

FL22580

The Board of Directors of  
Nageo BV  
Strawinskylaan 1725  
1077 XX AMSTERDAM

Amsterdam, 9 March 2006

HM/hd-06106

Dear Sirs,

We hereby authorise you to include the enclosed auditor's report in the 2005 'Financial Statements for the year ended 30 September 2005', which includes the financial statements for 2005 prepared by you. The conditions governing this authorisation are described in the enclosed information sheet 'Publication of auditor's report'.

This authorisation only applies to this manner of publication.

Yours sincerely,  
for Ernst & Young Accountants



J.W. Moison

Enclosure: Auditor's report  
Information sheet



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## **Auditor's report**

### **Introduction**

We have audited the financial statements of Nageo BV, Amsterdam for the year ended 30 September 2005. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these company financial statements based on our audit.

### **Scope**

We conducted our audit in accordance with auditing standards generally accepted in the Netherlands. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

### **Opinion**

In our opinion, the company financial statements give a true and fair view of the financial position of the company as at 30 September 2005 and of the result for the year then ended in accordance with accounting principles generally accepted in the Netherlands and comply with the financial reporting requirements included in Part 9 of Book 2 of the Netherlands Civil Code.

Furthermore we have established to the extent of our competence that the directors' report is consistent with the company financial statements.

Amsterdam, 23 February 2006

for Ernst & Young Accountants

J.W. Moison

## PUBLICATION OF AUDITORS' REPORT

### 1 Conditions

Authorization to publish the auditors' report is granted under the following conditions.

- Further consultation with the auditor is essential if, after this authorization has been granted, facts and circumstances become known which materially affect the view given by the annual accounts.
- The authorization concerns inclusion of the auditors' report in the annual report to be tabled at the Annual General Meeting (hereafter AGM) incorporating the annual accounts as drawn up or, in the case of large companies (i.e. two-tier companies or *structuurvennootschappen*, required by law to have a board of executive and a board of supervisory directors) as adopted.
- The authorization also concerns inclusion of the auditors' report in the annual report to be filed with the Trade Registrar, provided consideration of the annual accounts by the AGM does not result in any amendments.
- Annual accounts for filing at the offices of the Trade Registrar which have been abridged in accordance with Section 397 of Book 2 of the Netherlands Civil Code must be derived from the annual accounts adopted by the AGM and a draft version of these annual accounts for filing purposes must be submitted to us for inspection.
- The auditors' report can also be included if the annual accounts are published electronically, such as on the Internet. In such cases, the full annual accounts should be published and these should be easily distinguishable from other information provided electronically at the same time.
- If the published annual accounts are to be included in another document which is to be made public, authorization to include the auditors' report must again be granted by the auditor.

### 2 Explanations to the conditions

#### 2.1 Board of supervisory directors and board of executive directors

The auditor usually forwards his report to the board of supervisory directors and to the board of executive directors. This is in pursuance of Book 2 of the Netherlands Civil Code, section 393 of which stipulates *inter alia*: 'The auditor sets out the outcome of his examination in a report'. 'The auditor reports on his examination to the board of supervisory directors and the board of executive directors'.

#### 2.2 Annual General Meeting (AGM)

As regards the wider circulation of his report, the auditor is bound by the Rules of Conduct and Professional Practice of *Registeraccountants* 1994 (hereafter the *GBR-1994*), drawn up in accordance with the law governing *registeraccountants* (*Wet op de registeraccountants*), or by the Rules of Conduct and Professional Practice of Accounting Consultants (hereafter the *GBAA*), drawn up in accordance with the law governing accounting consultants (*Wet op de Accountants-Administratieconsulenten*).

Article 12 (2) of the *GBR-1994/GBAA* reads as follows: 'It shall be incumbent upon the *registeraccountant*/accounting consultant to inform anyone to whom he issues a report that publication thereof shall only be permitted subject to his express prior written consent'.

