

NATWEST CORPORATE FINANCE LIMITED

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 1999



NatWest Corporate Finance Limited is registered in England and Wales No. 2353835.
Registered Office: 3 Princess Way, Redhill, Surrey, RH1 1NP.

NATWEST CORPORATE FINANCE LIMITED

DIRECTORS

A R Hilliard
N Pearce
C P Sullivan

SECRETARY

A M Cunningham

NATWEST CORPORATE FINANCE LIMITED

DIRECTORS' REPORT

The directors have pleasure in submitting their report and the financial statements for the year ended 30 June 1999.

PRINCIPAL ACTIVITY

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 (1998: £NIL).

The profit for the year on ordinary activities before taxation amounted to £1,710,000 (1998: £618,000) on which there was a taxation charge of £260,000 (1998: taxation credit of £1,555,000). The Directors have approved an interim dividend of £11,000,000 (1998: £Nil) and the retained loss of £9,550,000 (1998: profit £2,173,000) will be transferred to reserves as shown in the profit and loss account on page 8.

DIRECTORS

The present directors are as shown on page 1

The following were appointed to the board: -

Mr H J Henderson-Cleland on 14 July 1998
Mr P Higgins on 17 May 1999
Mr J Johnson on 17 May 1999
Mr N Pearce on 17 May 1999
Mr C P Sullivan on 7 December 1999

The following resigned from the board: -

Mr P Carpenter on 3 November 1999
Mr J Johnson on 8 November 1999
Mr H J Henderson-Cleland on 11 February 2000
Mr P Higgins on 30 March 2000

NATWEST CORPORATE FINANCE LIMITED

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' INTERESTS

The interests, all beneficial, of those who were directors at the year end in the Ordinary Shares of National Westminster Bank Plc were as follows: -

SHARE OPTIONS

	As at 1 July 1998 or date of appointment if later	As at 30 June 1999	As at 1 July 1998 or date of appointment if later	Granted during the year		Exercised during the year		As at 30 June 1999
				Options	Price (p)	Options	Price (p)	
P Higgins	5,323	12,907	28,519	-	-	3,084	503	
						4,500	637	20,935
A R Hilliard	780	1,340	1,223	366	941	518	399	1,071
N Pearce	369	369	5,272	-	-	-	-	5,272
P Carpenter	-	303	1,285	366	941	518	399	1,133
H J Henderson								
-Cleland	14	15	-	-	-	-	-	-
J Johnson	2,307	2,307	60,400	-	-	12,100	637	48,300

Options outstanding are exercisable at share prices between 436p and 1463p per share. Options granted under the National Westminster Bank Plc Executive Share Option Schemes are exercisable subject to the achievement of stretching performance conditions.

No other interests in the share or loan capital of National Westminster Bank Plc group undertakings have been notified by any director.

MEDIUM TERM EQUITY PLAN

Since 30 June 1998, 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.

NATWEST CORPORATE FINANCE LIMITED

DIRECTORS' REPORT (CONTINUED)

As at 30 June 1999, 1,533,895 (1998: 1,505,956) 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 are deemed to have an interest as potential 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 National Westminster Bank Plc Savings Related Share Option Scheme. The trustee of the QUEST is the NatWest QUEST Limited, a wholly owned subsidiary.

As at 30 June 1999, 946,135 (1998: 1,083,109) 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.

YEAR 2000

The directors recognise that there continue to be significant risks and uncertainties associated with the Year 2000 problem. The company's business is processed on the computer systems of Lombard North Central PLC, which is a subsidiary undertaking of National Westminster Bank Plc. National Westminster Bank Plc initiated the NatWest Group Millennium Programme providing direction, standards and guidance across the Group to ensure that all operating businesses have appropriate local activities in place to achieve Millennium compliance.

