

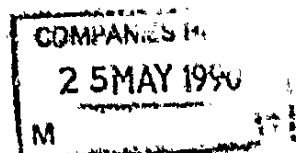
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NWS BANK plc

REPORT AND ACCOUNTS

1999-2000



BANK OF SCOTLAND AND SUBSIDIARY COMPANIES

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31st DECEMBER 1989

The Directors have pleasure in submitting their Report and the audited accounts for the year ended 31st December 1989.

RESULTS

The Group's profit before taxation amounted to £38.0 million (1988:£32.0 million). The Directors recommend a dividend of £7.8 million leaving a profit of £15.9 million to be transferred to reserves.

PRINCIPAL ACTIVITIES

The principal activities of the Group are banking services, the provision of finance and associated services, and the leasing of vehicles, plant and machinery.

PROPERTY AND EQUIPMENT

Changes in property and equipment during the year are shown in Note 19 to the accounts.

EMPLOYEES OF THE GROUP

Average number of persons employed each week	<u>2,533</u>
Aggregate remuneration paid or payable to employees including allocation to Bank of Scotland Group Staff Profit Sharing Schemes	<u>£30.1 million</u>

The Company, by means of its circulars, appraisal system, video and other communications keeps its staff informed of matters concerning them.

Regular meetings at branch and departmental level inform staff of new developments, and seek suggestions from them.

Employees participate in the Bank of Scotland Profit Sharing Schemes. The Company has a comprehensive system of incentive and productivity bonuses.

The Company holds frequent and extensive conferences and training courses at which exchanges of views on all aspects affecting the Company take place. The Directors pay visits to these and to branches and central departments explaining the Company's role within the Group and the external factors influencing its performance.

Continued.....

COMPANIES
25 MAY 1990

REPORT OF THE DIRECTORS

EMPLOYEES OF THE GROUP (continued)

The Company continues to give full and fair consideration to applications for employment made by disabled persons having regard to their particular aptitudes and abilities. The training, career development and promotion of disabled persons employed by the Company continues to be an integral part of the personnel policy applicable to all employees of the Company.

DIRECTORS

The Directors as at 31st December 1989 and their respective interests in the Companies within Bank of Scotland Group were as follows:-

	Bank of Scotland 25p Stock Units					
	Beneficially		Executive		Savings Related	
	Owned		Stock Options #		Stock Options #	
	31/12/89	31/12/88	31/12/89	31/12/88	31/12/89	31/12/88
Lord Ealfour of Burleigh	16,872	16,872	-	-	-	*
W.G.Barclay	13,202	9,128*	63,000	45,000*	-	*
J.S.Brown	48,772	43,388	120,000	96,000	12,828	11,956
C.H.Bush	54,480	47,876	184,000	144,000	13,156	12,284
W.E.Coppell	15,024	11,168*	45,000	45,000*	-	*
N.Lessels	35,248	27,248*	-	*	-	*
R.Littler	17,557	12,464	90,000	66,000	-	-
D.J.MacLeod	24,748	24,748	-	-	-	-
J.A.Mercer	31,092	25,708	106,500	82,500	-	-
D.B.Pattullo	73,192	66,588	291,000	216,000	-	-
I.W.St.C.Scott	20,551	18,268*	118,000	88,000*	5,512	5,512*

* At date appointed.

#The Options granted under the Executive Stock Option Scheme are exercisable between 1990 and 1999 at prices ranging from 69.16p to 106p.

#The Options granted under the Savings Related Stock Option Scheme are exercisable between 1991 and 1996 at prices ranging from 64.2p to 96.3p.

Mr.D.B. Pattullo had a non-beneficial holding of 6,000 Bank of Scotland stock units at 31st December 1989 (1988:39,000).

Messrs. N. Lessels and I.W.St.C.Scott were appointed as Directors on 30th March 1989. Mr. T.Bennie was a Director during the year and resigned on 17th April 1989. Messrs.W.G.Barclay and W.E.Coppell were appointed as Directors on 25th May 1989. Mr.J.R.Browning was appointed as a Director on 5th February 1990.