What 'publication' is understood to mean is defined in article 1 of the *GBR-1994/GBAA*: 'making available for circulation among the public or to such group of persons as to make it tantamount to the public'. Circulation among shareholders or members, as appropriate, also comes within the scope of the term 'publication', so that inclusion of the auditors' report in the annual report to be tabled at the AGM similarly requires authorization by the auditor.

#### 2.3 Auditors' reports and annual accounts

The authorization concerns publication in the annual report, which incorporates the annual accounts that are the subject of the auditors' report. This condition is based on article 28 (1) of the *GBR-1994/GBAA* which states: 'The *registeraccountant*/accounting consultant shall not be allowed to authorize publication of his report except together with the annual accounts to which this report refers'.

The auditor will also at all times want to see the rest of the annual report, since, under article 28 (3) of the *GBR-1994/GBAA* he is not allowed to authorize publication of his report if 'owing to the contents of the documents jointly published, an incorrect impression is created as to the significance of the annual accounts'.

#### 2.4 Events between the date of the auditors' report and the AGM

Attention should be paid to the fact that between the date of the auditors' report and the date of the meeting at which adoption or approval, as appropriate, of the annual accounts is considered, facts or circumstances may have occurred which materially

affect the view given by the annual accounts. The auditor is required to take steps to keep informed of developments in this respect since, in pursuance of article 28 (3) of the *GBR-1994/GBAA*, the auditor is likewise not allowed to authorize publication of his report if, 'the facts and circumstances which became known between the time the auditors' report was issued and its publication have affected the fairness of the annual accounts'. Publication of the auditors' report is accordingly authorized subject to the condition that the auditor is informed promptly of facts and circumstances which materially affect the view given by the annual accounts to enable him to reconsider his opinion.

#### 2.5 Trade Registrar

The annual accounts are tabled at the AGM (legal entities coming within the scope of title 9 of Book 2 of the Netherlands Civil Code table the directors' report and the other information as well). The AGM considers adoption or approval of the annual accounts. Only after the annual accounts have been adopted or approved, as appropriate, do they become the statutory (i.e. the company) accounts (in the Netherlands, consolidated accounts form part of the notes to the company accounts). As a rule, the statutory accounts will be adopted without amendment. In the case of large companies it will be the annual accounts adopted by the board of supervisory directors that will be approved (in the case of large companies, the AGM may only approve the accounts without amendment). The auditors' report must be attached to the statutory accounts as part of the other information. As a rule, the text of this report will be the same as that issued earlier. The documents to be made public by filing at the offices of the Trade Registrar will consist of the statutory accounts, the directors' report and the other information. The auditors' report which refers to the unabridged annual accounts will then have to be incorporated in the other information. If consideration of the annual accounts by the AGM does not result in any amendments, the auditors' report may be attached to the annual accounts adopted or approved, as appropriate, by the AGM and, provided the annual report and accounts are filed promptly at the offices of the Trade Registrar, published as part of these annual report and accounts.

#### 2.6 Other manner of publication

The annual accounts may also be published other than by filing at the offices of the Trade Registrar. In that event, too, inclusion of the auditors' report is permitted, provided the accounts are published in full. This condition is a sequel to article 29 (1) of the *GBR-1994/GBAA* which reads as follows: 'If publication concerns part of the annual accounts or the annual accounts are published in abridged form, the *registeraccountant*/accounting consultant shall not be allowed to authorize the publication of any report he has issued on such annual accounts unless:

- a he has come to the conclusion that, in the circumstances of the case, the document concerned is appropriate, or
- b based on legal regulations, publication of the document concerned is all that is required'.

If less than the full accounts are published, further consultation with the auditor is essential.

If the annual accounts and the auditors' report are published on the Internet, it should be ensured that the annual accounts are easily distinguishable from other information contained on the Internet site. This can be achieved, for example, by including the annual accounts as a separate file in a read-only format or by including a warning message when the reader exits the annual accounts document.

