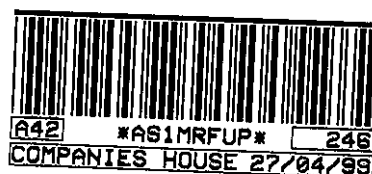


Registered number 1981157

**NatWest Personal Financial
Management Limited**

Directors' report and financial statements

31 December 1998



NatWest Personal Financial Management Limited

Directors' report and financial statements

31 December 1998

<i>Contents</i>	<i>Page</i>
Directors' report	1 - 2
Statement of directors' responsibilities	3
Auditors' report	4
Profit and loss account	5
Balance sheet	6
Notes to the financial statements	7 - 11

NatWest Personal Financial Management Limited

Directors' report

Directors: G P Jones (Chairman)
J S Chester
M J Binks

Company Secretary: D J Hofmann

Registered Office: 55 Mansell Street, London, E1 8AN

Registered Number: 1981157

The directors have pleasure in presenting their report together with the audited financial statements for the year ended 31 December 1998.

Results and dividends

The profit after tax for the year was £15,004,000 (1997 : £15,300,000). The directors recommend the payment of a final dividend of £5,468,000 (1997 : 11,900,000). An interim dividend of £9,536,000 (1997 : £6,200,000) was proposed during the year.

Principal activities

The Company remains a holding and management company for its wholly-owned subsidiary, NatWest Stockbrokers Limited.

Directors

The current directors of the Company are listed above. The following director was appointed during the year:

G P Jones 2 March 1998

L Churchill resigned as a director on 2 March 1998.

Directors' interests

None of the directors held any interest in the Company. The interests of the directors in the shares of the parent company, National Westminster Bank Plc, as recorded in the register of directors' interests in accordance with section 325 of the companies act 1985, are disclosed in note 14.

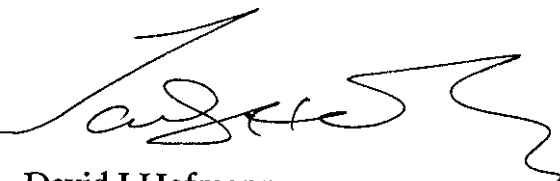
Elective Regime

At the Annual General Meeting held on 12 March 1993, the Company passed an elective resolution pursuant to Section 379A of the Companies Act 1985 dispensing with the holding of Annual General Meetings, the laying of annual reports and accounts before the shareholders in general meeting, and the re-appointment of auditors by the Company.

Going Concern Statement

After making appropriate enquiries, the Directors have satisfied themselves that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

On behalf of the board



David J Hofmann
Company Secretary

9 February 1999

NatWest Personal Financial Management Limited

Statement of directors' responsibilities

The following statement which should be read in conjunction with the report of the auditors set out below, is made to enable shareholders to distinguish the respective responsibilities of the directors and of the auditors in relation to the financial statements.

The directors are required by the Companies Act 1985 to prepare, for each financial year, financial statements which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit for that financial year.

The directors confirm that the financial statements set out on pages 5 to 11 have been prepared on the going concern basis and consider that, in preparing these financial statements, the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all accounting standards which they consider to be applicable have been followed.

The directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company and which enable them to ensure that the financial statements comply with the Companies Act 1985.

The Board of Directors is responsible for the Company's system of internal financial control. The responsibility for its day-to-day operation is delegated to executive management which has established and disseminated clearly defined Company policies and standards. The Company's system of internal financial control, which includes procedures such as physical controls, segregation of duties, credit, trading and other authorisation limits throughout the Company, is designed to provide reasonable, but not absolute assurance:

- as to the reliability and integrity of the financial statements;
- that assets are safeguarded and only authorised transactions are entered into; and
- that fraud and other irregularities are prevented and detected.

The system of internal control is subject to close scrutiny by management and internal audit. The Company has adopted the Wealth Management Businesses Audit and Compliance Committee as a Committee of the Board. All the members of this Committee are non-executive directors of National Westminster Bank Plc and they meet periodically with internal audit to discuss the nature, scope and results of its work.

