

(Company No. 58013)

ROYAL BANK LEASING LIMITED
AND SUBSIDIARY COMPANIES

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

30 SEPTEMBER 2000



ROYAL BANK LEASING LIMITED AND SUBSIDIARY COMPANIES

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2000

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ROYAL BANK LEASING LIMITED AND SUBSIDIARY COMPANIES

DIRECTORS AND OFFICERS

CHAIRMAN

Christopher Paul Sullivan

DIRECTORS

Davies Burns Elder
Adrian Colin Farnell
William Vaughan Latter
Nigel Pearce
Jonathan Michael Sweetman

SECRETARY

Angela Mary Cunningham

REGISTERED OFFICE

42 St Andrew Square
Edinburgh
EH2 2YE

PRINCIPAL OFFICE

The Quadrangle
The Promenade
Cheltenham
Gloucestershire GL50 1PX

ROYAL BANK LEASING LIMITED AND SUBSIDIARY COMPANIES

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 12. No interim dividend was paid during the year (1999 : £nil). The Directors recommend that no final ordinary dividend be paid in respect of the year ended 30 September 2000 (1999 : final - £20 million).

BUSINESS REVIEW

The Company is a wholly owned subsidiary of The Royal Bank of Scotland plc. The principal activity of the Company and its subsidiaries is the provision of leasing and other forms of asset finance, usually involving individually structured facilities. In addition, a number of the Company's subsidiaries are investment companies.

The Company and its subsidiaries will continue to operate in the leasing and asset financing market and to consider appropriate investment opportunities.

DIRECTORS

The current Directors are as shown on page 2.

At 30 September 2000, the members of the Board of Directors were:-

Davies Burns Elder
Mr Adrian Colin Farnell
Mr William Vaughan Latter
Nigel Pearce
Christopher Paul Sullivan
Mr Jonathan Michael Sweetman

The following were appointed to the Board:-

Mr D B Elder on 9 June 2000
Mr C P Sullivan on 9 June 2000
Mr N Pearce on 15 August 2000

The following have resigned from the Board:-

Mr I A Houston on 9 June 2000
Mr T Carr on 26 June 2000
Mr P R Allen on 8 August 2000

ROYAL BANK LEASING LIMITED AND SUBSIDIARY COMPANIES

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 are shown on pages 5 and 6.

POLICY AND PRACTICE ON PAYMENT OF CREDITORS

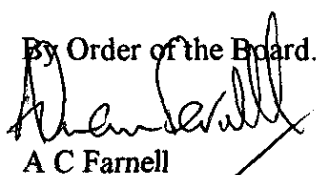
The Company is committed to maintaining a sound commercial relationship with its suppliers. The Company's policy for trade creditors arising on purchases of equipment for the purpose of letting under lease agreements is to pay in accordance with the contractual and legal obligations of each of those agreements. For other trade creditors, it is the Company's policy to negotiate and agree terms and conditions with its suppliers. These include the giving of an undertaking by the Company to pay its suppliers within 30 days of receipt of a correctly prepared invoice submitted in accordance with the terms of the contract.

The proportion that the amount owed to other trade creditors at 30 September 2000 bears to the amounts invoiced by suppliers during the year then ended equated to 7 days proportion of 365 days.

AUDITORS

Messrs PricewaterhouseCoopers resigned as Auditors of the Company and were replaced by Messrs Deloitte & Touche on 21 March 2000 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

ROYAL BANK LEASING LIMITED AND SUBSIDIARY COMPANIES

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	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
N Pearce	357	357	15,992	-	1,713	9.85	-	-	17,705
C P Sullivan	9,856	8,279	34,214	36,878	703 14,297 616 150	12.87 12.87 9.85 12.40	723	2.76	51,921
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 LEASING LIMITED AND SUBSIDIARY COMPANIES

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 N Pearce also held 357 Additional Value Shares ('AVS'), and 1,476 Floating Rate Unsecured Loan Notes 2005 in RBSG.

As at 30 September 2000 C P Sullivan also held 9,856 Additional Value Shares ('AVS'), and 27,023 Floating Rate Unsecured Loan Notes 2005 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

No directors held an interest in National Westminster Bank Plc during the year to 30 September 2000.

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, N Pearce and Mr C P Sullivan are deemed to have an interest as potential beneficiaries 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 shares or loan capital of the company or any other group company.

**ROYAL BANK LEASING LIMITED
AND SUBSIDIARY COMPANIES**

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 the Group and of the profit or loss of the Group 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 Group and 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 Group and 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 Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**ROYAL BANK LEASING LIMITED
AND SUBSIDIARY COMPANIES**

AUDITORS' REPORT TO THE MEMBERS OF ROYAL BANK LEASING LIMITED

We have audited the financial statements on pages 9 to 25 which have been prepared under the historical cost convention, as modified by the revaluation of investment properties, and the accounting policies set out on pages 9 to 11.

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 opinion, based on our audit, on those financial 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 and the group's affairs at 30 September 2000 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

23 July 2001

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

**ROYAL BANK LEASING LIMITED
AND SUBSIDIARY COMPANIES**

ACCOUNTING POLICIES

The financial statements on pages 9 to 25 are prepared on the basis of the principal accounting policies adopted by the Company and its subsidiaries described below and applicable Accounting Standards. Compliance with SSAP 19 'Accounting for Investment Properties', requires departure from the requirements of the Companies Act 1985 relating to depreciation and an explanation of the departure is given in the investment properties accounting policy (number 7 below). Except as set out below, accounting policies have been applied consistently.

