

1196227

CHARTERHOUSE JAPHET FINANCE LIMITED

(Company No. 1196227)

DIRECTORS' REPORT AND ACCOUNTS

30 SEPTEMBER 1988



CHARTERHOUSE JAPHET FINANCE LIMITED

REPORT AND ACCOUNTS FOR THE YEAR ENDED 30 SEPTEMBER 1988

| <u>Contents</u> | <u>Pages</u> |
|--|--------------|
| Directors and officers | 2 |
| Directors' report | 3-4 |
| Directors' interests in shares | 5 |
| Profit and loss account | 6 |
| Balance sheet | 7 |
| Statement of source and application of funds | 8 |
| Notes on the accounts | 9-14 |
| Report of the auditors | 15 |

CHARTERHOUSE JAPHET FINANCE LIMITED

DIRECTORS AND OFFICERS

DIRECTORS

Gordon John Hadland
Alan William Talbot
Michael Ian Charles Woodcock
Robert Burnet Cullen Young

SECRETARY

Alan William Talbot

REGISTERED OFFICE

RoyScot House
The Promenade
Cheltenham GL50 1PL

CHARTERHOUSE JAPHET FINANCE LIMITED

DIRECTORS' REPORT

The Directors present their annual report, together with the audited accounts for the year ended 30 September 1988.

REGISTERED OFFICE

The Company, incorporated in England, changed its registered office from The Quadrangle, Imperial Square, Cheltenham GL50 1PZ on 1 January 1988 to RoyScot House, The Promenade, Cheltenham GL50 1PL.

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

The Company ceased taking on any new business on 1 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.

RESULTS

The results for the year are set out on page 6. The Directors do not recommend the payment of a dividend (1987 : Nil).

DIRECTORS

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

At 30 September 1988, the Members of the Board of Directors were:-

Mr Gordon John Hadland
Mr Alan William Talbot
Mr Michael Ian Charles Woodcock
Mr Robert Burnet Cullen Young

During the year ended 30 September 1988, the following changes were made in the composition of the Board:-

Mr D A Johnson resigned as a Director of the Company with effect from 1 February 1988.

Mr R T Brown was appointed a Director of the Company with effect from 1 February 1988.

Mr M I C Woodcock was appointed a Director of the Company with effect from 21 April 1988.

Mr R T Brown resigned as a Director of the Company with effect from 3 June 1988.

Mr R B C Young was appointed a Director of the Company with effect from 1 July 1988.

DIRECTORS' INTERESTS

No Director had any interest in the ordinary shares of the Company on 30 September 1988 nor on 1 October 1987 or date of appointment if later.

The interests of the Directors at 30 September 1988 in the 25p ordinary shares of The Royal Bank of Scotland Group plc are shown on page 5.

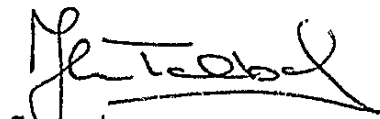
FIXED ASSETS

Changes in the fixed assets of the Company are shown in note 6 on the accounts on page 12.

AUDITORS

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
CHELTENHAM

17 NOV 1988

DIRECTORS' INTERESTS IN SHARES OF
THE ROYAL BANK OF SCOTLAND GROUP plc

| | <u>30 September 1988</u> | | <u>1 October 1987</u> <u>(or date of</u> <u>appointment if later)</u> | |
|-------------|--------------------------|----------------|---|----------------|
| | <u>Shares</u> | <u>Options</u> | <u>Shares</u> | <u>Options</u> |
| G J Hadland | Nil | 19,037 | Nil | 19,037 |
| A W Talbot | 1,116 | 1,045 | 1,116 | 808 |

The above interests in the ordinary shares 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 the cumulative preference shares of The Royal Bank of Scotland Group plc during the year to 30 September 1988. 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

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 SEPTEMBER 1988

| | <u>Notes</u> | <u>1988</u> <u>£</u> | <u>1987</u> <u>£</u> |
|--|--------------|---------------------------|-------------------------|
| TURNOVER | 1 | 3,652,994 | 11,234,590 |
| COST OF SALES | | <u>-</u> | <u>(90,248)</u> |
| GROSS PROFIT | | 3,652,994 | 11,144,342 |
| Administrative expenses | | (209,078) | (4,582,027) |
| Other operating income | | <u>19,423</u> | <u>5,390</u> |
| OPERATING PROFIT | | 3,463,339 | 6,567,705 |
| Interest payable and similar charges | 2 | <u>(1,195,154)</u> | <u>(5,845,106)</u> |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | 3 | 2,268,185 | 722,599 |
| Tax on profit on ordinary activities | 4 | <u>691,104</u> | <u>261,427</u> |
| RETAINED PROFIT | 11 | <u>1,577,081</u> ===== | <u>461,172</u> ===== |

