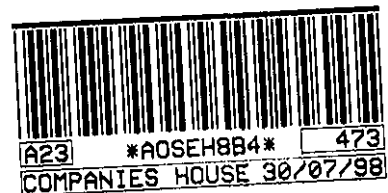


FARMING AND AGRICULTURAL FINANCE LIMITED

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 1997



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

FARMING AND AGRICULTURAL FINANCE LIMITED

DIRECTORS

J Johnson	(Chairman)
P R Mead	(Managing Director)
P Higgins	
A G Slade	
E J Varcoe	
G N Ledden	

SECRETARY

H E Bromley

FARMING AND AGRICULTURAL FINANCE LIMITED

DIRECTORS' REPORT

The directors have pleasure in submitting their report and the financial statements for the year ended 30 September 1997.

PRINCIPAL ACTIVITY

The principal activity of the company is the provision of credit finance by way of instalment credit, leasing and mortgages.

BUSINESS REVIEW

The net amount financed under all forms of financial agreements entered into during the year was £178,794,000.

The results for the year are set out in the profit and loss account on page 7. The directors have approved an interim dividend of £3,000,000.

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

POST BALANCE SHEET EVENT

On 1 January 1998, 1 April 1998 and 1 July 1998, Farming and Agricultural Finance Limited acquired the business and assets of its wholly owned subsidiaries namely FAF Equipment Leasing Limited, FAF Leasing Limited and FAF Contracts Limited respectively.

PAYMENTS TO SUPPLIERS

The company's suppliers are vital to its success. We are committed to establishing mutually beneficial relationships with them, based on the same high ethical standards that apply to all our dealings. It is the company's policy:

- (i) wherever appropriate, to settle the terms of payment when agreeing each transaction;
- (ii) to ensure the supplier is aware of the terms; and
- (iii) to abide by them.

In all other circumstances, the company is committed to paying suppliers within 30 days of receipt of a valid invoice.

The total amount of trade creditors falling due within one year at 30 September 1997 represents five day's worth as a proportion of the total amount invoiced by suppliers during the year ended on that date.

DIRECTORS

The present directors are as shown on page 1.

The following were appointed to the board:

Mr P R Mead on 1 November 1996 Mr G N Ledden on 1 August 1997

The following have resigned from the board:

Mr S W Parkes on 23 October 1996 Mr D G Lewis on 30 July 1997

Mr A T Williams on 30 September 1997 Mr I Peters on 9 December 1997

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 undertakings were as follows:

Beneficially owned:	Ordinary shares of £1 each in National Westminster Bank Plc	
	1 October 1996* No.	30 September 1997 No.
P Higgins	6,750	3,615
G N Ledden	1,175	1,175
P R Mead	128	128
I Peters	-	451
A G Slade	812	-
E J Varcoe	713	863
A T Williams	4,297	4,297

* or date of appointment if later.

FARMING AND AGRICULTURAL FINANCE LIMITED

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' INTERESTS (Continued)

	<u>Ordinary shares of £1 each in</u> <u>National Westminster Bank Plc</u>	
	<u>1 October 1996*</u>	<u>30 September 1997</u>
	<u>No.</u>	<u>No.</u>
Held by the Trustees of the National Westminster Bank Plc Group 1979 Profit Sharing Share Scheme:		
P Higgins	1,921	1,694
GN Ledden	1,731	1,731
P R Mead	1,299	1,811
I Peters	1,678	1,599
A G Slade	2,268	2,016
E J Varcoe	1,266	1,130
A T Williams		271

