

(COMPANY NO. 1829405)

W. & G. LEASE FINANCE LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2002



W. & G. LEASE FINANCE LIMITED

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002

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W. & G. LEASE FINANCE LIMITED

DIRECTORS AND OFFICERS

DIRECTORS

Adrian Colin Farnell
Graham Colin Clemett
William Vaughan Latter
Nigel Pearce

SECRETARY

Marina Louise Thomas

REGISTERED OFFICE

The Quadrangle
The Promenade
Cheltenham
Gloucestershire GL50 1PX

PRINCIPAL OFFICE

The Quadrangle
The Promenade
Cheltenham
Gloucestershire GL50 1PX

W. & G. LEASE FINANCE LIMITED

DIRECTORS' REPORT

The Directors present their annual report, together with the audited financial statements for the year ended 31 December 2002.

RESULTS

The results for the year are set out on page 8. A dividend on the 3% cumulative redeemable preference shares was paid at a cost of £449,000 (2001: £449,000). The Directors recommend payment of an interim dividend of £6,739,000 on the ordinary shares (2001: £8,553,000). The retained profit for the year to be transferred to reserves amounts to £20,000 (2001:- £6,787,000).

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

At 31 December 2002, the Members of the Board of Directors were:-

Mr Adrian Colin Farnell
Mr Eion Arthur Flint
Mr William Vaughan Latter
Mr Nigel Pearce

Subsequent to the year end the following changes occurred:-

Eion Flint resigned from the board on 31 May 2003.
Graham Clemett was appointed to the board on 1 June 2003.

Angela Mary Cunningham resigned as company secretary on 31 May 2003.
Marina Louise Thomas was appointed as company secretary on 1 June 2003.

DIRECTORS' INTERESTS

No Director had any interest in the ordinary shares of the Company on 31 December 2002 nor on 1 January 2002.

At the year end, Messrs Adrian Colin Farnell, William Vaughan Latter and Nigel Pearce were also directors of the immediate parent undertaking, Royal Bank Leasing Ltd, a company which is itself required to keep a register of directors' interests. The directors were not therefore required to notify their interests in the shares or debentures of The Royal Bank of Scotland Group plc group undertakings to the company.

W. & G. LEASE FINANCE LIMITED

DIRECTORS' INTERESTS – Continued

The interests of Eion Arthur Flint in the share capital of the ultimate holding company, The Royal Bank of Scotland Group plc are shown on page 5.

POLICY AND PRACTICE ON PAYMENT OF CREDITORS

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 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 trade creditors at 31 December 2002 bears to the amounts invoiced by suppliers during the year then ended equated to 1 days proportion of 365 days (2001: 8 days).

AUDITORS

The Company has passed an Elective resolution to dispense with the annual appointment of auditors, accordingly Messrs Deloitte & Touche remain in office. Deloitte & Touche has informed the directors that they are intending to transfer their business to a limited liability partnership, incorporated under the Limited Liability Partnerships Act 2000, to be known as Deloitte & Touche LLP. It is the current intention of the directors to use the Company's statutory power to give consent to the appointment of Deloitte & Touche being treated as extending to Deloitte & Touche LLP at the appropriate time.

By Order of the Board.


A C Farnell
Director
CHELTENHAM

Date: 26/6/03

W. & G. LEASE FINANCE LIMITED

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

E A Flint did not hold any ordinary shares of The Royal Bank of Scotland at 31 December 2002.

Options to subscribe for 25p ordinary shares of The Royal Bank of Scotland Group plc granted to and exercised by E A Flint during the year to 31 December 2002 are included in the table below:-

	At 1 January 2002	<u>Options Granted</u>		<u>Options Exercised</u>		At 31 December 2002
		<u>Number</u>	<u>Price</u>	<u>Number</u>	<u>Price</u>	
			£		£	
E A Flint	20,672	6,700	18.18	-	-	27,372

E A Flint did not have an interest in any of the preference shares during the year to 31 December 2002.

