

FIRST NATIONAL BUSINESS EQUIPMENT LEASING LIMITED

**DIRECTORS' REPORT AND ACCOUNTS FOR THE YEAR ENDED
30 SEPTEMBER 2000**



Company registration number: 1740967

FIRST NATIONAL BUSINESS EQUIPMENT LEASING LIMITED

Directors and Secretary

Directors : S C Bassett
M S Bernstein
P A George
J R D Hayhow
M D Picken
G L Porter
J R Smart
D H Stewart

Secretary : Abbey National Secretariat Services Limited

Registered office : First National House,
College Road,
Harrow,
Middlesex
HA1 1FB

Auditors : Deloitte & Touche
Chartered Accountants
and Registered Auditors
Stonecutter Court,
1 Stonecutter Street,
London EC4A 4TR

FIRST NATIONAL BUSINESS EQUIPMENT LEASING LIMITED

REPORT OF THE DIRECTORS

The Directors submit their report together with the accounts for the year ended 30 September 2000.

1. Principal activity and review of the year

The principal activity of the Company was the provision of credit finance by way of instalment credit and leasing and it is expected that this will continue for the foreseeable future.

The Company acquired the non leasing assets of First National Leasing Limited, a fellow subsidiary undertaking, at net book value on 29 December 2000.

In October 2000 the Company's properties were sold as part of a structured sale and leaseback of the Abbey National Group property portfolio to Mapeley Columbus Ltd.

The net amount financed under all forms of financial agreements entered into during the year was £11,084,000 (1999 : £5,827,000)

The results for the year are set out in the profit and loss account on page 6. The financial position of the Company is set out in the balance sheet.

2. Dividend

The Directors do not intend to declare any dividend for the year (1999: nil).

3. Directors and their interests

The Directors who served during the year were:

M A Bartholomeusz	resigned 5 th June 2000
S C Bassett	
M S Bernstein	
P A George	
J R D Hayhow	appointed 5 th June 2000
M D Picken	
G L Porter	
J R Smart	appointed 1 st April 2000
D H Stewart	
J S Scott	resigned 1 st April 2000

None of the Directors had a beneficial interest in the shares of the Company at the year end. The interests of S C Bassett, M S Bernstein, P A George, J R D Hayhow, M D Picken, G L Porter, J R Smart and D H Stewart in the shares of the ultimate holding company, Abbey National Plc, were as follows:

Ordinary Shares of 10 pence each

	As at 1 October 1999 or date of appointment if later	As at 30 September 2000
P A George	875	875
J R D Hayhow	4,185	4,185
D H Stewart	2,566	2,566
J R Smart	6,358	6,358

FIRST NATIONAL BUSINESS EQUIPMENT LEASING LIMITED

REPORT OF THE DIRECTORS (CONTINUED)

Options Schemes - Ordinary Shares of 10 pence each

	As at 1 October 1999 (i)	Options granted during year (i)	Options cancelled during year (i)	Options exercised during year (i)	As at 30 September 2000	Type
S C Bassett	341	342			683	Sharesave
M S Bernstein	273	1,315	273		1,315	Sharesave
P A George	3,701	-			3,701	Sharesave
	150	-			150	Employee
	<u>40,122</u>	<u>24,767</u>			<u>64,889</u>	Executive
	<u>43,973</u>	<u>24,767</u>			<u>68,740</u>	
M D Picken	341	657			998	Sharesave
G L Porter	341	1,028			1,369	Sharesave
J R Smart	2,721				2,721	Sharesave
	150				150	Employee
	<u>47,236</u>				<u>47,236</u>	Executive
	<u>50,107</u>				<u>50,107</u>	
D H Stewart	896	1,714	896		1,714	Sharesave
	150	-	-		150	Employee
	<u>4,498</u>	<u>9,481</u>	<u>-</u>		<u>13,979</u>	Executive
	<u>5,544</u>	<u>11,195</u>	<u>896</u>		<u>15,843</u>	

(i) - or date of appointment if later

Options granted to Directors under the ultimate holding company's Sharesave Scheme are exercisable at prices between 428 pence and 1087 pence per share within six months of the third, fifth or seventh anniversary of the contract start date. Options granted under the Executive Share Option Scheme and Employee Share Option Schemes are exercisable at prices between 564 pence and 1306 pence per share after three years or five years and before ten years from the date of grant.