CHARTERHOUSE JAPHET FINANCE LIMITED

BALANCE SHEET
30 SEPTEMBER 1988

| | <u>Notes</u> | <u>1988</u> <u>£</u> | <u>1987</u> <u>£</u> |
|---|--------------|-------------------------|-------------------------|
| FIXED ASSETS | | | |
| Tangible assets | 6 | 256,263 | 387,170 |
| CURRENT ASSETS | | | |
| Debtors | 7 | 10,438,516 | 41,348,664 |
| Cash at bank and in hand | | <u>37,274</u> | <u>88,761</u> |
| | | 10,475,790 | 41,437,425 |
| CURRENT LIABILITIES | | | |
| Creditors (amounts falling due within one year) | 8 | <u>(7,673,038)</u> | <u>(40,319,726)</u> |
| NET CURRENT ASSETS | | <u>2,802,752</u> | <u>1,117,699</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | | |
| | | 3,059,015 | 1,504,869 |
| PROVISION FOR LIABILITIES | 9 | <u>(26,282)</u> | <u>(49,217)</u> |
| | | <u>3,032,733</u> | <u>1,455,652</u> |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 10 | 1,000 | 1,000 |
| Profit and loss account | 11 | <u>3,031,733</u> | <u>1,454,652</u> |
| | | <u>3,032,733</u> | <u>1,455,652</u> |

Approved by the Board on 17 NOV 1988

DIRECTORS

G J HADLAND
R B C YOUNG

[Handwritten signature: R B C Young]

CHARTERHOUSE JAPHET FINANCE LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE YEAR ENDED 30 SEPTEMBER 1988

| | <u>1988</u> £ | <u>1987</u> £ |
|--|---------------------------|-------------------------|
| SOURCE OF FUNDS | | |
| Profit before taxation | 2,268,185 | 722,599 |
| Adjustment for items not involving the movement of funds: | | |
| Depreciation | 93,790 | 170,586 |
| Loss on disposal of fixed assets | 31,617 | 8,245 |
| Group relief | (23,588) | (49,871) |
| Total funds generated from operations | 2,370,004 | 851,559 |
| FUNDS FROM OTHER SOURCES | | |
| Proceeds of sale of fixed assets | <u>5,500</u> | <u>-</u> |
| TOTAL SOURCE OF FUNDS | <u>2,375,504</u> ===== | <u>851,559</u> ===== |
| APPLICATION OF FUNDS | | |
| Purchase of fixed assets | <u>-</u> | <u>(19,934)</u> |
| NET SOURCE OF FUNDS | <u>2,375,504</u> ===== | <u>831,625</u> ===== |
| THE NET SOURCE OF FUNDS IS REPRESENTED BY THE FOLLOWING INCREASE IN WORKING CAPITAL | | |
| Debtors | (30,910,148) | (40,869,958) |
| Creditors | <u>33,337,139</u> | <u>40,500,322</u> |
| | 2,426,991 | (369,636) |
| Movement in Net Liquid Funds | | |
| Cash balances | (51,487) | (914,804) |
| Bank overdraft | <u>-</u> | <u>2,116,065</u> |
| | <u>2,375,504</u> ===== | <u>831,625</u> ===== |

CHARTERHOUSE JAPHET FINANCE LIMITED

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 SEPTEMBER 1988

1. ACCOUNTING POLICIES

Accounting convention

The balance sheet is prepared under the historical cost convention.

Instalment credit agreements

Where charges on instalment credit agreements are added to the amount financed at the commencement of the 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.

Turnover

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

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.

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.

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.

Amounts payable under operating leases

Annual rentals under operating leases are charged to the profit and loss account on a straight-line basis over the lease term.

NOTES TO THE ACCOUNTS (Continued)

2. 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>1988</u> £ | <u>1987</u> £ |
|------------------------------------|------------------|------------------|
| Amounts payable to group companies | 1,951,154 | 5,845,106 |
| | ===== | ===== |

3. PROFIT ON ORDINARY ACTIVITIES
BEFORE TAXATION

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

| | | |
|------------------------|----------|---------|
| Wages and salaries | - | 527,668 |
| Social security costs | - | 69,819 |
| Other pension costs | (22,705) | 68,115 |
| Depreciation | 93,790 | 170,586 |
| Auditors' remuneration | 4,000 | 7,000 |
| Hire of machinery | 22,327 | 111,049 |

Exceptional item:

Exceptional provisions and costs
following acquisition of the Company
by RoyScot Trust plc

| | |
|-------|---------|
| - | 221,307 |
| ===== | ===== |

4. TAX ON PROFIT ON ORDINARY ACTIVITIES

| | <u>1988</u> £ | <u>1987</u> £ |
|--------------------------------------|------------------|------------------|
| Group relief at 35% (1987 - 35%) | 816,621 | 126,170 |
| Deferred taxation (Credit)/Charge | (22,935) | 135,257 |
| Group relief - prior year adjustment | (102,582) | - |
| | 691,104 | 261,427 |
| | ===== | ===== |

