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FARMING AND AGRICULTURAL FINANCE LIMITED

REPORT AND ACCOUNTS

FOR THE YEAR ENDED 30 SEPTEMBER, 1988

COMPANIES HOUSE
24 FEB 1989
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FARMING AND AGRICULTURAL FINANCE LIMITED

DIRECTORS

C W Finnerty (Chairman)

B P Morrish

J D Purdy

M W Trent

M W Turner

A T Williams

SECRETARY

J C Barnes

Farming and Agricultural Finance Limited is registered in England No. 436088
Registered Office: Lombard House, 3 Princess Way, Redhill, Surrey. RH1 1NP

FARMING AND AGRICULTURAL FINANCE LIMITED

DIRECTORS' REPORT

The Directors have pleasure in submitting their report and the accounts for the year ended 30 September 1988.

PRINCIPAL ACTIVITY

The principal activity of the Group is the provision of credit finance by way of instalment credit, leasing and point of sale advances.

BUSINESS REVIEW

The net amount financed by the Group under all forms of financial agreements entered into during the year was £54,426,000 (1987 - £34,881,000).

The Group profit on ordinary activities before taxation was £2,759,000 (1987 - £2,402,000) on which there was a taxation charge of £977,000 (1987 - £637,000). The Directors recommend that the payment of a final dividend of 54.84p (1987 - 50p) per ordinary share amounting to £250,000 (1987 - £228,000) and that the balance of £1,532,000 (1987 - £1,537,000) be dealt with as shown in the consolidated Profit and Loss Account on page 6.

The Group traded profitably during the year under review and the Directors expect that it will continue to do so.

DIRECTORS

The members of the Board are as shown on page 1.

The following have retired from the Board.

Mr A F Byrne on 30 April 1988
Mr P J Haddon on 30 June 1988
Mr E D Hodgkinson on 30 June 1988
Mr R E Lewis on 15 July 1988
Mr J B Taylor on 30 June 1988

The Directors are not required to retire by rotation nor at the Annual General Meeting following appointment.

FARMING AND AGRICULTURAL FINANCE LIMITED

DIRECTORS' REPORT (Continued)

DIRECTORS' INTERESTS

According to the register kept by the Company, the interests of the Directors at the year end in the share and loan capital of National Westminster Bank PLC Group Companies, were as follows:

Ordinary shares of £1 each in
National Westminster Bank PLC

30 September, 1988

1 October 1987

Beneficially owned:

B P Morrish	500	NIL
M W Trent	386	NIL
M W Turner	400	400
A T Williams	NIL	1,200

Held by the Trustees of the
National Westminster Bank PLC Group
1979 Profit Sharing Scheme:

B P Morrish	1,163	1,163
M W Trent	1,863	1,953
M W Turner	1,351	990
A T Williams	705	421

Options to subscribe for shares
granted under the National Westminster
Bank PLC Savings-related Share Option
Schemes 1974 and 1981:

B P Morrish	1,883	1,883
M W Trent	2,082	2,082
M W Turner	802	802

Mr C W Finnerty and Mr J D Purdy were also Directors of the holding company Lombard North Central PLC, and were not therefore required to notify the Company of their interests in the share and loan capital of Group Companies.

No other Director at the year end is registered as having interests during the year in the share and loan capital of Group Companies.

FARMING AND AGRICULTURAL FINANCE LIMITED

DIRECTORS' REPORT (Continued)

AUDITORS

A resolution for the re-appointment of Peat Marwick McLintock as auditors is to be proposed at the Annual General Meeting.

By Order of the Board

A handwritten signature in dark ink, appearing to read 'J C Barnes', with a large, stylized initial 'J'.

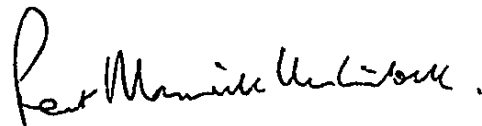
J C Barnes
Secretary
30 November 1988

REPORT OF THE AUDITORS TO THE MEMBERS OF
FARMING AND AGRICULTURAL FINANCE LIMITED

We have audited the accounts on pages 6 to 17 in accordance with Auditing Standards.

