE ACCOUNTS
Year ended 30 September 1999

9. TANGIBLE FIXED ASSETS

	Furniture £
Cost:	
At 1 October 1998	10,504
Additions	142,895
	<hr/>
At 30 September 1999	153,399
Accumulated depreciation:	
At 1 October 1998	6,756
Accumulated from amalgamation	80,145
Charge for the year	523
	<hr/>
At 30 September 1999	87,424
Net book value:	
At 30 September 1999	<u>65,975</u>
	<hr/>
At 30 September 1998	<u>3,748</u>

10. DEBTORS

	1999 £	1998 £
Trade debtors	185,142	43,336
Loan due from Bessa RBS VII	-	150,000
Other debtors	487,778	8,178
	<hr/>	<hr/>
	672,920	201,514
	<hr/>	<hr/>

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1999 £	1998 £
Accounts payable	40,735	-
Amounts due to parent undertaking	51,691,367	-
Corporation tax	325,153	35,581
Accruals and deferred income	195,881	14,748
Tenants' deposits	404,952	18,332
	<hr/>	<hr/>
	52,658,088	68,661
	<hr/>	<hr/>

NOTES TO THE ACCOUNTS
Year ended 30 September 1999

12. CALLED UP SHARE CAPITAL

	1999 £	1998 £
Authorised:		
5,000,003 (1998 - 5,000,003) ordinary shares of 50p each	2,500,001	2,500,001
1 (1998 - 1) "A" ordinary share of 50p	1	1
50,000 (1998 - 50,000) redeemable preference shares of £1 each	50,000	50,000
	<u>2,550,002</u>	<u>2,550,002</u>
Called up, allotted and fully paid:		
5,000,003 (1998- 5,000,003) ordinary shares of 50p each	2,500,001	2,500,001
1 (1998- 1) "A" ordinary share of 50p	1	1
	<u>2,500,002</u>	<u>2,500,002</u>

The holder of the "A" ordinary share of 50p has the right to appoint and remove one director. The consent of the holder of the "A" ordinary share of 50p is required for:

- any alteration to the Articles of Association;
- passing of a special resolution or any resolution to wind-up the company;
- any increase in authorised and issued share capital;
- the creation of any new class of share capital of the company.

In all other respects the "A" ordinary share ranks pari passu with the ordinary shares of 50p each in terms of voting, dividends and rights upon a winding up.

13. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1999 £	1998 £
Profit for the year	76,223	142,901
Opening shareholders' funds	5,205,325	5,062,424
Closing shareholders' funds	<u>5,281,548</u>	<u>5,205,325</u>

14. ULTIMATE PARENT UNDERTAKING

On 23 November 1998 the company was acquired by The Royal Bank of Scotland plc, which became the company's immediate parent. The ultimate parent undertaking and controlling company is the Royal Bank of Scotland Group plc. The Royal Bank of Scotland plc is incorporated in Great Britain and registered in Scotland. Copies of the ultimate parent's consolidated financial statements may be obtained from The Secretary, The Royal Bank of Scotland plc, 36 St. Andrew Square, Edinburgh.