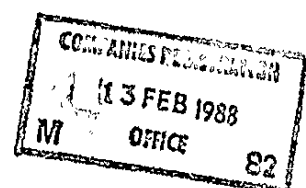


CHARTERHOUSE JAPHET FINANCE LIMITED
Company No. 1196227

DIRECTORS' REPORT AND ACCOUNTS

30 SEPTEMBER 1987



CHARTERHOUSE JAPHET FINANCE LIMITED

DIRECTORS' REPORT

The Directors present their annual report and the audited accounts for the year ended 30 September 1987.

REGISTERED OFFICE

The Company, incorporated in England, changed its registered office from Seymour House, The Courtyard, Denmark Street, Wokingham, Berkshire RG11 2BB on 5 February 1987 to 67 Lombard Street, London EC3P 3DL. The registered office then changed to The Quadrangle, Imperial Square, Cheltenham GL50 1PZ on 31 March 1987.

PARENT COMPANY

The Company is a wholly-owned subsidiary of Charterhouse Japhet Credit 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

On 1 December 1986, the Company ceased taking new business 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 AND DIRECTORS' INTERESTS

At 30 September 1987 the Members of the Board of Directors were :-

Gordon John Hadland
David Arthur Johnson
Alan William Talbot

During the year ended 30 September 1987 the following changes were made in the composition of the Board :-

Mr R F Riding, Mr G J Hadland and Mr D A Johnson were appointed Directors of the Company with effect from 22 October 1986.

Mr D W Baker and Mr C M D Netterington resigned as Directors of the Company with effect from 29 October 1986.

Mr D B Jones resigned as a Director of the Company with effect from 31 October 1986.

Mr C R Mitchell resigned as a Director of the Company with effect from 19 December 1986.

Mr R F Riding resigned as a Director of the Company with effect from 30 September 1987

Mr A W Talbot was appointed a Director of the Company with effect from 30 September 1987

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

	At 30 September 1987		At 1 October 1986 (or date of appointment)	
	Shares	Options	Shares	Options
G J Hadland	Nil	19,037	Nil	16,262
D A Johnson	5,876	12,525	5,224	2,525
A W Talbot	1,116	808	1,116	808

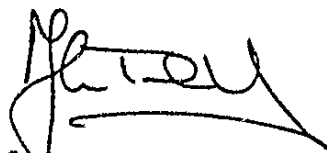
No other Director had an interest in the ordinary shares of The Royal Bank of Scotland Group plc and no Director had an interest in the cumulative preference shares of The Royal Bank of Scotland Group plc during the period to 30 September 1987. In addition, during that period, none of the Directors held 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.

No Director had any interest in the ordinary shares of the Company on 30 September 1987 nor on 1 October 1986.

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

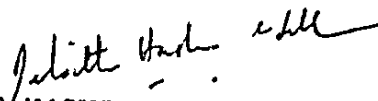
67 Lombard Street
London EC3P 3DL

16 NOV 1987

AUDITORS' REPORT TO THE MEMBERS OF
CHARTERHOUSE JAPHET FINANCE LIMITED

We have audited the accounts on pages 4 to 12 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 30th September 1987 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
Chartered Accountants

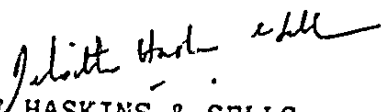
Gloucester.

21 DEC 1987

AUDITORS' REPORT TO THE MEMBERS OF
CHARTERHOUSE JAPHET FINANCE LIMITED

We have audited the accounts on pages 4 to 12 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 30th September 1987 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
Chartered Accountants

Gloucester.

21 DEC 1987

WATERHOUSE JAPHET FINANCE LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30TH SEPTEMBER 1987

	<u>Notes</u>	<u>1987</u>	<u>1986</u>
		<u>£</u>	<u>£</u>
TURNOVER		11,234,590	13,515,868
COST OF SALES		<u>(90,248)</u>	<u>(3,267,451)</u>
GROSS PROFIT		11,144,342	10,248,417
Administrative expenses		(4,582,027)	(3,630,219)
Other operating income		<u>5,390</u>	<u>125,772</u>
OPERATING PROFIT		6,567,705	6,743,970
Interest payable and similar charges	3	<u>(5,845,106)</u>	<u>(6,491,724)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4	722,599	252,246
Tax on profit on ordinary activities	5	<u>261,427</u>	<u>(236,272)</u>
PROFIT FOR THE PERIOD	12	<u>461,172</u> =====	<u>488,518</u> =====