Share options in ordinary shares of £1 each of National Westminster Bank Plc:-

	<u>At</u> <u>1 October</u> <u>1996*</u>	<u>Options</u> <u>granted in</u> <u>year</u>	<u>Options</u> <u>exercised</u> <u>in year</u>	<u>At</u> <u>30 September</u> <u>1997</u>
	<u>No.</u>	<u>No.</u>	<u>No.</u>	<u>No.</u>
Options granted under the National Westminster Bank Plc 1981 Savings Related Share Option Scheme to subscribe for ordinary shares:				
P Higgins	3,035	-	-	3,035
GN Ledden	1,933	-	-	1,933
P R Mead	1,933	-	-	1,933
I Peters	1,933	-	-	1,933
A G Slade	1,071	-	-	1,071
E J Varcoe	1,933	-	-	1,933
A T Williams	3,907	-	-	3,907
Options granted under the National Westminster Bank Plc 1986 Executive Share Option Scheme to subscribe for ordinary shares:				
P Higgins	3,084	-	-	3,084
GN Ledden	3,117	-	-	3,117
I Peters	3,256	-	-	3,256
A G Slade	8,607	-	-	8,607
A T Williams	14,148	-	-	14,148
Options granted under the National Westminster Bank Plc 1994 Executive Share Option Scheme to subscribe for ordinary shares:				
P Higgins	14,330	4,400	-	18,730
GN Ledden	15,097	4,200	-	19,297
P R Mead	12,101	4,900	-	17,001
I Peters	16,523	8,500	-	25,023
A G Slade	17,377	5,900	-	23,277
E J Varcoe	-	1,000	-	1,000
A T Williams	13,586	-	-	13,586

* or date of appointment if later

FARMING AND AGRICULTURAL FINANCE LIMITED

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' INTERESTS (Continued)

Share options in ordinary shares of £1 each of National Westminster Bank Plc:-

	<u>At</u> <u>1 October</u> <u>1996*</u> <u>No.</u>	<u>Options</u> <u>granted in</u> <u>year</u> <u>No.</u>	<u>Options</u> <u>exercised</u> <u>in year</u> <u>No.</u>	<u>At</u> <u>30 September</u> <u>1997</u> <u>No.</u>
Options granted under the National Westminster Bank Plc 1996 ShareSave Scheme to subscribe for ordinary shares:				
GN Ledden	379	-	-	379
P R Mead	379	-	-	379
I Peters	379	-	-	379
A G Slade	379	-	-	379
E J Varcoe	379	-	-	379
A T Williams	379	-	-	379

Options granted under the
National Westminster Bank Plc 1997
ShareSave Scheme
to subscribe for ordinary shares:

P Higgins	-	326	-	326
GN Ledden	-	326	-	326
P R Mead	-	326	-	326
I Peters	-	326	-	326
A G Slade	-	326	-	326
E J Varcoe	-	326	-	326

* or date of appointment if later

At the year end Mr J Johnson was also a director of the immediate parent undertaking, Lombard North Central PLC, a company which is itself required to keep a register of directors' interests. The director was not therefore required to notify his interests in the shares or debentures of National Westminster Bank Plc group undertakings to the company.

During 1997 certain NatWest Group employees were granted potential awards under the Medium Term Equity Plan. This is a type of Employee Share Ownership Plan funded by National Westminster Bank Plc and administered by an independent trustee. The awards are subject to a stretching performance condition.

As at 30 September 1997 1,411,552 (1996 : 1,242,447) shares were held by the independent trustee for the Plan and , in the terms of the trust deed setting up the Plan , the Directors of the company are deemed to have an interest as potential beneficiaries in those ordinary shares.

No other interests in the share or loan capital of National Westminster Bank Plc group undertakings have been notified by any director.

By order of the board



Heidi E Bromley
Secretary

24 July 1998

FARMING AND AGRICULTURAL FINANCE LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

- i. select suitable accounting policies and then apply them consistently;
- ii. make judgements and estimates that are reasonable and prudent;
- iii. state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- iv. 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

REPORT OF THE AUDITORS, KPMG AUDIT Plc, TO THE MEMBERS OF

FARMING AND AGRICULTURAL FINANCE LIMITED

We have audited the financial statements on pages 7 to 14.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 5 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 as at 30 September 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG AUDIT Plc
Registered Auditors