1 ACCOUNTING CONVENTION

The financial statements are prepared under the historical cost convention, as modified by the revaluation of investment properties. 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 BASIS OF CONSOLIDATION

The consolidated financial statements deal with the financial statements of the Company and its subsidiaries made up to 30 September with the exception of certain subsidiary companies where for commercial reasons financial statements are made up to other dates. Financial statements of these subsidiaries are included on the basis of management accounts made up to 30 September. As permitted by section 230 of the Companies Act 1985 a separate profit and loss account for Royal Bank Leasing Limited has not been presented. The results of subsidiaries sold or acquired are included in the consolidated profit and loss account up to, or from, the date control passes. On acquisition of a subsidiary, all of the subsidiary's assets and liabilities that exist at the date of acquisition are recorded at their fair values.

3 GROSS EARNINGS UNDER FINANCE AND OPERATING LEASES

Gross earnings under finance and operating leases are recognised according to the actuarial after tax method whereby pre tax and post tax profits are allocated to accounting periods 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.

4 GROSS EARNINGS UNDER FINANCE SUB-LEASES AND HIRE PURCHASE CONTRACTS

Total gross earnings under finance sub leases and hire purchase contracts are recognised according to the actuarial before tax method whereby gross earnings are allocated to accounting periods to give a constant periodic rate of return on the net cash investment.

5 PROGRESS PAYMENTS INCOME RECOGNITION

Where assets are subject to progress payments being made prior to the commencement of the primary lease period, interest on the total of such payments at an appropriate rate is added to the cost of the asset and credited to the profit and loss account.

6 PENSION CONTRIBUTIONS

Pension costs are accounted for on the basis of charging the expected cost of providing pensions over the period during which the Company benefits from the employees' services. The effects of variations from the regular cost are spread over the expected average remaining service lives of members of the scheme.

7 INVESTMENT PROPERTIES

Investment properties are included in the balance sheet at their open market value. In accordance with SSAP 19, any increase or decrease in value is taken through a revaluation reserve. If a deficit arises on the revaluation reserve then that deficit is charged to the profit and loss account in the year in which it arises. The requirement of the Companies Act 1985 is to depreciate all properties, but that requirement conflicts with the generally accepted accounting principle set out in SSAP 19. The Directors consider that as these properties are being held for investment purposes, to depreciate them would not give a true and fair view; therefore, the treatment advocated by SSAP 19 has been adopted. The amount of depreciation not provided as a result of this treatment is considered to be immaterial in the context of the financial statements.

ACCOUNTING POLICIES

8 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.

9 AMOUNTS RECEIVABLE UNDER FINANCE LEASES

Finance lease receivables are stated in the balance sheet at the amount of the net investment in the leases. Progress payments made prior to the commencement of the primary lease period are included at cost together with the amount of any interest charged on such payments.

10 HIRE PURCHASE RECEIVABLES

Hire purchase receivables are stated at rentals receivable less unearned finance income.

11 FOREIGN CURRENCY

Assets or liabilities denominated in foreign currency are translated at the rate of exchange ruling at the balance sheet date. Transactions in foreign currency are translated at an average rate for the period. Foreign currency lease transactions, together with their related liabilities are regarded as separate groups of assets and liabilities and any exchange differences arising on these transactions are taken to reserves.

12 INVESTMENT IN LEASING PARTNERSHIPS

Investment in leasing partnerships is stated at cost. The Group's share of profits less losses is included in the profit and loss account. These amounts are taken from the latest audited financial statements or, where appropriate, the management accounts of the partnerships concerned.

13 INVESTMENTS IN ASSOCIATED COMPANIES

All companies in which the Group owns a participating interest on a long term basis and in which, in the opinion of the Directors, it also exercises a significant influence, are treated as associated companies. The Group's share of the results of those companies is included in the profit and loss account and the investments are stated at the value of the Group's share of the underlying net assets. The investments are stated at cost in the investing Company's balance sheet less provisions made.

14 INVESTMENTS

Premiums and discounts on the acquisition of dated stocks are amortised over the period from the date of purchase to the date of maturity and an appropriate proportion thereof is included in the profit and loss account. Such stocks are shown in the consolidated balance sheet at amortised cost.

Other debt securities held for investment purposes are stated at cost. Capital appreciation is calculated so as to recognise a constant yield earned on the investments and is shown in the financial statements as a debtor.

15 GOODWILL

The Group has capitalised goodwill and negative goodwill. These items are amortised to the profit and loss account over the useful economic life of the goodwill.

**ROYAL BANK LEASING LIMITED
AND SUBSIDIARY COMPANIES**

ACCOUNTING POLICIES

16 TANGIBLE FIXED ASSETS

Tangible fixed assets are included in the balance sheet at cost less accumulated depreciation. Depreciation on computer and other equipment is calculated to write off the cost, less the estimated residual value, of tangible fixed assets, on a straight line basis over their estimated useful lives. Depreciation on assets for hire under operating leases is charged over the lease term so that the resulting profits are allocated to accounting periods to give a constant periodic rate of return on the net cash investment.

