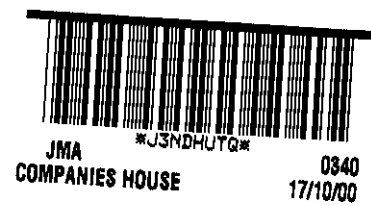


**FIRST NATIONAL CONTRACT HIRE
LIMITED**

Report and Financial Statements

31 December 1999



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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

P A George
M A Pawson
D Studholme

SECRETARY

M J Ferris

REGISTERED OFFICE

First National House
College Road
Harrow
Middlesex
HA1 1FB

AUDITORS

Deloitte & Touche
Chartered Accountants
London

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 31 December 1999.

PRINCIPAL ACTIVITY AND REVIEW OF BUSINESS

The principal activity of the company is that of providing a vehicle contract hire service and it is intended to continue in this activity in the future.

The profit for the year after taxation amounted to £742,734 (1998 - £183,933) which has been transferred to reserves. Further details are set out in the profit and loss account. The financial position of the company is set out in the balance sheet.

DIVIDENDS

The directors do not intend to declare any dividend for the year (1998 - £Nil).

DIRECTORS

Messrs P A George, M A Pawson, J S Scott and D Studholme served as directors throughout the year. J S Scott resigned as a director on 1 April 2000.

DIRECTORS' INTERESTES IN THE SHARES OF GROUP COMPANIES

None of the directors or their families had any interests in the shares of the company during the year.

The interests of P A George and J S Scott in the shares of the ultimate parent undertaking, Abbey National plc, are disclosed in the accounts of First National Finance Corporation p.l.c. an intermediate parent undertaking; and those of M A Pawson and D Studholme are disclosed in the accounts of First National Vehicle Holdings Limited, the immediate parent undertaking.

YEAR 2000 AND EMU

Year 2000

Following the provision of management, technology and systems support by the intermediate parent undertaking, First National Bank Plc, and the ultimate parent undertaking, Abbey National plc, no material problems were encountered at the turn of the year. Costs of these plans are detailed in the consolidated accounts of the ultimate parent undertaking.

EMU

The strategic and operational risks posed by Economic and Monetary Union (EMU) are being addressed by the ultimate parent undertaking, Abbey National plc, through a group-wide steering committee further details of which are given in the consolidated accounts of that ultimate parent undertaking.

DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE PREPARATION OF ACCOUNTS

The directors are required by UK company law to prepare accounts for each financial period that give a true and fair view of the state of affairs of the Company as at the end of the financial period and the profit or loss for that period.

The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the accounts for the period ended 31 December 1999. The directors also confirm that applicable accounting standards have been followed and that the statements have been prepared on the going concern basis.

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 the Company's system of internal control and for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

DIRECTORS' REPORT

AUDITORS

In accordance with Section 386 of the Companies Act 1985, the company has elected to dispense with the obligation to appoint auditors annually.

During the year Coopers & Lybrand resigned as auditors of the company and the directors resolved to appoint Deloitte & Touche as auditors of the company in their place, in accordance with the resolution by Abbey National plc to appoint Deloitte & Touche as auditors of Abbey National plc and its subsidiaries.

By order of the Board



M J Ferris

Secretary

13/10/2000



FIRST NATIONAL CONTRACT HIRE LIMITED

AUDITORS' REPORT TO THE MEMBERS

We have audited the financial statements on pages 5 to 12 which have been prepared under the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements 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 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 year then ended and have been properly prepared in accordance with the Companies Act 1985.

Chartered Accountants and Registered Auditors

17 October 2000

PROFIT AND LOSS ACCOUNT
Year ended 31 December 1999

	Note	1999 £	1998 £
TURNOVER	2	6,368,669	6,905,989
Operating costs	3	<u>(5,293,905)</u>	<u>(5,953,115)</u>
OPERATING PROFIT		1,074,764	952,874
Interest payable and similar charges	5	<u>(620)</u>	<u>(687,664)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5	1,074,144	265,210
Tax on profit on ordinary activities	6	<u>(331,410)</u>	<u>(81,277)</u>
PROFIT FOR THE YEAR AFTER TAXATION		742,734	183,933
Retained profit brought forward		<u>593,138</u>	<u>409,205</u>
Retained profit carried forward		<u><u>1,335,872</u></u>	<u><u>593,138</u></u>

The profit and loss account is prepared on an unmodified historical cost basis. The company has no recognised gains or losses other than the profit for the year and prior year as disclosed above. There were no movements in shareholders' funds other than the result for the year.

All of the above activities relate to continuing operations.

