

Lombard IT Vendor Finance Limited

Directors' report and financial statements

14 month period ended

31 December 1999

Registered Number 3660593



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Directors' report

The directors present their report and the audited financial statements for the period 3 November 1998 to 31 December 1999.

Incorporation and change of name

The Company was incorporated on 3 November 1998 as Lovatmead Limited, the name was subsequently changed to Lombard IT Vendor Finance Limited on 5 February 1999.

Principal activities and business review

The company provides and plans to continue providing the customers of vendors of information technology with finance agreements and associated services. The Company commenced trading on 5 February 1999.

Financial results

The results for the period are set out in the profit and loss account on page 6.

The directors do not recommend the payment of a dividend.

Share Capital

On incorporation the Authorised Share Capital of the company was 100 ordinary shares of £1 each with 2 shares allotted, called up and fully paid at par.'

On 8 November 1999, the Authorised Share Capital was increased by 49,900 ordinary shares of £1 each to £50,000. On the same date 25,000 shares were allotted, called up and fully paid for consideration at par.

Directors and directors' interests

The directors who held office during the period were as follows:

	Appointed	Resigned	
C P Sullivan	8 November 1999		(Chairman from 8 November 1999)
J Johnson	30 July 1999	8 November 1999	(Chairman to 8 November 1999)
E R Mihm	31 January 2000		
C C Harling	30 July 1999	1 November 1999	
S A Spicer	30 July 1999		
C P Stamper	30 July 1999	18 November 1999	
C R Morgan	30 July 1999		
M J O'Donnell	30 July 1999		
P E Lord	8 November 1999		
R D Brodie	25 November 1999		
M H Ashworth	27 November 1998	19 February 1999	
D J Lewis	27 November 1998	30 July 1999	

Directors' report *(continued)*

Directors and directors' interests *(continued)*

According to the register kept by the company, the interests of the directors at the period end in the shares of National Westminster Bank Plc group undertakings were as follows:

	Ordinary shares of £1 each in National Westminster Bank Plc As at date of appointment No.	Ordinary shares of £1 each in National Westminster Bank Plc As at 31 December 1999 No.
Beneficially owned		
C P Sullivan	4,443	4,443
P E Lord	3,876	3,876
R D Brodie	1,449	1,449

	Ordinary shares of £1 each in National Westminster Bank Plc As at date of appointment No.	Ordinary shares of £1 each in National Westminster Bank Plc As at 31 December 1999 No.
Held by the Trustees of the National Westminster Bank Plc Group 1979 Profit Sharing Scheme		
C P Sullivan	1,650	1,650
P E Lord	577	577
R D Brodie	297	297

According to the register of directors' interests, rights to subscribe for ordinary shares of £1 each in National Westminster Bank Plc granted to or exercised by the directors during the financial period are as shown below:

	As at Appointment No.	Granted No.	Exercised No.	As at 31 December 1999 No.
Executive Share Option Schemes				
C P Sullivan	22,566	-	-	22,566
P E Lord	8,859	-	-	8,859
R D Brodie	4,933	-	-	4,933
1999 Sharesave Scheme				
C P Sullivan	348	-	-	348
P E Lord	348	-	-	348
1998 Sharesave Scheme				
C P Sullivan	366	-	-	366
P E Lord	366	-	-	366
1997 Sharesave Scheme				
C P Sullivan	326	-	-	326
P E Lord	326	-	-	326
1996 Sharesave Scheme				
C P Sullivan	379	-	-	379
P E Lord	379	-	-	379
Savings Related Share Option Scheme				
C P Sullivan	458	-	-	458
P E Lord	553	-	-	553

Directors and directors' interests *(continued)*

Medium Term Equity Plan

During 1998, certain National Westminster Bank Plc 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 conditions relating to performance.

As at 31 December 1999, 1,525,727 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.

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 Bank's Savings Related Share Option Scheme. The Trustee of the QUEST is NatWest QUEST Limited, a wholly owned subsidiary of National Westminster Bank Plc.

As at 31 December 1999 20,246 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.

