

Registered No.: 2353800

NATWEST CAPITAL FINANCE LIMITED

REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 1996



NATWEST CAPITAL FINANCE LIMITED

Directors:

C Barton-Smith
R P A Bull
R L Pashley
M D Smith

Secretary:

S E Lewis

Registered Office:

135 Bishopsgate, London EC2M 3UR

NATWEST CAPITAL FINANCE LIMITED

REPORT OF THE DIRECTORS

The Directors present their report together with the audited accounts of the Company for the year ended 31 March 1996.

PRINCIPAL ACTIVITY OF THE COMPANY

The principal activity of the Company is the provision of asset finance by way of leasing.

REVIEW OF BUSINESS

The net amount financed under all forms of financial agreements entered into during the year was £672,346 (1995 - £88,708).

The profit on ordinary activities before taxation was £8,188 (1995 - £129 loss) on which there was a taxation charge of £2,702 (1995 - £41 credit). The Directors recommend that no dividend be paid and that the balance of £5,486 (1995 - £88 loss) be transferred to reserves as shown in the Profit and Loss Account on page 9.

The Directors envisage that the Company will continue to operate profitably in the future.

DIRECTORS' APPOINTMENTS AND RESIGNATIONS

The Directors of the Company who served during the financial year are those shown on page 2 and the following Directors who resigned during the year:

Director	Date of Resignation
P M Davy	10 April 1995
R J Bailey	30 April 1995

The following Director was appointed during the year:

Director	Date of Appointment
R L Pashley	24 April 1995

Since the year end P T Keighley was appointed a director on 10 July 1996. A P Hing was appointed a director on 23 October 1996 when M D Smith resigned.

NATWEST CAPITAL FINANCE LIMITED

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS

The Directors have no interest in the share capital of the Company. The interests of the Directors in office at 31 March 1996 in the share capital of the parent undertaking, National Westminster Bank Plc, are shown below.

Ordinary shares of £1	As at 1 April 1995		As at 31 March 1996	
	HOLDING*	OPTIONS	HOLDING*	OPTIONS
C Barton-Smith	573	518 i	573	518 i
R P A Bull	-	7,567 D 4,117 E 4,634 F 5,767 G 16,210 H	14,011 +	- - - 5,767 G 16,210 H 15,138 I
R L Pashley	2,119	650 g 862 h 518 i - 2,752 E 3,412 F 4,543 G 9,213 H	2,862 #	- 862 h 518 i 553 j 2,752 E 3,412 F 4,543 G 9,213 H
M D Smith	2,931 +	1,147 g 862 h - 2,921 G 3,188 H	3,386 +	- 862 h 553 j 2,921 G 3,188 H

* Includes interests in ordinary shares of £1 each held by Trustees under the National Westminster Bank Plc Group 1979 Profit Sharing Scheme.

+ Includes shares held in wife's name.

Includes shares held in single company PEP.

NATWEST CAPITAL FINANCE LIMITED

REPORT OF THE DIRECTORS (continued)

SAVINGS RELATED SHARE OPTION SCHEME

Options were granted under the National Westminster Bank Plc 1981 Savings Related Share Option Scheme to subscribe for ordinary shares of £1 at subscription prices per share shown below:

g	£1.96
h	£2.61
i	£3.99
j	£4.36

EXECUTIVE SHARE OPTION SCHEME

Options were granted under the National Westminster Bank Plc Group Executive Share Option Scheme to subscribe for ordinary shares of £1 at the subscription price per share shown below:

D	£3.08
E	£3.38
F	£3.13
G	£5.03
H	£4.93
I	£5.90

MEDIUM TERM EQUITY PLAN

During 1994, certain NatWest Group employees were granted potential awards under the National Westminster Bank Plc 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.

No shares were purchased by the trustee in 1995. Shares were purchased in 1996 and certain NatWest Bank Group employees were granted potential awards at that time.

As at 31 March 1996, 1,248,122 (1995: 379,490) 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.

NATWEST CAPITAL FINANCE LIMITED

REPORT OF THE DIRECTORS (continued)

AUDITORS

KPMG resigned as auditors on 26 September 1996. KPMG Audit Plc were appointed on 27 January 1997.

On 28 March 1995 the Company passed an Elective Resolution to dispense with the obligation to appoint auditors annually.

On behalf of the Board

A handwritten signature in black ink, appearing to read 'S E Lewis', with a long horizontal flourish extending to the right.

S E Lewis
Secretary

27 January 1997

NATWEST CAPITAL FINANCE LIMITED

DIRECTORS' STATEMENT OF RESPONSIBILITIES FOR FINANCIAL REPORTING

The following statement, which should be read in conjunction with the Report of the Auditors on page 8, is made to enable shareholders to distinguish the responsibilities of the Directors and of the Auditors in relation to the Accounts.