The Articles of Association do not provide for the retirement of Directors by rotation.

Continued.....

NWS BANK PLC AND SUBSIDIARY COMPANIES

REPORT OF THE DIRECTORS (continued)

AUDITORS

Arthur Young merged their practice with Ernst & Whinney on 1st September 1989 and now practise in the name of Ernst & Young. Accordingly, they have signed their audit report in their new name. Ernst & Young have expressed their willingness to continue in office as auditors and a resolution proposing their re-appointment will be submitted at the Annual General Meeting.

BY ORDER OF THE BOARD

R. NIXON

Secretary

NWS House
City Road
CHESTER

4th April 1990

ANNUAL REPORT TO THE MEMBERS OF
THE COMPANY

We have audited the accounts on pages 5 to 19 in accordance with Auditing Standards.

In our opinion the accounts, which have been prepared under the historical cost convention as modified by the revaluation of certain land and buildings, give a true and fair view of the state of affairs of the Company and the Group at 31st December 1989 and of the profit and source and application of funds of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1935.

ERNST & YOUNG
Chartered Accountants
LIVERPOOL

4th April 1990

ACCOUNTING POLICIES FOR THE YEAR ENDED 31st DECEMBER 1989

(a) Basis of Consolidation

The Group accounts consolidate the accounts of the Company and all its subsidiaries, except as noted on page 19, made up to 31st December. Special audited accounts made up to 31st December are used for those subsidiaries with other accounting reference dates.

The Group's share of the results of associated companies, based on audited accounts made up to their respective accounting reference dates, is included in the accounts using the equity method of accounting.

The Company is involved in a joint venture, with an unrelated party, engaged in the provision of consumer finance and associated services. The joint venture is dealt with in the Group accounts by the method of proportional consolidation.

(b) Finance leases and operating leases

The net investment in finance leases is included as a receivable in Customers' And Other Accounts. The net obligation under leases with third party finance lessors is included in creditors.

Equipment which is on hire under operating lease agreements is treated as a fixed asset.

(c) Finance and leasing earnings

(i) Instalment finance earnings are credited to revenue, after making a deduction for certain initial expenses, in proportion to the related outstanding balances.

(ii) The earnings element of leasing rentals is credited to revenue in proportion to the funds invested in the related contracts. The earnings element of leasing rentals receivable under those agreements for which related agreements exist with third party finance lessors is credited to revenue on a straight line basis; the related charges element of leasing rentals payable is accounted for on the same basis.

(d) Leasing earnings equalisation

The tax benefits resulting from the progressive reduction in rates of corporation tax incorporated in the Finance Act 1984 were treated as deferred income and transferred to the leasing earnings equalisation account. They are credited to revenue, grossed up at the prevailing corporation tax rate, over the period of the related leasing contracts.

THE COMPANY AND SUBSIDIARY COMPANIES

AND FINANCIAL POLICIES - continued

(e) Provision for bad debts

Provision is made:-

- (i) specifically against individual balances considered to be of doubtful recoverability;
- (ii) as a general provision against customers' and other accounts and operating lease assets to cover unforeseen contingencies.

(f) Depreciation

(i) Property and equipment

Depreciation is provided so as to write off the cost of equipment in equal annual instalments over its estimated useful working life as follows:-

Motor vehicles	4 years
Plant and office machinery	5 years
Furniture and fittings	10 years

Short leaseholds are depreciated in equal instalments over the remaining life of the lease, having regard to the incidence of rent reviews.

Freehold properties are not depreciated as they are maintained in a state of good repair and consequently it is considered that book values are unlikely to diminish.

(ii) Operating lease assets

The balance of rentals receivable during the year not attributed to earnings is applied as depreciation of the relative assets leased to customers.

