

139691/45

Company Number: FC24336

**NATIONAL AUSTRALIA GROUP EUROPE ASSET INVESTMENTS
LIMITED**

ANNUAL REPORT AND FINANCIAL STATEMENTS

30 September 2004



Annual Report and Financial Statements

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Officers and professional advisers

Directors	R. Lakin D. Richards
Secretary	R. Speak
Registered office	Maples and Calder Ugland House South Church Street P.O. Box 309 George Street Grand Cayman, Cayman Islands
UK branch office	88 Wood Street London EC2V 7QQ
Bankers	National Australia Bank Limited
Advisors as to English Law	Freshfields Bruckhaus Deringer
Advisors as to Cayman Island Law	Maples and Calder
Auditors	KPMG Audit Plc Chartered Accountants Registered Auditor

Report of the Directors

The Directors of National Australia Europe Asset Investments Limited ('the Company') submit their report and audited Financial Statements for the year ended 30 September 2004.

Principal activities and business review

The Company's principal activities is that of an investment Company.

Directors and Directors' interests

The names of the current Directors are set out on page 2.

R. Cameron resigned as a Director on 31 October 2003.

No Director has any disclosable interest in the shares or debentures of the Company, or other group companies incorporated in the United Kingdom.

Company secretary

P Turner resigned as Company secretary and R Speak was appointed as Company secretary on 19 November 2004.

Profits and appropriations

The profit attributable to the shareholders for the year ended 30 September 2004 amounted to US\$35,277,000 (2003: US\$35,375,000). Dividends totalling US\$34,913,000 (2003: US\$34,827,000) were paid or accrued as payable during the year.

By order of the Board.



R. Speak
Secretary

03 December 2004

Statement of Directors responsibilities

The Directors have prepared these Financial Statements so as to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year as if applicable United Kingdom law applied to them. In preparing these 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; and
- 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. 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.

Report of the independent auditors to the members of National Australia Europe Asset Investments Limited

We have audited the Financial Statements on pages 6 to 12.

This report is made solely to the Company's members, as a body, in accordance with the terms of our engagement letter. 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, or for the opinions we have formed.

Respective responsibilities of Directors and Auditors

As described on page 4, the Company's Directors have accepted responsibility for the preparation of the Financial Statements in accordance with applicable accounting standards and as if applicable United Kingdom law applied to them. Our responsibilities, as independent Auditors, are established in the United Kingdom by the terms of our engagement letter, the Auditing Practices Board and by our profession's ethical guidance.

Under the terms of our engagement we are required to 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 UK 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 these 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 2004 and of the profit of the Company for the year then ended and have been properly prepared in accordance with the requirements of the Companies Act 1985, as if the requirements of this Act applied to these Financial Statements.

KPMG Audit Me

KPMG Audit Plc
Chartered Accountants
Registered Auditor

317 December 2004

Profit and loss account
For the year to 30 September 2004

<i>Continuing operations</i>	Note	2004 US\$'000	2003 US\$'000
Interest receivable and similar income	3	50,869	50,745
Administration expenses		(2)	(21)
Other operating expenses		(472)	(184)
Profit on ordinary activities before taxation	2	<u>50,395</u>	<u>50,540</u>
Taxation on profit on ordinary activities	4	<u>(15,118)</u>	<u>(15,165)</u>
Profit for the financial year		35,277	35,375
Dividends paid and accrued	5	(34,913)	(34,827)
Retained profit for the year	13	<u><u>364</u></u>	<u><u>548</u></u>

All material items dealt with in arriving at the profit on ordinary activities before tax for the year ended 30 September 2004 and for the year ended 30 September 2003 relate to continuing operations.

There were no recognised gains or losses other than the profit for the year.

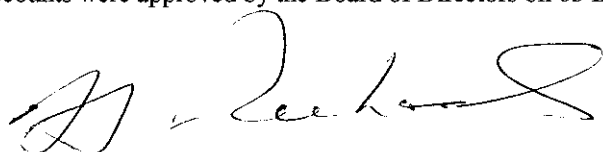
The notes on pages 8 to 12 form part of these financial statements.

Balance Sheet as at 30 September 2004

	Note	2004 US\$'000	2003 US\$'000
Fixed assets			
Investments	6	1,154	1,066
Loans to group undertakings	7	898,000	898,000
Current assets			
Cash at bank	8	231	191
Debtors	9	13,451	12,762
		<u>13,682</u>	<u>12,953</u>
Creditors : amounts falling due within one year	10	(10,193)	(9,740)
Net current assets		<u>3,489</u>	<u>3,213</u>
Total assets less current liabilities		<u>3,489</u>	<u>3,213</u>
Net assets		<u>902,643</u>	<u>902,279</u>
Capital and reserves			
Called up share capital	11	90	90
Share premium account	12	898,910	898,910
Profit and loss account	13	3,643	3,279
	14	<u>902,643</u>	<u>902,279</u>

The notes on pages 8 to 12 form part of these financial statements.

The accounts were approved by the Board of Directors on 03 December 2004 and were signed on its behalf by:



D. Richards
Director

88 Wood Street
London
EC2V 7QQ

Notes to the Financial Statements

1) Principal accounting policies

These Financial Statements have been prepared in accordance with the UK Companies Act 1985 and UK applicable accounting standards. These Financial Statements are not statutory accounts. Under Cayman Island Company law there is no requirement to prepare statutory Financial Statements.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's Financial Statements:

Basis of preparation

The Financial Statements have been prepared under the historical cost convention and in accordance with the UK Companies Act 1985 and applicable UK accounting standards.

Cash flow statement

In accordance with FRS1 "Cash Flow Statements" (Revised 1996), no cash flow statement is presented as the Company's ultimate parent undertaking, National Australia Bank Limited (NAB) presents such a statement in its own accounts.