None of the other directors who held office at the end of the financial period had any disclosable interest in the shares of any National Westminster Bank Plc group company.

Year 2000

The directors recognise that there are significant risks and uncertainties associated with the Year 2000 problem. The company's business is processed on its own systems. National Westminster Bank Plc initiated the NatWest Group Millennium Programme which provided direction, standards and guidance across the Group to ensure that all operating businesses had appropriate local activities in place to achieve Millennium compliance.

The programme included extensive supplier management activity and incorporated a comprehensive system review and testing schedule designed to remove the scope for significant operational disruption arising from Year 2000 issues. Focus was also given to third party dependencies and business continuity planning. Much of the cost of implementing the action plans was subsumed into recurring activities of the departments involved, the cost of which is not considered to be significant.

Political and charitable contributions

The company made no charitable or political contributions during the period.

Auditors

The company has passed an elective resolution to dispose with the annual appointment of auditors; accordingly KPMG Audit Plc remain in office.

By order of the board



Derek J Lewis
Secretary

3 Princess Way
Redhill
Surrey
RH1 1NP

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that 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;
- 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG Audit Plc

Aquis Court
31 Fishpool Street
St Albans
Hertfordshire, AL3 4RF

Report of the auditor to the members of Lombard IT Vendor Finance Limited

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

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 4, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by 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 with the company is not disclosed.

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 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 1999 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc *14 April 2000*

KPMG Audit Plc
Chartered Accountants
Registered Auditor

Profit and loss account

for the period 3 November 1998 to 31 December 1999

	<i>Note</i>	1999 £ 000
Turnover - continuing operations	<i>1-2</i>	135
Other operating charges		(122)
		<hr/>
Operating profit - continuing operations		13
Interest payable and similar charges	<i>5</i>	(3)
		<hr/>
Profit on ordinary activities before taxation		10
Tax charge on ordinary activities	<i>6</i>	(3)
		<hr/>
Profit for the financial period		7
		<hr/> <hr/>

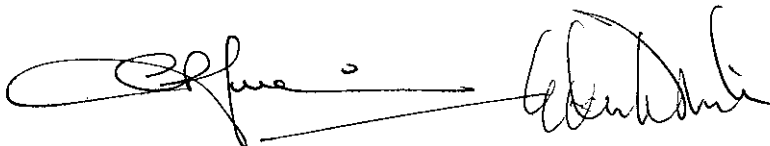
There are no recognised gains or losses in the current period other than those included within the profit and loss account.

The notes on pages 9 to 13 form part of these financial statements.

Balance sheet
at 31 December 1999

	<i>Note</i>	1999 £000
Current assets		
Debtors		
- due within one year	7	1,140
Cash at bank and in hand	12	42
		<hr/>
		1,182
Creditors: amounts falling due within one year	8	(1,150)
		<hr/>
Net assets		32
		<hr/>
Capital and reserves		
Called up share capital	9	25
Profit and loss account		7
		<hr/>
Equity shareholders' funds	10	32
		<hr/>

These financial statements were approved by the board of directors on *24 February 2000* and were signed on its behalf by:



Christopher P Sullivan
Director

Edwin R. Mihm
Director

The notes on pages 9 to 13 form part of these financial statements.

Cash flow statement

for the period 3 November 1998 to 31 December 1999

	Note	1999 £ 000
Reconciliation of operating profit to net cash flow from operating activities		
Operating profit		13
Increase in debtors		(1,140)
Increase in creditors		1,073
		<hr/>
Net cash outflow from operating activities		(54)
		<hr/>

Cash flow statement

Cash outflow from operating activities		(54)
Returns on investments and servicing of finance	11	(3)
Financing	11	25
		<hr/>
Decrease in cash in the period	12	(32)
		<hr/>
Reconciliation of net cash flow to movement in net debt		
Decrease in cash/net debt in the period	12	(32)
		<hr/>

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective March 1999).

Taxation

The charge for taxation is based on the profit for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

Turnover

Turnover represents the aggregate of revenue (excluding VAT) from finance agreements introduced to finance houses plus amounts (excluding VAT) derived from the provision of services to customers, all of which arises in the United Kingdom and is from continuing activities.