Bristol

Date: *29 July 1998*

FARMING AND AGRICULTURAL FINANCE LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30 SEPTEMBER 1997

	Note	1997	1996
		<u>£'000</u>	<u>£'000</u>
Turnover	2	27,762	26,281
Depreciation on tangible fixed assets	7	(393)	(371)
Other operating charges		(6,583)	(8,511)
		<hr/>	<hr/>
Operating profit	3	20,786	17,399
Dividends receivable		2,097	2,020
Interest payable	4	(18,143)	(17,017)
		<hr/>	<hr/>
Profit on ordinary activities before taxation		4,740	2,402
Taxation charge on profit on ordinary activities	6	(763)	(131)
		<hr/>	<hr/>
Profit on ordinary activities after taxation		3,977	2,271
Dividends		(3,000)	(2,250)
		<hr/>	<hr/>
Retained profit for the financial year	11	<u>977</u>	<u>21</u>

RECOGNISED GAINS AND LOSSES

There are no recognised gains or losses other than the profit attributable to shareholders of the company of £3,977,000 in the year ended 30 September 1997 and of £2,271,000 in the year ended 30 September 1996.

The notes on pages 9 to 14 form part of these financial statements.

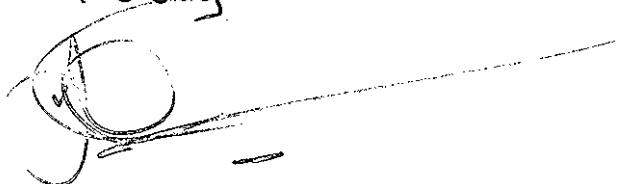
FARMING AND AGRICULTURAL FINANCE LIMITED

BALANCE SHEET

AT 30 SEPTEMBER 1997

	Note	1997 £'000	1996 £'000
<u>ASSETS</u>			
FIXED ASSETS			
Tangible assets	7	802	1,026
Investment in subsidiary undertakings	8	8,021	21
CURRENT ASSETS			
Debtors falling due within one year	9	163,433	189,971
Debtors falling due after more than one year	9	147,244	149,263
		<u>319,500</u>	<u>340,281</u>
<u>LIABILITIES</u>			
CAPITAL AND RESERVES			
Called up share capital	10	456	456
Share premium account		15	15
Profit and loss account	11	1,997	1,020
		<u>2,468</u>	<u>1,491</u>
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred taxation	13	1,773	2,092
CREDITORS	14	315,259	336,698
		<u>319,500</u>	<u>340,281</u>

The financial statements were approved at a meeting of the board of directors on
24 July 1998 and were signed on their behalf by:



Jeffrey Johnson Chairman

The notes on pages 9 to 14 form part of these financial statements.

FARMING AND AGRICULTURAL FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

a. Accounting Convention

The financial statements have been prepared upon the basis of historical cost and in accordance with applicable accounting standards.

b. Finance Leases

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

Income from finance leases is credited to the profit and loss account in proportion to the funds invested.

c. Commissions

Commissions payable are charged against profit over the period of the contracts to which they relate.

d. Income from Instalment Credit Business

Charges and interest on instalment credit agreements are credited to the profit and loss account in proportion to the monthly balances outstanding.

e. Depreciation

Depreciation is provided on tangible fixed assets so as to write them down to their estimated residual value over their estimated useful lives as follows:

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

f. Deferred Taxation

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

g. Related Party Transactions

The company is exempt from the disclosure requirements of Financial Reporting Standard 8, Related Party Disclosures, as it is a wholly owned subsidiary undertaking of Lombard North Central PLC.

h. Financial Reporting Statements 1 - Cash Flow Reporting

Under FRS 1(revised 1996) the company is exempt from the requirements to prepare a cashflow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

2. TURNOVER

- (i) Turnover represents lease income, charges on instalment credit agreements, mortgage agreements and termination adjustments credited to the profit and loss account during the year, all of which arises in the United Kingdom and is from continuing activities.