(g) Government grants

Government grants receivable on assets leased to customers are credited to revenue, grossed up at the prevailing corporation tax rate, in equal annual instalments over the primary period of the related leases.

(h) Deferred taxation

Deferred taxation is provided on the liability method on those timing differences which are considered likely to reverse in the foreseeable future.

(i) Pensions

The company operates a defined benefit pension scheme to which it makes contributions on the advice of actuaries, to fund the retirement benefits of employees. Amounts are charged to the profit and loss account to reflect the cost of providing pensions over the expected remaining service lives of current employees in the scheme.

NWS BANK P.L.C. AND SUBSIDIARY COMPANIES

7

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st DECEMBER 1989

	Notes	<u>1989</u> <u>£000</u>	<u>1988</u> <u>£000</u>
OPERATING PROFIT	2	34,148	26,039
Share of profits of associated companies		<u>3,883</u>	<u>5,983</u>
PROFIT BEFORE TAXATION		38,031	32,022
Taxation	4	<u>14,362</u>	<u>15,466</u>
PROFIT AFTER TAXATION		23,669	16,556
Applicable to minority shareholders		<u>(26)</u>	<u>23</u>
PROFIT ATTRIBUTABLE TO SHAREHOLDERS	5	23,695	16,533
Proposed dividends		<u>7,800</u>	<u>5,500</u>
RETAINED PROFIT	7	<u>15,895</u>	<u>11,033</u>

The notes on pages 11 to 19 form part of these accounts.

THE BANK AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEET AS AT 31st DECEMBER 1989

	Notes	1989 £000	1988 £000
<u>FUNDS EMPLOYED</u>			
Share capital	6	41,400	21,400
Reserves	7	119,545	103,779
Shareholders' funds		160,945	125,179
Minority interests		143	154
Loan capital	8	101,000	76,000
Deferred taxation	9	103,112	59,165
Government grants	10	3,097	4,580
Leasing earnings equalisation	11	4,425	7,069
		372,722	272,147
Deposit and other accounts	12	2,292,599	1,607,795
		2,665,321	1,879,942
<u>USE OF FUNDS</u>			
Cash and short term funds	13	9,776	13,169
Investments	14	3,157	-
Customers' and other accounts	15	2,849,015	2,000,586
Operating lease assets	16	47,692	31,800
Associated companies	18	5,423	5,514
Property and equipment	19	38,958	35,902
		2,954,031	2,086,971
<u>Less: Creditors</u>	20	288,710	207,029
		2,665,321	1,879,942

Balfour of Burleigh
BALFOUR OF BURLEIGH
CLAUDE H. BUSH

)
) DIRECTORS
)

James H. Bush

The notes on pages 11 to 19 form part of these accounts.

THE BANK PLC

BALANCE SHEET
AT 31 DECEMBER 1989

	Notes	1989 £000	1988 £000
<u>FUNDS EMPLOYED</u>			
Share capital	6	41,400	21,400
Reserves	7	92,312	74,777
Shareholders' funds		133,712	96,177
Loan capital	8	101,000	76,000
Deferred taxation	9	2,063	2,204
Government grants	10	86	164
Leasing earnings equalisation	11	11	53
		236,872	174,598
Deposit and other accounts	12	2,210,193	1,582,190
		2,447,065	1,756,788
<u>USE OF FUNDS</u>			
Cash and short term funds	13	8,448	13,020
Investments	14	30	-
Customers' and other accounts	15	1,234,026	1,010,247
Subsidiary companies	17	1,417,627	866,386
Associated companies	18	5,560	5,285
Property and equipment	19	38,338	35,902
		2,704,029	1,930,840
<u>Less: Creditors</u>	20	256,964	174,052
		2,447,065	1,756,788

Balfour Burleigh

BALFOUR OF BURLEIGH

CLAUDE H. BUSH

)
) DIRECTORS
)

James & Paul

The notes on pages 11 to 19 form part of these accounts.

