

(Company No. 58013)

ROYAL BANK LEASING LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

30 SEPTEMBER 2002



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ROYAL BANK LEASING LIMITED

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2002

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ROYAL BANK LEASING LIMITED

DIRECTORS AND OFFICERS

DIRECTORS

Graham Colin Clemett
Adrian Colin Farnell
William Vaughan Latter
Nigel Pearce

SECRETARY

Marina Thomas

REGISTERED OFFICE

42 St Andrew Square
Edinburgh
EH2 2YE

PRINCIPAL OFFICE

The Quadrangle
The Promenade
Cheltenham
Gloucestershire GL50 1PX

ROYAL BANK LEASING LIMITED

DIRECTORS' REPORT

The Directors present their annual report, together with the audited financial statements for the year ended 30 September 2002.

RESULTS

The results for the year are set out on page 8. Interim dividends totalling £50,00,000 were declared during the year (2001: £62,500,000). The Directors recommend that no final ordinary dividend be paid in respect of the year ended 30 September 2002 (2001 : £Nil). The accumulated loss for the year to be charged to reserves amounts to £447,000 (2001: £10,411,000)

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.

After the financial year end, the Company sold its investment in the subsidiary undertaking R.B. Asset Finance Limited, on 18 December 2002, for a profit before tax of £8,500,000.

SHARE CAPITAL

On 5 July 2002 the Company issued an additional 17,000,000 ordinary shares of £1 each at par in order to finance future leasing and asset finance activities.

DIRECTORS

The current directors are as shown on page 2.

At 30 September 2002 the directors were:

Adrian Colin Farnell
William Vaughan Latter
Nigel Pearce
Christopher Paul Sullivan

Davies Burns Elder resigned as a director on 9 November 2001.

Christopher Paul Sullivan resigned as a director on 31 May 2003.
Graham Colin Clemett was appointed to the board on 1 June 2003.

COMPANY SECRETARY

Angela Cunningham resigned as company secretary on 31 May 2003.
Marina Thomas was appointed company secretary on 1 June 2003.

ROYAL BANK LEASING LIMITED

DIRECTORS' INTERESTS

No Director had any interest in the ordinary shares of the Company on 30 September 2002 or on 1 October 2001.

At the year end, Messrs C P Sullivan and N Pearce were also directors of the immediate parent undertaking, Lombard North Central plc, a company which is itself required to keep a register of directors' interests. The directors were not therefore required to notify their interests in the shares or debentures of The Royal Bank of Scotland Group plc group undertakings to the company.

The Director's interests of Messrs A C Farnell and W V Latter in the share capital of the ultimate holding company, The Royal Bank of Scotland Group plc are shown on page 5.

POLICY AND PRACTICE ON PAYMENT OF CREDITORS

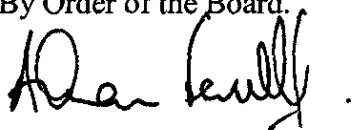
The Company is committed to maintaining a sound commercial relationship with its suppliers. The Company's policy for trade creditors arising on purchases of equipment for the purpose of letting under lease agreements is to pay in accordance with the contractual and legal obligations of each of those 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 2001 bears to the amounts invoiced by suppliers during the year then ended equated to 1 day's proportion of 365 days (2001: 1 day).

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.

By Order of the Board.



A C Farnell
Director

Date 21 August 2003

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 2001	At 30 September 2002
A C Farnell	10,922	10,679
W V Latter	7,604	9,012

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 2002 are included in the table below:-

	At 1 October 2001	<u>Options Granted</u>		<u>Options Exercised</u>		At 30 September 2002
		Number	Price £	Number	Price £	
A C Farnell	1,238	312	13.64	-	-	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 2002.

As at 30 September 2002, the Directors also held Additional Value Shares ('AVS') in The Royal Bank of Scotland Group plc.

	<u>Additional Value Shares</u>
A C Farnell	9,937
W V Latter	6,825

Other than detailed above, none of the directors in office at 30 September 2002 held any interest in the share or loan capital of the company or any other group company.