Shares in respect of Executive Share Options granted in 2000 are held by the Abbey National ESOP Trust (the "Trust"). Whilst the Directors' interests in these shares (if any) are included above, each of the Directors of the Company is a potential beneficiary of the Trust and is therefore deemed to have an interest in the shares held by the Trust. At 30 September 2000 the Trust held 4,398,986 ordinary shares (1999 - 1,580,429 shares).

Shares awarded under the Abbey National Long Term Incentive Plan (the "Plan") are held by the Abbey National Employee Trust (the "Employee Trust"). Whilst the Plan is currently restricted to members of the Abbey National plc Executive Committee, each of the Directors of the Company is a potential beneficiary of the Employee Trust and is therefore deemed to have an interest in the shares held by the Employee Trust. At 30 September 2000, the Employee Trust held 604,362 ordinary shares (1999 - 389,320 shares).

FIRST NATIONAL BUSINESS EQUIPMENT LEASING LIMITED

REPORT OF THE DIRECTORS (CONTINUED)

4. Directors' Responsibility in respect of the Preparation of Accounts

The Directors are required by UK company law to prepare accounts for each financial year that give a true and fair view of the state of affairs of the Company as at the end of the financial year and the profit or loss for that period.

The Directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the accounts for the year ended 30 September 2000. The Directors also confirm that applicable United Kingdom accounting standards have been followed and that the statements have been prepared on the going concern basis.

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 are also responsible for the Company's system of internal control and for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

5. Auditors

In accordance with Section 386 of the Companies Act 1985, the Company has elected to dispense with the obligation to appoint auditors annually.

By Order of the Board


Secretary
for and on behalf of
Abbey National Secretariat Services Limited

25 July 2001

Registered Office
First National House
College Road
Harrow
Middlesex
HA1 1FB

FIRST NATIONAL BUSINESS EQUIPMENT LEASING LIMITED

REPORT OF THE AUDITOR, DELOITTE & TOUCHE, TO THE MEMBERS OF

FIRST NATIONAL BUSINESS EQUIPMENT LEASING LIMITED

We have audited the financial statements on pages 6 to 15 which have been prepared under the accounting policies set out on page 8.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 4 the Company's directors are responsible for the preparation of financial statements which are required to be prepared in accordance with applicable United Kingdom law and accounting standards. 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 United Kingdom 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 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

**Deloitte & Touche
Chartered Accountants
and Registered Auditors
Stonecutter Court
1 Stonecutter Street
London EC4A 4TR**

30 July 2001

FIRST NATIONAL BUSINESS EQUIPMENT LEASING LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 SEPTEMBER 2000

	<u>Note</u>	<u>2000</u> <u>£'000</u>	<u>1999</u> <u>£'000</u>
Turnover – continuing operations	2	1,433	1,159
Other operating income		55	26
Depreciation on tangible fixed assets	9	(160)	(240)
Other operating charges		(921)	(617)
		<hr/>	<hr/>
Operating profit – continuing operations	3	407	328
Dividends receivable from subsidiary Undertakings		601	80
Interest receivable	4	13,976	12,630
Interest payable	5	(14,868)	(13,426)
		<hr/>	<hr/>
Profit/(Loss) on ordinary activities before taxation		116	(388)
Tax credit on profit/(Loss) on ordinary operations	8	122	97
		<hr/>	<hr/>
Retained profit/(loss) for the financial year	13	238	(291)
		=====	=====

RECOGNISED GAINS AND LOSSES

There are no recognised gains or losses other than the profit attributable to shareholders of the company of £238,000 in the year ended 30 September 2000 and loss of £291,000 in the year ended 30 September 1999.

The notes on pages 8 to 15 form part of these financial statements.