Computer and other equipment

Useful life
5 years

17 OBLIGATIONS UNDER FINANCE LEASES

Amounts payable under finance leases are stated in the balance sheet at the amount of the net obligation under the leases. Finance lease charges are allocated to accounting periods to give a constant periodic charge on the balance outstanding.

18 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 LEASING LIMITED
AND SUBSIDIARY COMPANIES**

**CONSOLIDATED PROFIT AND LOSS ACCOUNT
for the year ended 30 September 2000**

CONTINUING OPERATIONS			
	Note	2000 £m	1999 £m
Lease and hire purchase income	2	174.4	171.0
Other income	3	31.2	28.3
Share of profits of associated companies and partnerships		<u>14.7</u>	<u>11.8</u>
		220.3	211.1
Finance charges	3	(158.7)	(158.0)
Depreciation and amortisation	8,9	(16.9)	(17.7)
Operating expenses	3	(11.7)	(11.0)
Bad and doubtful debts		<u>(5.6)</u>	<u>(3.9)</u>
OPERATING PROFIT		27.4	20.5
Profit on disposal of investment in associated undertaking		<u>-</u>	<u>4.7</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	27.4	25.2
Taxation credit on profit on ordinary activities	6	<u>8.0</u>	<u>1.7</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		35.4	26.9
Non-equity minority interests		<u>(0.7)</u>	<u>(0.8)</u>
PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS		34.7	26.1
Dividends for the year	7	<u>-</u>	<u>(20.0)</u>
RETAINED PROFIT FOR THE YEAR	21	<u>34.7</u>	<u>6.1</u>

**STATEMENT OF GROUP TOTAL RECOGNISED GAINS AND LOSSES
for the year ended 30 September 2000**

	2000 £m	1999 £m
PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS	34.7	26.1
Unrealised surplus on revaluation of investment properties	<u>-</u>	<u>4.9</u>
TOTAL RECOGNISED GAINS FOR THE YEAR	34.7	31.0
Prior year adjustment	<u>-</u>	<u>(1.7)</u>
TOTAL GAINS RECOGNISED SINCE LAST REPORT	<u>34.7</u>	<u>29.3</u>

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

The notes on pages 15 to 25 form part of these financial statements.


**ROYAL BANK LEASING LIMITED
AND SUBSIDIARY COMPANIES**


**CONSOLIDATED BALANCE SHEET
at 30 September 2000**

The Company and its Subsidiaries

	Note	2000 £m	1999 £m
Fixed assets			
Intangible Asset	8	0.9	1.0
Intangible Liability	8	(1.0)	(1.3)
		(0.1)	(0.3)
Tangible assets	9	136.7	137.7
Investments	11	340.4	326.1
Investment properties	12	36.0	36.0
Total Fixed Assets		513.0	499.5
Current assets			
Finance lease and hire purchase receivables due within one year	15	140.0	282.0
Finance lease and hire purchase receivables due after more than one year	15	2,362.4	2,003.8
Debtors: amounts falling due within one year	16	177.1	132.0
Debtors: amounts falling due after more than one year	16	203.1	209.8
		2,882.6	2,627.6
Current liabilities			
Creditors: amounts falling due within one year	17	(291.6)	(287.0)
NET CURRENT ASSETS		2,591.0	2,340.6
TOTAL ASSETS LESS CURRENT LIABILITIES		3,104.0	2,840.1
Creditors: amounts falling due after more than one year	17	(2,407.1)	(2,209.1)
Provisions for liabilities and charges	18	(292.5)	(268.5)
NET ASSETS		404.4	362.5
Capital and reserves			
Called up share capital	19	2.0	2.0
Revaluation reserve	20	4.9	4.9
Profit and loss account	21	249.3	214.6
EQUITY SHAREHOLDERS' FUNDS	22	256.2	221.5
Non-equity minority interests	23	148.2	141.0
CAPITAL EMPLOYED		404.4	362.5

The financial statements on pages 9 to 25 were approved by the Board of Directors on 20 July 2001 and were signed on its behalf by :-

 Director

 Director

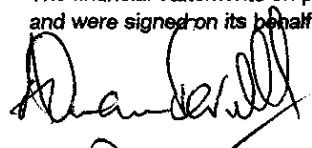
The notes on pages 15 to 25 form part of these financial statements.