NOTES TO THE ACCOUNTS (Continued)

| | <u>1988</u> £ | <u>1987</u> £ |
|--------------------------|------------------|------------------|
| 5. DIRECTORS' EMOLUMENTS | | |
| Directors' emoluments | - | 16,228 ===== |
| Chairman | - ===== | - ===== |
| Highest paid director | - ===== | 9,816 ===== |

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

The table below shows the number of other directors whose emoluments excluding pension contributions, fell into the following ranges:

| <u>Range</u> | <u>Number</u> | |
|--------------|---------------|-------------|
| | <u>1988</u> | <u>1987</u> |
| Nil | 4 | 2 |
| £0 - £5,000 | - | 1 |

NOTES TO THE ACCOUNTS (Continued)

6. TANGIBLE ASSETS

| | Short leasehold property £ | Furniture & equipment £ | Total £ |
|------------------------|-------------------------------------|-------------------------------|------------|
| COST | | | |
| At 1 October 1987 | 20,290 | 698,981 | 719,271 |
| Additions | - | - | - |
| Disposals | - | (92,793) | (92,793) |
| At 30 September 1988 | 20,290 | 606,188 | 626,478 |
| | ===== | ===== | ===== |
| DEPRECIATION | | | |
| At 1 October 1987 | 8,650 | 323,451 | 332,101 |
| Provision for the year | 1,212 | 92,578 | 93,790 |
| Disposals | - | (55,676) | (55,676) |
| At 30 September 1988 | 9,862 | 360,353 | 370,215 |
| | ===== | ===== | ===== |
| NET BOOK VALUE | | | |
| At 30 September 1988 | 10,428 | 245,835 | 256,263 |
| | ===== | ===== | ===== |
| At 30 September 1987 | 11,640 | 275,530 | 387,170 |
| | ===== | ===== | ===== |

7. DEBTORS

| | 1988 £ | 1987 £ |
|--|-------------------|-------------------|
| Advances to customer's less provisions | 10,263,112 | 40,901,391 |
| Amounts owed by group companies | 170,809 | 284,338 |
| Other debtors | 4,595 | 162,935 |
| | <u>10,438,516</u> | <u>41,348,664</u> |
| | ===== | ===== |

NOTES TO THE ACCOUNTS (Continued)

| | <u>1988</u> £ | <u>1987</u> £ |
|--------------------------------------|------------------|-------------------|
| 8. CREDITORS | | |
| Amounts falling due within one year: | | |
| Amounts owed to group companies | 7,363,980 | 39,946,914 |
| Other creditors | 72,357 | 61,957 |
| Accruals and deferred income | 236,701 | 310,855 |
| | <u>7,673,038</u> | <u>40,319,726</u> |
| | ===== | ===== |

9. PROVISIONS FOR LIABILITIES

DEFERRED TAXATION

| | <u>1988</u> | <u>1987</u> |
|--------------------------------|----------------------------|----------------------------|
| | <u>Potential liability</u> | <u>Potential liability</u> |
| | £ | £ |
| Accelerated capital allowances | 26,282 | 49,217 |
| | ===== | ===== |

10. CALLED UP SHARE CAPITAL

| | <u>Ordinary share of £1 each</u> | |
|-----------------------|--------------------------------------|------------------------|
| | <u>1988</u> | <u>1987</u> |
| | £ | £ |
| Authorised | 1,000 | 1,000 |
| | ONE THOUS AND NOH NINE | ONE THOUS AND NOH NINE |
| Issued and fully paid | 1,000 | 1,000 |
| | ONE THOUS AND NOH NINE | ONE THOUS AND NOH NINE |

11. PROFIT AND LOSS ACCOUNT

| | £ |
|------------------------------|------------------|
| At 1 October 1987 | 1,454,652 |
| Retained profit for the year | 1,577,081 |
| At 30 September 1988 | <u>3,031,733</u> |
| | ===== |

12. 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.

NOTES TO THE ACCOUNTS (Continued)

13. EMPLOYEES

The average number of persons employed by the Company during the period was NIL (1987-34).

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.

15. COMMITMENTS UNDER OPERATING LEASES

At 30 September 1988 the Company had annual commitments under non-cancellable operating leases for computer equipment as follows:-

| | <u>1988</u> £ | <u>1987</u> £ |
|---|------------------|------------------|
| Expiring within one year | 20,503 | 20,503 |
| Expiring between two years and five years inclusive | 30,754 | 51,257 |
| Expiring over five years | - | - |
| | <u>51,257</u> | <u>71,760</u> |
| | ===== | ===== |

AUDITORS' REPORT TO THE MEMBERS OF
CHARTERHOUSE JAPHET FINANCE LIMITED

We have audited the accounts on pages 6 to 14 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 30 September 1988 and of its profit and source and application of funds for the year then ended and comply with Companies Act 1985.

Deloitte Haskins & Sells .

DELOITTE HASKINS & SELLS

Chartered Accountants

Gloucester

28th November, 1988.