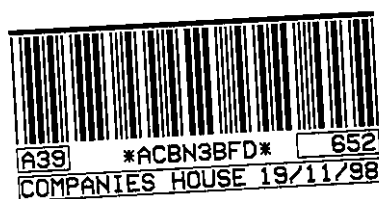


Company No. 1196227

CHARTERHOUSE JAPHET FINANCE LIMITED

DIRECTORS' REPORT AND ACCOUNTS

30th SEPTEMBER 1998



CHARTERHOUSE JAPHET FINANCE LIMITED

REPORT AND ACCOUNTS FOR THE YEAR ENDED 30th SEPTEMBER 1998

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CHARTERHOUSE JAPHET FINANCE LIMITED

DIRECTORS AND OFFICERS

DIRECTORS

Clive Richard Dobbs
John Reginald Pollard
Michael Ian Charles Woodcock

SECRETARY

Michael Ian Charles Woodcock

REGISTERED OFFICE

RoyScot House
The Promenade
Cheltenham
Gloucestershire GL50 1PL

CHARTERHOUSE JAPHET FINANCE LIMITED

Directors' report

The directors present their annual report, together with the audited accounts for the year ended 30th September 1998.

Results

The results for the year are set out on page 8. The directors do not recommend the payment of a dividend (1997: Nil).

Business review

The company, which is a wholly owned subsidiary of Charterhouse Japhet Credit Limited, ceased taking on any new business on 1st December 1986 but continues to maintain its existing contracts to trade out its position. The directors consider that the income of the company will decline over the forthcoming year in line with these actions.

Directors

The present directors of the company are listed on page 2. At 30th September 1998, the members of the board of directors were:-

David John McIntosh Finlayson
John Reginald Pollard
Michael Ian Charles Woodcock

During the year to 30th September 1998, the following change was made in the composition of the board of directors:-

Mr D J M Finlayson resigned as a director of the company with effect from 30th September 1998.

Subsequent to 30th September 1998, the following change has occurred:-

Mr C R Dobbs was appointed a director of the company with effect from 1st October 1998.

Directors' interests

No director had any interest in the ordinary shares of the company on 30th September 1998 nor on 1st October 1997.

The interests of the directors at 30th September 1998 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 undertakings are shown on page 5.

Year 2000

The directors recognise the importance of the Year 2000 issue and the consequences it may have for the company and its suppliers and customers.


The company has a continuous programme of systems maintenance and development which includes addressing the problems posed by Year 2000. The costs of addressing the Year 2000 issue are therefore absorbed in the ongoing IT development expenditure of the company.

CHARTERHOUSE JAPHET FINANCE LIMITED

Auditors

Messrs Coopers & Lybrand resigned as auditors of the company on 14th August 1998 and were replaced by Messrs PricewaterhouseCoopers who have indicated their willingness to continue in office. Resolutions to re-appoint them 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 dark ink, appearing to read 'M I C Woodcock', written over a horizontal line.

M I C Woodcock
Secretary
CHELTENHAM

12th November 1998

CHARTERHOUSE JAPHET FINANCE LIMITED

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

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

	<u>1st October 1997</u>	<u>30th September 1998</u>
	<u>Shares</u>	<u>Shares</u>
D J M Finlayson	21,297	22,885
J R Pollard	7,966	9,053
M I C Woodcock	4,749	4,598

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 30th September 1998 are included in the table below:

	<u>At 1st October 1997</u>	<u>Options granted</u>	<u>Price £</u>	<u>Options exercised</u>	<u>Price £</u>	<u>At 30th Sept 1998</u>
D J M Finlayson	66,725	97	7.99	23,000 488	3.99 2.12	43,334
J R Pollard	5,314	604	7.99	2,278	2.12	3,640
M I C Woodcock	4,804	Nil	-	Nil	-	4,804

No director had an interest in any of the preference shares of The Royal Bank of Scotland Group plc during the year to 30th September 1998.

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.

CHARTERHOUSE JAPHET FINANCE LIMITED

Statement of directors' responsibilities

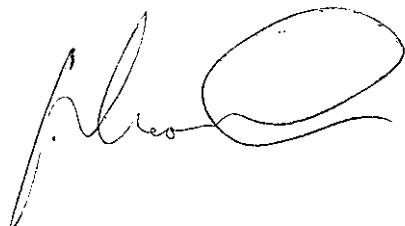
Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year. In preparing those financial statements, the directors are required to:

- 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; and
- 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.