**ROYAL BANK LEASING LIMITED
AND SUBSIDIARY COMPANIES**

**BALANCE SHEET
at 30 September 2000**

		<u>The Company</u>	
	Note	2000 £m	1999 £m
Fixed assets			
Tangible assets	9	46.7	68.6
Investments	11	124.1	109.8
Investment properties	12	36.0	36.0
Shares in subsidiary undertakings	13	61.0	20.6
Total Fixed Assets		267.8	235.0
Current assets			
Finance lease and hire purchase receivables due within one year	15	18.5	11.9
Finance lease and hire purchase receivables due after more than one year	15	130.4	95.3
Debtors due within one year	16	298.2	260.2
Debtors due after more than one year	16	1,266.8	1,208.8
		1,713.9	1,576.2
Current liabilities			
Creditors: amounts falling due within one year	17	(268.9)	(259.2)
NET CURRENT ASSETS		1,445.0	1,317.0
TOTAL ASSETS LESS CURRENT LIABILITIES		1,712.8	1,552.0
Creditors: amounts falling due after more than one year	17	(1,651.1)	(1,495.0)
Provision for liabilities and charges	18	(39.2)	(32.9)
NET ASSETS		22.5	24.1
Capital and reserves			
Called up share capital	19	2.0	2.0
Revaluation reserve	20	4.9	4.9
Profit and loss account	21	15.6	17.2
EQUITY SHAREHOLDERS' FUNDS	22	22.5	24.1

The financial statements on pages 9 to 25 were approved by the Board of Directors on 20 July 2001
and were signed on its behalf by :-

 Director

 Director

The notes on pages 15 to 25 form part of these financial statements.

NOTES ON THE FINANCIAL STATEMENTS

1 ULTIMATE HOLDING COMPANY

The Company is a wholly owned subsidiary of The Royal Bank of Scotland plc. On 2 January 2001, ownership of the Company was transferred to Lombard North Central plc, whose ultimate holding company and controlling party is The Royal Bank of Scotland Group plc which is incorporated in Great Britain and registered in Scotland. 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 Andrew Square, Edinburgh, EH2 2YE. Copies of the financial statements of Lombard North Central plc may be obtained from the Company Secretary's office, 3 Princess Way, Redhill, Surrey, RH1 1NP.

2 TURNOVER	2000 £m	1999 £m
Lease and hire purchase income:		
Finance leases:		
Rentals receivable	345.4	255.1
Amortisation	(203.2)	(117.2)
	<u>142.2</u>	<u>137.9</u>
Hire Purchase:		
Gross rentals receivable	27.2	17.6
Capital element of rentals	(20.0)	(10.3)
	<u>7.2</u>	<u>7.3</u>
Operating leases:		
Rentals receivable	<u>25.0</u>	<u>25.8</u>
	<u>174.4</u>	<u>171.0</u>

Included in gross earnings under finance leases is £1.2m (1999: £1.1m) of income receivable from the Company's immediate parent.

Capital cost of assets financed:

Finance leases	562.4	180.3
Operating leases	70.1	49.9
Hire purchase	<u>8.3</u>	<u>34.5</u>
	<u>640.8</u>	<u>264.7</u>

Included in the capital cost of assets financed is £25.5m (1999: £49.7m) of finance leases with the Company's immediate parent.

3 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Includes the following:	2000 £m	1999 £m
Other income:		
Investment income	20.9	19.5
Other	<u>10.3</u>	<u>8.8</u>
	<u>31.2</u>	<u>28.3</u>
Finance charges:		
Interest receivable from group undertakings	(0.2)	(0.7)
Interest payable to group undertakings	148.1	143.1
Finance lease charges	10.8	12.3
Share of joint arrangement's interest payable	0.7	-
Interest capitalised on operating lease assets under construction	(0.7)	-
Other	<u>-</u>	<u>3.3</u>
	<u>158.7</u>	<u>158.0</u>

NOTES ON THE FINANCIAL STATEMENTS

3 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION - continued

	2000 £000	1999 £000
Operating expenses include:		
Auditors' remuneration (Company £12,349 ; 1999 - £12,440)	113	113
Non-audit fees paid to the Company's auditors	10	68

Of the profit after taxation attributable to ordinary shareholders, a £1.6m loss (1999 - £16.3m profit) has been dealt with in the financial statements of the Company.

4 DIRECTORS' AND EMPLOYEES' EMOLUMENTS

	2000 £'000	1999 £'000
Directors' aggregate emoluments	538	520

Three Directors, including the highest paid exercised share options in the year. Retirement benefits are accruing to all Directors under a defined benefit pension scheme.

The emoluments of the Chairman and one other Director are paid by the parent company. The services of the Chairman and this Director to this Company are of a non-executive nature and their emoluments are deemed to be wholly attributable to their services to the parent Company. Accordingly, the above details include no emoluments in respect of these directors (1999 - £Nil).

Emoluments payable to the highest paid Director are as follows:	£'000	£'000
Aggregate emoluments	181	168

Defined benefit pension scheme:

- accrued pension at year end	21	39
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	£m	£m
Staff costs (including Executive Directors):		
Wages and salaries	3.2	2.6
Social security costs	0.3	0.3
Other pension costs	0.4	0.3
	3.9	3.2

The average number of employees, all of whom were engaged in the development and administration of structured finance business, was 62 (1999: 60).

5 PENSION CONTRIBUTIONS

The Royal Bank of Scotland Group plc operates a number of pension schemes covering the majority of employees. The principal scheme is The Royal Bank of Scotland Staff Pension Scheme ("the Scheme") which is a non-contributory defined benefit scheme. The Scheme is a funded scheme under which future liabilities for benefits are provided for by the accumulation of assets which are held independently from those of The Royal Bank of Scotland Group plc under a separately administered trust. A formal valuation of the Scheme as at 30 September 1999 was carried out by independent professionally qualified actuaries using the projected unit method to determine the level of contributions to be made by The Royal Bank of Scotland Group plc. Further information on the results of the valuation are disclosed in the financial statements of The Royal Bank of Scotland Group plc. The next formal valuation of the Scheme is to take place at 31 December 2002.

