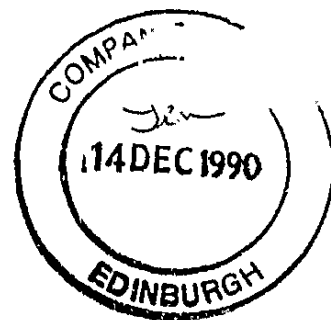


ROYAL SCOT LEASING LIMITED

(Company No. 80104)

DIRECTORS' REPORT AND ACCOUNTS

30 SEPTEMBER 1990



ROYAL SCOT LEASING LIMITED

REPORT AND ACCOUNTS FOR THE YEAR ENDED 30 SEPTEMBER 1990

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ROYAL SCOT LEASING LIMITED

DIRECTORS AND OFFICERS

CHAIRMAN

Christopher Rupert Freeborough

DIRECTORS

Thomas Carr
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
Gloucestershire 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 1990.

RESULTS

The results for the year are set out on page 8. An interim dividend of £510,000 was paid on 30 July 1990. The Directors recommend that a final dividend of £510,000 be paid (1989: £384,000). If this recommendation is approved at the Annual General Meeting, the retained loss for the year to 30 September 1990 to be transferred to reserves will amount to £300,000.

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. With effect from 1 October 1989, the Company adopted the business trading name RoyScot Corporate Leasing.

DIRECTORS

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

At 30 September 1990, the Members of the Board of Directors were:-

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

DIRECTORS' INTERESTS

No Director had any interest in the ordinary shares of the Company on 30 September 1990 nor on 1 October 1989.

The interests of the Directors at 30 September 1990 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.

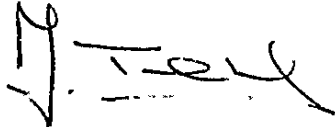
FIXED ASSETS

Changes in the fixed assets of the Company are shown in Note 7 on the accounts on page 12.

AUDITORS

The Auditors, Coopers & Lybrand Deloitte, 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

19 NOV 1990

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

| | <u>30 September 1990</u> | | <u>1 October 1989</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 | 774 | 51,067 | 745 | 46,067 |
| J M Sweetman | Nil | 2,235 | Nil | 1,124 |
| R B C Young | 236 | 532 | Nil | 532 |

The above interests in the 25p ordinary shares of The Royal Bank of Scotland Group plc 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 any of the preference shares of The Royal Bank of Scotland Group plc during the year to 30 September 1990. 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.

ACCOUNTING POLICIES

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 FROM OPERATING LEASES

Income from operating leases is credited to profit and loss account on a straight-line basis over the period of each lease.

Assets under operating leases are depreciated at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over the primary lease period.

4. AMOUNTS RECEIVABLE UNDER FINANCE LEASES

Income after taxation from leasing agreements is recognised over the primary period of the lease in proportion to the net funds invested. It is allocated to profit before and after taxation by applying the prevailing rate of corporation tax to the net income. 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.

5. 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.

ROYAL SCOT LEASING LIMITED

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

6. 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".

7. 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.

8. 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".

9. 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 1990

| | Note | £m | 1989 £m |
|---|------|--------------|--------------|
| Gross earnings under leases | 3 | 21.1 | 21.2 |
| Other income | 4 | <u>3.9</u> | <u>4.2</u> |
| | | 25.0 | 25.4 |
| Finance charges | 4 | (22.3) | (22.2) |
| Operating expenses | 4 | <u>(0.8)</u> | <u>(0.2)</u> |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | 4 | 1.9 | 3.0 |
| Tax charge on profit on ordinary activities | 6 | <u>(1.2)</u> | <u>(1.1)</u> |
| PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION | | 0.7 | 1.9 |
| Dividends for the year | | <u>(1.0)</u> | <u>(0.8)</u> |
| RETAINED (LOSS)/PROFIT FOR THE YEAR | 14 | <u>(0.3)</u> | <u>1.1</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 1990

| | Note | £m | 1989 £m |
|--|------|--------------|--------------|
| TANGIBLE FIXED ASSETS | 7 | 0.5 | 0.6 |
| CURRENT ASSETS | | | |
| Finance lease and hire purchase receivables | 8 | 223.7 | 262.3 |
| Debtors | 9 | <u>8.8</u> | <u>5.4</u> |
| | | 232.5 | 267.7 |
| CURRENT LIABILITIES | | | |
| Creditors: amounts falling due within one year | 10 | (162.7) | (195.6) |
| NET CURRENT ASSETS | | <u>69.8</u> | <u>72.1</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 70.3 | 72.7 |
| PROVISION FOR LIABILITIES AND CHARGES | | | |
| Deferred taxation | 11 | (60.0) | (61.9) |
| Deferred income | 12 | <u>(0.3)</u> | <u>(0.5)</u> |
| | | <u>10.0</u> | <u>10.3</u> |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 13 | — | — |
| Reserves | 14 | <u>10.0</u> | <u>10.3</u> |
| | | <u>10.0</u> | <u>10.3</u> |

