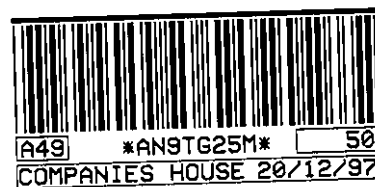


(Company No. 1653773)

W. & G. EQUIPMENT LEASING LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

30 JUNE 1997



W. & G. EQUIPMENT LEASING LIMITED

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 1997

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W. & G. EQUIPMENT LEASING LIMITED

DIRECTORS AND OFFICERS

DIRECTORS

Thomas Carr
Adrian Colin Farnell
William Vaughan Latter
Jonathan Michael Sweetman

SECRETARY

John Albert Lea

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 1997.

RESULTS

The results for the year are set out on page 9. An interim dividend of £679,000 was paid on 22 April 1997. The Directors do not recommend the payment of a final dividend. The retained profit for the year to 30 June 1997 to be transferred to reserves will amount to £93,588.

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 present Members of the Board of Directors are named on page 2.

At 30 June 1997, the Members of the Board of Directors were:-

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

During the year to 30 June 1997, the following changes were made in the composition of the Board of Directors.

On 31 January 1997, Mr Martin Graham Brown resigned as a Director of the Company.

On 6 May 1997, Mr William Vaughan Latter was appointed as a Director of the Company.

DIRECTORS' INTERESTS

No Director had any interest in the ordinary shares of the Company on 30 June 1997 nor on 1 July 1996.

The interests of the Directors at 30 June 1997 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

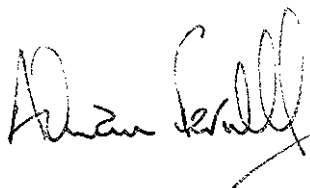
In the year ending 30 June 1998, the Company will adhere to the following payment policy in respect of all suppliers. The Company is committed to maintaining a sound commercial relationship with its suppliers. Consequently, it is the Company's policy to negotiate and agree terms and conditions with its suppliers, either directly or through its operating subsidiaries, which includes the giving of an undertaking to pay suppliers within 30 days of the date of invoice or such other agreed payment period.

The proportion which the amount owed to trade creditors at 30 June 1997 bears to the amounts invoiced by suppliers during the year then ended equated to nil days proportion of 365 days.

AUDITORS

A Resolution to reappoint the Auditors, Coopers & Lybrand 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

18 November 1997

W. & G. EQUIPMENT LEASING LIMITED

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

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 1996 (or date of appointment if later)	At 30 June 1997
	<u>Shares</u>	<u>Shares</u>
T Carr	3,631	3,670
A C Farnell	1,407	2,342
W V Latter	1,946	2,369
J M Sweetman	4,849	8,146

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 1997 are included in the table below:-

	At 1 July 1996 (or date of appointment if later)	<u>Options</u>	<u>Granted</u>	<u>Options</u>	<u>Exercised</u>	At 30 June 1997
		Number	Price £	Number	Price £	
T Carr	3,403	416	4.97	-	-	3,819
A C Farnell	4,116	-	-	-	-	4,116
W V Latter	4,885	-	-	-	-	4,885
J M Sweetman	9,097	485	4.97	2,072	1.52	7,510

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 1997.

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.

W & G EQUIPMENT 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 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 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.

W & G EQUIPMENT LEASING LIMITED

ACCOUNTING POLICIES

The financial statements on pages 9 to 14 are prepared on the basis of the principal accounting policies adopted by the Company described below and applicable Accounting Standards.

1 CHANGES IN ACCOUNTING POLICY

The financial statements have been amended to incorporate the requirements of UITF abstract 16 'Income and expenditure subject to non standard rates of tax' which became effective for accounting periods ending on or after 23 June 1997. It requires that income and expenses be included in the pre tax results on the basis of the amounts actually payable or receivable, without any adjustment to reflect a notional amount of tax that would have been paid or relieved in respect of the transaction if it had been taxable, or allowable for tax purposes on a different basis. Accordingly, notional income and tax adjustments are no longer included in the financial statements. However, in order to preserve the recognition of after tax profits in accordance with the actuarial after tax method, tax equalisation adjustments are made on those transactions which include permanent tax differences resulting from income and expenses subject to non standard rates of tax. There is no impact on the profit after tax arising from this change.

The effects of the above change are disclosed in notes 5 and 10 to the financial statements. Corresponding amounts for 1996 have been restated to reflect this change.

2 ACCOUNTING CONVENTION

The financial statements of the Company 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 financial statements as required by the special nature of the business.

3 GROSS EARNINGS UNDER FINANCE LEASES

Gross earnings under finance 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.

4 REGIONAL DEVELOPMENT GRANTS

Regional development grant income is credited to the profit and loss account in proportion to net cash invested.

