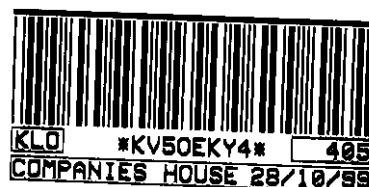


BARCLAYS CAPITAL LEASING (No. 165) LIMITED
(Formerly Mercantile Leasing Company (No. 165) Limited)

REPORT AND FINANCIAL STATEMENTS

31 December 1998

REGISTERED IN ENGLAND NO. 3025274



BARCLAYS CAPITAL LEASING (No. 165) LIMITED

DIRECTORS' REPORT

The directors present their report and the audited financial statements of the company for the period ended 31 December 1998.

REVIEW OF BUSINESS

The principal activity of the company continues to be leasing. In the opinion of the directors the state of the company's affairs is satisfactory.

RESULTS AND DIVIDENDS

The company profit after taxation for the period was £7,578,068 (1997: £1,976,252). The directors do not recommend a dividend (1997: £Nil) and £7,578,068 (1997: £1,976,252) has been credited to reserves.

DIRECTORS

The following directors held office throughout the year except where stated otherwise:-

JR Braund (appointed 13 November 1998)

IAW Sandles (appointed 13 November 1998)

RM Shaw (appointed 13 November 1998)

AJ Senior (resigned 2 April 1998)

JDN Thomas

SJ Ullman

Barcosec Limited

Barometers Limited

NJ Guffogg (appointed 21 April 1998, resigned 26 January 1999)

DIRECTORS' INTERESTS IN STOCK

(as defined in the Companies Act 1985)

The directors of the company holding office at the end of the period are also directors of Barclays Directors Limited and their interests are disclosed in the accounts of that company.

CHANGE OF ACCOUNTING REFERENCE PERIOD

On 30 March 1999 the directors passed a resolution changing the company's accounting reference period from 30 September to 31 December. These financial statements cover the period from 1 October 1997 to 31 December 1998.

YEAR 2000

The directors are aware of the risks and uncertainties associated with the year 2000 problem. A year 2000 programme is underway and details, including the costs incurred, are disclosed in the accounts of Barclays Capital Services Limited, the group undertaking responsible for the programme.

BARCLAYS CAPITAL LEASING (No. 165) LIMITED


DIRECTORS' REPORT (Continued)

AUDITORS

Price Waterhouse, the Company's Auditor, merged with Coopers & Lybrand on 1 July 1998 to form a new firm, PricewaterhouseCoopers.

Price Waterhouse resigned as Auditor with effect from 15 September 1998 and PricewaterhouseCoopers was appointed in its place. PricewaterhouseCoopers has signified its willingness to continue in office. A resolution to re-appoint PricewaterhouseCoopers will be proposed at the next Annual General Meeting.

By order of the board.



27 October 1999

Date

Director

BARCLAYS CAPITAL LEASING (No. 165) LIMITED

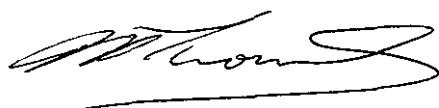
STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 as at the end of the financial period and of the profit or loss of the company for the financial period. In preparing those financial statements the directors are required to

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company 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 are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the board.



Director

27 October 1989

Date

BARCLAYS CAPITAL LEASING (No. 165) LIMITED

AUDITORS' REPORT

TO THE MEMBERS OF BARCLAYS CAPITAL LEASING (No. 165) LIMITED

We have audited the financial statements on pages 5 to 11 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Report & Financial Statements, as described on page 3. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Report & Financial Statements and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit 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 31 December 1998 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers
Chartered Accountants
and Registered Auditors

27 October 1999 London

BARCLAYS CAPITAL LEASING (No. 165) LIMITED

PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 31 DECEMBER 1998

	Note	15 months ended 31 December 1998 £	Year ended 30 Sep 1997 £
Turnover	1	11,078,459	120
Interest payable	3	(30,280)	(54)
Interest received from group undertakings		239,520	-
Administrative expenses	3	(12,382)	(1,763)
Profit / (loss) on ordinary activities before taxation		<u>11,275,317</u>	<u>(1,697)</u>
Tax (payable) / receivable on ordinary activities	4	(3,697,249)	1,977,949
Profit on ordinary activities after taxation		<u><u>7,578,068</u></u>	<u><u>1,976,252</u></u>

All recognised gains and losses are included in the profit and loss account.