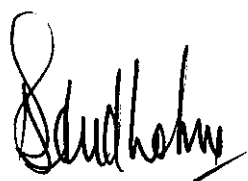
FIRST NATIONAL CONTRACT HIRE LIMITED

BALANCE SHEET 31 December 1999

	Note	1999 £	1998 restated (see note 1) £
FIXED ASSETS			
Tangible assets	7	10,471,548	10,715,779
CURRENT ASSETS			
Stocks	8	113,656	328,152
Debtors	9	<u>314,552</u>	<u>523,432</u>
		428,208	851,584
TOTAL ASSETS		<u>10,899,756</u>	<u>11,567,363</u>
CAPITAL AND RESERVES			
Called up share capital	13	1,000	1,000
Profit and loss account		<u>1,335,872</u>	<u>593,138</u>
Equity shareholders' funds		<u>1,336,872</u>	<u>594,138</u>
PROVISIONS FOR LIABILITIES AND CHARGES	12	572,200	574,887
CREDITORS: amounts falling due within one year	10	<u>8,990,684</u>	<u>10,398,338</u>
NET CURRENT LIABILITIES		<u>9,562,884</u>	<u>10,973,225</u>
TOTAL LIABILITIES AND EQUITY SHAREHOLDERS' FUNDS		<u>10,899,756</u>	<u>11,567,363</u>

These financial statements were approved by the Board of Directors on

Signed on behalf of the Board of Directors



- Director

18/10/2000

NOTES TO THE ACCOUNTS
Year ended 31 December 1999

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Turnover

Turnover comprises the invoiced value of goods and services supplied by the company net of value added tax and trade discounts. Income from contract hire vehicles on operating leases is recognised in the profit and loss account on a systematic basis over the life of the contract.

Tangible fixed assets and depreciation

Tangible fixed assets are depreciated at the following annual rates to write off the cost of the assets over their estimated useful lives:

Computers, fixtures and fittings	12½% to 20% per annum straight line
Contract hire motor vehicles	Contract hire motor vehicles are depreciated to their estimated realisable value, over the period of the contracts, after taking account of contract rentals and income recognition

Stocks

Stocks represent motor vehicles held for future contract hire agreements or disposals and are stated at the lower of cost and net realisable value.

Taxation

The charge for taxation is based on the profit for the year 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 in the foreseeable future.

Leasing and hire purchase

Fixed assets acquired under finance leases or financed by hire purchase are treated as if they had been purchased outright. Appropriate provisions are made for depreciation and the capital element of future instalments is included within creditors. The interest element of the rental obligation is charged to the profit and loss account so as to give a constant rate of charge on the remaining balance of the obligation.

Rentals under operating leases are charged to the profit and loss account as they fall due.

Balance sheet presentation

The directors have adopted disclosures under balance sheet format two of the Companies Act 1985 as this is felt to present a fairer reflection of the company's position.

Cash flow statements

The company is a wholly owned subsidiary of Abbey National plc and the cash flows of the company are included in the consolidated group cash flow statement of Abbey National plc. Consequently the company has taken advantage of the exemption under the terms of Financial Reporting Standard No. 1 (Revised) from publishing a cash flow statement.

Restatement of comparatives

The comparatives for fixed assets and accruals have been restated by £54,337 to reflect the transfer of provisions against residual values to fixed assets from accruals as in the opinion of the directors this disclosure more accurately reflects the true nature of the provision. The restatement has no effect on the profit and loss account.

NOTES TO THE ACCOUNTS

Year ended 31 December 1999

2. TURNOVER

Turnover is attributable to the principal activity of the company and the market is within the United Kingdom.

3. OPERATING COSTS

	1999 £	1998 £
Operating costs are made up as follows:		
Depreciation	2,350,754	1,623,204
Other operating charges	2,943,151	3,834,911
Management charges from group companies	-	495,000
	<u>5,293,905</u>	<u>5,953,115</u>

The preceding costs are stated after charging:

Depreciation of owned tangible fixed assets	2,343,934	1,474,051
Depreciation of tangible fixed assets held under hire purchase contracts and finance leases	<u>6,820</u>	<u>149,153</u>

Auditors' remuneration is borne by a fellow subsidiary company.

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

Directors emoluments

None of the directors received any remuneration for services in connection with the company in either the current year or preceding year.

Staff numbers and costs

The company had no employees, other than the directors, in the current year and preceding year.

5. INTEREST PAYABLE AND SIMILAR CHARGES

	1999 £	1998 £
Interest recharged from group companies	-	670,000
On finance leases and hire purchase contracts	<u>620</u>	<u>17,664</u>
	<u>620</u>	<u>687,664</u>

NOTES TO THE ACCOUNTS

Year ended 31 December 1999

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1999 £	1998 £
Based on the profit for the year		
Group relief payable at 30.25% (1998 - 31%)	350,508	(196,236)
Transfer to deferred taxation (note 12)	(20,640)	269,469
Adjustments to prior years' tax provisions		
Group relief	(16,411)	-
Deferred tax	17,953	8,044
	<u>331,410</u>	<u>81,277</u>