WATERHOUSE JAPHET FINANCE LIMITED

BALANCE SHEET
30TH SEPTEMBER 1987

	<u>Notes</u>	<u>1987</u>	<u>1986</u>
		<u>£</u>	<u>£</u>
FIXED ASSETS			
Tangible assets	7	387,170	546,067
CURRENT ASSETS			
Debtors			
Cash at bank and in hand	8	41,348,664	82,218,622
		88,761	1,003,565
		41,437,425	83,222,187
CURRENT LIABILITIES			
Creditors (amounts falling due within one year)	9	(40,319,726)	(82,859,814)
NET CURRENT ASSETS		1,117,699	362,373
TOTAL ASSETS LESS CURRENT LIABILITIES		1,504,869	908,440
PROVISIONS FOR LIABILITIES	10	49,217	(86,040)
		1,455,652	994,480
		=====	=====
CAPITAL AND RESERVES			
Called-up share capital	11	1,000	1,000
Profit and loss account	12	1,454,652	993,480
		1,455,652	994,480
		=====	=====

Approved by the Board on 02 November 1987.

DIRECTORS

G.J. HADLAND

D.A. JOHNSON

INTERHOUSE JAPHET FINANCE LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE YEAR ENDED 30TH SEPTEMBER 1987

	<u>1986</u>	<u>1987</u>
	<u>£</u>	<u>£</u>
SOURCE OF FUNDS		
Profit before taxation	722,599	252,246
Prior year adjustments	-	(330,000)
Adjustment for items not involving the movement of funds:		
Depreciation	170,586	171,456
Loss on disposal of fixed assets	8,245	(9,920)
Software write-off	-	414,421
Corporation tax group relieved	(49,871)	(40,456)
Total funds generated from operations	851,559	457,747
FUNDS FROM OTHER SOURCES		
Proceeds of sale of fixed assets	-	187,017
TOTAL SOURCE OF FUNDS	851,559	644,764
APPLICATION OF FUNDS		
Purchase of fixed assets	(19,934)	(272,404)
NET SOURCE OF FUNDS	831,625	372,360
	=====	=====
THE NET SOURCE OF FUNDS IS REPRESENTED BY THE FOLLOWING INCREASE IN WORKING CAPITAL		
Debtors	(40,869,958)	29,087,467
Creditors	40,500,322	(28,700,909)
	(369,636)	386,558
Movement in Net Liquid Funds		
Cash balances	(914,804)	985,359
Bank overdraft	2,116,065	(999,557)
	831,625	372,360
	=====	=====

WINTERHOUSE JAPHET FINANCE LIMITED

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30TH SEPTEMBER 1987

1. ACCOUNTING CONVENTION

(i) Accounting convention

The balance sheet is prepared under the historical cost convention.

(ii) Instalment credit agreements

Where charges on instalment credit agreements are added to the amount financed at the commencement of agreement, income and unearned charges have been calculated in accordance with a formula known as the 'Rule of 78' after deduction of commission payable to dealers. In other transactions, charges are debited to customers' accounts as and when they fall due.

(iii) Turnover

Turnover consists of finance charges, interest, fees and commissions receivable, and the sale proceeds of dealing assets.

(iv) Fixed assets

Fixtures and fittings and equipment are depreciated on a straightline basis at a rate of 10 percent per annum. Leasehold property is depreciated in equal annual instalments over the periods of the leases concerned.

(v) Provisions for bad and doubtful debts

Provisions are made against receivables when it is considered recovery is doubtful or losses anticipated. The provisions are deducted from receivables.

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.

(vi) 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.

AS TO THE ACCOUNTS (Continued)

3. INTEREST PAYABLE

Interest payable represents the Company's share of group interest charges which are administered by the Company's immediate holding company, Charterhouse Japhet Credit Limited.

