

(Company No. 3177092)

ROYAL BANK OPERATING LEASING LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

30 SEPTEMBER 2001



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ROYAL BANK OPERATING LEASING LIMITED

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2001

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ROYAL BANK OPERATING LEASING LIMITED

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

ROYAL BANK OPERATING LEASING LIMITED

DIRECTORS' REPORT

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

RESULTS

The results for the year are set out on page 8. The Directors do not recommend the payment of an interim dividend. The accumulated loss for the year to 30 September 2001 amounts to £2,725 (2000 - £3,870).

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 financing 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
M Eion Arthur Flint
Mr William Vaughan Latter
Mr James McKerrell
Mr Nigel Pearce

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

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

Mr J McKerrell resigned from the board on 8 October 2001.

Mr D B Elder resigned from the board on 9 November 2001.

ROYAL BANK OPERATING LEASING LIMITED

DIRECTORS' INTERESTS

No Director had any interest in the ordinary shares of the Company on 30 September 2001 nor on 1 October 2000.

At the year end, Messrs D B Elder, A C Farnell, W V Latter and N Pearce were also directors of the immediate parent undertaking, Royal Bank Leasing Ltd, a company which is itself required to keep a register of directors' interests. The directors were not therefore required to notify their interests in the shares or debentures of The Royal Bank of Scotland Group plc group undertakings to the company.

The Directors interests of Messrs E A Flint and J McKerrell in the share capital of the ultimate holding company, The Royal Bank of Scotland Group plc are shown on page 5.

POLICY AND PRACTICE ON PAYMENT OF CREDITORS

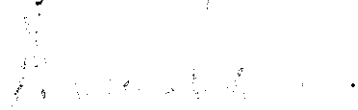
The Company is committed to maintaining a sound commercial relationship with its suppliers. Consequently, it is the Company's policy to negotiate and agree terms and conditions with its suppliers, which includes the giving of an undertaking by the Company to pay suppliers within 30 days of receipt of 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 (2000 – nil).

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 C Farnell
Director
CHELTENHAM

Date 26 APRIL 2002

ROYAL BANK OPERATING LEASING LIMITED

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:

<u>The Royal Bank of Scotland Plc 25p ordinary shares</u>		
	<u>At 1 October 2000</u>	<u>At 30 September 2001</u>
	<u>[or date of appointment if later]</u>	
E A Flint	Nil	Nil
J McKerrell	9,440	9,440

Options to subscribe for 25p ordinary shares of The Royal Bank of Scotland Group plc granted to and exercised by E A Flint and J McKerrell during the year to 30 September 2001 are included in the table below:-

	<u>At 1 October 2000</u>	<u>Options Granted</u>		<u>Options Exercised</u>		<u>At 30 September 2001</u>
	<u>[or date of appointment if later]</u>	<u>Number</u>	<u>Price</u>	<u>Number</u>	<u>Price</u>	
		<u>£</u>		<u>£</u>		
E A Flint	22,065	6,200	12.87	4,377	6.85	20,672
				3,216	6.96	
J McKerrell	2,765	-	-	-	-	2,765

E A Flint and J McKerrell did not have an interest in any of the preference shares during the year to 30 September 2001.

As at 30 September 2001, J McKerrell held 9,628 Additional Value Shares ('AVS') in The Royal Bank of Scotland Group Plc.

At 30 September 2001, E A Flint and J McKerrell did not hold any interest in the share or loan capital of the company or any other group company.

ROYAL BANK OPERATING LEASING LIMITED

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 as at the financial year end 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.

ROYAL BANK OPERATING LEASING LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ROYAL BANK OPERATING LEASING LIMITED

We have audited the financial statements of Royal Bank Operating Leasing Limited for the year ended 30 September 2001 which comprise the profit and loss account, the balance sheet and the related notes 1 to 11. 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 loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche

Chartered Accountants and Registered Auditors
Queen Anne House
69-71 Queen Square
Bristol BS1 4JP



ROYAL BANK OPERATING LEASING LIMITED

PROFIT AND LOSS ACCOUNT
for the year ended 30 September 2001

	CONTINUING OPERATIONS		
	Note	2001 £	2000 £
Sub-lease income	4	2,877	932
Operating expenses	5	<u>(6,771)</u>	<u>(6,460)</u>
OPERATING LOSS AND LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	5	(3,894)	(5,528)
Taxation credit on loss on ordinary activities	6	<u>1,169</u>	<u>1,658</u>
ACCUMULATED LOSS FOR THE YEAR	10	<u>(2,725)</u>	<u>(3,870)</u>

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

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

The notes on pages 10 to 13 form part of these financial statements.

