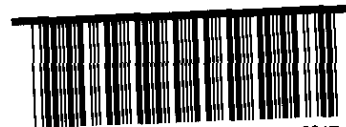


(Company No. 58013)

ROYAL BANK LEASING LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

30 SEPTEMBER 2001



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ROYAL BANK LEASING LIMITED

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2001

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ROYAL BANK LEASING LIMITED

DIRECTORS AND OFFICERS

CHAIRMAN

Christopher Paul Sullivan

DIRECTORS

Adrian Colin Farnell
William Vaughan Latter
Nigel Pearce

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

DIRECTORS' REPORT

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

RESULTS

The results for the year are set out on page 8. Interim dividends totalling £62,500,000 were paid during the year (2000 : £Nil). The Directors recommend that no final ordinary dividend be paid in respect of the year ended 30 September 2001 (2000 : £Nil).

BUSINESS REVIEW

On 2nd January 2001, ownership of the Company was transferred to Lombard North Central plc.

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

DIRECTORS

The current Directors are as shown on page 2.

At 30 September 2001, the members of the Board of Directors were:-

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

The following have resigned from the Board:-

Mr J M Sweetman on 16 July 2001
Mr D B Elder on 9 November 2001

ROYAL BANK LEASING LIMITED

DIRECTORS' INTERESTS

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

At the year end, Messrs 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 D B Elder, 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

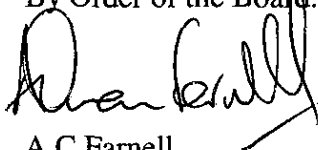
The Company is committed to maintaining a sound commercial relationship with its suppliers. The Company's policy for trade creditors arising on purchases of equipment for the purpose of letting under lease agreements is to pay in accordance with the contractual and legal obligations of each of those 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 2000 bears to the amounts invoiced by suppliers during the year then ended equated to 1 day's proportion of 365 days (2000 – 71 days).

AUDITORS

Messrs Deloitte & Touche have indicated their willingness to continue in office as auditors.

By Order of the Board.



A C Farnell
Director
CHELTENHAM

29 July 2002

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 2000*	At 30 September 2001
	<u>Shares</u>	<u>Shares</u>
D B Elder	3,969	3,539
A C Farnell	9,112	10,922
W V Latter	6,825	7,604

(* or date of appointment if later)

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 2001 are included in the table below:-

	<u>At 1 October 2000*</u>	<u>Options Granted</u>		<u>Options Exercised</u>		<u>At 30 September 2001</u>
		<u>Number</u>	<u>Price</u>	<u>Number</u>	<u>Price</u>	
			<u>£</u>		<u>£</u>	
D B Elder	38,084	5,100	17.18	7,912	5.01	35,132
		150	15.63	290	4.01	
A C Farnell	2,290	150	15.63	888	3.88	1,238
				314	7.41	
W V Latter	2,064	548	9.85	-	-	2,612

(* or date of appointment if later)

No director had an interest in any of the preference shares during the year to 30 September 2001.

As at 30 September 2001, the Directors also held Additional Value Shares ('AVS') and Floating Rate Unsecured Loan Notes 2005 in RBSG.

	<u>Additional Value Shares</u>	<u>Floating Rate Unsecured Loan Notes</u>
	<u>Shares</u>	<u>Notes</u>
D B Elder	1,424	2,555
A C Farnell	9,112	-
W V Latter	6,825	-

Other than the loan notes detailed above, none of the directors in office at 30 September 2001 held any interest in the share or loan capital of the company or any other group company.

