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(Company No. 58013)

ROYAL BANK LEASING LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

30 SEPTEMBER 2003



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ROYAL BANK LEASING LIMITED

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2003

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ROYAL BANK LEASING LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS:	Sharon Jill Caterer Adrian Colin Farnell William Vaughan Latter Domhnal Slattery
SECRETARY:	Marina Louise Thomas
REGISTERED OFFICE:	42 St Andrew Square Edinburgh EH2 2YE
PRINCIPAL OFFICE:	The Quadrangle The Promenade Cheltenham Gloucestershire GL50 1PX
AUDITORS :	Deloitte & Touche LLP Bristol

Registered in England and Wales.

ROYAL BANK LEASING LIMITED

DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements for the year ended 30 September 2003.

ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is the provision of leasing and other forms of asset finance, usually involving individually structured facilities. In addition, the Company acts as a holding company for a group of companies also involved in the leasing and asset finance market. The Company will continue to operate in the leasing and asset financing market.

The retained profit for the year was £16,548,000 (2002: loss £447,000) and this was transferred to reserves. The directors do not recommend that an interim dividend be paid (2002: interim dividend declared £50,000,000).

POST BALANCE SHEET EVENT

After the financial year end, the Company sold its investment in the subsidiary undertaking W. & G. Equipment Leasing Limited, on 28 October 2003, for a profit before tax of £15,674,000.

DIRECTORS AND SECRETARY

The names of the present directors and secretary are as listed on page 2.

From 1 October 2002 to date the following changes have taken place:

	Appointed	Resigned
Directors		
Graham Colin Clemett		29 February 2004
Sharon Jill Caterer	1 March 2004	
Nigel Pearce		18 March 2004
Domhnal Slattery	19 March 2004	

ROYAL BANK LEASING LIMITED

DIRECTORS' RESPONSIBILITIES

United Kingdom 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 as at the end of the financial period and of the profit or loss of the company for that period. In preparing the 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 presume 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.

DIRECTORS' INTERESTS

No Director had any interest in the ordinary shares of the Company on 30 September 2003 or on 1 October 2002.

Directors' interests 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 follows the policy and practice on payment of creditors determined by The Royal Bank of Scotland Group plc, as outlined below.

In the year ending 30 September 2004, the Group will adhere to the following payment policy in respect of all suppliers. The Group is committed to maintaining a sound commercial relationship with its suppliers. Consequently, it is the Group'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 or such other payment period as may be agreed.

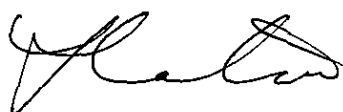
The proportion which the amount owed to trade creditors at 30 September 2003 bears to the amounts invoiced by suppliers during the period then ended equated to nil days proportion of 365 days (2002: nil days).

ROYAL BANK LEASING LIMITED

AUDITORS

On 1 August 2003, Deloitte & Touche, the Company's auditors transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnership Act 2000. The Company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 21 August 2003 under the provisions of Section 26(5) of the Companies Act 1989. A resolution to re-appoint Deloitte & Touche LLP as the Company's auditor will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
And signed on behalf of the Board

A handwritten signature in black ink, appearing to read 'S J Caterer', written over a horizontal line.

S J Caterer
Director

Date: 6 May 2004

ROYAL BANK 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.

The following directors were beneficially interested in:

The Royal Bank of Scotland plc 25p ordinary shares		
	At 1 October 2002	At 30 September 2003
G C Clemett	500	500
N Pearce	1,279	1,279
A C Farnell	10,375	12,139
W V Latter	9,487	9,487

Options to subscribe for 25p ordinary shares of The Royal Bank of Scotland Group plc granted to and exercised by the Directors during the year to 30 September 2003 are included in the table below:-

	At 1 October 2002	<u>Options Granted</u>		<u>Options Exercised</u>		At 30 September 2003
		Number	Price £	Number	Price £	
G C Clemett	10,100	-	-	-	-	10,100
N Pearce	32,355	12,600	12.37	-	-	44,955
A C Farnell	1,550	-	-	-	-	1,550
W V Latter	2,612	-	-	-	-	2,612

No director had an interest in any of the preference shares during the year to 30 September 2003.