THE BANK LTD AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS FOR THE YEAR ENDED 31st DECEMBER 1989

FREE CAPITAL	1989	1988
Sources	1989	1988
Profit attributable to Shareholders	23,695	26,533
Adjustment for items not involving the movement of funds:		
Depreciation	5,944	4,716
Retained by associated companies	366	(349)
Funds generated by operations	30,005	20,900
Other sources:		
Issue of preference shares	20,192	-
Loan capital	25,000	40,000
Disposal of property and equipment	1,615	1,736
Exchange rate differences	272	-
	77,084	62,636
<u>Applications</u>		
Expenditure on property and equipment	10,625	15,885
Investment in associated companies	275	-
Dividends	7,800	5,500
Goodwill	593	-
	19,293	21,385
<u>Increase in free capital</u>	<u>57,791</u>	<u>41,251</u>
<u>OPERATING FUNDS</u>		
<u>Sources</u>		
Increase in free capital	57,791	41,251
Cash and short term funds	3,393	-
Deposit and other accounts	684,804	403,461
Minority interests	(11)	23
Creditors	81,681	55,653
Deferred taxation	43,947	188
	871,605	500,576
<u>Applications</u>		
Cash and short term funds	-	8,756
Customers' and other accounts	848,429	475,312
Operating lease assets	15,892	9,487
Leasing earnings equalisation	2,644	5,353
Government grants, less released to profits	1,483	1,668
Investments	3,157	-
	871,605	500,576

1. NEW FINANCE ACCOUNTS

1. TURNOVER

The turnover of the Group amounted to £1,159 m (1988-1989) and represents new instalment credit, excluding charges, advanced during the year by the Group, directly or indirectly (except for amounts in respect of revolving credit and banking items of a similar nature which have been excluded) and income receivable from equipment leasing.

2. OPERATING PROFIT

	1989 £000	1988 £000
The operating profit is stated after crediting:		
Finance lease rentals	308,542	217,154
Operating lease rentals	17,056	11,773
Government grants	2,543	3,188
Leasing earnings equalisation	4,068	8,223
and after charging:		
Interest on deposit and other accounts	241,333	142,461
Depreciation:		
Property and equipment	5,944	4,716
Operating lease assets	11,010	6,982
Pension costs	2,270	2,842
Directors' emoluments	616	671
Auditors' remuneration	135	120

NWS Pension Trustees Limited acts as sole trustee of the NWS Group Pension Scheme, a funded defined benefit pension scheme which covers approximately 88% of the Group's employees.

The pension funding cost is assessed in accordance with the advice of qualified actuaries using the Projected Unit valuation method.

The most recent actuarial valuation of the scheme was completed as at 5th April 1989, at which date the market value of the scheme was £35.7 million.

The principal assumptions used in the valuation were an annual rate of return on investments 2% higher than the annual increase in salaries and 4% higher than the annual increase in pensions in payment, and a growth in equity dividends of 4% per annum.

The actuarial value of the assets was sufficient to cover 121% of members' accrued benefits. The group is taking credit for the surplus within the pension fund by making reduced contributions over the next fifteen years which is the expected remaining average service life of current employees in the scheme.

NOTES ON THE ACCOUNTS (CONTINUED)

3. EMOLUMENTS OF DIRECTORS AND EMPLOYEES

The aggregate emoluments of the Directors of the Company amounted to £615,688 (1988-£670,634) and included fees of £27,487 (1988-£23,200).

The emoluments of the Chairman were £19,254 (1988-£17,567) and the emoluments of the highest paid Director were £126,107 (1988-£110,417).

Nine Directors waived their rights to fees amounting in aggregate to £34,866 (1988-£27,381).

