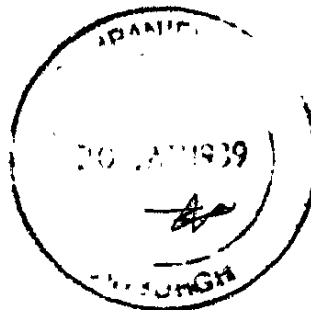


ROYAL SCOT LEASING LIMITED

(Company No. 80104)

DIRECTORS' REPORT AND ACCOUNTS

30 September 1988



ROYAL SCOT LEASING LIMITED

REPORT AND ACCOUNTS FOR THE YEAR ENDED 30 September 1988

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ROYAL SCOT LEASING LIMITED

DIRECTORS AND OFFICERS

DIRECTORS

Christopher Rupert Freeborough
Jonathan Michael Sweetman
Robert Burnet Cullen Young

SECRETARY

Alan William Talbot

REGISTERED OFFICE

42 St Andrew Square
Edinburgh EH2 2YE

PRINCIPAL OFFICE

RoyScot House
The Promenade
Cheltenham GL50 1PL

ROYAL SCOT LEASING LIMITED

DIRECTORS' REPORT

The Directors present their annual report, together with the audited accounts for the year ended 30 September 1988.

PARENT COMPANY

The Company is a wholly owned subsidiary of Royal Bank Leasing Limited. The ultimate holding company is The Royal Bank of Scotland Group plc which is incorporated in Great Britain and has its registered office at 36 St Andrew Square, Edinburgh EH2 2YB.

BUSINESS REVIEW

The principal activity of the Company is the provision of fixed asset finance usually involving individually structured facilities.

The Company will continue to operate in the fixed asset financing market.

RESULTS

The results for the year are set out on page 8. An interim dividend of £267,000 was paid on 3 August 1988. The Directors recommend that a final dividend of £391,000 be paid. If this recommendation is approved at the Annual General Meeting, the retained profit for the year to 30 September 1988 will amount to £1,700,000.

A special interim dividend of £1,526,000 was paid on 30 September 1988 out of retained profits.

DIRECTORS

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

At 30 September 1988, the Members of the Board of Directors were:-

Mr Christopher Rupert Freeborough
Mr Jonathan Michael Sweetman
Mr Robert Burnet Cullen Young

During the year ended 30 September 1988 the following changes were made in the composition of the Board:-

Mr D J Burgess was appointed a Director of the Company with effect from 5 November 1987.

Mr J M Sweetman was appointed a Director of the Company with effect from 19 February 1988.

Mr R F Riding resigned as a Director of the Company with effect from 28 March 1988.

Mr D J Burgess resigned as a Director of the Company with effect from 11 April 1988.

Mr R T Brown resigned as a Director of the Company with effect from 3 June 1988.

Mr R B C Young was appointed a Director of the Company with effect from 1 July 1988.

DIRECTORS' INTERESTS

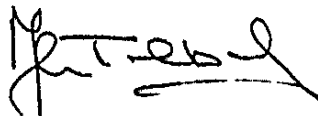
No Director had any interest in the ordinary shares of the Company on 30 September 1988 nor on 1 October 1987 or date of appointment if later.

The interests of the Directors at 30 September 1988 in the 25p ordinary shares of The Royal Bank of Scotland Group plc are shown on page 5.

AUDITORS

The Auditors, Deloitte Haskins & Sells, 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



Secretary
EDINBURGH

17 NOV 1988

DIRECTORS' INTERESTS IN SHARES OF
THE ROYAL BANK OF SCOTLAND GROUP plc

	<u>30 September 1988</u>		<u>1 October 1987</u> <u>(or date of</u> <u>appointment if later)</u>	
	<u>Shares</u>	<u>Options</u>	<u>Shares</u>	<u>Options</u>
C R Freeborough	Nil	16,927	Nil	16,500
J M Sweetman	Nil	237	Nil	Nil

The above interests in the ordinary shares were all held beneficially.

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 the cumulative preference shares of The Royal Bank of Scotland Group plc during the year to 30 September 1988. 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.

ROYAL SCOT LEASING LIMITED

A C C O U N T I N G P O L I C I E S

The accounts on pages 8 to 15 are prepared on the basis of the principal accounting policies adopted by the company described below. The accounts of the company are prepared in accordance with the Companies Act 1985.

1. ACCOUNTING CONVENTION

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

2. GROSS EARNINGS UNDER FINANCE LEASES

Gross earnings under finance leases comprise rentals receivable and progress payment income for which credit is taken during the period, less amortisation.

3. INCOME RECOGNITION

(i) Profit after taxation

The total projected profit on leases after assumed interest costs and taxation (excluding reinvestment income) is allocated over the primary period of each lease on a reducing basis by applying the "Rule of 78".

(ii) Amortisation

Amortisation is calculated as rentals less assumed interest costs (excluding reinvestment income) and less profit after taxation grossed up at the prevailing rate of corporation tax.

In order to give effect to the grossing up of profit after taxation, a transfer is made from deferred taxation to accumulated amortisation in the year in which leased assets are purchased.

