



NWS BANK plc

REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31st DECEMBER 1992



**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31st DECEMBER 1992**

The Directors have pleasure in submitting their Report and the Accounts for the year ended 31st December 1992.

RESULTS

The Group's profit before taxation amounted to £64.6 million (1991:£55.1 million). Out of the profit attributable to the shareholders of £41.2 million (1991:£32.7 million) the Directors recommend dividends of £15.0 million leaving a balance of £26.2 million to be transferred to reserves.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The principal activity of the Group is banking and financial and related services, including leasing, instalment credit and mortgage facilities.

Details of the current year's business and future developments are given in the Chairman's Statement.

PROPERTY AND EQUIPMENT

Changes in property and equipment during the year are shown in Note 14 to the accounts.

EMPLOYEES OF THE GROUP

Average number of persons employed each week 3,048

Aggregate remuneration paid or payable to employees £41.5 million

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. 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.

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REPORT OF THE DIRECTORS (continued)

DIRECTORS (continued)

	<u>Savings Related Stock Options</u>			Options held as at 31.12.91
	Options held as at 31.12.91	Options granted	Options exercised	
I.M.Brown	17,357	952	-	18,309
J.S.Brown	18,321	952	-	19,273
P.A.Burt	938*	-	-	938
C.H.Bush	17,316	-	-	17,316

Options granted under the Savings Related Stock Option Scheme are exercisable between 1993 and 1999 at prices ranging from 51.08p to 95.6p.

Mr.I.W.St.C.Scott resigned as a Director on 26th June 1992.
Mr.P.A.Burt was appointed as a Director on 26th June 1992.

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

AUDITORS

The auditors, Ernst & Young, Chartered Accountants, 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

25th March 1993

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AUDITORS' REPORT TO THE MEMBERS OF
HWC BANK plc

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We have audited the accounts on pages 5 to 22 in accordance with Auditing Standards.

In our opinion the accounts give a true and fair view of the state of affairs of the Company and the Group at 31st December 1992 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young

ERNST & YOUNG
Chartered Accountants
Registered Auditor
LIVERPOOL

25th March 1993

ACCOUNTING POLICIES FOR THE YEAR ENDED 31st DECEMBER 1992

Basis of consolidation

The accounts of the Company and its subsidiary undertakings are all made up to 31st December. Audited management accounts made up to 31st December are used for those subsidiary undertakings with other accounting reference dates.

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

The Group's share of the results of joint ventures is included in the accounts using the method of proportional consolidation.

Finance leases and operating leases

The net investment in finance leases is included as a receivable in advances to customers and other accounts. The net obligation under leases with third party finance lessors is included in creditors.

Fixed assets which are on hire under operating lease agreements are identified separately.

Finance and leasing earnings

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

The earnings element of leasing rentals is credited to revenue in proportion to the net cash investment 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.

Leasing earnings equalisation

Tax benefits resulting from reductions in the rates of corporation tax are 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.

ACCOUNTING POLICIES - continued**Provision for bad debts**

Provision is made specifically against individual balances considered to be of doubtful recoverability; and also as a general provision against advances to customers and other accounts and operating lease assets to cover unforeseen contingencies.

Depreciation**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 lives of the leases.

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 in the long term.

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.

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.

Deferred taxation

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

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.

ISMG BANK plc

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31st DECEMBER 1992

	<u>Notes</u>	<u>1992</u> <u>£m</u>	<u>1991</u> <u>£m</u>
OPERATING PROFIT	3	55.6	46.9
Share of profits of associated undertakings		9.0	3.2
PROFIT BEFORE TAXATION		64.6	50.1
Taxation	5	23.3	22.1
PROFIT AFTER TAXATION		41.3	33.0
Applicable to minority shareholders		0.1	0.3
PROFIT ATTRIBUTABLE TO SHAREHOLDERS	6	41.2	32.7
Dividends	7	15.0	12.5
RETAINED PROFIT	21	26.2	20.2

The notes on pages 11 to 22 form part of these accounts.

