

Company Number: SCO47926

CLYDESDALE BANK INSURANCE BROKERS LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS

30 SEPTEMBER 2003



**CLYDESDALE BANK INSURANCE BROKERS LIMITED
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Contents	Page
Report of the Directors	2 - 3
Statement of Directors' Responsibilities	4
Independent Auditors' Report	5
Profit and Loss Account	6
Reconciliation of Movement in Shareholders' Funds	7
Balance Sheet	8
Notes to the Financial Statements	9 - 15

**CLYDESDALE BANK INSURANCE BROKERS LIMITED
REPORT OF THE DIRECTORS**

The Directors of Clydesdale Bank Insurance Brokers Limited (the Company) submit their annual report and audited financial statements for the year ended 30 September 2003.

Principal Activity and Review of Business

The principal activity of the Company, which operates in the United Kingdom, is the provision of insurance and financial planning services. There has been no significant change in the Company's activities during the year.

Profits and Appropriations

The loss attributable to shareholders for the year ended 30 September 2003 amounted to £3,110,000 (2002: profit £19,876,000). The Directors recommend that no dividend is paid in respect of the year ended 30 September 2003 (2002: £24,800,000). There is a profit of £1,550,000 (2002: £4,660,000) carried forward in reserves.

Directors and Directors' Interests

	Date Appointed	Date Resigned
K Daniels	02/01/03	
B Long		20/11/02
G Mulcahy	29/10/03	
P Munting	03/02/03	
R Nicholson	08/11/02	
P Rogan	30/10/02	
H Thomson		
I Walker		18/02/03

Company Secretary

C Aujard

No Director has any interest in the shares or debentures of any Group company incorporated in the United Kingdom or Ireland.

As the Company is a wholly owned subsidiary of National Australia Bank Limited, which is incorporated in Australia, any interest which the Directors may have in National Australia Bank Limited does not need to be either notified to the Company or disclosed in this report.

Employee Involvement

The Group carries out an information programme to keep staff informed of business objectives and results. This is achieved through regular meetings, circulars, bulletins and specially commissioned videos as well as training courses for staff.

Under the UK National Share Incentive Plan employees are entitled to purchase up to £1,500 worth of NAB shares each year through the National Partnership Share Plan. Participants contribute each month and the trustee uses the contributions to purchase shares, which are then held in trust for the participants. Participants are entitled to receive dividends and exercise voting rights in respect of these shares and there is no risk of forfeiture. In addition, up to £3,000 of free shares may be gifted to employees per annum through the plan.

CLYDESDALE BANK INSURANCE BROKERS LIMITED
REPORT OF THE DIRECTORS (continued)

Employment of Disabled Persons

It is the policy of the Group to promote equality of employment opportunities by giving full and fair consideration to applications from disabled people for vacancies where particular job requirements are considered to be within their ability. If existing employees become disabled every effort is made to retain them within the workforce wherever reasonable and practicable. The Group also endeavours to provide equal opportunities in the training, promotion and general career development of disabled employees.

Payment of Suppliers

The Group does not follow any code or statement on payment practice but recognises the importance of maintaining good business relationships with its suppliers and is committed to paying all invoices within 30 days of invoice date or otherwise within agreed terms. As part of this commitment the administrative operations of the Company have been transferred to a subsidiary service company and consequently at the financial year end the Company had no external supplier credit balances. At the financial year the average period taken for the service company to pay suppliers was 33 days.

Charitable and Political Donations

The total amount given for charitable purposes by the Company during the year ended 30 September 2003 was £NIL (2002: £NIL).

No political donations were made during either year.

Corporate Governance

It is the Company's policy not to include all of the discretionary disclosures in respect of voluntary corporate governance Codes of Practice as it is a wholly owned subsidiary of NAB. The NAB Group's 2003 Annual Financial Statements detail the Corporate Governance framework applicable to the Company and its subsidiaries. These disclosures are made after consideration of authoritative pronouncements on audit committees and associated disclosures in Australia, USA, the United Kingdom and the Republic of Ireland.

