

REPORT OF THE DIRECTORS**FOR THE PERIOD FROM 2 SEPTEMBER 1994 TO 31 JANUARY 1996**

The company was incorporated on 2 September 1994.

The Directors hereby submit their Report and the accounts for the period from 2 September 1994 to 31 January 1996.

During the above financial period the company has not traded and there has been no income or expenditure and therefore no change in the company's position has arisen. Any expenses have been met by the immediate parent undertaking.

Directors' accounting responsibilities

The Directors are required by the Companies Act 1985 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 period and of the profit or loss for the period. The Directors consider that in preparing these financial statements 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 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. 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.

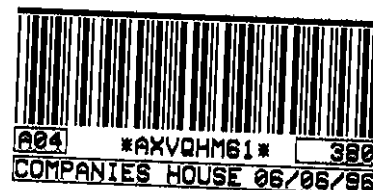
Changes of name and accounting reference date

The company changed its name from I.M. Financial Services Limited to Rashpal Limited on 13 January 1995 and from Rashpal Limited to First Retail Finance (Chester) Limited on 13 November 1995. The company changed its accounting reference date from 28 February to 31 January.

Directors

The Directors of the company as at 31 January 1996 were:-

P. Gittins	S.A. Rowe
R. Littler	J.E. Rowley
R.J. Mee	



Mr. P.Gittins and Mrs. H.M. Lakin were appointed as Directors on 2 September 1994. Mrs.H.M.Lakin resigned as a Director, and Mr. S.A. Rowe was appointed as a Director, on 6 April 1995. Messrs. R.Littler, R.J. Mee and J.E. Rowley were appointed as Directors on 8 November 1995.

The interests of Messrs. R. Littler and R.J. Mee in the companies within the Bank of Scotland Group, and options to subscribe for Bank of Scotland 25p Stock Units granted or exercised during the period, are disclosed in the accounts of NWS BANK plc, the immediate parent undertaking. The interests of the other Directors were as follows:-

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REPORT OF THE DIRECTORS (continued)

Directors (continued)

Bank of Scotland Ordinary Stock Units of 25p eachBeneficially ownedAt date appointedAt 31 January 1996

P. Gittins	-	717
S.A. Rowe	1,110	3,190
J.E. Rowley	5,815	5,869

Executive Stock Options

	Options held as at <u>date appointed</u>	Options <u>granted</u>	Options <u>exercised</u>	Options held as at <u>31.1.96</u>	Weighted average exercise <u>price</u>	Market price at date of <u>exercise</u>	Closing weighted average exercise <u>price</u>	Date Options <u>exercisable</u>
								1996 to:
J.E. Rowley	18,000	-	-	18,000	-	-	227.42p	2005

No options lapsed during the period. Options were granted on 1 November 1994 at a price of 201.5p per stock unit and on 17 October 1995 at a price of 259.83p per stock unit. The exercise price for Options granted under the Executive Stock Option Scheme is the market price at the date of grant.

Savings Related Stock Options

	Options held as at <u>date appointed</u>	Options <u>granted</u>	Options <u>exercised</u>	Options held as at <u>31.1.96</u>	Weighted average exercise <u>price</u>	Market price at date of <u>exercise</u>	Closing weighted average exercise <u>price</u>	Date Options <u>exercisable</u>
								1996 to:
J.E. Rowley	8,899	-	-	8,899	-	-	164.64p	2003
S.A. Rowe	2,796	1,978	-	4,774	-	-	167.41p	2003

No options lapsed during the period. Options were granted on 1 November 1994 at a price of 163.6p per stock unit and on 7 November 1995 at a price of 207.864p per stock unit. The exercise price for Options granted under the Savings Related Stock Option Scheme is 80% of the market price at the date of grant.

The market price of the Stock at 31 January 1996 was 295.5p and the range during the period was 191.5p to 316p.

Full details of the Directors' shareholdings and options are contained in the Register of Directors' Interests which is available for inspection.

The Articles of Association do not provide for the retirement of Directors by rotation.

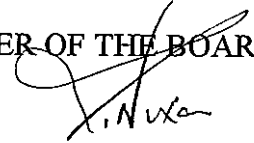
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REPORT OF THE DIRECTORS (continued)

Auditors

Ernst & Young, Chartered Accountants, were appointed as auditors during the period. Ernst & Young have expressed their willingness to continue in office as auditors and a resolution proposing their re-appointment will be submitted at the Annual General Meeting.

BY ORDER OF THE BOARD



R. NIXON
Secretary

NWS House
City Road
CHESTER

29 February 1996

REPORT OF THE AUDITORS
to the members of First Retail Finance (Chester) Limited

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We have audited the attached accounts which have been prepared under the historical cost convention and on the basis of the stated accounting policies.

Respective responsibilities of directors and auditors

As described in the directors' report 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.

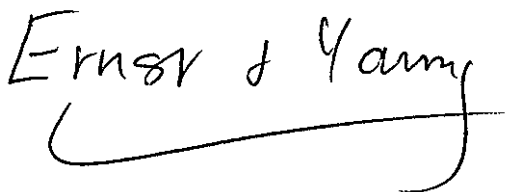
Basis of opinion

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 information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 31 January 1996 and have been properly prepared in accordance with the Companies Act 1985.



ERNST & YOUNG
Chartered Accountants
Registered Auditor
LIVERPOOL

19 March 1996

BALANCE SHEET AS AT 31 JANUARY 1996

AMOUNT OWED BY IMMEDIATE PARENT UNDERTAKING £

NWS BANK plc	<u>100</u>
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SHARE CAPITAL

Authorised, allotted, called up and fully paid

50 'A' Ordinary shares of £1 each	50
50 'B' Ordinary shares of £1 each	<u>50</u>
	<u>100</u>

NOTES ON THE ACCOUNTS

1. ACCOUNTING POLICIES

Accounting convention

The accounts have been prepared on a going concern basis under the historical cost convention and in accordance with applicable Accounting Standards and with S226 of, and schedule 4 to, the Companies Act 1985.

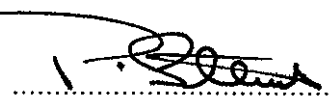
2. PROFIT AND LOSS ACCOUNT

The company has not traded during the period and has made neither a profit nor a loss. No profit and loss account has therefore been prepared.

3. PARENT UNDERTAKINGS

The parent undertaking of the largest group of undertakings for which group accounts are drawn up and of which the company is a member is the Governor and Company of the Bank of Scotland, constituted by Act of the Scottish Parliament in 1695, and the parent undertaking of the smallest such group is NWS BANK plc, registered in England and Wales. Copies of Bank of Scotland's accounts can be obtained from The Mound, Edinburgh and copies of NWS BANK plc's accounts can be obtained from City Road, Chester.

Approved by the Board of Directors on 29 February 1996 and signed on its behalf by

 DIRECTOR
P. GITTINS