Director

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 1990

| | £m | 1989 £m |
|---|-------------|-------------|
| SOURCE OF FUNDS | | |
| Retained (loss)/profit for the year | (0.3) | 1.1 |
| Adjustments for items not involving movement of funds: | | |
| Regional development grants | (0.2) | (0.5) |
| Amortisation of assets held for letting under finance leases | 5.0 | 30.5 |
| Deferred taxation | 1.8 | (4.1) |
| Depreciation of tangible fixed assets | <u>0.1</u> | <u>0.1</u> |
| Funds generated by operations | <u>27.4</u> | <u>26.1</u> |
| APPLICATION OF FUNDS | | |
| Purchase of assets for letting under finance leases and hire purchase agreements less disposals | (8.9) | 4.7 |
| Increase in working capital (see below) | <u>36.3</u> | <u>22.4</u> |
| | <u>27.4</u> | <u>27.1</u> |
| Analysis of increase in working capital: | | |
| Increase/(decrease) in debtors | 3.4 | (2.5) |
| Decrease in creditors | <u>32.9</u> | <u>24.9</u> |
| | <u>36.3</u> | <u>22.4</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. TURNOVER

| | 1989 £m | 1988 £m |
|----------------------------------|------------|-------------|
| Capital cost of assets financed: | | |
| Finance leases | 3.4 | 1.7 |
| Hire purchase | <u>4.2</u> | <u>9.7</u> |
| | <u>7.6</u> | <u>11.4</u> |

3. GROSS EARNINGS UNDER LEASES

| | 1989 £m | 1988 £m |
|--------------------|---------------|---------------|
| Finance leases: | | |
| Rentals receivable | 47.0 | 51.7 |
| Amortisation | <u>(26.0)</u> | <u>(30.5)</u> |
| | 21.0 | 21.2 |
| Operating leases: | | |
| Rentals receivable | 0.2 | 0.1 |
| Depreciation | <u>(0.1)</u> | <u>(0.1)</u> |
| | <u>0.1</u> | <u>—</u> |
| | <u>21.1</u> | <u>21.2</u> |

4. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

| | 1989 £m | 1988 £m |
|-------------------------------------|---------------|---------------|
| Includes the following: | | |
| Other income: | | |
| Hire purchase income | 3.4 | 3.5 |
| Regional development grants | 0.2 | 0.5 |
| Other income | <u>0.3</u> | <u>0.2</u> |
| | <u>3.9</u> | <u>4.2</u> |
| Finance charges: | | |
| Interest payable to group companies | <u>(22.3)</u> | <u>(22.2)</u> |
| | £000 | £000 |
| Operating expenses include: | | |
| Auditors' remuneration | <u>—</u> | <u>—</u> |

The auditors' remuneration for the year will be paid by Royal Bank Leasing Limited.

ROYAL SCOT LEASING LIMITED

NOTES ON THE ACCOUNTS

5. DIRECTORS' EMOLUMENTS

The Directors received no emoluments from the company during the year (1989 - nil).

6. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

| | £m | 1989 £m |
|---|--------------|--------------|
| Based on the profit for the year at 35% (1989-35%): | | |
| Group relief payable | (4.9) | (4.8) |
| Deferred taxation | <u>4.2</u> | <u>3.7</u> |
| | (0.7) | (1.1) |
| Prior year items: | | |
| Group relief receivable/(payable) | 1.8 | (0.4) |
| Deferred taxation | <u>(2.3)</u> | <u>0.4</u> |
| | <u>(1.2)</u> | <u>(1.1)</u> |