(iii) Deferred taxation

Deferred taxation is charged on new leased assets at the rate at which relief on the initial timing differences is obtained; the transfer referred to in 3(ii) above adjusts the provision to ensure that provision for deferred taxation is carried in the balance sheet on all timing differences, other than those considered likely to continue in the foreseeable future, at the rate at which such timing differences are expected to be taxed when they are reversed.

ROYAL SCOT LEASING LIMITED

A C C O U N T I N G P O L I C I E S - continued

(iv) Hire purchase income

Hire purchase income is credited to the profit and loss account over the period of the agreement on a reducing basis by applying the "Rule of 78".

4. PROGRESS PAYMENTS INCOME RECOGNITION

Where assets are subject to progress payments being made prior to the commencement of the primary lease period, anticipated rental income is credited to the profit and loss account during the construction period equivalent to an appropriate interest rate on the outstanding investment.

5. REGIONAL DEVELOPMENT GRANTS

Regional development grant income is credited to the profit and loss account over the primary period of the lease on a reducing basis by applying the "Rule of 78".

6. FINANCE LEASE RECEIVABLES

Finance lease receivables are stated at the amount of the net investment in the lease. Progress payments made prior to the commencement of the primary lease period are included at cost.

7. HIRE PURCHASE RECEIVABLES

Hire purchase receivables are stated at rentals receivable less unexpired finance income.

ROYAL SCOT LEASING LIMITED

PROFIT AND LOSS ACCOUNT
for the year ended 30 September 1988

	Note	£m	1987 £m
Gross earnings under finance leases	2	19.7	23.5
Other income	3	<u>4.3</u>	<u>3.9</u>
		24.0	27.4
Finance charges	3	(20.3)	(22.7)
Operating expenses	3	<u>(0.1)</u>	<u>(0.2)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	3.6	4.5
Tax charge on profit on ordinary activities	5	<u>(1.2)</u>	<u>(1.5)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		2.4	3.0
Dividends for the year		<u>(0.7)</u>	<u>(5.6)</u>
RETAINED PROFIT/(LOSS) FOR THE YEAR		<u>1.7</u>	<u>(2.6)</u>

STATEMENT OF RETAINED PROFITS FOR THE
YEAR ENDED 30 SEPTEMBER 1988

Retained profits at 1 October 1987	9.0	11.6
Dividend in respect of prior years	(1.5)	-
Retained profit for the year	<u>1.7</u>	<u>(2.6)</u>
Retained profits at 30 September 1988	<u>9.2</u>	<u>9.0</u>

The notes on pages 11 to 15 form part of these accounts.

ROYAL SCOT LEASING LIMITED

B A L A N C E S H E E T
at 30 September 1988

	Note	£m	1987 £m
CURRENT ASSETS			
Finance lease and hire purchase receivables	6	288.8	295.4
Debtors	7	<u>7.9</u>	<u>16.8</u>
TOTAL ASSETS		296.7	312.2
CURRENT LIABILITIES			
Creditors: amounts falling due within one year	8	(220.5)	(233.2)
TOTAL ASSETS LESS CURRENT LIABILITIES		76.2	79.0
PROVISION FOR LIABILITIES AND CHARGES			
Deferred taxation	9	(66.0)	(68.4)
Deferred income	10	<u>(1.0)</u>	<u>(1.6)</u>
		<u>9.2</u>	<u>9.0</u>
CAPITAL AND RESERVES			
Called up share capital	11	-	-
Reserves		<u>9.2</u>	<u>9.0</u>
		<u>9.2</u>	<u>9.0</u>

C R FREEBOROUGH

Managing Director

R B C YOUNG

Director

The notes on pages 11 to 15 form part of these accounts

ROYAL SCOT LEASING LIMITED

STATEMENT OF SOURCE AND
APPLICATION OF FUNDS
for the year ended 30 September 1988

	£m	1987 £m
SOURCE OF FUNDS		
Retained profit/(loss) for the year	1.7	(2.6)
Adjustments for items not involving movement of funds:		
Regional development grants	(0.6)	(0.8)
Amortisation of assets held for letting under finance leases	29.1	14.5
Deferred taxation	<u>(2.4)</u>	<u>7.7</u>
Funds generated by operations	<u>27.8</u>	<u>18.8</u>
APPLICATION OF FUNDS		
Purchase of assets for letting under finance leases and hire purchase agreements less disposals	22.5	44.3
Dividend in respect of prior years	1.5	-
Increase/(Decrease) in working capital (see below)	<u>3.8</u>	<u>(25.5)</u>
	<u>27.8</u>	<u>18.8</u>
Analysis of Increase/(Decrease) in working capital:		
Decrease in debtors	(8.9)	(18.3)
Decrease/(Increase) in creditors	<u>12.7</u>	<u>(7.2)</u>
	<u>3.8</u>	<u>(25.5)</u>

The notes on pages 11 to 15 form part of these accounts.