Economic and Monetary Union

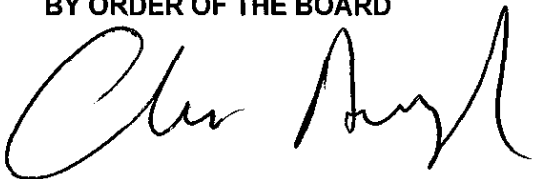
In the UK, the Government is committed to the UK entry into the Euro zone, subject to certain economic criteria being met and a national referendum in favour. This year saw an assessment of the test with only one criteria being met – the Government have committed to reassessing the test in April next year. Against this background, the Group has assessed the impact that UK entry might bring and has laid the foundations of a programme to prepare for such entry should it occur. The Group continues to monitor the position of the UK Government and industry developments so that it can ensure that its operations will not be disrupted whatever the eventual outcome. The Group is also ensuring that it can continue to service its customers as the use of the Euro in business evolves.

The uncertainty over the UK's involvement in the single currency and its timing prevent an accurate assessment of the scale and cost of the programme.

Elective Regime

In accordance with the provision 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



C Aujard
Secretary
29 October 2003

Registered Office:

30 St. Vincent Place
Glasgow
G1 2HL

CLYDESDALE BANK INSURANCE BROKERS LIMITED
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 its profit or loss for that financial year. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and 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

**CLYDESDALE BANK INSURANCE BROKERS LIMITED
INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
CLYDESDALE BANK INSURANCE BROKERS LIMITED**

We have audited the financial statements on pages 6 to 15.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, on or for the opinions we have formed.

Respective Responsibilities of Directors and Auditors

The Directors are responsible for preparing the Directors' Report and, as described on page 4, 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 1985. 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 2003 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



KPMG Audit Plc
Chartered Accountants
Registered Auditor
24 Blythswood Square
Glasgow

29 October 2003

CLYDESDALE BANK INSURANCE BROKERS LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 SEPTEMBER 2003

		Continuing Operations	
	Note	2003 £000	2002 £000
Turnover	2	2,985	14,360
Administrative Expenses	4	<u>(7,716)</u>	<u>(8,033)</u>
Operating (Loss)/Profit		(4,731)	6,327
Profit on Sale of General Insurance Business	5	-	14,800
Interest Receivable	6	<u>248</u>	<u>971</u>
(Loss)/Profit on Ordinary Activities before Taxation		(4,483)	22,098
Taxation on (Loss)/Profit on Ordinary Activities	7	<u>1,373</u>	<u>(2,222)</u>
(Loss)/Profit on Ordinary Activities after Taxation		(3,110)	19,876
Dividends paid		-	(14,800)
Dividends proposed		-	(10,000)
Retained (Loss) for the Financial Year		(3,110)	(4,924)
Retained Profit brought forward		<u>4,660</u>	<u>9,584</u>
Retained Profit carried forward		<u>1,550</u>	<u>4,660</u>

The Company has no recognised gains or losses other than those disclosed above. As a result no "Statement of Total Recognised Gains and Losses" has been prepared.

These accounts have been prepared on an unmodified historical cost basis.

The notes on pages 9 to 15 are an integral part of these financial statements.

CLYDESDALE BANK INSURANCE BROKERS LIMITED
RECONCILIATION OF MOVEMENT IN SHAREHOLDERS FUNDS
FOR THE YEAR ENDED 30 SEPTEMBER 2003

	2003 £000	2002 £000
(Loss)/Profit for the financial year attributable to the shareholder	(3,110)	19,876
Dividend Paid	-	(14,800)
Dividend Proposed	-	(10,000)
Opening shareholder's funds	<u>5,010</u>	<u>9,934</u>
Closing shareholder's funds	<u>1,900</u>	<u>5,010</u>

The notes on pages 9 to 15 are an integral part of these financial statements.

CLYDESDALE BANK INSURANCE BROKERS LIMITED
BALANCE SHEET
AS AT 30 SEPTEMBER 2003

	Note	2003 £000	2002 £000
FIXED ASSETS			
Tangible assets	8	343	419
CURRENT ASSETS			
Debtors	9	2,031	10,665
Cash at Bank		<u>5,845</u>	<u>10,460</u>
		7,876	21,125
CREDITORS			
Amounts falling due within one year	11	<u>(3,844)</u>	<u>(13,257)</u>
NET CURRENT ASSETS		<u>4,032</u>	<u>7,868</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		4,375	8,287
CREDITORS			
Amounts falling due after more than one year	12	(1,707)	(1,760)
PROVISIONS FOR LIABILITIES AND CHARGES	14	<u>(768)</u>	<u>(1,517)</u>
		<u>1,900</u>	<u>5,010</u>
CAPITAL AND RESERVES			
Called up share capital	15	350	350
Profit and Loss Account		<u>1,550</u>	<u>4,660</u>
		<u>1,900</u>	<u>5,010</u>

The notes on pages 9 to 15 are an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 29 October 2003 and were signed on its behalf by:


Director

CLYDESDALE BANK INSURANCE BROKERS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies

Basis of Preparation

In these financial statements Clydesdale Bank Insurance Brokers Limited is referred to as the "Company".

