

**LOMBARD NATWEST
COMMERCIAL SERVICES LIMITED
AND SUBSIDIARY COMPANIES
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 1997**



LOMBARD NATWEST COMMERCIAL SERVICES LIMITED

DIRECTORS

R S Legg (Chairman)

W H Greep

P D Hayden

P R Ibbetson

J Johnson

K A Jones

R J Smith

P W Torrance

M W Turner

J L Whitehorn

SECRETARY

D J Lewis

LOMBARD NATWEST COMMERCIAL SERVICES LIMITED

DIRECTORS' REPORT

The directors have pleasure in submitting their report and the financial statements for the year ended 31 December 1997.

PRINCIPAL ACTIVITY

The principal activity of the Lombard NatWest Commercial Services Group ("the group") is the factoring of debts and discounting of invoices.

BUSINESS REVIEW

Turnover from all forms of financial agreement entered into during the year was £75,084,000.

The results for the year are set out in the profit and loss account on page 8.

The directors have agreed to pay an interim dividend of £12,390,000.

After deducting dividends, the profit for the year retained in the group is £3,000.

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

SUPPLIERS

The group'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's the group'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 group 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 31 December 1997 represents 6 day's worth as a proportion of the total amount invoiced by suppliers during the year ended on that date.

LOMBARD NATWEST COMMERCIAL SERVICES LIMITED

DIRECTORS' REPORT (Continued)

DIRECTORS

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

The following were appointed to the board:-

Mr P D Hayden on 28 January 1997.
 Mr P R Ibbetson on 28 January 1997.
 Mr P W Torrance on 22 July 1997.
 Mr K A Jones on 22 October 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:

| | Ordinary shares of £1 each in National Westminster Bank Plc | |
|---|--|------------------|
| | 1 January 1997 or at subsequent date of appointment | 31 December 1997 |
| Beneficially owned: | No. | No. |
| W H Greep | 11,163 | 11,713 |
| P D Hayden | 2,039 | 2,435 |
| P R Ibbetson | 124 | 160 |
| K A Jones | 1,117 | 1,297 |
| M W Turner | 2,222 | 3,830 |
| J L Whitehorn | 2,764 | 3,229 |
| Held by the Trustees of the National Westminster Bank Plc group 1979 Profit Sharing Share Scheme: | | |
| W H Greep | 1,808 | 1,577 |
| P D Hayden | 1,386 | 1,238 |
| P R Ibbetson | 1,823 | 1,823 |
| M W Turner | 2,551 | 2,232 |
| J L Whitehorn | 1,816 | 1,586 |

LOMBARD NATWEST COMMERCIAL SERVICES LIMITED

DIRECTORS' REPORT (Continued)

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

| | As at 1 January 1997 or at subsequent date of appointment | Granted | Exercised | Lapsed | As at 31 December 1997 |
|--|--|---------|-----------|--------|------------------------------|
| | No. | No. | No. | No. | No. |
| Savings Related Share Option Scheme 1981: | | | | | |
| W H Greep | 2,851 | - | - | - | 2,851 |
| P D Hayden | 688 | - | - | - | 688 |
| P R Ibbetson | 1,933 | - | 862 | - | 1,071 |
| K A Jones | 1,851 | - | 780 | - | 1,071 |
| M W Turner | 1,933 | - | 862 | - | 1,071 |
| J L Whitehorn | 1,007 | - | - | - | 1,007 |
| 1986 Executive Share Option Scheme: | | | | | |
| P R Ibbetson | 3,647 | - | - | - | 3,647 |
| R J Smith | 8,870 | - | - | - | 8,870 |
| P W Torrance | 2,510 | - | - | - | 2,510 |
| M W Turner | 7,582 | - | - | - | 7,582 |
| J L Whitehorn | 6,043 | - | - | - | 6,043 |
| 1994 Executive Share Option Scheme: | | | | | |
| W H Greep | 12,794 | - | - | - | 12,794 |
| P D Hayden | 3,750 | 2,000 | - | - | 5,750 |
| P R Ibbetson | 3,907 | 4,100 | - | - | 8,007 |
| R J Smith | 14,315 | 3,800 | - | - | 18,115 |
| P W Torrance | 10,227 | 2,800 | - | - | 13,027 |
| M W Turner | 18,334 | 6,100 | - | - | 24,434 |
| J L Whitehorn | 10,256 | - | - | - | 10,256 |
| ShareSave Option Scheme: | | | | | |
| W H Greep | 379 | 184 | - | - | 563 |
| P D Hayden | 379 | 326 | - | - | 705 |
| P R Ibbetson | 379 | 326 | - | - | 705 |
| K A Jones | 379 | 326 | - | - | 705 |
| M W Turner | 379 | 184 | - | - | 563 |
| J L Whitehorn | 379 | 184 | - | - | 563 |