The programme includes extensive supplier management activity and has incorporated a comprehensive system review and testing schedule designed to remove the scope for significant operational disruption arising from any residual Year 2000 issues. Focus has also been given to third party dependencies and business continuity planning. Millennium costs relevant to the company have been paid by Lombard North Central PLC as part of the related Lombard Group Millennium Programme.

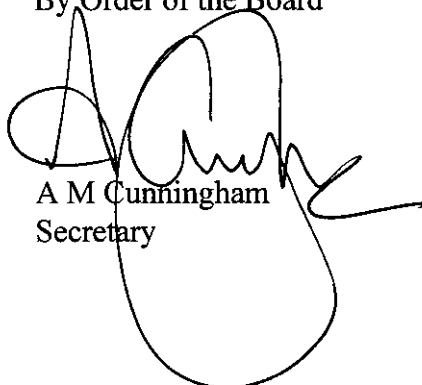
NATWEST CORPORATE FINANCE LIMITED

DIRECTORS' REPORT (CONTINUED)

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



A M Cunningham
Secretary

NATWEST CORPORATE 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 7, is made to enable shareholders to distinguish between 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 8 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 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



N Pearce, Director

27 April 2000

REPORT OF THE AUDITOR KPMG AUDIT PLC, TO THE MEMBERS

OF

NATWEST CORPORATE FINANCE LIMITED

We have audited the accounts on pages 8 to 16.

Respective responsibilities of directors and auditors

As described on page 6, 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 30 June 1999 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
27 April 2000

London

NATWEST CORPORATE FINANCE LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30 JUNE 1999

	<u>Note</u>	<u>1999</u> <u>£'000</u>	<u>1998</u> <u>£'000</u>
Income from finance leases	2	17,247	19,578
Operating charges		(140)	(69)
Net operating income from continuing operations		17,107	19,509
Interest payable to group undertakings		(15,397)	(18,891)
Profit on ordinary activities before taxation	4	1,710	618
Tax (charge) / credit on profit on ordinary activities	5	(260)	1,555
Profit on ordinary activities after taxation		1,450	2,173
Dividend	6	(11,000)	-
Retained (loss) / profit for the financial year		(9,550)	2,173

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

A statement of movement on reserves is given in note 13.

NATWEST CORPORATE FINANCE LIMITED

BALANCE SHEET

AT 30 JUNE 1999

	Note	1999 £'000	1998 £'000
Current Assets			
Debtors	7	229,834	279,944
Creditors: amounts falling due within one year	8	(11,891)	(17,332)
Net Current Assets:			
Amounts falling due within one year		(1,179)	9,447
Debtors falling due after more than one year	7	219,122	253,165
Total Net Current Assets		217,943	262,612
Creditors: amounts falling due after more than one year	9	(179,789)	(208,720)
Provisions for Liabilities and Charges			
Deferred Taxation	11	(36,462)	(42,650)
Net Assets		<u>1,692</u>	<u>11,242</u>
Capital and Reserves			
Called up share capital	12	-	-
Profit and loss account	13	1,692	11,242
		<u>1,692</u>	<u>11,242</u>

The accounts on pages 8 to 16 were approved by the Board of Directors on April 2000 and signed on its behalf by:



 N Pearce, Director
 27 April 2000

NATWEST CORPORATE 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 5a of Financial Reporting Standard 1 (revised).

NATWEST CORPORATE 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

	<u>1999</u> £'000	<u>1998</u> £'000
ii) Aggregate rentals receivable during the year under finance leases	22,579 =====	33,541 =====

3. Directors and Employees

None of the Directors received any emoluments from the Company (1998 - £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

Auditors' remuneration is borne by the parent undertaking.