The directors confirm that these financial statements comply with the aforementioned requirements.

By order of the Board

A handwritten signature in black ink, appearing to read 'M I C Woodcock', with a large, stylized loop at the end.

M I C Woodcock
Secretary
CHELTENHAM
12th November 1998

CHARTERHOUSE JAPHET FINANCE LIMITED

Accounting policies

The accounts on pages 7 to 13 are prepared in accordance with applicable accounting standards in the United Kingdom. The principal accounting policies adopted by the company are described below.

1. Accounting convention

The accounts 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. Instalment credit agreements

Where the amount of the total charges on instalment credit agreements is established at the commencement of the agreement, income for the period and unearned charges are calculated in accordance with the "Rule of 78" after deduction of commission payable to dealers. On contracts subject to variable rates of interest, charges are debited to customers' accounts and recognised as income as and when they fall due.

3. Turnover

Turnover consists of income receivable in the period in respect of finance charges, interest, fees and commission due to the company, and the sale proceeds of dealing assets.

4. Tangible fixed assets

Furniture and equipment are depreciated on a straight line basis at rates of 10% and 20% per annum respectively. Leasehold property is depreciated in equal annual instalments over the period of the leases concerned.

5. Provisions for bad and doubtful debts

Provisions are made against receivables when it is considered that recovery is doubtful or losses are anticipated.

Provisions made during the year are charged against profits. Receivables classified as bad debts are written off in part or in whole when the extent of the loss incurred has been confirmed.

6. Taxation

Provision is made for taxation at current rates on the taxable profits.

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 to the extent that they are likely to crystallise in the foreseeable future.

CHARTERHOUSE JAPHET FINANCE LIMITED

Profit & loss account

for the year ended 30th September 1998

	Note	£	1997 £
Turnover		2,987	1,878
Other operating income		<u>8,762</u>	<u>15,243</u>
Profit on ordinary activities before taxation	1	11,749	17,121
Taxation on profit on ordinary activities	3	<u>(3,738)</u>	<u>(5,770)</u>
Profit for the year	9	<u>8,011</u>	<u>11,351</u>

The company has no recognised gains and losses other than those included in the profit above, and therefore no separate statement of total recognised gains and losses has been presented.

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

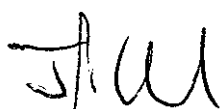
The results above derive from the continuing operations of the company

CHARTERHOUSE JAPHET FINANCE LIMITED

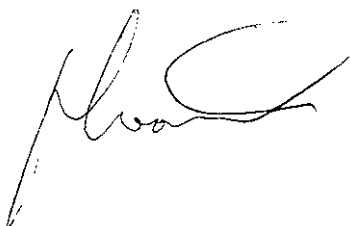
Balance sheet
at 30th September 1998

	Note	£	1997 £
Fixed assets			
Tangible assets	4	<u>391</u>	<u>704</u>
Current assets			
Debtors	5	1,397,127	1,390,137
Current liabilities			
Creditors: amounts falling due within one year	6	<u>(8,351)</u>	<u>(9,685)</u>
Net current assets		<u>1,388,776</u>	<u>1,380,452</u>
Net assets		<u>1,389,167</u>	<u>1,381,156</u>
Capital and reserves			
Called-up share capital	8	1,000	1,000
Profit and loss account	9	<u>1,388,167</u>	<u>1,380,156</u>
Equity shareholders' funds	10	<u>1,389,167</u>	<u>1,381,156</u>

J R Pollard
Director



M I C Woodcock
Director



CHARTERHOUSE JAPHET FINANCE LIMITED

Notes on the accounts

for the year ended 30th September 1998

1. Profit on ordinary activities before taxation

The profit on ordinary activities before taxation is stated after charging:

	£	1997 £
Depreciation	313	313
Auditors' remuneration	<u>880</u>	<u>850</u>

2. Directors' emoluments

None of the directors received any emoluments in respect of their services to the company during the year. Two directors exercised share options during the year.

3. Taxation on profit on ordinary activities

	£	1997 £
Group relief		
- current year	2,710	4,154
Deferred taxation		
- current year	<u>1,028</u>	<u>1,616</u>
	<u>3,738</u>	<u>5,770</u>

The tax charge for the current year has been based on a corporation tax rate of 31% (1997 32%).