CONSOLIDATED BALANCE SHEET
AS AT 31st DECEMBER 1992

	Notes	1992 £m	1991 £m
ASSETS EMPLOYED			
Cash and short term funds	8	22.0	29.9
Investments	9	10.6	9.3
Advances to customers and other accounts	10	4,103.3	4,027.9
Investments in associated undertakings	12	7.9	7.6
Operating lease assets	13	145.9	82.4
Property and equipment	14	45.9	39.5
		<u>4,335.6</u>	<u>4,196.6</u>
FINANCED BY			
Liabilities			
Deposit and other accounts	15	3,297.8	3,307.0
Creditors	16	493.4	380.3
Deferred taxation	17	176.2	176.1
Leasing earnings equalisation	18	8.9	13.5
Government grants	19	0.9	1.5
		<u>3,977.2</u>	<u>3,878.4</u>
Capital resources			
Share capital	20	56.4	41.4
Reserves	21	180.9	155.6
		<u>237.3</u>	<u>197.0</u>
Shareholders' funds			
Minority interests		0.1	0.2
Undated loan capital	22	55.0	55.0
Dated loan capital	22	66.0	68.0
		<u>358.4</u>	<u>318.2</u>
		<u>4,335.6</u>	<u>4,196.6</u>

Jack C. Shan
JACK C. SHAN

Seamus H. Bush
SEAMUS H. BUSH

} DIRECTORS
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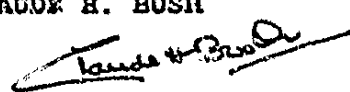
The notes on pages 11 to 22 form part of these accounts.

BALANCE SHEET

AS AT 31st DECEMBER 1992

	<u>Notes</u>	<u>1992</u> <u>£m</u>	<u>1991</u> <u>£m</u>
ASSETS EMPLOYED			
Cash and short term funds	8	13.7	14.4
Advances to customers and other accounts	10	1,486.2	1,758.6
Investments in and long term loans to subsidiary undertakings	11	2,184.0	1,917.0
Investments in associated undertakings	12	5.0	5.3
Property and equipment	14	45.1	39.0
		<u>3,734.0</u>	<u>3,735.1</u>
FINANCED BY			
Liabilities			
Deposit and other accounts	15	3,104.9	3,126.4
Creditors	16	314.1	322.7
Deferred taxation	17	2.4	1.9
		<u>3,421.4</u>	<u>3,451.0</u>
Capital resources			
Share capital	20	56.4	41.4
Reserves	21	135.2	121.7
Shareholders' funds		<u>191.6</u>	<u>163.1</u>
Undated loan capital	22	55.0	55.0
Dated loan capital	22	66.0	66.0
		<u>312.6</u>	<u>284.1</u>
		<u>3,734.0</u>	<u>3,735.1</u>


 JACK C. SHAW


 CLAUDE H. BUSH

) DIRECTORS

The notes on pages 11 to 22 form part of these accounts.

GROUP CASH FLOW STATEMENT
FOR THE YEAR ENDED 31st DECEMBER 1992

	<u>1992</u> <u>£m</u>	<u>1991</u> <u>£m</u>
Net cash inflow from operating activities	17.3	38.7
Returns on investments and servicing of finance		
Dividends received from associated undertakings	3.5	2.1
Ordinary dividends paid	(10.6)	(9.0)
Preference dividends paid	(1.9)	(2.0)
Net cash outflows from returns on investments and servicing of finance	(9.0)	(9.0)
Taxation		
Group relief received	8.0	17.5
Investing activities		
Property and equipment		
Purchases	(15.4)	(10.7)
Disposals	2.4	2.7
	(13.0)	(8.0)
Operating lease assets		
Purchases	(61.9)	(45.3)
Disposals	35.0	16.7
	(26.9)	(28.6)
Investments		
Purchases	(13.0)	(9.9)
Disposals	13.1	7.5
	0.1	(2.4)
Disposal of trade investment	-	0.1
	0.1	(2.3)
Net cash inflow on investment in subsidiary undertaking	0.6	-
Associated undertakings	-	0.6
Net cash outflow from investing activities	(39.2)	(38.3)
Net cash (outflow)/inflow before financing	(22.9)	8.9
Financing		
Issue of ordinary share capital	(15.0)	-
(Decrease)/increase in cash and cash equivalents	(7.9)	8.9
	(22.9)	8.9

Notes on the cash flow statement are given on page 19.

