

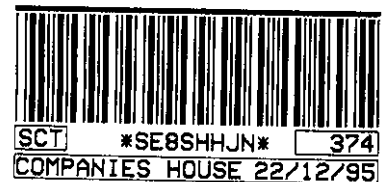
(Company No. 80104)

**ROYAL SCOT LEASING LIMITED**

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

30 SEPTEMBER 1995

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# **ROYAL SCOT LEASING LIMITED**

## **REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 1995**

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**ROYAL SCOT LEASING LIMITED**

**DIRECTORS AND OFFICERS**

**CHAIRMAN**

Martin Graham Brown

**DIRECTORS**

Thomas Carr  
Adrian Colin Farnell  
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 1995.

### **RESULTS**

The results for the year are set out on page 9. The Directors recommend that a final dividend of £825,000 be paid (1994 : £615,935). If this recommendation is approved at the Annual General Meeting, the retained profit for the year to 30 September 1995 to be transferred to reserves will amount to £2,795,144.

### **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 1995, the Members of the Board of Directors were:-

Mr Martin Graham Brown  
Mr Thomas Carr  
Mr Adrian Colin Farnell  
Mr Jonathan Michael Sweetman

During the year to 30 September 1995, the following changes were made in the composition of the Board:-

On 21 March 1995, Mr Christopher Rupert Freeborough resigned as a Director of the Company.

On 3 May 1995, Mr Adrian Colin Farnell was appointed a Director of the Company.

### **DIRECTORS' INTERESTS**

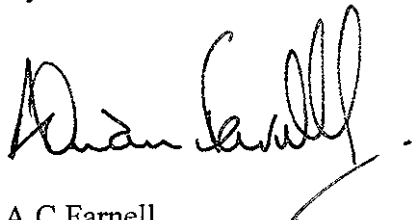
No Director had any interest in the ordinary shares of the Company on 30 September 1995 nor on 1 October 1994.

The interests of the Directors at 30 September 1995 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.

## 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.

A handwritten signature in black ink, appearing to read 'A C Farnell', followed by a small horizontal line.

A C Farnell  
Director  
CHELTENHAM

24 November 1995

**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.

	<b>At 1 October 1994 (or date of appointment if later)</b>	<b>At 30 September 1995</b>
	<b><u>Shares</u></b>	<b><u>Shares</u></b>
M G Brown	Nil	3,077
T Carr	2,480	3,758
A C Farnell	623	630
J M Sweetman	2,743	4,430

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 1995 are included in the table below:-

	<b>At 1 October 1994 (or date of appointment if later)</b>	<b><u>Options</u> Number</b>	<b><u>Granted</u> Price £</b>	<b><u>Options</u> Number</b>	<b><u>Exercised</u> Price £</b>	<b>At 30 September 1995</b>
M G Brown	5,241	2,156	3.20	1,836	1.49	5,561
T Carr	1,812	1,218	3.20	-	-	3,030
A C Farnell	3,291	-	-	-	-	3,291
J M Sweetman	9,020	495	3.20	1,111	1.49	8,404

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 1995.

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**

### **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.

## 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 GROSS EARNINGS 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.

### 3 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.

### 4 INCOME FROM OPERATING LEASES

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.

### 5 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.

### 6 REGIONAL DEVELOPMENT GRANTS

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

### 7 FOREIGN CURRENCY

Assets or liabilities denominated in foreign currency are translated at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated at an average rate for the period. Exchange differences arising on trading activities are included in the operating profit.



ACCOUNTING POLICIES (Continued)

8 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.

9 AMOUNTS RECEIVABLE UNDER FINANCE LEASES

Finance lease receivables are stated in the balance sheet at the amounts of the net investment in the leases.

10 HIRE PURCHASE RECEIVABLES

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

11 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 prescribed in paragraph 8(c) of Financial Reporting Standard 1, Cash Flow Statements.

ROYAL SCOT LEASING LIMITED

**PROFIT AND LOSS ACCOUNT**  
for the year ended 30 September 1995

CONTINUING OPERATIONS

	Note	1994 £'000	1994 £'000
Gross earnings under leases	3	5,924	6,191
Other income	4	<u>2,351</u>	<u>2,187</u>
		8,275	8,378
Finance charges	4	(2,190)	(5,332)
Operating expenses	4	<u>(602)</u>	<u>(289)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4	5,483	2,757
Taxation charge on profit on ordinary activities	5	<u>(1,863)</u>	<u>(399)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		3,620	2,358
Proposed dividend for the year		<u>(825)</u>	<u>(616)</u>
RETAINED PROFIT FOR THE YEAR	12	<u>2,795</u>	<u>1,742</u>

The company has no recognised gains and losses other than the profits above and therefore no separate statement of total recognised gains and losses has been presented.

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.