ROYAL BANK OPERATING LEASING LIMITED

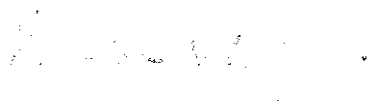
BALANCE SHEET

at 30 September 2001

	Note	2001 £	2000 £
CURRENT ASSETS			
Finance sub-lease receivables due within one year		1,000	124
Finance sub-lease receivables due after more than one year		2,742	751
Debtors	7	<u>6,219</u>	<u>16,325</u>
		9,961	17,200
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	8	<u>(17,253)</u>	<u>(21,767)</u>
NET CURRENT LIABILITIES		<u>(7,292)</u>	<u>(4,567)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(7,292)</u>	<u>(4,567)</u>
NET LIABILITIES		<u>(7,292)</u>	<u>(4,567)</u>
CAPITAL AND RESERVES			
Called up share capital	9	100	100
Profit and loss account	10	<u>(7,392)</u>	<u>(4,667)</u>
EQUITY SHAREHOLDERS' DEFICIT	11	<u>(7,292)</u>	<u>(4,567)</u>

The financial statements on pages 8 to 13 were approved by the Board of Directors on and were signed on its behalf by :-

26 APRIL 2002



Director

The notes on pages 10 to 13 form part of these financial statements.

ROYAL BANK OPERATING LEASING LIMITED

NOTES ON THE FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES

The financial statements on pages 8 to 13 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 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 GROSS EARNINGS UNDER FINANCE SUB LEASES

Total gross earnings under finance sub leases are recognised according to the actuarial after tax method whereby gross earnings are allocated to accounting periods so as to give a constant periodic rate of return on the net cash investment.

c 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.

d AMOUNTS RECEIVABLE UNDER FINANCE SUB LEASES

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

e 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).

ROYAL BANK OPERATING LEASING LIMITED

NOTES ON THE FINANCIAL STATEMENTS

2 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. The first level within the group at which consolidated financial statements are prepared is Lombard North Central 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 Lombard North Central plc may be obtained from The Secretary, Lombard North Central plc, 3 Princess Way, Redhill, Surrey RH1 1NP and those of Royal Bank Leasing 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	TURNOVER	2001 £	2000 £
	Lease income:		
	Finance sub leases:		
	Rentals receivable	5,495	6,870
	Amortisation	(2,618)	(5,938)
		<u>2,877</u>	<u>932</u>
	Capital cost of assets financed:		
	Finance sub-leases	<u>-</u>	<u>11,000</u>
5	LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	2001 £	2000 £
	Includes the following:		
	Operating expenses:		
	Management charge	6,771	6,385
	Other	-	75
		<u>6,771</u>	<u>6,460</u>

The emoluments of Messrs D. Elder, E Flint and N Pearce are paid by a fellow subsidiary company, Lombard North Central PLC, which makes no recharge to the company. These individuals are directors of a number of fellow subsidiaries and it is not possible to make an accurate apportionment of their emoluments in respect of each of the companies. Accordingly, the above details include no emoluments in respect of these directors.

ROYAL BANK OPERATING LEASING LIMITED

NOTES ON THE FINANCIAL STATEMENTS

5 LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION - continued

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:

	2001 £	2000 £
Directors' emoluments	453	465
Auditors' remuneration - for audit services	nil	2,092
Staff costs	<u>3,440</u>	<u>2,918</u>

The auditors' remuneration was paid by Royal Bank Leasing, which makes no recharge to the company.

6	TAXATION	2001 £	2000 £
	Group relief:		
	- current year receivable	<u>1,169</u>	<u>1,658</u>

The tax credit for the current year has been based on an average Corporation Tax rate of 30% (2000 - 30%).

7	DEBTORS	2001 £	2000 £
	Amounts falling due within one year:		
	Trade debtors	4,406	-
	Amounts due by group undertakings	1,740	16,252
	Other debtors	<u>73</u>	<u>73</u>
		<u>6,219</u>	<u>16,325</u>

8	CREDITORS	2001 £	2000 £
	Amounts falling due within one year:		
	Amounts due to group undertakings	12,857	21,128
	Other creditors	<u>4,396</u>	<u>639</u>
		<u>17,253</u>	<u>21,767</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.

The rates of interest applicable to those amounts due after more than five years will be by reference to inter bank rates for periods of three, six and twelve months.

NOTES ON THE FINANCIAL STATEMENTS

9 SHARE CAPITAL

Ordinary shares of £1 each

Authorised	<u>100</u>	<u>100</u>
Allotted, called up and fully paid	<u>100</u>	<u>100</u>

10 PROFIT AND LOSS ACCOUNT

£

At 1 October 2000	(4,667)
Accumulated loss for the year	<u>(2,725)</u>
At 30 September 2001	<u>(7,392)</u>

11 RECONCILIATION OF SHAREHOLDERS' FUNDS

2001 2000
£ £

Loss for the financial year and net reduction in shareholders' funds	(2,725)	(3,870)
Opening shareholders' funds	<u>(4,567)</u>	<u>(697)</u>
Closing shareholders' funds	<u>(7,292)</u>	<u>(4,567)</u>