

BOARD OF DIRECTORS

Byron C Crittenden

Chairman

John M Morgan

Managing Director

Trevor V Astbury

Lewis H Noon

Martin I Mathews

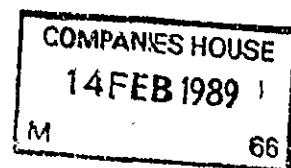
Secretary

Lombard Bank Limited

Registered in England No 954573

Registered Office: Lombard House, 3 Princess Way,
Redhill, Surrey RH1 1NP

954573



DIRECTORS' REPORT

The directors have pleasure in submitting their report and accounts for the year ended 30 September 1988.

Activities

The principal activities of the Company are the provision of a comprehensive range of banking and financial services including the raising of funds from the public on interest-bearing deposits and current accounts.

Share capital

The share capital of the Company was increased from £500,000 to £5,000,000 in December 1987.

Change of name

The name of the Company was changed from Lombard Acceptances Limited on 1 February 1988.

Banking status

The Company is an Authorised Institution under the terms of the Banking Act 1987.

Results

The profit before taxation for the year was £2,692,000 (1987—£2,998,000). The taxation charge for the year was £942,000 (1987—£992,000). The directors recommend that no dividend be paid and that the balance be dealt with as shown in the profit and loss account on page 4.

Directors

The members of the Board are shown on page 1.

Mr T V Astbury retires by rotation and being eligible, offers himself for re-election.

Directors' interests

Mr B C Crittenden is a director of Lombard North Central PLC, the Company's immediate holding company, and his interests in the share capital of National Westminster Bank Group PLC are shown in the Directors' Report of that company.

According to the register kept by the Company, the directors' interests in the share and loan capital of National Westminster Bank PLC were as follows:

	Ordinary Shares	
	30 September 1988	1 October 1987
<i>Held by Trustees of the National Westminster Bank PLC Group</i>		
<i>1979 Profit Sharing Share Scheme:</i>		
TV Astbury	445	445
L H Noon	1,316	974

No other director is registered as having interests in the share or loan capital of National Westminster Bank PLC.

There have been no changes in the directors' interests between 30 September 1988 and 1 December 1988.

DIRECTORS' REPORT

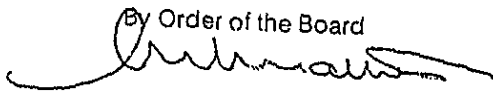
Close company provisions

The close company provisions of the Income and Corporation Tax Act 1970 do not apply to the Company and there has been no change in this respect since the end of the financial year.

Auditors

A resolution for the re-appointment of Peat Marwick McLintock as auditors is to be proposed at the Annual General Meeting.

By Order of the Board



M I MATHEWS

1 December 1988


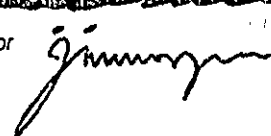
PROFIT AND LOSS ACCOUNT

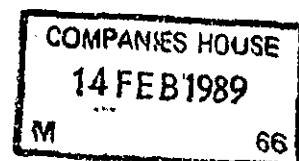
FOR THE YEAR ENDED 30 SEPTEMBER 1988

	Note	1988 £'000	1987 £'000
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST PAYABLE AND TAXATION	3	6,247	7,469
Interest payable	4	(3,555)	(4,471)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		2,692	2,998
Tax on profit on ordinary activities	5	(942)	(992)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		1,750	2,006
Proposed dividend		—	—
RETAINED EARNINGS FOR THE FINANCIAL YEAR	8	1,750	2,006

BALANCE SHEET
AT 30 SEPTEMBER 1988

Assets	<i>Note</i>	1988 £'000	1987 £'000
CURRENT ASSETS			
Debtors	6	54,696	44,543
Amounts due from National Westminster Bank Group companies		1,250	5
Cash at bank and in hand		224	239
		<u>56,170</u>	<u>44,787</u>
Liabilities			
CAPITAL AND RESERVES			
Called up share capital	7	5,000	500
Profit and loss account	8	5,815	4,065
		<u>10,815</u>	<u>4,565</u>
CREDITORS	9	5,891	4,675
Amounts due to National Westminster Bank Group companies		39,464	35,547
		<u>56,170</u>	<u>44,787</u>

B C CRITTENDEN Chairman  Approved by the Board
J M MORGAN Managing Director  1 December 1988



SOURCE AND APPLICATION OF FUNDS STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 1988