There is no difference between the results disclosed in the profit and loss account and the results on an unmodified historical cost basis.

STATEMENT OF MOVEMENT IN RESERVES FOR THE PERIOD ENDED 31 DECEMBER 1998

	15 months ended 31 December 1998 £	Year ended 30 Sep 1997 £
Reserves at 1 October	1,976,318	66
Profit and loss account	7,578,068	1,976,252
Reserves at 31 December	<u><u>9,554,386</u></u>	<u><u>1,976,318</u></u>

The notes on pages 7 to 11 form an integral part of these financial statements.

BARCLAYS CAPITAL LEASING (No. 165) LIMITED

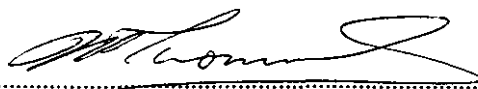
BALANCE SHEET AS AT 31 DECEMBER 1998

	Note	1998 £	1997 £
CURRENT ASSETS			
Debtors: Amounts falling due within one year			
Finance lease receivables	5	6,095	5,088
Other debtors	6	10,892,057	38,389,220
		<u>10,898,152</u>	<u>38,394,308</u>
Debtors: Amounts falling due after more than one year			
Finance lease receivables	5	87,038,348	86,151,349
Other debtors	8	5,950,102	6,420,966
		<u>92,988,450</u>	<u>92,572,315</u>
Creditors: amounts falling due within one year	7	(4,131,946)	(43,390,104)
NET CURRENT ASSETS/(LIABILITIES)		<u>99,754,656</u>	<u>87,576,519</u>
 TOTAL ASSETS LESS CURRENT LIABILITIES		<u>99,754,656</u>	<u>87,576,519</u>
Provisions for liabilities and charges	9	(170)	(101)
TOTAL NET ASSETS		<u><u>99,754,486</u></u>	<u><u>87,576,418</u></u>
 CAPITAL AND RESERVES			
Called up share capital	10	90,200,100	85,600,100
Reserves		9,554,386	1,976,318
TOTAL SHAREHOLDERS' FUNDS		<u><u>99,754,486</u></u>	<u><u>87,576,418</u></u>

A reconciliation of movement in shareholders' funds is given in note 11 to the financial statements.

The notes on pages 7 to 11 form an integral part of these financial statements.

The Board of Directors approved the financial statements on 27 October 1999

 (Director)

BARCLAYS CAPITAL LEASING (No. 165) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 1998

1. ACCOUNTING POLICIES

Basis of Accounting

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

On 30 March 1999 the directors passed a resolution changing the company's accounting reference period from 30 September to 31 December. These financial statements cover the period from 1 October 1997 to 31 December 1998.

Income

The profit and loss account is credited with income, net of direct expenses, including commission from finance leases, using the actuarial method to give a constant periodic rate of return on the net cash investment.

Turnover

Turnover represents income from agreements entered into relating to leased assets. Income is calculated in accordance with the Income note above.

Deferred Taxation

Deferred tax is provided at the estimated rates at which future taxation will become payable on all timing differences between the accounting and taxation of lease income and expense where, in the opinion of the directors, it is probable that a liability to taxation will crystallise.

Cash Flow Statement

The company's ultimate holding company has adopted the provisions of Financial Reporting Standard 1 ("FRS 1") revised, Cash Flow Statements. Accordingly the company, which is a wholly owned subsidiary, has elected to utilise the exemption provided in FRS 1 revised not to produce a cash flow statement.

Related Party Transactions

The company has taken advantage of the exemption under Financial Reporting Standard 8 ("FRS 8"), Related Party Disclosures not to disclose transactions with other group companies since the company is a wholly owned subsidiary of Barclays Bank PLC. During the period there have been no transactions with related parties other than group companies.

2. DIRECTORS' EMOLUMENTS

None of the directors received any emoluments in respect of their services to the company during the period. The company made no loans to its directors during the period. There were no employees, other than the directors listed on page 1, at any point during the period.