ROYAL BANK LEASING LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss of the Company for that period. In preparing those financial statements, the Directors are required to :

select suitable accounting policies and then apply them consistently;

make judgements and estimates that are reasonable and prudent;

state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and

prepare the financial statements on the going concern basis unless it is inappropriate to assume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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 2002 which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses and the related notes 1 to 21. These financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, and 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 auditor's 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 statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

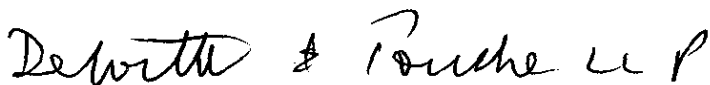
Basis of opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 30 September 2002 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 August 2003

ROYAL BANK LEASING LIMITED

PROFIT AND LOSS ACCOUNT
for the year ended 30 September 2002

		CONTINUING OPERATIONS	
	Note	2002 £'000	2001 £'000
Lease income	4	21,946	17,108
Other income	5	7,001	8,141
Depreciation on operating leases	9	<u>(2,675)</u>	<u>(2,680)</u>
		26,272	22,569
Finance charges	5	(20,635)	(20,995)
Operating expenses before exceptional items	5	(11,587)	(3,711)
Exceptional items	5	<u>5,037</u>	<u>-</u>
Total operating expenses	5	<u>(6,550)</u>	<u>(3,711)</u>
Income from interests in subsidiary undertakings		<u>50,112</u>	<u>54,014</u>
OPERATING PROFIT		49,199	51,877
Profit on sale of subsidiary undertakings	13	<u>849</u>	<u>-</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5	50,048	51,877
Taxation (charge)/credit on profit on ordinary activities	8	<u>(495)</u>	<u>212</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		49,553	52,089
Dividend for the year - interim declared		<u>(50,000)</u>	<u>(62,500)</u>
ACCUMULATED LOSS FOR THE YEAR	19	<u>(447)</u>	<u>(10,411)</u>

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

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	2002 £'000	2001 £'000
Profit for the financial year	49,553	52,089
Gain arising on exchange rate movements	451	33
Less associated tax charge	<u>(135)</u>	<u>-</u>
Total gains recognised relating to the year	49,869	52,122
Prior year adjustment (effect of adoption of FRS19 - note 1)	<u>2,100</u>	<u>-</u>
Total gains recognised since last annual report	<u>51,969</u>	<u>52,122</u>

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

ROYAL BANK LEASING LIMITED

BALANCE SHEET
at 30 September 2002

	Note	2002 £'000	2001 £'000 Restated
FIXED ASSETS			
Tangible assets	9	91,279	65,192
Investment in joint ventures	11	380	196
Investment properties	12	36,000	36,000
Shares in subsidiary undertakings	13	<u>82,781</u>	<u>60,780</u>
TOTAL FIXED ASSETS		210,440	162,168
CURRENT ASSETS			
Finance lease receivables due within one year		11,233	4,001
Finance lease receivables due after more than one year		238,014	169,495
Debtors due within one year	14	65,880	94,890
Debtors due after more than one year	14	<u>2,409,016</u>	<u>2,006,744</u>
		2,724,143	2,275,130
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	15	<u>(205,063)</u>	<u>(94,514)</u>
NET CURRENT ASSETS		<u>2,519,080</u>	<u>2,180,616</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		2,729,520	2,342,784
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	15	(2,665,206)	(2,304,975)
PROVISIONS FOR LIABILITIES AND CHARGES	16	(33,260)	(23,624)
NET ASSETS		<u><u>31,054</u></u>	<u><u>14,185</u></u>
CAPITAL AND RESERVES			
Called up share capital	17	19,000	2,000
Revaluation reserve	18	7,000	7,000
Profit and loss account	19	<u>5,054</u>	<u>5,185</u>
TOTAL EQUITY SHAREHOLDERS' FUNDS	20	<u><u>31,054</u></u>	<u><u>14,185</u></u>

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

21 August 2003



A C Farnell
Director

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

NOTES ON 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 i) below.

During the year the Company adopted Financial Reporting Standard 19 'Deferred Taxation'. Following its introduction deferred tax which was previously provided on the excess of market value over cost on investment properties has been reversed, as under FRS 19 a tax liability only arises on sale not revaluation. Net assets as at 1 October 2000 and 30 September 2001 have been restated and increased by £2,100,000 with the reduction in deferred taxation. There is a corresponding increase in the revaluation reserve. There has been no effect on the current or prior year profit and loss account following the introduction of FRS 19.

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 Lombard North Central 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 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.

e 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 ON THE FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES - continued

f 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.

g 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.

h 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.

	<u>Useful life</u>
Plant and machinery	15 years
Computer and other equipment	5 years

i 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.

j 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 ON THE FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES - continued

k INVESTMENT IN JOINT VENTURE

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

l 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.

m INVESTMENT IN SUBSIDIARY UNDERTAKINGS

Investment in subsidiary undertakings are stated at cost.

n 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.

o HIRE PURCHASE RECEIVABLES

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

p 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.

q 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 ULTIMATE HOLDING COMPANY

The Company's immediate parent company is Lombard North Central PLC.

