

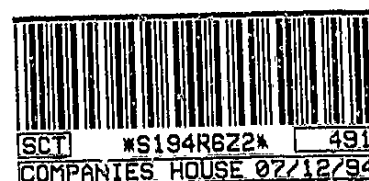
ROYAL SCOT LEASING LIMITED

(COMPANY NO. 80104)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

30 SEPTEMBER 1994

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ROYAL SCOT LEASING LIMITED

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 1994

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ROYAL SCOT LEASING LIMITED

DIRECTORS AND OFFICERS

CHAIRMAN

Christopher Rupert Freeborough

DIRECTORS

Martin Graham Brown

Thomas Carr

Jonathan Michael Sweetman

SECRETARY

John Albert Lea

REGISTERED OFFICE

42 St Andrew Square

Edinburgh

EH2 2YE

PRINCIPAL OFFICE

The Quadrangle

The Promenade

Cheltenham

Gloucestershire GL50 1PX

ROYAL SCOT LEASING LIMITED

DIRECTORS' REPORT

The Directors present their annual report, together with the audited financial statements for the year ended 30 September 1994.

RESULTS

The results for the year are set out on page 9. The Directors recommend that a final dividend of £615,935 be paid (1993 : £324,539). If this recommendation is approved at the Annual General Meeting, the retained profit for the year to 30 September 1994 to be transferred to reserves will amount to £1,742,371.

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.

DIRECTORS

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

At 30 September 1994, the Members of the Board of Directors were:-

Mr Martin Graham Brown
Mr Thomas Carr
Mr Christopher Rupert Freeborough
Mr Jonathan Michael Sweetman

During the year to 30 September 1994 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 30 September 1994 nor on 1 October 1993.

The interests of the Directors at 30 September 1994 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 6 on the accounts on page 12.

AUDITORS

A Resolution to reappoint the Auditors, Coopers & Lybrand and to authorise the Directors to fix their remuneration, will be proposed at the Annual General Meeting.

By Order of the Board.



M G Brown
Director
Cheltenham

24 November 1994

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

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

	At 1 October 1993 (or date of appointment if later)	At 30 September 1994
	<u>Shares</u>	<u>Shares</u>
T Carr	1,756	2,480
C R Freeborough	2,384	2,267
J M Sweetman	1,604	2,743

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 30 September 1994 are included in the table below:-

	At 1 October 1993 (or date of appointment if later)	<u>Options</u> <u>Number</u>	<u>Granted</u> <u>Price</u> £	<u>Options</u> <u>Number</u>	<u>Exercised</u> <u>Price</u> £	At 30 September 1994
M G Brown	4,239	1,002	3.44	-	-	5,241
T Carr	1,132	680	3.44	-	-	1,812
C R Freeborough	60,173	561	3.44	-	-	60,734
J M Sweetman	8,369	1,183	3.44	532	1.352	9,020

No other Director had an interest in any of the preference shares of The Royal Bank of Scotland Group plc during the year to 30 September 1994.

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.

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 period. 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;

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.

ROYAL SCOT LEASING LTD

ACCOUNTING POLICIES

The financial statements on pages 9 to 15 are prepared on the basis of the principal accounting policies adopted by the company described below and applicable Accounting Standards.

1 ACCOUNTING CONVENTION

The financial statements 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 financial statements as required by the special nature of the business.

2 AMOUNTS RECEIVABLE UNDER FINANCE LEASES

Gross earnings under finance leases are recognised according to the actuarial after tax method whereby pre-tax and post-tax profits are allocated to accounting periods so as to give a constant periodic rate of return on the net cash investment. In order to preserve a consistent relationship between pre-tax profits and the taxation charge, equalisation adjustments are made between taxation and gross earnings which remove the distorting effects of the structure of some transactions and changes in the rate of Corporation Tax.

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

3 OPERATING LEASE INCOME

Total gross earnings under operating leases are allocated to accounting periods to give a constant periodic rate of return on the net cash investment. Gross earnings are allocated to profit before and after taxation by applying the prevailing rate of Corporation Tax to the net income.

4 HIRE PURCHASE INCOME

Total gross earnings under hire purchase contracts are allocated to accounting periods to give a constant periodic rate of return on the net cash investment.

5. CASH FLOW STATEMENT

The company's ultimate holding company is The Royal Bank of Scotland Group plc, a company incorporated in Great Britain and registered in Scotland. Accordingly the company is not required to produce a cash flow statement as proscribed in paragraph 8(c) of Financial Reporting Standard 1, Flow Statements.