NOTES ON THE ACCOUNTS

1. SEGMENTAL ANALYSIS

The Directors are of the opinion that the Group operates, to a material extent, in one class of business, being banking and related services in the United Kingdom and the Republic of Ireland.

2. TURNOVER

The turnover of the Group amounted to £1,384m (1991-£1,400m) and represents new instalment credit advanced during the year by the Group (except for amounts in respect of revolving credit and banking items of a similar nature which have been excluded) and income receivable from equipment and property leasing.

3. OPERATING PROFIT

	<u>1992</u> <u>£m</u>	<u>1991</u> <u>£m</u>
The operating profit is stated after crediting:		
Finance lease rentals	433.8	464.6
Operating lease rentals	56.6	29.5
Government grants	0.9	0.9
Leasing earnings equalisation	6.9	2.4
Investment income	1.0	0.8
and after charging:		
Interest on deposit and other accounts	354.4	390.8
Interest on loan capital	13.6	15.5
Depreciation: Property and equipment	7.2	6.9
Operating lease assets	37.7	17.7
Operating lease charges-land & buildings	2.3	2.6
Pension costs	2.3	2.1
Directors' emoluments	1.0	0.9
Auditors' remuneration - audit	0.3	0.2
- other	0.1	-

The Company operates a funded defined benefit pension scheme.

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 1992, at which date the market value of the scheme assets was £45.2 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 115% of members' accrued benefits. The Company 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)

4. EMOLUMENTS OF DIRECTORS

The aggregate emoluments of the Directors of the Company amounted to £1,021,897 (1991:£920,337) and included fees of £28,000 (1991:£32,000).

The emoluments of the Chairman were £22,500 (1991:£22,220) and the emoluments of the highest paid Director were £205,810 (1991:£165,241).

Eleven Directors waived their rights to fees amounting in aggregate to £55,030 (1991:Ten £50,000).

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

	<u>1992</u>	<u>1991</u>
Up to £5,000	4	5
£ 5,001 - £ 10,000	1	-
£ 10,001 - £ 15,000	-	2
£ 20,001 - £ 25,000	1	-
£ 90,001 - £ 95,000	-	1
£ 95,001 - £100,000	-	1
£100,001 - £105,000	1	1
£105,001 - £110,000	1	-
£110,001 - £115,000	1	-
£120,001 - £125,000	-	-
£130,001 - £135,000	1	-
£135,001 - £140,000	2	-
£165,001 - £170,000	-	1
£205,001 - £210,000	1	-

5. TAXATION

	<u>1992</u>	<u>1991</u>
	<u>£m</u>	<u>£m</u>
Group relief payable/(receivable)	17.1	(7.4)
Notional tax on leasing earnings equalisation	2.3	0.8
Notional tax on government grants	0.3	0.3
Transfer to deferred taxation	0.9	21.0
	<u>20.6</u>	<u>14.7</u>
Associated undertakings	2.7	4.4
	<u>23.3</u>	<u>19.1</u>
Adjustments arising out of the changes in rates of corporation tax:		
Release from deferred taxation		(9.4)
Transfer to leasing earnings equalisation		12.4
	-	3.0
	<u>23.3</u>	<u>22.1</u>

The tax charge for the year is based on a corporation tax rate of 33% (1991:33.25%).

NOTES ON THE ACCOUNTS (continued)

6. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

Of the profit attributable to Shareholders £28.5m (1991: £32.1m) has been dealt with in the accounts of NWS BANK plc. The exemption in respect of the publication of the Company's profit and loss account conferred by S230, Companies Act 1985 applies to NWS BANK plc.

7. DIVIDENDS

	<u>1992</u> <u>£m</u>	<u>1991</u> <u>£m</u>
Preference dividend: paid	1.0	1.0
payable	0.9	0.9
	<u>1.9</u>	<u>1.9</u>
Ordinary dividend : proposed	13.1	10.6
	<u>15.0</u>	<u>12.5</u>

8. CASH AND SHORT TERM FUNDS

	<u>Group</u>		<u>Company</u>	
	<u>1992</u> <u>£m</u>	<u>1991</u> <u>£m</u>	<u>1992</u> <u>£m</u>	<u>1991</u> <u>£m</u>
Cash and balances with banks	19.0	16.4	10.9	12.0
Money at call and short notice	3.0	13.5	2.8	2.4
	<u>22.0</u>	<u>29.9</u>	<u>13.7</u>	<u>14.4</u>

Bank of Scotland Treasury Services PLC, a wholly-owned subsidiary of the Governor and Company of the Bank of Scotland, holds, with the agreement of the supervisory authority, primary liquid assets sufficient for all the United Kingdom banking entities in the Bank of Scotland Group. Bank of Scotland has provided NWS BANK plc with a committed standby facility amounting to £200 million, which remains undrawn.

