

MELVILLE STREET LEASING
(EDINBURGH) LIMITED

COMPANY NO. 59678

ANNUAL REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31ST MARCH 1995



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MELVILLE STREET LEASING (EDINBURGH) LIMITED

DIRECTORS

ERIC F SANDERSON	(Chairman)
ALEXANDER D NICOL	(Managing Director)
JOHN McCABE	(Assistant Managing Director)

SECRETARY

JOHN W ROBERTSON

REGISTERED OFFICE

4 MELVILLE STREET
EDINBURGH
EH3 7NZ
Telephone: 0131-453-1919

AUDITORS

ERNST & YOUNG
Chartered Accountants
Ten George Street
Edinburgh

PARENT UNDERTAKING

CAPITAL LEASING LIMITED

MELVILLE STREET LEASING (EDINBURGH) LIMITED

DIRECTOR'S REPORT 1995

The Directors submit this report and accounts of Melville Street Leasing (Edinburgh) Limited for the year ended 31 March 1995.

RESULTS AND DIVIDEND

The profit of the Company for the year to 31 March 1995 before taxation amounted to £1,220,356. After a tax charge of £307,121 and a payment of an interim dividend of £900,000, a retained profit of £13,235 remains to be carried forward.

The Directors do not recommend the payment of a final dividend.

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The Company's principal business is the provision of leasing and asset based finance for capital projects and the Company intends to continue to develop leasing packages to meet the specialised requirements of lessees.

Finance lease receivables have increased by £3,510,860 in what has been a satisfactory year for the company.

SHARE CAPITAL

The authorised share capital of the Company throughout the year was £100.

DIRECTORS AND THEIR INTERESTS

No Director has an interest in the shares of the Company, nor in the Preference Stocks of The Governor and Company of the Bank of Scotland ("Bank of Scotland"), the Company's ultimate parent undertaking, nor in the shares of any other group undertaking, at any time during the year.

Directors' beneficial interests in the ordinary stock of Bank of Scotland, the ultimate holding undertaking, were as follows:-

	<u>At 31 March 1994</u>	<u>At 31 March 1995</u>
	<u>Ordinary Stock Units</u>	<u>Ordinary Stock Units</u>
	<u>of 25p each</u>	<u>of 25p each</u>
E F Sanderson	42,419	143,626
A D Nicol	56,711	110,862
J McCabe	22,278	45,613

MELVILLE STREET LEASING (EDINBURGH) LIMITED

DIRECTOR'S REPORT (Continued)

Options to subscribe for Ordinary Stock of the Bank of Scotland were granted to or exercised by Directors during the year to 31 March 1995 as follows:-

EXECUTIVE STOCK OPTIONS

	<u>At 31.03.94</u>	<u>GRANTED</u>	<u>EXERCISED</u>	<u>At 31.03.95</u>	<u>WEIGHTED AVERAGE EXERCISE PRICE (P)</u>	<u>MARKET PRICE AT DATE OF EXERCISE (P)</u>	<u>CLOSING WEIGHTED AVERAGE EXERCISE PRICE (P)</u>	<u>DATE OPTIONS EXERCISABLE</u>
E F Sanderson	294,531	60,000	194,531	160,000	87.9	204	168.9	1995-2004
A D Nicol	152,272	36,000	50,272	138,000	86.8	204	156.5	1995-2004
J McCabe	75,972	11,000	26,392	60,580	75.0	199	134.8	1995-2004

No options lapsed during the period. Options were granted during the period at a price of 201.5p per share. The exercise price for options granted under the Executive Stock Option Scheme is the market price at the date of grant without deduction of any discount.