#### 2.7 Inclusion in another document

If the published annual accounts are to be included in another document which is to be made public, this is considered a new publication. This is based on article 28 (2) of the *GBR-1994/GBAA*, which states: 'The report also relates to disclosures regarding the annual accounts made in documents published together with these accounts.' An example of this situation is the publication of an offering circular which includes the annual accounts, after these accounts have been filed at the office of the Trade Registrar together with the other annual reports. For each new publication, authorization must again be granted by the auditor.

#### 2.8 Events after the AGM

Even if facts and circumstances have become known after the adoption or approval of the annual accounts as a result of which they no longer give the statutory true and fair view, the auditor must stand by the report issued on the accounts as adopted or approved and by the auditors' report filed at the offices of the Trade Registrar. In that event, the legal entity is required to file a statement at the offices of the Trade Registrar on these facts and circumstances accompanied by an auditors' report. In this situation, too, further consultation with the auditor is essential.

Company Number: FC022580

**NAGEO B.V.**

**Financial Statements**

**for the year ended 30 September 2005**

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## **Officers and Professional Advisers**

<b>Directors</b>	R.M. Catt R.A.C. Lakin S.M. Learoyd
<b>Secretary</b>	R. Speak
<b>Office</b>	88 Wood Street London, EC2V 7QQ
<b>Registered Office</b>	Strawinskylaan 1725 1077 XX Amsterdam The Netherlands
<b>Bankers</b>	National Australia Bank Limited
<b>Solicitors</b>	Freshfields Bruckhaus Deringer
<b>Auditors</b>	Ernst & Young LLP 1 More London Place London SE1 2AF

## **Directors' report**

The Board of Directors of NAGEO B.V. ("the Company") hereby presents its report for the year ended 30 September 2005.

### **Activities**

The Company provides finance to National Australia Bank Ltd ('NAB') and to any wholly owned subsidiary of NAB and enters into and participates in various financial transactions with group companies of NAB.

### **Directors**

The current Directors are shown on page 2. D. Richards resigned as a Director on 14 September 2005. R. Catt and S. Learoyd were appointed as Directors on 14 September 2005.

### **Performance**

The net profit of the Company for the financial year ended 30 September 2005 is £7,284,000 (2004: £6,953,000) before the payment of dividends in respect of shares issued.

### **Future outlook**

The budgeted result for the coming year is a similar profit. The Company is expected to be profitable in the coming year.

### **Auditors**

KPMG Audit plc resigned as auditors on 31 January 2005 and the directors appointed Ernst & Young LLP.

### **Office**

The Company's office is 88 Wood Street, London, EC2V 7QQ, United Kingdom.

On behalf of the Board of Directors:

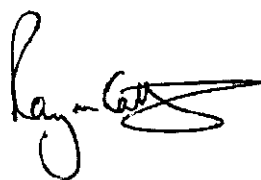
  
R.A.C. Lakin  
Chairman

23 February 2006

## Balance sheet as at 30 September 2005

	Note	2005 £'000	2004 £'000
<b>Fixed asset investments</b>	1	50	50
<b>Current assets</b>			
Amount due from ultimate parent undertaking	2	23	-
Amount due from parent undertaking	2	154,495	152,359
Debtors	3	846	2,385
		<u>155,364</u>	<u>154,744</u>
<b>Creditors : amounts falling due within one year</b>	4	(3,449)	(3,146)
<b>Net current assets</b>		<u>151,915</u>	<u>151,598</u>
<b>Net assets</b>		<u>151,965</u>	<u>151,648</u>
<b>Capital and reserves</b>			
Called up share capital	5	21	21
Share premium	6	151,225	151,225
Other reserves	7	402	389
Undistributed reserves for the year	8	317	13
		<u>151,965</u>	<u>151,648</u>


The Financial Statements were approved by the Board of Directors on 23 February 2006, and signed on its behalf by:



R.M. Catt  
Director



R.A.C. Lakin  
Director



S.M. Learoyd  
Director



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## Profit and loss account for the year ended 30 September 2005

<i>Continuing operations</i>	Note	2005 £'000	2004 £'000
Interest receivable	9	8,852	9,939
Other operating expenses		(10)	(10)
		<hr/>	<hr/>
Profit on ordinary activities before taxation	10	8,842	9,929
Tax on profit on ordinary activities	11	(1,558)	(2,976)
		<hr/>	<hr/>
Profit on ordinary activities after taxation	8	7,284	6,953
		<hr/>	<hr/>

There were no recognised gains or losses other than the profit for the year. All material items dealt with in arriving at the profit on ordinary activities before tax for the period relate to continuing operations.