6 REGIONAL DEVELOPMENT GRANTS

Regional Development grant income is credited to the profit and loss account in proportion to net cash invested.

ACCOUNTING POLICIES (Continued)

7 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.

8 HIRE PURCHASE RECEIVABLES

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

9 TANGIBLE FIXED ASSETS

Tangible fixed assets are included in the balance sheet at cost less accumulated depreciation, less income suspense. Depreciation is calculated to write off the cost less the estimated residual value of tangible fixed assets on a straight line basis over their estimated useful lives.

Useful life

Assets for hire under operating leases

6 years

PROFIT AND LOSS ACCOUNT
for the year ended 30 September 1994

CONTINUING OPERATIONS			
	Note	1993 £'000	1994 £'000
Gross earnings under leases	3	6,191	7,433
Sundry income	4	<u>2,187</u>	<u>2,465</u>
		8,378	9,898
Finance charges	4	(5,332)	(7,623)
Operating expenses	4	<u>(289)</u>	<u>(937)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4	2,757	1,338
Taxation charge on profit on ordinary activities	5	<u>(399)</u>	<u>(461)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		2,358	877
Dividend for the year		<u>(616)</u>	<u>(325)</u>
RETAINED PROFIT FOR THE YEAR	14	<u><u>1,742</u></u>	<u><u>552</u></u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the year ended 30 September 1994

	1993 £'000	1994 £'000
Profit for the financial year	2,358	877
Prior Year Adjustment	<u>-</u>	<u>(5,439)</u>
Total gains and losses recognised since the last annual report.	<u><u>2,358</u></u>	<u><u>(4,562)</u></u>

There is no difference between profit on ordinary activities before taxation and the retained profit for the year stated above and their historical cost equivalents.

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

ROYAL SCOT LEASING LTD

BALANCE SHEET
at 30 September 1994

	Note	£'000	1993 £'000
TANGIBLE FIXED ASSETS	6	-	59
INVESTMENT IN SUBSIDIARY UNDERTAKINGS	7	-	200
CURRENT ASSETS			
Finance lease and hire purchase receivables due within one year	8	24,184	21,129
Finance lease and hire purchase receivables due after more than one year	8	119,097	137,198
Debtors	9	<u>3,129</u>	<u>3,798</u>
		146,410	162,120
CURRENT LIABILITIES			
Creditors: amounts falling due within one year	10	<u>(32,669)</u>	<u>(24,890)</u>
NET CURRENT ASSETS		<u>113,741</u>	<u>137,230</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		113,741	137,489
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	10	(70,957)	(91,897)
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred taxation	11	(37,439)	(41,980)
Deferred income	12	<u>(11)</u>	<u>(20)</u>
TOTAL NET ASSETS		<u>5,884</u>	<u>3,592</u>
CAPITAL AND RESERVES			
Called up share capital	13	10	10
Reserves	14	<u>5,824</u>	<u>3,582</u>
EQUITY SHAREHOLDER'S FUNDS	15	<u>5,884</u>	<u>3,592</u>

On behalf of the board:



Director

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

NOTES ON THE ACCOUNTS

1 ULTIMATE HOLDING COMPANY

The company is a wholly owned subsidiary of Royal Bank Leasing Limited. 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 group 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 TURNOVER

	£'000	1993 £'000
Capital cost of assets financed:		
Hire purchase	<u>4,783</u>	<u>15,457</u>

3 GROSS EARNINGS UNDER LEASES

Finance Leases:		
Rentals receivable	20,744	23,235
Pre-tax equalisation	701	857
Amortisation	<u>(15,266)</u>	<u>(16,667)</u>
	<u>6,179</u>	<u>7,425</u>
 Operating Leases:		
Rentals receivable	20	20
Depreciation	<u>(8)</u>	<u>(12)</u>
	<u>12</u>	<u>8</u>
	<u>6,191</u>	<u>7,488</u>

4 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Includes the following:

Other income:		
Hire purchase income	2,110	2,252
Regional development grants	9	26
Other income	<u>68</u>	<u>187</u>
	<u>2,187</u>	<u>2,465</u>
 Finance charge:		
Interest payable to group undertakings	<u>5,382</u>	<u>7,623</u>
 Operating expenses:		
Bad debt (credit)/charge	(97)	553
Management charge	386	371
Other	<u>-</u>	<u>13</u>
	<u>289</u>	<u>937</u>

NOTES ON THE ACCOUNTS

4	PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION (Continued)	£'000	1993 £'000
	Included in the management charge from Royal Bank Leasing Limited are:		
	Directors' emoluments	47	48
	Auditors' remuneration	8	7
	Staff costs	194	184

5	TAXATION		
	Group relief:-		
	- current year	(4,833)	(5,357)
	- prior year	126	(100)
	Taxation equalisation	(233)	(306)
	Deferred taxation:-		
	- current year	4,157	5,215
	- prior year	384	87
		<u>(399)</u>	<u>(461)</u>

The tax charge for the current year has been based on a Corporation Tax rate of 33% (1993 - 33%).