The Company's ultimate holding company, ultimate controlling party, and the parent of the largest 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.

The smallest subgroup into which the Company is consolidated has as its parent company Lombard North Central PLC. Copies of the consolidated financial statements for this subgroup can be obtained from Lombard North Central PLC, 3 Princess Way, Redhill, Surrey, RH1 1NP.

NOTES ON THE FINANCIAL STATEMENTS

3 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 11. As at 30 September 2002 the Company has provided loan finance of £239,758 (2001: £55,417) to one of the joint ventures, Total Solutions for Industry Limited.

4	TURNOVER	2002 £'000	2001 £'000
	Lease income:		
	Finance leases:		
	Rentals receivable	21,395	42,942
	Amortisation	(7,543)	(31,858)
		<u>13,852</u>	<u>11,084</u>
	Operating leases:		
	Rentals receivable	<u>8,094</u>	<u>6,024</u>
		<u>21,946</u>	<u>17,108</u>
	Capital cost of assets financed:		
	Finance leases	79,655	53,823
	Operating leases	<u>24,843</u>	<u>23,731</u>
		<u>104,498</u>	<u>77,554</u>
5	PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2002 £'000	2001 £'000
	Includes the following:		
	Other income:	<u>7,001</u>	<u>8,141</u>
	Finance charges:		
	Interest payable to group undertakings	18,665	18,374
	Finance lease charges	1,124	1,909
	Share of joint arrangement's interest payable	846	1,205
	Interest capitalised on operating leases under construction	<u>-</u>	<u>(493)</u>
		<u>20,635</u>	<u>20,995</u>

NOTES ON THE FINANCIAL STATEMENTS

5 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION - Continued

Operating expenses include:

Auditors' remuneration	97	-
Non audit fees paid to the Company's auditors	28	47
Depreciation - computer and other equipment	149	169
Share of joint arrangement's depreciation	1,767	261
Fees and commissions	7,873	678
Management charge	(9,049)	(6,662)
Bad debt charge	-	221
Exceptional recovery of bad debt previously written off	(5,037)	-

6 DIRECTORS' AND EMPLOYEES' EMOLUMENTS

	2002	2001
	£'000	£'000
Directors' aggregate emoluments	514	644

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

The emoluments of the Chairman are paid by the parent company. The services of the Chairman to the Company are of a non-executive nature and his emoluments are deemed to be wholly attributable to his services to the parent company. Accordingly the above emoluments include no emoluments in respect of this director (2001 - £Nil).

Emoluments payable to the highest paid Director are as follows:

Aggregate emoluments	222	203
Defined benefit pension scheme:		
- accrued pension at year end	7	50

Staff costs (including Executive Directors):

Wages and salaries	6,187	4,486
Social security costs	664	442
Other pension costs	611	475
	7,462	5,403

The average number of employees, all of whom were engaged in the development and administration of structured finance business, was 99 (2001: 83), including certain individuals who are employees of the holding company, Lombard North Central plc. These individuals are wholly employed on Company business and are fully recharged to the Company.

NOTES ON THE FINANCIAL STATEMENTS

7 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 £611,000 (2001: £475,000). At 30 September 2002 there was a pension costs accrual of £319,400 (2001: £160,625). In accordance with FRS 17, a valuation of the whole scheme was prepared as at 31 December 2002, using actuarial bases and assumptions consistent with the requirements of that standard, and showed scheme assets representing 86% 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.

8	TAXATION	2002 £'000	2001 £'000
	A) ANALYSIS OF CHARGE IN THE YEAR		
	Current tax credit:		
	- Group relief receivable on profits for the year	(8,517)	(3,998)
	- Adjustment in respect of prior periods	(624)	(3,577)
		<u>(9,141)</u>	<u>(7,575)</u>
	Taxation equalisation	356	1,422
	Deferred tax - origination and reversal of timing differences:		
	- Current year	8,390	2,016
	- Adjustment in respect of prior periods	890	3,925
		<u>9,280</u>	<u>5,941</u>
	Taxation charge/(credit) on profit on ordinary activities	<u>495</u>	<u>(212)</u>
	B) FACTORS AFFECTING THE CURRENT TAX CREDIT FOR THE YEAR		
	Profit on ordinary activities before tax	<u>50,048</u>	<u>51,877</u>
	Tax on profit on ordinary activities at the standard rate of 30% (2001: 30%)	15,014	15,563
	Capital allowances for period more than depreciation	(7,136)	(1,155)
	Other short term timing differences	(1,254)	(861)
	Timing difference - joint arrangement	(134)	218
	Permanent difference - assets not qualifying for capital allowances	(31)	2,911
	Permanent difference - disallowable items	58	30
	Permanent difference - non taxable income from subsidiary undertakings	(15,034)	(16,204)
	Permanent difference - option receipt treated as capital for tax purposes	-	(4,500)
	Adjustment to tax charge in respect of previous periods	(624)	(3,577)
	Current tax credit	<u>(9,141)</u>	<u>(7,575)</u>

