

**(Company No. 3177092)**

**ROYAL BANK OPERATING LEASING LIMITED**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**30 SEPTEMBER 2000**



A06  
COMPANIES HOUSE

\*AQ7P98JE\*

0293  
10/05/01

# **ROYAL BANK OPERATING LEASING LIMITED**

## **REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2000**

<b><u>Contents</u></b>	<b><u>Pages</u></b>
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	12-14

# ROYAL BANK OPERATING LEASING LIMITED

## DIRECTORS AND OFFICERS

### DIRECTORS

Davies Burns Elder  
William Vaughan Latter  
James McKerrell  
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

# **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 2000.

## **RESULTS**

The results for the year are set out on page 10. The Directors do not recommend the payment of a final dividend. The accumulated loss for the year to 30 September 2000 amounts to £3,870 (1999 - £797).

## **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 2000, the Members of the Board of Directors were:-

Mr Davies Burns Elder  
Mr William Vaughan Latter  
Mr James McKerrell  
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

## ROYAL BANK OPERATING LEASING LIMITED

### DIRECTORS' INTERESTS

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

### AUDITORS

Messrs PricewaterhouseCoopers resigned as Auditors of the Company on 30 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.

W V Latter  
Director  
CHELTENHAM



14 February 2001

# **ROYAL BANK OPERATING LEASING 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 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	3,696	36,385	39,219	526 6,974 150	12.87 12.87 12.40	873 7,912	2.76 3.73	38,084
W V Latter	5,344	6,825	3,502	3,772	150	12.40	1,858	2.97	2,064
J McKerrell	9,256	10,412	3,523	3,794	493 150	9.85 12.40	1,672	2.97	2,765
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.

## ROYAL BANK OPERATING LEASING 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 W V Latter also held 6,825 Additional Value Shares ('AVS') in RBSG.

As at 30 September 2000 J Mckerrell also held 9,628 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

**ROYAL BANK OPERATING LEASING LIMITED**

**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 ROYAL BANK OPERATING LEASING LIMITED**

We have audited the financial statements on pages 9 to 14 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 loss 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 14 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 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.

**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 SUB-LEASES**

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

**5 OBLIGATIONS UNDER FINANCE SUB-LEASES**

Amounts payable under finance sub-leases are stated in the balance sheet at the amount of the net obligation under the leases. Costs are charged on an actuarial before tax basis so as to give a constant charge on the net obligation.

**6 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

PROFIT AND LOSS ACCOUNT  
for the year ended 30 September 2000

	Note	CONTINUING OPERATIONS	
		2000 £	1999 £
Finance sub-leases income	3	932	2,523
Finance charges	4	-	(1,767)
Operating expenses	4	<u>(6,460)</u>	<u>(1,902)</u>
OPERATING LOSS AND LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	4	(5,528)	(1,146)
Taxation credit on loss on ordinary activities	5	1,658	349
ACCUMULATED LOSS FOR YEAR	9	<u><u>(3,870)</u></u>	<u><u>(797)</u></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 12 to 14 form part of these financial statements.

ROYAL BANK OPERATING LEASING LIMITED

BALANCE SHEET  
at 30 September 2000

	Note	2000 £	1999 £
CURRENT ASSETS			
Finance sub-lease receivables due within one year		124	-
Finance sub-lease receivables due after more than one year		751	968
Debtors	6	<u>16,325</u>	<u>1,139</u>
		17,200	2,107
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	7	<u>(21,767)</u>	<u>(2,804)</u>
NET CURRENT LIABILITIES		<u>(4,567)</u>	<u>(697)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(4,567)</u>	<u>(697)</u>
CAPITAL AND RESERVES			
Called up share capital	8	100	100
Profit and Loss account	9	<u>(4,667)</u>	<u>(797)</u>
EQUITY SHAREHOLDERS' FUNDS	10	<u>(4,567)</u>	<u>(697)</u>

The financial statements on pages 9 to 14 were approved by the Board of Directors on 14 February 2001 and were signed on its behalf by :-

Director



The notes on pages 12 to 14 form part of these financial statements.

ROYAL BANK OPERATING LEASING LIMITED

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.

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	2000	1999
		£	£
	Lease income:		
	Finance sub-leases:		
	Rentals receivable	6,870	20,180
	Amortisation	(5,938)	(17,657)
		<u>932</u>	<u>2,523</u>
	Capital cost of assets financed:		
	Finance sub-leases	<u>11,000</u>	<u>46,297</u>
4	LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	2000	1999
		£	£
	Includes the following:		
	Finance charges:		
	Finance lease charges	<u>-</u>	<u>1,767</u>
	Operating expenses:		
	Management charge	6,385	1,840
	Other	<u>75</u>	<u>62</u>
		<u>6,460</u>	<u>1,902</u>

# ROYAL BANK OPERATING LEASING LIMITED

## NOTES ON THE FINANCIAL STATEMENTS

### 4 LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION - continued

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:

	2000 £	1999 £
Directors' emoluments	465	-
Auditors' remuneration - for audit services	2,092	1,840
Staff costs	<u>2,918</u>	<u>-</u>

Three directors exercised options in the ultimate holding company during the year.

5	TAXATION	2000 £	1999 £
	Group relief:		
	- current year receivable	<u>1,658</u>	<u>349</u>

The tax credit for the current year has been based on an average Corporation Tax rate of 30% (1999 - 30.5%).

6	DEBTORS	2000 £	1999 £
	Amounts falling due within one year:		
	Amounts due by group undertakings	16,252	918
	Other debtors	<u>73</u>	<u>221</u>
		<u>16,325</u>	<u>1,139</u>

7	CREDITORS	2000 £	1999 £
	Amounts falling due within one year:		
	Amounts due to group undertakings	21,128	2,804
	Taxation and social security	<u>639</u>	<u>-</u>
		<u>21,767</u>	<u>2,804</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.

ROYAL BANK OPERATING LEASING LIMITED

NOTES ON THE FINANCIAL STATEMENTS

8 SHARE CAPITAL

2000 1999  
Ordinary shares of £1 each

Authorised

100 100

Allotted, called up and fully paid

100 100

9 PROFIT AND LOSS ACCOUNT

£

At 1 October 1999

(797)

Accumulated loss for the year

(3,870)

At 30 September 2000

(4,667)

10 RECONCILIATION OF SHAREHOLDERS' FUNDS

2000

1999

£

£

Loss for the financial year

(3,870)

(797)

Opening shareholders' funds

(697)

100

Closing shareholders' funds

(4,567)

(697)