As at 30 September 2003, the Directors also held Additional Value Shares ('AVS') in The Royal Bank of Scotland Group plc.

	At 1 October 2002	At 30 September 2003
G C Clemett	-	-
N Pearce	357	357
A C Farnell	9,937	9,112
W V Latter	6,825	6,144

Other than detailed above, none of the directors in office at 30 September 2003 held any interest in the share or loan capital of the company or any other group company.

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

We have audited the financial statements of Royal Bank Leasing Limited for the year ended 30 September 2003 which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses and the related notes 1 to 25. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the directors' report, 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.

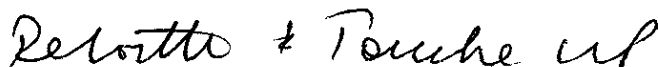
Basis of audit opinion

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 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche LLP

Chartered Accountants and Registered Auditors
Bristol

21 May 2004

ROYAL BANK LEASING LIMITED

PROFIT AND LOSS ACCOUNT
for the year ended 30 September 2003

		CONTINUING OPERATIONS	
	Note	2003 £'000	2002 (note 2) £'000
TURNOVER	5	26,274	21,946
Other income	7	4,609	7,001
Depreciation on operating leases	12	(5,863)	(2,675)
		25,020	26,272
Administrative expenses	7	(6,560)	(11,587)
Exceptional items	7	-	5,037
Total administrative expenses		(6,560)	(6,550)
Income from interests in subsidiary undertakings		4,144	50,112
OPERATING PROFIT		22,604	69,834
Exceptional profit on sale of investment property	16	445	-
Exceptional profit on sale of subsidiary undertaking	17	8,584	849
PROFIT ON ORDINARY ACTIVITIES BEFORE FINANCE CHARGES		31,633	70,683
Interest payable	8	(19,120)	(20,635)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	7	12,513	50,048
Taxation credit/(charge) on profit on ordinary activities	11	4,035	(495)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		16,548	49,553
Dividend for the year - interim proposed		-	(50,000)
RETAINED PROFIT/(ACCUMULATED LOSS) FOR THE YEAR	23	16,548	(447)

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

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	2003 £'000	2002 (note 2) £'000
Profit for the financial year	16,548	49,553
(Loss)/gain arising on exchange rate movements	(159)	451
Less associated tax credit/(charge)	48	(135)
Total gains recognised since last report	16,437	49,869

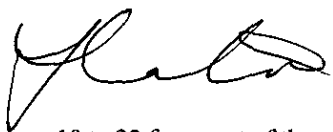
The notes on pages 10 to 22 form part of these financial statements.

ROYAL BANK LEASING LIMITED

BALANCE SHEET as at 30 September 2003

	Note	2003 £'000	2002 £'000
FIXED ASSETS			
Tangible Fixed Assets	12	88,745	91,279
INVESTMENTS			
Investment in joint ventures	15	380	380
Investment properties	16	-	36,000
Shares in subsidiary undertakings	17	88,239	82,781
		<u>88,619</u>	<u>119,161</u>
TOTAL FIXED ASSETS		177,364	210,440
CURRENT ASSETS			
DEBTORS			
Finance lease and hire purchase receivables due within one year		11,188	11,233
Finance lease and hire purchase receivables due after more than one year		237,186	238,014
Other debtors due within one year	18	133,582	65,880
Other debtors due after more than one year	18	<u>3,222,792</u>	<u>2,409,016</u>
		3,604,748	2,724,143
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	19	<u>(131,672)</u>	<u>(205,063)</u>
NET CURRENT ASSETS		<u>3,473,076</u>	<u>2,519,080</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		3,650,440	2,729,520
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	19	(3,564,079)	(2,665,206)
PROVISIONS FOR LIABILITIES AND CHARGES	20	(38,870)	(33,260)
NET ASSETS		<u>47,491</u>	<u>31,054</u>
CAPITAL AND RESERVES			
Called up share capital	21	19,000	19,000
Revaluation reserve	22	-	7,000
Profit and loss account	23	<u>28,491</u>	<u>5,054</u>
TOTAL EQUITY SHAREHOLDERS' FUNDS	24	<u>47,491</u>	<u>31,054</u>

