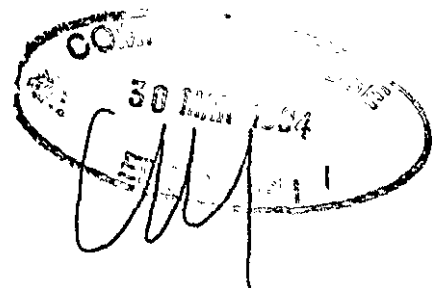


NWS 12 LIMITED

ACCOUNTS



FOR THE YEAR ENDED 31 DECEMBER 1993

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 1993**

The Directors hereby submit their Report and the accounts for the year ended 31 December 1993.

Directors responsibilities in respect of the accounts

The Directors are required by company law to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company at the end of the year and of its profit or loss for the year.

The Directors are responsible for maintaining proper accounting records, safeguarding the assets of the company and taking reasonable steps for preventing and detecting fraud and other irregularities.

The Directors confirm that the accounts have been prepared in accordance with applicable accounting standards and using suitable accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates.

Results

	<u>£000</u>
The accounts of the company show a profit for the financial year of	2,449
A dividend is proposed of	<u>2,400</u>
	49
The balance brought forward at 1 January 1993 was	<u>1</u>
Leaving a balance to be carried forward of	<u>50</u>

Activities of the Company

The principal activity of the company is the provision of finance and associated services. The company has conducted its activities throughout the year in a satisfactory manner.

No significant change in the company's activities is foreseen at the present time.

Directors

The Directors as at 31 December 1993 and their respective interests in the companies within the group were as follows:-

Continued.....

REPORT OF THE DIRECTORS (continued)

Directors (continued)

	Bank of Scotland Stock					
	Beneficial		Executive Stock Options		Savings Related Stock Options	
	31/12/93	31/12/92	31/12/93	31/12/92	31/12/93	31/12/92
C.H.Bush	**	**	**	**	**	**
R.Littler	**	**	**	**	**	**
J.A.Mercer	**	**	**	**	**	**
J.S.Brown	**	**	**	**	**	**
A.J.J.Bochenski	18,115	17,584	56,810	38,810	-	-
J.S.Hammond	9,570	8,430	54,621	42,621	5,203	5,696
M.R.Perry	33,965	43,361	61,676	43,676	12,433	19,273
T.J.Skinner	7,866	7,720	25,000	30,710	-	-

The following Directors were granted or exercised the right to subscribe for Bank of Scotland 25p Stock Units shown against their names during the year ended 31 December 1993:-


Director	Stock Options	Stock Options
	Granted	Exercised
C.H.Bush	**	**
R.Littler	**	**
J.A.Mercer	**	**
J.S.Brown	**	**
A.J.J.Bochenski	18,000	-
J.S.Hammond	12,457	950
M.R.Perry	19,580	8,420
T.J.Skinner	10,000	15,710

** The interests of Messrs. C.H.Bush, J.A.Mercer, R.Littler, and J.S.Brown are disclosed in the accounts of NWS BANK plc, the immediate parent undertaking.

The Options granted under the Executive Stock Option Scheme are exercisable between 1994 and 2003 at prices ranging from 55.02p to 188.5p. The Options granted under the Savings Related Stock Option Scheme are exercisable between 1994 and 2001 at prices ranging from 51.55p to 150.8p.

The Articles of Association do not provide for the retirement of Directors by rotation.

BY ORDER OF THE BOARD



R. NIXON

Secretary

NWS House
600 Gorgie Road
EDINBURGH

28 March 1994

We have audited the accounts on pages 4 to 10 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 6.

Respective responsibilities of directors and auditors

As described on page 1 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

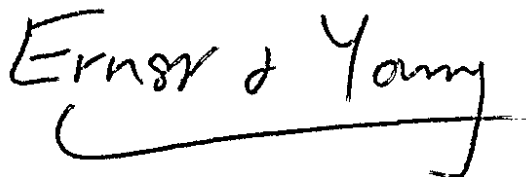
Basis of opinion

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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 31 December 1993 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



ERNST & YOUNG
Chartered Accountants
Registered Auditor
LIVERPOOL

28 March 1994

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1993

	<u>Notes</u>	<u>1993</u> <u>£000</u>	<u>1992</u> <u>£000</u>
TURNOVER	2	12,083	16,022
Finance and trading costs		7,884	12,259
GROSS PROFIT		4,199	3,763
Administration expenses		336	395
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2,3	3,863	3,368
Tax on profit on ordinary activities	4	1,414	2,020
PROFIT FOR THE FINANCIAL YEAR		2,449	1,348
Proposed dividend		2,400	1,350
		49	(2)
Balance brought forward		1	3
BALANCE CARRIED FORWARD		50	1

There are no recognised gains and losses other than the profit for the financial year.