LOMBARD NATWEST COMMERCIAL SERVICES LIMITED

DIRECTORS' REPORT (Continued)

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 31 December 1997 1,411,552 (1996:1,234,632) 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.

At the year end Messrs. Johnson and Legg 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. Messrs. Johnson and Legg were not therefore required to notify the company of their interests in the share and loan capital of National Westminster Bank Plc group undertakings.

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

In October 1997 the Bank established a Qualifying Employee Share Ownership Trust (QUEST) to operate in connection with the Banks Savings Related Share Option Scheme. The trustee of the QUEST is NatWest QUEST Limited, a wholly owned subsidiary.

As at 31 December 1997 1,638,490 ordinary shares were held by the trustee. In the terms of the trust deed setting up the QUEST, all employees and executive directors are deemed to have an interest as potential discretionary beneficiaries in those ordinary shares.

DISABLED PERSONS

The group continues to give full and fair consideration to applications for employment made by disabled persons having regard to their particular aptitudes and abilities. Whenever and wherever they are employed their training, career development and promotion is an integral part of the personnel policy applicable to all members of the group.

PERSONNEL

The number of employees, including directors, is shown in note 5 on page 14. Their remuneration is shown in the consolidated profit and loss account.

All employees are kept informed of the group's results and any other significant items such as financial and economic factors affecting its performance. There are regular consultations with employees' representatives on matters of health, safety and conditions of employment. Employees may acquire shares in National Westminster Bank Plc under the NatWest Profit Sharing Scheme and Savings Related Share Option Scheme.

By order of the board



Derek Lewis
Secretary
21 April 1998

LOMBARD NATWEST COMMERCIAL SERVICES 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 group and of the profit and 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 group 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 the group 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
LOMBARD NATWEST COMMERCIAL SERVICES LIMITED**

We have audited the financial statements on pages 8 to 21.

Respective responsibilities of Directors and Auditors

As described on page 6 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 group'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 and the group's affairs as at 31 December 1997 and of the group's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor
London
21 April 1998

LOMBARD NATWEST COMMERCIAL SERVICES LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 1997

| | Notes | Year ended 31 December 1997 £'000 | Year ended 31 December 1996 £'000 |
|--|-------|---|---|
| Turnover | 2 | 75,084 | 67,695 |
| Other operating income | | 639 | 865 |
| | | <u>75,723</u> | <u>68,560</u> |
| Staff costs | 5 | (11,272) | (10,834) |
| Depreciation on tangible fixed assets | 9 | (1,198) | (1,099) |
| Other operating charges | 3 | (14,588) | (11,487) |
| | | <u>48,665</u> | <u>45,140</u> |
| Interest payable | 6 | (30,311) | (25,423) |
| | | <u>18,354</u> | <u>19,717</u> |
| Group profit on ordinary activities before taxation | | 18,354 | 19,717 |
| Taxation charge on group profit on ordinary activities | 7 | (5,961) | (6,720) |
| | | <u>12,393</u> | <u>12,997</u> |
| Group profit on ordinary activities after taxation | | 12,393 | 12,997 |
| Ordinary dividends payable | | (12,390) | (12,990) |
| | | <u>3</u> | <u>7</u> |
| Retained profit for the financial year | 15 | 3 | 7 |

RECOGNISED GAINS AND LOSSES

There are no recognised gains or losses other than the profit attributable to the group of £12,393,000 in the year ended 31 December 1997 and of £12,997,000 in the year ended 31 December 1996.