The Directors are required by the Companies Act 1985 to prepare, for each financial year, accounts 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 Company's profit for the financial year.

The Directors confirm that the accounts set out on pages 9 to 16 have been prepared on the going concern basis and consider that in preparing those accounts, 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.

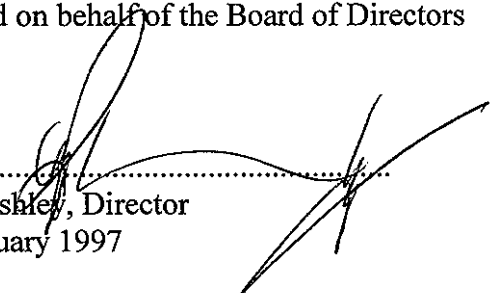
The Board of Directors is responsible for the Company's system of internal financial control. The responsibility for its day-to-day operation is delegated to executive management which has established and disseminated clearly defined Company policies and standards. The Company's system of internal financial control is designed to provide reasonable, but not absolute, assurance.

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

In devising internal financial controls, the board has regard to the materiality of the relevant financial risk, the likelihood of the risk crystallising and the cost of control.

The system of internal control is subject to close scrutiny by management and internal audit.

For and on behalf of the Board of Directors


.....
R L Pashley, Director
27 January 1997

REPORT OF THE AUDITORS TO THE MEMBERS
OF
NATWEST CAPITAL FINANCE LIMITED

We have audited the financial statements on pages 9 to 16.

Respective responsibilities of directors and auditors

As described on page 7, the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 the information in the accounts.

Opinion

In our opinion, the accounts give a true and fair view of the state of the company's affairs at 31 March 1996 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 Auditors

8 Salisbury Square
Blackfriars
London, EC4Y 8BB

31 January 1997

NATWEST CAPITAL FINANCE LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MARCH 1996

	<u>NOTE</u>	1996 <u>£</u>	1995 <u>£</u>
Income from finance leases	2	10,596	1,426
Operating charges		<u>(300)</u>	<u>(670)</u>
Net operating income from continuing operations		10,296	756
Interest payable to group undertakings		<u>(2,108)</u>	<u>(885)</u>
Profit on ordinary activities before taxation	4	8,188	(129)
Tax on profit on ordinary activities	5	<u>(2,702)</u>	<u>41</u>
Retained profit for the financial year		<u><u>5,486</u></u>	<u><u>(88)</u></u>

The Company had no gains or losses other than the profit for the year.

A statement of movement on reserves is given in note 11.

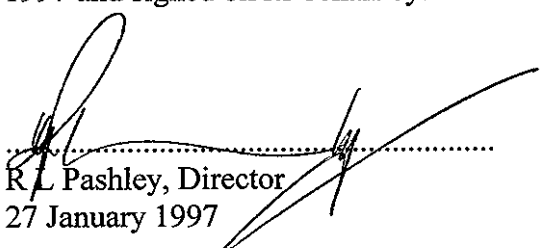
NATWEST CAPITAL FINANCE LIMITED

BALANCE SHEET

AT 31 MARCH 1996

	<u>NOTE</u>	1996 <u>£</u>	1995 <u>£</u>
Current Assets			
Debtors	6	3,457,725	108,710
Creditors: amounts falling due within one year	7	(2,894,888)	(98,417)
Net Current Assets:			
Amounts falling due within one year		(53,476)	(65,082)
Debtors falling due after more than one year	6	616,313	74,835
Total Net Current Assets		562,837	9,753
Creditors: amounts falling due after more than one year	8	(493,475)	-
Deferred Taxation	9	(60,066)	(5,943)
		<u>9,296</u>	<u>3,810</u>
Capital and Reserves			
Called up share capital	10	100	100
Profit and loss account	11	9,196	3,710
		<u>9,296</u>	<u>3,810</u>

The accounts on pages 9 to 16 were approved by the Board of Directors on 27 January 1997 and signed on its behalf by:


 R L Pashley, Director
 27 January 1997

NATWEST CAPITAL FINANCE LIMITED

NOTES TO THE ACCOUNTS

1. Accounting Policies

a) Accounting Convention

The accounts have been prepared in accordance with applicable accounting standards and under the historical cost convention.

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.

Where the lease rentals reflect the benefits of declining corporation tax rates, the finance lease receivables are written down on the change in tax rates, to amounts which equate to the principal element of future rentals. This is done by a transfer from the deferred tax account so as to maintain the normal relationship between profit before and after taxation.

c) Deferred Taxation

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

d) Cashflow Statement

The company has not prepared a cashflow statement because it is exempted from doing so under Paragraph 8c of Financial Reporting Standard 1.

e) Consolidated Accounts

Consolidated accounts have not been prepared because the Company is a wholly owned subsidiary of National Westminster Bank Plc, a company incorporated in Great Britain and therefore exempt from the requirements to produce consolidated accounts by virtue of section 228 of the Companies Act 1985.