6	TANGIBLE FIXED ASSETS	Assets for hire under Operating Leases £'000
	Cost:	
	At 1 October 1993	94
	Additions	-
	Transfer to finance lease receivables	(94)
	At 30 September 1994	-
	Depreciation:	
	At 1 October 1993	(35)
	Charge for the year	(8)
	Transfer to finance lease receivables	43
	At 30 September 1994	-
	Net Book Value	
	At 30 September 1994	-
	At 1 October 1993	<u>59</u>

7 INVESTMENT IN SUBSIDIARY UNDERTAKINGS

During the year the company disposed of its interest in its subsidiary, R.B. Investment Holdings Limited, at cost.

NOTES ON THE ACCOUNTS

8	FINANCE LEASE AND HIRE PURCHASE RECEIVABLES	1998	
		£'000	£'000
	Amounts falling due within one year:		
	Finance leases	15,422	15,515
	Hire purchase receivables	<u>8,762</u>	<u>5,614</u>
		<u>24,184</u>	<u>21,129</u>
	Amounts falling due after more than one year:		
	Finance leases	100,026	114,842
	Hire purchase receivables	<u>19,071</u>	<u>22,856</u>
		<u>119,097</u>	<u>137,198</u>
9	DEBTORS	1998	
		£'000	£'000
	Amounts falling due within one year:		
	Trade debtors	35	60
	Amounts due by group undertakings	1,384	931
	Other debtors	<u>1,710</u>	<u>2,802</u>
		<u>3,129</u>	<u>3,793</u>
10	CREDITORS	1998	
		£'000	£'000
	Amounts falling due within one year:		
	Payments on account	3,909	7,020
	Trade creditors	7	8
	Amounts due to group undertakings	25,889	15,349
	Other creditors	<u>2,864</u>	<u>2,513</u>
		<u>32,669</u>	<u>24,890</u>
	Amounts falling due after more than one year:		
	Amounts due to group undertakings		
	Between one and two years	19,034	20,192
	Between two and five years	32,047	37,268
	After five years	<u>19,876</u>	<u>34,437</u>
		<u>70,957</u>	<u>91,897</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.

The rates of interest applicable to those amounts due after more than five years will be by reference to inter bank rates for periods of three, six and twelve months.

ROYAL SCOT LEASING LTD

NOTES ON THE ACCOUNTS

11 DEFERRED TAXATION

Full provision has been made for the potential amount of deferred taxation shown below:

Capital allowances on finance lease receivables

1998
£'000

37,439 41,980

Movements during the period:

At 1 October 1993

41,980

Credit to profit and loss account

(4,541)

At 30 September 1994

37,439

12 DEFERRED INCOME

Regional Development Grants:

At 1 October 1993

20

Credit to profit and loss account

(9)

At 30 September 1994

11

13 SHARE CAPITAL

Ordinary shares of £1 each
1998

Authorised

1,000,000 1,000,000

Allotted, called up and fully paid

10,000 10,000

14 RESERVES

£'000

At 1 October 1993

3,582

Retained profit for the year

1,742

At 30 September 1994

5,324

NOTES ON THE ACCOUNTS

15 RECONCILIATION OF SHAREHOLDER'S FUNDS

	£'000	1993 £'000
Profit for the year	2,358	877
Dividend	<u>(616)</u>	<u>(325)</u>
Net addition to shareholder's funds	1,742	552
At 1 October 1993	<u>3,592</u>	<u>3,040</u>
At 30 September 1994	<u><u>5,334</u></u>	<u><u>3,592</u></u>

16 APPROVAL OF FINANCIAL STATEMENTS

The financial statements on pages 7 to 15 were approved by the board of directors on 24 November 1994

REPORT OF THE AUDITORS

To the members of Royal Scot Leasing Limited.

We have audited the financial statements on pages 7 to 15.

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 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 30 September 1994 and of its profit and total recognised gains 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
25 November 1994