The notes on pages 11 to 21 form part of these financial statements.

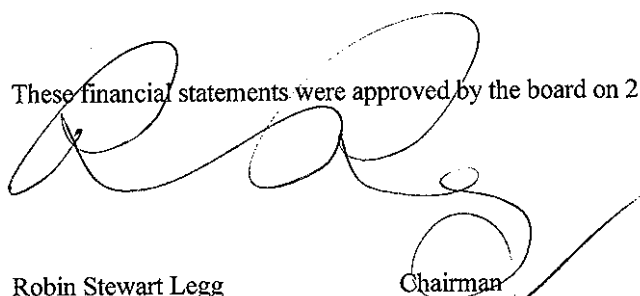
LOMBARD NATWEST COMMERCIAL SERVICES LIMITED

CONSOLIDATED BALANCE SHEET

AT 31 DECEMBER 1997

| | Notes | 31 December 1997 £'000 | 31 December 1996 £'000 |
|--|-------|---------------------------|---------------------------|
| ASSETS | | | |
| FIXED ASSETS | | | |
| Tangible assets | 9 | 2,006 | 2,471 |
| Interests in fellow subsidiary undertaking | 11 | 110 | 110 |
| CURRENT ASSETS | | | |
| Cash at bank and in hand | 12 | 3,739 | 1,982 |
| Debtors | 13 | 615,516 | 584,856 |
| | | <u>621,371</u> | <u>589,419</u> |
| LIABILITIES | | | |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 14 | 1,000 | 1,000 |
| Profit and loss account | 15 | 11,700 | 11,697 |
| | 16 | <u>12,700</u> | <u>12,697</u> |
| CREDITORS | 17 | 608,671 | 576,722 |
| | | <u>621,371</u> | <u>589,419</u> |

These financial statements were approved by the board on 21 April 1998 and signed on their behalf by:-


Robin Stewart Legg Chairman

All of the above share capital relates to equity funds.

The notes on pages 11 to 21 form part of these financial statements.

LOMBARD NATWEST COMMERCIAL SERVICES LIMITED

BALANCE SHEET

AT 31 DECEMBER 1997

| | Notes | 31 December 1997 £'000 | 31 December 1996 £'000 |
|--|--------|---------------------------|---------------------------|
| ASSETS | | | |
| FIXED ASSETS | | | |
| Tangible assets | 9 | 1,808 | 2,225 |
| Interests in subsidiary and other undertakings | 10, 11 | 1,111 | 1,111 |
| | | <u>2,919</u> | <u>3,336</u> |
| CURRENT ASSETS | | | |
| Cash at bank and in hand | 12 | 3 | 3 |
| Debtors | 13 | 373,568 | 329,466 |
| | | <u>376,490</u> | <u>332,805</u> |
| LIABILITIES | | | |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 14 | 1,000 | 1,000 |
| Profit and loss account | 15 | 5,995 | 5,994 |
| | | <u>6,995</u> | <u>6,994</u> |
| CREDITORS | 17 | 369,495 | 325,811 |
| | | <u>376,490</u> | <u>332,805</u> |

These financial statements were approved by the board on 21 April 1998 and signed on their behalf by:-

Robin Stewart Legg

Chairman

All of the above share capital relates to equity funds.

The notes on pages 11 to 21 form part of these financial statements.

LOMBARD NATWEST COMMERCIAL SERVICES 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) Foreign currencies

Assets and liabilities in foreign currencies have been translated into sterling at the rates ruling at the balance sheet date. Transactions are translated at either the rate of exchange ruling on the day, or at the rate specified by a matching forward contract.

