

Company Number: 80960

NATIONAL AUSTRALIA GROUP (UK) INVESTMENTS LIMITED

FINANCIAL STATEMENTS

30 SEPTEMBER 1996

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NATIONAL AUSTRALIA GROUP (UK) INVESTMENTS LIMITED

Financial Statements

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NATIONAL AUSTRALIA GROUP (UK) INVESTMENTS LIMITED

Officers and Professional Advisers

Directors

G.H.Galazka
M. D. Soden
R.C. Bowden

Secretary

J.F. Copeland

Registered Office

30 St Vincent Place,
Glasgow, G1 2HL.

Bankers

National Australia Bank Limited

Solicitors

Cameron Markby Hewitt

Auditors

KPMG Audit Plc
Chartered Accountants
Registered Auditor

Directors' Report

The directors of National Australia Group (UK) Investments Limited (formerly Clydesdale Bank Industrial Investments Limited) submit their report and audited financial statements for the year ended 30 September 1996.

1) Change of Name

On 30 November the Company, by Special resolution of its shareholders changed its name from Clydesdale Bank Industrial Investments Limited to National Australia Group (UK) Investments Limited

2) Directors and Directors' Interests

The present directors, all of whom were appointed on 30 November 1995, are shown on page 2.

Mr Peter M Aslet resigned as a Director on 31 October 1995

Mr F J Cicutto; Mr John E Queen and Mr Neil J Kennedy resigned as Directors on 30 November 1995.

No director has any interest in the shares of the Company, or other group companies incorporated in the United Kingdom as defined by the Companies Act 1985.

3) Activities

The Company operates as an investment company. The company also leases from Clydesdale bank PLC information technology premises at Clydebank Business Park and sub-leases these premises to National Australia Group (UK) Services Limited a fellow subsidiary of National Australia Group (UK) Limited

The company made a net profit after taxation of £469,000 (1995:£31,000)

4) Dividends

An interim dividend of £53,000 was paid on 30 November 1995. The directors do not recommend the payment of any further dividend.

5) Elective Regime

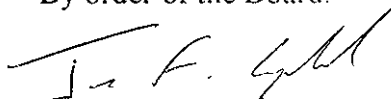
In accordance with the provisions of the Companies Act 1985, as amended, the Company has elected to dispense with the laying of the financial statements before a general meeting, the holding of annual general meetings and the obligations to appoint auditors annually.

NATIONAL AUSTRALIA GROUP (UK) INVESTMENTS LIMITED

6) Auditors

KPMG indicated that a limited liability company, KPMG Audit Plc, has been formed to undertake that part of their audit business that includes the Company. On 23rd August 1996 KPMG resigned as auditors of the company and subsequently the directors appointed KPMG Audit Plc to fill the casual vacancy. As the Company has elected to dispose with the need to appoint auditors annually, in accordance with section 386(2) of the Companies Act 1985, KPMG Audit Plc will be reappointed automatically.

By order of the Board.



J.F. Copeland,
Secretary

6-8 Tokenhouse Yard,
London EC2R 7AJ

8th November 1996

Statement of Directors' Responsibilities

The following statement, which should be read in conjunction with the auditors' statement of their responsibilities set out in their report (on page 6), is made with a view to distinguishing for the shareholder 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 financial statements for each financial year which give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss for the financial year. The directors confirm that they are satisfied that the company has adequate resources to continue in business for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

The directors consider that in preparing the financial statements (on pages 7 to 12), 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 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.

By order of the Board



J.F. Copeland
Secretary

6-8 Tokenhouse Yard,
London, EC2R 7AJ

8th November 1996

Report of the Auditors to the Members of National Australia Group (UK) Investments Limited

We have audited the financial statements on pages 7 to 12.

Respective responsibilities of Directors and Auditors

As described on page 5 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 affairs of the Company as at 30th September 1996, and of its result for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.



KPMG Audit Plc
Chartered Accountants
Registered Auditor

London 4th November 1996

NATIONAL AUSTRALIA GROUP (UK) INVESTMENTS LIMITED

Profit and Loss for the year ended 30 September 1996

	<u>Note</u>	<u>£000</u> <u>1996</u>	<u>£000</u> <u>1995</u>
Turnover	3	7,386	4
Other operating income	4	263	263
		<hr/> 7,649	<hr/> 267
Reversal of investment revaluation surplus on transfer to fellow subsidiary		(38)	-
Operating expenses		(318)	222
Profit on ordinary activities before interest	2	<hr/> 7,293	<hr/> 45
Interest receivable from ultimate parent company		176	1
Interest payable to ultimate parent company	5	(10,391)	(1)
Profit/(Loss) on ordinary activities before tax		<hr/> (2,922)	<hr/> 45
Tax on profit on ordinary activities	6	3,391	(14)
Profit on ordinary activities after tax		<hr/> 469	<hr/> 31
Dividend		53	100
Retained profit/(excess distribution) for the year	13	<hr/> <hr/> 416	<hr/> <hr/> (69)

Statement of Total Recognised Gains and Losses for the year ended 30 September 1996

Profit on ordinary activities after tax	469	31
Devaluation of investments	-	(8)
Total recognised gains	<hr/> <hr/> 469	<hr/> <hr/> 23

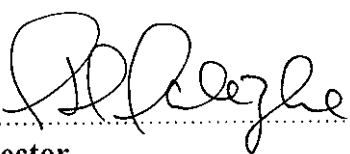
All material items dealt with in arriving at the profit on ordinary activities before tax for 1996 and 1995 relate to continuing operations.