1997	1996
<u>£'000</u>	<u>£'000</u>

- (ii) Net amounts financed under all forms of financial agreements entered into during the year were as follows:

Finance leases	7,360	10,668
Instalment credit agreements	150,111	191,707
Mortgages	21,323	16,471
	<u>178,794</u>	<u>218,846</u>

- (iii) Aggregate rentals receivable during the year were as follows:

Finance leases	6,639	7,045
Instalment credit agreements	171,796	175,962
Mortgages	5,951	4,403
	<u>184,386</u>	<u>187,410</u>

FARMING AND AGRICULTURAL FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. OPERATING PROFIT

Operating profit is stated after charging/(crediting):

	1997	1996
	<u>£'000</u>	<u>£'000</u>
Auditors' remuneration:		
Audit services	95	43
Profit on disposal of tangible fixed assets	0	(44)
Hire of other assets - operating leases	17	17
	<u> </u>	<u> </u>

4. INTEREST PAYABLE

	1997	1996
	<u>£'000</u>	<u>£'000</u>
On bank loans and overdrafts, and other loans:		
From National Westminster Bank Plc group undertakings	18,143	17,017
	<u> </u>	<u> </u>

5. DIRECTORS' REMUNERATION AND INTERESTS

No emoluments were paid to any director by the company during the year (1996 - £nil).

None of the directors had any material interest in any contract of significance in relation to the business of the company.

6. TAXATION CHARGE ON PROFIT ON ORDINARY ACTIVITIES

	1997	1996
	<u>£'000</u>	<u>£'000</u>
U K corporation tax at 32% (1996 33%)	-	-
Group relief (receivable)/payable *	1,062	(112)
Transfer to / (from) deferred tax (note 13)	(198)	248
Net deferred tax effect of change in corporation tax rates contained in Finance (No 2) Act 1997	(121)	-
Adjustments in respect of prior years:		
U K corporation tax	34	-
Deferred tax (note 13)	-	(4)
Group relief (receivable)/payable*	(14)	(1)
	<u> </u>	<u> </u>
	763	131
	<u> </u>	<u> </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.

FARMING AND AGRICULTURAL FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7 TANGIBLE FIXED ASSETS

	Equipment	Motor Vehicles	Total
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
<u>Cost</u>			
At 1 October 1996	1,162	258	1,420
Additions	185	125	310
Disposals	(57)	(178)	(235)
At 30 September 1997	<u>1,290</u>	<u>205</u>	<u>1,495</u>
<u>Depreciation</u>			
At 1 October 1996	311	83	394
Charge for the year	331	62	393
Disposals	(24)	(70)	(94)
At 30 September 1997	<u>618</u>	<u>75</u>	<u>693</u>
Net book value at 30 September 1997	<u>672</u>	<u>130</u>	<u>802</u>
Net book value at 30 September 1996	<u>851</u>	<u>175</u>	<u>1,026</u>

8 INVESTMENT IN SUBSIDIARY UNDERTAKINGS

	1997	1996
	<u>£'000</u>	<u>£'000</u>
Shares in subsidiary undertakings, at cost:		
Balance at 1 October 1996	21	21
Additions	8,000	-
Balance at 30 September 1997	<u>8,021</u>	<u>21</u>

The company holds 100% of the ordinary share capital of the following companies:

	Accounting Reference Date *
(i) Registered in England and Wales	
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 Growbook Limited (formerly FAF Limited)	30 September

And 99.8% of the Ordinary Share Capital of the following company:

Holding Company	
Farming and Agricultural Finance (Holdings) Limited	30 September

During the year the company sold for par value it's 100% shareholding in Growcash Limited.

(ii) Overseas - Germany

To provide credit finance:

FAF Landwirtschaftliche Finanzierung GmbH	30 September
The German company is currently non-trading	

* The financial statements of the subsidiaries are made up to the dates shown above for commercial reasons.

FARMING AND AGRICULTURAL FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. INVESTMENT IN SUBSIDIARY UNDERTAKINGS (Continued)

The company is exempt under Section 228 of the Companies Act 1985 from the obligation to prepare group financial statements as the company is itself a wholly owned subsidiary of Lombard North Central PLC, which is registered in England and Wales. The financial statements present information about the company as an individual undertaking and not about its group.