All other realised exchange differences are dealt with in arriving at the group profit on ordinary activities.

(c) Basis of consolidation

The financial statements of all subsidiary undertakings have been consolidated.

(d) Depreciation

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

| | Estimated Useful Life |
|-------------------------------|--|
| Motor vehicles | 4 years |
| Computer and office equipment | 3 to 5 years |
| Office furniture and fittings | 6 2/3 years |
| Leasehold improvements | Lesser of 20 years or unexpired period |

(e) Pension costs

Pension costs are assessed in accordance with the advice of qualified actuaries, so as to recognise the cost of pensions on a systematic basis over the employees' service lives.

(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.

LOMBARD NATWEST COMMERCIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. ACCOUNTING POLICIES (continued)

(g) Related Party Transactions/Cash Flow Statements

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. Similarly, as a wholly owned subsidiary undertaking, the company is exempt under Financial Reporting Standard 1, Cash Flow Statements, from the requirement to prepare a cash flow statement.

2. TURNOVER

Turnover represents discount, service and other charges to clients, all of which arises in the United Kingdom and is from continuing activities.

The analysis of turnover by activity is as follows:

| | Year ended 31 December 1997 | Year ended 31 December 1996 |
|---------------------|--------------------------------|--------------------------------|
| | £'000 | £'000 |
| Factoring | 32,258 | 28,879 |
| Invoice discounting | 42,826 | 38,816 |
| | <u>75,084</u> | <u>67,695</u> |

3. OTHER OPERATING CHARGES

| | Year ended 31 December 1997 | Year ended 31 December 1996 |
|--|--------------------------------|--------------------------------|
| | £'000 | £'000 |
| Other operating charges include the following: | | |
| Auditors' remuneration - Audit services | 78 | 76 |
| Hire of plant and machinery | 114 | 37 |
| Leasehold property rentals | 1,052 | 1,026 |
| | <u>1,244</u> | <u>1,139</u> |

LOMBARD NATWEST COMMERCIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. DIRECTORS' REMUNERATION AND INTERESTS

| | Year ended 31 December 1997 | Year ended 31 December 1996 |
|--|-----------------------------------|-----------------------------------|
| | £'000 | £'000 |
| Directors' emoluments excluding pension contributions | 453 | 424 |
| Pension contributions | 41 | 48 |
| | <u>494</u> | <u>472</u> |
| | <u><u> </u></u> | <u><u> </u></u> |
| Emoluments excluding pension contributions, of: | | |
| Chairman | - | - |
| | <u> </u> | <u> </u> |
| Highest paid director | 113 | 112 |
| Pension contributions | 7 | 8 |
| | <u>120</u> | <u>120</u> |
| | <u><u> </u></u> | <u><u> </u></u> |
| At 31 December 1997 the accrued pension of the highest paid director was £45,900. | | |
| Directors' emoluments excluding pension contributions fall within the following bands: | No. | No. |
| £ £ | | |
| 0 - 5,000 | 3 | 6 |
| 10,001 - 15,000 | 1 | - |
| 25,001 - 30,000 | 1 | - |
| 60,001 - 65,000 | 1 | - |
| 70,001 - 75,000 | - | 1 |
| 75,001 - 80,000 | 2 | 2 |
| 80,001 - 85,000 | 1 | 1 |
| 110,001 - 115,000 | 1 | 1 |

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

LOMBARD NATWEST COMMERCIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. EMPLOYEES AND STAFF COSTS

The average number of persons employed during the financial period was as follows:

| | Year ended 31 December 1997 | Year ended 31 December 1996 |
|---------------------|--------------------------------|--------------------------------|
| | No. | No. |
| Factoring | 396 | 367 |
| Invoice discounting | 56 | 54 |
| | <u>452</u> | <u>421</u> |
| | <u> </u> | <u> </u> |

| | Year ended 31 December 1997 | Year ended 31 December 1996 |
|------------------------------|--------------------------------|--------------------------------|
| | £'000 | £'000 |
| Staff costs were as follows: | | |
| Restructuring costs | - | 9 |
| Wages and salaries | 8,781 | 8,239 |
| Social security costs | 835 | 748 |
| Pension costs | 723 | 800 |
| Profit Sharing Scheme | 475 | 678 |
| Other costs | 458 | 360 |
| | <u>11,272</u> | <u>10,834</u> |
| | <u> </u> | <u> </u> |