7. TANGIBLE FIXED ASSETS

	Contract hire motor vehicles (restated see note 1) £
Cost	
At 1 January 1999	13,225,916
Additions	3,934,058
Disposals	(2,957,579)
At 31 December 1999	<u>14,202,395</u>
Depreciation	
At 1 January 1999 as previously stated	2,455,800
Adjustment to depreciation	54,337
At 1 January 1999 as restated	2,510,137
Charge for the year	2,350,754
Disposals	(1,130,044)
At 31 December 1999	<u>3,730,847</u>
Net book value	
At 31 December 1999	<u>10,471,548</u>
At 31 December 1999	<u>10,715,779</u>

The net book value of tangible fixed assets held under hire purchase contracts and finance leases was as follows:

	1999 £	1998 £
Contract hire motor vehicles	<u>-</u>	<u>236,567</u>

NOTES TO THE ACCOUNTS

Year ended 31 December 1999

8. STOCKS

	1999 £	1998 £
Vehicles held for future contract hire agreement and for disposal	113,656	328,152

9. DEBTORS

	1999 £	1998 £
Trade debtors	302,057	298,693
Amounts owed by parent and fellow subsidiary undertakings	-	19,307
Group relief receivable	-	196,236
Other debtors	12,467	9,168
Prepayments and accrued income	28	28
	<u>314,552</u>	<u>523,432</u>

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1999 £	1998 (restated) see note 1) £
Bank overdraft	1,315,915	1,772,799
Obligations under finance leases and lease purchase contracts	-	162,499
Trade creditors	138,063	158,039
Amounts owed to parent and fellow subsidiaries	5,312,343	6,566,274
Group relief payable	350,508	-
Other creditors including tax and social security	101,571	9,304
Accruals and deferred income	1,772,284	1,729,423
	<u>8,990,684</u>	<u>10,398,338</u>

NOTES TO THE ACCOUNTS

Year ended 31 December 1999

11. OBLIGATIONS UNDER FINANCE LEASES AND LEASE PURCHASE CONTRACTS

Obligations under finance leases and lease purchase contracts consists of the following:

	1999 £	1998 £
Amounts due		-
In less than one year	-	163,119
Between two and five years	-	-
	-	163,119
Less: finance charge allocated to future periods	-	(620)
	-	162,499
Disclosed as due		
Within one year	-	162,499
After more than one year	-	-
	-	162,499

Obligations under hire purchase and lease purchase contracts are secured by specific charges over the assets to which the obligations relate.

12. PROVISION FOR LIABILITIES AND CHARGES

Deferred taxation provided in the financial statement and the total potential liability are as follows:

	Provided 1999 £	Provided 1998 £	Not Provided 1999 £	Not Provided 1998 £
Accelerated capital allowances	660,579	607,806	-	-
Other timing differences	(88,379)	(32,919)	-	-
	572,200	574,887	-	-

The movement on the provision is as below:

	£
Balance at 1 January 1999	574,887
Deferred tax in current year	(20,640)
Deferred tax in prior year	17,953
Balance at 31 December 1999	572,200

NOTES TO THE ACCOUNTS
Year ended 31 December 1999

13. CALLED UP SHARE CAPITAL

	1999 £	1998 £
Authorised 1,000 Ordinary shares of £1 each	1,000	1,000
Alotted, called up and fully paid 1,000 Ordinary shares of £1 each	1,000	1,000

14. CONTINGENT LIABILITIES

The company is party to an unlimited cross company guarantee in favour of First National Vehicle Holdings Limited, First National Vehicle Contracts Limited, First National Vehicle Leasing Limited, Whitechapel Corporate Services Limited, Dealer Employee Car Scheme Limited, Personal Motoring Plan Limited, SG Motor Finance Limited and SG Motor Leasing Limited. At 31 December 1999 there were net borrowings of £558,664 in these companies (1998 - £632,870). The total borrowings disclosed in the balance sheet of these companies at 31 December 1999, excluding cash at bank and in hand, was £1,602,641 (1998 - £2,220,563).

General commitment

The company has given performance guarantees on the future minimum sales values of vehicles which are contingent on the natural maturity of the related contract hire agreements. The company's vehicles disposal performance to date has continually realised amounts in excess of these minimum sales, after adjusting for any specific provision made against carrying values and it is the directors' opinion that this position will remain. The current value of commitments under this arrangement amounts to £Nil (1998: £196,329).

15. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption granted by Financial Reporting Standard 8 not to disclose the details of transactions with fellow subsidiaries of Abbey National plc.

16. ULTIMATE PARENT COMPANY

The company's immediate holding company is First National Vehicle Holdings Limited, which is registered in England and Wales.

The company's ultimate holding company and controlling party at 31 December 1999 was Abbey National plc which is registered in England, and is the parent of the largest and smallest group to consolidate these accounts.

Copies of the consolidated accounts for Abbey National plc may be obtained from:

Abbey House
 Baker Street
 London
 NW1 6XL