In our opinion the accounts give a true and fair view of the state of affairs of the Company and of the Group at 30 September 1988 and of the profit and source and application of funds of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Bristol
30 November 1988



Peat Marwick McIntock
Chartered Accountants

FARMING AND AGRICULTURAL FINANCE LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30 SEPTEMBER 1988

	<u>Note</u>	<u>1988</u> <u>£'000</u>	<u>1987</u> <u>£'000</u>
Turnover	2	8,403	7,616
Depreciation on tangible fixed assets		(90)	(74)
Other operating charges	3	(1,754)	(1,539)
		<u>6,559</u>	<u>6,003</u>
Interest receivable	4	-	10
Interest payable	6	(3,800)	(3,611)
Group profit on ordinary activities before taxation		2,759	2,402
Tax charge on Group profit on ordinary activities	7	(977)	(637)
Group profit on ordinary activities after taxation	8	1,782	1,765
Proposed final dividend		(250)	(228)
Retained Group profit for the financial year transferred to general reserve	14	1,532 =====	1,537 =====
Earnings per share	9	391p =====	387p =====

The notes on pages 10 to 17 form part of these accounts

FARMING AND AGRICULTURAL FINANCE LIMITED

CONSOLIDATED BALANCE SHEET

AT 30 SEPTEMBER 1988

	<u>Note</u>	<u>1988</u>	<u>1987</u>
		<u>£'000</u>	<u>£'000</u>
<u>ASSETS</u>			
FIXED ASSETS			
Tangible assets	10	241	179
CURRENT ASSETS			
Debtors	12	79,193	64,950
		<u>79,434</u>	<u>65,129</u>
		=====	=====
<u>LIABILITIES</u>			
CAPITAL AND RESERVES			
Called up share capital	13	456	456
Share premium account		15	15
General reserve	14	8,467	6,935
		<u>8,938</u>	<u>7,406</u>
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred taxation	15	6,508	8,257
CREDITORS	16	63,988	49,466
		<u>79,434</u>	<u>65,129</u>
		=====	=====

 Directors

Approved by the Board on 30 November 1988

The notes on pages 10 to 17 form part of these accounts

FARMING AND AGRICULTURAL FINANCE LIMITED

BALANCE SHEET

AT SEPTEMBER 1988

	<u>Note</u>	<u>1988</u>	<u>1987</u>
		<u>£'000</u>	<u>£'000</u>
<u>ASSETS</u>			
FIXED ASSETS			
Tangible assets	10	241	179
Investment in Subsidiary Companies	11	-	-
		<hr/>	<hr/>
		241	179
CURRENT ASSETS			
Debtors	12	59,486	45,684
		<hr/>	<hr/>
		59,727	45,863
		=====	=====
<u>LIABILITIES</u>			
CAPITAL AND RESERVES			
Called up share capital	13	456	456
Share premium account		15	15
General reserve	14	6,670	6,056
		<hr/>	<hr/>
		7,141	6,527
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred taxation	15	2,492	3,130
CREDITORS			
	16	50,094	36,206
		<hr/>	<hr/>
		59,727	45,863
		=====	=====

Directors

Approved by the Board on 30 November 1988

The notes on pages 10 to 17 form part of these accounts

FARMING AND AGRICULTURAL FINANCE LIMITED
CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE YEAR ENDED 30 SEPTEMBER 1988

	<u>1988</u>	<u>1987</u>
	<u>£'000</u>	<u>£'000</u>
SOURCE OF FUNDS		
Group profit on ordinary activities after taxation	1,782	1,765
Adjustments for non cash items:		
Depreciation on tangible fixed assets	90	74
Loss on disposal of tangible fixed assets	2	1
Transfer from Deferred taxation	(1,749)	(4,273)
	<hr/>	<hr/>
TOTAL UTILISED BY OPERATIONS	125	(2,433)
FUNDS FROM OTHER SOURCES		
Proceeds from disposal of tangible fixed assets	19	45
	<hr/>	<hr/>
	144	(2,388)
APPLICATION OF FUNDS		
Dividends paid	(228)	(205)
Purchase of tangible fixed assets	(173)	(205)
	<hr/>	<hr/>
	(257)	(2,798)
	=====	=====
DECREASE IN WORKING CAPITAL		
Debtors	14,243	2,130
Creditors	(14,500)	(4,928)
	<hr/>	<hr/>
	(257)	(2,798)
	=====	=====