The number of Directors and employees whose emoluments, excluding pension contributions, fell within the following ranges was:

	<u>Directors</u>		<u>Employees</u>	
	<u>1989</u>	<u>1988</u>	<u>1989</u>	<u>1988</u>
Up to £5,000	5	4		
£ 15,001 - £ 20,000	1	1		
£ 30,001 - £ 35,000	-	-	43	21
£ 35,001 - £ 40,000	-	-	18	17
£ 40,001 - £ 45,000	-	-	9	6
£ 45,001 - £ 50,000	-	-	8	6
£ 50,001 - £ 55,000	-	1	5	3
£ 55,001 - £ 60,000	1	-	4	1
£ 60,001 - £ 65,000	1	-	2	1
£ 65,001 - £ 70,000	-	-	2	2
£ 70,001 - £ 75,000	-	1		
£ 75,001 - £ 80,000	-	1		
£ 80,001 - £ 85,000	-	2		
£ 95,001 - £100,000	3	-		
£100,001 - £105,000	-	1		
£110,001 - £115,000	-	1		
£125,001 - £130,000	1	-		

4. TAXATION

	<u>1989</u> <u>£000</u>	<u>1988</u> <u>£000</u>
Group relief receivable	(33,152)	(2,713)
Corporation tax at 35%	-	134
Notional tax on leasing earnings equalisation	1,424	2,870
Notional tax on government grants	890	1,116
Transfer to deferred taxation	43,947	7,831
	<u>13,109</u>	<u>9,298</u>
Associated companies	<u>1,253</u>	<u>2,318</u>
	<u>14,362</u>	<u>11,616</u>
Adjustments relating to prior years	-	3,850
	<u>14,362</u>	<u>15,466</u>

NWS BANK PLC AND SUBSIDIARY COMPANIES

NOTES ON THE ACCOUNTS (continued)

5. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

Of the profit attributable to Shareholders £25.1m (1988-£20.5m) has been dealt with in the accounts of NWS BANK PLC

6. SHARE CAPITAL

	<u>Authorised</u>		<u>Issued and fully paid</u>	
	<u>1989</u>	<u>1988</u>	<u>1989</u>	<u>1988</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Ordinary shares of £1 each	30,000	30,000	21,400	21,400
9.375% Non-cumulative preference shares of £1 each	20,000	-	20,000	-
	<u>50,000</u>	<u>30,000</u>	<u>41,400</u>	<u>21,400</u>

To strengthen its capital base the Company increased its authorised share capital during the year by the creation of 20 million 9.375% non-cumulative preference shares of £1 each which were issued in full to the Bank of Scotland on 1st November 1989 for cash at 100.962p per share.

7. RESERVES

	<u>Group</u>	<u>Associated companies</u>	<u>Total</u>	<u>Company</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
At 1st January 1989	103,550	229	103,779	74,777
Goodwill written off	(593)	-	(593)	-
Exchange rate differences	272	-	272	-
Premium on issue of new shares	192	-	192	192
Retained profit for the year	<u>16,261</u>	<u>(366)</u>	<u>15,895</u>	<u>17,313</u>
At 31st December 1989	<u>119,682</u>	<u>(137)</u>	<u>119,545</u>	<u>92,312</u>

The Company reserves include £503,612 (1988-£503,612) in respect of a surplus arising on revaluation of properties, and £2,612,400 (1988-£2,420,000) on share premium account, which are not regarded as being available for distribution.

8. LOAN CAPITAL

This represents floating rate loans from Bank of Scotland which are subordinated to the claims of creditors and which are repayable as follows:

	<u>Group</u>		<u>Company</u>	
	<u>1989</u>	<u>1988</u>	<u>1989</u>	<u>1988</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
31st December 1996 and later	66,000	56,000	66,000	56,000
Perpetual loans	<u>35,000</u>	<u>20,000</u>	<u>35,000</u>	<u>20,000</u>
	<u>101,000</u>	<u>76,000</u>	<u>101,000</u>	<u>76,000</u>

NOTES ON THE ACCOUNTS (continued)

