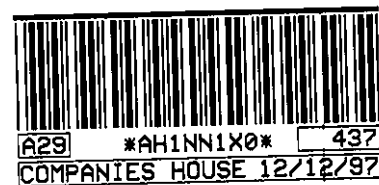


Company No. 2608503

ROYSCOT MOTOR FINANCE LIMITED

DIRECTORS' REPORT AND ACCOUNTS

30th SEPTEMBER 1997



ROYSCOT MOTOR FINANCE LIMITED

REPORT AND ACCOUNTS FOR THE YEAR ENDED 30th SEPTEMBER 1997

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ROYSCOT MOTOR FINANCE LIMITED

DIRECTORS AND OFFICERS

CHAIRMAN

David John McIntosh Finlayson

DIRECTORS

Philip Charles Botham
John Huw Evans
Edward Hawthorne
Hugh Dawson Wallace

SECRETARY

Michael Ian Charles Woodcock

REGISTERED OFFICE

RoyScot House
The Promenade
Cheltenham
Gloucestershire GL50 1PL

PRINCIPAL OFFICE

470 Royston Road
Glasgow
G21 2BE

ROYSCOT MOTOR FINANCE LIMITED

Directors' report

The directors present their annual report, together with the audited accounts for the year ended 30th September 1997.

Results

The results for the year are set out on page 8. Interim dividends of £26,000 and £22,000 were paid on 23rd January 1997 and 23rd July 1997 respectively (1996: Interim dividends £43,000 and £35,000). The directors do not recommend the payment of a final dividend (1996: Nil).

Business review

The principal activity of the company, which is a wholly owned subsidiary of RoyScot Trust plc, is the provision of hire purchase facilities for new and used motor cars as specified in an agreement dated 1st June 1992 between RoyScot Trust plc, Arnold Clark Automobiles Limited and the company.

The company will continue to operate in the asset financing market.

Directors

The present directors of the company, all of whom were directors at 30th September 1997, are listed on page 2.

During the year to 30th September 1997, 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 30th September 1997 nor on 1st October 1996.

The interests of the directors at 30th September 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 undertakings are shown on page 5.

Policy and practice on payment of creditors

In the year ending 30th September 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 which includes the giving of an undertaking by the company to pay suppliers within 30 days of the date of invoice or such other agreed payment period.

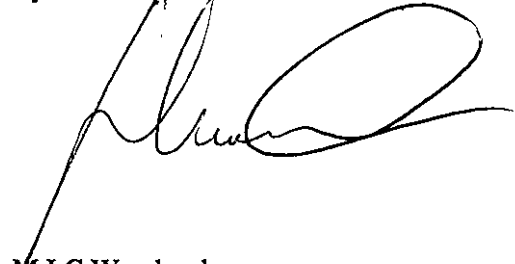
The proportion which the amount owed to trade creditors at 30th September 1997 bears to the amounts invoiced by suppliers during the year then ended equated to 0 days proportion of 365 days.

ROYSCOT MOTOR FINANCE LIMITED

Auditors

The auditors, Coopers & Lybrand, have indicated their willingness to continue in office. Resolutions to reappoint them and to authorise the directors to fix their remuneration will be proposed at the annual general meeting.

By order of the Board

A handwritten signature in black ink, appearing to be 'M I C Woodcock', written over a horizontal line.

M I C Woodcock
Secretary
CHELTENHAM

13 NOV 1997

ROYSCOT MOTOR FINANCE LIMITED

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

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

	<u>1st October 1996</u>	<u>30th September 1997</u>
	<u>Shares</u>	<u>Shares</u>
P C Botham	Nil	700
J H Evans	21	1,075
D J M Finlayson	12,925	21,292

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 30th September 1997 are included in the table below:

	<u>At 1st October 1996</u>	<u>Options granted</u>	<u>Price £</u>	<u>Options exercised</u>	<u>Price £</u>	<u>At 30th Sept 1997</u>
P C Botham	2,066	784	4.97	Nil	-	2,850
D J M Finlayson	67,004	156	4.97	14,000	4.29	66,725
		22,000	6.01	5,000	1.65	
				3,435	1.55	

No other director had an interest in the ordinary shares of The Royal Bank of Scotland Group plc and no director had an interest in any of the preference shares of The Royal Bank of Scotland Group plc during the year to 30th September 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.

ROYSCOT MOTOR 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 year. 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 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.

