

FIRST NATIONAL BUSINESS EQUIPMENT LEASING LIMITED

(formerly Lombard Business Equipment Leasing Limited)

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 1998



First National Business Equipment Leasing Limited is registered in England and Wales No.1740967.
Registered Office: First National House, College Road, Harrow, Middlesex HA1 1FB.

FIRST NATIONAL BUSINESS EQUIPMENT LEASING LIMITED

(formerly Lombard Business Equipment Leasing Limited)

DIRECTORS

Philip Anthony George (Chairman)
Timothy Charles William Ingram
John Stearn Scott
David Howat Stewart
Mark Simon Bernstein
Mark David Picken
Gerald Leslie Porter
Michael Allen Bartholomeusz
Stephen Charles Bassett

SECRETARY

Abbey National Secretariat Services Limited

FIRST NATIONAL BUSINESS EQUIPMENT LEASING LIMITED

(formerly 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 1998.

CHANGE OF NAME

The company changed its name from Lombard Business Equipment Leasing Limited to First National Business Equipment Leasing Limited on 30 December 1998.

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 £9,628,000. 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 £3,500,000.

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

YEAR 2000 and Economic and Monetary Union

The Company is aware of the significant compliance and operational risks faced in connection with Year 2000, and the strategic and operational risks posed by Economic and Monetary Union (EMU). These issues, previously addressed by our former parent undertaking, National Westminster Bank Plc, are now being addressed by the present ultimate parent undertaking, Abbey National plc, through the provision of management, technology and systems support and through a Group-wide steering committee.

Further disclosures in respect of both Year 2000 and EMU, including details of the impact on business, risks and uncertainties, general plans to address these issues and estimated costs of these plans are detailed in the consolidated accounts of Abbey National plc.

DIRECTORS

The present directors are as shown on page 1.

The following were appointed to the board:-

Mr J S Scott on 30 December 1998.
Mr D H Stewart on 30 December 1998.
Mr M A Bartholomeusz on 30 December 1998.
Mr T C W Ingram on 30 December 1998.
Mr P A George on 30 December 1998.
Mr S C Bassett on 31 March 1999.

The following have resigned from the board:-

Mr J Johnson on 30 December 1998.
Mr H M Roome on 30 December 1998.
Mr A G Slade on 30 December 1998.

FIRST NATIONAL BUSINESS EQUIPMENT LEASING LIMITED

(formerly 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>1997</u> <u>No.</u>	<u>As at</u> <u>30 September</u> <u>1998</u> <u>No.</u>
Beneficially owned:		
Mr M D Picken	23	34
Mr G L Porter	4,074	2,535
Mr A G Slade	-	919

Held by the Trustees of the
National Westminster Bank
Plc Group 1979 Profit
Sharing Share Scheme:

Mr M S Bernstein	-	204
Mr M D Picken	784	1,005
Mr G L Porter	1,692	1,692
Mr A G Slade	2,016	1,487

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

	<u>As at</u> <u>1 October</u> <u>1997</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>1998</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	2,000	-	-	2,000
Mr M D Picken	2,500	-	-	2,500
Mr G L Porter	13,583	-	-	13,583
Mr A G Slade	23,277	-	-	23,277
1998 Executive Share Option Scheme:				
Mr M S Bernstein	-	2,400	-	2,400
Mr M D Picken	-	2,600	-	2,600
Mr A G Slade	-	6,100	-	6,100

FIRST NATIONAL BUSINESS EQUIPMENT LEASING LIMITED

(formerly Lombard Business Equipment Leasing Limited)

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' INTERESTS (Continued)

	<u>As at</u> <u>1 October</u> <u>1997</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>1998</u> <u>No.</u>
Staff Savings-Related Share Option Scheme:					
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
1998 ShareSave Scheme:					
Mr M S Bernstein	-	219	-	-	219

FIRST NATIONAL BUSINESS EQUIPMENT LEASING LIMITED

(formerly Lombard Business Equipment Leasing Limited)

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' INTERESTS (Continued)

During 1998, 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 criteria.

As at 30 September 1998 1,487,592 (1997 : 1,411,552) 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.

POST BALANCE SHEET EVENT

In a sale and purchase agreement the whole of the issued share capital of First National Business Equipment Leasing Limited was sold to Abbey National plc.