## Notes to the Financial Statements

### General

The Company carries on its business from its office at 88 Wood Street, London EC2V 7QQ. The registered office is in Amsterdam, the Netherlands. No activities are undertaken in the Netherlands.

### Accounting policies

#### General

The Financial Statements have been prepared on the basis of the historical cost convention. Assets and liabilities are reflected at their face values, except where otherwise stated. Service and other income are recorded when earned and expenses are recorded when incurred. Taxes on profit are calculated on the basis of accounting income and the statutory rates of tax, giving due regard to available fiscal facilities and tax-exempt items.

The Company does not publish a cash flow statement, as the accounts are consolidated into National Australia Bank Limited, which publishes a consolidated cash flow statement, including the cash flows of this Company.

#### Fixed assets investments

Fixed asset investments are stated at the lower of cost less provisions for any permanent diminution in value.

#### Foreign currencies

As most transactions are in pounds sterling, management chose this as the functional currency. Assets and liabilities and profit and loss account items denominated in foreign currencies are translated into pounds sterling at the exchange rates prevailing at year-end. Foreign currency transactions are converted at exchange rates prevailing at the time of the transactions. The resulting exchange differences are recognised in the profit and loss account. Translation differences which relate to the share capital are reflected directly through share capital, through an exchange reserve.

#### 1) Fixed asset investments

	2005 £'000	2004 £'000
UK Treasury 8.5% 2005	50	50
The approximate market value of the gilts at 30 September 2005 was:	45	47

#### 2) Amounts due from parent undertakings

	2005 £'000	2004 £'000
Amounts due from ultimate parent undertaking	23	-
Amounts due from parent undertaking	154,495	152,359
	<u>154,518</u>	<u>152,359</u>

Of this amount, £154,518 is due in less than one year (2004: £138,649). The interest rate on this amount is 6.79% (2004: 6.79%).

## Notes to the Financial Statements (continued)

### 3) Debtors

	2005 £'000	2004 £'000
Prepayments and accrued income	<u>846</u>	<u>2,385</u>

Prepayments and accrued income consist mainly of accrued interest receivable on amounts due from parent undertakings.

### 4) Creditors: amounts falling due within one year

	2005 £'000	2004 £'000
Corporation tax payable	154	1,478
Accruals	3,295	1,621
Amounts due to ultimate parent undertaking	-	47
	<u>3,449</u>	<u>3,146</u>

Accruals consist mainly of amounts payable on preference shares issued.

### 5) Called up share capital

The authorised share capital of the Company is as follows:

	€
Authorised: 150 Ordinary shares at 300 Euro	45,000
50 Preference shares at 300 Euro	15,000
	<u>60,000</u>

	2005 £	2004 £
The following shares were issued and fully paid up:		
Allotted, called up and fully paid:		
75 Ordinary shares at 300 Euro	15,378	15,415
25 Preference shares at 300 Euro	5,126	5,138
	<u>20,504</u>	<u>20,553</u>

Exchange rate used as at the balance sheet date: €1=£0.68 (2004: €1=£0.69)

The holders of the preference shares have full voting rights in the company. On a return of capital, on liquidation or otherwise, the holders of the preference shares shall be entitled, in priority to any payment to the holders of any other class of shares, to receive an amount in respect of each preference share equal to the aggregate of the nominal amount paid up on such preference share and any issue premium and all arrears (if any) on the dividend amount payable thereon.