The notes on pages 10 to 17 form part of these accounts

FARMING AND AGRICULTURAL FINANCE LIMITED

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

(a) Accounting convention

The accounts have been prepared upon the basis of historical cost.

(b) Basis of Consolidation

The accounts of the subsidiaries are made up to the dates shown in note 11 for commercial reasons, but with the consent of the Department of Trade and Industry, interim statements made up to 30 September 1988 have been consolidated.

(c) Finance Leases

Assets made available to third parties under finance leases are treated as amounts receivable.

Income from finance leases is credited to Profit and Loss Account in proportion to the funds invested.

(d) Income from Instalment Credit Business

Charges and interest on instalment credit agreements are credited to Profit and Loss Account in proportion to the monthly balances outstanding.

(e) Depreciation

Depreciation is provided on tangible fixed assets over their estimated useful lives, as follows:

	<u>Estimated Useful Life</u>
Equipment	3 - 5 years
Motor Vehicles	4 years

(f) Deferred Taxation

Deferred taxation is provided on the liability method on all timing differences to the extent that a taxation liability is expected to arise in the future.

FARMING AND AGRICULTURAL FINANCE LIMITED

NOTES TO THE ACCOUNTS (Continued)

2. TURNOVER

Turnover represents lease income, charges on instalment credit agreements, interest and charges on point of sale advances and termination adjustments during the year, all of which arises in the United Kingdom.

	<u>1988</u> <u>£'000</u>	<u>1987</u> <u>£'000</u>
Net amounts financed under the following forms of financial agreements entered into during the year were as follows:		
Finance leases	41,004	26,739
Instalment credit agreements	13,422	8,142
	<u>54,426</u> =====	<u>34,881</u> =====

Aggregate rentals receivable during the year were as follows:

Finance leases	29,425	31,599
	<u>=====</u>	<u>=====</u>

3. OTHER OPERATING CHARGES

	<u>1988</u> <u>£'000</u>	<u>1987</u> <u>£'000</u>
Other operating charges include the following:		
Directors' remuneration (see note 5)	-	10
Auditors' remuneration	27	23
Hire of plant and equipment	-	1
	<u>=====</u>	<u>=====</u>

4. INTEREST RECEIVABLE

	<u>1988</u> <u>£'000</u>	<u>1987</u> <u>£'000</u>
From National Westminster Bank Group Companies	-	10
	<u>=====</u>	<u>=====</u>

FARMING AND AGRICULTURAL FINANCE LIMITED

NOTES TO THE ACCOUNTS (Continued)

5. DIRECTORS' REMUNERATION AND INTERESTS

The emoluments of the Chairman, who was also the highest paid Director, excluding pension contributions were £nil (1987 - £1,000). The other Directors' emoluments excluding pension contributions, all fell within the range £0 - £5,000.

None of the Directors had any material interest in any contract of significance in relation to the business of the Group.

In 1986 FAF Leasing Limited entered into a lease agreement with West Midland Timber Treatment Co., a partnership in which one of the partners is Lord Boyne, a Director of the ultimate holding company, for assets with a total cost of £20,800 involving rentals at normal commercial rates aggregating £24,478 over five years.

In 1987 FAF Leasing Limited entered into a lease agreement with Lord Boardman and Son, a partnership in which one of the partners is Lord Boardman, the Chairman of the ultimate holding company, for assets with a total cost of £10,250 involving rentals at normal commercial rates aggregating £11,940 over three years.