NATWEST CORPORATE FINANCE LIMITED

NOTES TO THE ACCOUNTS (cont'd)

5. Taxation

	<u>1999</u> <u>£'000</u>	<u>1998</u> <u>£'000</u>
Group relief receivable/payable (see below)	2,618	1,751
Group relief in respect of prior years	(19)	-
Deferred taxation (Note 11)	(3,098)	(2,698)
Deferred taxation in respect of prior year (Note 11)	239	(7)
Release of deferred tax provision on reduction in tax rates from 31% to 30% on 1 April 1999	-	2,509
	<hr/>	<hr/>
Taxation (charge)/credit	(260)	1,555
	<hr/> <hr/>	<hr/> <hr/>

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. Dividends

	<u>1999</u> <u>£'000</u>	<u>1998</u> <u>£'000</u>
Ordinary Shares:		
Dividend Paid	11,000	-
	<hr/>	<hr/>
	11,000	-
	<hr/> <hr/>	<hr/> <hr/>

NATWEST CORPORATE FINANCE LIMITED

NOTES TO THE ACCOUNTS (cont'd)

7. Debtors

	<u>1999</u> <u>£'000</u>	<u>1998</u> <u>£'000</u>
i) Debtors falling due within one year		
Net investment in finance leases	6,740	12,759
Amounts owed by group undertakings	3,972	13,921
Other debtors	-	99
	<u>10,712</u>	<u>26,779</u>
ii) Debtors falling due after one year		
Net investment in finance leases	219,122	253,165
	<u>229,834</u>	<u>279,944</u>

8. Creditors: amounts falling due within one year

	<u>1999</u> <u>£'000</u>	<u>1998</u> <u>£'000</u>
Amounts owed to group undertakings	4,089	7,405
Loans from group undertakings (note 10)	7,801	9,777
Other creditors	1	150
	<u>11,891</u>	<u>17,332</u>

9. Creditors: amounts falling due after one year

	<u>1999</u> <u>£'000</u>	<u>1998</u> <u>£'000</u>
Loans from group undertakings (note 10)	<u>179,789</u>	<u>208,720</u>

NATWEST CORPORATE FINANCE LIMITED

NOTES TO THE ACCOUNTS (cont'd)

10. Analysis of loans from group undertakings:

	<u>1999</u> <u>£'000</u>	<u>1998</u> <u>£'000</u>
<i>Wholly repayable within five years</i>	16,402	-
<i>Not wholly repayable within five years due:</i>		
within one year	3,656	9,777
between one and two years	5,175	10,440
between two and five years	13,031	34,995
in more than five years	149,326	163,285
	<u>187,590</u>	<u>218,497</u>

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

11. Deferred Taxation

	<u>£'000</u>
At 1 July 1998	42,650
Charge for the year (note 5)	2,859
Deferred tax relating to transfer deals	(9,047)
At 30 June 1999	<u>36,462</u>

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

12. Share Capital

	<u>1999</u>	<u>1998</u>
	Allotted Called Up and Fully Paid	Allotted Called Up and Fully Paid
	<u>Authorised</u>	<u>Authorised</u>
Ordinary Shares of £1 each	<u>1,000</u>	<u>1,000</u>
	<u>100</u>	<u>100</u>

NATWEST CORPORATE FINANCE LIMITED

NOTES TO THE ACCOUNTS (cont'd)

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

	<u>Share Capital</u>	<u>Profit & Loss</u>	<u>Total</u>
	<u>£'000</u>	<u>Account</u>	<u>Shareholders'</u>
	<u>£'000</u>	<u>£'000</u>	<u>Funds</u>
Balance at 1 July 1998	-	11,242	11,242
Profit for the financial year	-	1,450	1,450
Dividend	-	(11,000)	(11,000)
Balance at 30 June 1999	<u>-</u>	<u>1,692</u>	<u>1,692</u>

14. Transactions 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.

15. 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.

NATWEST CORPORATE FINANCE LIMITED

NOTES TO THE ACCOUNTS (cont'd)

16. 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.

On 6 March 2000, The Royal Bank of Scotland Group plc unconditionally acquired a controlling interest in National Westminster Bank plc. At this point, The Royal Bank of Scotland Group plc became the ultimate parent undertaking of the company.

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.