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 Ltd for the year ended 30 September 2001 which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses and the related notes 1 to 22. 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.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

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

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

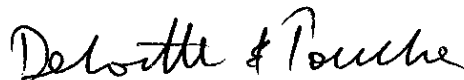
Basis of opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 30 September 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche

Chartered Accountants and Registered Auditors

Queen Anne House

69-71 Queen Square

Bristol BS1 4JP



ROYAL BANK LEASING LIMITED

PROFIT AND LOSS ACCOUNT
for the year ended 30 September 2001

	Note	CONTINUING OPERATIONS	
		2001 £'000	2000 £'000
Lease income	4	17,108	21,173
Other income	5	8,141	20,363
Depreciation on operating leases	9	<u>(2,680)</u>	<u>(7,165)</u>
		22,569	34,371
Finance charges	5	(20,995)	(30,041)
Operating expenses	5	(3,711)	(11,425)
Income from interests in subsidiary undertakings		<u>54,014</u>	<u>3,486</u>
OPERATING PROFIT AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5	51,877	(3,609)
Taxation credit on profit on ordinary activities	8	<u>212</u>	<u>1,981</u>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION		52,089	(1,628)
Dividend for the year - interim paid		<u>(62,500)</u>	<u>-</u>
ACCUMULATED LOSS FOR THE YEAR	20	<u><u>(10,411)</u></u>	<u><u>(1,628)</u></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

	2001 £'000	2000 £'000
Profit/(loss) for the financial year	52,089	(1,628)
Gain/(loss) arising on exchange rate movements	<u>33</u>	<u>(18)</u>
Total gains/(losses) recognised since last annual report	<u><u>52,122</u></u>	<u><u>(1,646)</u></u>

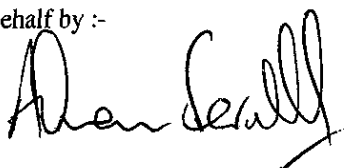
The notes on pages 10 to 23 form part of these financial statements.

ROYAL BANK LEASING LIMITED

BALANCE SHEET
at 30 September 2001

	Note	2001 £'000	2000 £'000
FIXED ASSETS			
Tangible Assets	9	65,192	46,664
Investments	10	-	124,101
Investment in joint ventures:	12	196	-
Investment properties	13	36,000	36,000
Shares in subsidiary undertakings	14	<u>60,780</u>	<u>60,980</u>
TOTAL FIXED ASSETS		162,168	267,745
CURRENT ASSETS			
Finance lease receivables due within one year		4,001	18,462
Finance lease receivables due after more than one year		169,495	130,419
Debtors due within one year	15	94,890	298,180
Debtors due after more than one year	15	<u>2,006,744</u>	<u>1,266,797</u>
		2,275,130	1,713,858
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	16	<u>(94,514)</u>	<u>(268,877)</u>
NET CURRENT ASSETS		<u>2,180,616</u>	<u>1,444,981</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		2,342,784	1,712,726
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	16	(2,304,975)	(1,651,091)
PROVISIONS FOR LIABILITIES AND CHARGES	17	<u>(25,724)</u>	<u>(39,172)</u>
NET ASSETS		<u><u>12,085</u></u>	<u><u>22,463</u></u>
CAPITAL AND RESERVES			
Called up share capital	18	2,000	2,000
Revaluation reserve	19	4,900	4,900
Profit and loss account	20	<u>5,185</u>	<u>15,563</u>
EQUITY SHAREHOLDERS' FUNDS	21	<u><u>12,085</u></u>	<u><u>22,463</u></u>

The financial statements on pages 8 to 23 were approved by the Board of Directors on 29 July 2002
and were signed on its behalf by :-



Director

The notes on pages 10 to 23 form part of these financial statements.

NOTES ON THE FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES

The financial statements on pages 8 to 23 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 f) below. Accounting policies have been applied consistently.

a ACCOUNTING CONVENTION

The financial statements of the Company are prepared under the historical cost convention. In accordance with the Companies Act 1985, the Directors have adapted the prescribed formats of the financial statements as required by the special nature of the business.

b GROSS EARNINGS UNDER FINANCE 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

Pensions 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.

NOTES ON THE FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES - continued

f INVESTMENT PROPERTIES

Investment properties are included in the balance sheet at the 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.

g 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.

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. 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.

Useful life

Computer and other equipment

5 years

j 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.