	1988 £'000	1987 £'000
Source of funds		
Profit before taxation	2,692	2,998
Increase in share capital	4,500	—
	7,192	2,998
Application of funds		
Group relief paid	(196)	(664)
	6,996	2,334
Increase (decrease) in working capital		
Customers and other accounts	10,153	(1,879)
Borrowing and other liabilities	(4,387)	12,581
Liquid and other banking assets	1,230	(8,368)
	6,996	2,334

1 Accounting policies

a) Accounting convention

The financial statements have been prepared on the basis of historical cost and in accordance with section 258 and Schedule 9 of the Companies Act 1985.

b) Income

Charges on personal loans are credited to revenue over the period in which the repayments are due in proportion to the monthly balance outstanding.

c) Deferred taxation

Deferred taxation is accounted for using the liability method on timing differences where it is expected that a taxation liability or asset will crystallise in the foreseeable future.

2 Turnover

The turnover of the Company attributable to the business of banking is not required to be shown.

Instalment credit agreements were entered into by the Company in respect of personal loans amounting to £35,921,000 (1987 – £21,549,000).

3 Profit on ordinary activities before interest payable and taxation

Profit on ordinary activities before finance costs and taxation is stated after charging auditors' remuneration of £8,000 (1987 – £7,000).

No emoluments were paid to the directors during the year and none of the directors was materially interested in any contract with the Company.

4 Interest payable

<i>Interest payable to National Westminster Bank Group companies on:</i>	<i>1988 £'000</i>	<i>1987 £'000</i>
<i>Deposits and loans repayable within five years</i>	3,350	4,286
<i>Other interest payable on:</i>		
Deposits and loans repayable within five years	195	175
Current accounts repayable on demand	10	10
	205	185
	3,555	4,471

NOTES TO THE FINANCIAL STATEMENTS

5 Tax on profit on ordinary activities

	1988 £'000	1987 £'000
UK corporation tax based on the results for the year at 35% (1987 - 35%)	942	1,050
Adjustment in respect of prior years	—	129
	942	1,179
Deferred taxation (Note 10)	—	(187)
	<u>942</u>	<u>992</u>

6 Debtors

	1988 £'000	1987 £'000
<i>Amounts falling due within one year:</i>		
Customers' and other accounts	30,883	21,327
<i>Amounts falling due after one year:</i>		
Customers' and other accounts	23,626	23,029
Prepayments	187	187
	<u>54,696</u>	<u>44,543</u>

Customers' and other accounts are stated net of deferred charges of £1,390,000 (1987 - £1,732,000)

7 Called up share capital

	1988 £'000	1987 £'000
<i>Authorised:</i>		
Ordinary shares of £1 each	<u>5,000</u>	<u>500</u>
<i>Issued and fully paid:</i>		
Ordinary shares of £1 each	<u>5,000</u>	<u>500</u>
Balance at 1 October 1987	500	
Issued for cash at par in December 1987 in order to comply with the Banking Act 1987 Section 67	<u>4,500</u>	
Balance at 30 September 1988	<u>5,000</u>	

On 19 November 1987 the authorised share capital was increased by 4,500,000 ordinary shares of £1 each.

NOTES TO THE FINANCIAL STATEMENTS

8 Profit and loss account

	1988 £'000	1987 £'000
At 1 October 1987	4,065	2,059
Retained earnings for the financial year	1,750	2,006
At 30 September 1988	5,815	4,065

9 Creditors

	1988 £'000	1987 £'000
<i>Amounts falling due within one year:</i>		
Accruals and deferred income	372	325
Current, deposit and other accounts	3,555	3,125
Corporation tax payable	1,957	1,211
	5,884	4,661
<i>Amounts falling due after one year:</i>		
Accruals and deferred income	7	14
	5,891	4,675

10 Holding company

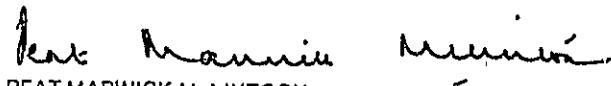
The immediate holding company is Lombard North Central PLC. The ultimate holding company is National Westminster Bank PLC, incorporated in Great Britain.

AUDITORS' REPORT

To the members of Lombard Bank Limited

We have audited the financial statements set out on pages 4 to 9 in accordance with Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of affairs of the Company at 30 September 1988 and of the profit and source and application of funds for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


PEAT MARWICK McLINTOCK
Chartered Accountants

London, 1 December 1988