

(COMPANY NO. 3112015)

R.B. LEASING (SHAFTESBURY) LIMITED
(formerly R.B. Leasing (May) Limited)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

30 SEPTEMBER 2000



R.B. LEASING (SHAFTESBURY) LIMITED
(formerly R.B. Leasing (May) Limited)

REPORT AND FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2000

<u>Contents</u>	<u>Pages</u>
Directors and Officers	2
Directors' report	3-4
Directors' interests in shares	5-6
Statement of Directors' responsibilities	7
Report of the Auditors	8
Accounting Policies	9
Profit and Loss account	10
Balance Sheet	11
Notes on the financial statements	12-15

R.B. LEASING (SHAFTESBURY) LIMITED
(formerly R.B. Leasing (May) Limited)

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. LEASING (SHAFTESBURY) LIMITED
(formerly R.B. Leasing (May) Limited)

DIRECTORS' REPORT

The Directors present their report, together with the financial statements for the 16 month period ended 30 September 2000.

CHANGE OF NAME

The Company changed its name from R.B. Leasing (May) Limited to R.B. Leasing (Shaftesbury) Limited on 11 January 2000.

RESULTS

The results for the period are set out on page 10. The Directors do not recommend the payment of a dividend (1999: £ Nil). The retained profit for the period to 30 September 2000 to be transferred to reserves amounts to £885,000.

BUSINESS REVIEW

The principal activity of the Company, which is a wholly owned subsidiary of Royal Bank Leasing Limited, is the provision of leasing and other forms of asset finance, usually involving individually structured facilities.

The Company will continue to operate in the leasing and asset finance 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

The following have resigned from the board:-

Mr T Carr on 26 June 2000

R.B. LEASING (SHAFTESBURY) LIMITED
(formerly R.B. Leasing (May) Limited)

DIRECTORS' INTERESTS

No Director had any interest in the ordinary shares of the Company on 30 September 2000 nor on 1 June 1999.

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.

POLICY AND PRACTICE ON PAYMENT OF CREDITORS

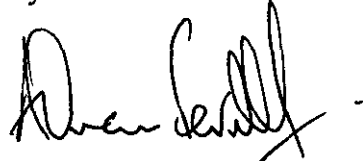
The Company is committed to maintaining a sound commercial relationship with its suppliers. The Company's policy for trade creditors arising on purchases of equipment for the purpose of letting under lease agreements is to pay in accordance with the contractual and legal obligations of each of those agreements. For other trade creditors, it is the Company's policy to negotiate and agree terms and conditions with its suppliers, which includes the giving of an undertaking 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 other trade creditors at 30 September 2000 bears to the amounts invoiced by suppliers during the period then ended equated to nil days proportion of 365 days.

AUDITORS

Messrs PricewaterhouseCoopers were appointed as auditors to the Company on 11 January 2000 and resigned on 21 March 2000. They 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. LEASING (SHAFTESBURY) LIMITED

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 June 1999*	Post AVS adjustment	Share Options				As at 30 September 2000
	As at 1 June 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	8,238	9,112	1,987	2,140	150	12.40	-	-	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. LEASING (SHAFTESBURY) LIMITED

(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 June 1999*	As at 30 September 2000	As at 1 June 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 period 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 LEASING (SHAFTESBURY) LIMITED

We have audited the financial statements on pages 9 to 15 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 profit for the sixteen months 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 15 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 GROSS EARNINGS UNDER FINANCE LEASES

Gross earnings under finance leases are recognised according to the actuarial after tax method whereby pre tax and post tax profits are allocated to accounting periods so as to give a constant periodic rate of return on the net cash investment. For those leasing transactions where a permanent difference arises between the accounting and tax treatments of income and expense, a tax equalisation adjustment is made to each period to ensure that the resulting post tax profit is recognised in accordance with the actuarial after tax method.

3 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.

4 AMOUNTS RECEIVABLE UNDER FINANCE LEASES

Finance lease receivables are stated in the balance sheet at the amount of the net investment in the leases.

5 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. LEASING (SHAFTESBURY) LIMITED
(formerly R.B. Leasing (May) Limited)

PROFIT AND LOSS ACCOUNT
for the period 1 June 1999 to 30 September 2000

	Note	CONTINUING OPERATIONS	
		Sixteen months ended 30 September 2000 £'000	Year ended 31 May 1999 £'000
Lease income	3	1,371	-
Other income	4	99	-
		<u>1,470</u>	<u>-</u>
Finance charges	4	(58)	-
Operating expenses	4	<u>(36)</u>	<u>-</u>
OPERATING PROFIT AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4	1,376	-
Taxation charge on profit on ordinary activities	5	(491)	-
		<u>885</u>	<u>-</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION			
Dividend for the period		<u>-</u>	<u>-</u>
RETAINED PROFIT FOR THE PERIOD	10	<u>885</u>	<u>-</u>

There is no difference between the profit on ordinary activities before taxation and the retained profit for the period stated above and their historical cost equivalents.

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

The notes on pages 12 to 15 form part of these financial statements.