9. DEBTORS	1997	1996
	<u>£'000</u>	<u>£'000</u>
Amounts falling due:		
(i) Within one year		
Trade debtors	40,566	33,396
Amounts owed by National Westminster Bank Plc group undertakings	-	1,160
Amounts owed by subsidiary undertakings	33,611	43,203
Net investment in finance leases	6,440	5,615
Net investment in instalment credit agreements	81,841	103,681
Other debtors	9	40
Prepayments and accrued income	966	2,876
	<u>163,433</u>	<u>189,971</u>
(ii) After more than one year		
Trade debtors	54,981	37,161
Net investment in finance leases	10,717	12,273
Net investment in instalment credit agreements	81,546	99,829
	<u>147,244</u>	<u>149,263</u>
Total debtors	<u>310,677</u>	<u>339,234</u>

10. CALLED UP SHARE CAPITAL

	1997		1996	
	<u>Authorised</u>	<u>Allotted, issued and fully paid</u>	<u>Authorised</u>	<u>Allotted, issued and fully paid</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Ordinary shares of £1 each	<u>500</u>	<u>456</u>	<u>500</u>	<u>456</u>

All of the above share capital relates to equity funds.

FARMING AND AGRICULTURAL FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. PROFIT AND LOSS ACCOUNT	<u>£'000</u>
Balance at 1 October 1996	1,020
Retained profit for the financial year	977
	<hr/>
Balance at 30 September 1997	1,997
	<hr/>

12. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1997	1996
	<u>£'000</u>	<u>£'000</u>
Profit attributable to members of the company	3,977	2,271
Dividends	(3,000)	(2,250)
	<hr/>	<hr/>
Net movement in shareholders' funds	977	21
Opening shareholders' funds	1,491	1,470
	<hr/>	<hr/>
Closing shareholders' funds	2,468	1,491
	<hr/>	<hr/>

13. DEFERRED TAXATION

	1997	1996
	<u>£'000</u>	<u>£'000</u>
Balance at 1 October 1996	2,092	1,848
Transfer (to)/from profit and loss account (note 6)	(198)	244
Deferred tax effect of Finance (No 2) Act 1997	(121)	-
	<hr/>	<hr/>
Balance at 30 September 1997	1,773	2,092
	<hr/>	<hr/>

The above balance represents the full potential liability in respect of capital allowances.

FARMING AND AGRICULTURAL FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. CREDITORS	1997	1996
	<u>£'000</u>	<u>£'000</u>
Amounts falling due		
(i) Within one year:		
Trade creditors	3,298	6,737
Amounts owed to National Westminster Bank Plc group undertakings	213,784	185,160
Proposed dividend	3,000	2,250
Other creditors	77	719
	<hr/> 220,159	<hr/> 194,866
(ii) After more than one year:		
Amounts owed to National Westminster Bank Plc group undertakings	95,100	141,832
	<hr/> 315,259	<hr/> 336,698

15. COMMITMENTS

The company has entered into non-cancellable operating leases, terminating between two and five years. The annual commitment on these leases is £150,000.

16. ULTIMATE PARENT UNDERTAKING AND RELATED PARTY DISCLOSURES

The company is controlled by Lombard North Central PLC, its immediate holding company. The ultimate controlling party and ultimate parent undertaking is National Westminster Bank Plc which is registered in England and Wales.

In accordance with FRS 8, the company is exempt from disclosure of related party transactions with other group companies as the company is wholly owned and consolidated accounts are prepared by the ultimate holding company.

The smallest group of undertakings for which group financial statements are drawn up, including the company, is that of Lombard North Central PLC, which is registered in England and Wales.

Copies of the financial statements of National Westminster Bank Plc can be obtained from: The Secretary, National Westminster Bank Plc, 41 Lothbury, London, EC2P 2BP.

Copies of the financial statements of Lombard North Central PLC can be obtained from: The Secretary, Lombard North Central PLC, 3 Princess Way, Redhill, Surrey, RH1 1NP.