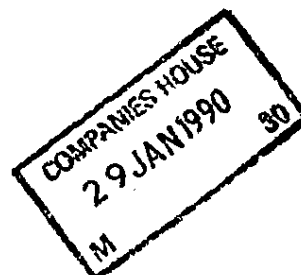


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LOMBARD FACILITIES LIMITED  
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REPORT AND ACCOUNTS

FOR THE YEAR ENDED 30 SEPTEMBER 1989



LOMBARD FACILITIES LIMITED

DIRECTORS

B A Carte           (Chairman)  
A A Mitchener  
M W Turner  
R J Young

SECRETARY

M I Mathews

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

LOMBARD FACILITIES LIMITED

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DIRECTORS' REPORT

The Directors have pleasure in submitting their report and the accounts for the year ended 30 September 1989.

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 agreement entered into during the year was £860,000 (1988 - £2,011,000).

The profit on ordinary activities before taxation was £4,237,000 (1988 - £6,327,000) on which there was a taxation charge of £1,365,000 (1988 - £2,345,000). The Directors recommend the payment of a final dividend of £2,500,000 (1988 - £3,500,000) and that the balance of £372,000 (1988 - £482,000) be dealt with as shown in the Profit and Loss Account on page 6.

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

DIRECTORS

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

Mr B A Carte was appointed to the Board on 5 July 1989.

Mr B C Crittenden retired from the Board on 31 July 1989.

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

LOMBARD FACILITIES LIMITED  
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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:

	<u>Ordinary shares of £1 each in National Westminster Bank PLC</u>	
	<u>30 September 1989</u>	<u>1 October 1988</u>
Beneficially owned:		
M W Turner	-	400
Held by the Trustees of the National Westminster Bank PLC Group 1979 Profit Sharing Share Scheme:		
Mr M W Turner	4,064	1,351
Options to subscribe for shares granted under the National Westminster Bank PLC Savings-related Share Option Schemes 1974 and 1981:		
M W Turner	1,604	802

The other Directors at the year end 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.

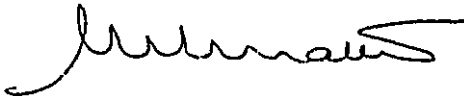
LOMBARD FACILITIES LIMITED

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



M I Mathews  
Secretary  
27 November 1989

REPORT OF THE AUDITORS TO THE MEMBERS OF

LOMBARD FACILITIES LIMITED

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We have audited the accounts on pages 6 to 13 in accordance with Auditing Standards.

In our opinion the accounts give a true and fair view of the state of affairs of the Company at 30 September 1989 and of its profit and source and application of funds for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Guildford  
27 November 1989

*Peat Marwick McLintock*

Peat Marwick McLintock  
Chartered Accountants

**LOMBARD FACILITIES LIMITED**  
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**PROFIT AND LOSS ACCOUNT**

**FOR THE YEAR ENDED 30 SEPTEMBER 1989**

	<u>Notes</u>	<u>1989</u> <u>£'000</u>	<u>1988</u> <u>£'000</u>
Turnover	2	978	4,872
Operating charges	3	(232)	(388)
Leasing Partnerships - share of profits	7	6,697	2,862
		<u>7,443</u>	<u>7,346</u>
Interest payable	5	(3,206)	(1,019)
Profit on ordinary activities before taxation		4,237	6,327
Taxation charge on profit on ordinary activities	6	(1,365)	(2,345)
Profit on ordinary activities after taxation		2,872	3,982
Proposed final dividend		(2,500)	(3,500)
Profit for the financial year transferred to general reserve	10	<u>372</u>	<u>482</u>

The notes on pages 9 to 13 form part of these accounts.