9. DEFERRED TAXATION

GROUP	1989		1988	
	Provided for in accounts £000	Potential liability £000	Provided for in accounts £000	Potential liability £000
Short term timing differences	(1,015)	(1,015)	(936)	(936)
Capital allowances:				
on assets leased to customers	102,689	136,814	58,731	92,856
on other assets	1,438	1,963	1,370	1,895
	<u>103,112</u>	<u>137,762</u>	<u>59,165</u>	<u>93,815</u>
 <u>COMPANY</u>				
Short term timing differences	(485)	(485)	(260)	(260)
Capital allowances:				
on assets leased to customers	1,110	1,752	1,024	1,736
on other assets	1,438	1,963	1,370	1,895
	<u>2,063</u>	<u>3,230</u>	<u>2,204</u>	<u>3,371</u>

No provision is made above for any liability to taxation which might arise if properties were disposed of at their balance sheet values as it is expected that they will be retained by the Group.

10. GOVERNMENT GRANTS

	<u>Group</u> <u>£000</u>	<u>Company</u> <u>£000</u>
Balance at 1st January 1989	4,580	164
Grants receivable on leased assets purchased during the year less grants refunded	170	48
	<u>4,750</u>	<u>212</u>
Credit to profit and loss account	1,653	126
Balance at 31st December 1989	<u>3,097</u>	<u>86</u>

11. LEASING EARNINGS EQUALISATION

	<u>Group</u> <u>£000</u>	<u>Company</u> <u>£000</u>
Balance at 1st January 1989	7,069	53
Credit to profit and loss account	2,644	42
Balance at 31st December 1989	<u>4,425</u>	<u>11</u>

NOTES TO THE ACCOUNTS (CONTINUED)

12. DEPOSITS AND OTHER ACCOUNTS

	<u>Group</u>		<u>Company</u>	
	<u>1989</u>	<u>1988</u>	<u>1989</u>	<u>1988</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Short term loans and deposits	2,064,935	1,381,137	1,985,494	1,350,991
Bank of Scotland: Short and medium term loans	227,664	226,658	224,699	223,199
	<u>2,292,599</u>	<u>1,607,795</u>	<u>2,210,193</u>	<u>1,582,190</u>

13. CASH AND SHORT TERM FUNDS

	<u>Group</u>		<u>Company</u>	
	<u>1989</u>	<u>1988</u>	<u>1989</u>	<u>1988</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Cash and balances with banks	9,676	13,069	8,448	13,020
Money at call and short notice	100	100	-	-
	<u>9,776</u>	<u>13,169</u>	<u>8,448</u>	<u>13,020</u>

The Company has standby facilities with Bank of Scotland amounting to £200 million (1988 : £200 million).

14. INVESTMENTS

	<u>Group</u>		<u>Company</u>	
	<u>Book Value</u>	<u>Valuation</u>	<u>Book Value</u>	<u>Valuation</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Listed	2,625	2,625	-	-
Unlisted	532	532	30	30
	<u>3,157</u>	<u>3,157</u>	<u>30</u>	<u>30</u>

Listed investments have been valued at middle market prices. Unlisted investments have been valued by the Directors.

15. CUSTOMERS' AND OTHER ACCOUNTS

	<u>Group</u>		<u>Company</u>	
	<u>1989</u>	<u>1988</u>	<u>1989</u>	<u>1988</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Net investment in:				
Instalment credit and other finance debtors	1,133,558	795,508	666,040	489,288
Finance leases	1,306,662	807,669	82,854	67,504
Short term loans to associated companies	149,929	163,542	220,750	216,639
Holding company	218,016	211,893	240,611	216,799
Other debtors and prepayments	40,850	21,974	23,771	20,017
	<u>2,849,015</u>	<u>2,000,586</u>	<u>1,234,026</u>	<u>1,010,247</u>

The cost of equipment acquired during the year for the purpose of finance leasing was:

	<u>Group</u>		<u>Company</u>	
	<u>1989</u>	<u>1988</u>	<u>1989</u>	<u>1988</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
	<u>697,734</u>	<u>394,173</u>	<u>2,165</u>	<u>231</u>

14. PAYEE AND SUBSIDIARY COMPANIES

15. THE ACCOUNTS (CONTINUED)

15. CUSTOMERS' AND OTHER ACCOUNTS (CONTINUED)

Included in net investment in finance leases are amounts receivable of £37.6m (1988-£62.3m) for the Group and Company in respect of which exist related leases with third party finance lessors.