5 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.

6 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.

W & G EQUIPMENT LEASING LIMITED

ACCOUNTING POLICIES-continued

7 CASH FLOW STATEMENT

As a wholly owned subsidiary of The Royal Bank of Scotland Group plc which publishes a cash flow statement, the Company is not required to produce a cash flow statement as prescribed in paragraph 8(c) of Financial Reporting Standard 1, 'Cash Flow Statements'.

W & G EQUIPMENT LEASING LIMITED

PROFIT AND LOSS ACCOUNT
for the year ended 30 June 1997

	Note	CONTINUING OPERATIONS	
		1996 £'000 as restated	1996 £'000 as restated
Gross earnings under leases	4	6,167	7,965
Exceptional write down of lease receivables	6	(2,429)	-
Other income	7	<u>24</u>	<u>54</u>
		3,762	8,019
Finance charges	7	(4,840)	(6,530)
Operating expenses	7	<u>(225)</u>	<u>(273)</u>
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	7	(1,303)	1,216
Taxation (charge)/credit before exceptional item	8	<u>(254)</u>	<u>782</u>
Exceptional taxation credit	8	<u>2,330</u>	<u>-</u>
Taxation credit on (loss)/profit on ordinary activities		<u>2,076</u>	<u>782</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		773	1,998
Dividend for the year		<u>(679)</u>	<u>(612)</u>
RETAINED PROFIT FOR THE YEAR	14	<u><u>94</u></u>	<u><u>1,386</u></u>

There is no difference between the loss 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.

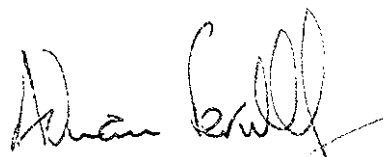
The notes on pages 11 to 14 form part of these financial statements.

W & G EQUIPMENT LEASING LIMITED

BALANCE SHEET
At 30 June 1997

	Note	£'000	1996 £'000 as restated
CURRENT ASSETS			
Finance lease receivables due within one year		9,398	4,932
Finance lease receivables due after more than one year		94,710	106,635
Debtors	9	12,506	3,262
Accrued income	10	<u>264</u>	<u>410</u>
		116,878	115,239
CURRENT LIABILITIES			
Creditors: amounts falling due within one year	11	<u>(20,256)</u>	<u>(11,417)</u>
NET CURRENT ASSETS		<u>96,622</u>	<u>103,822</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		96,622	103,822
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	11	(64,131)	(68,129)
PROVISIONS FOR LIABILITIES AND CHARGES	12	<u>(26,581)</u>	<u>(29,877)</u>
TOTAL NET ASSETS		<u>5,910</u>	<u>5,816</u>
CAPITAL AND RESERVES			
Called up share capital	13	1	1
Reserves	14	<u>5,909</u>	<u>5,815</u>
EQUITY SHAREHOLDERS' FUNDS	15	<u>5,910</u>	<u>5,816</u>

On behalf of the Board:



Director

The notes on pages 11 to 14 form part of these financial statements.

W & G EQUIPMENT LEASING LIMITED

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 or balances with entities that are part of the Group or investees of the Group qualifying as related parties.

3	TURNOVER	£'000	1996 £'000
	Capital cost of assets financed:		
	Finance leases	<u>-</u>	<u>519</u>

4	GROSS EARNINGS UNDER LEASES		as restated
	Finance leases:		
	Rentals receivable	11,351	17,008
	Amortisation	<u>(5,184)</u>	<u>(9,043)</u>
		<u>6,167</u>	<u>7,965</u>

5 CHANGE IN ACCOUNTING POLICY

The comparative figures for gross earnings under finance leases and the taxation charge have been adjusted to reflect the requirements of UITF abstract 16.

The effect is as follows:	1996 £'000	elimination of notional income and tax	tax equalisation of permanent tax differences	1996 £'000
	as previously reported			as restated
Gross earnings under finance leases	<u>9,414</u>	<u>(1,449)</u>	<u>-</u>	<u>7,965</u>
Profit before taxation	2,665	(1,449)	-	1,216
Taxation on profit on ordinary activities	<u>(667)</u>	<u>1,090</u>	<u>359</u>	<u>782</u>
Profit on ordinary activities after taxation	<u>1,998</u>	<u>(359)</u>	<u>359</u>	<u>1,998</u>

Gross earnings under finance leases for the current year are £82,081 less than, and the taxation credit is £82,081 more than, the equivalent amounts using the previous accounting policy.