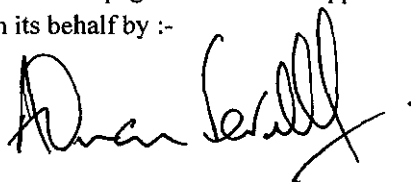
R.B. LEASING (SHAFTESBURY) LIMITED
formerly R.B. Leasing (May) Limited)

BALANCE SHEET

at 30 September 2000

	Note	At 30 [*] September 2000 £'000	At 31 May 1999 £'000
CURRENT ASSETS			
Finance lease receivables due within one year		-	-
Finance lease receivables due after more than one year		19,900	-
Debtors	6	<u>1,522</u>	<u>-</u>
		21,422	-
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR			
	7	<u>(297)</u>	<u>-</u>
NET CURRENT ASSETS		<u>21,125</u>	<u>-</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		21,125	-
PROVISIONS FOR LIABILITIES AND CHARGES			
	8	<u>(465)</u>	<u>-</u>
TOTAL NET ASSETS		<u><u>20,660</u></u>	<u><u>-</u></u>
CAPITAL AND RESERVES			
Called up share capital	9	19,775	-
Profit and Loss account	10	<u>885</u>	<u>-</u>
EQUITY SHAREHOLDERS' FUNDS	11	<u><u>20,660</u></u>	<u><u>-</u></u>

The financial statements on pages 9 to 15 were approved by the Board of Directors on *26 February 2001*
and were signed on its behalf by :-



Director

The notes on pages 12 to 15 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. Financial statements for 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 TURNOVER

Sixteen months ended 30 September 2000 £'000	Year ended 31 May 1999 £'000
---	---------------------------------------

Lease income:

Finance leases:

Rentals receivable	981	-
Amortisation	390	-
	<u>1,371</u>	<u>-</u>

Capital cost of assets financed:

Finance leases	<u>19,800</u>	<u>-</u>
----------------	---------------	----------

4 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Sixteen months ended 30 September 2000 £'000	Year ended 31 May 1999 £'000
---	---------------------------------------

Includes the following:

Other income:	<u>99</u>	<u>-</u>
---------------	-----------	----------

Finance charges:

Interest payable to group undertakings	<u>58</u>	<u>-</u>
--	-----------	----------

NOTES ON THE FINANCIAL STATEMENTS

4 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION - Continued

	Sixteen months ended 30 September 2000 £'000	Year ended 31 May 1999 £'000
Operating expenses:		
Fees and commissions	29	-
Management charge	7	-
	<u>36</u>	<u>-</u>

The emoluments of Mr. D. Elder are paid by a fellow subsidiary, Lombard North Central PLC, which makes no recharge to the company. Mr. Elder is a director of a number of fellow subsidiaries and it is not possible to make an accurate apportionment of his emoluments in respect of each of the companies. Accordingly, the above details include no emoluments in respect of Mr. Elder.

Other directors and employees are employed and remunerated by Royal Bank Leasing Limited. Costs incurred in respect of their services to the Company are included in the management charge as shown below:

	£	£
Directors' emoluments	465	-
Auditors' remuneration - for audit services	2,798	-
Staff costs	<u>2,918</u>	<u>-</u>

Two directors exercised share options in the ultimate holding company during the period,

5 TAXATION

	Sixteen months ended 30 September 2000 £'000	Year ended 31 May 1999 £'000
Group relief:		
- current period payable	26	-
Taxation equalisation	97	-
Deferred taxation:		
- current period	<u>368</u>	<u>-</u>
	<u>491</u>	<u>-</u>

The tax charge for the current period has been based on an average Corporation Tax rate of 30% (1999 - 30.9%). Certain leases are subject to non-standard rates of tax and will not produce a tax charge consistent with the average rate for the year.

NOTES ON THE FINANCIAL STATEMENTS

6 DEBTORS

	At 30 September 2000 £'000	At 31 May 1999 £'000
Amounts falling due within one year:		
Amounts due by group undertakings	1,233	-
Other debtors	289	-
	<u>1,522</u>	<u>-</u>

7 CREDITORS

	At 30 September 2000 £'000	At 31 May 1999 £'000
Amounts falling due within one year:		
Amounts due to group undertakings	170	-
Other creditors	127	-
	<u>297</u>	<u>-</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.

8 PROVISIONS FOR LIABILITIES AND CHARGES

Movements during the period:	Tax equalisation £'000	Deferred taxation £'000	Total £'000
At 1 June 1999	-	-	-
Charge to profit and loss account	<u>97</u>	<u>368</u>	<u>465</u>
At 30 September 2000	<u>97</u>	<u>368</u>	<u>465</u>

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

	At 30 September 2000 £'000	At 31 May 1999 £'000
Capital allowances on assets financed	<u>368</u>	<u>-</u>

NOTES ON THE FINANCIAL STATEMENTS

9 SHARE CAPITAL

	At 30 September 2000	At 31 May 1999
	Ordinary shares of £1 each	
Authorised	<u>20,001,000</u>	<u>1,000</u>
Allotted, called up and fully paid	<u>19,775,002</u>	<u>2</u>

During the period, the authorised share capital was increased by £20,000,000 and 19,775,000 ordinary shares of £1 each were issued at par in order to provide increased funding for the business.

10 PROFIT AND LOSS ACCOUNT

	£'000
At 1 June 1999	-
Retained profit for the period	<u>885</u>
At 30 September 2000	<u>885</u>

11 RECONCILIATION OF SHAREHOLDERS' FUNDS

	At 30 September 2000 £'000	At 31 May 1999 £'000
Profit for the financial period	885	-
Proceeds of share issues	19,775	-
Net addition to shareholders' funds	<u>20,660</u>	<u>-</u>
Opening shareholders' funds	<u>-</u>	<u>-</u>
Closing shareholders' funds	<u>20,660</u>	<u>-</u>