7. TANGIBLE FIXED ASSETS

| | Assets for hire under operating leases £m |
|-------------------------|--|
| COST | |
| As at 1 October 1989 | 0.7 |
| Additions | <u>0.0</u> |
| As at 30 September 1990 | <u>0.7</u> |
| DEPRECIATION | |
| As at 1 October 1989 | 0.1 |
| Charge for year | <u>0.1</u> |
| As at 30 September 1990 | <u>0.2</u> |
| NET BOOK VALUE | |
| As at 30 September 1990 | <u>0.5</u> |
| As at 30 September 1989 | <u>0.6</u> |

NOTES ON THE ACCOUNTS

8. FINANCE LEASE AND HIRE PURCHASE RECEIVABLES

| | £m | 1989 £m |
|---|--------------|--------------|
| Amounts falling due within one year: | | |
| Finance leases | 21.5 | 27.7 |
| Hire purchase agreements | <u>8.9</u> | <u>12.0</u> |
| | <u>30.4</u> | <u>39.7</u> |
| Amounts falling due after more than one year: | | |
| Finance leases | 182.1 | 207.2 |
| Hire purchase agreements | <u>11.2</u> | <u>15.4</u> |
| | <u>193.3</u> | <u>222.6</u> |
| | <u>223.7</u> | <u>262.3</u> |

The cost of assets acquired during the year for the purpose of letting under finance leases and for hire purchase agreements amounted to £7.6m (1989 - £11.4m).

9. DEBTORS

| | £m | 1989 £m |
|--------------------------------------|------------|------------|
| Amounts falling due within one year: | | |
| Trade debtors | 1.7 | 1.2 |
| Amounts due by group companies | 4.1 | 2.3 |
| Taxation | - | 0.6 |
| Other debtors | <u>3.0</u> | <u>1.3</u> |
| | <u>6.8</u> | <u>5.4</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.

ROYAL SCOT LEASING LIMITED

NOTES ON THE ACCOUNTS

10. CREDITORS

| | £m | 1989 £m |
|--------------------------------------|--------------|--------------|
| Amounts falling due within one year: | | |
| Payments received on account | 4.2 | 6.1 |
| Trade creditors | 0.3 | 5.2 |
| Amounts due to group companies | 155.7 | 184.3 |
| Other creditors | <u>2.5</u> | <u>-</u> |
| | <u>162.7</u> | <u>195.6</u> |

11. DEFERRED TAXATION

| | £m | 1989 £m |
|--|-------------|-------------|
| The potential liability for deferred taxation was: | | |
| Capital allowances on finance lease receivables | 64.0 | 65.6 |
| Other timing differences | <u>0.1</u> | <u>0.3</u> |
| | <u>64.1</u> | <u>65.9</u> |
| of which provision has been made for: | | |
| Capital allowances on finance lease receivables | 59.9 | 61.6 |
| Other timing differences | <u>0.1</u> | <u>0.3</u> |
| | <u>60.0</u> | <u>61.9</u> |
| Movements during the year: | £m | |
| At 1 October 1989 | 61.9 | |
| Released to profit and loss account | (1.9) | |
| At 30 September 1990 | <u>60.0</u> | |

ROYAL SCOT LEASING LIMITED

NOTES ON THE ACCOUNTS

12. DEFERRED INCOME £m

Regional development grants:

| | |
|-------------------------------------|--------------|
| At 1 October 1989 | 0.5 |
| Released to profit and loss account | <u>(0.2)</u> |
| At 30 September 1990 | <u>0.3</u> |

13. SHARE CAPITAL

The authorised share capital of the company at 30 September 1990 and 1989 was £1 million of which £10,000 in ordinary shares of £1 each was allotted, called up and fully paid.

14. RESERVES

| | |
|----------------------------|--------------|
| At 1 October 1989 | 10.3 |
| Retained loss for the year | <u>(0.3)</u> |
| At 30 September 1990 | <u>10.0</u> |

15. FINANCIAL COMMITMENTS

Expenditure on assets for leasing and hire purchase authorised by the directors amounted to £nil (1989 = £12.7m).

16. APPROVAL OF ACCOUNTS

The accounts were approved by the board of directors on

REPORT OF THE AUDITORS

To the members of Royal Scot Leasing Limited.

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

In our opinion the accounts give a true and fair view of the state of the company's affairs at 30 September 1990 and of its result and source and application of funds for the year then ended and are prepared in accordance with the Companies Act 1985.

Coopers & Lybrand Deloitte

Coopers & Lybrand Deloitte
Chartered Accountants

Glooucester

19 Nov 1990