

Company No: 2353800

NATWEST CAPITAL FINANCE LIMITED

REPORT AND ACCOUNTS

31 MARCH 1998



NATWEST CAPITAL FINANCE LIMITED

REPORT OF THE DIRECTORS

The directors present their annual report together with the audited financial statements of the Company for the year ended 31 March 1998.

PRINCIPAL ACTIVITY AND REVIEW OF BUSINESS

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

RESULTS AND DIVIDENDS

The net amount financed under all forms of financial agreements entered into during the year was £Nil (1997: £187,239,000).

The profit for the year on ordinary activities before taxation amounted to £212,000 (1997: £407,000) on which there was a taxation credit of £303,000 (1997: £475,000). The directors do not recommend the payment of a final dividend (1997: £Nil) and the retained profit of £515,000 (1997: £68,000) will be transferred to reserves as shown in the profit and loss account on page 6.

DIRECTORS

The directors who held office during the financial year were as follows:

C Barton-Smith (resigned 23 June 1997)
R P A Bull (resigned 12 February 1998)
P Carpenter (appointed 23 June 1997)
N M Dent (alternate to A R Hilliard, appointed 2 March 1998)
H J Henderson-Cleland (alternate to P Carpenter, appointed 2 March 1998)
A R Hilliard (appointed 2 March 1998)
A P Hing (resigned 29 August 1997)
P T Keighley
R L Pashley (resigned 4 February 1998)
M D Smith (appointed 29 August 1997)
P B Webster (alternate to P T Keighley, appointed 2 March 1998)

M D Smith resigned and H J Henderson-Cleland was appointed as a director on 14 July 1998.

NATWEST CAPITAL FINANCE LIMITED

REPORT OF THE DIRECTORS (continued)

DIRECTORS' INTERESTS

The interests, all beneficial, of those who were directors at 31 March 1998 in the Ordinary Shares of National Westminster Bank Plc were:-

Ordinary Shares of £1 each

	SHARE OPTIONS							
	As at 1 April 1997 or date of appointment if later	As at 31 March 1998	As at 1 April 1997 or date of appointment if later	Granted during the year (exercisable between 2000 and 2002)		Exercised during the year		As at 31 March 1998
				Options	Price (p)	Options	Price (p)	
P Carpenter	-	-	1,285	-	-	-	-	1,285
HJ Henderson								
- Cleland	14	14	-	-	-	-	-	-
A R Hilliard	780	780	1,223	-	-	-	-	1,223
P T Keighley	2,009	2,871	2,312	-	-	862	261	1,450
M D Smith	2,251	2,238	4,982	184	634	862	261	4,304
P B Webster	964	964	395	-	-	-	-	395

Options outstanding are exercisable at share prices between 399p and 634p per share.

Options granted under the National Westminster Bank Plc Executive Share Option Schemes are exercisable subject to the achievement of stretching performance conditions.

None of the directors in office at 31 March 1998 held any interest in the share or loan capital of the Company or any other group company.

MEDIUM TERM EQUITY PLAN

Since 31 March 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 stretching performance criteria.

As at 31 March 1998, 1,411,552 (1997: 1,234,032) 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)

QUALIFYING EMPLOYEE SHARE OWNERSHIP TRUST (QUEST)

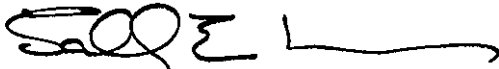
In October 1997 National Westminster Bank Plc established a Qualifying Employee Share Ownership Trust (QUEST) to operate in connection with the National Westminster Bank Plc Savings Related Share Option Scheme. The trustee of the QUEST is NatWest QUEST Limited, a wholly-owned subsidiary.

As at 31 March 1998 1,149,114 Ordinary Shares were held by the trustee. In the 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.

AUDITORS

The Company has passed an Elective Resolution to dispense with the annual appointment of auditors; accordingly KPMG Audit Plc remain in office.

By Order of the Board



S E Lewis
Secretary

Date: 07/10/98

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 5, 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 6 to 13 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.

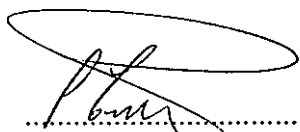
The Board of Directors is responsible for the Company's system of internal financial control. The responsibility for its day-to-day operation is delegated to executive management which has established and disseminated clearly defined Company policies and standards. The Company's system of internal financial 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 are 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



.....
P Carpenter, Director
15 October 1998

REPORT OF THE AUDITORS TO THE MEMBERS

OF

NATWEST CAPITAL FINANCE LIMITED

We have audited the financial statements on pages 6 to 13.

Respective responsibilities of directors and auditors

As described on page 4, 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 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 Auditors

8 Salisbury Square
Blackfriars
London, EC4Y 8BB

15 October 1998

NATWEST CAPITAL FINANCE LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MARCH 1998

	<u>Note</u>	1998 £'000	1997 <u>£'000</u>
Income from finance leases	2	13,843	3,802
Operating charges		-	(3,581)
		<hr/>	<hr/>
Net operating income from continuing operations		13,843	221
Interest payable to group undertakings		(13,631)	(628)
		<hr/>	<hr/>
Profit/(loss) on ordinary activities before taxation	4	212	(407)
Tax on profit/(loss) on ordinary activities	5	303	475
		<hr/>	<hr/>
Retained profit for the financial year		515	68
		<hr/> <hr/>	<hr/> <hr/>

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

A statement of movement on reserves is given in note 12.