FIRST NATIONAL BUSINESS EQUIPMENT LEASING LIMITED

BALANCE SHEET

AT 30 SEPTEMBER 2000

	<u>Note</u>	<u>2000</u> <u>£'000</u>	<u>1999</u> <u>£'000</u>
<u>ASSETS</u>			
FIXED ASSETS			
Tangible assets	9	402	506
Investments	10	7	9
		<hr/>	<hr/>
		409	515
CURRENT ASSETS			
Debtors falling due within one year	11	236,702	194,007
Debtors falling due after more than one year	11	8,131	6,019
Cash at bank and in hand		2	2
		<hr/>	<hr/>
		245,244	200,543
		=====	=====
<u>LIABILITIES</u>			
CAPITAL AND RESERVES			
Called up share capital	12	-	-
Profit and loss account	13	291	53
		<hr/>	<hr/>
EQUITY SHAREHOLDERS' FUNDS	14	291	53
CREDITORS	16	244,953	200,490
		<hr/>	<hr/>
		245,244	200,543
		=====	=====

The financial statements were approved at a meeting of the board of directors on 25 July 2001 and were signed on their behalf by:


Director **J. R. SMART**

The notes on pages 8 to 15 form part of these financial statements.

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 United Kingdom accounting standards.

b) Commissions

Commissions payable are charged against profit over the period of the contracts to which they relate.

c) 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.

d) 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	5 - 8 years
Motor Vehicles	Straight line	4 years
Short-Term Leasehold Improvements	Straight line	Over period of lease

e) Deferred Taxation

Deferred tax is accounted for in respect of timing differences to the extent that tax relief or charges are expected to crystallise.

f) Related Party Transactions / Cash Flow Statements

The company is exempt from disclosing transactions with Group undertakings under FRS 8 'Related Party Disclosures' as it is a wholly owned subsidiary of Abbey National plc whose consolidated accounts are publicly available.

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.

g) Investments

Investments in subsidiary undertakings are stated at cost less amounts written off.

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.

	2000 <u>£'000</u>	1999 <u>£'000</u>
Turnover	1,433 =====	1,159 =====
Net amounts financed under instalment credit agreements entered into during the year	11,084 =====	5,827 =====
Aggregate rentals receivable during the year were as follows:		
Finance leases	3	9
Instalment credit agreements	8,274	5,759
	<u>8,277</u> =====	<u>5,768</u> =====

3. OPERATING PROFIT

	2000 <u>£'000</u>	1999 <u>£'000</u>
Operating profit is stated after:		
Depreciation - owned assets	(160)	(240)
Profit on disposal of tangible fixed assets	7	22
Loss on disposal of tangible fixed assets	(10)	(2)
	===	==

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 another Abbey National plc Group undertaking (1999 - £nil).

4. INTEREST RECEIVABLE

	2000 <u>£'000</u>	1999 <u>£'000</u>
From Group undertakings	13,976 =====	12,630 =====

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. INTEREST PAYABLE

	2000 <u>£'000</u>	1999 <u>£'000</u>
On bank loans and overdrafts, and other loans:		
To Group undertakings	14,868 =====	13,426 =====

6. DIRECTORS' REMUNERATION AND INTERESTS

The directors are also directors or employees of the immediate parent undertaking, First National Bank 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 £457,000 (1999- four of the directors, £334,000).

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

	2000 <u>£'000</u>	1999 <u>£'000</u>
The highest paid director		
Remuneration	116,000	96,000
Pension contributions	17,000	14,000
	<u>133,000</u> =====	<u>110,000</u> =====

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

7. EMPLOYEES

The average number of employees (including executive directors) employed by the company was 140 (1999 - 99).

	2000 <u>£'000</u>	1999 <u>£'000</u>
Employee costs		
Salaries	2,808	1,781
Social security costs	195	165
Pension costs	<u>337</u>	<u>202</u>
	3,340 =====	2,148 =====

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**8. TAXATION CREDIT ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES**

	2000 <u>£'000</u>	1999 <u>£'000</u>
U K corporation tax at 30% (1999- 30.5%)	-	-
Transfer to deferred tax (note 15)	43	28
Group relief receivable	(163)	(131)
Adjustments in respect of prior years:		
U K corporation tax	-	(13)
Deferred tax (note 15)	23	(2)
Group relief payable*	(25)	21
	<u>(122)</u>	<u>(97)</u>
	====	====

* Provision for group relief is made on the basis that the claimant company will make payment to the surrendering companies at rates appropriate to the periods in which the losses claimed are utilised.

