

(Company No. 1653773)

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

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

30 JUNE 1998



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

## **REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 1998**

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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 1998.

### **RESULTS**

The results for the year are set out on page 8. An interim dividend of £213,000 was paid on 29 May 1998. The Directors do not recommend the payment of a final dividend. The retained profit for the year to 30 June 1998 to be transferred to reserves will amount to £400,484.

### **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 1998, 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 1998, no changes were made in the composition of the Board of Directors.

### **DIRECTORS' INTERESTS**

No Director had any interest in the ordinary shares of the Company on 30 June 1998 nor on 1 July 1997.

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

## W. & G. EQUIPMENT LEASING LIMITED

### YEAR 2000

Whilst the year 2000 is a technical problem, the directors recognise the consequences for businesses may include widespread disruption.

The company has conducted a preliminary assessment of its computer systems and computer controlled processes. This has resulted in the development of an ongoing strategy which addresses the risks faced by the organisation, including those within its supplier and customer chains.

The company replaces and modifies its systems on a regular basis and in close collaboration with its system suppliers. The costs of addressing the year 2000 issue are therefore absorbed into the ongoing IT development of the company.

### POLICY AND PRACTICE ON PAYMENT OF CREDITORS

In the year ending 30 June 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, 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 1998 bears to the amounts invoiced by suppliers during the year then ended equated to nil days proportion of 365 days.

### AUDITORS

Following the merger of our auditors, Coopers & Lybrand, with Price Waterhouse from 1 July 1998, Coopers & Lybrand resigned as auditors in favour of the new firm PricewaterhouseCoopers, and the Directors appointed PricewaterhouseCoopers to fill the casual vacancy created by the resignation. A Resolution to reappoint the Auditors, 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

**Date:** 25 September 1998

## 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 1997 (or date of appointment if later)	At 30 June 1998
	<u>Shares</u>	<u>Shares</u>
T Carr	3,670	3,986
A C Farnell	2,342	4,529
W V Latter	2,369	3,209
J M Sweetman	8,146	10,383

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 1998 are included in the table below:-

	At 1 July 1997 (or date of appointment if later)	<u>Options</u> Number	<u>Granted</u> Price £	<u>Options</u> Number	<u>Exercised</u> Price £	At 30 June 1998
T Carr	3,819	-	-	677	1.55	3,142
A C Farnell	4,116	292	7.99	483	1.55	3,925
W V Latter	4,885	-	-	-	-	4,885
J M Sweetman	7,510	785	7.99	1,693	1.55	11,602
		5,000	10.065			

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 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.

## **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 8 to 14 are prepared on the basis of the principal accounting policies adopted by the Company described below and applicable Accounting Standards.

#### **1 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.

#### **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. 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.

#### **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**

Assets for hire under operating leases are depreciated over the lease term in proportion to 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.

#### **6 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 1998

	Note	CONTINUING OPERATIONS	
		1997 £'000	1997 £'000
Gross earnings under leases	4	3,143	6,167
Exceptional reduction in earnings under leases	5	(518)	(2,429)
Other income	6	168	24
		<u>2,793</u>	<u>3,762</u>
Finance charges	6	(2,047)	(4,840)
Operating expenses	6	<u>(264)</u>	<u>(224)</u>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	6	482	(1,302)
Taxation charge before exceptional item	7	(431)	(253)
Exceptional taxation credit	7	562	2,330
Taxation credit on profit/(loss) on ordinary activities		131	2,077
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		<u>613</u>	<u>775</u>
Dividend for the year		(213)	(679)
RETAINED PROFIT FOR THE YEAR	14	<u>400</u>	<u>96</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 10 to 14 form part of these financial statements.

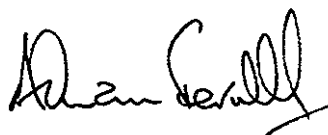
# W & G EQUIPMENT LEASING LIMITED

## BALANCE SHEET

At 30 June 1998

	Note	£'000	1997 £'000
FIXED ASSETS	8	10,181	-
CURRENT ASSETS			
Finance lease receivables due within one year		5,787	9,398
Finance lease receivables due after more than one year		50,068	94,710
Debtors	9	3,130	12,506
Accrued income	10	-	264
		58,985	116,878
CURRENT LIABILITIES			
Creditors: amounts falling due within one year	11	(11,430)	(20,256)
NET CURRENT ASSETS		47,555	96,622
TOTAL ASSETS LESS CURRENT LIABILITIES		57,736	96,622
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	11	(37,279)	(64,131)
PROVISIONS FOR LIABILITIES AND CHARGES	12	(14,147)	(26,581)
TOTAL NET ASSETS		6,310	5,910
CAPITAL AND RESERVES			
Called up share capital	13	1	1
Reserves	14	6,309	5,909
EQUITY SHAREHOLDERS' FUNDS	15	6,310	5,910

On behalf of the Board:



Director

The notes on pages 10 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.

R. B. Asset Value Limited; of which 51% of the share capital is owned by Royal Bank Leasing Limited, whose ultimate holding company is the Royal Bank of Scotland Group plc, has a remarketing agreement to repurchase the residual interest of £2,162,004 of the assets for hire under operating leases and £137,225 of the assets leased under finance leases.