	<u>1987</u>	<u>1986</u>
	<u>£</u>	<u>£</u>
Amounts payable to group companies	5,845,106	6,491,724
	=====	=====

4. PROFIT ON ORDINARY ACTIVITIES
BEFORE TAXATION

Profit on ordinary activities before taxation is stated after charging the following amounts:

Wages and salaries	527,668	1,731,079
Social security costs	69,819	170,265
Other pension costs	68,115	242,496
Depreciation	170,586	171,456
Auditors remuneration	13,000	41,000
Hire of machinery	111,049	168,577
Exceptional item: Exceptional provisions and costs following acquisition of the company by RoyScot Trust Limited	221,307	-
	=====	=====

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

Group relief at 35% (1986: 37.5%)	126,170	(49,871)
Deferred taxation charge/(credit)	<u>135,257</u>	<u>(186,401)</u>
	261,427	(236,272)
	=====	=====

AS TO THE ACCOUNTS (Continued)

6. DIRECTORS' EMOLUMENTS

	<u>1987</u>	<u>1986</u>
	<u>£</u>	<u>£</u>
Directors' emoluments	16,228	198,340
	=====	=====
Chairman	Nil	54,108
	===	=====
Highest paid director	9,816	54,108
	=====	=====

The expenses and emoluments of the chairman were borne by another group company.

The table which follows shows the number of other directors excluding pension contributions, were within

Range

	<u>Number</u>	
	<u>1987</u>	<u>1986</u>
Nil		
£0 - £5,000	2	-
£5,001 - £10,000	1	-
£25,001 - £30,000	-	-
£30,001 - £35,000	-	1
£35,001 - £40,000	-	1
	-	1

LES TO THE ACCOUNTS (Continued)

7. TANGIBLE ASSETS

COST	Short leasehold property	Fixtures and fittings and equipment	Total
	£	£	£
At 1st October 1986	20,290	692,122	712,412
Additions	-	19,934	19,934
Disposals	-	(13,075)	(13,075)
At 30th September 1987	20,290	698,981	719,271
DEPRECIATION			
At 1st October 1986	7,438	158,907	166,345
Provision for the year	1,212	169,374	170,586
Disposals	-	(4,830)	(4,830)
At 30th September 1987	8,650	323,451	332,101
NET BOOK VALUE			
At 30th September 1987	11,640	375,530	387,170
At 30th September 1986	12,852	533,215	546,067

8. DEBTORS

	1987	1986
	£	£
Advances to customers' less provisions	40,901,391	77,740,139
Amounts owned by group companies	284,338	547,749
Other debtors	162,935	1,423,868
Prepayments and accrued income	-	2,506,866
Total debtors	41,348,664	82,218,622

9. CREDITORS

Amounts falling due within one year:		
Bank overdraft	-	2,116,065
Trade creditors	39,946,914	81,844
Amounts owed to group companies	61,957	79,809,754
Other creditors	310,855	704,794
Accruals and deferred income	40,319,726	147,357
	82,859,814	

IES TO THE ACCOUNTS (Continued)

10. PROVISIONS FOR LIABILITIES AND CHARGES

DEFERRED TAXATION

	<u>1987</u>		<u>1986</u>	
	<u>Potential liability</u>	<u>Amount provided</u>	<u>Potential liability</u>	<u>Amount provided</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
Accelerated capital allowances	49,217	49,217	75,660	75,660
Other timing differences	-	-	669,906	669,906
Group relief at nil consideration	-	-	-	(831,606)
	<u>49,217</u>	<u>49,217</u>	<u>745,566</u>	<u>(86,040)</u>
	=====	=====	=====	=====

11. CALLED-UP SHARE CAPITAL

	<u>1987</u>	<u>1986</u>
	<u>£</u>	<u>£</u>
Ordinary shares of £1 authorised	1,000	1,000
	=====	=====
Ordinary shares of £1 issued and fully paid	1,000	1,000
	=====	=====

12. PROFIT AND LOSS ACCOUNT

	<u>£</u>
At 1st October 1986	993,480
Retained profit for year	<u>461,172</u>
At 30th September 1987	<u>1,454,652</u>
	=====

13. CONTINGENT LIABILITIES

The company has granted a guarantee, subject to a limit of £4,000,000, to support the borrowing of the parent company Charterhouse Japhet Credit Limited.

14. EMPLOYEES

The average number of persons employed by the Company during the period was 34 (1986 - 172).

NOTES TO THE ACCOUNTS (Continued)

15. PENSION COMMITMENTS

The Company participates in a group pension scheme covering the majority of its employees, including directors. This scheme is financed through a separate trustee-administered fund with contributions, which are charged against profit, based upon actuarial advice following a valuation which took place on 30th June 1982.

16. 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 p.l.c., which is incorporated in Great Britain and registered in Scotland.