6. INTEREST PAYABLE

	<u>1988</u> <u>£'000</u>	<u>1987</u> <u>£'000</u>
On bank loans and overdrafts, and other loans wholly repayable within five years:		
From National Westminster Bank Group Companies	3,800	3,197
Other	-	414
	<u>3,800</u>	<u>3,611</u>
	=====	=====

FARMING AND AGRICULTURAL FINANCE LIMITED

NOTES TO THE ACCOUNTS (Continued)

7. TAXATION CHARGE

	<u>1988</u> <u>£'000</u>	<u>1987</u> <u>£'000</u>
UK corporation tax based on the results for the year at 35% (1987 - 35%)	271	(3,626)
Group relief payable*	(2,997)	(1,259)
Advance corporation tax on proposed dividend	-	(10)
Transfer from Deferred taxation (note 15)	1,749	4,273
Valuation adjustment to net investment in financial leases†	-	(15)
	<u>(977)</u> =====	<u>(637)</u> =====

- * Provision for group relief is made on the assumption that the claimant Companies will make payment to the surrendering Companies at rates appropriate to the periods in which the losses claimed are utilised.
- † For certain finance leases, rentals reflected the assumption that tax relief on expenditure on leasing assets would be at rates higher than those expected to prevail in later years. Provision was made for the grossed up equivalent of this benefit which is released to Profit and Loss Account as income from finance leases.

8. GROUP PROFIT DEALT WITH IN THE ACCOUNTS OF THE COMPANY

Advantage has been taken of the exemption from the requirement to prepare a separate Profit and Loss Account for Farming and Agricultural Finance Limited and £614,000 (1987 - £2,496,000) of the Group profit for the financial year transferred to general reserve has been dealt with in the accounts of that Company.

9. EARNINGS PER SHARE

The calculation of earnings per share is based on the group profit on ordinary activities after taxation of £1,782,000 (1987 - £1,765,000) and on 455,800 (1987 - 455,800) ordinary shares of £1 each in issue during the year.

FARMING AND AGRICULTURAL FINANCE LIMITED

NOTES TO THE ACCOUNTS (Continued)

10. TANGIBLE FIXED ASSETS
GROUP AND COMPANY

	<u>Equipment</u> <u>£'000</u>	<u>Motor</u> <u>Vehicles</u> <u>£'000</u>	<u>Total</u> <u>£'000</u>
<u>Cost</u>			
At 1 October 1987	164	110	274
Additions	82	91	173
Disposals	(12)	(40)	(52)
	<hr/>	<hr/>	<hr/>
At 30 September 1988	234	161	395
	<hr/>	<hr/>	<hr/>
<u>Depreciation</u>			
At 1 October 1987	64	31	95
Charge for the year	55	35	90
Disposals	(11)	(20)	(31)
	<hr/>	<hr/>	<hr/>
At 30 September 1988	108	46	154
	<hr/>	<hr/>	<hr/>
<u>Net book value at</u> <u>30 September 1988</u>	126 =====	115 =====	241 =====
<u>Net book value at</u> <u>30 September 1987</u>	100 =====	79 =====	179 =====

11. INVESTMENT IN SUBSIDIARY COMPANIES

	<u>1988</u> <u>£</u>	<u>1987</u> <u>£</u>
Shares in subsidiaries, at cost	400 ===	400 ===

The Company holds 100% of the ordinary share capital of the following Companies which are incorporated in Great Britain:

Accounting
Reference
Date

Providing credit finance by way of leasing:

FAF Leasing Limited	31 March
FAF Contracts Limited	30 June
FAF Equipment Leasing Limited	31 December

Providing point of sale finance:

FAF Growcash Limited	30 September
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FARMING AND AGRICULTURAL FINANCE LIMITED

NOTES TO THE ACCOUNTS (Continued)