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## Notes to the Financial Statements (continued)

6)	<b>Share premium</b>	<b>2005</b> <b>£'000</b>	<b>2004</b> <b>£'000</b>
	Share premium of £683,000 on 75 Ordinary shares	51,225	51,225
	Share premium of £4,000,000 on 25 Preference shares	100,000	100,000
		<u>151,225</u>	<u>151,225</u>
7)	<b>Reconciliation of shareholders' funds</b> <b>Reserves</b>		<b>£'000</b>
	At beginning of year		389
	Transfer to reserves on translation of share capital		-
	Result appropriation		13
	At end of year		<u>402</u>
8)	<b>Reconciliation of shareholders' funds</b> <b>Undistributed results for the year</b>		<b>£'000</b>
	At beginning of year		13
	Transfer to reserves		(13)
	Retained profit for the year		7,284
	Dividends		(6,967)
	At end of year		<u>317</u>
9)	<b>Interest receivable</b>	<b>2005</b> <b>£'000</b>	<b>2004</b> <b>£'000</b>
	Interest receivable	<u>8,852</u>	<u>9,939</u>

The item mainly represents interest income on loans to parent undertakings.

## Notes to the Financial Statements (continued)

### 10) Profit on ordinary activities before taxation

Auditors' remuneration is charged to the parent undertaking. The Company did not have any employees in 2005 (2004: Nil). For services provided by the London Branch of NAB, a management charge of £9,311 (2004: £9,104) was made in the year ended 30 September 2005.

### 11) Taxation on profit on ordinary activities

Current tax charge / (credit) for the year:	2005 £'000	2004 £'000
UK corporation tax at 30% (2004: 30%)	1,558	2,978
Adjustments relating to prior years	-	(2)
	<u>1,558</u>	<u>2,976</u>
 Analysis of charge in the year:	 £'000	 £'000
Profit on ordinary activities before tax	8,842	9,929
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2004: 30%)	2,653	2,978
 Effect of:		
Permanent differences	(1,095)	-
Prior year adjustment		(2)
	<u>1,558</u>	<u>2,976</u>

The Company is incorporated in the Netherlands but tax resident in the U.K. by virtue of being managed and controlled, and effectively managed, in the U.K.

### 12) Parent undertaking

The immediate parent undertaking is National Australia Group Europe Investments Limited. The ultimate parent undertaking is National Australia Bank Ltd, a Company 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 Europe Limited which is incorporated in Great Britain and registered in England & Wales.

Copies of group accounts prepared in respect of National Australia Group Europe Limited may be obtained from the Company secretary at 88 Wood Street, London EC2V 7QQ. Copies of the group accounts prepared in respect of NAB may be obtained from National Australia Bank Limited (London Branch), 88 Wood Street, London EC2V 7QQ.

## Other information

**1 Statutory appropriation of income**

According to Article 29 of the articles of association, the Company may only make distributions to shareholders and other persons entitled to distributable profits to the extent that its equity exceeds the total amount of its issued share capital and the reserves to be maintained pursuant to the law.

**2 Proposal of profit appropriation**

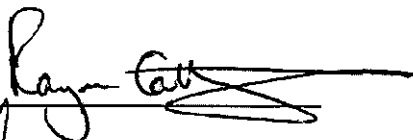
Subject to the approval of the Annual Meeting of Shareholders the total net profit amounted to £7,284,000 (2004: £6,953,000). Dividends of £6,967,000 (2004: £6,940,000) have been paid to the shareholders.

**3 Auditor's report**

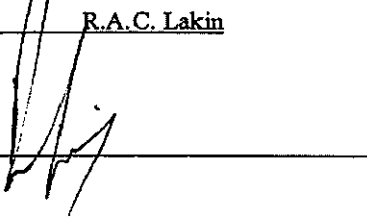
The auditor's report is set forth on the following page.

The directors of the Company:

Name: R.M. Catt

Signature: 

Name: R.A.C. Lakin

Signature: 

Name: S.M. Learoyd

Signature: 