

**COMPANY NO. 1829405**

**W. & G. LEASE FINANCE LIMITED**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**31 DECEMBER 1997**



**W. & G. LEASE FINANCE LIMITED**

**REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1997**

<u>Contents</u>	<u>Page</u>
Directors and Officers	2
Directors' report	3-4
Directors' interests in shares	5
Statement of Directors' responsibilities	6
Accounting policies	7-8
Profit and Loss account	9
Balance Sheet	10
Notes on the financial statements	11-16
Report of the Auditors	17

**W. & G. LEASE FINANCE 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. LEASE FINANCE LIMITED**

### **DIRECTORS' REPORT**

The Directors present their annual report, together with the audited financial statements for the year ended 31 December 1997.

### **RESULTS**

The results for the year are set out on page 9. A dividend on the 3% Cumulative Redeemable Preference shares was paid in two instalments on 30 June 1997 and 31 December 1997 at a cost of £449,400. The Directors recommend that a final dividend of £2,645,000 be paid (1996 : final dividend £1,435,000) on the ordinary shares. If this recommendation is approved at the Annual General Meeting, the retained profit for the year to 31 December 1997 will amount to £6,925,598.

### **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 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 31 December 1997, the following changes were made in the composition of the Board.

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 31 December 1997 nor on 1 January 1997.

The interests of the Directors at 31 December 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. LEASE FINANCE LIMITED

### POLICY AND PRACTICE ON PAYMENT OF CREDITORS

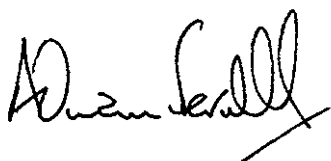
In the year ending 31 December 1998, the Company will adhere to the following payment policy in respect of all suppliers. The Company is committed to maintaining a sound commercial relationship with its suppliers. Consequently, it is the Company's policy to negotiate and agree terms and conditions with 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 31 December 1997 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. LEASE FINANCE 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.

	<b>At 1 January 1997 (or date of appointment if later)</b>	<b>At 31 December 1997</b>
	<b><u>Shares</u></b>	<b><u>Shares</u></b>
T Carr	3,666	3,635
A C Farnell	1,420	2,849
W V Latter	2,806	2,396
J M Sweetman	6,970	9,920

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 31 December 1997 are included in the table below:-

	<b>At 1 January 1997 (or date of appointment if later)</b>	<b><u>Options</u> <u>Number</u></b>	<b><u>Granted</u> <u>Price</u> <b>£</b></b>	<b><u>Options</u> <u>Number</u></b>	<b><u>Exercised</u> <u>Price</u> <b>£</b></b>	<b>At 31 December 1997</b>
T Carr	3,403	416	4.97	677	1.55	3,142
A C Farnell	4,116	-	-	483	1.55	3,633
W V Latter	4,885	-	-	-	-	4,885
J M Sweetman	7,025	485	4.97	1,693	1.55	5,817

No other Director had an interest in any of the preference shares of The Royal Bank of Scotland Group plc during the year to 31 December 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 LEASE FINANCE 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 LEASE FINANCE LIMITED**

### **ACCOUNTING POLICIES**

The financial statements on pages 9 to 16 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 6 and 11 to the financial statements.

#### **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 GROSS EARNING UNDER FINANCE SUB LEASES**

Total gross earnings under finance sub leases are recognised according to the actuarial before 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.

#### **5 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.



## **W & G LEASE FINANCE LIMITED**

### **ACCOUNTING POLICIES (Continued)**

#### **6 REGIONAL DEVELOPMENT GRANTS**

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

#### **7 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.

#### **8 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.

#### **9 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.

#### **10 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 LEASE FINANCE LIMITED**

**PROFIT AND LOSS ACCOUNT**  
for the year ended 31 December 1997

	Note	CONTINUING OPERATIONS	
		£'000	1996 £'000 as restated
Gross earnings under leases	4	54,209	34,567
Exceptional reduction in earnings under leases	5	(14,300)	-
Other income/(expenses)	7	<u>2,622</u>	<u>(267)</u>
		42,531	34,300
Finance charges	7	(41,586)	(34,388)
Operating expenses	7	<u>(887)</u>	<u>(389)</u>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	7	58	(477)
Taxation (charge)/credit before exceptional item	8	(4,564)	5,116
Exceptional taxation credit	8	<u>14,526</u>	<u>-</u>
Taxation credit on profit/(loss) on ordinary activities		9,962	5,116
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		10,020	4,639
Dividend for the year - Ordinary shares		(2,645)	(1,435)
- Preference shares		(449)	(450)
RETAINED PROFIT FOR THE YEAR	14	<u><u>6,926</u></u>	<u><u>2,754</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 16 form part of these financial statements.