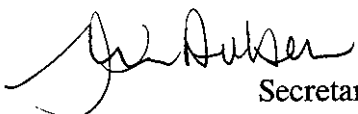
SAVINGS RELATED STOCK OPTIONS

	<u>At 31.03.94</u>	<u>GRANTED</u>	<u>EXERCISED</u>	<u>At 31.03.95</u>	<u>WEIGHTED AVERAGE EXERCISE PRICE (P)</u>	<u>MARKET PRICE AT DATE OF EXERCISE (P)</u>	<u>CLOSING WEIGHTED AVERAGE EXERCISE PRICE (P)</u>	<u>DATE OPTIONS EXERCISABLE</u>
A D Nicol	-	3,509	-	3,509	-		163.6	1999
J McCabe	12,016	2,115	4,830	9,301	64.8	192 & 197	109.3	1995-2001

No options lapsed during the period. Options were granted during the period at a price of 163.6p per share. The exercise price for options granted under the Savings Related Stock Option Scheme is 80% of the market price at the date of grant.

The market price of the shares at 31 March 1995 was 214.5p and the range during the year was 172.5p - 247p per share.

By order of the Board


Secretary

4 Melville Street
Edinburgh
EH3 7NZ
25 July 1995

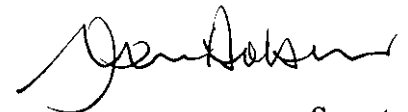
MELVILLE STREET LEASING (EDINBURGH) LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

The Directors are required by the Companies Act 1985 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 year and of the profit or loss for the year. The Directors consider that in preparing the financial statements on pages 6 to 13 the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all accounting standards which they consider applicable have been followed.

The Directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company and which enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

By order of the Board



Secretary

4 Melville Street
Edinburgh
EH3 7NZ
25 July 1995

MELVILLE STREET LEASING (EDINBURGH) LIMITED

REPORT OF THE AUDITORS TO THE MEMBERS OF MELVILLE STREET LEASING (EDINBURGH) LIMITED

We have audited the accounts on pages 6 to 13 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

As described on page 4, 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.

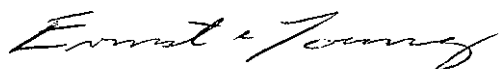
Basis of opinion

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 misstatements, 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 the company's affairs as at 31 March 1995 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



ERNST & YOUNG

Ernst & Young
Chartered Accountants
Registered Auditor
Edinburgh
26 July 1995

MELVILLE STREET LEASING (EDINBURGH) LIMITED

**Profit and Loss Account
for the year ended 31 March 1995**

	£	1994 £
Gross Earnings	2,825,933	2,104,558
Interest Payable (Note 3)	1,604,015	1,323,723
	<hr/>	<hr/>
	1,221,918	780,835
Administrative Expenses	1,562	1,645
	<hr/>	<hr/>
Profit on Ordinary Activities Before Taxation (Note 2)	1,220,356	779,190
Taxation on Profit on Ordinary Activities (Note 4)	307,121	(485,298)
	<hr/>	<hr/>
Profit on Ordinary Activities After Taxation (Note 13)	913,235	1,264,488
Interim Dividend Payable on Equity Shares (Note 9)	900,000	-
	<hr/>	<hr/>
Profit Retained for Year (Note 13)	13,235	1,264,488
	<hr/>	<hr/>

Profit on ordinary activities before taxation arises from continuing operations.

There are no recognised gains or losses other than profits attributable to the shareholders of the Company in the year to 31 March 1995 of £913,235 (1994 - £1,264,488).

The notes on pages 8 to 13 form part of these accounts.

MELVILLE STREET LEASING (EDINBURGH) LIMITED**Balance Sheet
as at 31 March 1995****Fixed Assets**Tangible Assets:
(Note 5)**Current Assets**

Finance Lease Receivables Falling Due:

Amounts Falling due:

After More than One Year (Note 6)

Within One Year (Note 6)

Debtors (Note 7)

**Creditors: Amounts Falling Due Within
One Year**

Loans from British Linen Bank Group Undertaking

Creditors (Note 8)

Due to Other Group Undertaking

Dividend Payable (Note 9)

Net Current Assets**Total Assets less Current Liabilities****Provision for Liabilities and Charges**

Deferred Taxation (Note 10)

Subordinated Loan Stock (Note 11)**Capital and Reserves**

Called Up Share Capital (Note 12)

Profit and Loss Account (Note 13)

Managing Director

Assistant Managing Director

The notes on pages 8 to 13 form part of these accounts.