The directors confirm that these financial statements comply with the aforementioned requirements.

By order of the Board

A handwritten signature in black ink, appearing to be 'M I C Woodcock', written over a horizontal line.

M I C Woodcock
Secretary
CHELTENHAM

13 NOV 1997

ROYSCOT MOTOR FINANCE LIMITED

Accounting policies

The accounts on pages 7 to 13 are prepared in accordance with applicable accounting standards in the United Kingdom. The principal accounting policies adopted by the company are described below.

1. Accounting convention

The accounts 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 accounts as required by the special nature of the business.

2. Instalment credit agreements

Where the amount of the total charges on instalment credit agreements is established at the commencement of the agreement, income for the period and unearned charges are calculated in accordance with the "Rule of 78" after deduction of commission payable to dealers. On contracts subject to variable rates of interest, charges are debited to customers' accounts and recognised as income as and when they fall due.

3. Provisions for bad and doubtful debts

Provisions are made against receivables when it is considered that recovery is doubtful or losses are anticipated.

Provisions made during the year are charged against profits. Receivables classified as bad debts are written off in part or in whole when the extent of the loss incurred has been confirmed.

4. Tangible fixed assets

Equipment is depreciated on a straight line basis at a rate of 20% per annum.

5. Taxation

Provision is made for taxation at current rates on the taxable profits.

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 to the extent that they are likely to crystallise in the foreseeable future.

ROYSCOT MOTOR FINANCE LIMITED

Profit & loss account

for the year ended 30th September 1997

	Note	1996 £
Instalment credit income	3,521,693	3,446,538
Cost of sales	(2,315,665)	(1,926,053)
Gross profit	1,206,028	1,520,485
Operating costs	(1,071,285)	(1,416,546)
Profit on ordinary activities before taxation	2 134,743	103,939
Taxation on profit on ordinary activities	4 (43,089)	(34,300)
Profit on ordinary activities after taxation	91,654	69,639
Dividends on equity shares	5 (48,000)	(78,000)
Profit/(loss) for the year	12 <u>43,654</u>	<u>(8,361)</u>

The company has no recognised gains and losses other than those included in the profit/(loss) above, and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the profit on ordinary activities before taxation or the profit/(loss) for the year stated above, and their historical cost equivalents.

The results above derive from the continuing operations of the company.

ROYSCOT MOTOR FINANCE LIMITED

Balance sheet
at 30th September 1997

	Note	1996 £
Fixed assets		
Tangible assets	6	<u>26,244</u> <u>38,386</u>
Current assets		
Advances to customers due within one year	7	16,023,286 11,891,869
Advances to customers due after more than one year	7	18,370,219 14,728,977
Debtors	8	<u>2,500</u> <u>30,450</u>
		34,396,005 26,651,296
Current liabilities		
Creditors: amounts falling due within one year	9	<u>(34,363,224)</u> <u>(26,672,479)</u>
Net current assets/(liabilities)		<u>32,781</u> <u>(21,183)</u>
Total assets less current liabilities		59,025 17,203
Provisions for liabilities and charges		
Deferred taxation	10	<u>-</u> <u>(1,832)</u>
Net assets		<u>59,025</u> <u>15,371</u>
Capital and reserves		
Called-up share capital	11	1,000 1,000
Profit and loss account	12	<u>58,025</u> <u>14,371</u>
Equity shareholders' funds	13	<u>59,025</u> <u>15,371</u>

D J M Finlayson
Chairman

J H Evans
Director

ROYSCOT MOTOR FINANCE LIMITED

Notes on the accounts

for the year ended 30th September 1997

1. Ultimate holding company

The company is a wholly owned subsidiary of RoyScot Trust plc. The company's ultimate holding company is The Royal Bank of Scotland Group plc which is incorporated in Great Britain and registered in Scotland. Copies of the accounts 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.

2. Profit on ordinary activities before taxation

The profit on ordinary activities before taxation is stated after charging:

		1996 £
Interest payable to group undertakings	2,315,665	1,926,053
Auditors' remuneration	1,780	1,730
Depreciation	<u>15,815</u>	<u>15,736</u>

3. Directors' emoluments

None of the directors received any emoluments in respect of their services to the company during the year. One director exercised share options during the year

4. Taxation on profit on ordinary activities

		1996 £
Group relief - current year	45,743	35,881
Deferred taxation - current year	<u>(2,654)</u>	<u>(1,581)</u>
	<u>43,089</u>	<u>34,300</u>

The tax charge for the current year has been based on a corporation tax rate of 32% (1996 33%).