The financial statements on pages 8 to 22 were approved by the Board of Directors on 6 May 2004 and were signed on its behalf by :-



S J Caterer
Director

The notes on pages 10 to 22 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES

The financial statements on pages 8 to 22 are prepared on the basis of the principal accounting policies adopted by the Company 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 (note j) below.

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.

The Company is exempt from preparing group accounts by virtue of it being a wholly owned subsidiary undertaking of The Royal Bank of Scotland Group PLC, a company registered in England and Wales. Consequently, these statements include information about the Company as an individual entity and not as a group.

b 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 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.

c 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.

d HIRE PURCHASE INCOME

Total gross earnings under hire purchase contracts are allocated to accounting periods to give a constant periodic rate of return on the net cash investment.

e 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.

f PENSION CONTRIBUTIONS

The Company participates in a group defined benefit scheme and it is not possible to identify the share of the underlying assets and liabilities that relate to the Company. Consequently, the pension cost charged to the profit and loss account is the total of contributions payable in the period.

NOTES TO THE FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES - continued

g DEFERRED TAXATION

Certain items of income and expenditure are accounted for in different periods for financial reporting purposes than for taxation purposes. Deferred taxation is provided on the full liability method in respect of timing differences which have originated but not reversed at the balance sheet date. Deferred taxation is calculated on a non-discounted basis.

h 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 a separate group of assets and liabilities and accounted for in foreign currency. Any exchange differences arising on these transactions are taken to reserves. Other exchange differences are included in operating profit.

i 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.

Useful life

Plant and machinery	15 years
Computer and other equipment	5 years

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.

j INVESTMENT PROPERTIES

Investment properties are included in the balance sheet at open market value. In accordance with SSAP 19, an 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 principles 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.

k INVESTMENTS IN LEASING PARTNERSHIPS

Investment in leasing partnerships is stated at cost. The Company'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.

NOTES TO THE FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES - continued

l INVESTMENT IN JOINT VENTURE

Investment in joint ventures is included in the financial statements at cost.

m INVESTMENT IN JOINT ARRANGEMENT

Investment in joint arrangements is included in the financial statements by recognising the Company's share of the assets and liabilities together with the income and expenditure of the joint arrangement. The Company's share has been measured according to the terms of the agreement covering the joint arrangement.

n INVESTMENT IN SUBSIDIARY UNDERTAKINGS

Investment in subsidiary undertakings are stated at cost.

o 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 are included at cost together with the amount of any interest charged on such payments.

p HIRE PURCHASE RECEIVABLES

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

q 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. Costs are charged on an actuarial before tax basis so as to give a constant charge on the net obligation.

r 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).

2 2002 COMPARATIVE RESULTS

The directors have reviewed the ordering of the items in the profit and loss account and have adapted the format for 2003 results, as they consider this to be more representative of best practice. Comparative results for 2002 have been reordered accordingly.

NOTES TO THE FINANCIAL STATEMENTS

3 IMMEDIATE AND ULTIMATE PARENT COMPANY

On 2 September 2003, ownership of the company was transferred from Lombard North Central plc to The Royal Bank of Scotland Group plc.