The financial statements of the Company have been drawn up in accordance with the applicable Accounting Standards and Urgent Issues Task Force Abstracts. The format of the financial statements for the Company complies with Schedule 4 to the Act.

In accordance with FRS1 "Cash Flow Statements (Revised 1996)", no cash flow statement is presented as the Company is a wholly owned subsidiary of National Australia Bank Limited which presents such a statement in its own financial statements.

The accounting policies used in the preparation of these financial statements are consistent with previous years.

Historical Cost

The financial statements are based on historical cost.

Currency of Presentation

All amounts are expressed in pounds sterling and all references to £ are to pounds sterling unless otherwise stated.

Comparatives

Certain comparatives have been reclassified to conform with changes in the current year's presentation.

Restatement of Prior Year Figures

The prior year comparative figures have been split between continuing operations and discontinued operations due to the sale of 1 March 2002 of the Company's general insurance operations to National Australia Insurance Services Limited.

Turnover

Turnover comprises commission on sales of non National Australia Bank Group life, pension and investment products by Independent Financial Advisers. Life and Pension business commission is recognised when the risks are accepted by the insurers.

Leasing

Where the Company is a lessee, leased assets are capitalised and the corresponding liability is recognised in creditors.

Bad and Doubtful Debts

A specific provision is established to cover all identified doubtful debts. All bad debts are written off against the provision in the period in which they are classified as irrecoverable.

CLYDESDALE BANK INSURANCE BROKERS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

1. Accounting Policies (continued)

Tangible Fixed Assets

Tangible fixed assets are carried at the lower of cost, less accumulated depreciation, and recoverable amount. If the carrying amount of tangible fixed assets exceeds its recoverable amount, the asset is written down to the lower amount.

All tangible fixed assets are depreciated using the straight line method, at rates appropriate to its estimated useful life to the Company, taking into account any residual value. Motor vehicles, furniture and office machinery and data processing equipment are depreciated over their estimated useful lives, which range from three to ten years.

Profit or loss on the sale of tangible fixed assets, which is determined as the difference between the carrying amount of tangible fixed assets at the time of disposal and the sale proceeds, is taken to the profit and loss account.

Pension and Post Retirement Costs

Contributions to pension schemes operated by National Australia Group Europe Limited and some of its subsidiaries are charged to the profit and loss account so as to spread the expected cost of pensions, calculated, in accordance with the actuarial advice, on a systematic basis over employees' working lives. Pension arrangements cover a majority of employees and are operated through defined benefit schemes funded by the Company. The pension cost relating to these schemes is assessed in accordance with advice of qualified actuaries, on the basis of triennial valuations, using the projected unit method. Variations from the regular cost are allocated on a straight line basis over the average remaining service lives of current employees.

Taxation

The Company provides for taxation using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation is accounted for on an undiscounted basis at expected tax rates on all timing differences which occur where items are tax-effected in a period different from that in which they are recognised in the financial statements, except as otherwise required by FRS 19. Deferred tax assets are only recognised when it is more likely than not that the asset will be recoverable in the foreseeable future out of suitable taxable profits from which the timing differences and tax losses can be deducted.

2. Turnover

Turnover comprises commission received from the provision of services falling within the Company's ordinary activities. All of the Company's turnover is generated in the United Kingdom.

3. Continuing and Discontinued Businesses

	Continuing Operations 2003 £000	Discontinued Operations 2002 £000	Continuing Operations 2002 £000	Total 2002 £000
Turnover	2,985	8,694	5,666	14,360
Admin Expenses	(7,716)	(4,194)	(3,839)	(8,033)
Operating (Loss)/Profit	(4,731)	4,500	1,827	6,327

CLYDESDALE BANK INSURANCE BROKERS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

4. Administrative Expenses

Administrative expenses includes:

	2003	2002
	£000	£000
Auditors' remuneration:		
Audit	15	8
Regulatory	14	4
Depreciation:		
Owned	26	28
Held under finance leases	85	58
Exceptional costs (note 16)	<u>2,478</u>	<u>-</u>

The Company is a wholly owned subsidiary of National Australia Bank Limited, which is required to comply with the Australian Corporations Act 2001 and the Australian Securities and Investments Commission's Class Order 98/2000 and 00/0319 pertaining to external audit indebtedness. The Company complies with the requirements of Class Order 98/2000 and 00/0319 in that no member of KPMG Australia is indebted to the Company unless such indebtedness is permitted under the terms of either of these class orders.