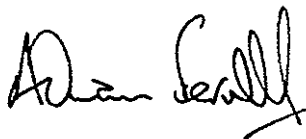
**W & G LEASE FINANCE LIMITED**

**BALANCE SHEET**

**At 31 December 1997**

	Note	£'000	1996 £'000 as restated
<b>CURRENT ASSETS</b>			
Finance lease receivables due within one year		6,764	15,340
Finance lease receivables due after more than one year		676,804	637,042
Debtors	9	<u>54,912</u>	<u>24,274</u>
		738,480	676,656
<b>CURRENT LIABILITIES</b>			
Creditors: amounts falling due within one year	10	<u>(8,899)</u>	<u>(18,780)</u>
<b>NET CURRENT ASSETS</b>		<u>729,581</u>	<u>657,876</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		729,581	657,876
<b>CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>	10	(621,374)	(545,062)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	11	(71,191)	(82,723)
<b>DEFERRED INCOME</b>	12	<u>(3)</u>	<u>(4)</u>
<b>TOTAL NET ASSETS</b>		<u>37,013</u>	<u>30,087</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	13	14,981	14,981
Reserves	14	22,032	15,106
Equity interest		<u>22,033</u>	<u>15,107</u>
Non-equity interest		<u>14,980</u>	<u>14,980</u>
<b>SHAREHOLDERS' FUNDS</b>	15	<u>37,013</u>	<u>30,087</u>

On behalf of the Board:



Director

The notes on pages 11 to 16 form part of these financial statements.

## W & G LEASE FINANCE 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

	1996
	£'000
Capital cost of assets financed:	
Finance leases	<u>32,389</u>
	<u>144,778</u>

#### 4 GROSS EARNINGS UNDER LEASES

		as restated
Finance leases:		
Rentals receivable	31,906	26,864
Amortisation credit	<u>22,303</u>	<u>7,703</u>
	<u>54,209</u>	<u>34,567</u>

#### 5 EXCEPTIONAL CHARGE

The exceptional charge is due to the reduction in the rate of corporation tax from 33% to 31% on 1 April 1997 and the reduction from 31% to 30% which will occur 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.

# W & G LEASE FINANCE LIMITED

## NOTES ON THE FINANCIAL STATEMENTS

### 6 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	£'000	£'000	1996 £'000
	as previously reported	elimination of notional income and tax	tax equalisation of permanent tax differences	as restated
Gross earnings under finance leases	<u>41,973</u>	<u>(7,406)</u>	<u>-</u>	<u>34,567</u>
Profit before taxation	6,929	(7,406)	-	(477)
Taxation on profit on ordinary activities	<u>(2,290)</u>	<u>7,796</u>	<u>(390)</u>	<u>5,116</u>
Profit on ordinary activities after taxation	<u>4,639</u>	<u>390</u>	<u>(390)</u>	<u>4,639</u>

Gross earnings under finance leases and the taxation charge for the current year are £4,775,933 less than the equivalent amounts using the previous accounting policy.

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

	1996 £'000	1996 £'000
Includes the following:		
Other income/(expenses):		
Profit and loss on disposal	2,574	30
Fees and sundry income	<u>48</u>	<u>(297)</u>
	<u>2,622</u>	<u>(267)</u>
Finance charges:		
Interest payable to group undertakings	34,086	34,193
Finance lease charges	<u>7,500</u>	<u>195</u>
	<u>41,586</u>	<u>34,388</u>

# W & G LEASE FINANCE LIMITED

## NOTES ON THE FINANCIAL STATEMENTS

7	PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION - Continued	1996
	£'000	£'000
	Operating expenses:	
	Bad debt credit	(89)
	Regional development grants	(3)
	Fees and commissions	25
	Management charge	455
	Other	1
	<u>190</u>	<u>1</u>
	<u>887</u>	<u>389</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	40,162	44,522
Auditors' remuneration - for audit services	8,890	8,718
Staff costs	<u>192,767</u>	<u>216,407</u>

8	TAXATION		
		£'000	£'000 as restated
	Group relief:		
	- current year receivable	925	7,384
	- prior year (payable)/receivable	(2,495)	2,793
	Taxation equalisation	3,284	(390)
	Deferred taxation:		
	- current year	(7,055)	(1,885)
	- prior year	777	(2,786)
	Exceptional credit:		
	- tax rate change	14,526	-
		9,962	5,116

The tax credit for the current year has been based on an average Corporation Tax rate of 31.5% (1996 - 33%).

