

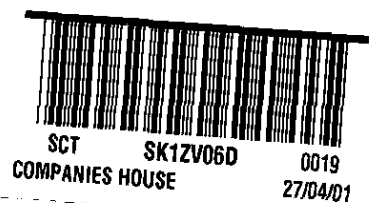
Clydesdale Bank Insurance Brokers Limited

**Directors' report and financial
statements**

Registered number SCO47926

30 September 2000

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Contents

Officers and professional advisers	1
Directors' report	2
Statement of directors' responsibilities	3
Report of the auditors to the members of Clydesdale Bank Insurance Brokers Limited	4
Profit and loss account	5
Balance sheet	6
Notes	7

Officers and professional advisers

Directors

JR Wright	(resigned 30 June 2000)
HJ Thomson	
GD McKee	(resigned 31 May 2000)
JE Queen	(resigned 30 June 2000)
B Long	(appointed 27 September 2000)
I Walker	(appointed 24 October 2000)

Secretary

JL Shirran

Registered office

30 St. Vincent Place
Glasgow
G1 2HL

Registered number

SCO47926

Auditors

KPMG Audit Plc
Chartered Accountants
24 Blythswood Square
Glasgow
G2 4QS

Bankers

Clydesdale Bank PLC

A wholly owned subsidiary of Clydesdale Bank PLC, a member of the National Australia Bank Group.

Directors' report

The directors present their annual report and audited financial statements for the year ended 30 September 2000.

Principal activity

The company is an Insurance Broker as defined by the Insurance Brokers Registration Act 1977 whose principal activity continued to be Insurance Broking. The company transacts business as Agent for its clients in both Life and Pensions and General Insurance fields, and is required to comply with the requirements of the Financial Services Act and the rules of the Personal Investment Authority.

The company operates from locations throughout Scotland, parts of England and currently has a complement of 143 staff.

Results and dividends

The trading profit for the year, after taxation, amounted to £14,724,610 (1999: £11,749,442). An interim dividend of £12.5 million was paid during the year. The directors do not propose to recommend the payment of a final dividend for the year.

Directors and their interests

The names of the current directors and those who served during the year are set out on page 1.

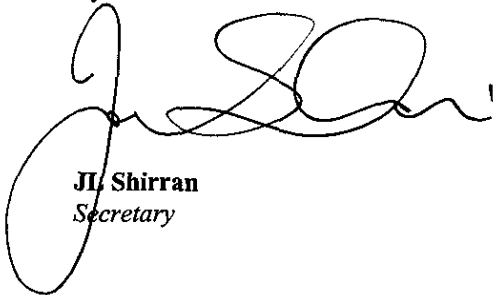
None of the directors held shares in the company or in any other UK group company during the year.

In terms of the Articles of Association of the company, no directors require to retire by rotation.

Elective regime

In accordance with the provisions of the Companies Act 1985, as amended, the company has elected to dispense with the laying of financial statements before a general meeting, the holding of annual general meetings and the obligation to appoint auditors annually.

By order of the board



J. Shirran
Secretary

30 St. Vincent Place
Glasgow
G1 2HL

24 October 2000

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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 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.



KPMG Audit Plc

24 Blythswood Square

Glasgow

G2 4QS

United Kingdom

Report of the auditors to the members of Clydesdale Bank Insurance Brokers Limited

We have audited the financial statements on pages 5 to 12.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

Basis of audit 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 2000 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

24 October 2000

Profit and loss account
for the year ended 30 September 2000

	<i>Note</i>	2000 £	1999 £
Turnover	2	25,736,319	21,980,019
Administrative expenses		(6,117,351)	(6,208,050)
Operating profit	3	19,618,968	15,771,969
Interest receivable	6	1,427,352	1,150,104
Profit on ordinary activities before taxation		21,046,320	16,922,073
Tax on profit on ordinary activities	7	(6,321,710)	(5,172,631)
Profit on ordinary activities after taxation		14,724,610	11,749,442
Dividends paid - equity		(12,500,000)	(10,500,000)
Retained profit for the financial year		2,224,610	1,249,442
Retained profit brought forward		7,248,572	5,999,130
Retained profit carried forward		9,473,182	7,248,572

All items dealt with in arriving at the operating profit for 2000 and 1999 relate to continuing operations.

