

(Company No. 1653773)

**W. & G. EQUIPMENT LEASING LIMITED**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**30 JUNE 2000**



# W. & G. EQUIPMENT LEASING LIMITED

## REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2000

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**W. & G. EQUIPMENT LEASING LIMITED**

**DIRECTORS AND OFFICERS**

**DIRECTORS**

Davies Burns Elder  
Adrian Colin Farnell  
William Vaughan Latter  
Jonathan Michael Sweetman

**SECRETARY**

Angela Cunningham

**REGISTERED OFFICE**

The Quadrangle  
The Promenade  
Cheltenham  
Gloucestershire GL50 1PX

**PRINCIPAL OFFICE**

The Quadrangle  
The Promenade  
Cheltenham  
Gloucestershire GL50 1PX

## W. & G. EQUIPMENT LEASING LIMITED

### DIRECTORS' REPORT

The Directors present their annual report, together with the audited financial statements for the year ended 30 June 2000.

### RESULTS

The results for the year are set out on page 9. The Directors recommend the payment of a final dividend of £667,000 (1999 – Interim Dividend of £2,044,000). The retained profit for the year to 30 June 2000 to be transferred to reserves will amount to £1,925,000 (1999- Loss of £1,751,000).

### BUSINESS REVIEW

The principal activity of the Company, which is a wholly owned subsidiary of Royal Bank Leasing Limited, is the provision of fixed asset finance usually involving individually structured facilities.

The Company will continue to operate in the fixed asset financing market.

### DIRECTORS

The current Directors are as shown on page 2.

At 30 June 2000, the Members of the Board of Directors were:-

Mr Adrian Colin Farnell  
Mr William Vaughan Latter  
Mr Jonathan Michael Sweetman

The following were appointed to the board:

Mr D B Elder on 1 July 2000

The following have resigned from the board:

Mr T Carr on 26 June 2000

### DIRECTORS' INTERESTS

No Director had any interest in the ordinary shares of the Company on 30 June 2000 nor on 1 July 1999.

The interests of the Directors at 30 June 2000 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 companies are shown on page 5.

## W. & G. EQUIPMENT LEASING LIMITED

### POLICY AND PRACTICE ON PAYMENT OF CREDITORS

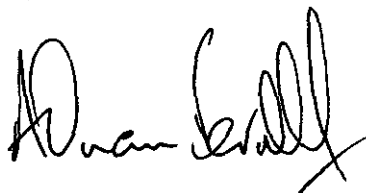
In the year ending 30 June 2001 the Company will adhere to the following payment policy in the respect of all suppliers. The Company is committed to maintaining a sound commercial relationship with its suppliers. The Company's policy for trade creditors arising on purchases of equipment for the purpose 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, which includes the giving of an undertaking by the Company to pay suppliers within 30 days of receipt of a correctly prepared invoice submitted in accordance with the terms of the contract.

The proportion which the amount owed to other trade creditors at 30 June 2000 bears to the amounts invoiced by suppliers during the year then ended equated to nil days proportion of 365 days.

### AUDITORS

Messrs PricewaterhouseCoopers resigned as Auditors of the Company on 21 March 2000 and were replaced by Messrs Deloitte & Touche who have indicated their willingness to continue in office and 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.



A C Farnell  
Director  
CHELTENHAM

26 February 2001

## W. & G. EQUIPMENT 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.

On 29 November 1999 The Royal Bank of Scotland Group plc ('RBSG'), the company's ultimate holding company, announced an offer ('the Offer') to acquire the entire issued ordinary share capital of National Westminster Bank Plc ('NatWest'), the terms of which were increased on 31 January 2000. On 14 February 2000 RBSG announced that the Offer had become unconditional as to acceptances and on 6 March 2000 the Offer was declared unconditional in all respects at which time RBSG acquired control of NatWest.

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

	At 1 July 1999	At 30 June 2000
	<u>Shares</u>	<u>Shares</u>
A C Farnell	5,410	9,112
W V Latter	3,321	6,825
J M Sweetman	12,769	15,049

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 30 June 2000 are included in the table below:-

	<u>Options Granted</u>			<u>Options Exercised</u>		At 30
	At 1 July 1999	<u>Number</u>	<u>Price</u> £	<u>Number</u>	<u>Price</u> £	June 2000
A C Farnell	4,795	-	-	2,808	3.44	1,987
W V Latter	5,507	-	-	2,005	3.44	3,502
J M Sweetman	11,540	-	-	1,183	3.44	10,357

No Director had an interest in any of the preference shares of The Royal Bank of Scotland Group plc during the year to 30 June 2000.

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.

**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 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;

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.