The Company is a wholly owned subsidiary of The Royal Bank of Scotland Group plc. The Company's immediate and ultimate holding company, ultimate controlling party, and the parent of the largest and smallest group into which the company is consolidated is The Royal Bank of Scotland Group plc that is incorporated in Great Britain and registered in Scotland. Financial statements for The Royal Bank of Scotland Group plc can be obtained from The Royal Bank of Scotland Group plc, 42 St. Andrew Square, Edinburgh, EH2 2YE.

4 RELATED PARTY TRANSACTIONS

The Company is exempt from the requirements of Financial Reporting Standard 8, 'Related Party Disclosures', to disclose transactions and balances with other subsidiaries or investees of The Royal Bank of Scotland Group plc as the results are included in the consolidated financial statements of The Royal Bank of Scotland Group plc.

The Company has an interest in a number of joint ventures as detailed in note 12. As at 30 September 2003, the Company has provided loan finance of £239,758 (2002 : £239,758) to one of the joint ventures, Total Solutions for Industry Limited.

5	TURNOVER	2003 £'000	2002 (note 2) £'000
	Lease and hire purchase income:		
	Finance leases:		
	Rentals receivable	26,240	21,395
	Amortisation	<u>(9,964)</u>	<u>(7,543)</u>
		<u>16,276</u>	<u>13,852</u>
	Hire Purchase:		
	Gross rentals receivable	2,245	-
	Capital element of rentals	<u>(1,944)</u>	<u>-</u>
		<u>301</u>	<u>-</u>
	Operating leases:		
	Rentals receivable	<u>9,697</u>	<u>8,094</u>
		<u>26,274</u>	<u>21,946</u>
	Capital cost of assets financed:		
	Finance leases	9,596	79,655
	Operating leases	5,059	24,843
	Hire purchase	<u>3,378</u>	<u>-</u>
		<u>18,033</u>	<u>104,498</u>

ROYAL BANK LEASING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

6	OTHER INCOME	2003 £'000	2002 (note 2) £'000
	Includes the following:		
	Profit on sale of investments	294	-
	Fees receivable	4,119	6,892
	Other income	196	109
		<u>4,609</u>	<u>7,001</u>

7	PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2003 £'000	2002 (note 2) £'000
	Administrative expenses include:		
	Auditors' remuneration	51	97
	Non audit fees paid to the Company's auditors	41	28
	Depreciation - computer and other equipment	95	149
	Depreciation - plant and machinery	423	-
	Share of joint arrangement's depreciation	-	1,767
	Fees & commissions	1,225	7,873
	Management charge	(8,690)	(9,049)
	Bad debt charge	271	-
	Exceptional recovery of bad debt previously written off	-	(5,037)
		<u>-</u>	<u>(5,037)</u>

8	INTEREST PAYABLE		
	Interest payable to group undertakings	17,937	18,665
	Finance lease charges	646	1,124
	Share of joint arrangement's interest payable	537	846
		<u>19,120</u>	<u>20,635</u>

9 DIRECTORS' AND EMPLOYEES' EMOLUMENTS

The emoluments of Mr G C Clemett are paid by a fellow subsidiary company, Lombard North Central PLC. which makes no recharge to the company. Mr Clemett 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 details below include no emoluments in respect of Mr Clemett.

	2003 £'000	2002 (note 2) £'000
Directors' aggregate emoluments	<u>452</u>	<u>514</u>

Retirement benefits are accruing to directors under a defined benefit pension scheme.

Emoluments payable to the highest paid Director are as follows:

Aggregate emoluments	<u>184</u>	<u>222</u>
Defined benefit pension scheme: accrued pension at year end	<u>9</u>	<u>7</u>

ROYAL BANK LEASING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

9 DIRECTORS' AND EMPLOYEES' EMOLUMENTS - Continued

	2003 £'000	2002 (note 2) £'000
Staff Costs (including Executive Directors):		
Wages and salaries	7,451	6,187
Social security costs	786	664
Other pension costs	447	611
	<u>8,684</u>	<u>7,462</u>