NOTES ON THE FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES - continued

k HIRE PURCHASE RECEIVABLES

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

l 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.*

m INVESTMENT IN JOINT VENTURE

The investment in the joint venture has been included in the financial statements at cost.

n INVESTMENT IN JOINT ARRANGEMENT

The investment in the joint arrangement has been 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.

o 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.

p 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

NOTES ON THE FINANCIAL STATEMENTS

2 ULTIMATE HOLDING COMPANY

The Company is a wholly owned subsidiary of Lombard North Central plc. The Company's ultimate holding company and hence its controlling party is The Royal Bank of Scotland Group plc. Copies of the group financial statements of The Royal Bank of Scotland Group plc may be obtained from the Company Secretary's office, The Royal Bank of Scotland Group plc, 42 St. Andrew Square, Edinburgh, EH2 2YE. Copies of the financial statements of Lombard North Central plc may be obtained from The Secretary, Lombard North Central plc, 3 Princess Way, Redhill, Surrey, RH1 1NP.

3 RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemptions available to it in Financial Reporting Standard 8, 'Related Party Disclosures', not to disclose any transactions with entities that are part of the Group or investees of the Group qualifying as related parties.

The Company has an interest in a number of joint ventures as detailed in note 12. On 26th September 2001, one of the joint ventures, Total Solutions for Industry Limited, was granted a loan of £55,417. The loan is repayable on demand with interest accruing at bank rate plus 4%.

4	TURNOVER	2001 £'000	2000 £'000
	Lease income:		
	Finance leases:		
	Rentals receivable	42,942	43,017
	Amortisation	(31,858)	(31,339)
		<u>11,084</u>	<u>11,678</u>
	Operating leases:		
	Rentals receivable	<u>6,024</u>	<u>9,495</u>
		<u>17,108</u>	<u>21,173</u>
	Capital cost of assets financed:		
	Finance leases	53,823	62,386
	Operating leases	<u>23,731</u>	<u>12,157</u>
		<u>77,554</u>	<u>74,543</u>

ROYAL BANK LEASING LIMITED

NOTES ON THE FINANCIAL STATEMENTS

5	PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2001 £'000	2000 £'000
	Includes the following:		
	Other income:	<u>8,141</u>	<u>20,363</u>
	Finance charges:		
	Interest payable to group undertakings	18,374	26,717
	Finance lease charges	1,909	3,324
	Share of joint arrangement's interest payable	1,205	670
	Interest capitalised on operating leases under construction	<u>(493)</u>	<u>(670)</u>
		<u>20,995</u>	<u>30,041</u>
	Operating expenses include:		
	Auditors' remuneration	-	12
	Non audit fees paid to the Company's auditors	47	10
	Depreciation - computer and other equipment	169	201
	Share of joint arrangement's depreciation	261	-
	Bad debt charge	221	5,306
	Fees and commissions	678	82
	Management charge	<u>(6,662)</u>	<u>(4,339)</u>

The auditors' remuneration for audit services is paid by Lombard North Central plc, which makes no recharge to the Company.

NOTES ON THE FINANCIAL STATEMENTS

6 DIRECTORS' AND EMPLOYEES' EMOLUMENTS

	2001 £'000	2000 £'000
Directors' aggregate emoluments	<u>644</u>	<u>538</u>

Retirement benefits are accruing to 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 emoluments include no emoluments in respect of these directors (2000 - £Nil).

Emoluments payable to the highest paid Director are as follows:

Aggregate Emoluments	<u>203</u>	<u>181</u>
Defined benefit pension scheme:		
- accrued pension at year end	<u>50</u>	<u>21</u>

Staff costs (including Executive Directors):

Wages and salaries	4,486	3,200
Social security costs	442	300
Other pension costs	<u>475</u>	<u>400</u>
	<u>5,403</u>	<u>3,900</u>

The average number of employees, all of whom were engaged in the development and administration of structured finance business, was 83 (2000: 62), 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 Staff Pension Scheme, which is a funded defined benefit scheme whose assets are independent of the Group's finances. 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 30 September 1999 and showed scheme assets representing 119% of scheme liabilities; this valuation was updated to 31 December 2001, showing scheme assets representing 94% of scheme liabilities. Further information on the scheme and the actuarial valuations is given in the financial statements of The Royal Bank of Scotland plc. 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.

