

(Company No. 2854880)

R.B. (3) INVESTMENT COMPANY

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

30 SEPTEMBER 2001



R.B. (3) INVESTMENT COMPANY

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2001

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R.B. (3) INVESTMENT COMPANY

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. (3) INVESTMENT COMPANY

DIRECTORS' REPORT

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

BUSINESS REVIEW

The Company has not traded during the year, received no income and incurred no expenditure and therefore a profit and loss account is not presented.

The principal activity of the Company, which is a wholly owned subsidiary of R.B. Investment Holdings Limited, is that of an 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 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

Messrs N Pearce and E A Flint were appointed to the board on 1 July 2001.

Mr J M Sweetman resigned from the board on 16 July 2001.

Subsequent to the year end, Mr D B Elder resigned on 9 November 2001.

DIRECTORS' INTERESTS

The directors interests in the share capital of the ultimate holding company, The Royal Bank of Scotland Group plc, are shown on page 5.

No director had an interest in the shares of the company

R.B. (3) INVESTMENT COMPANY

POLICY AND PRACTICE ON PAYMENT OF CREDITORS

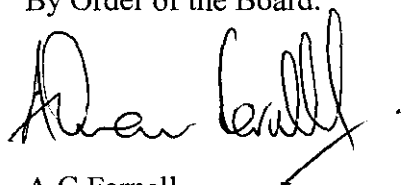
The Company is committed to maintaining a sound commercial relationship with its suppliers. Consequently, it is the Company's policy to negotiate and agree terms and conditions with its suppliers, which includes the giving of an undertaking by the Company to pay suppliers within 30 days of receipt of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

AUDITORS

Messrs Deloitte & Touche 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 handwritten signature in dark ink, appearing to read 'A C Farnell', with a horizontal line drawn underneath it.

A C Farnell
Director
CHELTENHAM

15 April 2002

R.B. (3) INVESTMENT COMPANY

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 Plc 25p ordinary shares		
	At 1 October 2000	At 30 September 2001
	[or date of appointment if later]	
	<u>Shares</u>	<u>Shares</u>
D B Elder	3,969	3,539
A C Farnell	9,112	10,922
E A Flint	NIL	NIL
W V Latter	6,825	7,604
N Pearce	847	847

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 September 2001 are included in the table below:-

	At 1 October 2000	<u>Options Granted</u>		<u>Options Exercised</u>		At 30 September 2001
	[or date of appointment if later]	<u>Number</u>	<u>Price</u>	<u>Number</u>	<u>Price</u>	
			£		£	
D B Elder	38,084	5,100	17.18	7,912	5.01	35,132
		150	15.63	290	4.01	
A C Farnell	2,290	150	15.63	888	3.88	1,238
				314	7.41	
E A Flint	22,065	6,200	17.18	4,377	6.85	20,672
				3,216	6.96	
W V Latter	2,064	548	9.85	-	-	2,612
N Pearce	17,855	6,700	17.18	-	-	24,555

The Directors did not have an interest in any of the preference shares of The Royal Bank of Scotland Group plc 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
	<u>Shares</u>	<u>Notes</u>
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

The Directors did not hold any interest in the share or loan capital of the company or any other group company at 30 September 2001.

R.B. (3) INVESTMENT COMPANY

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. (3) INVESTMENT COMPANY

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF R.B. (3) INVESTMENT COMPANY

We have audited the financial statements of R.B. (3) Investment Company for the year ended 30 September 2001 which comprise the balance sheet and the related notes 1 to 8. 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 result 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

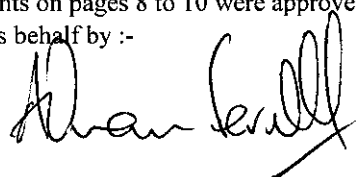
R.B. (3) INVESTMENT COMPANY

BALANCE SHEET

At 30 September 2001

	Note	2001 £	2000 £
CURRENT ASSETS			
Debtors	4	171,185,419	171,185,589
CURRENT LIABILITIES			
Creditors: amounts falling due within one year	5	-	(170)
NET CURRENT ASSETS		<u>171,185,419</u>	<u>171,185,419</u>
NET ASSETS		<u>171,185,419</u>	<u>171,185,419</u>
CAPITAL AND RESERVES			
Called up share capital	6	152,570,000	152,570,000
Profit and Loss account	7	<u>18,615,419</u>	<u>18,615,419</u>
EQUITY SHAREHOLDERS' FUNDS	8	<u>171,185,419</u>	<u>171,185,419</u>

The financial statements on pages 8 to 10 were approved by the Board of Directors on and were signed on its behalf by :-



Director

15 April 2002

The notes on page 9 and 10 form a part of these financial statements.

R.B. (3) INVESTMENT COMPANY

NOTES ON THE FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES

The financial statements on pages 8 to 10 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 Schedule 4 of 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 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 Company is a wholly owned subsidiary of R. B. Investment Holdings 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 R. B. Investment Holdings Limited may be obtained from The Quadrangle, The Promenade, Cheltenham, Gloucestershire, GL50 1PX.

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	DEBTORS	2001 £	2000 £
	Amounts falling due within one year:		
	Amounts due by group undertakings	<u>171,185,419</u>	<u>171,185,589</u>
5	CREDITORS	2001 £	2000 £
	Amounts falling due within one year:		
	Amounts due to group undertakings	<u>-</u>	<u>170</u>

R.B. (3) INVESTMENT COMPANY**NOTES ON THE FINANCIAL STATEMENTS****6 SHARE CAPITAL**

	Ordinary shares of £1 each	
	2001	2000
Authorised	<u>250,000,000</u>	<u>250,000,000</u>
Allotted, called up and fully paid	<u>152,570,000</u>	<u>152,570,000</u>

7 PROFIT AND LOSS ACCOUNT

The Company has received no income and incurred no expenditure and consequently has made neither a profit nor a loss. A profit and loss account, reconciliation of shareholders' funds and statement of movement in reserves are therefore not presented. None of the Directors received any remuneration in respect of their services to this Company. The management charges for the running of this Company were borne by the immediate holding company, R.B. Investment Holdings Limited, and the audit fee was borne by a fellow subsidiary, Royal Bank Leasing Limited.

8 RECONCILIATION OF SHAREHOLDERS' FUNDS

	2001 £	2000 £
Shareholders' funds at 1 October 2000 and 30 September 2001	<u>171,185,419</u>	<u>171,185,419</u>