

**(Company No. 2854899)**

**R.B. (2) INVESTMENT COMPANY**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**30 SEPTEMBER 1999**



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## **R.B. (2) INVESTMENT COMPANY**

### **REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 1999**

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**R.B. (2) INVESTMENT COMPANY**

**DIRECTORS AND OFFICERS**

**DIRECTORS**

William Vaughan Latter  
Iain Samuel Robertson  
Jonathan Michael Sweetman

**SECRETARY**

John Albert Lea

**REGISTERED OFFICE**

The Quadrangle  
The Promenade  
Cheltenham  
Gloucestershire GL50 1PX

**PRINCIPAL OFFICE**

The Quadrangle  
The Promenade  
Cheltenham  
Gloucestershire GL50 1PX

## **R.B. (2) INVESTMENT COMPANY**

### **DIRECTORS' REPORT**

The Directors present their annual report, together with the audited financial statements for the year ended 30 September 1999.

### **RESULTS**

The results for the year are set out on page 8. The Company did not trade during the year and the Directors do not recommend payment of a dividend.

### **BUSINESS REVIEW**

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 present Members of the Board of Directors are named on page 2.

At 30 September 1999, the Members of the Board of Directors were:-

Mr William Vaughan Latter  
Mr Iain Samuel Robertson  
Mr Jonathan Michael Sweetman

During the year to 30 September 1999, the following change was made in the composition of the Board of Directors.

On 23 October 1998, Mr Robert Speirs resigned as a Director of the Company.

### **DIRECTORS' INTERESTS**

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

The interests of the Directors at 30 September 1999 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.

## R.B. (2) INVESTMENT COMPANY

### YEAR 2000

Year 2000 is an important issue which has been given considerable resource and attention by the Company and its ultimate holding company, The Royal Bank of Scotland Group 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 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.

### POLICY AND PRACTICE ON PAYMENT OF CREDITORS

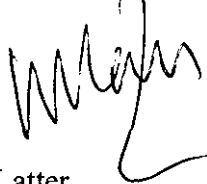
The Company is committed to maintaining a sound commercial relationship with its suppliers. Consequently, it is the Company's policy to negotiate and agree terms and conditions with its suppliers, which includes the giving of an undertaking by the Company to pay suppliers within 30 days of receipt of 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 1999 bears to the amounts invoiced by suppliers during the year then ended equated to nil days proportion of 365 days.

### AUDITORS

A Resolution to re-appoint the auditors, PricewaterhouseCoopers, and to authorise the Directors to fix their remuneration, will be proposed at the Annual General Meeting.

By Order of the Board.



W V Latter  
Director  
CHELTENHAM

11th November 1999

## **R.B. (2) 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 25p ordinary shares of The Royal Bank of Scotland Group plc, the ultimate holding company.

	<b>At 1 October 1998 (or date of appointment if later)</b>	<b>At 30 September 1999</b>
	<b><u>Shares</u></b>	<b><u>Shares</u></b>
W V Latter	3,227	5,344
I S Robertson	38,706	48,597
J M Sweetman	11,687	14,029

Options to subscribe for 25p ordinary shares of The Royal Bank of Scotland Group plc granted to and exercised by Directors (or parties connected to the Directors) during the year to 30 September 1999 are included in the table below:-

	<b>At 1 October 1998 (or date of appointment if later)</b>	<b>Options Number</b>	<b>Granted Price £</b>	<b>Options Number</b>	<b>Exercised Price £</b>	<b>At 30 September 1999</b>
W V Latter	4,885	622	10.850	2,005	3.44	3,502
I S Robertson	351,637	76,655	12.055	101,000	2.65	287,292
				24,000	4.29	
				16,000	3.99	
J M Sweetman	8,641	2,500	12.055	1,183	3.44	10,357
		399	10.850			

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.

## **R.B. (2) INVESTMENT 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, and

prepare the financial statements on the 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.

## **R.B. (2) INVESTMENT COMPANY**

### **ACCOUNTING POLICIES**

The financial statements on pages 7 to 11 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.

#### **2 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. (2) INVESTMENT COMPANY**

**PROFIT AND LOSS ACCOUNT**  
for the year ended 30 September 1999

	Note	CONTINUING OPERATIONS	
		1998	
		£	£
Other income	3	-	30
Finance charges	3	-	(12,639)
Operating income	3	-	14
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	3	-	(12,595)
Taxation credit on loss on ordinary activities	4	-	3,918
ACCUMULATED LOSS FOR THE YEAR	8	-	(8,677)

There is no difference between the loss on ordinary activities before taxation and the result for the year stated above and their historical cost equivalents.