9. TANGIBLE FIXED ASSETS

	<u>Equipment</u> <u>£'000</u>	<u>Motor</u> <u>vehicles</u> <u>£'000</u>	<u>Short-Term</u> <u>Leasehold</u> <u>Improvements</u> <u>£'000</u>	<u>Total</u> <u>£'000</u>
Cost				
At 1 October 1999	1,184	258	135	1,577
Additions	60	57	-	117
Disposals	(149)	(92)	-	(241)
At 30 September 2000	<u>1,095</u>	<u>223</u>	<u>135</u>	<u>1,453</u>
Depreciation				
At 1 October 1999	885	70	116	1,071
Charge for the year	77	64	19	160
Disposals	(149)	(31)	-	(180)
At 30 September 2000	<u>813</u>	<u>103</u>	<u>135</u>	<u>1,051</u>
Net book value at 30 September 2000	<u>282</u>	<u>120</u>	<u>-</u>	<u>402</u>
	===	===	===	===
Net book value at 30 September 1999	<u>299</u>	<u>188</u>	<u>19</u>	<u>506</u>
	===	===	===	===

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. INVESTMENTS

	Other Investments Other than <u>Loans</u> £	Shares in subsidiary <u>undertakings</u> £	<u>Total</u> £
Cost			
At 1 October 1999	8,000	502	8,502
Provision	(2,000)	-	(2,000)
At 30 September 2000	<u>6,000</u> =====	<u>502</u> ===	<u>6,502</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, Vendcare Finance Limited and Danwood 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
Danwood 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 First National Bank 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. DEBTORS

	2000 <u>£'000</u>	1999 <u>£'000</u>
Amounts falling due:		
i) Within one year		
Amounts owed by subsidiary Undertakings	218,646	181,321
Net investment in instalment credit agreements	5,247	3,802
Other debtors	12,809	8,884
	<hr/>	<hr/>
	236,702	194,007
	<hr/>	<hr/>
ii) After more than one year		
Net investment in instalment credit agreements	8,028	5,850
Deferred tax (note 15)	103	169
	<hr/>	<hr/>
	8,131	6,019
	<hr/>	<hr/>
Total debtors	244,833 =====	200,026 =====

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. CALLED UP SHARE CAPITAL

	2000		1999	
	<u>Authorised</u>	<u>Allotted, called up and fully paid</u>	<u>Authorised</u>	<u>Allotted, called up and fully paid</u>
	£	£	£	£
Ordinary shares of £1 each	100	100	100	100
	===	===	===	===

All of the above share capital relates to equity funds.

13. PROFIT AND LOSS ACCOUNT

	<u>£'000</u>
Balance at 1 October 1999	53
Retained profit/(loss) for the financial year	238
Balance at 30 September 2000	<u>291</u>
	=====

14. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2000 <u>£'000</u>	1999 <u>£'000</u>
Profit/(loss) attributable to members of the company	238	(291)
Dividends	-	-
	<u> </u>	<u> </u>
Net movement in shareholders' funds	238	(291)
Opening shareholders' funds	53	344
	<u> </u>	<u> </u>
Closing shareholders' funds	291	53
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15. DEFERRED TAXATION

	<u>£'000</u>
Balance at 1 October 1999	(169)
Transfer from profit and loss account (note 8)	66
Balance at 30 September 2000	<u>(103)</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.

16. CREDITORS

	<u>2000</u> <u>£'000</u>	<u>1999</u> <u>£'000</u>
Amounts falling due:		
i) Within one year		
Bank overdraft	1,551	1,681
Amounts owed to Group undertakings	239,954	196,331
Other creditors	3,448	2,478
	<hr/>	<hr/>
Total creditors	244,953 =====	200,490 =====

17. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The immediate parent company is First National Bank Plc. The ultimate parent undertaking and controlling party is Abbey National plc, which is registered in England and Wales and which is the holding company and the only Group for which Group accounts are drawn up.

Copies of the Group financial statements of Abbey National plc can be obtained from:
The Secretary, Abbey House, Baker Street, London NW1 6XL.