The Company does not directly employ staff but is recharged for their remuneration by The Royal Bank of Scotland Group plc. The average number of staff, all of whom were engaged in the development and administration of structured finance business, was 90 (2002:99)

10 PENSION CONTRIBUTIONS

The company participates in The Royal Bank of Scotland Group Pension Fund, which is a funded defined benefit scheme whose assets are independent of the Group's finances. This scheme was formed from the merger of the National Westminster Bank Pension Fund and The Royal Bank of Scotland Staff Pension Scheme on 1 April 2002. Scheme valuations are carried out by independent professionally qualified actuaries to determine pension costs, using the projected unit method; any imbalance between assets and liabilities is adjusted over the average future service life of members of the scheme. The latest full valuation was carried out as at 31 March 2001 on a basis that assumed the merger would occur and showed scheme assets representing 108% of scheme liabilities.

The pension costs of this scheme are assessed across its membership as a whole, and it is not possible to determine the share of the scheme's assets and liabilities that relates to Royal Bank Leasing Limited. Accordingly, the requirements of FRS 17 'Pension Costs' relating to multi-employer schemes apply. The pension costs included in the profit and loss account are £447,000 (2002: £611,000). At 30 September 2003 there was a pension costs accrual of £439,270 (2002: £319,400). In accordance with FRS 17, a valuation of the whole scheme was prepared as at 31 December 2003, using actuarial bases and assumptions consistent with the requirements of that standard, and showed scheme assets representing 87% of scheme liabilities. Further information on the scheme and the actuarial valuations is given in the financial statements of The Royal Bank of Scotland Group plc.

11 TAXATION	2003 £'000	2002 (note 2) £'000
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A) ANALYSIS OF CHARGE FOR THE YEAR

Current tax credit:

- Group relief receivable on profits for the year	(9,238)	(8,517)
- Adjustment in respect of prior periods	(751)	(624)
	<u>(9,989)</u>	<u>(9,141)</u>

Taxation equalisation	145	356
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Deferred tax - origination and reversal of timing differences:

- Current year	9,129	8,390
- Adjustment in respect of prior periods	(3,320)	890

Taxation (credit)/charge on profit on ordinary activities	<u>(4,035)</u>	<u>495</u>
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NOTES TO THE FINANCIAL STATEMENTS

11 TAXATION - Continued

	2003 £'000	2002 (note 2) £'000
B) FACTORS AFFECTING THE CURRENT TAX CREDIT FOR THE YEAR		
Profit on ordinary activities before tax	<u>12,513</u>	<u>50,048</u>
Tax on profit on ordinary activities at the standard rate of 30% (2002 (note 2): 30%)	3,754	15,014
Capital allowances for period more than depreciation	(9,129)	(7,136)
Other short term timing differences	-	(1,254)
Timing difference - joint arrangement	(85)	(134)
Permanent difference - assets not qualifying for capital allowances	246	(31)
Permanent difference - disallowable items	16	58
Permanent difference - profit on disposal of subsidiary undertaking	(2,575)	-
Permanent difference - profit on disposal of investment property	(222)	-
Permanent difference - non taxable income from subsidiary undertakings	(1,243)	(15,034)
Adjustment to tax charge in respect of previous periods	(751)	(624)
	<u>(9,989)</u>	<u>(9,141)</u>
Current tax credit		

12 FIXED ASSETS

	Assets for hire under operating leases £'000	Plant and machinery £'000	Computer and other equipment £'000	Share of assets of joint arrangement £'000	TOTAL £'000
COST					
At 1 October 2002	62,823	8,075	1,968	32,593	105,459
Additions	4,818	632	75	241	5,766
Disposals	(1,399)	-	(214)	-	(1,613)
Exchange revaluation	-	-	-	(1,807)	(1,807)
At 30 September 2003	<u>66,242</u>	<u>8,707</u>	<u>1,829</u>	<u>31,027</u>	<u>107,805</u>