Eligible employees are members of The Royal Bank of Scotland Staff Pension Scheme. The total pension scheme cost to the Company in respect of the year to 30 September 2000 was £402,000 (1999 - £350,000). At 30 September 2000, £113,000 (1999 - £108,000) represents the excess of the accumulated pension cost over the payment of contributions to The Royal Bank of Scotland Staff Pension Scheme.

NOTES ON THE FINANCIAL STATEMENTS

6 TAXATION	2000 £m	1999 £m
Group relief:		
- current year receivable	30.1	13.5
- prior year receivable	1.9	1.2
Taxation equalisation	9.5	(9.3)
Deferred taxation:		
- current year	(32.7)	(3.7)
- prior year	(0.8)	-
	<u>8.0</u>	<u>1.7</u>

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

The deferred tax charge for the year has been reduced by £13.8m (1999: £2.3m) as a result of the annual review of the amount of timing differences which are expected to result in a taxation liability in the foreseeable future.

No tax arises on the profit on disposal of an investment in an associated undertaking as the gains arising have been covered by capital losses brought forward.

7 DIVIDENDS	2000 £m	1999 £m
Ordinary dividends:		
Proposed final	-	20.0

8 INTANGIBLE ASSETS AND LIABILITIES

	The Company and its subsidiaries		
	Goodwill £m	Negative goodwill £m	Total £m
COST			
As at 1 October 1999	1.1	(3.3)	(2.2)
Additions	-	-	-
As at 30 September 2000	<u>1.1</u>	<u>(3.3)</u>	<u>(2.2)</u>
AMORTISATION			
As at 1 October 1999	0.1	(2.0)	(1.9)
Amortisation in year	<u>0.1</u>	<u>(0.3)</u>	<u>(0.2)</u>
As at 30 September 2000	<u>0.2</u>	<u>(2.3)</u>	<u>(2.1)</u>
NET BOOK VALUE			
As at 30 September 2000	<u>0.9</u>	<u>(1.0)</u>	<u>(0.1)</u>
As at 30 September 1999	<u>1.0</u>	<u>(1.3)</u>	<u>(0.3)</u>

Goodwill arising on the acquisition of the minority interest in R.B. Asset Value Limited is being amortised on a straight line basis over 11 years. The negative goodwill arising on the acquisition of R.B. Quadrangle Leasing Limited is being amortised over 14 years in proportion to the diminishing value of the company's net assets acquired. These periods are those over which, in the opinion of the Directors, the values of the underlying businesses acquired are expected to differ from the value of the underlying assets.

NOTES ON THE FINANCIAL STATEMENTS

9 FIXED ASSETS

Tangible fixed assets:	The Company and its subsidiaries			
	Assets for hire under operating leases	Computer and other equipment	Share of assets of joint arrangement	Total
	£m	£m	£m	£m
COST				
As at 1 October 1999	164.2	2.3	-	166.5
Additions	58.6	0.1	11.5	70.2
Reclassification	(70.3)	-	-	(70.3)
Disposals	(4.2)	(0.1)	-	(4.3)
As at 30 September 2000	148.3	2.3	11.5	162.1
DEPRECIATION				
As at 1 October 1999	27.5	1.3	-	28.8
Charge for year	16.9	0.2	-	17.1
Provision for impairment loss	2.3	-	-	2.3
Reclassification	(19.4)	-	-	(19.4)
Disposals	(3.4)	-	-	(3.4)
As at 30 September 2000	23.9	1.5	-	25.4
NET BOOK VALUE				
As at 30 September 2000	124.4	0.8	11.5	136.7
As at 30 September 1999	136.7	1.0	0.0	137.7

Tangible fixed assets:	The Company			
	Assets for hire under operating leases	Computer and other equipment	Share of assets of joint arrangement	Total
	£m	£m	£m	£m
COST				
As at 1 October 1999	84.2	2.3	-	86.5
Additions	0.5	0.1	11.5	12.1
Reclassification	(37.6)	-	-	(37.6)
Disposals	(4.2)	(0.1)	-	(4.3)
As at 30 September 2000	42.9	2.3	11.5	56.7
DEPRECIATION				
As at 1 October 1999	16.6	1.3	-	17.9
Charge for year	6.1	0.2	-	6.3
Provision for impairment loss	1.1	-	-	1.1
Reclassification	(11.9)	-	-	(11.9)
Disposals	(3.4)	-	-	(3.4)
As at 30 September 2000	8.5	1.5	-	10.0
NET BOOK VALUE				
As at 30 September 2000	34.4	0.8	11.5	46.7
As at 30 September 1999	67.6	1.0	-	68.6

During the year, the Company entered into an agreement for provision of insurance on the residual value exposure. As a consequence of this, certain assets held under operating leases have been reclassified as finance lease receivables.

Included within the figure for additions for the share of the joint arrangement's assets is £0.7m of capitalised interest.

