

LOMBARD FACILITIES LIMITED

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 1996



Lombard Facilities Limited is registered in England and Wales No. 565652.
Registered Office: Lombard House, 3 Princess Way, Redhill, Surrey, RH1 1NP.

LOMBARD FACILITIES LIMITED

DIRECTORS

A J Beeston
J Johnson
H M Roome

SECRETARY

M J Evans

LOMBARD FACILITIES LIMITED

DIRECTORS' REPORT

The directors have pleasure in submitting their report and the financial statements for the year ended 30 September 1996.

PRINCIPAL ACTIVITY

The principal activity of the company is the provision of credit finance by way of leasing.

BUSINESS REVIEW

The net amount financed under all forms of financial agreements entered into during the year was £nil (1995 - £nil). The results for the year are set out in the profit and loss account on page 6.

The directors do not recommend the payment of a dividend.

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

DIRECTORS

The present directors are as shown on page 1.

The following were appointed to the board :-

Mr H M Roome on 23 September 1996.

Mr A J Beeston on 14 April 1997.

The following have resigned from the board :-

Mr B A Carte on 30 June 1996.

Mr J D Fitch on 30 September 1996.

Mr J D Purdy on 31 December 1996.

DIRECTORS' INTERESTS

According to the register kept by the company, the interests of Mr H M Roome at the year end in the share and loan capital of National Westminster Bank Plc group undertakings were as follows :-

Ordinary shares of £1 each in
National Westminster Bank Plc

	<u>As at</u> <u>23 September</u> <u>1996</u>	<u>As at</u> <u>30 September</u> <u>1996</u>
	<u>No.</u>	<u>No.</u>
Beneficially owned :	994	994
Held by the Trustees of the National Westminster Bank Plc Group 1979 Profit Sharing Share Scheme :	2,056	2,056

LOMBARD FACILITIES LIMITED

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' INTERESTS (Continued).

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

	<u>As at</u> <u>23 September</u> <u>1996</u>	<u>Granted</u>	<u>Exercised</u>	<u>As at</u> <u>30 September</u> <u>1996</u>
	<u>No.</u>	<u>No.</u>	<u>No.</u>	<u>No.</u>
1986 Executive Share Option Scheme :	7,881	-	-	7,881
1994 Executive Share Option Scheme :	17,175	-	-	17,175
Staff Savings-Related Share Option Scheme :	1,818	-	-	1,818

National Westminster Bank Plc operates an employee share ownership plan called the Medium Term Equity Plan ("MTEP"). This takes the form of a discretionary trust which may acquire shares in National Westminster Bank Plc. Such shares are held by the trust subject to the terms of the MTEP for discretionary beneficiaries who are defined as employees or former employees of National Westminster Bank Plc or any of its subsidiaries (as defined by section 736 of the Companies Act 1985). The directors of the company, being members of the class of potential beneficiaries of the MTEP are, to that extent, interested in all the National Westminster Bank Plc shares held by the trust. At 30 September 1996 the trust held 1,242,477 ordinary shares of £1 each in National Westminster Bank Plc.

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

By order of the board



Margaret J Evans

Secretary

24 July

1997

LOMBARD FACILITIES 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, TO THE MEMBERS OF

LOMBARD FACILITIES LIMITED

We have audited the financial statements on pages 6 to 14.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 4 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 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG

Chartered Accountants
Registered Auditors

London

28 July 1997

LOMBARD FACILITIES LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30 SEPTEMBER 1996

	Note	1996 <u>£'000</u>	1995 <u>£'000</u>
Turnover	2	187	244
Operating charges		(19)	(22)
		<hr/>	<hr/>
Operating profit	3	168	222
Income from leasing partnerships	8	2,712	3,148
Interest receivable	4	2,575	2,473
		<hr/>	<hr/>
Interest payable	5	5,455 (5,263)	5,843 (5,614)
		<hr/>	<hr/>
Profit on ordinary activities before taxation		192	229
Taxation credit/(charge) on profit on ordinary activities	7	634	(598)
		<hr/>	<hr/>
Retained profit/(loss) for the financial year	11	<u>826</u>	<u>(369)</u>

RECOGNISED GAINS AND LOSSES

There are no recognised gains or losses other than the profit attributable to shareholders of the company of £826,000 in the year ended 30 September 1996 and the loss of £369,000 in the year ended 30 September 1995.

The notes on pages 8 to 14 form part of these financial statements.

LOMBARD FACILITIES LIMITED

BALANCE SHEET

AT 30 SEPTEMBER 1996

	Note	1996 £'000	1995 £'000
<u>ASSETS</u>			
FIXED ASSETS			
Investment in leasing partnerships	8	63,553	66,290
CURRENT ASSETS			
Debtors falling due within one year	9	44,907	41,559
		<u>108,460</u>	<u>107,849</u>
<u>LIABILITIES</u>			
CAPITAL AND RESERVES			
Called up share capital	10	5	5
Profit and loss account	11	<u>665</u>	<u>(161)</u>
		670	(156)
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred taxation	12	23,343	24,692
CREDITORS			
	13	84,447	83,313
		<u>108,460</u>	<u>107,849</u>

The financial statements were approved at a meeting of the board of directors on
24 July 1997 and were signed on their behalf by:



Jeffrey Johnson Director

All of the above share capital relates to equity funds.

The notes on pages 8 to 14 form part of these financial statements.