By order of the board



Abbey National Secretariat Services Limited
Secretary

20th July 1999

FIRST NATIONAL BUSINESS EQUIPMENT LEASING LIMITED

(formerly 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

FIRST NATIONAL BUSINESS EQUIPMENT LEASING LIMITED

(formerly 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 1998 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
Chartered Accountants
Registered Auditor

London

23 July 1999

FIRST NATIONAL BUSINESS EQUIPMENT LEASING LIMITED

(formerly Lombard Business Equipment Leasing Limited)

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30 SEPTEMBER 1998

	<u>Note</u>	<u>1998 £'000</u>	<u>1997 £'000</u>
Turnover	2	843	591
Other operating income		32	7
Depreciation on tangible fixed assets	8	(341)	(210)
Other operating charges		(70)	162
		<hr/>	<hr/>
Operating profit	3	464	550
Dividends receivable from subsidiary undertakings		3,617	3,880
Interest receivable	4	12,487	11,745
Interest payable	5	(12,789)	(11,958)
		<hr/>	<hr/>
Profit on ordinary activities before taxation		3,779	4,217
Taxation charge on profit on ordinary activities	7	(71)	(129)
		<hr/>	<hr/>
Profit on ordinary activities after taxation		3,708	4,088
Dividends		(3,500)	(3,980)
		<hr/>	<hr/>
Retained profit for the financial year	12	208	108
		<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 £3,708,000 in the year ended 30 September 1998 and of £4,088,000 in the year ended 30 September 1997.

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

FIRST NATIONAL BUSINESS EQUIPMENT LEASING LIMITED


(formerly Lombard Business Equipment Leasing Limited)

BALANCE SHEET

AT 30 SEPTEMBER 1998

	<u>Note</u>	<u>1998</u> <u>£'000</u>	<u>1997</u> <u>£'000</u>
<u>ASSETS</u>			
FIXED ASSETS			
Tangible assets	8	919	621
Investments	9	11	13
		<hr/>	<hr/>
		930	634
CURRENT ASSETS			
Debtors falling due within one year	10	194,160	181,143
Debtors falling due after more than one year	10	6,124	2,923
		<hr/>	<hr/>
		201,214	184,700
		<hr/> <hr/>	<hr/> <hr/>
<u>LIABILITIES</u>			
CAPITAL AND RESERVES			
Called up share capital	11	-	-
Profit and loss account	12	344	136
		<hr/>	<hr/>
		344	136
CREDITORS			
	15	200,870	184,564
		<hr/>	<hr/>
		201,214	184,700
		<hr/> <hr/>	<hr/> <hr/>

The financial statements were approved at a meeting of the board of directors
on 19th July 1999 and were signed on their behalf by:


Philip Anthony George

Director

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

FIRST NATIONAL BUSINESS EQUIPMENT LEASING LIMITED

(formerly 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 / 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. 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.

FIRST NATIONAL BUSINESS EQUIPMENT LEASING LIMITED

(formerly 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.

	1998 <u>£'000</u>	1997 <u>£'000</u>
Net amounts financed under instalment credit agreements entered into during the year	9,628 <u>=====</u>	4,001 <u>=====</u>
Aggregate rentals receivable during the year were as follows:		
Finance leases	4	13
Instalment credit agreements	5,061	3,217
	<u>5,065</u> <u>=====</u>	<u>3,230</u> <u>=====</u>

3. OPERATING PROFIT

	1998 <u>£'000</u>	1997 <u>£'000</u>
Operating profit is stated after:		
Profit on disposal of tangible fixed assets	31	-
Loss on disposal of tangible fixed assets	(1) <u>==</u>	(3) <u>==</u>

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 (1997 - £nil).

4. INTEREST RECEIVABLE

	1998 <u>£'000</u>	1997 <u>£'000</u>
From National Westminster Bank Plc group undertakings	12,487 <u>=====</u>	11,745 <u>=====</u>

FIRST NATIONAL BUSINESS EQUIPMENT LEASING LIMITED

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. INTEREST PAYABLE

	1998 <u>£'000</u>	1997 <u>£'000</u>
On bank loans and overdrafts, and other loans:		
From National Westminster Bank Plc group undertakings	12,789 <u>=====</u>	11,958 <u>=====</u>

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 three of the directors was £226,000 (1997- four of the directors, £247,000).