NOTES ON THE FINANCIAL STATEMENTS

10 INVESTMENT IN JOINT ARRANGEMENT

The joint arrangement in which the Company has an interest is shown below:

GATX 737-800 Partners III Limited 24.5%

11 INVESTMENTS

	The Company and its subsidiaries			
	Listed British Government securities £m	Other debt securities £m	Leasing partnerships £m	Total £m
As at 1 October 1999	0.1	211.0	115.0	326.1
Capital funding	-	-	14.3	14.3
As at 30 September 2000	0.1	211.0	129.3	340.4
Market value of Listed investments As at 30 September 2000	0.1			
As at 30 September 1999	0.1			

	The Company	
	Leasing partnerships £m	Total £m
As at 1 October 1999	109.8	109.8
Capital funding	14.3	14.3
As at 30 September 2000	124.1	124.1

The principal leasing partnerships in which the Company and its subsidiaries have an interest are shown below.
The principal place of business of these partnerships is the UK.

Name of partnership	The Company and its subsidiaries	The Company
Motability Finance Limited and associated partnerships	8.9%	8.9%
Anglo-Scottish Utilities Partnership 1	20.0%	-

During the year, the Company increased its interest in Motability Finance Limited and its associated partnerships from 7.5% to 8.9%. On 2 October 2000, this interest was subsequently reduced to 5%. Neither transaction resulted in a gain or loss to the Company.

On 1 January 2001 the Company transferred its interest in Motability Finance Limited to its parent undertaking, The Royal Bank of Scotland plc. There was no gain or loss arising from this transaction.

12 INVESTMENT PROPERTIES

On 18 May 1995 three hotels previously held under finance leases were transferred to investment properties at a value of £29m. For the purpose of the 2000 financial statements the hotels have been valued on the basis of open market value for their existing use. Accordingly the valuation of £36m has been made by the Directors of Royal Bank Leasing Limited after taking appropriate professional advice as at 30 September 2000.

	The Company and its subsidiaries	The Company
	£m	£m
As at 1 October 1999 and 30 September 2000	36.0	36.0

NOTES ON THE FINANCIAL STATEMENTS

13 SHARES IN SUBSIDIARY UNDERTAKINGS

The principal trading subsidiary undertakings, the capital of which consists of ordinary shares and preference shares, are shown below. Except as detailed in note 23, all share capital is wholly owned.

Owned by the Company:

	Nature of business:	Statutory year end:
Royal Bank Asset Management Limited	Leasing	31 January
Royal Bank Asset Finance and Leasing Limited	Leasing	28 February
Royal Bank of Scotland (Industrial Leasing) Limited	Leasing	31 March
R.B. Quadrangle Leasing Limited	Leasing	31 March
RBS Leasing & Services (No 3) Limited	Leasing	31 March
W. & G. Industrial Leasing Limited	Leasing	31 March
R.B. Leasing (April) Limited	Leasing	30 April
R.B. Asset Finance Limited	Leasing	30 June
R.B. Capital Leasing Limited	Leasing	30 June
W. & G. Equipment Leasing Limited	Leasing	30 June
RBS Leasing & Services (No 4) Limited	Leasing	30 June
R.B. Leasing (Eden) Limited	Leasing	30 September
Royal Scot Leasing Limited	Leasing and Hire Purchase	30 September
R.B. Leasing Company Limited	Leasing and Hire Purchase	30 September
Williams & Glyn's Leasing Company Limited	Leasing	30 September
R.B. Leasing (September) Limited	Leasing	30 September
RBS Leasing & Services (No 1) Limited	Leasing	30 September
RoyScot Corporate Leasing Limited	Leasing	30 September
Royal Bank Asset Finance Limited	Leasing	30 September
Royal Bank Operating Leasing Limited	Leasing	30 September
R.B. Asset Value Limited	Asset Valuation	30 September
R.B. Investment Holdings Limited	Investment	30 September
Royal Bank Structured Asset Finance Limited	Leasing	30 September
R.B. Leasing (Shaftesbury) Limited	Leasing	30 September
R.B. Equipment Leasing Limited	Leasing	30 November
R.B. Leasing (December) Limited	Leasing	31 December
W. & G. Lease Finance Limited	Leasing	31 December
RBS Leasing & Services (No 2) Limited	Leasing	31 December
R.B. Leasing (Bluewater) Limited	Leasing	31 December

Owned by R.B. Leasing (September) Limited:

R.B. Leasing (March) Limited	Leasing	31 March
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Owned by R.B. Investment Holdings Limited:

R.B. Investment Company	Investment	30 September
R.B. (2) Investment Company	Investment	30 September
R.B. (3) Investment Company	Investment	30 September
Boxford Limited	Investment	30 September

Owned by Boxford Limited:

Rushton Limited	Investment	30 September
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During the year, R.B. Investment Holdings Limited disposed of its interest in R.B. (5) Investment Company, R.B. Property Investments Limited and R.B. Property Investments (2) Limited for nil profit and loss.

During the year, the Company acquired the shareholding of W. & G. Industrial Leasing Limited from its subsidiary company, R.B. Quadrangle Leasing Limited.