# W & G LEASE FINANCE LIMITED

## NOTES ON THE FINANCIAL STATEMENTS

9	DEBTORS		1996
		£'000	£'000
	Amounts falling due within one year:		
	Trade debtors	1,194	1,204
	Amounts due by group undertakings	47,953	20,502
	Other debtors	5,765	2,568
		<u>54,912</u>	<u>24,274</u>
10	CREDITORS		1996
		£'000	£'000
	Amounts falling due within one year:		
	Payments on account	2,093	5,334
	Trade creditors	24	2,401
	Amounts due to group undertakings	5,719	9,656
	Obligations under finance leases	260	191
	Other creditors	803	1,198
		<u>8,899</u>	<u>18,780</u>
	Amounts falling due not by instalments after more than one year:		
	Between one and two years:		
	Amounts due to group undertakings	92,080	812
	Obligations under finance leases	226	203
		<u>92,306</u>	<u>1,015</u>
	Between two and five years:		
	Amounts due to group undertakings	119,999	61,119
	Obligations under finance leases	1,031	665
		<u>121,030</u>	<u>61,784</u>
	After more than five years:		
	Amounts due to group undertakings	284,627	358,127
	Obligations under finance leases	123,411	124,136
		<u>408,038</u>	<u>482,263</u>
	Total amounts due after more than one year	<u>621,374</u>	<u>545,062</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 LEASE FINANCE LIMITED

## NOTES ON THE FINANCIAL STATEMENTS

### 11 PROVISIONS FOR LIABILITIES AND CHARGES

Movements during the year:	Tax equalisation £'000	Deferred taxation £'000	Total £'000
At 1 January 1997	-	72,579	72,579
Transfer from finance lease receivables following change of accounting policy	10,144	-	10,144
	<u>10,144</u>	<u>72,579</u>	<u>82,723</u>
Charge/(credit) to profit and loss account	(3,284)	6,278	2,994
Tax rate change	-	(14,526)	(14,526)
	<u>-</u>	<u>(14,526)</u>	<u>(14,526)</u>
At 31 December 1997	<u>6,860</u>	<u>64,331</u>	<u>71,191</u>

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

	1996 £'000	1996 £'000
Finance lease receivables	<u>64,331</u>	<u>72,579</u>

### 12 DEFERRED INCOME

Regional development grants:

At 1 January 1997	4
Released to profit and loss account	<u>(1)</u>
At 31 December 1997	<u>3</u>

### 13 SHARE CAPITAL

	1996 £	1996 £
Equity capital:		
Ordinary shares of £1 each		
Authorised	<u>1,000</u>	<u>1,000</u>
Allotted, called up and fully paid	<u>1,000</u>	<u>1,000</u>
Non-equity capital:		
Cumulative redeemable preference shares of £1 each:		
Authorised	<u>20,000,000</u>	<u>20,000,000</u>
Allotted, called up and fully paid	<u>14,980,000</u>	<u>14,980,000</u>

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 subject to 28 days notice in writing. The shares are non-voting and have a preferential right to return of capital on winding up.



# W & G LEASE FINANCE LIMITED

## NOTES ON THE FINANCIAL STATEMENTS

### 14 RESERVES

	£'000
At 1 January 1997	15,106
Retained profit for the year	<u>6,926</u>
At 31 December 1997	<u><u>22,032</u></u>

### 15 RECONCILIATION OF SHAREHOLDERS' FUNDS

	£'000	1996 £'000
Profit for the financial year	10,020	4,639
Dividend	<u>(3,094)</u>	<u>(1,885)</u>
Net addition to shareholders' funds	6,926	2,754
Opening shareholders' funds	<u>30,087</u>	<u>27,333</u>
Closing shareholders' funds	<u><u>37,013</u></u>	<u><u>30,087</u></u>

### 16 APPROVAL OF FINANCIAL STATEMENTS

The financial statements on pages 7 to 16 were approved by the Board of Directors on 25 September 1998.

**REPORT OF THE AUDITORS**

To the members of W & G Lease Finance Limited

We have audited the financial statements on pages 7 to 16 which have been prepared under the historical cost convention and the accounting policies set out on pages 7 and 8.

**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.

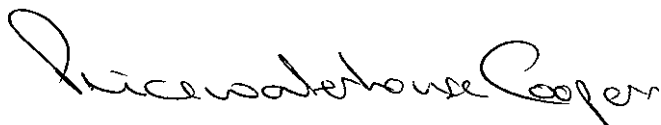
**Basis of opinion.**

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 31 December 1997 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