Clydesdale Bank Insurance Brokers Limited have no recognised gains or losses other than the profit for the period (1999: £Nil).

Balance sheet
at 30 September 2000

	<i>Note</i>	2000	1999
		£	£
Fixed assets			
Tangible assets	8	7,298	20,842
Current assets			
Debtors	9	4,378,883	2,773,250
Cash at bank and in hand		18,751,156	17,166,629
		<u>23,130,039</u>	<u>19,939,879</u>
Creditors: amounts falling due within one year	10	(9,270,318)	(7,721,719)
Net current assets		<u>13,859,721</u>	<u>12,218,160</u>
Total assets less current liabilities		<u>13,867,019</u>	<u>12,239,002</u>
Creditors: amount falling due after more than one year	10	(1,500,000)	(1,500,000)
Provisions for liabilities and charges	11	(2,543,837)	(3,140,430)
		<u>9,823,182</u>	<u>7,598,572</u>
Capital and reserves			
Called up share capital	12	350,000	350,000
Profit and loss account		9,473,182	7,248,572
Shareholders' funds: all equity	13	<u>9,823,182</u>	<u>7,598,572</u>

These financial statements were approved by the board of directors on 24 October 2000 and were signed on its behalf by:


HJ Thomson
 Director

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Accounting convention

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

Insurance Commissions

During the year the Company changed its policy in relation to income recognition on general insurance policies. The previous policy recognised commission when premiums became due. The revised policy recognises commission when commission is earned. The revised policy achieves some conformity with a fellow subsidiary company within the National Australia Group Europe Limited group and is believed to be more prudent. The change in policy has no significant impact on the results for the year ended 30 September 2000.

Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation, less estimated residual value, of each asset over its expected useful life, as follows:

Computer equipment	-	20% straight line
Plant and machinery	-	20% straight line
Office equipment	-	10% straight line

Pension costs

Pension costs charged to the profit and loss account represent the contributions payable in respect of the accounting period.

Deferred taxation

Deferred taxation is provided on timing differences only to the extent that it is probable that an actual liability or asset will crystallise.

Leasing

Rentals paid under operating leases are charged to income on a straight line basis over the lease term.

2 Turnover

The company's turnover arises from commission earned on insurance premiums payable in respect of insurance policies and profit sharing on underwriting. Turnover includes £4,169,312 (1999: £4,565,017) in respect of profit sharing received from underwriters.

Notes (continued)

3 Operating profit

	2000 £	1999 £
<i>This is stated after charging/(crediting):</i>		
Auditors' remuneration including expenses:		
Audit	6,421	6,233
Other services	7,875	6,526
Depreciation	13,544	25,491
Profit on sale of fixed assets	5,899	(7,271)
	<hr/>	<hr/>

4 Staff costs

	2000 £	1999 £
Wages and salaries	2,974,053	2,568,382
Social security costs	277,258	223,800
Other pension costs	586,303	414,501
	<hr/>	<hr/>
	3,837,614	3,206,683
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The average number of employees during the year was:

	Number of employees	
	2000	1999
General	78	72
Administration	14	13
Life and pensions (including sales)	57	52
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	149	137
	<hr/>	<hr/>

The company is a member of the Clydesdale Bank Pension Scheme, a funded defined benefit scheme. Actuarial details of the scheme are contained in the financial statements of the Clydesdale Bank PLC.

The pension charge for the year was £586,303 (1999: £414,501) representing a proportionate share of the Clydesdale Bank PLC Group's total contribution.

Notes (continued)

5 Directors' remuneration

	2000 £	1999 £
Directors' emoluments	89,007	112,202

The emoluments, excluding pension contributions, of the highest paid director amounted to £67,771 (1999: £64,751). During the year two of the current directors accrued benefits under the Clydesdale Bank Pension Scheme, a funded defined benefit scheme.

6 Interest receivable

	2000 £	1999 £
Bank interest received (net)	1,427,352	1,150,104

All interest receivable and payable is derived from and paid to the immediate parent undertaking, Clydesdale Bank PLC.