6. INTEREST PAYABLE

| | Year ended 31 December 1997 | Year ended 31 December 1996 |
|---|--------------------------------|--------------------------------|
| | £'000 | £'000 |
| On bank loans and overdrafts, and other loans wholly repayable within five years: | | |
| From National Westminster Bank Plc group undertakings | 30,311 | 25,423 |
| | <u> </u> | <u> </u> |

LOMBARD NATWEST COMMERCIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

7. TAXATION CHARGE

| | Year ended 31 December 1997 | Year ended 31 December 1996 |
|--|--------------------------------|--------------------------------|
| | £'000 | £'000 |
| UK corporation tax based on the results for the year at 31.49% (1996 - 33%) | 5,978 | 6,731 |
| Prior year - UK corporation tax | (17) | (11) |
| | <u>5,961</u> | <u>6,720</u> |

8. GROUP PROFIT DEALT WITH IN THE FINANCIAL STATEMENTS OF THE COMPANY

Advantage has been taken of the exemption from the requirement to publish a separate profit and loss account for Lombard NatWest Commercial Services Limited. Included in the group profit on ordinary activities is a profit attributable to the ordinary shareholders of £12,391,000 (1996- £12,991,000) which has been dealt with in the accounts of the company.

9. TANGIBLE FIXED ASSETS

| | Equipment £'000 | Vehicles £'000 | Total £'000 |
|------------------------------------|--------------------|-------------------|----------------|
| Group | | | |
| Cost | | | |
| At 1 January 1997 | 5,668 | 1,676 | 7,344 |
| Additions | 567 | 255 | 822 |
| Disposals | (190) | (210) | (400) |
| At 31 December 1997 | <u>6,045</u> | <u>1,721</u> | <u>7,766</u> |
| Depreciation | | | |
| At 1 January 1997 | 4,255 | 618 | 4,873 |
| Charge for the year | 779 | 419 | 1,198 |
| Disposals | (189) | (122) | (311) |
| At 31 December 1997 | <u>4,845</u> | <u>915</u> | <u>5,760</u> |
| Net book value at 31 December 1997 | <u>1,200</u> | <u>806</u> | <u>2,006</u> |
| Net book value at 31 December 1996 | <u>1,413</u> | <u>1,058</u> | <u>2,471</u> |

LOMBARD NATWEST COMMERCIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

9. TANGIBLE FIXED ASSETS (Continued)

| | Equipment | Vehicles | Total |
|---------------------------------------|--------------|--------------|--------------|
| | £'000 | £'000 | £'000 |
| Company | | | |
| Cost | | | |
| At 1 January 1997 | 5,668 | 1,301 | 6,969 |
| Transfer from subsidiary undertakings | - | 62 | 62 |
| Additions | 567 | 175 | 742 |
| Transfer to subsidiary undertakings | - | (36) | (36) |
| Disposals | (190) | (157) | (347) |
| At 31 December 1997 | <u>6,045</u> | <u>1,345</u> | <u>7,390</u> |
| Depreciation | | | |
| At 1 January 1997 | 4,255 | 489 | 4744 |
| Transfer from subsidiary undertakings | - | 29 | 29 |
| Charge for the year | 779 | 327 | 1,106 |
| Transfer to subsidiary undertakings | - | (15) | (15) |
| Disposals | (189) | (93) | (282) |
| At 31 December 1997 | <u>4,845</u> | <u>737</u> | <u>5,582</u> |
| Net book value at 31 December 1997 | <u>1,200</u> | <u>608</u> | <u>1,808</u> |
| Net book value at 31 December 1996 | <u>1,413</u> | <u>812</u> | <u>2,225</u> |