NOTES ON THE FINANCIAL STATEMENTS

9	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 2001	38,528	-	2,052	34,322	74,902
	Additions	24,295	8,075	6	548	32,924
	Disposals	-	-	(90)	-	(90)
	Exchange revaluation	-	-	-	(2,277)	(2,277)
	At 30 September 2002	<u>62,823</u>	<u>8,075</u>	<u>1,968</u>	<u>32,593</u>	<u>105,459</u>
	DEPRECIATION					
	At 1 October 2001	(8,014)	-	(1,435)	(261)	(9,710)
	Charge for the year	(2,675)	-	(149)	(1,767)	(4,591)
	Disposals	-	-	50	-	50
	Exchange revaluation	-	-	-	71	71
	At 30 September 2002	<u>(10,689)</u>	<u>-</u>	<u>(1,534)</u>	<u>(1,957)</u>	<u>(14,180)</u>
	NET BOOK VALUE					
	At 30 September 2002	<u>52,134</u>	<u>8,075</u>	<u>434</u>	<u>30,636</u>	<u>91,279</u>
	At 30 September 2001	<u>30,514</u>	<u>-</u>	<u>617</u>	<u>34,061</u>	<u>65,192</u>

Included within the figure for additions for the share of the joint arrangement's assets is £ nil (2001: £493,000) of capitalised interest, representing interest charged at prevailing market rates on the progress payments made. The cumulative capitalised interest included in cost above amounts to £864,000 (2001: £864,000).

NOTES ON THE FINANCIAL STATEMENTS

10 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.

11 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

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 2002:	
Share capital (50% of the shares issued)	140
Shareholder loans	<u>240</u>
	<u>380</u>

12 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 purpose of the 2002 financial statements, the hotels have been valued on the basis of open market value for their existing use. Accordingly, the valuation of £36,000,000 has been made by the Directors of Royal Bank Leasing Limited after taking appropriate professional advice as at 30 September 2002.

	Investment Properties £'000
At 1 October 2001 and 30 September 2002	<u>36,000</u>

ROYAL BANK LEASING LIMITED

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. 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
R.B. Leasing (April) Limited	Leasing	30 April
Royal Bank Asset Finance and Leasing Limited	Leasing	31 May
R.B. Asset Finance Limited	Leasing	30 June
R.B. Capital Leasing Limited	Leasing	30 June
W. & G. Equipment Leasing 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
Royscot Corporate Leasing 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
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
R.B. Leasing (Bluewater) Limited	Leasing	31 December
Sandford Leasing Limited	Leasing	31 March
Winchcombe Finance Limited	Leasing	30 June
Pittville Leasing Limited	Leasing	30 June
Leckhampton Finance Limited	Leasing	31 December
Lombard Corporate Finance (6) Limited	Leasing	31 December
Lombard Corporate Finance (7) Limited	Leasing	31 March
Lombard Corporate Finance (8) Limited	Leasing	31 March
Lombard Corporate Finance (9) Limited	Leasing	31 March
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 (13) Limited	Leasing	30 September
Lombard Corporate Finance (14) Limited	Leasing	30 September
Lombard Corporate Finance (15) Limited	Leasing	30 September
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 (March 1) Limited	Leasing	31 March
Lombard Corporate Finance (April) Limited	Leasing	30 April
Lombard Corporate Finance (June 1) Limited	Leasing	30 June
Lombard Corporate Finance (June 2) Limited	Leasing	30 June
Lombard Corporate Finance (September 1) Limited	Leasing	30 September
Lombard Corporate Finance (September 2) Limited	Leasing	30 September

NOTES ON THE FINANCIAL STATEMENTS

13 SHARES IN SUBSIDIARY UNDERTAKINGS - continued

Owned by the Company - continued:	Nature of business:	Statutory year end:
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 2001	60,780
Additions	22,948
Disposals	(947)
At 30 September 2002	<u>82,781</u>

Additions during the year include £22,000,000 of additional share capital issued at par by R.B. Leasing (Eden) Limited.

