

Company No: 1899316

COUNTY NATWEST VENTURES (GROUP) LIMITED

REPORT AND ACCOUNTS

31 DECEMBER 1996



COUNTY NATWEST VENTURES (GROUP) LIMITED

REPORT OF THE DIRECTORS

The directors present their annual report together with the audited financial statements of the Company for the year ended 31 December 1996.

PRINCIPAL ACTIVITY AND REVIEW OF BUSINESS

The principal activity of the Company is that of an investment holding company for the National Westminster Bank Plc venture capital subsidiary undertakings.

On 31 December 1996 the Company acquired County NatWest Limited from National Westminster Bank Plc for £10,000,000.

RESULTS AND DIVIDENDS

The profit for the year on ordinary activities before taxation amounted to £48,750,000 (1995: £15,000,000) on which there was a taxation charge of £9,750,000 (1995: £3,000,000). Interim dividends totalling £39,000,000 were declared during the year (1995: £12,000,000). The directors do not recommend the payment of a final dividend (1995: £Nil).

DIRECTORS

The directors who held office during the financial year were as follows:

P Myners (Chairman) (appointed 3 July 1996)
K H Churchman (appointed 28 November 1996)
G Dewhurst
C C McCann
D R Shaw
H A Shaw
P M Whitney (resigned 31 December 1996)

On 28 April 1997 G P Jones was appointed alternate to P Myners and M I Cameron was appointed alternate to H A Shaw.

COUNTY NATWEST VENTURES (GROUP) LIMITED

REPORT OF THE DIRECTORS (continued)

DIRECTORS' INTERESTS

The directors had no interests in the share capital of the Company at any time during the year.

The interests of the directors in the share capital of National Westminster Bank Plc, the ultimate parent undertaking, were as follows:

	1 January 1996 *		31 December 1996	
	Ordinary shares of £1	Options	Ordinary shares of £1	Options
P Myners	-	-	-	379
K H Churchman	-	252	-	252
G Dewhirst	9,735	1,933	9,130	2,312
C C McCann	-	1,380	1,936	1,594
D R Shaw	4,259	553	5,582	932
H A Shaw	13,876	49,173	15,681	49,387
P M Whitney	32,669	77,264	33,915	77,264

* or date of appointment, if later.

The options disclosed above were granted pursuant to the National Westminster Bank Plc executive share option scheme and savings-related share option scheme.

Options granted pursuant to the executive share option scheme were granted on various dates, for no consideration, and are exercisable between the third and tenth anniversaries of the date of grant at prices between £4.93 and £5.90 per share.

Options granted pursuant to the savings-related share option scheme were granted on various dates, for no consideration and are exercisable three or five years after the date of grant at prices between £2.61 and £5.46 per share.

The directors had no other interests in the shares or debentures of any other group company.

MEDIUM TERM EQUITY PLAN

During 1996, certain NatWest 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 a stretching performance condition.

COUNTY NATWEST VENTURES (GROUP) LIMITED

REPORT OF THE DIRECTORS (continued)

MEDIUM TERM EQUITY PLAN (continued)

As at 31 December 1996, 1,234, 032 (1995: 375,881) shares were held by the independent trustee for the Plan and, in the terms of the trust deed setting up the Plan, all employees and directors are deemed to have an interest as potential discretionary beneficiaries in those ordinary shares.

AUDITORS

KPMG resigned as auditors on 26 September 1996 when KPMG Audit Plc were appointed.

The Company has passed an Elective Resolution to dispense with the annual appointment of auditors; accordingly KPMG Audit Plc remain in office.

By Order of the Board



S E Lewis
Secretary

Date: 27 August 1997

COUNTY NATWEST VENTURES (GROUP) LIMITED

DIRECTORS' STATEMENT OF RESPONSIBILITIES FOR FINANCIAL REPORTING

The following statement, which should be read in conjunction with the Report of the Auditors on page 5, is made to enable shareholders to distinguish the respective responsibilities of the directors and of the auditors in relation to the financial statements.

The directors are required by the Companies Act 1985 to prepare, for each financial year, financial statements which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit for that financial year.