NATIONAL AUSTRALIA GROUP (UK) INVESTMENTS LIMITED

Balance Sheet as at 30 September 1996

	<u>Note</u>	<u>£000</u> <u>1996</u>	<u>£000</u> <u>1996</u>	<u>£000</u> <u>1995</u>	<u>£000</u> <u>1995</u>
Fixed assets					
Investments	7		-		68
Current assets					
Debtors	8	3,597		377	
Cash at bank and in hand	9	347,315		-	
		<hr/>		<hr/>	
		350,912		377	
Creditors: amounts falling due within one year	10	(350,215)		(145)	
		<hr/>		<hr/>	
Total net current liabilities			697		232
			<hr/>		<hr/>
Total assets less current liabilities			697		300
Provisions for liabilities and charges	11		-		(19)
			<hr/>		<hr/>
Net assets			697		281
			<hr/>		<hr/>
Capital and reserves					
Called up share capital	12		200		200
Reserves	13		497		81
			<hr/>		<hr/>
			697		281
			<hr/>		<hr/>

The financial statements were approved by the Board of Directors on 8th November 1996.


 Director

The attached Notes form part of the financial statements.

Notes to the Financial Statements

1) Accounting Policy

Accounting convention

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

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

Foreign currency translation

All foreign currency monetary assets and liabilities, including those of overseas operations, are revalued at the rates of exchange ruling at the balance sheet date. Unrealised gains and losses arising from these revaluations are recognised immediately in the profit and loss account. Foreign currency income and expense amounts are translated at average rates of exchange for the year.

Investment securities

Investment securities are public and other debt securities which are purchased with the positive intent and ability to hold until maturity. Such securities are recorded at original cost adjusted for the amortisation of premiums and discounts to maturity. Unrealised losses relating to permanent diminution in the value of investment securities are recognised in the profit and loss account and the recorded values of those securities adjusted accordingly. In those rare instances where investment securities are sold prior to maturity, profits and losses on sale are taken to the profit and loss account when realised.

In previous years investments were recorded at market value. This change in accounting policy would have resulted in the elimination of the revaluation reserve, increasing the profits recorded in 1995 by £8,000 and decreasing the book value of Investments at September 1995 by £38,000.

Investment securities are recorded on a trade date basis.

2) Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

Auditors Remuneration of £Nil (1995 £525)

Directors remuneration of £Nil (1995 £Nil)

Operating Lease Rentals of £219,000 (1995 £219,000)

The Company did not have any employess in 1995 or 1996. All staff services are provided by National Australia Bank Limited.

NATIONAL AUSTRALIA GROUP (UK) INVESTMENTS LIMITED

Notes to the Financial Statements (continued)

3) Turnover

	<u>£'000</u> <u>1996</u>	<u>£'000</u> <u>1995</u>
Income from investments	7,386	4

4) Other operating income

Income from sub - lease	263	263
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5) Interest payable

On bank loans, overdrafts and other loans wholly repayable within five years	10,391	1
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6) Taxation on profit on ordinary activities

UK corporation tax at 33% (1995: 33%)	3,391	(13)
Tax on franked investment income	-	(1)
	3,391	(14)

7) Investments

Listed at market value	-	68
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On 30 November 1995 investments were transferred at original cost to a fellow subsidiary of Clydesdale Bank PLC prior to the shares in this company being sold to National Australia Group (UK) Limited.

NATIONAL AUSTRALIA GROUP (UK) INVESTMENTS LIMITED

Notes to the Financial Statements (continued)

8) Debtors: amounts falling due within one year

	<u>£'000</u> <u>1996</u>	<u>£'000</u> <u>1995</u>
Group Tax Relief due from fellow subsidiary undertakings	3,391	-
Deposits with parent undertaking	-	342
Prepayment and accrued income	206	35
	<u>3,597</u>	<u>377</u>

9) Cash at bank and in hand

Deposits with ultimate parent undertaking	<u>347,315</u>	<u>-</u>
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10) Creditors: amounts falling due within one year

Amounts owing to parent & fellow subsidiary undertakings	350,000	85
Deferred income	44	42
Corporation tax	2	15
Accruals	169	3
	<u>350,215</u>	<u>145</u>

11) Provisions for liabilities and charges

Deferred Taxation on revaluation of investments		
Opening balance	19	23
Movement on revaluation	(19)	(4)
Closing balance	<u>-</u>	<u>19</u>

NATIONAL AUSTRALIA GROUP (UK) INVESTMENTS LIMITED

Notes to the Financial Statements (continued)

12) Share Capital

	<u>£'000</u> <u>1996</u>	<u>£'000</u> <u>1995</u>
Authorised: 5,000,000 £1 Ordinary shares	5,000	5,000
Alloted and fully paid	200	200

13) Reserves

a) Revaluation Reserve		
Opening balance	38	46
Devaluation of listed investments	-	(8)
Transferred to Profit and loss account on realisation	(38)	-
Closing balance	-	38
b) Profit and Loss Account		
Opening balance	43	112
Transferred from revaluation reserve	38	-
Retained profit/(excess distribution) for the year	416	(69)
At end of year	497	43

14) Holding Company

The ultimate parent undertaking is National Australia Bank Limited, which is incorporated in the State of Victoria, Australia. This Company 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 National Australia Group (UK) Limited which is incorporated in Great Britain and registered in England.

The Company is wholly owned subsidiary of National Australia Group (UK) Limited.

Copies of the consolidated financial statements of National Australia Bank Limited can be obtained from the registered office of the Company.