9. INVESTMENTS

	<u>1992</u>		<u>1991</u>	
<u>Group</u>	<u>Book</u> <u>Value</u> <u>£m</u>	<u>Valu-</u> <u>ation</u> <u>£m</u>	<u>Book</u> <u>Value</u> <u>£m</u>	<u>Valu-</u> <u>ation</u> <u>£m</u>
Listed	10.3	10.3	9.0	9.0
Unlisted	0.3	0.3	0.3	0.3
	<u>10.6</u>	<u>10.6</u>	<u>9.3</u>	<u>9.3</u>

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

NOTES ON THE ACCOUNTS (continued)

10. ADVANCES TO CUSTOMERS AND OTHER ACCOUNTS

	Group		Company	
	1992	1991	1992	1991
	£m	£m	£m	£m
Net investment in:				
Instalment credit and other finance debtors	1,824.5	1,649.3	818.5	827.3
Finance leases	1,793.0	1,920.4	149.6	136.0
Short term loans to associated undertakings	166.7	155.6	189.9	172.5
Bank of Scotland	268.0	265.5	273.4	577.8
Other debtors and prepayments	49.1	37.1	54.8	45.0
	<u>4,103.3</u>	<u>4,027.9</u>	<u>1,486.2</u>	<u>1,758.6</u>

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

	Group		Company	
	1992	1991	1992	1991
	£m	£m	£m	£m
	<u>254.2</u>	<u>455.8</u>	<u>9.5</u>	<u>15.5</u>

Included in net investment in finance leases are amounts receivable of £142.4m (1991: £116.0m) for the Group and £127.6m (1991: £116.0m) for the Company for which related leases exist with third party finance lessors.

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

	Group		Company	
	1992	1991	1992	1991
	£m	£m	£m	£m
Contracted for but not provided in the accounts	<u>154.1</u>	<u>109.8</u>	<u>8.5</u>	<u>2.6</u>

Included in advances to customers and other accounts are housing loans to four (1991: five) Directors of the Company which have been made in accordance with the terms of the Company's staff mortgage scheme and which amount to £168,848 (1991: £219,348).

11. INVESTMENTS IN AND LONG TERM LOANS TO SUBSIDIARY UNDERTAKINGS

	1992	1991
	£m	£m
Shares at cost, less amounts written off	26.1	21.9
Due from subsidiary undertakings	2,387.9	2,142.8
Due to subsidiary undertakings	(230.0)	(246.9)
	<u>2,184.0</u>	<u>1,917.8</u>

Details of principal operating subsidiary undertakings are shown on page 21.

NOTES ON THE ACCOUNTS (continued)

12. INVESTMENTS IN ASSOCIATED UNDERTAKINGS

	Group		Company	
	1992	1991	1992	1991
	£m	£m	£m	£m
Book value - unlisted	7.9	7.6	5.0	5.3

Advances to associated undertakings are included in advances to customers and other accounts (Note 10).

The Group's share of the finance debtors of associated undertakings is £346m (1991:£351m).

Details of associated undertakings are shown on page 22.

13. OPERATING LEASE ASSETS

	Group £m
Cost at 1st January 1992	108.7
Acquisition of subsidiary undertaking	117.5
Additions	61.9
Disposals	(73.8)
Cost at 31st December 1992	214.3
Depreciation at 1st January 1992	26.3
Acquisition of subsidiary undertaking	43.2
Disposals	(38.8)
Charge for year	37.7
Depreciation at 31st December 1992	68.4
Net book value at 31st December 1992	145.9

At the balance sheet date authorised expenditure for operating lease assets was £74.2 million (1991:£62.7 million).