2 Analysis of turnover

	1999 £000
Aggregate fees receivable during the period were as follows:	
Group undertakings	115
Other	20
	<hr/>
Total turnover	135
	<hr/> <hr/>

Notes (continued)

3 Profit on ordinary activities before taxation

The auditors' remuneration has been borne by the parent undertaking.

No persons were employed by the Company during the period.

Lombard Network Services Limited provided administrative support for the Company's business during the period for a charge of £74,000.

4 Remuneration of directors

None of the directors received any remuneration.

	Number of directors 1999
The number of directors who exercised share options was	2
The number of directors in respect of whose services shares were received or receivable under long term incentive schemes was	2

5 Interest payable and similar charges

	1999 £000
On bank loans and overdrafts - to group undertaking	3

6 Taxation

	1999 £ 000
UK corporation tax charge at 30%	3

7 Debtors

	1999 £000
Within one year:	
Trade debtors	1
Amounts owed by group undertakings	1,139
	1,140

Notes (continued)

8 Creditors: amounts falling due within one year

	1999 £000
Bank Overdraft -- group undertaking	74
Trade creditors	7
Amounts owed to group undertakings	953
Other creditors including taxation and social security:	
Corporation Tax	3
Other taxes and social security	54
Accruals and deferred income	59
	<hr/>
	1,150
	<hr/>

9 Called up share capital

	1999 £000
Equity	
<i>Authorised,</i>	
50,000 ordinary shares of £1 each	50
	<hr/>
<i>Authorised, allotted, called up and fully paid</i>	
25,002 ordinary shares of £1 each	25
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On incorporation the Authorised Share Capital of the company was 100 ordinary shares of £1 each with 2 shares allotted, called up and fully paid at par.

On 8 November 1999 the Authorised Share Capital was increased by 49,900 ordinary shares of £1 each to £50,000. On the same date 25,000 ordinary shares were allotted, called up and fully paid for consideration at par.

10 Reconciliation of movements in shareholders' funds

	1999 £ 000
Equity:	
Share capital Issued	25
Profit for the financial period	7
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Closing shareholders' funds	32
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Notes (continued)

11 Analysis of cash flows

	1999 £000
Returns on investment and servicing of finance	
Interest paid	(3)
	<hr/>
Financing	
Issue of new share capital	25
	<hr/>

12 Analysis of net debt

	1999 £000
Cash at bank and in hand	42
Overdrafts	(74)
	<hr/>
	(32)
	<hr/>

13 Related party transactions

Lombard IT Vendor Finance Limited is wholly owned by Lombard Network Services Limited.

Lombard Network Services Limited is the company's controlling party and National Westminster Bank Plc is the company's ultimate controlling party.

Commercial arrangements

Finance Agreements have been introduced to Lombard North Central PLC and Lombard Network Services Limited during the period which give rise to the following disclosable amounts.

	1999 £000
Fees receivable from Lombard North Central PLC	110
Fees receivable from Lombard Network Services Limited	5
Amounts owed by Lombard North Central PLC	1,139
Amounts due to Lombard Network Services Limited	953
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Notes (continued)

14 Related party transactions (continued)

Banking and funding arrangements

National Westminster Bank Plc group undertakings provide loans and banking services which give rise to the following disclosable amounts.

	1999 £000
Cash at Bank	42
Loans and overdrafts at balance sheet date	74
Interest and similar charges - payable during the period	3

Administrative arrangements

Lombard Network Services Limited provided administrative support for the Company's business during the period for a charge of £74,000.

15 Parent undertaking

The immediate holding company is Lombard Network Services Limited, 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, the smallest group in which the results of the company are consolidated, can be obtained from:

The Secretary, Lombard North Central PLC, 3 Princess Way, Redhill, Surrey, RH1 1NP.

Copies of the financial statements of National Westminster Bank Plc, the largest group in which the results of the company are consolidated, can be obtained from:

The Secretary, National Westminster Bank Plc, 41 Lothbury, London, EC2P 2BP.