

VAN FINANCE LIMITED

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 1997

Van Finance Limited is registered in England and Wales No. 2109250
Registered Office : 3 Princess Way, Redhill, Surrey, RH1 1NP.



VAN FINANCE 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 group is the provision of credit finance by way of instalment credit and leasing.

BUSINESS REVIEW

The results for the year are set out in the profit and loss account on page 6. The directors have approved an interim dividend of £180,000 (1996 - £520,000).

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.

Mr H M Lago was appointed to the board on 17 June 1997.

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

	As at <u>1 October 1996</u> <u>or subsequent</u> <u>date of appointment</u>	As at <u>30 September 1997</u>
Beneficially owned:		
M E Hobson	1,621	1,016
H M Lago	942	526
Held by the Trustees of the National Westminster Bank Plc Group 1979 Profit Sharing Share Scheme:		
M E Hobson	1,754	1,542
H M Lago	1,805	1,805

VAN FINANCE LIMITED

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' INTERESTS (Continued)

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

	As at <u>1 October 1996</u> <u>No.</u> <u>or subsequent</u> <u>date of appointment</u>	<u>Granted</u> <u>No.</u>	<u>Exercised</u> <u>No.</u>	As at <u>30 September 1997</u> <u>No.</u>
1981 Staff Savings-Related Share Option Scheme:				
M E Hobson	1,933	-	-	1,933
H M Lago	1,933	-	-	1,933
1986 Executive Share Option Scheme:				
M E Hobson	2,890	-	-	2,890
H M Lago	5,374	-	2,316	3,058
1994 Executive Share Option Scheme:				
M E Hobson	11,646	3,900	-	15,546
1996 ShareSave Scheme				
M E Hobson	-	379	-	379
H M Lago	379	-	-	379
1997 ShareSave Scheme				
M E Hobson	-	272	-	272
H M Lago	-	326	-	326

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, who are employees of National Westminster Bank Plc or of any of its subsidiaries, are deemed to have an interest as potential beneficiaries in those ordinary shares.

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

27 July

1998

VAN FINANCE 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 judgments 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.

REPORT OF THE AUDITORS, KPMG AUDIT PLC, TO THE MEMBERS OF

VAN FINANCE LIMITED

We have audited the financial statements on pages 6 to 14.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 4 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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group'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 affairs of the company and the group as at 30 September 1997 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

Chartered Accountants
Registered Auditor

Crawley

29 July

1998

VAN FINANCE LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30 SEPTEMBER 1997

	Note	1997 <u>£'000</u>	1996 <u>£'000</u>
Turnover	2	182	319
Operating charges		<u>(36)</u>	<u>(39)</u>
Operating profit	3	146	280
Interest receivable	4	<u>64</u>	<u>71</u>
Profit on ordinary activities before taxation		210	351
Taxation charge on profit on ordinary activities	6	<u>(101)</u>	<u>(118)</u>
Profit on ordinary activities after taxation		109	233
Dividends		(180)	(520)
Retained loss for the financial year	11	<u><u>(71)</u></u>	<u><u>(287)</u></u>

RECOGNISED GAINS AND LOSSES

There are no recognised gains or losses other than the profit attributable to the group of £109,000 in the year ended 30 September 1997 and of £233,000 in the year ended 30 September 1996.

The notes on pages 10 to 14 form part of these financial statements.

VAN FINANCE LIMITED
CONSOLIDATED BALANCE SHEET
AS AT 30 SEPTEMBER 1997

	Note	1997 £'000	1996 £'000
<u>ASSETS</u>			
CURRENT ASSETS			
Debtors falling due within one year	9	1,244	1,705
Debtors falling due after more than one year	9	217	355
		<u>1,461</u>	<u>2,060</u>
<u>LIABILITIES</u>			
CAPITAL AND RESERVES			
Called up share capital	10	250	250
Profit and loss account	11	<u>34</u>	<u>105</u>
		284	355
CREDITORS	13	1,177	1,705
		<u>1,461</u>	<u>2,060</u>

The financial statements were approved at a meeting of the board of directors on 27 July 1998 and were signed on their behalf by:

Howard Michael Lago

Director

All of the above share capital relates to equity funds.

The notes on pages 10 to 14 form part of these financial statements.

VAN FINANCE LIMITED

BALANCE SHEET

AS AT 30 SEPTEMBER 1997

	Note	1997 £'000	1996 £'000
<u>ASSETS</u>			
CURRENT ASSETS			
Debtors falling due within one year	9	559	1,340
Debtors falling due after more than one year	9	115	177
		<u>674</u>	<u>1,517</u>
<u>LIABILITIES</u>			
CAPITAL AND RESERVES			
Called up share capital	10	250	250
Profit and loss account	11	<u>(56)</u> 194	<u>5</u> 255
CREDITORS			
	13	480	1,262
		<u>674</u>	<u>1,517</u>

The financial statements were approved at a meeting of the board of directors on 27 July 1998 and were signed on their behalf by:

Howard Michael Lago

Director

All of the above share capital relates to equity funds.

The notes on pages 10 to 14 form part of these financial statements.

VAN FINANCE LIMITED

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 SEPTEMBER 1997

	1997 <u>£'000</u>	1996 <u>£'000</u>
Net cash inflow from operating activities(note 14)	1,027	507
Returns on investments and servicing of finance		
Ordinary dividends paid	(494)	(360)
Interest received	64	71
	<hr/>	<hr/>
Net cash inflow from returns on investments and servicing of finance	(430)	(289)
Taxation		
Group relief paid	(569)	(218)
Corporation tax paid	(28)	-
	<hr/>	<hr/>
Total taxation	(597)	(218)
Net cash (outflow)/inflow before financing	<hr/> <hr/>	<hr/> <hr/>

The notes on pages 10 to 14 form part of these financial statements.