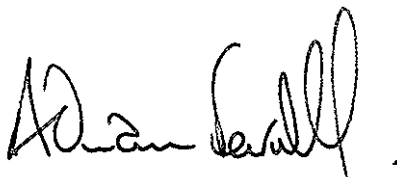
ROYAL SCOT LEASING LIMITED

BALANCE SHEET

At 30 September 1995

	Note	£'000	1994 £'000
CURRENT ASSETS			
Finance lease and hire purchase receivables due within one year	6	14,995	24,184
Finance lease and hire purchase receivables due after more than one year	6	58,402	119,097
Debtors	7	<u>4,426</u>	<u>3,129</u>
		77,823	146,410
CURRENT LIABILITIES			
Creditors: amounts falling due within one year	8	<u>(12,933)</u>	<u>(32,669)</u>
NET CURRENT ASSETS		<u>64,890</u>	<u>113,741</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		64,890	113,741
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	8	(50,986)	(70,957)
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred taxation	9	(5,768)	(37,439)
Deferred income	10	<u>(7)</u>	<u>(11)</u>
TOTAL NET ASSETS		<u>8,129</u>	<u>5,334</u>
CAPITAL AND RESERVES			
Called up share capital	11	10	10
Reserves	12	<u>8,119</u>	<u>5,324</u>
EQUITY SHAREHOLDER'S FUNDS	13	<u>8,129</u>	<u>5,334</u>

On behalf of the board:

  
Director

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 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	1994 £'000
Capital cost of assets financed:		
Finance leases	35,910	-
Hire purchase	<u>9,376</u>	<u>4,783</u>

### 3 GROSS EARNINGS UNDER LEASES

Finance leases:		
Rentals receivable	11,308	20,744
Pre-tax equalisation (see note 5)	34,712	701
Amortisation	<u>(40,096)</u>	<u>(15,266)</u>
	<u>5,924</u>	<u>6,179</u>
Operating leases:		
Rentals receivable	-	20
Depreciation	<u>-</u>	<u>(8)</u>
	<u>-</u>	<u>12</u>
	<u>5,924</u>	<u>6,191</u>

### 4 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Includes the following:

Other income:		
Hire purchase income	2,199	2,110
Regional development grants	4	9
Other income	<u>148</u>	<u>68</u>
	<u>2,351</u>	<u>2,187</u>
Finance charge:		
Interest payable to group undertakings	<u>2,190</u>	<u>5,332</u>

ROYAL SCOT LEASING LIMITED

NOTES ON THE ACCOUNTS

4	PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION (Continued)		1994
		£'000	£'000
	Operating expenses:		
	Bad debt credit	(298)	(97)
	Management charge	390	386
	Other	510	-
		<u>602</u>	<u>289</u>

Included in the management charge from Royal Bank Leasing Limited are:

Directors' emoluments	38	47
Auditors' remuneration	8	8
Staff costs	184	194

5	TAXATION		
	Group relief:-		
	- current year (receivable) / payable	(284)	4,833
	- prior year payable / (receivable)	48	(126)
	Taxation equalisation	33,770	233
	Deferred taxation:-		
	- current year	(31,623)	(4,157)
	- prior year	(48)	(384)
		<u>1,863</u>	<u>399</u>

The tax charge for the current year has been based on a Corporation Tax rate of 33% (1994 - 33%). Taxation equalisation represents notional taxation due to the grossing up of after tax profits and the company's policy of apportioning profit after tax over the primary periods of leases in proportion to the net funds invested. During the year leases at a net book value of £99,407k were terminated resulting in a tax equalisation charge of £33,075k and a deferred tax release of £32,804k.

6 FINANCE LEASE AND HIRE PURCHASE RECEIVABLES

Amounts falling due within one year:

Finance leases	3,678	15,422
Hire purchase receivables	11,317	8,762
	<u>14,995</u>	<u>24,184</u>

Amounts falling due after more than one year:

Finance leases	42,446	100,026
Hire purchase receivables	15,956	19,071
	<u>58,402</u>	<u>119,097</u>

# ROYAL SCOT LEASING LIMITED

## NOTES ON THE ACCOUNTS

7	DEBTORS	£'000	1994 £'000
	Amounts falling due within one year:		
	Trade debtors	13	35
	Amounts due by group undertakings	2,568	1,384
	Other debtors	<u>1,845</u>	<u>1,710</u>
		<u>4,426</u>	<u>3,129</u>

8	CREDITORS		
	Amounts falling due within one year:		
	Payments on account	2,588	3,909
	Trade creditors	-	7
	Amounts due to group undertakings	9,609	25,889
	Other creditors	<u>736</u>	<u>2,864</u>
		<u>12,933</u>	<u>32,669</u>
	Amounts falling due after more than one year:		
	Amounts due to group undertakings		
	Between one and two years	4,719	19,034
	Between two and five years	5,478	32,047
	After five years	<u>40,789</u>	<u>19,876</u>
		<u>50,986</u>	<u>70,957</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.

## 9 DEFERRED TAXATION

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

Capital allowances on finance lease receivables	<u>5,768</u>	<u>37,439</u>
Movements during the year:		
At 1 October 1994	37,439	
Credit to profit and loss account	<u>(31,671)</u>	
At 30 September 1995	<u>5,768</u>	

ROYAL SCOT LEASING LIMITED

NOTES ON THE ACCOUNTS

10 DEFERRED INCOME

£'000

Regional development grants:

At 1 October 1994

11

Credit to profit and loss account

(4)

At 30 September 1995

7

11 SHARE CAPITAL

Ordinary shares of £1 each  
1994

£

£

Authorised

1,000,000

1,000,000

Allotted, called up and fully paid

10,000

10,000

12 RESERVES

£'000

At 1 October 1994

5,324

Retained profit for the year

2,795

At 30 September 1995

8,119

13 RECONCILIATION OF SHAREHOLDER'S FUNDS

1994

£'000

Profit for the year

3,620

2,358

Dividend

(825)

(616)

Net addition to shareholder's funds

2,795

1,742

At 1 October 1994

5,334

3,592

At 30 September 1995

8,129

5,334

ROYAL SCOT LEASING LIMITED

NOTES ON THE ACCOUNTS

14 APPROVAL OF FINANCIAL STATEMENTS

The financial statements on pages 7 to 15 were approved by the board of directors on 24 November 1995.



## 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 1995 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  
24 November 1995