LOMBARD FACILITIES LIMITED

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BALANCE SHEET

AT 30 SEPTEMBER 1989

	<u>Notes</u>	<u>1989</u> <u>£'000</u>	<u>1988</u> <u>£'000</u>
<u>ASSETS</u>			
FIXED ASSETS			
Investment in leasing partnerships	7	47,061	69,432
CURRENT ASSETS			
Debtors	8	30,840	25,474
		<u>77,901</u>	<u>94,906</u>
		=====	=====
<u>LIABILITIES</u>			
CAPITAL AND RESERVES			
Called up share capital	9	5	5
General reserve	10	8,239	7,867
		<u>8,244</u>	<u>7,872</u>
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred taxation	11	17,477	18,303
CREDITORS	12	52,180	68,731
		<u>77,901</u>	<u>94,906</u>
		=====	=====

B A Carte

A A Mitchener

Directors

Approved by the Board on 27 November 1989

The notes on pages 9 to 13 form part of these accounts



LOMBARD FACILITIES LIMITED

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STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FOR THE YEAR ENDED 30 SEPTEMBER 1989

	<u>1989</u> <u>£'000</u>	<u>1988</u> <u>£'000</u>
SOURCE OF FUNDS		
Profit on ordinary activities after taxation	2,872	3,982
Adjustments for non-cash items:		
Leasing partnerships - share of profits before taxation	(6,697)	(2,862)
Transfer from Deferred taxation	(826)	(5,612)
TOTAL ABSORBED BY OPERATIONS	<u>(4,651)</u>	<u>(4,492)</u>
Funds repaid by partnerships	29,068	-
	<u>24,417</u>	<u>(4,492)</u>
APPLICATION OF FUNDS		
Dividends paid	(3,500)	(2,500)
Funds introduced into partnerships	-	(20,369)
	<u>20,917</u>	<u>(27,361)</u>
	=====	=====
INCREASE/(DECREASE) IN WORKING CAPITAL		
Debtors	5,366	(9,042)
Creditors	15,551	(18,319)
	<u>20,917</u>	<u>(27,361)</u>
	=====	=====

The notes on pages 9 to 13 form part of these accounts.

LOMBARD FACILITIES LIMITED

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NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

(a) Accounting convention

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

(b) 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.

(c) Regional Development Grants

Regional Development Grants are grossed up to reflect their tax free nature and are credited to Profit and Loss Account as income from finance leases.

(d) 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.

2. TURNOVER

Turnover represents lease income credited to the Profit and Loss Account during the year, all of which arises in the United Kingdom.

	<u>1989</u> <u>£'000</u>	<u>1988</u> <u>£'000</u>
Net amounts financed under finance leases entered into during the year	860 =====	2,011 =====
Aggregate rentals receivable during the year under finance leases	10,809 =====	14,453 =====

3. OPERATING CHARGES

There is no charge in this year's accounts for auditors' remuneration as the fee is to be charged in the holding Company's accounts (1988 - Enil).

LOMBARD FACILITIES LIMITED

NOTES TO THE ACCOUNTS (Continued)

4. DIRECTORS' REMUNERATION AND INTERESTS

No emoluments were paid to any Director during the year (1988 - Enil).

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

5. INTEREST PAYABLE

	<u>1989</u> <u>£'000</u>	<u>1988</u> <u>£'000</u>
On bank loans and overdrafts, and other loans wholly repayable within five years:		
From National Westminster Bank Group Companies	2,981	570
On other loans not wholly repayable within five years:		
From Companies other than National Westminster Bank Group companies	225	449
	<u>3,206</u> =====	<u>1,019</u> =====

6. TAXATION CHARGE

	<u>1989</u> <u>£'000</u>	<u>1988</u> <u>£'000</u>
UK corporation tax based on the results for the year at 35% (1988 - 35%)	(2,225)	(7,678)
Transfer from Deferred taxation (note 11)	826	5,612
Notional tax on Regional Development Grants credited to Profit and Loss Account	(12)	-
Revision in respect of prior years:		
U.K. Corporation Tax	3,293	(28)
Group relief payable*	(3,247)	(251)
	<u>(1,365)</u> =====	<u>(2,345)</u> =====

\* Provision for group relief is made on the assumption that the claimant Company will make payment to the surrendering Companies at rates appropriate to the periods in which the losses claimed are utilised.