On 1 January 2001, the Company disposed of the following shareholdings to its parent undertaking, The Royal Bank of Scotland Group plc, for nil profit and loss:-

RBS Leasing & Services (No 1) Limited
RBS Leasing & Services (No 2) Limited
RBS Leasing & Services (No 3) Limited
RBS Leasing & Services (No 4) Limited
R.B. Investment Holdings Limited

NOTES ON THE FINANCIAL STATEMENTS

13 SHARES IN SUBSIDIARY UNDERTAKINGS - continued

	The Company	
	2000 £m	1999 £m
Investments at cost		
As at 1 October 1999	20.6	19.9
Capital funding	40.4	1.1
Adjustment to acquisition cost	-	(0.4)
As at 30 September 2000	<u>61.0</u>	<u>20.6</u>

14 SIGNIFICANT SHAREHOLDINGS

Royal Scot Leasing Limited owns 32.8% of the ordinary share capital and 83.3% of the preference share capital of Nevis Range Development Company plc, which prepares Financial Statements to 31 October. The Financial Statements for the year ended 31 October 1999 show a profit attributable to shareholders of £28,730 (1998: loss of £185,321) and shareholders' funds of £2,417,737 (1998: £2,391,865). The unaudited management accounts to 30 September 2000 show a pre tax profit of £104,795 (1999: profit £59,377) and shareholders' funds of £3,348,735 (1999: £2,451,242). Because Royal Scot Leasing Limited does not participate in the commercial or financial policy decisions of Nevis Range Development Company plc, it is not regarded as an associated company. For the purpose of these Financial Statements the equity of Nevis Range Development Company plc held by Royal Scot Leasing Limited has been ascribed nil value.

15 FINANCE LEASE AND HIRE PURCHASE RECEIVABLES

	The Company and its subsidiaries		The Company	
	2000 £m	1999 £m	2000 £m	1999 £m
Amounts falling due within one year:				
Finance leases	123.5	269.2	18.5	11.9
Hire purchase agreements	<u>16.5</u>	<u>12.8</u>	<u>-</u>	<u>-</u>
	<u>140.0</u>	<u>282.0</u>	<u>18.5</u>	<u>11.9</u>
Amounts falling due after more than one year:				
Finance leases	2,273.4	1,910.9	130.4	95.3
Hire purchase agreements	<u>89.0</u>	<u>92.9</u>	<u>-</u>	<u>-</u>
	<u>2,362.4</u>	<u>2,003.8</u>	<u>130.4</u>	<u>95.3</u>
	<u>2,502.4</u>	<u>2,285.8</u>	<u>148.9</u>	<u>107.2</u>

NOTES ON THE FINANCIAL STATEMENTS

16 DEBTORS

	The Company and its subsidiaries		The Company	
	2000 £m	1999 £m	2000 £m	1999 £m
Amounts falling due within one year:				
Trade debtors	2.5	2.7	-	0.4
Amounts due by group undertakings	70.5	51.5	198.6	189.0
Other debtors	8.7	8.2	4.2	1.2
Prepayments and accrued income	95.4	69.6	95.4	69.6
	<u>177.1</u>	<u>132.0</u>	<u>298.2</u>	<u>260.2</u>
Amounts falling due after more than one year:				
Amounts due by group undertakings	93.8	121.4	1,266.8	1,208.8
Prepayments and accrued income	109.3	88.4	-	-
	<u>203.1</u>	<u>209.8</u>	<u>1,266.8</u>	<u>1,208.8</u>

17 CREDITORS

	The Company and its subsidiaries		The Company	
	2000 £m	1999 £m	2000 £m	1999 £m
Amounts falling due within one year:				
Payments received on account	4.8	2.9	1.1	0.7
Trade creditors	14.5	0.0	14.6	0.1
Amounts due to group undertakings	236.6	228.5	234.0	224.2
Taxation	1.4	5.3	-	-
Obligations under finance leases	18.1	19.9	12.2	19.7
Other creditors	16.2	30.4	7.0	14.5
	<u>291.6</u>	<u>287.0</u>	<u>268.9</u>	<u>259.2</u>
Amounts falling due after more than one year:				
Between one and two years:				
Amounts due to group undertakings	141.3	196.5	139.1	193.9
Obligations under finance leases	12.1	17.6	11.8	17.3
	<u>153.4</u>	<u>214.1</u>	<u>150.9</u>	<u>211.2</u>
Between two and five years:				
Amounts due to group undertakings	453.6	356.0	448.2	201.0
Obligations under finance leases	19.5	22.6	12.8	21.7
	<u>473.1</u>	<u>378.6</u>	<u>461.0</u>	<u>222.7</u>
After more than five years:				
Amounts due to group undertakings	1,667.6	1,490.4	1,037.6	1,058.3
Obligations under finance leases	113.0	126.0	1.6	2.8
	<u>1,780.6</u>	<u>1,616.4</u>	<u>1,039.2</u>	<u>1,061.1</u>
Total amounts due after more than one year	<u>2,407.1</u>	<u>2,209.1</u>	<u>1,651.1</u>	<u>1,495.0</u>

The total value of obligations under finance leases repayable by instalments, any part of which falls due after more than five years, is £126.6m (1999: £130.8m) by the Company and its subsidiaries including £3.0m (1999: £8.2m) by the Company.

The rates of interest applicable to amounts due to group undertakings due after more than five years range between 4.96% and 9.87% for fixed rate funding. Interest rates applicable to variable rate funding will be by reference to inter bank rates for periods of three, six and twelve months.