DEPRECIATION

At 1 October 2002	(10,689)	-	(1,534)	(1,957)	(14,180)
Charge for the year	(4,306)	(423)	(95)	(1,557)	(6,381)
Disposals	1,208	-	115	-	1,323
Exchange revaluation	-	-	-	178	178
At 30 September 2003	<u>(13,787)</u>	<u>(423)</u>	<u>(1,514)</u>	<u>(3,336)</u>	<u>(19,060)</u>

NET BOOK VALUE

At 30 September 2003	<u>52,455</u>	<u>8,284</u>	<u>315</u>	<u>27,691</u>	<u>88,745</u>
At 1 October 2002	<u>52,134</u>	<u>8,075</u>	<u>434</u>	<u>30,636</u>	<u>91,279</u>

Cumulative capitalised interest included within cost for the share of the joint arrangement's assets is £864,000.
Interest capitalised during the year amounted to £Nil (2002: £Nil).

NOTES TO THE FINANCIAL STATEMENTS

13 TRANSFER OF ASSET

During the year, the company acquired title to an asset previously held by a subsidiary company, W. & G. Equipment Leasing Limited, for a consideration of £344,486 paid in cash. The consideration represents the deferred taxation in relation to the asset, which is ascribed a nil value in the balance sheet.

14 INVESTMENT IN JOINT ARRANGEMENT

The joint arrangements in which the Company has an interest are shown below:

	Company share
GATX 737-800 Partners III Limited	24.5%
GATX 737-800 Partners III B.V.	24.5%

As a consequence of the investment in GATX 737-800 Partners III Limited, the Company has an interest in an associated company, Clement Leasing Limited. The associated company is incorporated in the Cayman Islands and prepares financial statements to 31 December in each year.

15 INVESTMENT IN JOINT VENTURES

The joint ventures in which the company owns a share are detailed below:-

	Year End	Nature of Business
Total Solutions for Industry Limited	31 December	Marketing of products developed by shareholders
TS4i (Power Resources 1) Limited	31 December	Provision of energy and power related products
TS4i (Power Resources 2) Limited	31 December	Provision of energy and power related products
TS4i (Process Utilities 1) Limited	31 December	Provision of energy and power related products
Tay Valley Lighting (Stoke on Trent) Limited	31 December	Provision and maintenance of public street lighting

All Companies are registered in England.

The Company owns 50% of the £1 Ordinary share capital of each company.

For the purposes of these financial statements, the joint ventures are included in the balance sheet at a value representing cost.

	£'000
Value at 30 September 2003:	
Share capital (50% of the shares issued)	140
Shareholder loans	240
	<hr/>
	380
	<hr/>

NOTES TO THE FINANCIAL STATEMENTS

16 INVESTMENT PROPERTIES

On 18 May 1995, three hotels previously held under finance leases were transferred to investment properties at a value of £29,000,000. For the 2002 financial statements, the hotels were valued on the basis of open market value for their existing use at a value of £36,000,000. During 2003, agreement was reached for the sale of these properties on unconditional terms. The disposal is therefore recognised in the financial statements for 2003 creating a profit of £445,000.

	Investment Properties £'000
Value ascribed at 1 October 2002	36,000
Disposal in year	(36,000)
	<hr/>
At 30 September 2003	<hr/> <hr/> -

17 SHARES IN SUBSIDIARY UNDERTAKINGS

The principal trading subsidiary undertakings, the capital of which consists of ordinary shares and preference shares, are shown below. All share capital is wholly owned.