The Company has no recognised gains and losses other than those included in the gains shown above and therefore no separate statement of total recognised gains and losses has been presented.

The notes on pages 10 to 11 form part of these financial statements.

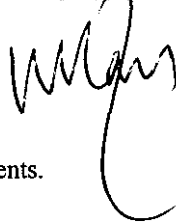
# R.B. (2) INVESTMENT COMPANY

## BALANCE SHEET At 30 September 1999

	Note	£	1998 £
CURRENT ASSETS			
Debtors	5	33,165,750	33,169,663
CURRENT LIABILITIES			
Creditors: amounts falling due within one year	6	(212,873)	(216,786)
NET CURRENT ASSETS		<u>32,952,877</u>	<u>32,952,877</u>
TOTAL NET ASSETS		<u>32,952,877</u>	<u>32,952,877</u>
CAPITAL AND RESERVES			
Called up share capital	7	29,600,000	29,600,000
Profit and loss account	8	<u>3,352,877</u>	<u>3,352,877</u>
EQUITY SHAREHOLDERS' FUNDS	9	<u>32,952,877</u>	<u>32,952,877</u>

The financial statements on pages 7 to 11 were approved by the Board of Directors on 11th November 1999 and were signed on its behalf by :-

Director



The notes on pages 10 to 11 form part of these financial statements.

NOTES ON THE FINANCIAL STATEMENTS

1 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.

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 LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

	£	1998 £
Includes the following:		
Other income	-	30
Finance charges:		
Interest payable to group undertakings	-	12,639
Operating income:		
Other	-	14

The directors and employees are employed and remunerated by Royal Bank Leasing Limited. The management charges for the running of this company and the auditors' remuneration were borne by the immediate holding company R.B. Investment Holdings Limited.

4 TAXATION

	£	1998 £
Group relief:		
- current year receivable	-	3,913
- prior year receivable	-	5
	-	3,918

The tax credit for the current year has been based on an average Corporation Tax rate of 30.5% (1998 - 31%).

## NOTES ON THE FINANCIAL STATEMENTS

5	DEBTORS		1998
		£	£
	Amounts falling due within one year:		
	Amounts due by group undertakings	<u>33,165,750</u>	<u>33,169,663</u>
6	CREDITORS		1998
		£	£
	Amounts falling due within one year:		
	Amounts due to group undertakings	<u>212,873</u>	<u>216,786</u>
7	SHARE CAPITAL		
		Ordinary shares of £1 each 1998	
	Authorised	<u>250,000,000</u>	<u>250,000,000</u>
	Allotted, called up and fully paid	<u>29,600,000</u>	<u>29,600,000</u>
8	PROFIT AND LOSS ACCOUNT		
		£	
	At 1 October 1998 and 30 September 1999	<u>3,352,877</u>	
9	RECONCILIATION OF SHAREHOLDERS' FUNDS		1998
		£	£
	Result for the financial year and net reduction in shareholders' funds	-	(8,677)
	Opening shareholders' funds	<u>32,952,877</u>	<u>32,961,554</u>
	Closing shareholders' funds	<u>32,952,877</u>	<u>32,952,877</u>

**AUDITORS' REPORT TO THE MEMBERS OF R.B. (2) INVESTMENT COMPANY**

We have audited the financial statements on pages 7 to 11 which have been prepared under the historical cost convention and the accounting policies set out on page 7.

**Respective responsibilities of directors and auditors.**

The directors are responsible for preparing the Annual Report including, as described on page 6, the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board and our profession's ethical guidance.

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. We also report to you 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 is not disclosed.

We read the other information in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

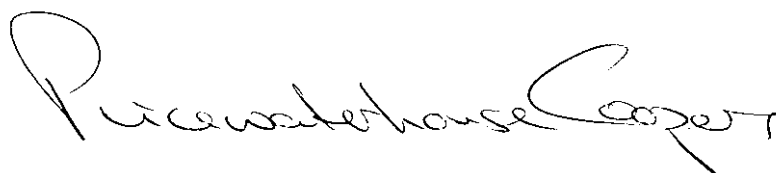
**Basis of opinion.**

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 at 30 September 1999 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in black ink, reading "PricewaterhouseCoopers", written in a cursive, flowing style.

**PricewaterhouseCoopers**  
Chartered Accountants and Registered Auditors

Bristol

12 November 1999