

HERBERT (7) PLC

REPORT AND ACCOUNTS

For the period ended 30 September 1995



DIRECTORS' REPORT

The directors present their report and audited financial statements for the period from incorporation on 1 September 1994 to 30 September 1995.

ACTIVITIES

The company purchased 7,500,000 £1 ordinary shares in The National Mortgage Bank PLC from its ultimate parent company for 10 pence during September 1994. Subsequently, the shares were sold at cost to the Bank of England. There have been no other transactions during the period.

DIRECTORS

The directors of the company during the period were :

N S Terrington (appointed 1 September 1994, resigned 5 September 1995)

R D Shelton (appointed 1 September 1994)

N Keen (appointed 5 September 1995)

Mr N Keen is a director of the ultimate parent company, National Home Loans Holdings PLC. Accordingly, his interests in the shares of the parent company and other group companies are disclosed in that company's directors' report.

Mr R D Shelton is an employee of National Home Loans Holdings PLC. At 30 September 1995 he had beneficial interests in the share capital of that company of 118,531 ordinary shares of 10p each (26,639 ordinary shares of 15p each and 177,594 convertible preference shares of £1 each at the date of his appointment) under share option schemes. He had no further interests in the shares of group companies.

None of the directors had any interest either during or at the end of the period in any material contract or arrangement with the company.

None of the directors had a service contract with the company.

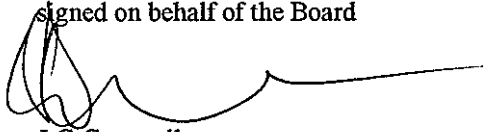
INSURANCE FOR DIRECTORS AND OFFICERS

During the period the company maintained effective insurance for directors and officers against liabilities in relation to the company.

AUDITORS

Touche Ross & Co. have expressed their willingness to continue in office as auditors and a resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors and
signed on behalf of the Board



J G Gemmell
Secretary

30 January 1996

STATEMENT OF DIRECTORS' RESPONSIBILITIES
in relation to Financial Statements

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 financial period and of the profit or loss for the financial period. As required, in the absence of any circumstances which would make it inappropriate, the financial statements have been prepared on a going concern basis.

The directors consider that in preparing the financial statements (on page 4), 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 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 directors 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.

**AUDITORS' REPORT
TO THE MEMBERS OF HERBERT (7) PLC**

We have audited the financial statements on page 4 which have been prepared under the accounting policies set out on page 4.

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 those statements and to report our opinion to you.

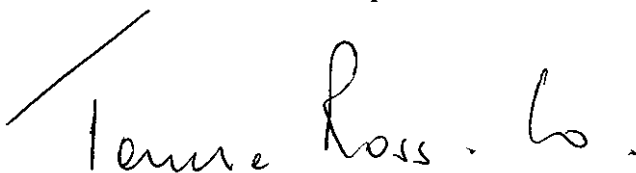
Basis of opinion

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.

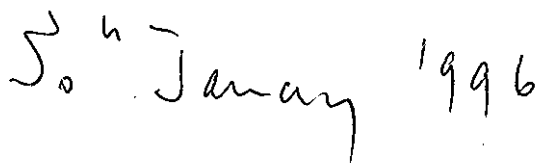
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity 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 30 September 1995 and of the result for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



Touche Ross & Co.
Chartered Accountants and Registered Auditors
Colmore Gate
2 Colmore Row
Birmingham
B3 2BN



BALANCE SHEET

At 30 September 1995

	Note	1995 £
ASSETS EMPLOYED		
CURRENT ASSETS		
Amount owed by parent company		<u>12,500</u>
FINANCED BY		
EQUITY SHAREHOLDERS' FUNDS		
Called up share capital	1	<u>12,500</u>

ACCOUNTING POLICY

The financial statements have been prepared in accordance with applicable accounting standards. The particular accounting policy adopted is described below.

The financial statements have been prepared using the historical cost convention.

NOTES TO THE ACCOUNTS

1. Authorised and allotted share capital consists of 50,000 ordinary shares of £1 each. The allotted share capital is 25p partly paid.
2. The company purchased 7,500,000 £1 ordinary shares in The National Mortgage Bank PLC from its ultimate parent company for 10 pence during September 1994. Subsequently, the shares were sold at cost to the Bank of England. There have been no other transactions during the period. Consequently, no profit and loss account has been prepared.
3. The company's ultimate parent company is National Home Loans Holdings PLC, a company registered in England and Wales. Copies of the group's financial statements are available from that company's registered office at St Catherine's Court, Herbert Road, Solihull, West Midlands, B91 3QE.

These financial statements were approved by the Directors on 30 January 1996

Signed on behalf of the Board of Directors.

R. D. Shelton

R D Shelton
Director