### 3 TURNOVER

	£'000	1997 £'000
Capital cost of assets financed:		
Finance leases	1,072	-
Operating leases	10,277	-
	<u>11,349</u>	<u>-</u>

### 4 GROSS EARNINGS UNDER LEASES

#### Finance leases:

Rentals receivable	10,503	11,351
Amortisation	<u>(7,652)</u>	<u>(5,184)</u>
	<u>2,851</u>	<u>6,167</u>

#### Operating leases:

Rentals receivable	388	-
Depreciation	<u>(96)</u>	<u>-</u>
	<u>292</u>	<u>-</u>
	<u>3,143</u>	<u>6,167</u>

# W & G EQUIPMENT LEASING LIMITED

## NOTES ON THE FINANCIAL STATEMENTS

### 5 EXCEPTIONAL CHARGE

The exceptional charge is due to the reduction in the rate of corporation tax from 31% to 30% on 1 April 1999. 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.

### 6 PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION

	£'000	1997 £'000
Includes the following:		
Other income:		
Fees and sundry income	<u>168</u>	<u>24</u>
Finance charge:		
Interest payable to group undertakings	<u>2,047</u>	<u>4,840</u>
Operating expenses:		
Bad debt credit	(38)	-
Fees and commissions	138	1
Management charge	<u>164</u>	<u>223</u>
	<u>264</u>	<u>224</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:

	£	£
Directors' emoluments	20,507	25,031
Auditors' remuneration - for audit services	8,070	8,040
Staff costs	<u>108,303</u>	<u>134,005</u>

# W & G EQUIPMENT LEASING LIMITED

## NOTES ON THE FINANCIAL STATEMENTS

### 7 TAXATION

	£'000	£'000
Group relief:		
- current year payable	(12,015)	(1,070)
- prior year payable	(24)	(2)
Taxation equalisation	(904)	(146)
Deferred taxation:		
- current year	12,505	(848)
- prior year	7	1,813
Exceptional credit:		
- tax rate change	<u>562</u>	<u>2,330</u>
	<u>131</u>	<u>2,077</u>

The tax credit for the current year has been based on an average Corporation Tax rate of 31% (1997 - 32.5%).

### 8 FIXED ASSETS

Assets for hire under  
operating leases  
£'000

#### COST

Additions and at 30 June 1998 10,277

#### DEPRECIATION

Charge for the year and at 30 June 1998 (96)

#### NET BOOK VALUE

At 30 June 1998 10,181

### 9 DEBTORS

1997  
£'000

Amounts falling due within one year:

Trade debtors	258	52
Amounts due by group undertakings	-	2,082
Other debtors	<u>2,872</u>	<u>10,372</u>
	<u>3,130</u>	<u>12,506</u>

# W & G EQUIPMENT LEASING LIMITED

## NOTES ON THE FINANCIAL STATEMENTS

10	ACCRUED INCOME	Tax equalisation £'000	
	Movements during the year:		
	At 1 July 1997	264	
	Transfer to provisions for liabilities and charges	(264)	
	At 30 June 1998	-	
11	CREDITORS		1997 £'000
	Amounts falling due within one year:		
	Payments on account	1,753	4,515
	Trade creditors	898	-
	Amounts due to group undertakings	7,835	5,631
	Other creditors	944	10,110
		<u>11,430</u>	<u>20,256</u>
	Amounts falling due not by instalments after more than one year:		
	Amounts due to group undertakings		
	Between one and two years	3,214	4,230
	Between two and five years	19,548	11,813
	After more than five years	14,517	48,088
		<u>37,279</u>	<u>64,131</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.

## 12 PROVISIONS FOR LIABILITIES AND CHARGES

Movements during the year:	Tax equalisation £'000	Deferred taxation £'000	Total £'000
At 1 July 1997	-	26,581	26,581
Transfer from accrued income	(264)	-	(264)
Charge/(credit) to profit and loss account	904	(12,512)	(11,608)
Tax rate change	-	(562)	(562)
At 30 June 1998	<u>640</u>	<u>13,507</u>	<u>14,147</u>

# W & G EQUIPMENT LEASING LIMITED

## NOTES ON THE FINANCIAL STATEMENTS

### 12 PROVISIONS FOR LIABILITIES AND CHARGES - Continued

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

	£'000	1997 £'000
Finance lease receivables and assets for hire under operating leases	<u>13,707</u>	<u>26,715</u>

### 13 SHARE CAPITAL

	Ordinary shares of £1 each 1997	
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 1997	5,909
Retained profit for the year	<u>400</u>
At 30 June 1998	<u>6,309</u>

### 15 RECONCILIATION OF SHAREHOLDERS' FUNDS

	£'000	1997 £'000
Profit for the financial year	613	775
Dividend	<u>(213)</u>	<u>(679)</u>
Net addition to shareholders' funds	400	96
Opening shareholders' funds	<u>5,910</u>	<u>5,814</u>
Closing shareholders' funds	<u>6,310</u>	<u>5,910</u>

### 16 APPROVAL OF FINANCIAL STATEMENTS

The financial statements on pages 7 to 14 were approved by the Board of Directors on 25 September 1998.

## REPORT OF THE AUDITORS

To the members of W & G Equipment Leasing Limited

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

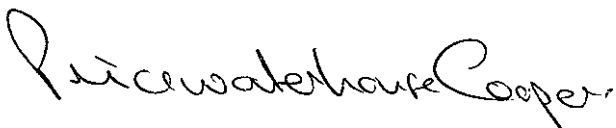
### Basis of opinion.

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 30 June 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

Gloucester

29 September 1998