

BUS & COACH LEASING LIMITED

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 1996



Bus & Coach Leasing Limited is registered in England and Wales No. 2003546.
Registered Office: Lombard House, 3 Princess Way, Redhill, Surrey, RH1 1NP.

BUS & COACH LEASING LIMITED

DIRECTORS

J Johnson (Chairman)
B A C Chivers
P Higgins
P E Lord
G McKenzie
C P Stamper
R W Wood

SECRETARY

D J Lewis

BUS & COACH LEASING LIMITED

DIRECTORS' REPORT

The directors have pleasure in submitting their report and the financial statements for the year ended 30 September 1996.

PRINCIPAL ACTIVITY

The principal activity of the group is the provision of credit finance by way of leasing and contract hire facilities and the provision of associated residual value undertakings.

BUSINESS REVIEW

The net amount financed under all forms of financial agreements entered into during the year was £nil (1995 - £nil).

On 31 May 1996, the business of the company's wholly owned subsidiary undertaking, Bus & Coach Contracts Limited, was transferred to the company. Bus & Coach Contracts Limited has subsequently not traded.

The results for the year are set out in the profit and loss account on page 7. The directors do not recommend the payment of a dividend.

The group 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.

The following were appointed to the board:

Mr P Higgins on 5 October 1995

Mr C P Stamper on 2 May 1996.

Mr T H L Worthington resigned from the board on 14 March 1996.

BUS & COACH 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	
	1 October 1995 or subsequent date of appointment	30 September 1996
Beneficially owned:		
J Johnson	115	115
P Higgins	8,106	6,750
P E Lord	672	1,322
C P Stamper	674	674
Held by the Trustees of the National Westminster Bank Plc group 1979 Profit Sharing Share Scheme:		
P Higgins	1,760	1,921
P E Lord	725	1,174
C P Stamper	594	1,193

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

	As at 1 October 1995 or subsequent date of appointment	Granted	Exercised	As at 30 September 1996
	No.	No.	No.	No.
1986 Executive Share Option Scheme:				
J Johnson	3,984	-	-	3,984
P Higgins	3,084	-	-	3,084
1994 Executive Share Option Scheme:				
J Johnson	20,553	12,100	-	32,653
P Higgins	9,830	4,500	-	14,330
P E Lord	1,750	2,000	-	3,750
C P Stamper	12,194	-	-	12,194
Staff Savings-Related Share Option Scheme:				
P Higgins	3,075	-	40	3,035
P E Lord	2,583	-	650	1,933
C P Stamper	1,933	-	-	1,933

BUS & COACH LEASING LIMITED

DIRECTORS' REPORT (Continued)

DIRECTORS' INTERESTS (Continued)

National Westminster Bank Plc operates an employee share ownership plan called the Medium Term Equity Plan ("MTEP"). This takes the form of a discretionary trust which may acquire shares in National Westminster Bank Plc. Such shares are held by the trust subject to the terms of the MTEP for discretionary beneficiaries who are defined as employees or former employees of National Westminster Bank Plc or of any of its subsidiaries (as defined by section 736 of the Companies Act 1985). Certain directors of the company, who are employees of National Westminster Bank Plc or its subsidiaries, being members of the class of potential beneficiaries of the MTEP are, to that extent, interested in all the National Westminster Bank Plc shares held by the Trust. At 30 September 1996 the Trust held 1,242,477 ordinary shares of £1 each in National Westminster Bank Plc.

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.

By order of the board



Derek Lewis
Secretary

1 May 1997

BUS & COACH 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 group 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 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 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 group and to prevent and detect fraud and other irregularities.



KPMG Audit Plc

The Fountain Precinct
1 Balm Green
Sheffield
S1 3AF

Report of the auditors to the members of Bus & Coach Leasing Limited

We have audited the financial statements on pages 7 to 18.