The directors confirm that the financial statements set out on pages 6 to 12 have been prepared on the going concern basis and consider that in preparing those 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 to be 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.


The Board of Directors is responsible for the Company's system of internal financial control. The responsibility for its day-to-day operation is delegated to executive management which has established and disseminated clearly defined Company policies and standards. The Company's system of internal financial control is designed to provide reasonable, but not absolute, assurance

- as to the reliability and integrity of the accounts
- that assets are safeguarded and only authorised transactions are entered into
- that fraud and other irregularities are prevented and detected.

In devising internal financial controls, the Board has regard to the materiality of the relevant financial risk, the likelihood of the risk crystallising and the costs of the control.

The system of internal control is subject to close scrutiny by management and internal audit.

For and on behalf of the Board of Directors

 Director

D R Shaw

27 August 1997

**REPORT OF THE AUDITORS KPMG AUDIT PLC
TO THE MEMBERS OF COUNTY NATWEST VENTURES (GROUP) LIMITED**

We have audited the financial statements on pages 6 to 12.

Respective responsibilities of directors and auditors

As described on page 4 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 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor
London

27 August 1997

COUNTY NATWEST VENTURES (GROUP) LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 1996

	Notes	1996 £'000	1995 £'000
Income from Investment in Group Undertaking	2	48,750	15,000
		-----	-----
Profit on Ordinary Activities before Taxation	3	48,750	15,000
Taxation	4	(9,750)	(3,000)
		-----	-----
Profit on Ordinary Activities after Taxation		39,000	12,000
Dividends	5	(39,000)	(12,000)
		-----	-----
Retained profit for the financial year		-	-
		=====	=====

The results above relate to continuing operations. The Company has no recognised gains or losses other than those included in the profit and loss account above. Therefore, no statement of recognised gains or losses is included.

STATEMENT OF REVENUE RESERVES

	1996 £'000	1995 £'000
Balance at 1 January	4	4
Retained profit for the financial year	-	-
	-----	-----
Balance at 31 December	4	4
	=====	=====

COUNTY NATWEST VENTURES (GROUP) LIMITED

BALANCE SHEET

31 DECEMBER 1996

	Notes	1996 £'000	1995 £'000
FIXED ASSETS			
Investments	8	46,798	35,088
CREDITORS: Amounts falling due within one year	9	(11,794)	(84)
		-----	-----
NET CURRENT LIABILITIES		(11,794)	(84)
		-----	-----
TOTAL ASSETS LESS CURRENT LIABILITIES		35,004	35,004
		=====	=====
CAPITAL AND RESERVES			
Called-up share capital	10	35,000	35,000
Profit and loss account		4	4
		-----	-----
EQUITY SHAREHOLDERS' FUNDS	12	35,004	35,004
		=====	=====

These financial statements were approved by the Board of Directors on *27 August* 1997 and were signed on its behalf by:

D R Shaw Director
D R Shaw
27 August 1997

The notes on pages 8 to 12 form part of these financial statements.

COUNTY NATWEST VENTURES (GROUP) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 1996

1. ACCOUNTING POLICIES

(a) Accounting Convention

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

(b) Group Accounts

Group accounts have not been prepared. The Company is a wholly-owned subsidiary of another company incorporated in Great Britain and is therefore exempt from the requirement to prepare group accounts by virtue of S228 of the Companies Act 1985. Consolidated accounts are prepared by the ultimate parent company.

(c) Cash Flow Statement

Under Financial Reporting Standard 1 (revised), the Company is exempt from the requirement to prepare a cash flow statement on the grounds that more than 90% of the voting rights are controlled within the group and a consolidated cash flow is included in the ultimate parent company's financial statements which are publicly available.

(d) Related Party Transactions

Under Financial Reporting Standard 8, the Company is exempt from the requirement to disclose related party transactions within the group on the grounds that more than 90% of the voting rights are controlled within the group and the consolidated financial statements of the ultimate parent company are publicly available.