14. PROPERTY AND EQUIPMENT

	Group		Company	
	Property	Equipment	Property	Equipment
	£m	£m	£m	£m
Cost or valuation				
At 1st January 1992	20.3	42.7	20.1	42.2
Exchange rate differences	0.1	-	-	-
Acquisition of subsidiary undertaking	0.3	1.3	-	-
Additions	7.3	8.1	7.3	8.0
Disposals	-	(4.9)	-	(4.8)
At 31st December 1992	28.0	47.2	27.4	45.4
Depreciation				
At 1st January 1992	-	23.5	-	23.3
Acquisition of subsidiary undertaking	0.3	0.8	-	-
Disposals	-	(2.5)	-	(2.4)
Charge for year	0.2	7.0	0.1	6.7
At 31st December 1992	0.5	28.8	0.1	27.3
	27.5	18.4	27.3	17.8
Net book value at 31st December 1992	45.9		45.1	
	20.3	19.2	20.1	18.9
Net book value at 31st December 1991	39.5		39.0	

continued.....

NOTES ON THE ACCOUNTS (continued)

14. PROPERTY AND EQUIPMENT (continued)

The property valuations in 1990, at open market values on an existing use basis, were carried out by independent professional valuers.

Cost or valuation of property comprises:

	<u>Group</u>		<u>Company</u>	
	<u>Freehold</u>	<u>Short Leasehold</u>	<u>Freehold</u>	<u>Short Leasehold</u>
	<u>£m</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>
Valuation - 1990	18.1	0.4	18.1	0.4
Cost	7.3	2.2	7.3	1.6
	<u>25.4</u>	<u>2.6</u>	<u>25.4</u>	<u>2.0</u>

Future capital expenditure

	<u>Group and Company</u>	
	<u>1992</u>	<u>1991</u>
	<u>£m</u>	<u>£m</u>
Contracted for but not provided in the accounts	7.0	0.4
Authorised by the Board but not contracted for	2.3	8.6

15. DEPOSIT AND OTHER ACCOUNTS

	<u>Group</u>		<u>Company</u>	
	<u>1992</u>	<u>1991</u>	<u>1992</u>	<u>1991</u>
	<u>£m</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>
Short term loans and deposits	1,619.6	1,605.7	1,432.5	1,432.0
Short and medium term loans:				
Bank of Scotland	-	1,701.3	-	1,694.4
Bank of Scotland Treasury Services PLC	1,678.2	-	1,672.4	-
	<u>3,297.8</u>	<u>3,307.0</u>	<u>3,104.9</u>	<u>3,126.4</u>

16. CREDITORS

	<u>Group</u>		<u>Company</u>	
	<u>1992</u>	<u>1991</u>	<u>1992</u>	<u>1991</u>
	<u>£m</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>
Creditors and accruals	479.4	368.8	300.1	311.2
Dividends	14.0	11.5	14.0	11.5
	<u>493.4</u>	<u>380.3</u>	<u>314.1</u>	<u>322.7</u>

continued.....

NOTES ON THE ACCOUNTS (continued)

16. CREDITORS (continued)

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

	Group		Company	
	1992	1991	1992	1991
	£m	£m	£m	£m
Within one year	82.5	51.4	57.7	53.4
Between one and five years	90.0	66.6	73.3	66.4
In over five years	0.5	0.2	0.5	0.2
	<u>173.0</u>	<u>118.2</u>	<u>131.5</u>	<u>118.2</u>

17. DEFERRED TAXATION

	1992		1991	
Group	Provided for in accounts £m	Potential liability £m	Provided for in accounts £m	Potential liability £m
Short term timing differences	(4.8)	(4.8)	(3.5)	(3.5)
Capital allowances:				
On assets leased to customers	179.8	215.5	178.5	212.6
On other assets	1.2	1.7	1.1	1.6
	<u>176.2</u>	<u>212.4</u>	<u>176.1</u>	<u>210.7</u>
Company				
Short term timing differences	(0.7)	(0.7)	(0.7)	(0.7)
Capital allowances:				
On assets leased to customers	1.9	3.5	1.5	1.5
On other assets	1.2	1.7	1.1	1.6
	<u>2.4</u>	<u>4.5</u>	<u>1.9</u>	<u>2.4</u>