At the balance sheet date future commitments for finance lease assets were as follows:-

	<u>Group</u>		<u>Company</u>	
	<u>1989</u>	<u>1988</u>	<u>1989</u>	<u>1988</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Contracted for but not provided in the accounts	306,358	386,677	-	-

Included in customers' and other accounts are housing loans to 4 (1988: 4) Directors of the Company which have been made in accordance with the terms of the Company's staff mortgage scheme and which amount to £209,137 (1988: £209,137).

16. OPERATING LEASE ASSETS

	<u>Group</u>
	<u>£000</u>
Cost at 1st January 1989	44,143
Additions	34,584
Disposals	(11,887)
Cost at 31st December 1989	66,840
Accumulated depreciation	19,148
Net book value at 31st December 1989	47,692

At the balance sheet date authorised expenditure for operating lease assets was £3,161,000 (1988-£1,517,000).

17. SUBSIDIARY COMPANIES

	<u>1989</u>	<u>1988</u>
	<u>£000</u>	<u>£000</u>
Shares at cost, less amounts written off	8,857	5,558
Due from subsidiaries	1,512,867	919,602
Due to subsidiaries	(104,097)	(58,774)
	<u>1,417,627</u>	<u>866,386</u>

18. OTHER FINANCE AND SUBSIDIARY COMPANIES

OTHER FINANCE ACCOUNTS (CONTINUED)

18. ASSOCIATED COMPANIES

	GROUP		COMPANY	
	1989 £000	1988 £000	1989 £000	1988 £000
Book value - unlisted	5,423	5,514	5,560	5,285

Both the valuation and the Group and Company share of net assets of associated companies other than goodwill are as shown above.

Advances to associated companies are included in customers' and other accounts (Note 15).

The Group's share of the finance debtors of associated companies is £194m (1988:£173m).

19. PROPERTY AND EQUIPMENT

	Group		Company	
	Property £000	Equipment £000	Property £000	Equipment £000
<u>Cost or valuation</u>				
At 1st January 1989	17,249	29,995	17,249	29,995
Additions	2,944	7,681	2,504	7,382
Disposals	(153)	(2,914)	(153)	(2,914)
At 31st December 1989	20,040	34,762	19,600	34,463
Accumulated depreciation	199	15,635	199	15,526
Net book value at 31st December 1989	19,841	19,127	19,401	18,937
	38,968		38,338	
Net book value at 31st December 1988	17,116	18,786	17,116	18,786
	35,902		35,902	

The property valuations in 1987, at open market values on an existing use basis, were carried out by professional valuers.

Cost or valuation of property comprises:

	Group		Company	
	Freehold £000	Short Leasehold £000	Freehold £000	Short Leasehold £000
Valuation	8,444	229	8,053	220
Cost	9,915	1,452	9,914	1,413
	18,359	1,681	17,967	1,633

Future capital expenditure

	Group and Company	
	1989 £000	1988 £000
Contracted for but not provided in the accounts	637	1,054
Authorised by the Board but not contracted for	1,629	1,926

20. THE ACCOUNTS (CONTINUED)

20. CREDITORS

	Group		Company	
	1989	1988	1989	1988
	£000	£000	£000	£000
Creditors and accruals	280,910	201,329	243,104	163,552
Dividends payable to holding company	7,800	5,500	7,800	5,500
	<u>288,710</u>	<u>207,029</u>	<u>256,964</u>	<u>174,052</u>

Included in creditors are net obligations under finance leases which are payable as follows:-