1994
£

£

£

£

-

913

35,629,743

32,108,142

4,389,861

4,400,602

2,203,365

1,977,589

42,222,969

38,486,333

22,347,711

21,538,432

5,673,620

4,313,085

8,960,000

8,850,000

900,000

-

37,881,331

34,701,517

4,341,638

3,784,816

4,341,638

3,785,729

2,933,388

2,390,714

1,408,250

1,395,015

65,000

65,000

100

100

1,343,150

1,329,915

1,408,250

1,395,015

MELVILLE STREET LEASING (EDINBURGH) LIMITED

Notes on the Accounts for the year ended 31 March 1995

1. Accounting Policies

(a) Basis of Preparation

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards.

(b) Finance Leases

Income from assets leased to customers, including the release of government grants and leasing earnings equalisation provisions, is determined by spreading interest and charges over the period of repayment in proportion to the net cash investment.

Adjustments are made to equalise the effects of changes in corporation tax rates and are included in revenue, grossed up at the prevailing corporation tax rate, over the anticipated lives of the leases affected.

(c) Depreciation

Equipment is written off in equal instalments over the expected lives of the assets, up to a maximum of 5 years.

(d) Bad and Doubtful Debts

Specific provisions are made for finance lease receivables which are recognised to be bad or doubtful. A general provision, to cover finance lease receivables which are latently bad or doubtful but not yet identified as such, is also maintained. Provisions made during the year are charged to revenue, net of recoveries.

Finance Lease Receivables are stated net of specific and general provisions in the Balance Sheet.

(e) Deferred Taxation

The charge for taxation takes into account the timing differences in the accounting and taxation treatment of certain items to the extent that they are expected to reverse in the future. Deferred taxation is provided on the liability method.

MELVILLE STREET LEASING (EDINBURGH) LIMITED

Notes on the Accounts for the year ended 31 March 1995 (Continued)

2. Operating Profit

The Company operates in one principal area of activity, that of the provision of leasing and asset based finance. It operates wholly within the United Kingdom.

The operating profit of £1,220,356 (1994 - £779,190) is stated after crediting lease rentals receivable and proceeds on sale of leased equipment, totalling £7,398,517 (1994 - £5,263,085) and charging:

		1994
	£	£
Auditors' Remuneration - Audit Services	750	700
Directors' Emoluments	-	-
Depreciation of Equipment	<u>914</u>	<u>914</u>

3. Interest Payable

		1994
	£	£
On borrowings from other British Linen Bank Group Undertakings	1,604,015	1,310,640
Other Interest	-	13,083
	<u>1,604,015</u>	<u>1,323,723</u>

MELVILLE STREET LEASING (EDINBURGH) LIMITED

**Notes on the Accounts
for the year ended 31 March 1995 (Continued)**

4. Taxation on Profit on Ordinary Activities

The taxation charge/(credit) is made up as follows:

	£	1994 £
Group Relief at 33 % (1994 - 33 %)	(382,765)	(840,660)
Deferred Taxation	542,472	212,316
Equalisation Provisions	147,896	143,813
	<hr/> 307,603	<hr/> (484,531)
Prior Year Amendments to: Group Relief	(684)	15,944
Deferred Taxation	202	(16,711)
Tax Charge/(Credit) for Year	<hr/> 307,121	<hr/> (485,298)

5. Tangible Assets

Cost:-	£
At 1 April 1994 and 31 March 1995	4,568
Depreciation:-	
At 1 April 1994	3,655
Charge for the year	913
At 31 March 1995	4,568
Net Book Value at 31 March 1995	-
Net Book value at 31 March 1994	913

MELVILLE STREET LEASING (EDINBURGH) LIMITED

**Notes on the Accounts
for the year ended 31 March 1995 (Continued)**

6.	Finance Lease Receivables	£	1994 £
	Rentals Receivable for Leased Equipment (Net of Provisions)	67,964,095	67,542,718
	Less Income Allocated to Future Periods	27,944,491	31,033,974
		<hr/>	<hr/>
		40,019,604	36,508,744
		<hr/>	<hr/>

The cost of equipment acquired for letting under finance leases was £8,224,101 (1994 - £11,800,905).