Owned by the Company:	Nature of business:	Statutory year end
Royal Bank Asset Management Limited	Leasing	31 March
Royal Bank of Scotland (Industrial Leasing) Limited	Leasing	31 March
R.B. Quadrangle Leasing Limited	Leasing	31 March
W. & G. Industrial Leasing Limited	Leasing	31 March
Lombard Corporate Finance (March 1) Limited	Leasing	31 March
Sandford Leasing Limited	Leasing	31 March
Lombard Corporate Finance (7) Limited	Leasing	31 March
Lombard Corporate Finance (8) Limited	Leasing	31 March
Lombard Corporate Finance (9) Limited	Leasing	31 March
Patalex Productions Limited	Film production & development	30 April
R.B. Leasing (April) Limited	Leasing	30 April
Royal Bank Asset Finance and Leasing Limited	Leasing	31 May
R.B. Capital Leasing Limited	Leasing	30 June
W. & G. Equipment Leasing Limited	Leasing	30 June
Helena Productions Limited	Film production & development	30 June
Winchcombe Finance Limited	Leasing	30 June
Pittville Leasing Limited	Leasing	30 June
Lombard Corporate Finance (10) Limited	Leasing	30 June
Lombard Corporate Finance (11) Limited	Leasing	30 June
Lombard Corporate Finance (12) Limited	Leasing	30 June
Lombard Corporate Finance (June 1) Limited	Leasing	30 June
Lombard Corporate Finance (June 2) Limited	Leasing	30 June
P of A Productions Limited	Film production & development	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
Royal Bank Operating Leasing Limited	Leasing	30 September
R.B. Asset Value Limited	Asset Valuation	30 September
Royal Bank Structured Asset Finance Limited	Leasing	30 September

NOTES TO THE FINANCIAL STATEMENTS

17 SHARES IN SUBSIDIARY UNDERTAKINGS - continued

Owned by the Company - continued:	Nature of business:	Statutory year end
R.B. Leasing (Shaftesbury) Limited	Leasing	30 September
Lombard Corporate Finance (13) Limited	Leasing	30 September
Lombard Corporate Finance (14) Limited	Leasing	30 September
Lombard Corporate Finance (15) Limited	Leasing	30 September
Lombard Corporate Finance (September 1) 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
R.B. Leasing (Blewater) Limited	Leasing	31 December
Leckhampton Finance Limited	Leasing	31 December
Lombard Corporate Finance (6) Limited	Leasing	31 December
Lombard Corporate Finance (16) Limited	Leasing	31 December
Lombard Corporate Finance (17) Limited	Leasing	31 December
Lombard Corporate Finance (18) Limited	Leasing	31 December
Lombard Corporate Finance (December 1) Limited	Leasing	31 December
Lombard Corporate Finance (December 2) Limited	Leasing	31 December
Lombard Corporate Finance (December 3) Limited	Leasing	31 December
TS4i Power Resources 3 Limited	Provision of energy and power related products	31 December

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

Movements during the year:	£'000
At 1 October 2002	82,781
Additions	5,459
Disposals	(1)
At 30 September 2003	<u>88,239</u>

Additions during the year are made up as follows:-

W. & G Equipment Leasing Limited - capital contribution	5,440
Lombard Corporate Finance (June 1) Limited - 10,000 ordinary shares of \$1 each	7
Lombard Corporate Finance (December 1) Limited - 10,000 ordinary shares of \$1 each	6
Lombard Corporate Finance (March 1) Limited - 10,000 ordinary shares of \$1 each	6
	<u>5,459</u>

During the year, the Company disposed of its shareholding in RB Asset Finance Limited, realising a profit of £8,583,549 before taxation on the transaction. As identified in note 8, no taxation charge is anticipated in relation to this transaction.