18. LEASING EARNINGS EQUALISATION

	Group £m
Balance at 1st January 1992	13.5
Credit to profit and loss account	4.6
Balance at 31st December 1992	<u>8.9</u>

19. GOVERNMENT GRANTS

	Group £m
Balance at 1st January 1992	1.5
Credit to profit and loss account	0.6
Balance at 31st December 1992	<u>0.9</u>

NOTES ON THE ACCOUNTS (continued)

20. SHARE CAPITAL

	Authorised		Issued and fully paid	
	1992	1991	1992	1991
	£m	£m	£m	£m
Ordinary shares of £1 each	50.0	30.0	36.4	21.4
9.375% Non-cumulative preference shares of £1 each	20.0	20.0	20.0	20.0
	<u>70.0</u>	<u>50.0</u>	<u>56.4</u>	<u>41.4</u>

During the year the authorised share capital was increased by £20m by the creation of 20 million ordinary shares of £1 each. On 1st June 1992 15 million ordinary shares were issued at par for cash to increase the company's capital base.

21. RESERVES

	Group	Associated undertakings	Total	Company
	£m	£m	£m	£m
At 1st January 1992	155.4	0.2	155.6	121.7
Goodwill written off	(1.1)	-	(1.1)	-
Exchange rate differences	(0.1)	0.3	0.2	-
Retained profit for the year	<u>25.8</u>	<u>0.4</u>	<u>26.2</u>	<u>13.5</u>
At 31st December 1992	<u>180.0</u>	<u>0.9</u>	<u>180.9</u>	<u>135.2</u>

The Group and Company reserves include £2.6m (1991:£2.6m) on share premium account which is not available for distribution.

The cumulative amount of goodwill on acquisition written off in the Group reserves is £1.9m (1991:£0.8m).

22. LOAN CAPITAL

Loan capital comprises floating rate loans from Bank of Scotland which are subordinated to the claims of creditors and which are repayable as follows:

	Group and Company	
	1992	1991
	£m	£m
31st December 1999 or later	66.0	66.0
Perpetual loans	<u>55.0</u>	<u>55.0</u>
	<u>121.0</u>	<u>121.0</u>

23. COMMITMENTS UNDER OPERATING LEASES

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

	Land and buildings			
	Group	Company	Group	Company
	1992	1991	1992	1991
	£m	£m	£m	£m
Operating leases which expire:				
Between one and five years	0.4	0.3	0.3	0.3
In over five years	<u>3.4</u>	<u>3.1</u>	<u>3.1</u>	<u>2.9</u>
	<u>3.8</u>	<u>3.4</u>	<u>3.4</u>	<u>3.2</u>

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

NOTES ON THE ACCOUNTS (continued)

34. GROUP CASH FLOW STATEMENT

(a) Reconciliation of operating profit to net cash inflow from operating activities

	<u>1992</u> <u>£m</u>	<u>1991</u> <u>£m</u>
Operating profit	55.6	26.9
Net decrease in accrued interest and expenses payable	(13.2)	(26.2)
Net decrease in income received in advance	(7.1)	(4.0)
Net increase in provisions for bad and doubtful debts	19.6	22.0
Depreciation	44.9	24.6
Government grants	(0.9)	(0.9)
Leasing earnings equalisation	(6.9)	(2.4)
Net cash flow from trading activities	92.0	62.0
Net increase in creditors	24.2	32.4
Net increase in advances to customers and other accounts	(89.7)	(426.7)
Net (decrease)/increase in deposit and other accounts	(9.2)	371.0
Net cash inflow from operating activities	17.3	38.7

(b) Analysis of changes in share capital during the year

	<u>1992</u> <u>£m</u>	<u>1991</u> <u>£m</u>
Balance at 1st January	(41.4)	(41.4)
Issue of share capital	(15.0)	-
Balance at 31st December	(56.4)	(41.4)

(c) Analysis of changes in cash and cash equivalents during the year

	<u>1992</u> <u>£m</u>	<u>1991</u> <u>£m</u>
Balance at 1st January	29.9	21.0
Net cash (outflow)/inflow	(7.9)	3.9
Balance at 31st December	22.0	29.9

continued.....

