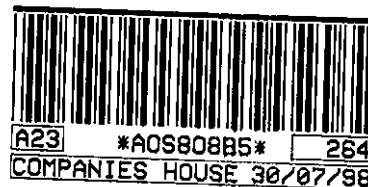


LOMBARD BUSINESS EQUIPMENT LEASING LIMITED

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 1997



Lombard Business Equipment Leasing Limited is registered in England and Wales No.1740967.
Registered Office: Lombard House, 3 Princess Way, Redhill, Surrey, RH1 1NP.

LOMBARD BUSINESS EQUIPMENT LEASING LIMITED

DIRECTORS

J Johnson (Chairman)
M S Bernstein
M D Picken
G L Porter
H M Roome
A G Slade

SECRETARY

H E Bromley

LOMBARD BUSINESS EQUIPMENT LEASING 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 and leasing.

BUSINESS REVIEW

The net amount financed under all forms of financial agreements entered into during the year was £4,001,000. The results for the year are set out in the profit and loss account on page 8. The directors have approved an interim dividend of £3,980,000.

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.

Mr J D Graham resigned from the board on 29 August 1997.

LOMBARD BUSINESS EQUIPMENT LEASING 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 undertakings were as follows:

Ordinary shares of £1 each in
National Westminster Bank Plc

	<u>As at</u> <u>1 October</u> <u>1996</u> <u>No.</u>	<u>As at</u> <u>30 September</u> <u>1997</u> <u>No.</u>
Beneficially owned:		
Mr M D Picken	-	23
Mr G L Porter	8,297	4,074
Mr A G Slade	812	-
Held by the Trustees of the National Westminster Bank Plc Group 1979 Profit Sharing Share Scheme:		
Mr M S Bernstein	245	-
Mr M D Picken	578	784
Mr G L Porter	1,918	1,692
Mr A G Slade	2,268	2,016

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

	<u>As at</u> <u>1 October</u> <u>1996</u> <u>No.</u>	<u>Granted</u> <u>No.</u>	<u>Exercised</u> <u>No.</u>	<u>As at</u> <u>30 September</u> <u>1997</u> <u>No.</u>
1986 Executive Share Option Scheme:				
Mr G L Porter	2,890	-	-	2,890
Mr A G Slade	8,607	-	-	8,607
1994 Executive Share Option Scheme:				
Mr M S Bernstein	500	1,500	-	2,000
Mr M D Picken	1,000	1,500	-	2,500
Mr G L Porter	13,583	-	-	13,583
Mr A G Slade	17,377	5,900	-	23,277

LOMBARD BUSINESS EQUIPMENT LEASING LIMITED

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' INTERESTS (Continued)

	<u>As at</u> <u>1 October</u> <u>1996</u> <u>No.</u>	<u>Granted</u> <u>No.</u>	<u>Exercised</u> <u>No.</u>	<u>Lapsed</u> <u>No.</u>	<u>As at</u> <u>30 September</u> <u>1997</u> <u>No.</u>
Staff Savings-Related Share Option Scheme:					
Mr M S Bernstein	1,071	-	463	608	-
Mr G L Porter	2,652	-	-	-	2,652
Mr A G Slade	1,071	-	-	-	1,071
1996 ShareSave Scheme:					
Mr M D Picken	-	379	-	-	379
Mr G L Porter	-	379	-	-	379
Mr A G Slade	-	379	-	-	379
1997 ShareSave Scheme:					
Mr M D Picken	-	326	-	-	326
Mr M S Bernstein	-	326	-	-	326
Mr A G Slade	-	326	-	-	326

LOMBARD BUSINESS EQUIPMENT LEASING LIMITED

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' INTERESTS (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 30 September 1997 1,411,552 (1996 : 1,242,477) 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 Mr J Johnson and Mr H M Roome 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 therefore not required to notify their interests in the shares or debentures of National Westminster Bank Plc group undertakings to the company.

No other director at the year end is registered as having interests during the year 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.

By order of the board


Heidi E Bromley
Secretary
15 JULY 1998

LOMBARD BUSINESS EQUIPMENT LEASING 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 AUDITOR, KPMG Audit Plc, TO THE MEMBERS OF
LOMBARD BUSINESS EQUIPMENT LEASING LIMITED

We have audited the financial statements on pages 8 to 18.

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 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

Chartered Accountants
Registered Auditor

London

28 July 1998

LOMBARD BUSINESS EQUIPMENT LEASING LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30 SEPTEMBER 1997

	<u>Note</u>	<u>1997</u> <u>£'000</u>	<u>1996</u> <u>£'000</u>
Turnover	2	591	539
Other operating income		7	36
Depreciation on tangible fixed assets	8	(210)	(121)
Other operating charges		162	(1)
		<hr/>	<hr/>
Operating profit	3	550	453
Dividends receivable from subsidiary undertakings		3,880	3,055
Interest receivable	4	11,745	10,896
Interest payable	5	(11,958)	(10,818)
		<hr/>	<hr/>
Profit on ordinary activities before taxation		4,217	3,586
Taxation charge on profit on ordinary activities	7	(129)	(192)
		<hr/>	<hr/>
Profit on ordinary activities after taxation		4,088	3,394
Dividends		(3,980)	(3,400)
		<hr/>	<hr/>
Retained profit / (loss) for the financial year	12	108	(6)
		<hr/> <hr/>	<hr/> <hr/>

RECOGNISED GAINS AND LOSSES

There are no recognised gains or losses other than the profit attributable to shareholders of the company of £4,088,000 in the year ended 30 September 1997 and of £3,394,000 in the year ended 30 September 1996.