LOMBARD FACILITIES LIMITED

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NOTES TO THE ACCOUNTS (Continued)

7. INVESTMENT IN LEASING PARTNERSHIPS

The Company is a Partner in certain Partnerships and its share of the Partnership profits is based on management accounts made up to 30 September 1989.

	<u>£'000</u>
Balance at 1 October 1988	69,432
Attributable profit for the year	6,697
Net funds received by the Company	(29,068)
Balance at 30 September 1989	<u>47,061</u>
	=====

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

	<u>1989</u> <u>£'000</u>	<u>1988</u> <u>£'000</u>
Leasing assets	56,806	66,313
Other net (liabilities)/assets	(9,745)	3,119
	<u>47,061</u>	<u>69,432</u>
	=====	=====

8. DEBTORS

	<u>1989</u> <u>£'000</u>	<u>1988</u> <u>£'000</u>
Amounts falling due:		
i) Wholly within one year		
From National Westminster Bank		
Group Companies	16,070	-
Trade debtors	40	52
	<u>16,110</u>	<u>52</u>
ii) Not wholly within one year		
Net investment in finance leases* due:		
Within one year	7,870	12,611
In more than one year	6,860	12,811
	<u>14,730</u>	<u>25,422</u>
Total debtors	<u>30,840</u>	<u>25,474</u>
	=====	=====

\* This includes amounts receivable of £2,722,000 (1988 - £4,656,000) in respect of assets charged in favour of third parties.

LOMBARD FACILITIES LIMITED

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NOTES TO THE ACCOUNTS (Continued)

8. DEBTORS (Continued)

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 £4,976,000 (1988 - £8,306,277).

9. CALLED UP SHARE CAPITAL

	<u>1989</u>		<u>1988</u>	
	<u>Authorised</u>	<u>Allotted issued and fully paid</u>	<u>Authorised</u>	<u>Allotted issued and fully paid</u>
Ordinary shares of £1 each	£5,000 =====	£5,000 =====	£5,000 =====	£5,000 =====
5% redeemable preference shares of £1 each	£3,000,000 =====	- =====	£3,000,000 =====	- =====

10. GENERAL RESERVE

	<u>£'000</u>
Balance at 1 October 1988	7,867
Transfer from Profit and Loss Account	372
Balance at 30 September 1989	<u>8,239</u> =====

11. DEFERRED TAXATION

	<u>£'000</u>
Balance at 1 October 1988	18,303
Transfer to Profit and Loss Account (note 6)	(826)
Balance at 30 September 1989	<u>17,477</u> =====

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

	<u>1989</u> <u>£'000</u>	<u>1988</u> <u>£'000</u>
Capital allowances	16,003	18,303
Other	1,474	-
	<u>17,477</u> =====	<u>18,303</u> =====

LOMBARD FACILITIES LIMITED

NOTES TO THE ACCOUNTS (Continued)

12. CREDITORS

	<u>1989</u> <u>£'000</u>	<u>1988</u> <u>£'000</u>
Amounts falling due:		
i) Wholly within one year		
Amounts owed to National		
Westminster Bank Group		
Companies	39,608	46,439
Trade creditors	-	1,115
Corporation tax	4,135	9,533
Other taxes	-	549
Accruals & deferred income	2,937	2,245
Proposed dividend	2,500	3,500
Other creditors	-	9
	<u>49,180</u>	<u>63,390</u>
ii) Not wholly within one year		
Loans from National Westminster Bank Group		
Companies not wholly repayable		
within five years due:		
Within one year	-	1,873
Between one and five years	-	468
In more than five years*	3,000	3,000
	<u>3,000</u>	<u>5,341</u>
 Total creditors	 <u>52,180</u> <u>=====</u>	 <u>68,731</u> <u>=====</u>

\* Comprises a subordinated loan of £3,000,000 (1988 - £3,000,000) secured on certain leasing assets at 7½% per annum, repayable in 1996 and 1997.

13. ULTIMATE HOLDING COMPANY

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