

Company No. 806462

ROYSCOT LEASING LIMITED

DIRECTORS' REPORT AND ACCOUNTS

30th SEPTEMBER 1998



ROYSCOT LEASING LIMITED

REPORT AND ACCOUNTS FOR THE YEAR ENDED 30th SEPTEMBER 1998

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ROYSCOT LEASING LIMITED

DIRECTORS AND OFFICERS

DIRECTORS

Clive Richard Dobbs
John Huw Evans
Brian Ward Heaney
John Reginald Pollard
Michael Ian Charles Woodcock

SECRETARY

Michael Ian Charles Woodcock

REGISTERED OFFICE

RoyScot House
The Promenade
Cheltenham
Gloucestershire GL50 1PL

ROYSCOT LEASING LIMITED

Directors' report

The directors present their annual report, together with the audited accounts for the year ended 30th September 1998.

Results

The results for the year are set out on page 8. The directors do not recommend the payment of a dividend (1997: Nil).

Business review

The principal activity of the company, which is a wholly owned subsidiary of RoyScot Trust plc, is the provision of leasing facilities.

The company will continue to operate in the asset financing market.

Directors

The present directors of the company are listed on page 2. At 30th September 1998, the members of the board of directors were:-

John Huw Evans
David John McIntosh Finlayson
Brian Ward Heaney
John Reginald Pollard
Michael Ian Charles Woodcock

During the year to 30th September 1998, the following change was made in the composition of the board of directors:-

Mr D J M Finlayson resigned as a director of the company with effect from 30th September 1998.

Subsequent to 30th September 1998, the following change has occurred:-

Mr C R Dobbs was appointed a director of the company with effect from 1st October 1998.

Directors' interests

No director had any interest in the ordinary shares of the company on 30th September 1998 nor on 1st October 1997.

The interests of the directors at 30th September 1998 in the share or loan capital of the ultimate holding company, The Royal Bank of Scotland Group plc, or in the share or loan capital of its subsidiary undertakings are shown on page 5.

ROYSCOT LEASING LIMITED

Year 2000

The directors recognise the importance of the Year 2000 issue and the consequences it may have for the company and its suppliers and customers.

The company has a continuous programme of systems maintenance and development which includes addressing the problems posed by Year 2000. The costs of addressing the Year 2000 issue are therefore absorbed in the ongoing IT development expenditure of the company.

Policy and practice on payment of creditors

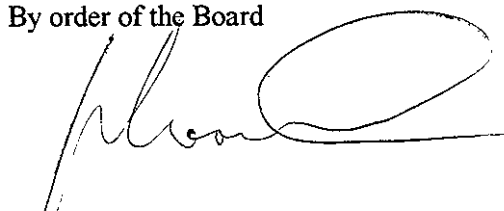
In the year ending 30th September 1999, the company will adhere to the following payment policy in respect of all suppliers. The company is committed to maintaining a sound commercial relationship with its suppliers. Consequently, it is the company's policy to negotiate and agree terms and conditions with its suppliers which includes the giving of an undertaking to pay suppliers within 30 days of receipt of a correctly prepared invoice submitted in accordance with the terms of the contract or other agreed period.

The proportion which the amount owed to trade creditors at 30th September 1998 bears to the amounts invoiced by suppliers during the year then ended equated to 10 days proportion of 365 days.

Auditors

Messrs Coopers & Lybrand resigned as auditors of the company on 14th August 1998 and were replaced by Messrs PricewaterhouseCoopers who have indicated their willingness to continue in office. Resolutions to re-appoint them and to authorise the directors to fix their remuneration will be proposed at the Annual General Meeting.

By order of the Board



M I C Woodcock
Secretary
CHELTENHAM

12th November 1998

ROYSCOT LEASING LIMITED

DIRECTORS' INTERESTS IN THE SHARE OR LOAN CAPITAL OF THE ROYAL BANK OF SCOTLAND GROUP plc AND SUBSIDIARY UNDERTAKINGS

The following directors were beneficially interested in the 25p ordinary shares of The Royal Bank of Scotland Group plc, the ultimate holding company.