7 Tax on profit on ordinary activities

	2000 £	1999 £
Based on the profit for the year:		
Corporation tax at 30% (1999: 30.5%)	6,071,226	5,670,509
Deferred tax	250,484	(497,878)
	<u>6,321,710</u>	<u>5,172,631</u>

Notes (continued)

8 Tangible fixed assets

	Office equipment £	Motor vehicles £	Computer equipment £	Total £
Cost				
At beginning of year	189,313	22,561	515,179	727,053
Disposals	-	(22,561)	-	(22,561)
At end of year	189,313	-	515,179	704,492
Depreciation				
At beginning of year	175,535	22,561	508,115	706,211
Provided during year	8,707	-	4837	13,544
Disposals	-	(22,561)	-	(22,561)
At end of year	184,242	-	512,952	697,194
Net book value				
At 30 September 2000	5,071	-	2,227	7,298
At 30 September 1999	13,778	-	7,064	20,842

9 Debtors

	2000 £	1999 £
Amounts owed by group undertakings	1,749,408	1,564,373
Prepayments and accrued income	2,629,475	1,208,877
	4,378,883	2,773,250

10 Creditors

Amounts falling due within one year:

	2000 £	1999 £
Trade creditors	3,916,739	3,492,117
Corporation tax	4,053,475	4,048,510
Accruals and deferred income	1,300,104	181,092
	9,270,318	7,721,719

Amounts falling due after more than one year:

	2000 £	1999 £
Amounts due to parent company	1,500,000	1,500,000

During October 1996, Clydesdale Bank PLC granted a sub-ordinated loan of £1.5 million to the company.

Notes (continued)

11 Provisions for liabilities and charges

	2000 £	1999 £
Provision for compensation payments	3,659,347	4,506,424
Deferred tax	(1,115,510)	(1,365,994)
	<u>2,543,837</u>	<u>3,140,430</u>

Movements during the year are summarised as follows:

	Provision for compensation payments £	Deferred tax £	Total £
At beginning of year	4,506,424	(1,365,994)	3,140,430
Charge for the year	650,000	250,484	900,484
	<u>5,156,424</u>	<u>(1,115,510)</u>	<u>4,040,914</u>
Utilisation in year	(1,497,077)	-	(1,497,077)
	<u>3,659,347</u>	<u>(1,115,510)</u>	<u>2,543,837</u>

On the basis of the accounting policy set out in note 1, deferred taxation, calculated at the expected rate of crystallisation, comprises:

	2000		1999	
	Provided £	Unprovided £	Provided £	Unprovided £
Excess of capital allowances over depreciation	(11,707)	-	(14,067)	-
Other timing differences	(1,103,804)	-	(1,351,927)	-
	<u>(1,115,511)</u>	<u>-</u>	<u>(1,365,994)</u>	<u>-</u>

Provision has been made to cover the potential costs associated with the resolution of claims against the Company in respect of pension advice given.

12 Share capital

	2000 £	1999 £
<i>Authorised, allotted, called up and fully paid:</i>		
350,000 ordinary shares of £1 each	<u>350,000</u>	<u>350,000</u>

Notes (continued)

13 Reconciliation of movement in shareholders' funds

	2000 £	1999 £
Profit for the financial year	14,724,610	11,749,442
Dividends – equity	(12,500,000)	(10,500,000)
Retained profit for the financial year	2,224,610	1,249,442
Opening shareholders' funds	7,598,572	6,349,130
Closing shareholders' funds	9,823,182	7,598,572

14 Commitments

There were no capital commitments at the end of the financial year (1999: £Nil).

15 Cash flows

Under Financial Reporting Standard 1 (revised 1996) the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published financial statements.

16 Related party transactions

Under Financial Reporting Standard 8 companies which are wholly owned subsidiaries of a parent whose consolidated financial statements in which the subsidiaries' results are included are publicly available, are granted exemption from disclosing inter-group transactions. The company is such a subsidiary undertaking and accordingly has not disclosed such transactions.

17 Parent undertakings

The largest and smallest groups in which the results of the company are consolidated are those headed by the following:

	<i>Name of parent undertaking</i>	<i>Place of registration</i>	<i>Place of incorporation</i>	<i>Address from which group accounts available to public</i>
Largest group	National Australia Bank Limited	-	Australia	500 Bourke Street, Melbourne, Australia
Smallest group	Clydesdale Bank PLC	Scotland	-	30 St. Vincent Place, Glasgow, Scotland