The notes on pages 10 to 18 form part of these financial statements.

LOMBARD BUSINESS EQUIPMENT LEASING LIMITED

BALANCE SHEET

AT 30 SEPTEMBER 1997

	<u>Note</u>	<u>1997</u> <u>£'000</u>	<u>1996</u> <u>£'000</u>
<u>ASSETS</u>			
FIXED ASSETS			
Tangible assets	8	621	342
Investments	9	13	15
		<hr/>	<hr/>
		634	357
CURRENT ASSETS			
Debtors falling due within one year	10	181,143	163,693
Debtors falling due after more than one year	10	2,923	2,589
		<hr/>	<hr/>
		184,700	166,639
		<hr/>	<hr/>
<u>LIABILITIES</u>			
CAPITAL AND RESERVES			
Called up share capital	11	-	-
Profit and loss account	12	136	28
		<hr/>	<hr/>
		136	28
CREDITORS			
	15	184,564	166,611
		<hr/>	<hr/>
		184,700	166,639
		<hr/>	<hr/>

The financial statements were approved at a meeting of the board of directors
on 15 July 1998 and were signed on their behalf by:



Jeffrey Johnson

Director

The notes on pages 10 to 18 form part of these financial statements.

LOMBARD BUSINESS EQUIPMENT LEASING 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
Short-Term Leasehold Improvements	Straight line	5 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. Credit for deferred tax is taken in respect of timing differences to the extent that tax relief is expected to crystallise.

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.

LOMBARD BUSINESS EQUIPMENT LEASING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. TURNOVER

Turnover represents lease income, charges on instalment credit 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 <u>£'000</u>	1996 <u>£'000</u>
Net amounts financed under instalment credit agreements entered into during the year	4,001 =====	3,667 =====
Aggregate rentals receivable during the year were as follows:		
Finance leases	13	119
Instalment credit agreements	3,217	2,320
	<u>3,230</u> =====	<u>2,439</u> =====

3. OPERATING PROFIT

	1997 <u>£'000</u>	1996 <u>£'000</u>
Operating profit is stated after:		
Profit on disposal of tangible fixed assets	-	16
Loss on disposal of tangible fixed assets	(3) ==	(1) ==

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 (1996 - £nil).

4. INTEREST RECEIVABLE

	1997 <u>£'000</u>	1996 <u>£'000</u>
From National Westminster Bank Plc group undertakings	11,745 =====	10,896 =====

LOMBARD BUSINESS EQUIPMENT LEASING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. INTEREST PAYABLE

	1997 <u>£'000</u>	1996 <u>£'000</u>
On bank loans and overdrafts, and other loans:		
From National Westminster Bank Plc group undertakings	11,958 =====	10,818 =====

6. DIRECTORS' REMUNERATION AND INTERESTS

The directors are also directors or employees of the immediate parent undertaking, Lombard North Central PLC, and the remuneration for their services is recovered by the immediate parent undertaking by way of a management charge. The aggregate amount of consideration paid to the immediate parent undertaking for the services of four of the directors was £247,000 (1996 - four of the directors, £237,000).

The emoluments of the directors, excluding pension contributions, were as follows:-

	1997	1996
The chairman	- ==	- ==
The highest paid director	£75,000 =====	£75,000 =====

The number of directors whose emoluments (exclusive of pension contributions) were within the following ranges was:-

		Directors	
		1997	1996
£	£		
0	-	5,000	
45,001	-	50,000	
60,001	-	65,000	
70,001	-	75,000	
		3	3
		1	2
		2	1
		1	1

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

LOMBARD BUSINESS EQUIPMENT LEASING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. TAXATION CHARGE ON PROFIT ON ORDINARY ACTIVITIES

	1997 <u>£'000</u>	1996 <u>£'000</u>
U K corporation tax at 32% (1996 - 33%)	44	89
Transfer to deferred tax (note 14)	71	103
Net deferred tax effect of change in corporation tax rates contained in Finance (No 2) Act 1997 (note 14)	17	-
Adjustments in respect of prior years:		
U K corporation tax	(89)	-
Deferred tax (note 14)	(4)	(3)
Group relief payable*	90	3
	<u>129</u> =====	<u>192</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.