On 25 March 2002 the Company acquired 100% of the share capital of Charlton Leasing Limited at a cost of £946,622. It subsequently disposed of this investment to realise a profit of £849,453

14 DEBTORS	2002 £'000	2001 £'000
Amounts falling due within one year:		
Trade debtors	438	1,322
Amounts due by group undertakings	57,354	86,912
Other debtors	<u>8,088</u>	<u>6,656</u>
	<u>65,880</u>	<u>94,890</u>
Amounts falling due after more than one year:		
Amounts due by group undertakings	<u>2,409,016</u>	<u>2,006,744</u>

NOTES ON THE FINANCIAL STATEMENTS

15	CREDITORS	2002 £'000	2001 £'000
	Amounts falling due within one year:		
	Payments received on account	687	474
	Trade creditors	92	312
	Amounts due to group undertakings	173,805	68,688
	Obligations under finance leases	7,958	7,645
	Other creditors	22,521	17,395
		<u>205,063</u>	<u>94,514</u>
	Amounts falling due after more than one year:		
	Between one and two years:		
	Amounts due to group undertakings	107,194	158,321
	Obligations under finance leases	3,605	8,141
		<u>110,799</u>	<u>166,462</u>
	Between two and five years:		
	Amounts due to group undertakings	467,229	461,571
	Obligations under finance leases	907	4,644
		<u>468,136</u>	<u>466,215</u>
	After more than five years, repayable by instalments:		
	Amounts due to group undertakings	2,086,271	1,671,582
	Obligations under finance leases	-	716
		<u>2,086,271</u>	<u>1,672,298</u>
	Total due after more than one year	<u>2,665,206</u>	<u>2,304,975</u>

The total value of obligations under finance leases repayable by instalments, any part of which falls due after more than five years, is £nil (2001: £1.2m)

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 variable repayment terms. Interest rates applicable to these amounts will be determined by reference to inter bank rates for three, six and twelve months.

NOTES ON THE FINANCIAL STATEMENTS

16 PROVISIONS FOR LIABILITIES AND CHARGES

Movements during the year:	Tax equalisation £'000	Deferred taxation £'000	Total £'000
At 1 October 2001 as previously reported	425	25,299	25,724
Prior year adjustment (note 1)	-	(2,100)	(2,100)
At 1 October 2001 restated	425	23,199	23,624
Charge to profit and loss account	356	9,280	9,636
At 30 September 2002	<u>781</u>	<u>32,479</u>	<u>33,260</u>

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

	2002 £'000	2001 £'000
Accelerated capital allowances on assets financed	32,996	25,177
Other short term timing differences	<u>(517)</u>	<u>(1,978)</u>
	<u>32,479</u>	<u>23,199</u>

17 SHARE CAPITAL

	2002 Ordinary shares of £1 each	2001 Ordinary shares of £1 each
Authorised	<u>22,000,000</u>	<u>5,000,000</u>
Allotted, called up and fully paid	<u>19,000,000</u>	<u>2,000,000</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.

18 REVALUATION RESERVE

	£'000
At 1 October 2001 as previously reported	4,900
Prior year adjustment (note 1)	<u>2,100</u>
At 1 October 2001 restated and 30 September 2002	<u>7,000</u>

19 PROFIT AND LOSS ACCOUNT

	£'000
At 1 October 2001	5,185
Accumulated loss for the year	(447)
Gain arising on exchange rate movements	<u>316</u>
At 30 September 2002	<u>5,054</u>

NOTES ON THE FINANCIAL STATEMENTS

20 RECONCILIATION OF SHAREHOLDERS' FUNDS

	2002 £'000	2001 £'000
Profit for the financial year	49,553	52,089
Dividend	(50,000)	(62,500)
Gain arising on exchange rate movements	316	33
Issue of ordinary shares	17,000	-
Net increase/(reduction) in shareholders' funds	16,869	(10,378)
Opening shareholders' funds as previously reported	12,085	22,463
Prior year adjustment	2,100	2,100
Opening shareholders' funds as restated	14,185	24,563
Closing shareholders' funds	31,054	14,185

21 POST BALANCE SHEET EVENT

On 18 December 2002 the Company sold its investment in the subsidiary undertaking R.B. Asset Finance Limited for a profit before tax of £8,500,000.