The pension costs included in the profit and loss account are £475,000 (2000: £400,000). At 30 September 2001, £160,625 (2000 - £113,000) represents the excess of the accumulated pension cost over the payment of contributions to The Royal Bank of Scotland Staff Pension Scheme.

8	TAXATION	2001 £'000	2000 £'000
	Group relief:		
	- current year receivable	3,998	7,156
	- prior year receivable	3,577	1,090
	Taxation equalisation	(1,422)	1,913
	Deferred taxation:		
	- current year	(2,016)	(7,114)
	- prior year	(3,925)	(1,064)
		<hr/>	<hr/>
		212	1,981

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

NOTES ON THE FINANCIAL STATEMENTS

9	FIXED ASSETS	Assets for hire under operating leases £'000	Computer and other equipment £'000	Share of assets of joint arrangement £'000	TOTAL £'000
	COST				
	At 1 October 2000	42,935	2,227	11,530	56,692
	Additions	939	69	22,792	23,800
	Disposals	(5,346)	(244)	-	(5,590)
	At 30 September 2001	<u>38,528</u>	<u>2,052</u>	<u>34,322</u>	<u>74,902</u>
	DEPRECIATION				
	At 1 October 2000	(8,646)	(1,382)	-	(10,028)
	Charge for the year	(2,680)	(169)	(261)	(3,110)
	Disposals	<u>3,312</u>	<u>116</u>	<u>-</u>	<u>3,428</u>
	At 30 September 2001	<u>(8,014)</u>	<u>(1,435)</u>	<u>(261)</u>	<u>(9,710)</u>
	NET BOOK VALUE				
	At 30 September 2001	<u>30,514</u>	<u>617</u>	<u>34,061</u>	<u>65,192</u>
	At 30 September 2000	<u>34,289</u>	<u>845</u>	<u>11,530</u>	<u>46,664</u>

Included within the figure for additions for the share of the joint arrangement's assets is £493k (2000 - £670k) of capitalised interest, representing interest charged at prevailing market rates on the progress payments made.

10 INVESTMENTS

The principal leasing partnership in which the Company has an interest is shown below:

Motability Finance Limited and associated partnerships

On 2nd October 2000, the Company reduced its interest in the partnership from 8.9% to 5.0%.

On 2nd January 2001, the Company disposed of its interest in Motability Finance Limited to The Royal Bank of Scotland plc, for a consideration equal to the book value.

Movements during the year:	£'000
At 1 October 2000	124,101
Reallocation from prepayments and accrued income	95,382
Capital Repayments	(88,689)
Partnership profits	3,682
Disposal	<u>(134,476)</u>
At 30 September 2001	<u>-</u>

ROYAL BANK LEASING LIMITED

NOTES ON THE FINANCIAL STATEMENTS

11 INVESTMENT IN JOINT ARRANGEMENT

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

GATX 737-800 Partners III Limited

As a consequence of this investment, 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.

12 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

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 2001:	
Share capital (50% of the shares issued)	140
Shareholder loans	<u>56</u>
	<u>196</u>

13 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 2001 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 2001.

	Investment Properties £'000
At 1 October 2000 and 30 September 2001	<u>36,000</u>

ROYAL BANK LEASING LIMITED

NOTES ON THE FINANCIAL STATEMENTS

14 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 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
Roy Scot 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

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

R.B. Leasing (March) Limited	Leasing	31 March
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The Company owns 100% of the ordinary and preference share capital of the above companies.