12. DEBTORS

	<u>1988</u>		<u>1987</u>	
	<u>Group</u>	<u>Company</u>	<u>Group</u>	<u>Company</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Amounts falling due:				
1) Wholly within one year				
Amounts owed by subsidiaries	-	27,018	-	19,990
Amounts owed by other National Westminster Bank Group Companies	-	-	47	-
Trade debtors	9,881	750	9,330	632
Prepayments & accrued income	353	14	316	-
Other debtors	1,572	929	1,840	2,081
	<u>11,806</u>	<u>28,711</u>	<u>11,533</u>	<u>22,703</u>
ii) Not wholly within one year				
New investment in finance leases due:				
Within one year	22,520	7,873	20,201	7,540
In more than one year	32,314	10,489	25,798	8,272
	<u>54,834</u>	<u>18,362</u>	<u>45,999</u>	<u>15,812</u>
Net investment in instalment credit agreements due:				
Within one year	6,092	6,092	4,188	4,188
In more than one year	6,048	6,048	2,748	2,748
	<u>12,140</u>	<u>12,140</u>	<u>6,936</u>	<u>6,936</u>
Trade Debtors	<u>413</u>	<u>273</u>	<u>482</u>	<u>233</u>
Total Debtors	<u>79,193</u>	<u>59,486</u>	<u>64,950</u>	<u>45,684</u>

Contracted expenditure for leasing assets not provided for in the accounts (excluding lease quotations not taken up by customers at the Balance Sheet date) was £nil for the Group (1987 - £10,000) and £nil for the Company (1987 - £4,000).

FARMING AND AGRICULTURAL FINANCE LIMITED

NOTES TO THE ACCOUNTS (Continued)

13. CALLED UP SHARE CAPITAL

	<u>1988</u>		<u>1987</u>	
	<u>Authorised</u>	<u>Allotted</u>	<u>Authorised</u>	<u>Allotted</u>
	<u>£'000</u>	<u>issued and</u>	<u>£'000</u>	<u>issued and</u>
		<u>fully paid</u>		<u>fully paid</u>
		<u>£'000</u>		<u>£'000</u>
Ordinary shares of				
£1 each	500	456	500	456
	===	===	===	===

14. GENERAL RESERVE

	<u>Group</u>	<u>Company</u>
	<u>£'000</u>	<u>£'000</u>
Balance at 1 October 1987	6,935	6,056
Transfer from Profit and Loss Account	1,532	614
	-----	-----
	8,467	6,670
	=====	=====

15. DEFERRED TAXATION

	<u>Group</u>	<u>Company</u>
	<u>£'000</u>	<u>£'000</u>
Balance at 1 October 1987	8,257	3,130
Transfer to Profit and Loss Account (note 7)	(1,749)	(638)
	-----	-----
	6,508	2,492
	=====	=====

The above balances represent the full potential liability in respect of the following:

	<u>Group</u>	<u>Company</u>
	<u>£'000</u>	<u>£'000</u>
Capital Allowances	6,716	2,632
Other	(208)	(140)
	-----	-----
	6,508	2,492
	=====	=====

FARMING AND AGRICULTURAL FINANCE LIMITED

NOTES TO THE ACCOUNTS (Continued)

16. CREDITORS

	<u>1988</u>		<u>1987</u>	
	<u>Group</u>	<u>Company</u>	<u>Group</u>	<u>Company</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Amounts falling due:				
i) Wholly within one year				
Amounts owed to National Westminster Bank group Companies	52,377	42,835	32,115	24,857
Trade Creditors	3,678	3,651	4,051	3,961
Current corporation tax	5,422	1,102	7,950	2,051
Proposed dividend	250	250	228	228
Other creditors	261	256	122	109
	<hr/>	<hr/>	<hr/>	<hr/>
	61,988	48,094	44,466	31,206
	<hr/>	<hr/>	<hr/>	<hr/>
ii) Not wholly within one year				
Loans from National Westminster Bank Group Companies:				
Repayable in more than one year but within five years	2,000	2,000	5,000	5,000
	<hr/>	<hr/>	<hr/>	<hr/>
Total creditors	63,988	50,094	49,466	36,206
	<hr/>	<hr/>	<hr/>	<hr/>

17. HOLDING COMPANY

The ultimate holding company is National Westminster Bank PLC, incorporated in Great Britain.