

(Company No. 2854899)

R.B. (2) INVESTMENT COMPANY

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

30 SEPTEMBER 2000



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R.B. (2) INVESTMENT COMPANY

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2000

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R.B. (2) INVESTMENT COMPANY

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. (2) INVESTMENT COMPANY

DIRECTORS' REPORT

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

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 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. (2) INVESTMENT COMPANY

POLICY AND PRACTICE ON PAYMENT OF CREDITORS

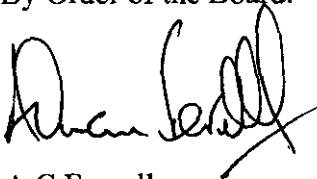
The Company is committed to maintaining a sound commercial relationship with its suppliers. Consequently, it is the Company's policy to negotiate and agree terms and conditions with its suppliers, which includes the giving of an undertaking by the Company to pay suppliers within 30 days of receipt of 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 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 the 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. (2) INVESTMENT COMPANY

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. (2) INVESTMENT COMPANY

(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. (2) INVESTMENT COMPANY

We have audited the financial statements on pages 9 to 11 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 result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & 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 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 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.

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).

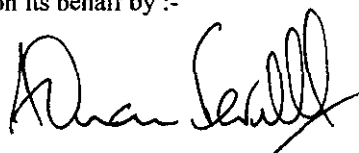
R.B. (2) INVESTMENT COMPANY

BALANCE SHEET

At 30 September 2000

	Note	2000 £	1999 £
CURRENT ASSETS			
Debtors	3	33,165,750	33,165,750
CURRENT LIABILITIES			
Creditors: amounts falling due within one year	4	(212,873)	(212,873)
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	5	29,600,000	29,600,000
Reserves	6	<u>3,352,877</u>	<u>3,352,877</u>
EQUITY SHAREHOLDERS' FUNDS	7	<u>32,952,877</u>	<u>32,952,877</u>

The financial statements on pages 9 to 11 were approved by the Board of Directors on 26 February 2001 and were signed on its behalf by :-



Director

The notes on page 11 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	DEBTORS	2000 £	1999 £
	Amounts falling due within one year:		
	Amounts due by group undertakings	<u>33,165,750</u>	<u>33,165,750</u>

4	CREDITORS	2000 £	1999 £
	Amounts falling due within one year:		
	Amounts due to group undertakings	<u>212,873</u>	<u>212,873</u>

5	SHARE CAPITAL	Ordinary shares of £1 each 2000	1999
	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>

6 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 is 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 Royal Bank Leasing Limited.

7	RECONCILIATION OF SHAREHOLDERS' FUNDS	2000 £	1999 £
	Shareholders' funds as at 1 October 1999 and 30 September 2000	<u>32,952,877</u>	<u>32,952,877</u>