W & G EQUIPMENT LEASING LIMITED

NOTES ON THE FINANCIAL STATEMENTS

6 EXCEPTIONAL WRITE DOWN OF LEASE RECEIVABLES

The exceptional charge is due to the reduction in the rate of corporation tax from 33% to 31%. Tax variation clauses in the leases which are included to maintain the post tax rate of return, result in lower future gross rentals. The resultant reduction in pre tax profit has been provided for in the current year; it is offset by a reduction in the taxation charge.

7 (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	£'000	1996 £'000
Includes the following:		
Other income:		
Regional development grants	-	2
Other income	24	52
	<u>24</u>	<u>54</u>
Finance charge:		
Interest payable to group undertakings	4,840	6,530
	<u>4,840</u>	<u>6,530</u>
Operating expenses:		
Bad debt credit	-	(89)
Fees and commissions	2	3
Management charge	223	249
Other	-	110
	<u>225</u>	<u>273</u>

The directors and employees are 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:

	£	£
Directors' emoluments	25,031	23,619
Auditors' remuneration - for audit services	8,040	7,860
Staff costs	134,005	118,292

8 TAXATION

	£'000	£'000 as restated
Group relief:		
- current year payable	(1,098)	(1,852)
- prior year (payable)/receivable	(2)	191
Taxation equalisation	47	359
Deferred taxation:		
- current year	797	2,047
- prior year	2	37
Exceptional credit:		
- tax rate change	2,330	-
	<u>2,076</u>	<u>782</u>

The tax credit for the current year has been based on an average Corporation Tax rate of 32.5% (1996 - 33%).

W & G EQUIPMENT LEASING LIMITED

NOTES ON THE FINANCIAL STATEMENTS

9	DEBTORS	£'000	1996 £'000
	Amounts falling due within one year:		
	Trade debtors	52	46
	Amounts due by group undertakings	2,082	1,554
	Other debtors	10,372	1,662
		<u>12,506</u>	<u>3,262</u>

10 ACCRUED INCOME

Movements during the year:	Tax equalisation £'000 as restated
At 1 July 1996	-
Transfer from finance lease receivables following change of accounting policy	410
Credit to profit and loss account	47
Tax rate change	<u>(193)</u>
At 30 June 1997	<u>264</u>

11 CREDITORS

Amounts falling due within one year:		
Payments on account	4,515	1,960
Trade creditors	-	359
Amounts due to group undertakings	5,631	5,004
Other creditors	10,110	4,094
	<u>20,256</u>	<u>11,417</u>
Amounts falling due after more than one year:		
Amounts due to group undertakings		
Between one and two years	4,230	4,337
Between two and five years	11,813	13,965
After more than five years	48,088	49,827
	<u>64,131</u>	<u>68,129</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.

W & G EQUIPMENT LEASING LIMITED

NOTES ON THE FINANCIAL STATEMENTS

12 PROVISIONS FOR LIABILITIES AND CHARGES

Movements during the year:	Deferred taxation £'000	
At 1 July 1996	29,877	
Credit to profit and loss account	(799)	
Tax rate change	<u>(2,497)</u>	
At 30 June 1997	<u>26,581</u>	
Full provision has been made for the potential amount of deferred taxation shown below:		1996
	£'000	£'000
Capital allowances on finance lease receivables	26,715	29,877
Other short term timing differences	<u>(134)</u>	<u>-</u>
	<u>26,581</u>	<u>29,877</u>

13 SHARE CAPITAL

	Ordinary shares of £1 each 1996	
Authorised	<u>1,000</u>	<u>1,000</u>
Allotted, called up and fully paid	<u>1,000</u>	<u>1,000</u>

14 RESERVES

	£'000
At 1 July 1996	5,815
Retained profit for the year	<u>94</u>
At 30 June 1997	<u>5,909</u>

15 RECONCILIATION OF SHAREHOLDERS' FUNDS

	£'000	1996 £'000
Profit for the financial year	773	1,998
Dividend	<u>(679)</u>	<u>(612)</u>
Net addition to shareholders' funds	94	1,386
Opening shareholders' funds	<u>5,816</u>	<u>4,430</u>
Closing shareholders' funds	<u>5,910</u>	<u>5,816</u>

16 APPROVAL OF FINANCIAL STATEMENTS

The financial statements on pages 7 to 14 were approved by the Board of Directors on 18 November 1997.

REPORT OF THE AUDITORS

To the members of W & G Equipment Leasing Limited

We have audited the financial statements on pages 7 to 14.

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.

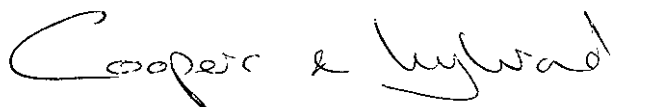
Basis of opinion.

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 30 June 1997 and of its profit and total recognised gains for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Coopers & Lybrand
Chartered Accountants and Registered Auditors

Gloucester
19 November 1997