At 31 December 2002, E A Flint did not hold any interest in the share or loan capital of the company or any other group company.

W. & G. LEASE FINANCE LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom 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 as at the end of the financial year 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; and

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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF W. & G. LEASE FINANCE LIMITED

We have audited the financial statements of W. & G. Lease Finance Limited for the year ended 31 December 2002 which comprise the profit and loss account, the balance sheet and the related notes 1 to 13. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

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 31 December 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Deloitte & Touche

Chartered Accountants and Registered Auditors
Bristol

30 June 2003

W. & G. LEASE FINANCE LIMITED

PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2002

	Note	CONTINUING OPERATIONS	
		2002 £'000	2001 £'000
Lease income	4	31,337	25,416
Other income	5	1,226	1,124
Depreciation on operating leases	7	<u>(867)</u>	<u>(136)</u>
		31,696	26,404
Finance charge	5	(22,730)	(21,985)
Operating expenses	5	<u>(1,780)</u>	<u>(1,412)</u>
OPERATING PROFIT AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5	7,186	3,007
Taxation credit/(charge) on profit on ordinary activities	6	<u>22</u>	<u>(792)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		7,208	2,215
Dividend for the year - Ordinary shares - proposed		(6,739)	(8,553)
- Preference shares - paid		<u>(449)</u>	<u>(449)</u>
RETAINED PROFIT/(ACCUMULATED LOSS) FOR THE YEAR	12	<u><u>20</u></u>	<u><u>(6,787)</u></u>

There is no difference between the profit on ordinary activities before taxation and the retained profit/(accumulated loss) 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/losses shown above and therefore no separate statement of total recognised gains and losses has been presented.

The notes on pages 10 to 18 form part of these financial statements.

W. & G. LEASE FINANCE LIMITED

BALANCE SHEET
at 31 December 2002

	Note	2002 £'000	2001 £'000
FIXED ASSETS	7	9,764	9,966
CURRENT ASSETS			
Finance lease receivables due within one year		3,449	88,697
Finance lease receivables due after more than one year		537,818	352,636
Debtors	8	<u>1,392</u>	<u>5,129</u>
		542,659	446,462
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	9	<u>(35,966)</u>	<u>(121,762)</u>
NET CURRENT ASSETS		<u>506,693</u>	<u>324,700</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		516,457	334,666
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	9	(425,390)	(252,657)
PROVISIONS FOR LIABILITIES AND CHARGES	10	<u>(62,023)</u>	<u>(52,985)</u>
NET ASSETS		<u>29,044</u>	<u>29,024</u>
CAPITAL AND RESERVES			
Called up share capital	11	14,981	14,981
Profit and loss account	12	<u>14,063</u>	<u>14,043</u>
TOTAL EQUITY SHAREHOLDERS' FUNDS	13	<u>29,044</u>	<u>29,024</u>
Equity interest		14,064	14,044
Non-equity interest		14,980	14,980

The financial statements on pages 8 to 18 were approved by the Board of Directors on
and were signed on its behalf by :-

A C Farnell
Director

26/6/03

The notes on pages 10 to 18 form part of these financial statements.

NOTES ON THE FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES

The financial statements on pages 8 to 18 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. The adoption of Financial Reporting Standard 19 'Deferred Taxation' has not had an impact on the Company and hence there has not been a restatement of opening reserves.

a 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.

b 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.

c GROSS EARNINGS UNDER FINANCE SUB LEASES

Total gross earnings under finance sub leases are recognised according to the actuarial after tax method whereby gross earnings are allocated to accounting periods so as to give a constant periodic rate of return on the net cash investment.

d PROGRESS PAYMENTS INCOME RECOGNITION

Where assets are subject to progress payments being made prior to the commencement of the primary lease period, interest on the total of such payments at an appropriate rate is added to the cost of the asset and credited to the profit and loss account.

e DEFERRED TAXATION

Certain items of income and expenditure are accounted for in different periods for financial reporting purposes than for taxation purposes. Deferred taxation is provided on the full liability method in respect of timing differences which have originated but not reversed at the balance sheet date. Deferred taxation is calculated on a non-discounted basis.