Respective responsibilities of directors and auditors

As described on page 5 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 1996 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

4/6/97

KPMG Audit Plc
Chartered Accountants
Registered Auditor

BUS & COACH LEASING LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 SEPTEMBER 1996

	<u>Notes</u>	<u>1996</u> <u>£'000</u>	<u>1995</u> <u>£'000</u>
Turnover	2	741	785
Other operating income		316	202
		<u>1,057</u>	<u>987</u>
Depreciation on assets held for use in operating leases	8	(642)	(606)
Other operating charges		(5)	(6)
Operating profit	3	<u>410</u>	<u>375</u>
Interest receivable from National Westminster Bank Plc group undertakings		9	35
		<u>419</u>	<u>410</u>
Interest payable	5	(188)	(139)
Group profit on ordinary activities before taxation		<u>231</u>	<u>271</u>
Taxation charge on group profit on ordinary activities	6	(81)	(89)
Retained profit for the financial year	13	<u><u>150</u></u>	<u><u>182</u></u>

RECOGNISED GAINS AND LOSSES

There are no recognised gains or losses other than the profit attributable to the group of £150,000 in the year ended 30 September 1996 and of £182,000 in the year ended 30 September 1995.

The notes on pages 11 to 18 form part of these financial statements.

BUS & COACH LEASING LIMITED

CONSOLIDATED BALANCE SHEET

AT 30 SEPTEMBER 1996

	<u>Notes</u>	<u>1996</u> <u>£'000</u>	<u>1995</u> <u>£'000</u>
<u>ASSETS</u>			
FIXED ASSETS			
Tangible assets	8	1,060	1,702
CURRENT ASSETS			
Stocks	10	2,406	1,867
Debtors falling due within one year	11	302	469
		<u>3,768</u>	<u>4,038</u>
<u>LIABILITIES</u>			
CAPITAL AND RESERVES			
Called up share capital	12	100	100
Profit and loss account	13	874	724
Shareholders' funds	13	<u>974</u>	<u>824</u>
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred taxation	14	350	561
CREDITORS			
	15	<u>2,444</u>	<u>2,653</u>
		<u>3,768</u>	<u>4,038</u>

The financial statements were approved by the board of directors on
1 May 1997 and were signed on their behalf by :-


Jeffrey Johnson, Chairman

All of the above share capital relates to equity funds.

The notes on pages 11 to 18 form part of these financial statements.

BUS & COACH LEASING LIMITED

BALANCE SHEET

AT 30 SEPTEMBER 1996

	<u>Notes</u>	<u>1996</u> <u>£'000</u>	<u>1995</u> <u>£'000</u>
<u>ASSETS</u>			
FIXED ASSETS			
Tangible assets	8	1,060	1,121
Investment in subsidiary company	9	-	-
		<u>1,060</u>	<u>1,121</u>
CURRENT ASSETS			
Stocks	10	2,406	1,867
Debtors falling due within one year	11	302	461
		<u>3,768</u>	<u>3,449</u>
<u>LIABILITIES</u>			
CAPITAL AND RESERVES			
Called up share capital	12	100	100
Profit and loss account	13	459	333
Shareholders' funds	13	<u>559</u>	<u>433</u>
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred taxation	14	350	370
CREDITORS			
	15	2,859	2,646
		<u>3,768</u>	<u>3,449</u>

The financial statements were approved by the board of directors on 1 May 1997 and were signed on their behalf by :-


Jeffrey Johnson, Chairman

All of the above share capital relates to equity funds.

The notes on pages 11 to 18 form part of these financial statements.

BUS & COACH LEASING LIMITED
CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 1996

	<u>Note</u>	<u>1996</u>	<u>1995</u>
		<u>£'000</u>	<u>£'000</u>
Net cash inflow from operating activities	16	498	372
<u>Returns on investments and servicing of finance</u>			
Interest received	9	35	
Interest paid	(188)	(139)	
		—	—
Net cash outflow from returns on investments and servicing of finance		(179)	(104)
<u>Taxation</u>			
Group relief paid		(528)	(543)
<u>Investing activities</u>			
Sale of assets held for inclusion in operating leases		—	706
		—	—
Net cash inflow from investing activities		-	706
Net cash (outflow)/inflow before financing		(209)	431
		=====	=====
<u>Financing activities</u>			
Repayment of amounts owed to group undertakings		(209)	431
		=====	=====

The notes on pages 11 to 18 form part of these financial statements.