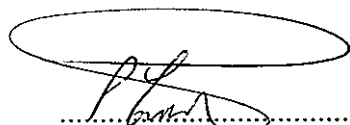
NATWEST CAPITAL FINANCE LIMITED

BALANCE SHEET

AT 31 MARCH 1998

	<u>Note</u>	<u>1998</u> <u>£'000</u>	<u>1997</u> <u>£'000</u>
Current Assets			
Debtors	6	211,450	197,314
Creditors: amounts falling due within one year	7	(7,953)	(1,808)
Net Current Assets:			
Amounts falling due within one year		3,750	4,103
Debtors falling due after more than one year	6	199,747	191,403
Total Net Current Assets		203,497	195,506
Creditors: amounts falling due after more than one year	8	(191,838)	(190,152)
Provisions for liabilities and charges	10	(11,067)	(5,277)
Deferred Taxation			
		<u>592</u>	<u>77</u>
Capital and Reserves			
Called up share capital	11	-	-
Profit and loss account	12	592	77
		<u>592</u>	<u>77</u>

The accounts on pages 6 to 13 were approved by the Board of Directors on 15 October 1998 and signed on its behalf by:



.....
P Carpenter, Director
15 October 1998

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 or other permanent tax effects, the tax effect is recognised as it arises with a corresponding adjustment of lease receivables.

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.

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.

	1998 <u>£'000</u>	1997 <u>£'000</u>
ii) Net amounts financed under finance leases entered into during the year	- =====	187,239 =====
iii) Aggregate rentals receivable during the year under finance leases	6,381 =====	278 =====

3. Directors and Employees

None of the Directors received any emoluments from the Company (1997 - £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/(loss) on Ordinary Activities before Taxation

Auditors' remuneration is borne by the parent undertaking.

NATWEST CAPITAL FINANCE LIMITED

NOTES TO THE ACCOUNTS (cont'd)

5. Taxation

	1998 <u>£'000</u>	1997 <u>£'000</u>
Group relief receivable (see below)	6,093	5,691
Deferred taxation	(6,631)	(5,687)
Release of deferred tax provision on reduction in tax rates from 31% to 30% on 1 April 1999 (1997: from 33% to 31%)	841	471
	<hr/>	<hr/>
Taxation credit	<u>303</u>	<u>475</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

	1998 <u>£'000</u>	1997 <u>£'000</u>
i) Debtors falling due within one year		
Net investment in finance leases	91	101
Amounts owed by group undertakings	11,612	5,520
Other debtors	-	290
	<hr/>	<hr/>
	11,703	5,911
ii) Debtors falling due after one year		
Net investment in finance leases	199,747	191,403
	<hr/>	<hr/>
	<u>211,450</u>	<u>197,314</u>

NATWEST CAPITAL FINANCE LIMITED

NOTES TO THE ACCOUNTS (cont'd)

7. Creditors: amounts falling due within one year

	1998 <u>£'000</u>	1997 <u>£'000</u>
Amounts owed to group undertakings	7,861	863
Loans from group undertakings (see note 9)	92	945
	<u>7,953</u>	<u>1,808</u>

8. Creditors: amounts falling due after one year

	1998 <u>£'000</u>	1997 <u>£'000</u>
Loans from group undertakings (see note 9)	<u>191,838</u>	<u>190,152</u>

9. Analysis of loans from group undertakings:

<i>Wholly repayable within five years</i>	436	-
<i>Not wholly repayable within five years due:</i>		
within one year	-	945
between one and two years	-	392
between two and five years	-	-
in more than five years	191,494	189,760
	<u>191,930</u>	<u>191,097</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)

10. Deferred Taxation

	<u>£'000</u>
At 1 April 1997	5,277
Charge for the year	6,631
Release of provision on reduction in tax rate	(841)
	<hr/>
At 31 March 1998	11,067
	<hr/> <hr/>

The above balance represents the full potential liability in respect of capital allowances at a rate of 30%.

11. Share Capital

	<u>Authorised</u>	<u>1998 Allotted, Called Up and Fully Paid</u>	<u>Authorised</u>	<u>1997 Allotted, Called Up and 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)

12. 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>£'000</u>	<u>£'000</u>	<u>£'000</u>
Balance at 31 March 1997	-	77	77
Profit for the financial year	-	515	515
	<hr/>	<hr/>	<hr/>
Balance at 31 March 1998	-	592	592
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

13. Transaction with Parent, Subsidiary and Fellow Subsidiary Undertakings

As the Company is wholly controlled by National Westminster Bank Plc it has taken advantage of the exemption provided under Financial Reporting Standard 8 not to disclose transactions with its parent, subsidiary and fellow subsidiary undertakings.

14. 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.

15. 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.