BALANCE SHEET AS AT 31 DECEMBER 1993

	<u>Notes</u>	<u>1993</u> <u>£000</u>	<u>1992</u> <u>£000</u>
FIXED ASSETS			
Tangible assets	5	3,208	5,305
Investments	6	4	4
		<u>3,212</u>	<u>5,309</u>
CURRENT ASSETS			
Debtors:receivable within one year		24,478	21,328
:receivable after one year		111,302	130,123
	7	<u>135,752</u>	<u>151,451</u>
CREDITORS: payable within one year	8	(23,672)	(19,310)
NET CURRENT ASSETS		<u>112,080</u>	<u>132,141</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		115,292	137,450
CREDITORS: payable after one year	8	(92,128)	(112,300)
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred taxation	9	(16,706)	(18,576)
DEFERRED INCOME			
Leasing earnings equalisation	10	(3,874)	(4,039)
		<u>2,584</u>	<u>2,535</u>
CAPITAL AND RESERVES			
Called up share capital	11	1,924	1,924
Share premium		610	610
Profit and loss account		50	1
		<u>2,584</u>	<u>2,535</u>

Approved by the Board of Directors on 28 March 1994 and signed on its behalf by

.....
C.H.BUSH

C.H. Bush
..... DIRECTOR

NOTES ON THE ACCOUNTS

1. ACCOUNTING POLICIES

Accounting convention

The accounts have been prepared on a going concern basis under the historical cost convention and in accordance with S226 of, and schedule 4 to, the Companies Act 1985.

The accounts are prepared in accordance with applicable Accounting Standards.

Finance leases and operating leases

The net investment in finance leases is included as a receivable in debtors.

Equipment which is on hire under operating lease agreements is treated as a fixed asset.

Leasing earnings and depreciation

The earnings element of leasing rentals is credited to revenue, after making a deduction for certain initial expenses, in proportion to the funds invested in the related contracts.

The balance of operating lease rental receivable during the year not attributable to earnings is applied as depreciation of the relative assets leased to customers.

Leasing earnings equalisation

Tax benefits resulting from reductions in the rate of corporation tax and certain tax free lease termination payments have been treated as deferred income and transferred to the leasing earnings equalisation account. They are credited to revenue, grossed up at the prevailing corporation tax rate, over the period of the related leasing contracts.

Provision for bad debts

Provision is made:-

- (i) specifically against individual balances considered to be of doubtful recoverability;
- (ii) as a general provision against finance debtors to cover unforeseen contingencies.

Deferred taxation

Deferred taxation is determined by the liability method on all timing differences except to the extent that it is considered that such timing differences will continue in the foreseeable future.

NOTES ON THE ACCOUNTS (continued)

2. TURNOVER

Turnover, all of which arose from activities within the United Kingdom, represents finance charges earned on leasing agreements together with leasing earnings equalisation and income from associated services.

The turnover and pre-tax profit are attributable to one continuing activity, the provision of finance and associated services.

Exceptional Item

The process of calculating leasing earnings was refined during the year in order to present more fairly the company's financial position. This gave rise to a difference in the net book values of finance leases and related leasing earnings equalisation amounting to £263,242. It is considered that future results would be distorted if this difference were to be adjusted over the remaining periods of the lease contracts and therefore the total amount has been credited to turnover as an exceptional item.

3. PROFIT ON ORDINARY ACTIVITIES
BEFORE TAXATION

1993	1992
<u>£000</u>	<u>£000</u>

Profit is stated after crediting:

Finance lease rentals	28,928	38,903
Operating lease rentals	1,606	1,619
Leasing earnings equalisation	1,312	915
Government grants	-	15
	<hr/>	<hr/>

and after charging:

Intra group interest	8,277	12,957
Bank interest	21	22
Depreciation of operating lease assets	1,170	1,032
Directors' remuneration	-	-
Auditors' remuneration - fees	7	5
- other	-	-
	<hr/>	<hr/>

The company has no employees. It uses the services of its immediate parent undertaking for which a management charge, included in administration expenses, is made.