NOTES ON THE FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES - continued

f FOREIGN CURRENCY

Assets or liabilities denominated in foreign currency are translated at the rate of exchange ruling at the balance sheet date. Transactions in foreign currency are translated at an average rate for the period. Foreign currency lease transactions, together with their related liabilities, are regarded as a separate group of assets and liabilities and accounted for in foreign currency. Any exchange differences arising on these transactions are taken to reserves. Other exchange differences are included in operating profit.

g 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.

h 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.

I OBLIGATIONS UNDER FINANCE LEASES

Amounts payable under finance leases are stated in the balance sheet at the amount of the net obligation under the leases. Costs are charged on an actuarial before tax basis so as to give a constant charge on the net obligation.

j 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).

NOTES ON THE FINANCIAL STATEMENTS

2 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. Andrew Square, Edinburgh, EH2 2YE. The lowest level within the group at which consolidated financial statements are prepared is Lombard North Central PLC, copies of which may be obtained from The Secretary, Lombard North Central PLC, 3 Princess Way, Redhill, Surrey, RH1 1NP.

3 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.

4	TURNOVER	2002 £'000	2001 £'000
	Lease income:		
	Finance leases:		
	Rentals receivable	116,962	42,286
	Amortisation	(87,042)	(17,077)
		<u>29,920</u>	<u>25,209</u>
	Operating leases:		
	Rentals receivable	<u>1,417</u>	<u>207</u>
		<u>31,337</u>	<u>25,416</u>
	Capital cost of assets financed:		
	Finance leases	189,576	6,267
	Operating leases	<u>665</u>	<u>9,408</u>
		<u>190,241</u>	<u>15,675</u>

W. & G. LEASE FINANCE LIMITED

NOTES ON THE FINANCIAL STATEMENTS

5	PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2002 £'000	2001 £'000
	Includes the following:		
	Other income:	<u>1,226</u>	<u>1,124</u>
	Finance charges:		
	Interest payable to group undertakings	15,279	14,517
	Finance lease charges	<u>7,451</u>	<u>7,468</u>
		<u>22,730</u>	<u>21,985</u>
	Operating expenses:		
	Fees & commissions	516	46
	Management charge	534	625
	Other	<u>730</u>	<u>741</u>
		<u>1,780</u>	<u>1,412</u>

The emoluments of Mr E A Flint are paid by a fellow subsidiary company, Lombard North Central PLC, which makes no recharge to the company. Mr Flint is a director of a number of fellow subsidiaries and it is not possible to make an accurate apportionment of his emoluments in respect of each of the companies. Accordingly, the above details include no emoluments in respect of Mr Flint.

Other directors and employees are employed by The Royal Bank of Scotland Group plc and remunerated via recharge 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	18,582	26,931
Staff costs	<u>366,054</u>	<u>390,162</u>

The auditors' remuneration for audit services was borne by Lombard North Central PLC which made no recharge to the company.

W. & G. LEASE FINANCE LIMITED

NOTES ON THE FINANCIAL STATEMENTS

6	TAXATION	2002 £'000	2001 £'000
	A) ANALYSIS OF (CREDIT)/CHARGE IN THE YEAR		
	Current tax (credit)/charge:		
	- Group relief (receivable)/payable on profits for the year	(6,793)	2,377
	- Adjustment in respect of prior periods	<u>(2,267)</u>	<u>30</u>
		(9,060)	2,407
	Taxation equalisation	(1,720)	(6,645)
	Deferred tax - origination and reversal of timing differences:		
	- Current year	10,265	5,030
	- Adjustment in respect of prior periods	<u>493</u>	<u>-</u>
	Taxation (credit)/charge on profit on ordinary activities	<u>(22)</u>	<u>792</u>
	B) FACTORS AFFECTING THE CURRENT TAX (CREDIT)/CHARGE FOR THE YEAR		
	Profit on ordinary activities before tax	<u>7,186</u>	<u>3,007</u>
	Tax on profit on ordinary activities at the standard rate of 30% (2001: 30%)	2,156	902
	Capital allowances for period more than depreciation	(10,265)	(5,030)
	Permanent difference - assets not qualifying for capital allowances	1,316	6,505
	Adjustment to tax charge in respect of previous periods	<u>(2,267)</u>	<u>30</u>
	Current tax (credit)/charge	<u>(9,060)</u>	<u>2,407</u>