BUS & COACH 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) Basis of consolidation

The financial statements of the subsidiary are made up to the date shown in note 9 for commercial reasons, but for consolidation purposes interim statements made up to 30 September 1996 have been consolidated.

(c) Finance leases

Assets made available to third parties under finance leases are treated as amounts receivable.

Income from finance leases is credited to profit and loss account in proportion to the funds invested.

(d) Operating leases

Assets held for use in operating leases are recorded as tangible fixed assets.

Income from operating leases is credited to profit and loss account in proportion to the funds invested over the period of the relative contracts.

(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	5 - 10 years
Assets held for use in operating leases	Actuarial	Term of the contract

(f) Deferred taxation

Deferred taxation is provided using the liability method on all timing differences to the extent that a tax liability is expected to arise in the future.

(g) Stock

The stock of vehicles for resale is stated at the lower of cost and net realisable value.

BUS & COACH LEASING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. TURNOVER

Turnover represents lease income 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.

	<u>1996</u> <u>£'000</u>	<u>1995</u> <u>£'000</u>
Aggregate rentals receivable during the year were as follows:		
Finance leases	(86)	(36)
Operating leases	729	769
	<hr/>	<hr/>
	643	733
	<hr/>	<hr/>

3. OPERATING PROFIT

	<u>1996</u> <u>£'000</u>	<u>1995</u> <u>£'000</u>
Operating profit is stated after:		
Auditors' remuneration in respect of audit services	5	5
Profit on disposal of assets held for use in operating leases	-	35
	<hr/>	<hr/>

4. DIRECTORS' REMUNERATION AND INTERESTS

No emoluments were paid to any director by the group during the year (1995 - £nil).

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

BUS & COACH LEASING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. INTEREST PAYABLE	<u>1996</u>	<u>1995</u>
	<u>£'000</u>	<u>£'000</u>
<u>On bank loans and overdrafts, and other loans:</u>		
From National Westminster Bank Plc group undertakings	157	105
From related company	31	34
	<u>188</u>	<u>139</u>

6. TAXATION CHARGE	<u>1996</u>	<u>1995</u>
	<u>£'000</u>	<u>£'000</u>
UK corporation tax at 33%	288	520
Transfer from deferred taxation (note 14)	(211)	(431)
<u>Adjustments in respect of prior years:</u>		
UK corporation tax	(524)	(546)
Group relief payable*	528	543
Deferred tax (note 14)	-	3
	<u>81</u>	<u>89</u>

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

7. 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 Bus & Coach Leasing Limited and £126,000 (1995 - £120,000) of the group profit on ordinary activities after taxation has been dealt with in the financial statements of that company.

BUS & COACH LEASING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8. TANGIBLE FIXED ASSETS

	<u>Plant and equipment</u> <u>£'000</u>	<u>Assets held for use in operating leases</u> <u>£'000</u>	<u>Total</u> <u>£'000</u>
<u>Group</u>			
<u>Cost</u>			
At 1 October 1995 and 30 September 1996	2	5,213	5,215
<u>Depreciation</u>			
At 1 October 1995	2	3,511	3,513
Charge for the year	-	642	642
At 30 September 1996	2	4,153	4,155
<u>Net book value at 30 September 1996</u>	-	1,060	1,060
<u>Net book value at 30 September 1995</u>	-	1,702	1,702
<u>Company</u>			
<u>Cost</u>			
At 1 October 1995	2	4,044	4,046
Transfer from subsidiary undertaking	-	1,169	1,169
At 30 September 1996	2	5,213	5,215
<u>Depreciation</u>			
At 1 October 1995	2	2,923	2,925
Charge for the year	-	565	565
Transfer from subsidiary undertaking	-	665	665
At 30 September 1996	2	4,153	4,155
<u>Net book value at 30 September 1996</u>	-	1,060	1,060
<u>Net book value at 30 September 1995</u>	-	1,121	1,121

BUS & COACH LEASING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9. INVESTMENT IN SUBSIDIARY COMPANY

	<u>1996</u>	<u>1995</u>
Shares in subsidiary at cost	£100	£100
	<u> </u>	<u> </u>

The company holds 100% of the ordinary share capital of Bus & Coach Contracts Limited, which provided credit finance by way of leasing and contract hire facilities and is registered in England and Wales, with an accounting reference date of 31 May. The business of Bus & Coach Contracts Limited was transferred to Bus & Coach Leasing Limited on 31 May 1996; Bus & Coach Contracts Limited has subsequently not traded.