KPMG Audit Plc, the independent auditors appointed by the shareholders of the Company to audit the financial statements, have full and unrestricted access to the Wealth Management Businesses Audit and Compliance Committee to discuss their audit and related findings as to the integrity of the Company's financial reporting and the adequacy of the system of internal financial controls. Both internal audit and KPMG Audit Plc have access to the Committee at anytime to discuss matters they believe may be of significance.

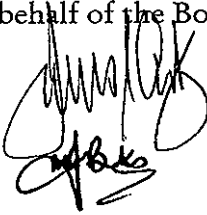
For and on behalf of the Board of Directors

J S Chester

Director

M J Binks

Director



9 February 1999

Report of the auditors to the members of NatWest Personal Financial Management Limited

We have audited the financial statements on pages 5 to 11.

Respective responsibilities of directors and auditors

As described on page 3, the Company's directors are responsible for the preparation of the 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 at 31 December 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

9 February 1999
London

NatWest Personal Financial Management Limited

Profit and loss account

for the year ended 31 December 1998

	<i>Note</i>	1998 £000	1997 £000
Income from shares in Group Companies	5	15,004	15,300
		—	—
Profit on ordinary activities before and after taxation	2	15,004	15,300
Dividends	6	(15,004)	(18,100)
		—	—
Retained profit for the year		<u>—</u>	<u>(2,800)</u>

The Company has made no recognised gains or losses in the current or preceding year other than the results show above. . There were no acquisitions or disposals during the year. There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above and the historic cost equivalent.

NatWest Personal Financial Management Limited

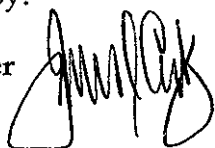
Balance sheet

as at 31 December 1998

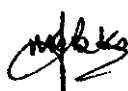
	Note	1998 £000	1997 £000
Fixed assets			
Investments	7	15,548	15,548
		<u>15,548</u>	<u>15,548</u>
Current assets			
Debtors	8	7,232	19,864
		<u>7,232</u>	<u>19,864</u>
Creditors: amounts falling due within one year	9	(5,468)	(18,100)
		<u> </u>	<u> </u>
Net current assets		1,764	1,764
Total assets less current liabilities		<u>17,312</u>	<u>17,312</u>
Capital and reserves			
Called up share capital	10	15,700	15,700
Share premium account	11	1,553	1,553
Profit and loss account	11	59	59
Total shareholders' funds		<u>17,312</u>	<u>17,312</u>

These financial statements were approved by the Board of Directors on 9 February 1999 and were signed on its behalf by:

J S Chester
Director



M J Binks
Director



NatWest Personal Financial Management Limited

Notes

(forming part of the financial statements)

1. Accounting policies

Basis of preparation

The accounts have been prepared under the historical cost convention and in accordance with applicable Accounting Standards. The Company has not presented consolidated financial statements as it is a wholly-owned subsidiary undertaking of another body corporate incorporated in the United Kingdom and has taken advantage of the provisions of Section 229 of the Companies Act 1985.

Cash flow statement

Under Financial Reporting Standard 1, the Company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly-owned subsidiary undertaking.

Investments in subsidiary undertakings

Investments are stated at cost less provision for any permanent diminution in value.

Deferred taxation

Deferred taxation is calculated, using the liability method, on all timing differences to the extent that they are likely to crystallise in the future.

2. Profit on ordinary activities before and after taxation

Profit on ordinary activities before and after taxation is stated after charging the following:

	1998 £000	1997 £000
Auditors' remuneration	-	-
Depreciation	==	==

The Company's audit fees are borne by another Group company.

3. Emoluments of directors

None of the directors received any remuneration from the Company during the year (1997 : NIL).

4. Staff numbers

The average number of persons employed by the Company including directors and secondees from National Westminster Bank Plc during the year was nil (1997 : Nil).