18 OTHER DEBTORS	2003 £'000	2002 £'000
Amounts falling due within one year:		
Trade debtors	3,525	438
Amounts due from group undertakings	84,697	57,354
Other debtors	<u>45,360</u>	<u>8,088</u>
	<u>133,582</u>	<u>65,880</u>

NOTES TO THE FINANCIAL STATEMENTS

18	OTHER DEBTORS - Continued	2003 £'000	2002 £'000
	Amounts falling due after more than one year:		
	Amounts due from group undertakings	<u>3,222,792</u>	<u>2,409,016</u>
19	CREDITORS	2003 £'000	2002 £'000
	Amounts falling due within one year:		
	Payments received on account	2,256	687
	Trade creditors	-	92
	Amounts due to group undertakings	109,823	173,805
	Obligations under finance leases	4,141	7,958
	Other creditors	<u>15,452</u>	<u>22,521</u>
		<u>131,672</u>	<u>205,063</u>
	Amounts falling due after more than one year:		
	Between one and two years:		
	Amounts due to group undertakings	250,713	107,194
	Obligations under finance leases	711	3,605
	Other creditors	<u>754</u>	<u>-</u>
		<u>252,178</u>	<u>110,799</u>
	Between two and five years:		
	Amounts due to group undertakings	533,829	467,229
	Obligations under finance leases	-	907
	Other creditors	<u>2,653</u>	<u>-</u>
		<u>536,482</u>	<u>468,136</u>
	After more than five years, repayable by instalments:		
	Amounts due to group undertakings	2,770,603	2,086,271
	Obligations under finance leases	-	-
	Other creditors	<u>4,816</u>	<u>-</u>
		<u>2,775,419</u>	<u>2,086,271</u>
	Total due after more than one year	<u>3,564,079</u>	<u>2,665,206</u>

The total value of obligations under finance leases repayable by instalments, any part of which falls after more than five years, is £nil (2002: £nil).

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.

Amounts falling due after more than five years are repayable by instalments with varying repayment terms. Interest rates applicable to these amounts will be determined by reference to inter bank rates for three, six and twelve months.

NOTES TO THE FINANCIAL STATEMENTS

20 PROVISIONS FOR LIABILITIES AND CHARGES

Movements during the year:

	Tax equalisation £'000	Deferred taxation £'000	Total £'000
At 1 October 2002	781	32,479	33,260
Transfer of asset (note 10)	-	(344)	(344)
Charge to profit and loss account	<u>145</u>	<u>5,809</u>	<u>5,954</u>
At 30 September 2003	<u>926</u>	<u>37,944</u>	<u>38,870</u>

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

	2003 £'000	2002 £'000
Accelerated capital allowances on assets financed	38,485	32,996
Other short term timing differences	<u>(541)</u>	<u>(517)</u>
	<u>37,944</u>	<u>32,479</u>

21 SHARE CAPITAL

	2003	2002
	Ordinary shares of £1 each	
Authorised	<u>22,000,000</u>	<u>22,000,000</u>
Allotted, called up and fully paid	<u>19,000,000</u>	<u>19,000,000</u>

On 5 July 2002, the authorised share capital of the Company was increased to 22,000,000 ordinary shares of £1 each. On the same date, the Company issued 17,000,000 ordinary shares of £1 each at par.

22 REVALUATION RESERVE

	£'000
At 1 October 2002	7,000
Realised gain on disposal	<u>(7,000)</u>
At 30 September 2003	<u>-</u>

ROYAL BANK LEASING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

23 PROFIT AND LOSS ACCOUNT

	£'000
At 1 October 2002	5,054
Retained profit for the year	16,548
Loss arising on exchange rate movements	(111)
Transfer from revaluation reserve	<u>7,000</u>
At 30 September 2003	<u>28,491</u>

24 RECONCILIATION OF SHAREHOLDERS' FUNDS

	2003 £'000	2002 £'000
Profit for the financial year	16,548	49,553
Dividend	-	(50,000)
(Loss)/gain arising on exchange rate movements	(111)	316
Issue of ordinary shares	<u>-</u>	<u>17,000</u>
Net addition to shareholders' funds	16,437	16,869
Opening shareholders' funds	31,054	14,185
Closing shareholders' funds	<u>47,491</u>	<u>31,054</u>

25 POST BALANCE SHEET EVENT

On 28 October 2003 the Company sold its investment in the subsidiary undertaking W. & G. Equipment Leasing Limited for a profit before tax of £15,674,000.