ROYAL SCOT LEASING LIMITED

NOTES ON THE ACCOUNTS

1. ULTIMATE HOLDING COMPANY

The company is a wholly owned subsidiary of Royal Bank Leasing Limited. The company's ultimate company is The Royal Bank of Scotland Group plc which is incorporated in Great Britain and registered in Scotland.

2. GROSS EARNINGS UNDER FINANCE LEASES

	£m	1987 £m
Rentals receivable	48.8	38.0
Amortisation	(29.1)	(14.5)
	<u>19.7</u>	<u>23.5</u>

3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	£m	1987 £m
Includes the following:		
Other income:		
Hire purchase income	3.5	2.8
Regional development grants	0.6	0.8
Other income	<u>0.2</u>	<u>0.3</u>
	<u>4.3</u>	<u>3.9</u>
Finance charges:		
Interest payable to group companies	(20.3)	(22.7)
	£000	£000
Operating expenses include:		
Auditors' remuneration	<u>4</u>	<u>7</u>

Profit on ordinary activities before taxation includes an amount of £2.7m (1987 - £4.0m) resulting from the policy of grossing up profit after taxation referred to in Accounting Policy 3(ii).

ROYAL SCOT LEASING LIMITED

NOTES ON THE ACCOUNTS

4. DIRECTORS' EMOLUMENTS

The Directors received no emoluments from the company during the year (1987 - nil).

5. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	£m	1987 £m
Based on the profit for the year at 35 per cent (1987-35 per cent):		
Group relief payable - (charge)/credit	(5.8)	6.2
Deferred taxation	<u>4.6</u>	<u>(7.7)</u>
	(1.2)	(1.5)
Prior year items:		
Current taxation	2.2	-
Deferred taxation	<u>(2.2)</u>	<u>-</u>
	<u>(1.2)</u>	<u>(1.5)</u>

6. FINANCE LEASE AND HIRE PURCHASE RECEIVABLES

	£m	1987 £m
Amounts falling due within one year:		
Finance leases	36.8	30.9
Hire purchase agreements	<u>15.2</u>	<u>10.2</u>
	<u>52.0</u>	<u>41.1</u>
Amounts falling due after more than one year:		
Finance leases	218.0	238.4
Hire purchase agreements	<u>18.8</u>	<u>15.9</u>
	<u>236.8</u>	<u>254.3</u>
	<u>288.8</u>	<u>295.4</u>

The cost of assets acquired during the year for the purpose of letting under finance leases and for hire purchase agreements amounted to £25.7m (1987 - £47.7m).

ROYAL SCOT LEASING LIMITED

NOTES ON THE ACCOUNTS

7. DEBTORS

	£m	1987 £m
Trade debtors	2.5	4.3
Amounts due by group companies	0.3	6.7
Other debtors	<u>5.1</u>	<u>5.8</u>
	<u>7.9</u>	<u>16.8</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.

8. CREDITORS

	£m	1987 £m
Amounts falling due within one year:		
Payments received on account	7.6	6.1
Trade creditors	0.2	0.3
Amounts due to group companies	209.6	223.0
Taxation	3.0	3.8
Other creditors	<u>0.1</u>	<u>-</u>
	<u>220.5</u>	<u>233.2</u>

ROYAL SCOT LEASING LIMITED

NOTES ON THE ACCOUNTS

9. DEFERRED TAXATION

	£m	1987 £m
The potential liability for deferred taxation was:		
Capital allowances on finance lease receivables	69.8	71.2
Short-term timing differences	<u>0.2</u>	<u>1.2</u>
	<u>70.0</u>	<u>72.4</u>
of which provision has been made for:		
Capital allowances on finance lease receivables	65.8	67.2
Short-term timing differences	<u>0.2</u>	<u>1.2</u>
	<u>66.0</u>	<u>68.4</u>
Movements during the year:	£m	
At 1 October 1987	68.4	
Released to profit and loss account	<u>(2.4)</u>	
At 30 September 1988	<u>66.0</u>	

10. DEFERRED INCOME

Regional development grants:

At 1 October 1987	1.6
Released to profit and loss account	<u>(0.6)</u>
At 30 September 1988	<u>1.0</u>

11. SHARE CAPITAL

The authorised share capital of the company at 30 September 1988 and 1987 was £1 million of which £10,000 in ordinary shares of £1 each was allotted, called up and fully paid.

N O T E S O N T H E A C C O U N T S

12. FINANCIAL COMMITMENTS

Expenditure on assets for leasing and hire purchase authorised by the directors amounted to £21m (1987-£54.2m).

ROYAL SCOT LEASING LIMITED

APPROVAL OF ACCOUNTS

The accounts were approved by the board of directors on 17 NOV 1988 .

REPORT OF THE AUDITORS

To the members of RoyScot Leasing Limited.

We have audited the accounts on pages 6 to 15 in accordance with approved Auditing Standards.

In our opinion the accounts give a true and fair view of the state of the company's affairs at 30 September 1988 and of its profit and source and application of funds for the year then ended and comply with the Companies Act 1985.

Deloitte Haskins & Sells .

DELOITTE HASKINS & SELLS
Chartered Accountants

Gloucester
28th November, 1988.