	<u>1st October 1997</u>	<u>30th September 1998</u>
	<u>Shares</u>	<u>Shares</u>
J H Evans	1,075	2,021
D J M Finlayson	21,297	22,885
J R Pollard	7,966	9,053
M I C Woodcock	4,749	4,598

Options to subscribe for 25p ordinary shares of The Royal Bank of Scotland Group plc granted to and exercised by directors during the year to 30th September 1998 are included in the table below:

	<u>At 1st October 1997</u>	<u>Options granted</u>	<u>Price £</u>	<u>Options exercised</u>	<u>Price £</u>	<u>At 30th Sept 1998</u>
J H Evans	Nil	2,158	7.99	Nil	-	2,158
D J M Finlayson	66,725	97	7.99	23,000 488	3.99 2.12	43,334
B W Heaney	Nil	976	7.99	Nil	-	976
J R Pollard	5,314	604	7.99	2,278	2.12	3,640
M I C Woodcock	4,804	Nil	-	Nil	-	4,804

No director had an interest in any of the preference shares of The Royal Bank of Scotland Group plc during the year to 30th September 1998.

In addition, during that period, none of the directors held a beneficial interest in the loan capital of The Royal Bank of Scotland Group plc or in the share or loan capital of any of the other subsidiaries of The Royal Bank of Scotland Group plc.

ROYSCOT LEASING LIMITED

Statement of directors' responsibilities

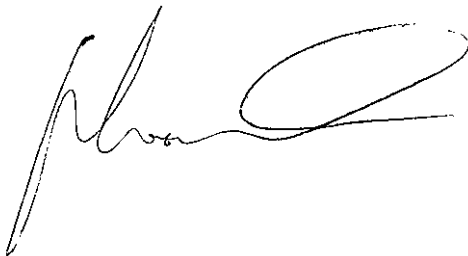
Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year. In preparing those financial statements, the directors are required to:

- 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 presume that the company will continue in business.

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

The directors confirm that these financial statements comply with the aforementioned requirements.

By order of the Board

A handwritten signature in black ink, appearing to read 'M I C Woodcock', with a large, stylized loop at the end.

M I C Woodcock
Secretary
CHELTENHAM
12th November 1998

ROYSCOT LEASING LIMITED

Accounting policies

The accounts on pages 7 to 13 are prepared in accordance with applicable accounting standards in the United Kingdom. The principal accounting policies adopted by the company are described below.

1. Accounting convention

The accounts are prepared under the historical cost convention. In accordance with Schedule 4 of the Companies Act 1985, the directors have adapted the prescribed formats of the accounts as required by the special nature of the business.

2. Amounts receivable under finance leases

Income from finance leases is recognised over the primary period of the lease in order that 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. Finance lease receivables are stated at the amount of the net investment in the lease. Included in amounts receivable under finance leases are receivables associated with assets leased from third party finance lessors. The obligations are included in creditors. The finance charges are allocated to accounting periods on the 'Rule of 78' basis.

3. Taxation

Provision is made for taxation at current rates on the taxable profits.

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 to the extent that they are likely to crystallise in the foreseeable future.

4. Provisions for bad and doubtful debts

Provisions are made against receivables when it is considered that recovery is doubtful or losses are anticipated.

Provisions made during the year are charged against profits. Receivables classified as bad debts are written off in part or in whole when the extent of the loss incurred has been confirmed.