NOTES ON THE ACCOUNTS (continued)

4. TAX ON PROFIT ON ORDINARY ACTIVITIES	<u>1993</u> <u>£000</u>	<u>1992</u> <u>£000</u>
The tax charge based on the profit of the year is made up as follows:		
Transfer from deferred taxation	(1,870)	(4,850)
Transfer to leasing earnings equalisation	714	3,476
Group relief payable	-	2,149
Corporation tax at 33% (1992:33%)	1,930	-
Notional Tax on leasing earnings equalisation	433	302
Notional Tax on government grants	-	5
	<u>1,207</u>	<u>1,082</u>
Adjustments relating to prior years:		
Group relief	207	684
Deferred tax	-	254
	<u>1,414</u>	<u>2,020</u>

5. FIXED TANGIBLE ASSETS
OPERATING LEASE ASSETS

	<u>£000</u>
Cost	
At 1 January 1993	6,551
Additions	241
Disposals	(2,511)
At 31 December 1993	<u>4,281</u>
Depreciation	
At 1 January 1993	1,246
Disposals	(1,343)
Charge for year	1,170
At 31 December 1993	<u>1,073</u>
Net book value at 31 December 1993	<u>3,208</u>

6. FIXED ASSET INVESTMENTS

The company owns 10% of the issued share capital of Airlease International Management Limited which is registered in England and Wales.

The company owns all the issued share capital of Industrial Bank of Scotland Limited which is registered in England and Wales. Group accounts are not submitted as the company is a wholly owned subsidiary undertaking of another body corporate (see note 13).

NOTES ON THE ACCOUNTS (continued)

7. DEBTORS

	1993			1992		
	<u>Receivable</u>		<u>Total</u>	<u>Receivable</u>		<u>Total</u>
	within one year <u>£000</u>	after one year <u>£000</u>		within one year <u>£000</u>	after one year <u>£000</u>	
Finance lease debtors	23,917	111,302	135,219	21,018	130,076	151,094
Amount owed by subsidiary undertaking	145	-	145	145	-	145
VAT	139	-	139	-	-	-
Other debtors	249	-	249	165	47	212
	<u>24,450</u>	<u>111,302</u>	<u>135,752</u>	<u>21,328</u>	<u>130,123</u>	<u>151,451</u>

The cost of assets acquired during the year for the purpose of finance leasing was £7,421,680 (1992:£6,245,691).

8. CREDITORS

	1993		1992	
	<u>Payable</u>		<u>Payable</u>	
	within one year <u>£000</u>	after one year <u>£000</u>	within one year <u>£000</u>	after one year <u>£000</u>
Amount owed to immediate parent undertaking	3,091	92,128	8,308	112,300
VAT	-	-	668	-
Corporation tax	1,930	-	2,254	-
Proposed dividend	2,400	-	1,350	-
Other creditors	16,251	-	6,730	-
	<u>23,672</u>	<u>92,128</u>	<u>19,310</u>	<u>112,300</u>

9. DEFERRED TAXATION

	<u>1993</u>	<u>1992</u>
	<u>£000</u>	<u>£000</u>
Full provision has been made as follows:		
Capital allowances on assets leased to customers	16,775	18,710
Short term timing differences	(69)	(134)
	<u>16,706</u>	<u>18,576</u>

10. LEASING EARNINGS EQUALISATION

	<u>£000</u>
Balance at 1 January 1993	4,039
Transfer from profit and loss account	714
	<u>4,753</u>
Credit to profit and loss account (notes 3 and 4)	(879)
Balance at 31 December 1993	<u>3,874</u>

NOTES ON THE ACCOUNTS (continued)

11. SHARE CAPITAL	<u>1993</u>	<u>1992</u>
Ordinary shares of £1 each		
Authorised	<u>2,500,000</u>	<u>2,500,000</u>
Allotted, called up and fully paid	<u>1,923,909</u>	<u>1,923,909</u>
12. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS	<u>1993</u> <u>£000</u>	<u>1992</u> <u>£000</u>
Shareholders' funds at 1 January	2,535	2,537
Profit for the financial year	2,449	1,348
Dividend	(2,400)	(1,350)
Other recognised gains and losses	-	-
Shareholders' funds at 31 December	<u>2,584</u>	<u>2,535</u>

13. PARENT UNDERTAKINGS

The parent undertaking of the largest group of undertakings for which group accounts are drawn up and of which the company is a member is the Governor and Company of the Bank of Scotland, constituted by Act of the Scottish Parliament in 1695, and the parent undertaking of the smallest such group is NWS BANK plc, registered in England and Wales. As a wholly owned subsidiary undertaking the company is exempt from including a statement of cash flows in its accounts. The Bank of Scotland has included a consolidated statement of cash flows in its consolidated accounts. Copies of Bank of Scotland's accounts can be obtained from The Mound, Edinburgh and copies of NWS BANK plc's accounts can be obtained from City Road, Chester.