NatWest Personal Financial Management Limited

Notes (continued)

5. Income from shares in Group Companies

1998	1997
£000	£000

Dividend receivable	<u>15,004</u>	<u>15,300</u>
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6. Dividends

1998	1997
£000	£000

Interim	9,536	6,200
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Final	5,468	11,900
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<u>15,004</u>	<u>18,100</u>
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7. Fixed asset investments

Subsidiary companies at 31 December 1998 were:

	Country of incorporation	Nature of business	Proportion of Ordinary Shares	Cost £000
NatWest Stockbrokers Limited	Great Britain	Stockbroker	100%	15,408
NatWest PEP Nominees Limited	Great Britain	Non-trading	100%	-
NatWest Stockbrokers Financial Services Limited	Great Britain	Non-trading	100%	140
				<u>15,548</u>

The above companies are registered in England and Wales.

There has been no movement in fixed asset investments during the year.

In the opinion of the directors the value of the subsidiaries is not less than that stated in the balance sheet.

8. Debtors

	1998 £000	1997 £000
Amounts owed by group undertakings	7,232	19,864
	<u>7,232</u>	<u>19,864</u>

9. Creditors: amounts falling due within one year

	1998 £000	1997 £000
Dividends	5,468	18,100
	<u>5,468</u>	<u>18,100</u>

10. Called up share capital

	1998 £000	1997 £000
Authorised, allotted, called up and fully paid 15,700,000 ordinary shares of £1 each	15,700	15,700
	<u>15,700</u>	<u>15,700</u>

11. Statement of movements on shareholders' funds

	Share capital £000	Share premium account £000	Profit and loss account £000	Total shareholders' funds £000
Balance at 1 January 1998	15,700	1,553	59	17,312
Transfer from profit and loss account of the year	-	-	-	-
Balance at 31 December 1998	<u>15,700</u>	<u>1,553</u>	<u>59</u>	<u>17,312</u>

NatWest Personal Financial Management Limited

Notes (continued)

12. Ultimate parent company

The Company is a wholly-owned subsidiary undertaking of National Westminster Bank Plc, a company registered in England and Wales.

Copies of the accounts of National Westminster Bank Plc, the largest and smallest group into which the results of the Company are consolidated, can be obtained from:

The Company Secretary
National Westminster Bank Plc
41 Lothbury
London
EC2P 2BP

13. Related Party Transaction

The Company has taken advantage of the exemption available under Financial Reporting Standard 8, 'Related Party Disclosure', not to disclose transactions with its parent and fellow subsidiary undertakings.

14. Directors' interests

The interests, all beneficial, of those who were directors as at 31 December 1998, in the Ordinary Shares of National Westminster Bank Plc are shown below:

Ordinary Shares of £1 each								
Share Options								
	As at 1 January 1998 or date of appointment if later	As at 31 December 1998	As at 1 January 1998 or date of appointment if later	Granted during the year exercisable between (2001 and 2008)		Exercised during the year		As at 31 December 1998
				Options	Price (p)	Options	Price (p)	
M J Binks	2,555	1,828	11,272	366 2300	941 1101	518	399	13420
J S Chester	10,426	9,200	26,949	207	941	287	261	26,869
G P Jones	0	0	24,358	-	-	-	-	24,358

Options outstanding are exercisable at share prices between 436p and 1101p. Options granted under the Executive Share Option Scheme are exercisable subject to the achievement of stretching performance conditions.

None of the directors in office at 31 December 1998 held any interest in the shares of the Company.

NatWest Personal Financial Management Limited

Notes (continued)

15. Directors' interests (continued)

During 1998, the director listed below was granted potential awards under the Medium Term Equity Plan (MTEP) in respect of 1998. MTEP 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. The achievement of the performance criteria would result in the director receiving the number of ordinary shares of £1 each shown below. These shares were acquired by the Trustee of the Plan at an average price of 1102p.

If the performance criterion is met, the director will be able to elect to have the shares awarded.

Director	Number of Ordinary Shares Granted	
	1998 Award	1997 Award
G P Jones	17,759	0

As at 31 December 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, all employees and directors are deemed to have an interest as potential discretionary beneficiaries in those ordinary shares.

Qualifying Employee Share Ownership Trust (QUEST)

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

As at 31 December 1998: 604,627 (1997: 1,638,490) ordinary shares were held by the trustee. In 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.