Staff costs and numbers:

	2003	2002
	£000	£000
Costs:		
Wages and salaries	1,793	2,215
Social Security Costs	179	273
Other Pension Costs	305	461
	<u>2,277</u>	<u>2,949</u>

Numbers

The average number of employees during the year was 72 (2002: 94).

The pension charge for the year was £305,000 (2002: £461,000) representing a proportionate share of the National Wealth Management Europe Holdings Limited Group's total contribution. The Company is a member of Clydesdale Bank Pension Scheme, a funded defined benefit scheme. Actuarial details of the scheme are contained in the financial statements of National Wealth Management Europe Holdings Limited.

Directors' remuneration:

	2003	2002
	£000	£000
Directors' emoluments	<u>153</u>	<u>95</u>

The emoluments, excluding pension contributions, of the highest paid director amounted to £90,000 (2002: £73,000). During the year one of the current Directors accrued benefits under the Clydesdale Bank Pension Scheme, a funded defined benefit scheme.

Certain other Directors were remunerated by other companies within the National Australia Group Europe Limited and no charge is made to the Company directly. It is not practicable to allocate their remuneration between Group companies.

5. Profit on Sale of General Insurance Business

On 1 March 2002 the Company sold its general insurance brokerage business to a fellow subsidiary at a market value of £14,800,000.

CLYDESDALE BANK INSURANCE BROKERS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

6. Interest Receivable

All interest receivable and payable is derived from and paid to fellow group companies.

	2003	2002
	£000	£000
Bank interest receivable	<u>248</u>	<u>971</u>

7. Taxation on Profit on Ordinary Activities

Current tax charge for the year:

	2003	2002
	£000	£000
Corporation tax at 30% (2002: 30%)		
- current	(1,524)	1,886
- prior	(82)	-
Deferred tax (note 10)	<u>233</u>	<u>336</u>
	<u>(1,373)</u>	<u>2,222</u>

Analysis of charge in the year:

	£000	£000
(Loss)/Profit on ordinary activities	(4,483)	22,098
Tax on ordinary activities at a standard rate of UK Corporation Tax of 30%	<u>(1,345)</u>	<u>6,629</u>

Effect of:

Prior year adjustment	(82)	-
Income not taxable	-	(4,440)
Expenses not allowable for tax purposes	(1)	33
Deferred taxation (note 10)	<u>(178)</u>	<u>(336)</u>
Current tax (credit)/charge for the year	<u>(1,606)</u>	<u>1,886</u>

8. Tangible Assets

	Motor Vehicles £000	Office Equipment £000	Computer Equipment £000	Total £000
Cost				
At 1 October 2002	450	303	664	1,417
Additions	52	-	-	52
Disposals	(46)	-	-	(46)
At 30 September 2003	<u>456</u>	<u>303</u>	<u>664</u>	<u>1,423</u>
Accumulated Depreciation				
At 1 October 2002	120	273	605	998
Charges for the year	85	12	14	111
Disposals	(29)	-	-	(29)
At 30 September 2003	<u>176</u>	<u>285</u>	<u>619</u>	<u>1,080</u>
Net Book Value at 30 September 2003	<u>280</u>	<u>18</u>	<u>45</u>	<u>343</u>
At 30 September 2002	<u>330</u>	<u>30</u>	<u>59</u>	<u>419</u>

Included in the total net book value of Motor Vehicles is £280,000 (2002: £330,000) in respect of assets held under finance leases. Depreciation for the year of these assets was £85,000 (2002: £58,000).