NATWEST CAPITAL FINANCE LIMITED

NOTES TO THE ACCOUNTS (cont'd)

2. Income from Finance Leases

- i) Income from finance leases credited to the Profit and Loss Account arose in the United Kingdom.

	1996 £	1995 £
ii) Net amounts financed under finance leases entered into during the year	<u>672,346</u>	<u>88,708</u>
iii) Aggregate rentals receivable during the year under finance leases	<u>36,673</u>	<u>12,016</u>

3. Directors and Employees

None of the Directors received any emoluments from the Company (1995 - £nil)

None of the Directors had any material interest in any contract of significance in relation to the business of the Company.

The Company does not have any employees.

4. Profit on Ordinary Activities before Taxation

The profit on ordinary activities before taxation is stated after charging auditors' remuneration of £Nil (1995 - £370)

NATWEST CAPITAL FINANCE LIMITED

NOTES TO THE ACCOUNTS (cont'd)

5. Taxation

	1996 £	1995 £
Group relief receivable (see below)	51,421	6,226
Deferred taxation	(54,123)	(6,185)
	<hr/>	<hr/>
Taxation Charge	<u>(2,702)</u>	<u>41</u>

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

6. Debtors

	1996 £	1995 £
i) Debtors falling due within one year		
Net investment in finance leases	133,679	28,902
Amounts owed by group undertakings	54,091	4,433
Other debtors	2,653,642	-
	<hr/>	<hr/>
	2,841,412	33,335
ii) Debtors falling due after one year		
Net investment in finance leases	616,313	74,835
	<hr/>	<hr/>
	<u>3,457,725</u>	<u>108,170</u>

NATWEST CAPITAL FINANCE LIMITED

NOTES TO THE ACCOUNTS (cont'd)

7. Creditors: amounts falling due within one year

	1996 £	1995 £
Amounts owed to group undertakings	554,909	7,842
Loans from group undertakings (see note 8)	2,339,979	-
Other creditors	-	90,575
	<hr/>	<hr/>
	<u>2,894,888</u>	<u>98,417</u>

8. Creditors: amounts falling due after one year

	1996 £	1995 £
Loans from group undertakings	493,475	-
	<hr/>	<hr/>
Analysis of loans from group undertakings:		
<i>Wholly repayable within five years</i>	2,161,109	-
<i>Not wholly repayable within five years due:</i>		
within one year	178,870	-
between one and five years	381,137	-
in more than five years	112,338	-
	<hr/>	<hr/>
	<u>2,833,454</u>	<u>-</u>

The loans are repayable in accordance with the cash flows relating to the lease agreements.

NATWEST CAPITAL FINANCE LIMITED

NOTES TO THE ACCOUNTS (cont'd)

9. Deferred Taxation

	<u>£'000</u>
At 1 April 1995	5,943
Charge for the year	54,123
	<hr/>
At 31 March 1996	60,066
	<hr/> <hr/>

The above balance represents the full potential liability in respect of capital allowances.

10. Share Capital

	<u>1996</u>		<u>1995</u>	
	Allotted, Called Up and Fully Paid		Allotted, Called Up and Fully Paid	
	<u>Authorised</u>		<u>Authorised</u>	<u>Fully Paid</u>
Ordinary Shares of £1 each	1,000	100	1,000	100
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

NATWEST CAPITAL FINANCE LIMITED

NOTES TO THE ACCOUNTS (cont'd)

11. Share Capital, Movement in Reserves and Reconciliation of Movements in Shareholders' Funds

	<u>Share Capital</u>	<u>Profit & Loss Account</u>	<u>Total Shareholders' Funds</u>
	<u>£</u>	<u>£</u>	<u>£</u>
Balance at 1 April 1994	100	3,798	3,898
Profit for the financial year	-	(88)	(88)
	<hr/>	<hr/>	<hr/>
Balance at 31 March 1995	100	3,710	3,810
Profit for the financial year	-	5,486	5,486
	<hr/>	<hr/>	<hr/>
Balance at 31 March 1996	100	9,196	9,296
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

12. Contingent Liability

The Company has a contingent liability in respect of a joint and several undertaking for VAT due by certain fellow subsidiary undertakings under a group registration.

13. Holding Company

The company is a wholly-owned subsidiary undertaking whose parent is National Westminster Bank Plc. The largest and smallest group in which the results of the company are consolidated is National Westminster Bank Plc, which is registered in England and Wales.

The consolidated accounts of National Westminster Bank Plc are available to the public and may be obtained from the Company Secretary, 41 Lothbury, London EC2P 2BP.