ROYSCOT LEASING LIMITED

Profit & loss account

for the year ended 30th September 1998

			1997
	Note	£	£
Gross earnings under finance leases	2	5,719,878	5,626,629
Write-down of finance lease receivables due to reduction in corporation tax rate	5	(94,022)	(216,377)
Other income		<u>57,180</u>	<u>50,250</u>
		5,683,036	5,460,502
Interest payable	3	(4,151,248)	(3,821,999)
Operating costs		<u>(1,103,229)</u>	<u>(853,448)</u>
Profit on ordinary activities before taxation	3	428,559	785,055
Taxation credit due to reduction in corporation tax rate	5	188,484	397,001
Taxation on ordinary activities	5	<u>(170,903)</u>	<u>(311,244)</u>
	5	17,581	85,757
Profit for the year	11	<u>446,140</u>	<u>870,812</u>

The company has no recognised gains and losses other than those included in the profit above, and therefore no separate statement of total recognised gains and losses has been presented.

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

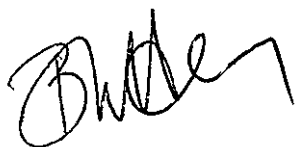
The results above derive from the continuing operations of the company.

ROYSCOT LEASING LIMITED

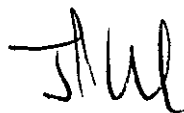
Balance sheet
at 30th September 1998

	Note	£	1997 £
Current assets			
Finance lease receivables due within one year	6	16,767,981	16,518,267
Finance lease receivables due after more than one year	6	44,982,234	51,244,529
Debtors	7	<u>539,196</u>	<u>2,857,823</u>
		62,289,411	70,620,619
Current liabilities			
Creditors: amounts falling due within one year	8	<u>(55,197,645)</u>	<u>(63,474,126)</u>
Total assets less current liabilities		7,091,766	7,146,493
Provisions for liabilities and charges			
Deferred taxation	9	<u>(4,467,733)</u>	<u>(4,968,600)</u>
Net assets		<u>2,624,033</u>	<u>2,177,893</u>
Capital and reserves			
Called-up share capital	10	50,000	50,000
Profit and loss account	11	<u>2,574,033</u>	<u>2,127,893</u>
Equity shareholders' funds	12	<u>2,624,033</u>	<u>2,177,893</u>

B W Heaney
Director



J R Pollard
Director



ROYSCOT LEASING LIMITED

Notes on the accounts

for the year ended 30th September 1998

1. Ultimate holding company

The company is a wholly owned subsidiary of RoyScot Trust plc. The company's ultimate holding company is The Royal Bank of Scotland Group plc which is incorporated in Great Britain and registered in Scotland. Copies of the accounts 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.

2. Gross earnings under finance leases

	£	1997 £
Rentals receivable	21,377,694	19,097,506
Amortisation	(15,657,816)	(13,471,436)
Pre-tax equalisation	-	559
	<u>5,719,878</u>	<u>5,626,629</u>

3. Profit on ordinary activities before taxation

The profit on ordinary activities before taxation is stated after charging:

	£	1997 £
Interest payable to group undertakings	4,151,248	3,821,999
Auditors' remuneration	6,720	6,570
Finance charges payable under finance leases	-	18,068

4. Directors' emoluments

None of the directors received any emoluments in respect of their services to the company during the year. Two directors exercised share options during the year.

ROYSCOT LEASING LIMITED

Notes on the accounts - continued

5. Taxation on profit on ordinary activities

	£	1997 £
Group relief		
- current year	484,796	786,133
- prior year	<u>(1,510)</u>	<u>(32,004)</u>
	<u>483,286</u>	<u>754,129</u>
Deferred taxation		
- current year	(312,383)	(475,370)
- credit due to change in corporation tax rate	(160,277)	(329,924)
- credit due to the write-down of finance lease receivables	<u>(28,207)</u>	<u>(67,077)</u>
	<u>(188,484)</u>	<u>(397,001)</u>
- prior year	—	<u>32,485</u>
	<u>(500,867)</u>	<u>(839,886)</u>
	<u>(17,581)</u>	<u>(85,757)</u>

The tax charge for the current years has been based on a corporation tax rate of 31% (1997 32%)

The change in corporation tax rate from 31% to 30% effective from 1 April 1999 has reduced the deferred tax liability in respect of finance lease business. Where appropriate the benefit will be passed on to customers, resulting in the value of future rentals receivable being reduced. Accordingly, a write-down of finance lease receivables of £94,022 has been charged to the profit before tax in the current year and a corresponding reduction of £188,484 in the deferred tax liability has been recognised in the tax charge.