	Group		Company	
	1989	1988	1989	1988
	£000	£000	£000	£000
Within one year	30,680	25,152	30,649	25,140
Between one and five years	47,691	37,767	47,691	37,739
After five years	29	-	29	-
	<u>78,400</u>	<u>62,919</u>	<u>78,369</u>	<u>62,879</u>

21. COMMITMENTS UNDER OPERATING LEASES

Revenue expenditure commitments under non-cancellable operating leases are as follows:

	Land and buildings			
	Group		Company	
	1989	1988	1989	1988
	£000	£000	£000	£000
Operating leases which expire:				
Within one year	5	25	5	25
Between one and five years	414	412	414	412
In over five years	30,276	18,753	30,264	18,753
	<u>30,695</u>	<u>19,190</u>	<u>30,683</u>	<u>19,190</u>

The majority of leases of land and buildings are subject to rent reviews.

22. APPROVAL OF ACCOUNTS

The accounts, which have been prepared in accordance with S259 of and schedule 9 to, the Companies Act 1985, were approved by the Directors on 4th April 1990.

23. HOLDING COMPANY

The ultimate holding company is the Governor and Company of the Bank of Scotland constituted by Act of the Scottish Parliament in 1695.

PRINCIPAL AND ASSOCIATED COMPANIES
AS AT 31st DECEMBER 1993

PRINCIPAL OPERATING SUBSIDIARIES	Percentage of equity capital held by NWS BANK plc	Principal activity	Accounting reference date
Capital Incentives Limited	100.0	Promotional incentives	31st December
*Caravan Finance Limited	50.1	Finance	31st December
Equity Bank Limited	98.8	Merchant banking	31st December
*Flexifly Limited	100.0	Leasing	28th February
*Glosstrips Limited	100.0	Leasing	28th February
IBOS Finance Limited	100.0	Leasing	31st December
IBOS Meadowhall Investments Limited	100.0	Property investment	30th September
NWS Contract Hire Limited	100.0	Contract hire	31st December
NWS Agencies Limited	100.0	Treasury services	31st December
*NWS Trust Limited	100.0	Finance	31st December
NWS 1 Limited	100.0	Leasing	31st January
NWS 3 Limited	100.0	Leasing	31st March
NWS 4 Limited	100.0	Leasing	30th April
NWS 5 Limited	100.0	Leasing	31st May
NWS 6 Limited	100.0	Leasing	30th June
NWS 7 Limited	100.0	Leasing	31st July
*NWS 8 Limited	100.0	Leasing	31st August
NWS 9 Limited	100.0	Leasing	30th September
NWS 10 Limited	100.0	Leasing	31st October
NWS 11 Limited	100.0	Leasing	30th November
*NWS 12 Limited	100.0	Leasing	31st December
*Seaforth Maritime (Highlander) Limited	100.0	Leasing	28th February
*Seaforth Maritime (Jarl) Limited	100.0	Leasing	28th February
The Mortgage Business plc	100.0	Mortgage loans	31st March

NWS BANK plc and each of its subsidiary companies are registered in England except Equity Bank Limited which is registered in Ireland and those marked * which are registered in Scotland.

ASSOCIATED COMPANIES - unlisted

Automobile Association Financial Services Limited	50.0	31st December
Burgess Finance Limited	50.0	31st December
Capital Financial Services plc	50.0	31st December
Leeds Permanent Financial Services Limited	50.0	30th September
*NEU Mutual Finance Limited	50.0	31st December
*Owen Owen Finance Limited	50.0	31st December
*Renault Financial Services Limited	50.0	31st December
*Truck Finance Limited	50.0	31st December

*Although NWS BANK plc owns more than 50% of the total equity of these companies, all of which are registered in England, the voting rights attached to these holdings represent only 50% of the total voting rights and accordingly, in the absence of control, these companies are accounted for as if they are associated companies. Fractions of a percent in the equity capital have been ignored in the above disclosure.