BARCLAYS CAPITAL LEASING (No. 165) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 1998

3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	1998	1997
	£	£
Profit on ordinary activities before taxation is after charging:-		
Auditors' remuneration	12,337	1,763
Interest payable to group undertakings	30,280	54

4. TAXATION

	1998	1997
	£	£
Corporation tax (charged) for the year	(3,222,786)	(4,661,048)
Deferred taxation (payable) / recoverable	(474,463)	6,638,997
	<u>(3,697,249)</u>	<u>1,977,949</u>

Current taxation has been provided on the basis of a UK corporation tax rate of 31% (1997: 32%). The effective tax in 1997 was significantly different from the statutory corporation tax rate due to timing differences. The deferred tax movement in the profit and loss account relates to tax rate changes (£201,882), deferred income release (£272,546) and other timing differences (£35).

5. FINANCE LEASE RECEIVABLES

	1998	1997
	£	£
Net investment in finance lease comprises:		
Total amounts receivable	327,309,326	336,666,774
Less: Interest allocated to future periods	(220,431,232)	(229,797,546)
Less: Income allocated to future periods	(20,536,935)	(21,416,119)
	<u>86,341,159</u>	<u>85,453,109</u>
Due within one year	6,095	5,088
Deferred income to be released within one year	(703,284)	(703,328)
Due after more than one year	87,038,348	86,151,349
	<u>86,341,159</u>	<u>85,453,109</u>

BARCLAYS CAPITAL LEASING (No. 165) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 1998

6. OTHER DEBTORS

	1998 £	1997 £
Amounts falling due within one year:		
Group relief receivable	564	38,171,189
Rental income receivable	391	-
Deferred taxation	214,501	218,031
Due from group undertakings	10,676,601	-
	<u>10,892,057</u>	<u>38,389,220</u>

The movement in deferred taxation is described in note 4.

7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1998 £	1997 £
Amounts due to group undertakings	1,190	42,685,013
Auditors' remuneration	14,099	1,763
Deferred income under finance lease	703,284	703,328
Ground rent payable	190,587	-
Corporation tax creditor	3,222,786	-
	<u>4,131,946</u>	<u>43,390,104</u>

8. DEBTORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	1998 £	1997 £
Amounts falling due after more than one year:		
Deferred tax recoverable	5,950,102	6,420,966
	<u>5,950,102</u>	<u>6,420,966</u>

The movement in deferred taxation is described in note 4.

BARCLAYS CAPITAL LEASING (No. 165) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 1998

9. PROVISIONS FOR LIABILITIES AND CHARGES

Deferred tax represents a full provision for timing differences.

	1998 £	1997 £
Deferred taxation payable	(170)	(101)

The following is an analysis of the movement in the provision for deferred taxation:-

	£	£
At 1 October	(101)	(101)
Profit and loss account	(69)	-
At period end	<u>(170)</u>	<u>(101)</u>

10. CALLED UP SHARE CAPITAL

	1998 £	1997 £
Authorised 100,000,000 ordinary shares of £1 each	100,000,000	100,000,000
Allotted, issued and fully paid 90,200,100 ordinary shares of £1 each	<u>90,200,100</u>	<u>85,600,100</u>

During the year the company issued at par 4,600,000 £1 ordinary shares for cash for potential future investments.

BARCLAYS CAPITAL LEASING (No. 165) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 1998

11. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1998 £	1997 £
Profit for the financial period	7,578,068	1,976,252
New share capital subscribed	4,600,000	85,600,000
Net addition to shareholders' funds	<u>12,178,068</u>	<u>87,576,252</u>
Opening shareholders' funds	87,576,418	166
Closing shareholders' funds	<u><u>99,754,486</u></u>	<u><u>87,576,418</u></u>

12. ULTIMATE HOLDING COMPANY

The parent undertaking of the smallest group that presents group accounts is Barclays Bank PLC. The ultimate holding Company and the parent Company of the largest group that presents group accounts is Barclays PLC. Both companies are incorporated in Great Britain and registered in England and Wales. Barclays Bank PLC's and Barclays PLC's statutory accounts are available from the Secretary, 54 Lombard Street, London EC3P 3AH.