LOMBARD FACILITIES 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. Certain items in prior years comparatives have been reclassified to conform with current years presentation.

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. 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.

d. 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.

2. TURNOVER

- (i) Turnover represents lease income 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.

	1996	1995
	<u>£'000</u>	<u>£'000</u>
(ii) Aggregate rentals receivable during the year under finance leases	<u>220</u>	<u>232</u>

LOMBARD FACILITIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. OPERATING PROFIT

There is no charge in this year's financial statements for auditors' remuneration as the fee is to be charged in the financial statements of the immediate parent undertaking (1995 - £nil).

4. INTEREST RECEIVABLE	1996	1995
	<u>£'000</u>	<u>£'000</u>

From National Westminster Bank Plc group undertakings	<u>2,575</u>	<u>2,473</u>
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5. INTEREST PAYABLE	1996	1995
	<u>£'000</u>	<u>£'000</u>

On bank loans and overdrafts, and other
loans :

From National Westminster Bank Plc group undertakings	1,068	1,227
Other	4,195	4,387
	<u>5,263</u>	<u>5,614</u>

6. DIRECTORS' REMUNERATION AND INTERESTS

No emoluments were paid to any director by the company during the year (1995 - £nil).

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

LOMBARD FACILITIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. TAXATION (CREDIT)/CHARGE ON PROFIT ON ORDINARY ACTIVITIES	1996 £'000	1995 £'000
UK corporation tax at 33%	1,934	1,521
Group relief receivable *	(650)	-
Transfer from deferred tax (note 12)	(1,349)	(1,398)
Adjustments in respect of prior year :		
UK corporation tax	(1,521)	(1,116)
Deferred tax (note 12)	-	4
Group relief payable *	952	1,587
	<u>(634)</u>	<u>598</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.

LOMBARD FACILITIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. INVESTMENT IN LEASING PARTNERSHIPS

The company is a partner in North Sea Marine Leasing Company, which has taken advantage of the exemption given in regulation 7 of the Partnerships and Unlimited Companies (Accounts) Regulations 1993 concerning the preparation and delivery of its own accounts.

	<u>£'000</u>
Balance at 1 October 1995	66,290
Attributable profit for the year	2,712
Net funds withdrawn by partners	(5,449)
Balance at 30 September 1996	<u><u>63,553</u></u>

The company's share of the net assets of the partnerships is as follows:

	1996	1995
	<u>£'000</u>	<u>£'000</u>
Leasing assets	72,116	77,265
Less : Net Liabilities	(8,563)	(10,975)
	<u><u>63,553</u></u>	<u><u>66,290</u></u>

9. DEBTORS

	1996	1995
	<u>£'000</u>	<u>£'000</u>
Amounts falling due within one year :		
Amounts owed by National Westminster		
Bank Plc group undertakings	44,907	41,316
Net investment in finance leases	-	243
	<u><u>44,907</u></u>	<u><u>41,559</u></u>

LOMBARD FACILITIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. CALLED UP SHARE CAPITAL

	1996		1995	
	<u>Authorised</u>	<u>Allotted, called up and fully paid</u>	<u>Authorised</u>	<u>Allotted, called up and fully paid</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Ordinary shares of £1 each	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>
5% Redeemable Preference £1 each	<u>3,000</u>	<u>-</u>	<u>3,000</u>	<u>-</u>

**11. PROFIT AND LOSS ACCOUNT AND RECONCILIATION
OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	<u>Share capital £'000</u>	<u>Profit and loss account £'000</u>	<u>Total shareholders' funds £'000</u>
Balance at 1 October 1995	5	(161)	(156)
Retained profit for the financial year	-	826	826
Balance at 30 September 1996	<u>5</u>	<u>665</u>	<u>670</u>

LOMBARD FACILITIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. DEFERRED TAXATION

	<u>£'000</u>
Balance at 1 October 1995	24,692
Transfer to profit and loss account (note 7)	(1,349)
Balance at 30 September 1996	<u>23,343</u>

The above balance represents the full potential liability in respect of the following:

	<u>1996</u>	<u>1995</u>
	<u>£'000</u>	<u>£'000</u>
Capital allowances	19,383	20,605
Other	3,960	4,087
	<u>23,343</u>	<u>24,692</u>

13. CREDITORS

	<u>1996</u>	<u>1995</u>
	<u>£'000</u>	<u>£'000</u>
Amounts falling due:		
i) Within one year		
Net obligations due under finance leases	34	-
Amounts owed to National Westminster Bank Plc group undertakings	20,625	49,992
Current corporation tax	1,934	1,521
Acceptance credits	54,820	25,006
Other creditors*	1,540	1,522
Accruals and deferred income	3,972	3,748
	<u>82,925</u>	<u>81,789</u>
ii) After one year		
Net obligations due under finance leases	22	24
Other creditors repayable between one and five years*	1,500	1,500
	<u>1,522</u>	<u>1,524</u>
Total creditors	<u>84,447</u>	<u>83,313</u>

*Includes a subordinated loan of £3,000,000 (1995 - £3,000,000) secured on certain leasing assets at 7.5% per annum, repayable in 1997.

LOMBARD FACILITIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. ULTIMATE PARENT UNDERTAKING

The immediate parent undertaking is Lombard North Central PLC, the ultimate parent undertaking being National Westminster Bank Plc; both are registered in England and Wales.

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

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.