8. TANGIBLE FIXED ASSETS

	<u>Equipment</u> <u>£'000</u>	<u>Motor</u> <u>vehicles</u> <u>£'000</u>	<u>Short-Term Leasehold</u> <u>Improvements</u> <u>£'000</u>	<u>Total</u> <u>£'000</u>
<u>Cost</u>				
At 1 October 1996	687	299	-	986
Additions	348	19	135	502
Disposals	(8)	(13)	-	(21)
Transfers from /(to) group undertakings	108	(9)	-	99
At 30 September 1997	<u>1,135</u>	<u>296</u>	<u>135</u>	<u>1,566</u>
<u>Depreciation</u>				
At 1 October 1996	570	74	-	644
Charge for the year	110	72	28	210
Disposals	(8)	(4)	-	(12)
Transfers from /(to) group undertakings	104	(1)	-	103
At 30 September 1997	<u>776</u>	<u>141</u>	<u>28</u>	<u>945</u>
Net book value at 30 September 1997	<u>359</u> =====	<u>155</u> =====	<u>107</u> =====	<u>621</u> =====
Net book value at 30 September 1996	<u>117</u> =====	<u>225</u> =====	<u>-</u> =====	<u>342</u> =====

LOMBARD BUSINESS EQUIPMENT LEASING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. INVESTMENTS

	Investments other than <u>loans</u> £	Shares in subsidiary <u>undertakings</u> £	<u>Total</u> £
Cost			
At 1 October 1996	14,000	500	14,500
Additions	-	2	2
Provision	(2,000)	-	(2,000)
At 30 September 1997	<u>12,000</u> =====	<u>502</u> =====	<u>12,502</u> =====

The company holds 100% of the ordinary share capital of the following companies all of which provide credit finance by way of leasing, with the exception of Leasing Equipment Limited and Vendcare Finance Limited which provides leasing agency services. All subsidiaries are registered in England and Wales.

<u>Subsidiary</u>	<u>Accounting Reference Date</u>
Lombard Office Equipment Leasing Limited	31 December
Lombard Sales Aid Leasing Limited	31 March
Lombard Vendor Plan Leasing Limited	30 June
Lombard Business Asset Leasing Limited	30 September
Leasing Equipment Limited	30 September
Vendcare Finance Limited	30 September

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

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.

LOMBARD BUSINESS EQUIPMENT LEASING LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. DEBTORS

	1997 <u>£'000</u>	1996 <u>£'000</u>
Amounts falling due:		
i) Within one year		
Amounts owed by National Westminster Bank Plc group undertakings	1,135	1,522
Amounts owed by subsidiary undertakings	165,462	150,031
Net investment in finance leases	3	8
Net investment in instalment credit agreements	1,878	1,589
Other debtors	12,665	10,543
	<hr/>	<hr/>
	181,143	163,693
	<hr/>	<hr/>
ii) After more than one year		
Net investment in finance leases	6	13
Net investment in instalment credit agreements	2,676	2,251
Deferred tax (note 14)	241	325
	<hr/>	<hr/>
	2,923	2,589
	<hr/>	<hr/>
Total debtors	184,066	166,282
	<hr/> <hr/>	<hr/> <hr/>

LOMBARD BUSINESS EQUIPMENT LEASING LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. CALLED UP SHARE CAPITAL

	1997		1996	
	<u>Authorised</u>	Allotted, called up and <u>fully paid</u>	<u>Authorised</u>	Allotted, called up and <u>fully paid</u>
	£	£	£	£
Ordinary shares of £1 each	100	100	100	100
	===	===	===	===

All of the above share capital relates to equity funds.

12. PROFIT AND LOSS ACCOUNT

	<u>£'000</u>
Balance at 1 October 1996	28
Retained profit for the financial year	108
Balance at 30 September 1997	136
	===

13. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1997 <u>£'000</u>	1996 <u>£'000</u>
Profit attributable to members of the company	4,088	3,394
Dividends	(3,980)	(3,400)
	—	—
Net movement in shareholders' funds	108	(6)
Opening shareholders' funds	28	34
	—	—
Closing shareholders' funds	136	28
	===	===

LOMBARD BUSINESS EQUIPMENT LEASING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. DEFERRED TAXATION

	<u>£'000</u>
Balance at 1 October 1996	(325)
Transfer from profit and loss account (note 7)	84
Balance at 30 September 1997	<u>(241)</u> =====

There is no unprovided liability for deferred tax. Deferred tax has been included as an asset in respect of capital allowances to the extent that tax relief is expected to crystallise in the future.

15. CREDITORS

	1997 <u>£'000</u>	1996 <u>£'000</u>
Amounts falling due:		
i) Within one year		
Amounts owed to National Westminster Bank Plc group undertakings	89,311	67,161
Current corporation tax	44	89
Other creditors	1,464	1,518
Proposed dividends	3,980	3,400
	<u>94,799</u>	<u>72,168</u>
ii) After one year		
Amounts owed to National Westminster Bank Plc group undertakings	89,765	94,443
	<u> </u>	<u> </u>
Total creditors	<u>184,564</u> =====	<u>166,611</u> =====

LOMBARD BUSINESS EQUIPMENT LEASING LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. 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.