**AUDITORS' REPORT TO THE MEMBERS OF W & G EQUIPMENT LEASING LIMITED**

We have audited the financial statements on pages 8 to 15 which have been prepared under the accounting policies set out on page 8.

**Respective responsibilities of directors and auditors.**

As described on page 6, the company's directors are responsible for the preparation of financial statements, which are required to be prepared in accordance with applicable United Kingdom law and accounting standards. 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 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 June 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Deloitte & Touche*

*27 February 2001*

**Deloitte & Touche**

Chartered Accountants and Registered Auditors

Queen Anne House

69-71 Queen Square

Bristol BS1 4JP



**ACCOUNTING POLICIES**

The financial statements on pages 8 to 15 are prepared on the basis of the principal accounting policies adopted by the Company described below and applicable Accounting Standards. Accounting policies have been applied consistently.

**1 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.

**2 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.

**3 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.

**4 TANGIBLE FIXED ASSETS**

Tangible fixed assets are included in the balance sheet at cost less accumulated depreciation. 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.

**5 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.

**6 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).

**PROFIT AND LOSS ACCOUNT**  
for the year ended 30 June 2000

	Note	CONTINUING OPERATIONS	
		2000 £'000	1999 £'000
Lease income	3	11,515	4,783
Exceptional profit on disposal of current asset investment	4	-	329
Other income	5	803	11
Depreciation on operating leases		<u>(2,481)</u>	<u>(1,796)</u>
		9,837	3,327
Finance charges	5	(5,639)	(2,794)
Operating expenses	5	<u>(532)</u>	<u>(398)</u>
OPERATING PROFIT AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5	3,666	135
Taxation (charge)/credit on profit on ordinary activities	6	<u>(1,074)</u>	<u>158</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		2,592	293
Dividend for the year - interim paid		-	(2,044)
Dividend for the year - final proposed		<u>(667)</u>	<u>-</u>
RETAINED PROFIT/(LOSS) FOR THE YEAR	12	<u><u>1,925</u></u>	<u><u>(1,751)</u></u>

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

The Company has no recognised gains and losses other than those included in the profits shown above and therefore no separate statement of total recognised gains and losses has been presented.

The notes on pages 11 to 15 form part of these financial statements.

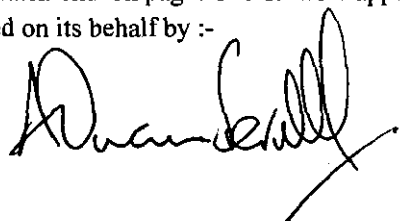
# W & G EQUIPMENT LEASING LIMITED

## BALANCE SHEET

at 30 June 2000

	Note	2000 £'000	1999 £'000
<b>FIXED ASSETS</b>	7	24,727	29,751
<b>CURRENT ASSETS</b>			
Finance lease receivables due within one year		3,226	2,922
Finance lease receivables due after more than one year		92,911	108,449
Debtors	8	<u>4,673</u>	<u>2,179</u>
		100,810	113,550
Creditors: amounts falling due within one year	9	<u>(20,786)</u>	<u>(18,680)</u>
<b>NET CURRENT ASSETS</b>		<u>80,024</u>	<u>94,870</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		104,751	124,621
<b>CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>	9	(72,258)	(100,205)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	10	<u>(26,009)</u>	<u>(19,857)</u>
<b>NET ASSETS</b>		<u>6,484</u>	<u>4,559</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	11	1	1
Reserves	12	<u>6,483</u>	<u>4,558</u>
<b>EQUITY SHAREHOLDERS' FUNDS</b>	13	<u>6,484</u>	<u>4,559</u>

The financial statements on pages 8 to 15 were approved by the Board of Directors on 26 February 2001 and were signed on its behalf by :-



Director

The notes on pages 11 to 15 form part of these financial statements.

## NOTES ON THE FINANCIAL STATEMENTS

## 1 ULTIMATE HOLDING COMPANY

The Company is a wholly owned subsidiary of Royal Bank Leasing Limited. 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. Andrews Square, Edinburgh, EH2 2YE.

## 2 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.

3	TURNOVER	2000 £'000	1999 £'000
	<b>Lease income:</b>		
	Finance leases:		
	Rentals receivable	24,564	9,664
	Amortisation	(17,148)	(7,337)
		<u>7,416</u>	<u>2,327</u>
	Operating leases:		
	Rentals receivable	<u>4,099</u>	<u>2,456</u>
		<u>11,515</u>	<u>4,783</u>
	<b>Capital cost of assets financed:</b>		
	Finance leases	104	67,134
	Operating leases	<u>55</u>	<u>21,366</u>
		<u>159</u>	<u>88,500</u>

## 4 EXCEPTIONAL PROFIT ON DISPOSAL OF CURRENT ASSET INVESTMENT

During 1999, the company acquired 1.4% of the ordinary share capital of Sapphire Aircraft Trading and Leasing Limited from its holding company, Royal Bank Leasing Limited, at a cost of £17,412 and subsequently disposed of the investment for £354,192, resulting in a profit of £328,669 after expenses.