CLYDESDALE BANK INSURANCE BROKERS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

9. Debtors

	2003 £000	2002 £000
Trade Debtors	-	88
Amounts owed by group undertakings	-	9,018
Group Relief	1,516	-
Deferred Taxation (Note 10)	192	425
Prepayments and accrued income	323	1,134
	<u>2,031</u>	<u>10,665</u>

10. Deferred Taxation

	2003 £000	2002 £000
At 1 October 2002	425	761
Charge for the year (note 7) – Current year	(178)	(336)
- Prior year	(55)	-
	<u>192</u>	<u>425</u>
At 30 September 2003 – Deferred tax asset	<u>192</u>	<u>425</u>

Full provision has been made for deferred taxation as follows:

	2003 £000	2002 £000
Accelerated capital allowances	2	54
Other timing differences	190	371
	<u>192</u>	<u>425</u>
Deferred tax asset	<u>192</u>	<u>425</u>

A deferred tax asset has been recognised as the amount is considered to be fully recoverable against future profits.

11. Creditors: Amounts falling due within one year

	2003 £000	2002 £000
Amounts due to group undertakings	3,426	2,255
Finance leases (note 13)	87	83
Trade creditors	45	55
Corporation tax	-	493
Accruals and deferred income	286	371
Proposed dividend	-	10,000
	<u>3,844</u>	<u>13,257</u>

12. Creditors: Amounts falling due after more than one year

	2003 £000	2002 £000
Finances Leases (note 13)	207	260
Amounts due to group undertaking	1,500	1,500
	<u>1,707</u>	<u>1,760</u>

Amounts due to Group undertaking comprises a subordinated loan of £1.5 million from Clydesdale Bank Plc to the Company. Interest on the loan is payable at rates related to the London Interbank Offered Rate (LIBOR).

CLYDESDALE BANK INSURANCE BROKERS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

12. Creditors: Amounts falling due after more than one year (continued)

The loan, which is unsecured, is subject to notice of redemption in writing by the borrower of not less than five years, provided that such notice may not be given as to expire earlier than the tenth anniversary of the effective date of the loan. The loan is repayable at par. Repayment of the loan is subject to the prior consent of the Financial Services Authority. The loan is employed in the general business of the Company

13. Finance Leases

The maturity obligations under the finance leases and hire purchase contracts is as follows:

	2003 £000	2002 £000
Within one year	-	83
In the second to fifth years	<u>294</u>	<u>260</u>
	<u>294</u>	<u>343</u>

14. Provision for liabilities and charges

	Business Provisions £000
At 1 October 2002	1,517
Increase to provision	221
Provision released	(325)
Provision utilised	(645)
At 30 September 2003	<u>768</u>

Business provisions relate to provisions made in respect of non-lending losses, litigation, or complaints and potential costs associated with the resolution of claims against the Company in respect of financial advice given.

15. Share Capital

	2003 £000	Authorised and Issued Number	Fully Paid £000
Ordinary shares of £1 each as at 30 September 2003 and 2002	<u>350</u>	<u>350,000</u>	<u>350</u>

16. Contingent Liabilities and Exceptional Costs

As part of the Company's commitment to quality financial advice and best practice standards, an ongoing review of compliance arrangements and sales processes has continued throughout the year. The review of the Company's independent financial advisers will continue into 2004. The scope of the ongoing review has not yet been established. As a result, the outcome cannot be estimated with any certainty at this time or any subsequent costs that might result, and no provision for the costs of this review has been established.

During the year the Company has incurred non-recurring costs of £2,478,000 arising from an ongoing review of compliance procedures and sales processes within its sales channel. The costs comprise primarily professional consultancy and external contractor expenses.

17. Ultimate Parent Undertakings

The ultimate parent undertaking is National Australia Bank Limited, a company incorporated in the State of Victoria, Australia. National Australia Bank Limited also heads the largest group in which the results of the Company are consolidated. The smallest group in which the results of the Company are consolidated is that headed by its immediate parent undertaking, National Wealth Management Europe Holdings Limited, which is incorporated in Great Britain and registered in England & Wales.

Copies of Group Financial Statements in respect of National Wealth Management Europe Holdings Limited may be obtained from the Company Secretary, National Wealth Management Europe Holdings Limited, 88 Wood Street, London, EC2V 7QQ; copies of the Group Financial Statements prepared in respect of National Australia Bank Limited can be obtained from National Australia Bank Limited, London Branch, 88 Wood Street, London, EC2V 7QQ.

18. Related Party Disclosures

The Company, as a wholly owned subsidiary of National Wealth Management Europe Holdings Limited, has taken advantage of an exemption contained in FRS8, Related Party Disclosures, in preparing its accounts. This exemption allows the Company not to disclose details of transactions with other Group companies or investees of the Group as related parties, as the consolidated accounts of National Wealth Management Europe Holdings Limited in which the Company is included are available to the public.