(e) Investments

Investments in subsidiary undertakings are stated at cost less amounts written off. Provisions are only made where in the opinion of the Directors there is a permanent diminution in value.

Only dividends received and receivable from subsidiary undertakings are credited to the Company's profit and loss account.

(f) Taxation

Corporation tax is provided on taxable profits at the current rate of UK Corporation Tax.

2. INCOME FROM INVESTMENT IN GROUP UNDERTAKING

	1996	1995
	£'000	£'000
Dividends Received - Unlisted investments	48,750	15,000
	=====	=====

COUNTY NATWEST VENTURES (GROUP) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 1996

3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Audit fees are borne by the company's subsidiary undertaking Natwest Ventures Limited and are disclosed in that company's Financial Statements for the year ended 31 December 1996.

4. TAXATION	1996 £'000	1995 £'000
Tax credits on UK dividends received	9,750	3,000

5. DIVIDENDS

	1996 £'000	1995 £'000
Interim Dividend Paid: 111.4p per share	39,000	12,000

6. DIRECTORS' REMUNERATION

None of the directors received any remuneration for their services to the Company during the year (1995: nil).

7. EMPLOYEES

The Company did not employ any personnel during the year (1995: nil).

8. INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

The Company owns 100% of the ordinary share capital of the following subsidiary undertakings:

Company	Country of Incorporation	Activity
NatWest Ventures (GP) Limited (Registered in England & Wales)	UK	General Partner to UK Limited Partnerships
NatWest Ventures (Nominees) Limited (Registered in England & Wales)	UK	Dormant

COUNTY NATWEST VENTURES (GROUP) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 1996

8. INVESTMENTS IN SUBSIDIARY UNDERTAKINGS (continued)

NatWest Ventures Limited (Registered in England & Wales)	UK	Venture capital management
NatWest Ventures Investments Limited (Registered in England & Wales)	UK	Provision of venture capital
NatWest Ventures S.A.(Registered in Spain)	Spain	Venture capital management
NatWest Ventures Italia SpA (Registered in Italy)	Italy	Venture capital advisory
NatWest Private Equity Limited (Registered in England & Wales)	UK	Venture capital management
County NatWest Limited (Registered in England & Wales)	UK	Provision of venture capital

Investments in subsidiary undertakings are stated at cost and in the opinion of the Directors the value of the investment in subsidiary undertakings is not less than the amount at which they are included in the accounts.

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1996 £'000	1995 £'000
Amounts owed to fellow subsidiary undertaking	11,664	79
Amounts owed to subsidiary undertakings	130	5
	-----	-----
	11,794	84
	=====	=====

COUNTY NATWEST VENTURES (GROUP) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 1996

10. CALLED-UP SHARE CAPITAL

	1996 £'000	1995 £'000
Authorised:		
Ordinary shares of £1 each	35,000	35,000
	=====	=====
Issued and fully paid:		
Ordinary shares of £1 each	35,000	35,000
	=====	=====

11. CONTINGENT LIABILITIES

The Company is registered with H M Customs and Excise as a member of the National Westminster Bank Plc group for VAT purposes and consequently is jointly and severally liable on a continuing basis for amounts owing by other members of the group in respect of unpaid VAT.

12. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Share capital	Profit & loss account	Total shareholders' funds
	£	£	£
Balance at 1 January 1996	35,000	4	35,004
Retained profit for the financial year	-	-	-
	-----	-----	-----
Balance at 31 December 1996	35,000	4	35,004
	=====	=====	=====

COUNTY NATWEST VENTURES (GROUP) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 1996

13. ULTIMATE PARENT UNDERTAKING

The company's ultimate holding company is National Westminster Bank Plc. Both companies are incorporated in Great Britain and registered in England and Wales. The results of County NatWest Ventures (Group) Limited are consolidated in the group financial statements of National Westminster Bank Plc. These are the largest group of undertakings and smallest group of undertakings which include the results of County NatWest Ventures (Group) Limited in their consolidated financial statements.

Copies of the financial statements of National Westminster Bank Plc are available at their registered office at 41 Lothbury, London, EC2P 2BP.