The change in corporation tax rate from 33% to 31% effective from 1 April 1997 produced the 1997 write down in finance lease receivables of £216,377 and the reduction in the deferred tax liability of £397,001.

6. Finance lease receivables

The cost of assets acquired during the year for the purpose of letting under finance leases amounted to £14,710,463 (1997-£26,295,161).

7. Debtors

	£	1997 £
Amounts falling due within one year:		
Amounts due from other group undertakings	29,880	32,712
Other debtors	<u>509,316</u>	<u>2,825,111</u>
	<u>539,196</u>	<u>2,857,823</u>

ROYSCOT LEASING LIMITED

Notes on the accounts - continued

8. Creditors

	1997	
	£	£
Amounts falling due within one year:		
Obligations under finance leases	-	129,890
Trade creditors	1,798,303	2,564,108
Amounts owed to immediate holding company	52,068,231	58,527,291
Amounts owed to other group undertakings	1,121,781	2,004,819
Other creditors	<u>209,330</u>	<u>248,018</u>
	<u>55,197,645</u>	<u>63,474,126</u>

9. Deferred taxation

The full potential deferred tax liability at 30% (1997 31%) has been recognised in the accounts as shown below:

	1997	
	£	£
Capital allowances on assets held for letting under finance leases	<u>4,467,733</u>	<u>4,968,600</u>

The movement during the year is as follows:

	1997	
	£	£
At beginning of year	4,968,600	5,808,212
Credit for year	(500,867)	(839,886)
Transfer from finance lease receivables	<u>-</u>	<u>274</u>
At end of year	<u>4,467,733</u>	<u>4,968,600</u>

10. Called-up share capital

	1997	
	£	£
Authorised, called-up and fully paid: 50,000 Ordinary shares of £1 each	<u>50,000</u>	<u>50,000</u>

11. Profit and loss account

	1997	
	£	£
At beginning of year	2,127,893	1,257,081
Profit for the year	<u>446,140</u>	<u>870,812</u>
At end of year	<u>2,574,033</u>	<u>2,127,893</u>

ROYSCOT LEASING LIMITED

Notes on the accounts - continued

12. Reconciliation of movements in equity shareholders' funds

	£	1997 £
Profit for the year	446,140	870,812
Equity shareholders' funds at beginning of year	<u>2,177,893</u>	<u>1,307,081</u>
Equity shareholders' funds at end of year	<u>2,624,033</u>	<u>2,177,893</u>

13. Capital commitments

No capital expenditure was contracted but not provided for as at 30th September 1998 (1997 - nil).

14. Contingent liabilities

There were no contingent liabilities at 30th September 1998.

15. Cash flow statement

The company has not prepared a cash flow statement in accordance with an exemption from FRS1 (Revised), as it is a wholly owned subsidiary undertaking of an EU parent company which prepares consolidated accounts incorporating a cash flow statement.

16. Related party transactions

The company has taken advantage of the exemptions available to it in paragraph 17 of Financial Reporting Standard 8, 'Related Party Disclosures', not to disclose any transactions with entities that are part of the group or investors of the group qualifying as related parties.

17. Approval of accounts

The accounts were approved by the board of directors on 12th November 1998

ROYSCOT LEASING LIMITED

Report of the auditors

To the members of RoyScot Leasing Limited

We have audited the financial statements on pages 7 to 13, which have been prepared under the historical cost convention and the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

As described on page 6 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with 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 30th September 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors

Bristol, 13 November 1998