VAN FINANCE 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 8 for commercial reasons, and interim results made up to 30 September 1997 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 the profit and loss account in proportion to the funds invested.

(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) 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.

2. TURNOVER

- i) 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	1996
<u>£'000</u>	<u>£'000</u>

- ii) Aggregate rentals receivable during the year were as follows:

Finance leases	<u>157</u>	<u>414</u>
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VAN FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. OPERATING PROFIT

Operating profit is stated after:

	1997 £'000	1996 £'000
Auditors' remuneration:		
Audit services	-	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 the immediate parent undertaking.

4. INTEREST RECEIVABLE

	1997 £'000	1996 £'000
From National Westminster Bank Plc group undertakings	64	71

5. DIRECTORS' REMUNERATION AND INTERESTS

No emoluments were paid to any director during the year (1996 - £nil).

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

6. TAXATION CHARGE ON PROFIT ON ORDINARY ACTIVITIES

	1997 £'000	1996 £'000
UK corporation tax at 32% (1996 - 33%)	(10)	34
Group relief receivable*	(27)	(28)
Transfer from deferred tax (note 12)	123	112
Adjustments in respect of prior years:		
UK corporation tax	(44)	(217)
Transfer to deferred tax (note 12)	-	25
Group relief payable*	59	192
	101	118

* 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.

VAN FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 Van Finance Limited. Of the group profit on ordinary activities after taxation a profit of £119,000 (1996 - £315,000) has been dealt with in the financial statements of that company.

8. INVESTMENT IN SUBSIDIARY COMPANY

	1997	1996
	£	£
Shares in subsidiary at cost	<u>100</u>	<u>100</u>

The company holds 100% of the ordinary share capital of Van Leasing Limited which provides credit by way of leasing and is registered in England and Wales. The accounting reference date of Van Leasing Limited is 31 March.

9. DEBTORS

	1997		1996	
	<u>Group</u>	<u>Company</u>	<u>Group</u>	<u>Company</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Amounts falling due:				
i) Within one year				
Amounts owed by National Westminster Bank Plc group undertakings	691	527	1,160	1,307
Net investment in finance leases	550	30	527	22
Net investment in instalment credit agreements	2	2	5	5
Other debtors	1	-	13	6
	<u>1,244</u>	<u>559</u>	<u>1,705</u>	<u>1,340</u>
ii) After more than one year				
Net investment in finance leases	-	-	15	-
Deferred tax (note 12)	217	115	340	177
	<u>217</u>	<u>115</u>	<u>355</u>	<u>177</u>
Total debtors	<u>1,461</u>	<u>674</u>	<u>2,060</u>	<u>1,517</u>

VAN FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. CALLED UP SHARE CAPITAL

	1997		1996	
	<u>Authorised</u>	<u>Allotted, called up and fully paid</u>	<u>Authorised</u>	<u>Allotted, called up and fully paid</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
'A' Ordinary shares of £1 each	50	50	50	50
'B' Ordinary shares of £1 each	200	200	200	200
	<u>250</u>	<u>250</u>	<u>250</u>	<u>250</u>

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

<u>Group</u>	<u>Share capital</u>	<u>Profit and loss account</u>	<u>Total shareholders' funds</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Balance at 1 October 1996	250	105	355
Retained profit for the financial year	-	(71)	(71)
Balance at 30 September 1997	<u>250</u>	<u>34</u>	<u>284</u>
<u>Company</u>			
Balance at 1 October 1996	250	5	255
Retained profit for the financial year	-	(61)	(61)
Balance at 30 September 1997	<u>250</u>	<u>(56)</u>	<u>194</u>

12. DEFERRED TAXATION

	<u>Group</u>	<u>Company</u>
	<u>£'000</u>	<u>£'000</u>
Balance at 1 October 1996	340	177
Transfer to profit and loss account (note 6)	(123)	(62)
Balance at 30 September 1997	<u>217</u>	<u>115</u>

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

	1997		1996	
	<u>Group</u>	<u>Company</u>	<u>Group</u>	<u>Company</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Capital allowances	<u>217</u>	<u>115</u>	<u>340</u>	<u>177</u>

VAN FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13. CREDITORS

	1997		1996	
	<u>Group</u>	<u>Company</u>	<u>Group</u>	<u>Company</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Amounts falling due within one year:				
Amounts owed to National Westminster Bank Plc group undertakings	547	218	758	697
Trade creditors	400	56	321	45
Current corporation tax	24	-	106	-
Proposed dividends	180	180	520	520
Declared dividends	26	26	-	-
	<u>1,177</u>	<u>480</u>	<u>1,705</u>	<u>1,262</u>

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

	1997	1996
	<u>£'000</u>	<u>£'000</u>
Operating profit	146	280
Decrease in debtors and prepayments	12	18
Increase/(Decrease) in creditors and accruals	79	(8)
Decrease/(Increase) in amounts owed by group undertakings	795	(157)
Net cash inflow from trading activities	<u>1,032</u>	<u>133</u>
(Increase)/Decrease in investment in finance leases	(8)	367
Decrease in instalment credit balances	3	7
Net cash inflow from operating activities	<u>1,027</u>	<u>507</u>

15. 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.