10. INTERESTS IN SUBSIDIARY UNDERTAKINGS

The company holds 100% of the ordinary share capital of the following subsidiary companies, all of which have an accounting reference date of 31 December and are registered in England and Wales:

| Subsidiary | Business |
|--|---------------------|
| Lombard NatWest Factors Limited | Debt Factoring |
| Lombard NatWest Discounting Limited | Invoice Discounting |
| Credit Factoring International Limited | Dormant |

LOMBARD NATWEST COMMERCIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

11. INTERESTS IN FELLOW NATIONAL WESTMINSTER BANK GROUP UNDERTAKING

| | 31 December 1997 | 31 December 1996 |
|---------------------|------------------|------------------|
| | £'000 | £'000 |
| Cost of investments | 110 | 110 |
| | <u> </u> | <u> </u> |

12. CASH AT BANK AND IN HAND

| | 31 December 1997 | | 31 December 1996 | |
|--|------------------|---------------|------------------|---------------|
| | Group | Company | Group | Company |
| | £'000 | £'000 | £'000 | £'000 |
| With National Westminster Bank Plc group undertakings | 1,483 | - | 259 | - |
| Other | 2,256 | 3 | 1,723 | 3 |
| | <u>3,739</u> | <u>3</u> | <u>1,982</u> | <u>3</u> |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |

LOMBARD NATWEST COMMERCIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

13. DEBTORS

| | 31 December 1997 | | 31 December 1996 | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| | Group | Company | Group | Company |
| | £'000 | £'000 | £'000 | £'000 |
| Amounts falling due within one year: | | | | |
| Amounts owed by National Westminster Bank Plc group undertakings | 488 | 5 | 413 | 9 |
| Amounts owed by subsidiary undertakings | - | 372,291 | - | 328,265 |
| Trade debtors | 613,857 | - | 582,807 | - |
| Corporation tax | - | 377 | - | 151 |
| Prepayments and accrued income | 492 | 414 | 531 | 512 |
| Other debtors | 679 | 481 | 1,105 | 529 |
| | <u>615,516</u> | <u>373,568</u> | <u>584,856</u> | <u>329,466</u> |
| | <u><u>615,516</u></u> | <u><u>373,568</u></u> | <u><u>584,856</u></u> | <u><u>329,466</u></u> |
| Trade debtors comprise: | | | | |
| Assigned debts receivable | 1,206,048 | - | 1,129,952 | - |
| Less: recourse debts due to clients on collection | (592,191) | - | (547,145) | - |
| | <u>613,857</u> | <u>-</u> | <u>582,807</u> | <u>-</u> |
| | <u><u>613,857</u></u> | <u><u>-</u></u> | <u><u>582,807</u></u> | <u><u>-</u></u> |

14. CALLED UP SHARE CAPITAL

| | 31 December 1997 | | 31 December 1996 | |
|---------------------------------------|---------------------|---|---------------------|---|
| | Authorised | Allotted, called up and partly paid | Authorised | Allotted, called up and partly paid |
| | £'000 | £'000 | £'000 | £'000 |
| Ordinary shares of £1 each (40p paid) | 2,500 | 1,000 | 2,500 | 1,000 |
| | <u>2,500</u> | <u>1,000</u> | <u>2,500</u> | <u>1,000</u> |
| | <u><u>2,500</u></u> | <u><u>1,000</u></u> | <u><u>2,500</u></u> | <u><u>1,000</u></u> |

LOMBARD NATWEST COMMERCIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

15. PROFIT AND LOSS ACCOUNT

| | Group | Company |
|--|---------------|--------------|
| | £'000 | £'000 |
| Balance at 1 January 1997 | 11,697 | 5,994 |
| Retained profit for the financial period | 3 | 1 |
| Balance at 31 December 1997 | <u>11,700</u> | <u>5,995</u> |

16. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

| | Year ended 31 December 1997 | Year ended 31 December 1996 |
|---|--------------------------------|--------------------------------|
| | £'000 | £'000 |
| Group | | |
| Profit attributable to members of the group | 12,393 | 12,997 |
| Dividends | <u>(12,390)</u> | <u>(12,990)</u> |
| Net movement in shareholders' funds | 3 | 7 |
| Opening shareholders' funds | 12,697 | 12,690 |
| Closing shareholders' funds | <u>12,700</u> | <u>12,697</u> |
| Company | | |
| Profit attributable to members of the company | 12,391 | 12,991 |
| Dividends | <u>(12,390)</u> | <u>(12,990)</u> |
| Net movement in shareholders' funds | 1 | 1 |
| Opening shareholders' funds | 6,994 | 6,993 |
| Closing shareholders' funds | <u>6,995</u> | <u>6,994</u> |

LOMBARD NATWEST COMMERCIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

17. CREDITORS

| | 31 December 1997 | | 31 December 1996 | |
|--|------------------|----------------|------------------|----------------|
| | Group | Company | Group | Company |
| | £'000 | £'000 | £'000 | £'000 |
| Amounts falling due within one year: | | | | |
| Amounts owed to National Westminster Bank Plc group undertakings | 470,166 | 349,054 | 450,433 | 301,918 |
| Trade creditors | 107,522 | - | 91,647 | - |
| Corporation tax | 5,807 | - | 6,733 | - |
| Other taxes | 1,140 | 1,140 | 1,072 | 1,072 |
| Ordinary dividends payable | 12,390 | 12,390 | 12,990 | 12,990 |
| Accruals and deferred income | 7,055 | 6,593 | 9,756 | 9,385 |
| Other creditors | 4,591 | 318 | 4,091 | 446 |
| | <u>608,671</u> | <u>369,495</u> | <u>576,722</u> | <u>325,811</u> |

18. COMMITMENTS

At the balance sheet date there were the following commitments:

| | 31 December 1997 | | 31 December 1996 | |
|---|------------------|------------|------------------|------------|
| | Group | Company | Group | Company |
| | £'000 | £'000 | £'000 | £'000 |
| Outstanding contracts for the sale of foreign currencies | <u>8,891</u> | <u>-</u> | <u>7,985</u> | <u>-</u> |
| Capital expenditure contracted but not provided in accounts | <u>100</u> | <u>100</u> | <u>91</u> | <u>91</u> |
| Capital Expenditure authorised but not yet contracted for | <u>302</u> | <u>302</u> | <u>-</u> | <u>-</u> |
| Annual commitments under non-cancellable operating leases: | | | | |
| Expiring in five years or more | <u>872</u> | <u>872</u> | <u>872</u> | <u>872</u> |
| Expiring in less than five years | <u>3</u> | <u>3</u> | <u>-</u> | <u>-</u> |

LOMBARD NATWEST COMMERCIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

19. PENSIONS

Some members of the group's staff are members of the Lombard NatWest Commercial Services Limited Retirement and Death Benefit Scheme which is of the defined benefit type. The assets are held in a Trustee administered fund.

The total pension costs relating to this scheme were assessed in accordance with the advice of qualified actuaries of Aon Consulting, using the Projected Unit Credit Funding method, and amounted to £723,000 (1996- £800,000). The latest actuarial assessment was made as at 1 April 1996, and was dated April 1997; the assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments (assumed 9% per annum), rate of salary increases (assumed 7% per annum) and rate of pension increases in payment (assumed 4.5% per annum).

At the date of the latest valuation (April 1996) the market value of the assets was £13,589,000 and was more than sufficient to cover accrued benefits. On a continuing basis the ratio of assets to the value of benefits on the valuation date, with benefits based on service to the valuation date and salaries projected to retirement, was 107%. Pension contributions include an adjustment to cover the surplus.

20. 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.