ROYSCOT MOTOR FINANCE LIMITED

Notes on the accounts - continued

5. Dividends on equity shares

		1996 £
Ordinary dividends		
- interim of £26 per share (1996 - £43)	26,000	43,000
- interim of £22 per share (1996 - £35)	<u>22,000</u>	<u>35,000</u>
	<u>48,000</u>	<u>78,000</u>

6. Tangible fixed assets

	Equipment £
Cost	
At beginning of year	79,180
Additions	6,545
Disposals	<u>(6,316)</u>
At end of year	<u>79,409</u>
Depreciation	
At beginning of year	40,794
Charge	15,815
Disposals	<u>(3,444)</u>
At end of year	<u>53,165</u>
Net book value	
At end of year	<u>26,244</u>
At beginning of year	<u>38,386</u>

7. Advances to customers

The capital cost of assets financed during the year was £26,923,318 (1996 - £18,307,552).

ROYSCOT MOTOR FINANCE LIMITED

Notes on the accounts - continued

8. Debtors

		1996 £
Amounts falling due within one year:		
Amounts due from other group undertakings	-	30,370
Other debtors	<u>1,678</u>	<u>80</u>
	1,678	30,450
Amounts falling due after more than one year		
Deferred taxation (See note 10)	822	-
	<u>2,500</u>	<u>30,450</u>

9. Creditors

		1996 £
Amounts falling due within one year:		
Amounts owed to immediate holding company	33,838,982	26,324,907
Amounts owed to other group undertakings	202,655	35,881
Other creditors	<u>321,587</u>	<u>311,691</u>
	<u>34,363,224</u>	<u>26,672,479</u>

10. Deferred taxation

	£	1996 £
The full potential deferred tax asset/(liability) has been recognised in the accounts as shown below:		
Timing differences on capital allowances	<u>822</u>	<u>(1,832)</u>
The movement during the year is as follows:		
At beginning of year	(1,832)	(3,413)
Credit for year	<u>2,654</u>	<u>1,581</u>
At end of year	<u>822</u>	<u>(1,832)</u>

11. Called-up share capital

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

ROYSCOT MOTOR FINANCE LIMITED

Notes on the accounts - continued

- 12. Profit and loss account** 1996
£
- | | | |
|----------------------------|---------------|----------------|
| At beginning of year | 14,371 | 22,732 |
| Profit/(loss) for the year | <u>43,654</u> | <u>(8,361)</u> |
| At end of year | <u>58,025</u> | <u>14,371</u> |
- 13. Reconciliation of movements in shareholders' funds** 1996
£
- | | | |
|--|---------------|---------------|
| Profit/(loss) for the year | 43,654 | (8,361) |
| Shareholders' funds at beginning of year | <u>15,371</u> | <u>23,732</u> |
| Shareholders' funds at end of year | <u>59,025</u> | <u>15,371</u> |
- 14. Cash flow statement**
- A cash flow statement is not included in these accounts because the company is a wholly owned subsidiary undertaking of RoyScot Trust plc. RoyScot Trust plc has informed the company of its intention to prepare a consolidated cash flow statement, including the cash flow of the company, in accordance with Financial Reporting Standard no. 1.
- 15. Capital commitments**
- No capital expenditure was authorised or contracted for as at 30th September 1997 (1996- nil).
- 16. Contingent liabilities**
- There were no contingent liabilities at 30th September 1997.
- 17. Related party transactions**
- The company has taken advantage of the exemptions available to it in paragraph 17 of Financial Reporting Standard 8, 'Related Party Disclosures', not to disclose any transactions with entities that are part of the group or investors of the group qualifying as related parties.
- 18. Approval of accounts**
- The accounts were approved by the board of directors on **13 NOV 1997**

ROYSCOT MOTOR FINANCE LIMITED

Report of the auditors

To the members of RoyScot Motor Finance Limited

We have audited the financial statements on pages 7 to 13.

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 financial statements and to report our opinion to you.

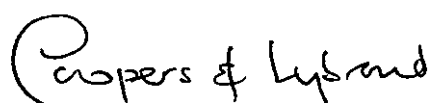
Basis of opinion

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 30th September 1997 and of its profit and total recognised gains and losses 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 14 November 1997