10. STOCKS

	<u>1996</u>		<u>1995</u>	
	Group	Company	Group	Company
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Stock of vehicles for resale	2,406	2,406	1,867	1,867
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

11. DEBTORS

	<u>1996</u>		<u>1995</u>	
	Group	Company	Group	Company
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
<u>Amounts falling due:</u>				
Within one year				
Amounts owed by National Westminster Bank Plc group undertakings	191	191	401	401
Other debtors	111	111	68	60
	<u>302</u>	<u>302</u>	<u>469</u>	<u>461</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

BUS & COACH LEASING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. CALLED UP SHARE CAPITAL

	<u>1996</u>		<u>1995</u>	
	<u>Authorised</u>	<u>Allotted, issued and fully paid</u>	<u>Authorised</u>	<u>Allotted, issued and fully paid</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
'A' Ordinary Shares of £1 each	250	25	250	25
'B' Ordinary Shares of £1 each	750	75	750	75
	<u>1,000</u>	<u>100</u>	<u>1,000</u>	<u>100</u>

13. PROFIT AND LOSS ACCOUNT AND RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<u>Share capital</u>	<u>Profit and loss account</u>	<u>Total shareholders' funds</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
<u>Group</u>			
Balance at 1 October 1995	100	724	824
Retained profit for the financial year	-	150	150
Balance at 30 September 1996	<u>100</u>	<u>874</u>	<u>974</u>
<u>Company</u>			
Balance at 1 October 1995	100	333	433
Retained profit for the financial year	-	126	126
Balance at 30 September 1996	<u>100</u>	<u>459</u>	<u>559</u>

BUS & COACH LEASING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14. DEFERRED TAXATION

	Group £'000	Company £'000
Balance at 1 October 1995	561	370
Transfer from subsidiary undertaking	-	166
Transfer to profit and loss account (note 6)	(211)	(186)
Balance at 30 September 1996	<u>350</u>	<u>350</u>

The above balances represent the full potential liability in respect of capital allowances.

15. CREDITORS

	<u>1996</u>		<u>1995</u>	
	Group £'000	Company £'000	Group £'000	Company £'000
<u>Amounts falling due:</u>				
i) Within one year				
Amounts owed to National Westminster Bank Plc group undertakings	-	-	1	1
Amounts owed to subsidiary undertaking	-	415	-	272
Corporation tax payable	310	310	546	319
Accruals and deferred income	201	201	209	162
Other taxes	133	133	97	92
	<u>644</u>	<u>1,059</u>	<u>853</u>	<u>846</u>
ii) After one year				
Repayable in more than five years*				
Amounts owed to National Westminster Bank Plc group undertakings	1,350	1,350	1,350	1,350
Amounts owed to related company	450	450	450	450
	<u>1,800</u>	<u>1,800</u>	<u>1,800</u>	<u>1,800</u>
Total creditors	<u>2,444</u>	<u>2,859</u>	<u>2,653</u>	<u>2,646</u>

*Represents subordinated unsecured loan stock at the London Interbank Market rate for one year sterling deposits, repayable in 2002.

BUS & COACH LEASING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	<u>1996</u> <u>£'000</u>	<u>1995</u> <u>£'000</u>
Operating profit	410	375
(Increase)/decrease in debtors and prepayments	(43)	19
Increase in creditors and accruals	28	3
Increase in stock	(539)	(599)
Depreciation of assets held for use in operating leases	642	606
Profit on sale of assets held for use in operating leases	-	(35)
Net cash inflow from trading activities	<u>498</u>	<u>369</u>
Decrease in investment in finance leases	-	3
Net cash inflow from operating activities	<u>498</u>	<u>372</u>

17. FUTURE FINANCIAL COMMITMENTS

Bus & Coach Leasing Limited has guaranteed to buy back vehicles from companies within the Lombard North Central PLC group, to the value of £9.1 million, between October 1996 and September 2003.

18. 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.