Included in finance lease receivables is £14,248,140 (1994 - £9,319,587) due to the Company from other Bank of Scotland Group Undertakings of which £2,794,148 (1994 - £1,836,342) is receivable within one year.

7.	Debtors	£	1994 £
	Trade Debtors	1,202,711	6,775
	Group Relief Receivable	386,270	844,445
	Taxes Recoverable	614,384	1,126,369
		<hr/>	<hr/>
		2,203,365	1,977,589
		<hr/>	<hr/>

8.	Creditors	£	1994 £
	Trade Creditors	5,636,246	4,303,879
	Amount due to British Linen Bank Group Undertaking	36,624	8,181
	Other Creditors	750	1,025
		<hr/>	<hr/>
		5,673,620	4,313,085
		<hr/>	<hr/>

MELVILLE STREET LEASING (EDINBURGH) LIMITED

Notes on the Accounts for the year ended 31 March 1995 (Continued)

9. Dividend Payable

An interim dividend of £900,000 will be paid.

10. Deferred Taxation

The Directors consider it prudent to retain provisions as follows:

			1994	
	<u>Provided</u>	<u>Potential</u>	<u>Provided</u>	<u>Potential</u>
	£	Liability	£	Liability
		£		£
Short term timing differences	(39,820)	(39,820)	(70,582)	(70,582)
	<hr/>	<hr/>	<hr/>	<hr/>
Capital Allowances on Fixed Assets	(268)	(268)	(56)	(56)
	<hr/>	<hr/>	<hr/>	<hr/>
Capital Allowances on Leased Equipment	2,973,476	3,964,635	2,461,352	3,281,802
	<hr/>	<hr/>	<hr/>	<hr/>
Total	2,933,388	3,924,547	2,390,714	3,211,164
	<hr/>	<hr/>	<hr/>	<hr/>

British Linen Bank Group Limited has given a guarantee to pay on demand sufficient funds to enable the Company to meet any liability for deferred taxation for which no provision has been made which crystallises and becomes payable.

11. Subordinated Loan Stock

This loan will be repayable on 27 April 1998.

12. Share Capital

	1994	
	£	£
Authorised, Allotted, Issued and Fully Paid Ordinary Shares of £1 each	100	100
	<hr/>	<hr/>

MELVILLE STREET LEASING (EDINBURGH) LIMITED

Notes on the Accounts for the year ended 31 March 1995 (Continued)

13. Reconciliation of Shareholders' Funds and Movements on Reserves

	<u>Share Capital</u> £	<u>Profit & Loss Account</u> £	<u>Total</u> £
At 1 April 1993	100	65,427	65,527
Profit for the Year	-	1,264,488	1,264,488
	<hr/>	<hr/>	<hr/>
At 31 March 1994	100	1,329,915	1,330,015
Profit for the Year	-	913,235	913,235
Dividend	-	(900,000)	(900,000)
	<hr/>	<hr/>	<hr/>
At 31 March 1995	100	1,343,150	1,343,250
	<hr/>	<hr/>	<hr/>

Shareholders' funds are entirely attributable to equity interests.

The unprovided potential liability for deferred taxation of £991,159 included in reserves is regarded as non-distributable.

14. Ultimate Parent Company

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 Scots Parliament in 1695. Copies of the Annual Report and Accounts of the ultimate parent undertaking can be obtained from its Head Office at The Mound, Edinburgh.

The parent undertaking in whose accounts the company is first consolidated is Capital Leasing Limited, registered in Scotland. Copies of Capital Leasing Limited's accounts can be obtained from its Head Office, 4 Melville Street, Edinburgh.

15. Approval of Accounts

The accounts were approved by the directors on 25 July 1995.