NOTES ON THE ACCOUNTS (continued)

24. GROUP CASH FLOW STATEMENT (continued)

(d) Analysis of the balances of cash and cash equivalents as shown in the balance sheet

	<u>1992</u> <u>£m</u>	<u>1991</u> <u>£m</u>	<u>1990</u> <u>£m</u>
Cash and balances with banks	19.0	16.4	16.2
Money at call and short notice	3.0	13.5	4.8
	<u>22.0</u>	<u>29.9</u>	<u>21.0</u>

25. APPROVAL OF ACCOUNTS

The Group accounts, which have been prepared in accordance with the special provisions of PART VII of the Companies Act 1985 relating to Banking Groups and in accordance with applicable Accounting Standards, were approved by the Directors on 25th March 1993.

26. PARENT UNDERTAKING

The ultimate parent undertaking is the Governor and Company of the Bank of Scotland constituted by Act of the Scottish Parliament in 1695. Copies of Bank of Scotland's accounts can be obtained from The Mound, Edinburgh.

SUBSIDIARY AND ASSOCIATED UNDERTAKINGS
AS AT 31st DECEMBER 1992

PRINCIPAL OPERATING SUBSIDIARY UNDERTAKINGS	Percentage of equity capital and voting rights held by NWS BANK plc	Principal activity	Accounting reference date
Capital Incentives plc	100	Promotional incentives	31st December
Godfrey Davis (Contract Hire) Limited	100	Contract hire	31st December
Equity Bank Limited	100	Banking	31st December
*Flexifly Limited	100	Leasing	28th February
*Glosstrips Limited	100	Leasing	28th February
IBOS Finance Limited	100	Leasing	31st December
IBOS Meadowhall Investments Limited	100	Property investment	30th September
NWS Agencies Limited	100	Treasury services	31st December
NWS Contract Hire Limited	100	Contract hire	31st December
NWS Property Investments Limited	100	Property investment	31st December
NWS Property Investments (3) Limited	100	Property investment	31st March
*NWS Trust Limited	100	Finance	31st December
NWS 1 Limited	100	Leasing	31st January
NWS 3 Limited	100	Leasing	31st March
NWS 4 Limited	100	Leasing	30th April
NWS 5 Limited	100	Leasing	31st May
NWS 6 Limited	100	Leasing	30th June
NWS 7 Limited	100	Leasing	31st July
*NWS 8 Limited	100	Leasing	31st August
NWS 9 Limited	100	Leasing	30th September
NWS 10 Limited	100	Leasing	31st October
NWS 11 Limited	100	Leasing	30th November
*NWS 12 Limited	100	Leasing	31st December
*Seaforth Maritime (Highlander) Limited	100	Leasing	28th February
*Seaforth Maritime (Jarl) Limited	100	Leasing	28th February
The Mortgage Business plc	100	Mortgage loans	31st March
Tower Hill Property Investments (1) Limited	90	Property investment	31st January
Tower Hill Property Investments (7) Limited	90	Property investment	31st July
Tower Hill Property Investments (10) Limited	90	Property investment	31st October

NWS BANK plc and each of the above subsidiary undertakings are registered in England and Wales with the exception of Equity Bank Limited which is incorporated in Eire and those marked * which are registered in Scotland.

continued.....

**SUBSIDIARY AND ASSOCIATED UNDERTAKINGS
AS AT 31st DECEMBER 1992 (continued)**

	Percentage of equity capital and voting rights held by <u>NWS BANK plc</u>	Accounting reference <u>date</u>
ASSOCIATED UNDERTAKINGS		
Automobile Association Financial Services Limited	50	31st December
Leeds Permanent Financial Services Limited	50	30th September
Ruby Aircraft Leasing And Trading Limited	20	31st March
Sapphire Aircraft Leasing And Trading Limited	20	31st March
*Owen Owen Finance Limited	50	31st December
*Renault Financial Services Limited	50	31st December
*NFU Mutual Finance Limited	80	31st December

All associated companies are registered in England and Wales.

*Although NWS BANK plc owns more than 50% of the total equity of these companies, 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 undertakings. Fractions of a percent in the equity capital have been rounded in the above disclosure.

JOINT VENTURE

The company has a 50% involvement in a joint venture, AA Financial Services, which has an accounting reference date of 31st December and whose principal place of business is NWS House, City Road, Chester.