NOTES ON THE FINANCIAL STATEMENTS

18 PROVISIONS FOR LIABILITIES AND CHARGES

	The Company and its subsidiaries		The Company	
	2000 £m	1999 £m	2000 £m	1999 £m
Deferred tax is provided on:				
Capital allowances on finance lease receivables	278.5	245.4	40.2	31.6
Other timing differences	(1.4)	(1.8)	(2.1)	(1.7)
Revaluation reserve	2.1	2.1	2.1	2.1
Total deferred tax	279.2	245.7	40.2	32.0
Tax equalisation	13.3	22.8	(1.0)	0.9
	<u>292.5</u>	<u>268.5</u>	<u>39.2</u>	<u>32.9</u>
Amounts not provided in deferred tax:				
Finance lease receivables	<u>118.8</u>	<u>105.2</u>	<u>-</u>	<u>-</u>

	The Company and its subsidiaries		The Company	
	2000 £m	1999 £m	2000 £m	1999 £m
Deferred tax movements during the year:				
As at 1 October 1999	245.7	239.9	32.0	29.4
Charge to profit and loss account	33.5	3.7	8.2	0.5
Charge on revaluation reserve	-	2.1	-	2.1
As at 30 September 2000	<u>279.2</u>	<u>245.7</u>	<u>40.2</u>	<u>32.0</u>
Tax equalisation movements during the year:				
As at 1 October 1999	22.8	13.5	0.9	0.5
(Credit)/Charge to profit and loss account	(9.5)	9.3	(1.9)	0.4
As at 30 September 2000	<u>13.3</u>	<u>22.8</u>	<u>(1.0)</u>	<u>0.9</u>
	<u>292.5</u>	<u>268.5</u>	<u>39.2</u>	<u>32.9</u>

19 SHARE CAPITAL

	The Company and its subsidiaries		The Company	
	2000	1999	2000	1999
Equity capital:				
Ordinary shares of £1 each:				
Authorised	<u>5,000,000</u>	<u>5,000,000</u>	<u>5,000,000</u>	<u>5,000,000</u>
Allotted, called up and fully paid	<u>2,000,000</u>	<u>2,000,000</u>	<u>2,000,000</u>	<u>2,000,000</u>

NOTES ON THE FINANCIAL STATEMENTS

20 REVALUATION RESERVE

	The Company and its subsidiaries		The Company	
	2000 £m	1999 £m	2000 £m	1999 £m
As at 1 October 1999	4.9	-	4.9	-
Revaluation in year	-	7.0	-	7.0
Deferred tax provision on revaluation	-	(2.1)	-	(2.1)
As at 30 September 2000	<u>4.9</u>	<u>4.9</u>	<u>4.9</u>	<u>4.9</u>

21 PROFIT AND LOSS ACCOUNT

	The Company and its subsidiaries		The Company	
	2000 £m	1999 £m	2000 £m	1999 £m
As at 1 October 1999	214.6	208.5	17.2	20.9
Result for the year	34.7	6.1	(1.6)	(3.7)
As at 30 September 2000	<u>249.3</u>	<u>214.6</u>	<u>15.6</u>	<u>17.2</u>

22 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	The Company and its subsidiaries as restated		The Company	
	2000 £m	1999 £m	2000 £m	1999 £m
Total shareholders' funds:				
Profit attributable to shareholders	34.7	26.1	(1.6)	16.3
Dividends	-	(20.0)	-	(20.0)
Revaluation in year	-	4.9	-	4.9
Net addition to/(reduction in) shareholders' funds	34.7	11.0	(1.6)	1.2
Opening shareholders' funds	<u>221.5</u>	<u>210.5</u>	<u>24.1</u>	<u>22.9</u>
Closing shareholders' funds	<u>256.2</u>	<u>221.5</u>	<u>22.5</u>	<u>24.1</u>

23 NON-EQUITY MINORITY INTERESTS

Non-equity minority interests relate to preference share capital of certain subsidiaries, which is owned directly by the ultimate holding company, The Royal Bank of Scotland plc, as detailed below :

	Preference Share Capital Owned	
	2000 %	1999 %
RBS Leasing & Services (No 1) Limited	100	100
RBS Leasing & Services (No 2) Limited	100	100
RBS Leasing & Services (No 3) Limited	100	100
RBS Leasing & Services (No 4) Limited	<u>100</u>	<u>100</u>

NOTES ON THE FINANCIAL STATEMENTS

24 CONTINGENT LIABILITIES

The Company has guaranteed the obligations of a customer of The Royal Bank of Scotland plc under a loan agreement with a maximum liability of £5.7m.

It is not envisaged that any material irrecoverable liability will arise from this transaction and accordingly it has not been reflected in the Company or consolidated balance sheets.

25 FINANCIAL COMMITMENTS

	The Company and its subsidiaries	
	2000 £m	1999 £m
Future financial commitments:		
Contracted but not provided for:		
Finance leases	191.0	173.3
Operating leases	116.7	138.3
Hire purchase	28.4	11.0
	<u>336.1</u>	<u>322.6</u>

26 RELATED PARTY TRANSACTIONS

The Company and its subsidiaries 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.