CHARTERHOUSE JAPHET FINANCE LIMITED

Notes on the accounts - continued

4. Tangible fixed assets

	Short leasehold property £	Furniture & equipment £	Total £
Cost			
At beginning of year	5,000	88,408	93,408
Disposals	—	(8,550)	(8,550)
At end of year	<u>5,000</u>	<u>79,858</u>	<u>84,858</u>
Depreciation			
At beginning of year	4,296	88,408	92,704
Charge	313	—	313
Disposals	—	(8,550)	(8,550)
At end of year	<u>4,609</u>	<u>79,858</u>	<u>84,467</u>
Net book value			
At end of year	<u>391</u>	<u>0</u>	<u>391</u>
At beginning of year	<u>704</u>	<u>0</u>	<u>704</u>

5. Debtors

	1997 £	£
Amounts falling due within one year:		
Amounts due from other group undertakings	1,394,165	1,386,198
Cash at bank	91	—
Other debtors	—	<u>40</u>
	1,394,256	1,386,238
Amounts falling due after more than one year:		
Deferred taxation (note 7)	<u>2,871</u>	<u>3,899</u>
	<u>1,397,127</u>	<u>1,390,137</u>

CHARTERHOUSE JAPHET FINANCE LIMITED

Notes on the accounts - continued

6. Creditors

		1997
	£	£
Amounts falling due within one year:		
Bank overdraft	-	26
Amounts owed to other group undertakings	2,710	4,154
Other creditors	4,761	4,655
Accruals and deferred income	<u>880</u>	<u>850</u>
	<u>8,351</u>	<u>9,685</u>

7. Deferred taxation

The full potential deferred tax asset at 30% (1997 31%) has been recognised in the accounts as shown below:

		1997
	£	£
Timing differences on capital allowances	<u>2,871</u>	<u>3,899</u>
The movement during the year is as follows:		
At beginning of year	3,899	5,515
Charge for year	(1,028)	(1,616)
At end of year	<u>2,871</u>	<u>3,899</u>

There is no potential liability for deferred taxation.

8. Called-up share capital

		1997
	£	£
Authorised, called-up and fully paid:		
1,000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

9. Profit and loss account

		1997
	£	£
At beginning of year	1,380,156	1,368,805
Profit for the year	<u>8,011</u>	<u>11,351</u>
At end of year	<u>1,388,167</u>	<u>1,380,156</u>

CHARTERHOUSE JAPHET FINANCE LIMITED

Notes on the accounts - continued

10. Reconciliation of movements in equity shareholders' funds

	£	1997 £
Profit for the year	8,011	11,351
Equity shareholders' funds at beginning of year	<u>1,381,156</u>	<u>1,369,805</u>
Equity shareholders' funds at end of year	<u>1,389,167</u>	<u>1,381,156</u>

11. Cash flow statement

The company has not prepared a cash flow statement in accordance with an exemption from FRS1 (Revised), as it is a wholly owned subsidiary undertaking of an EU parent company which prepares consolidated accounts incorporating a cash flow statement.

12. Capital commitments

No capital expenditure was contracted but not provided for as at 30th September 1998 (1997 - nil).

13. Contingent liabilities

There were no contingent liabilities at 30th September 1998.

14. Ultimate holding company

The company is a wholly owned subsidiary of Charterhouse Japhet Credit 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 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.

15. Related party transactions

The company has taken advantage of the exemptions available to it in paragraph 17 of Financial Reporting Standard 8, 'Related Party Disclosures', not to disclose any transactions with entities that are part of the group or investors of the group qualifying as related parties.

16. Approval of accounts

The accounts were approved by the board of directors on 12th November 1998

CHARTERHOUSE JAPHET FINANCE LIMITED

Report of the auditors

To the members of Charterhouse Japhet Finance Limited.

We have audited the financial statements on pages 7 to 13, which have been prepared under the historical cost convention and the accounting policies set out on page 7.

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.

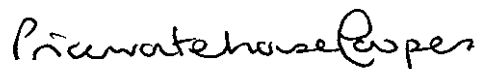
Basis of opinion

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 30th September 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors

Bristol, 13 November 1998