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

	1998	1997
The chairman	- <u>==</u>	- <u>==</u>
The highest paid director	£86,000 <u>=====</u>	£75,000 <u>=====</u>

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

FIRST NATIONAL BUSINESS EQUIPMENT LEASING LIMITED

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. TAXATION CHARGE ON PROFIT ON ORDINARY ACTIVITIES

	1998 <u>£'000</u>	1997 <u>£'000</u>
U K corporation tax at 31% (1997- 32%)	14	44
Transfer to deferred tax (note 14)	49	71
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	(44)	(89)
Deferred tax (note 14)	(3)	(4)
Group relief payable*	55	90
	<u>71</u>	<u>129</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 1997	1,135	296	135	1,566
Additions	27	112	-	139
Disposals	(50)	(218)	-	(268)
Transfers from /(to) group undertakings	4,279	458	-	4,737
At 30 September 1998	<u>5,391</u>	<u>648</u>	<u>135</u>	<u>6,174</u>
<u>Depreciation</u>				
At 1 October 1997	776	141	28	945
Charge for the year	201	113	27	341
Disposals	(49)	(114)	-	(163)
Transfers from /(to) group undertakings	4,031	101	-	4,132
At 30 September 1998	<u>4,959</u>	<u>241</u>	<u>55</u>	<u>5,255</u>
Net book value at 30 September 1998	<u>432</u>	<u>407</u>	<u>80</u>	<u>919</u>
Net book value at 30 September 1997	<u>359</u>	<u>155</u>	<u>107</u>	<u>621</u>

FIRST NATIONAL BUSINESS EQUIPMENT LEASING LIMITED

(formerly 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 1997	12,000	502	12,502
Additions	-	-	-
Provision	(2,000)	-	(2,000)
At 30 September 1998	<u>10,000</u>	<u>502</u>	<u>10,502</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>
First National Office Equipment Leasing Limited	31 December
First National Sales Aid Leasing Limited	31 March
First National Vendor Plan Leasing Limited	30 June
First National 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 was 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.

FIRST NATIONAL BUSINESS EQUIPMENT LEASING LIMITED

(formerly Lombard Business Equipment Leasing Limited)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. DEBTORS

	1998 <u>£'000</u>	1997 <u>£'000</u>
Amounts falling due:		
i) Within one year		
Amounts owed by National Westminster Bank Plc group undertakings	777	1,135
Amounts owed by subsidiary undertakings	177,239	165,462
Net investment in finance leases	-	3
Net investment in instalment credit agreements	3,068	1,878
Other debtors	13,076	12,665
	<u>194,160</u>	<u>181,143</u>
ii) After more than one year		
Net investment in finance leases	-	6
Net investment in instalment credit agreements	5,929	2,676
Deferred tax (note 14)	195	241
	<u>6,124</u>	<u>2,923</u>
Total debtors	<u>200,284</u>	<u>184,066</u>

FIRST NATIONAL BUSINESS EQUIPMENT LEASING LIMITED

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. CALLED UP SHARE CAPITAL

	1998		1997	
	<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 1997	136
Retained profit for the financial year	208
Balance at 30 September 1998	344
	=====

13. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1998 <u>£'000</u>	1997 <u>£'000</u>
Profit attributable to members of the company	3,708	4,088
Dividends	(3,500)	(3,980)
	-----	-----
Net movement in shareholders' funds	208	108
Opening shareholders' funds	136	28
	-----	-----
Closing shareholders' funds	344	136
	=====	=====

FIRST NATIONAL BUSINESS EQUIPMENT LEASING LIMITED

(formerly Lombard Business Equipment Leasing Limited)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. DEFERRED TAXATION

	<u>£'000</u>
Balance at 1 October 1997	(241)
Transfer from profit and loss account (note 7)	46
Balance at 30 September 1998	<u>(195)</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

	<u>1998</u> <u>£'000</u>	<u>1997</u> <u>£'000</u>
Amounts falling due:		
i) Within one year		
Amounts owed to National		
Westminster Bank Plc group		
undertakings	92,606	89,311
Current corporation tax	14	44
Other creditors	2,200	1,464
Proposed dividends	3,500	3,980
	<u>98,320</u>	<u>94,799</u>
ii) After one year		
Amounts owed to National		
Westminster Bank Plc group		
undertakings	102,550	89,765
	<u> </u>	<u> </u>
Total creditors	<u>200,870</u>	<u>184,564</u>

FIRST NATIONAL BUSINESS EQUIPMENT LEASING LIMITED

(formerly Lombard Business Equipment Leasing Limited)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. POST BALANCE SHEET EVENT

In a sale and purchase agreement the whole of the issued share capital of First National Business Equipment Leasing Limited was sold to Abbey National plc.

17. ULTIMATE PARENT UNDERTAKING

At 30 September 1998 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.

Post 30 December 1998 the ultimate parent undertaking is Abbey National plc.