During the year, the Company disposed of the following investments for nil profit or 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
Royal Bank Asset Finance Limited
R.B. Investment Holdings Limited

ROYAL BANK LEASING LIMITED

NOTES ON THE FINANCIAL STATEMENTS

14 SHARES IN SUBSIDIARY UNDERTAKINGS - continued

Disposals during the year - continued:

Owned by R.B. Investment Holdings Limited:

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

Owned by Boxford Limited:

Rushton Limited

Movements during the year:	£'000
At 1 October 2000	60,980
Disposals	<u>(200)</u>
At 30 September 2001	<u>60,780</u>

15 DEBTORS	2001 £'000	2000 £'000
Amounts falling due within one year:		
Trade debtors	1,322	7
Amounts due by group undertakings	86,912	198,600
Other debtors	6,656	4,191
Prepayments and accrued income (see note 10)	<u>-</u>	<u>95,382</u>
	<u>94,890</u>	<u>298,180</u>

Amounts falling due after more than one year:

Amounts due by group undertakings	<u>2,006,744</u>	<u>1,266,797</u>
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NOTES ON THE FINANCIAL STATEMENTS

16	CREDITORS	2001 £'000	2000 £'000
	Amounts falling due within one year:		
	Payments received on account	474	1,079
	Trade creditors	312	14,601
	Amounts due to group undertakings	68,688	234,000
	Obligations under finance leases	7,645	12,224
	Other creditors	17,395	6,973
		<u>94,514</u>	<u>268,877</u>
	Amounts falling due after more than one year:		
	Between one and two years:		
	Amounts due to group undertakings	158,321	139,100
	Obligations under finance leases	8,141	11,789
		<u>166,462</u>	<u>150,889</u>
	Between two and five years:		
	Amounts due to group undertakings	461,571	448,200
	Obligations under finance leases	4,644	12,848
		<u>466,215</u>	<u>461,048</u>
	After more than five years, repayable by instalments:		
	Amounts due to group undertakings	1,671,582	1,037,643
	Obligations under finance leases	716	1,511
		<u>1,672,298</u>	<u>1,039,154</u>
	Total due after more than one year	<u>2,304,975</u>	<u>1,651,091</u>

The total value of obligations under finance leases repayable by instalments, any part of which falls due after more than five years, is £1.2m (2000: £3.0m)

A right of set-off exists over the Company's bank account with The Royal Bank of Scotland plc against advances made to the Company's immediate holding company and its subsidiaries.

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

ROYAL BANK LEASING LIMITED

NOTES ON THE FINANCIAL STATEMENTS

17 PROVISIONS FOR LIABILITIES AND CHARGES

Movements during the year:	Tax equalisation £'000	Deferred taxation £'000	Total £'000
At 1 October 2000	(997)	40,169	39,172
Charge to profit and loss account	1,422	5,941	7,363
Disposal of investment in leasing partnership	-	(20,811)	(20,811)
At 30 September 2001	<u>425</u>	<u>25,299</u>	<u>25,724</u>

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

	2001 £'000	2000 £'000
Capital allowances on assets financed	25,177	40,207
Other short term timing differences	(1,978)	(2,138)
Revaluation reserve	<u>2,100</u>	<u>2,100</u>
	<u>25,299</u>	<u>40,169</u>

18 SHARE CAPITAL

Ordinary shares of £1 each

Authorised	<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>

19 REVALUATION RESERVE

£'000

At 1 October 2000 and 30 September 2001	<u>4,900</u>
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20 PROFIT AND LOSS ACCOUNT

£'000

At 1 October 2000	15,563
Accumulated loss for the year	(10,411)
Gain arising on exchange rate movements	<u>33</u>
At 30 September 2001	<u>5,185</u>

NOTES ON THE FINANCIAL STATEMENTS

21 RECONCILIATION OF SHAREHOLDERS' FUNDS

	2001 £'000	2000 £'000
Profit/(loss) for the financial year	52,089	(1,628)
Dividend	(62,500)	-
Gain/(loss) arising on exchange rate movements	<u>33</u>	<u>(18)</u>
Net reduction in shareholders' funds	(10,378)	(1,646)
Opening shareholders' funds	<u>22,463</u>	<u>24,109</u>
Closing shareholders' funds	<u><u>12,085</u></u>	<u><u>22,463</u></u>

22 POST BALANCE SHEET EVENT

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 in order to finance future leasing and asset finance activities.