W. & G. LEASE FINANCE LIMITED

NOTES ON THE FINANCIAL STATEMENTS

7	FIXED ASSETS		Assets for hire under operating leases £'000
	COST		
	At 1 January 2002		10,193
	Additions		<u>665</u>
	At 31 December 2002		<u>10,858</u>
	DEPRECIATION		
	At 1 January 2002		227
	Charge for the year		<u>867</u>
	At 31 December 2002		<u>1,094</u>
	NET BOOK VALUE		
	At 31 December 2002		<u>9,764</u>
	At 31 December 2001		<u>9,966</u>
8	DEBTORS	2002 £'000	2001 £'000
	Amounts falling due within one year:		
	Trade debtors	160	130
	Amounts due from group undertakings	361	634
	Other debtors	<u>871</u>	<u>4,365</u>
		<u>1,392</u>	<u>5,129</u>

W. & G. LEASE FINANCE LIMITED

NOTES ON THE FINANCIAL STATEMENTS

9	CREDITORS	2002 £'000	2001 £'000
	Amounts falling due within one year:		
	Payments received on account	1,253	1,551
	Trade creditors	350	36
	Amounts due to group undertakings	25,241	108,805
	Obligations under finance leases	308	290
	Other creditors	8,814	11,080
		<u>35,966</u>	<u>121,762</u>
	Amounts falling due after more than one year:		
	Between one and two years		
	Amounts due to group undertakings	15,345	5,480
	Obligations under finance leases	306	308
		<u>15,651</u>	<u>5,788</u>
	Between two and five years		
	Amounts due to group undertakings	42,964	17,644
	Obligations under finance leases	1,106	1,021
		<u>44,070</u>	<u>18,665</u>
	After more than five years		
	Amounts due to group undertakings	243,687	105,831
	Obligations under finance leases	121,982	122,373
		<u>365,669</u>	<u>228,204</u>
		<u>425,390</u>	<u>252,657</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.

Amounts falling due after more than five years are repayable by instalments with variable repayment terms. Interest rates applicable to these amounts will be determined by reference to inter bank rates for three, six and twelve months.

W. & G. LEASE FINANCE LIMITED

NOTES ON THE FINANCIAL STATEMENTS

10 PROVISIONS FOR LIABILITIES AND CHARGES

Movements during the year:	Tax equalisation £'000	Deferred taxation £'000	Total £'000
At 1 January 2002	2,764	50,221	52,985
Charge/(credit) to profit and loss account	<u>(1,720)</u>	<u>10,758</u>	<u>9,038</u>
At 31 December 2002	<u>1,044</u>	<u>60,979</u>	<u>62,023</u>

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

	2002 £'000	2001 £'000
Accelerated capital allowances on assets financed	<u>60,979</u>	<u>50,221</u>

11 SHARE CAPITAL

Equity capital:

Ordinary shares of £1 each

Authorised	<u>1,000</u>	<u>1,000</u>
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Allotted, called up and fully paid	<u>1,000</u>	<u>1,000</u>
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Non-equity capital:

Cumulative redeemable preference shares of £1 each:

Authorised	<u>20,000,000</u>	<u>20,000,000</u>
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Allotted, called up and fully paid	<u>14,980,000</u>	<u>14,980,000</u>
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The cumulative redeemable preference shares carry the right to a fixed cumulative dividend of 3% and are redeemable by the company at nominal value on demand, through giving not less than 28 days notice in writing. The shares are non-voting and have a preferential right to return of capital on a winding up.