## NOTES ON THE FINANCIAL STATEMENTS

5	PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2000 £'000	1999 £'000
	Includes the following:		
	Other income:	<u>803</u>	<u>11</u>
	Finance charges:		
	Interest payable to group undertakings	<u>5,639</u>	<u>2,794</u>
	Operating expenses:		
	Bad debt recoveries	(29)	(5)
	Fees & commissions	151	59
	Management charge	<u>410</u>	<u>344</u>
		<u>532</u>	<u>398</u>

The directors and employees are employed and remunerated by Royal Bank Leasing Limited. Costs incurred in respect of their services to the Company are included in the management charge as shown below:

	2000 £	1999 £
Directors' emoluments	36,811	28,213
Auditors' remuneration - for audit services	8,620	8,390
Staff costs	<u>205,501</u>	<u>155,726</u>

Three directors exercised share options in the ultimate holding company during the year.

6	TAXATION	2000 £'000	1999 £'000
	Group relief:		
	- current year receivable	5,079	5,903
	- prior year payable	(1)	(35)
	Taxation equalisation	785	(283)
	Deferred taxation:		
	- current year	(6,937)	(5,608)
	- prior year	-	181
		<u>(1,074)</u>	<u>158</u>

The tax (charge)/credit for the current year has been based on an average Corporation Tax rate of 30% (1999 - 30.75%)

## NOTES ON THE FINANCIAL STATEMENTS

7	FIXED ASSETS	Assets for hire under operating leases £'000
	COST	
	At 1 July 1999	31,643
	Additions	55
	Reclassification	<u>(3,290)</u>
	At 30 June 2000	<u>28,408</u>
	DEPRECIATION	
	At 1 July 1999	(1,892)
	Charge for the year	(2,481)
	Reclassification	<u>692</u>
	At 30 June 2000	<u>(3,681)</u>
	NET BOOK VALUE	
	At 30 June 2000	<u>24,727</u>
	At 30 June 1999	<u>29,751</u>

During the year, the company entered into an agreement for provision of insurance on the residual value exposure. As a consequence of this, certain assets held under operating leases have been reclassified as finance lease receivables.

8	DEBTORS	2000 £'000	1999 £'000
	Amounts falling due within one year:		
	Trade debtors	192	314
	Amounts due by group undertakings	3,337	-
	Other debtors	<u>1,144</u>	<u>1,865</u>
		<u>4,673</u>	<u>2,179</u>

## NOTES ON THE FINANCIAL STATEMENTS

9	CREDITORS	2000 £'000	1999 £'000
	Amounts falling due within one year:		
	Payments received on account	3,670	1,317
	Amounts due to group undertakings	16,162	15,564
	Taxation and social security	609	831
	Other creditors	345	968
		<u>20,786</u>	<u>18,680</u>

Amounts falling due after more than one year:

Amounts due to group undertakings:		
Between one and two years	8,386	27,808
Between two and five years	16,692	18,675
After more than five years	47,180	53,722
	<u>72,258</u>	<u>100,205</u>

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.

## 10 PROVISIONS FOR LIABILITIES AND CHARGES

Movements during the year:	Tax equalisation £'000	Deferred taxation £'000	Total £'000
At 1 July 1999	923	18,934	19,857
(Credit)/charge to profit and loss account	<u>(785)</u>	<u>6,937</u>	<u>6,152</u>
At 30 June 2000	<u>138</u>	<u>25,871</u>	<u>26,009</u>

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

	2000 £'000	1999 £'000
Capital allowances on assets financed	<u>25,871</u>	<u>18,934</u>

## NOTES ON THE FINANCIAL STATEMENTS

## 11 SHARE CAPITAL

	Ordinary shares of £1 each	
	2000 £	1999 £
Authorised	<u>1,000</u>	<u>1,000</u>
Allotted, called up and fully paid	<u>1,000</u>	<u>1,000</u>

## 12 RESERVES

	£'000
At 1 July 1999	4,558
Retained profit for the year	<u>1,925</u>
At 30 June 2000	<u>6,483</u>

## 13 RECONCILIATION OF SHAREHOLDERS' FUNDS

	2000 £'000	1999 £'000
Profit for the financial year	2,592	293
Dividend	<u>(667)</u>	<u>(2,044)</u>
Net addition to/(reduction in) shareholders' funds	1,925	(1,751)
Opening shareholders' funds	<u>4,559</u>	<u>6,310</u>
Closing shareholders' funds	<u>6,484</u>	<u>4,559</u>