Fixed asset investments - 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 but adjusted for the amortisation of premiums and discounts to maturity. Any 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. Where investment securities are sold prior to maturity, profits and losses on sale are taken to the profit and loss account when realised. Investment securities are recorded in these Financial Statements on a trade date basis.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction (or, if hedged, at the rate of exchange under the related hedging instrument). Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date (or, if hedged, at the rate of exchange under the related hedging instrument). Gains and losses on translation are included in the profit and loss account.

Functional currency

The functional currency of the Company is US dollars.

Related party transactions

Under FRS 8, the Company is exempt from the requirement to disclose related party transactions with National Australia Group companies and associated undertakings on the grounds that it is a subsidiary of NAB.

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. 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.

Notes to the Financial Statements (continued)

2) Profit on ordinary activities before taxation

Profit on ordinary activities before tax is stated after :	2004 US\$'000	2003 US\$'000
FX (loss) / gain on translation	(472)	(184)
Directors remuneration	Nil	Nil

Auditors' remuneration is charged to the parent undertaking. The Company did not have any employees during the year (2003: nil). All services are provided by the London Branch of NAB and no management charge was made in the year ended 30 September 2004 (2003: US\$Nil).

3) Interest receivable and similar income

	2004 US\$'000	2003 US\$'000
Interest on loan to parent undertaking	36,651	36,610
Interest on loan to fellow group undertaking	14,165	14,088
Interest receivable on gilts	53	47
	<u>50,869</u>	<u>50,745</u>

4) Taxation on profit on ordinary activities

a) Analysis of the charge for the year

	2004 US\$'000	2003 US\$'000
<i>The charge for taxation comprises:</i>		
UK corporation tax charge at 30%	15,118	15,165
	<u>15,118</u>	<u>15,165</u>

b) Factors affecting the tax charge for the current year

The current tax charge for the year is equivalent to the standard rate of corporation tax in the UK of 30%.

	2004 US\$'000	2003 US\$'000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	50,395	50,540
Current tax at 30%	15,118	15,162
<i>Effects of:</i>		
Expenses not deductible for corporation tax	-	3
Total current tax charge (see above)	<u>15,118</u>	<u>15,165</u>

c) Factors that may affect future tax charges

There are no items which would materially affect the future tax charge.

Notes to the Financial Statements (continued)

5) Dividends paid and accrued

	2004 US\$'000	2003 US\$'000
Ordinary dividends paid	34,913	34,827
	<u>34,913</u>	<u>34,827</u>

6) Investments

	2004 US\$'000	2003 US\$'000
<i>Listed</i>		
<i>Investment in UK 3 1/2% War Gilts</i>		
At cost	1,011	1,011
Foreign currency translation	143	55
At 30 September 2004	<u>1,154</u>	<u>1,066</u>
Market value	<u>1,158</u>	<u>1,053</u>

7) Loans to group undertakings

	2004 US\$'000	2003 US\$'000
<i>Details of loans are as follows :</i>		
Loan to parent undertaking	648,000	648,000
Loan to fellow group undertaking	250,000	250,000
As at 30 September 2004	<u>898,000</u>	<u>898,000</u>

The loan to parent undertaking matures on 3 September 2032 and earns interest, net of the hedging swap, at a fixed rate of 5.558%.

The loan to fellow group undertaking matures on 15 October 2012 and earns interest, net of the hedging swap, at a fixed rate of 5.558%.

8) Cash held at ultimate parent undertaking

	2004 US\$'000	2003 US\$'000
Current account with NAB – London Branch	<u>231</u>	<u>191</u>

9) Debtors

	2004 US\$'000	2003 US\$'000
Accrued interest receivable on gilts	46	16
Accrued interest on loan to fellow group undertaking	3,106	2,054
Accrued interest on loan to parent undertaking	916	584
Interest receivable under swap arrangement with parent undertaking	2,628	3,085
Loan to parent undertaking	6,755	7,023
	<u>13,451</u>	<u>12,762</u>

Notes to the Financial Statements (continued)

10) Creditors

Amounts falling due within one year

	2004 US\$'000	2003 US\$'000
Corporation tax payable	7,438	7,909
Interest payable on cross currency swap arrangement with parent undertaking	2,755	1,831
	<u>10,193</u>	<u>9,740</u>

11) Called up share capital

The authorised share capital of the Company is as follows:

	2004 US\$	2003 US\$
<i>Authorised:</i>		
<i>Equity</i>		
1,500 ordinary shares at US\$100 each	150,000	150,000
	<u>150,000</u>	<u>150,000</u>

The following shares were issued and fully paid up:

	2004 US\$	2003 US\$
<i>Allotted, called up and fully paid:</i>		
<i>Equity</i>		
899 ordinary shares at US\$100 each	89,900	89,900
	<u>89,900</u>	<u>89,900</u>

12) Share premium

	2004 US\$	2003 US\$
Share premium on 899 ordinary shares	898,910,100	898,910,100
	<u>898,910,100</u>	<u>898,910,100</u>

13) Profit and loss Account

	2004 US\$'000
At 1 October 2003	3,279
Retained profit for the year	364
At 30 September 2004	<u>3,643</u>

Notes to the Financial Statements (continued)**14) Reconciliation of shareholder's funds**

	2004 US\$'000	2003 US\$'000
Retained profit for the year	364	548
Net increase in shareholder's funds	<u>364</u>	<u>548</u>
Opening shareholder's funds	902,279	901,731
Closing shareholder's funds	<u>902,643</u>	<u>902,279</u>

15) Ultimate parent Company and parent undertaking of larger group of which the Company is a member

The ultimate parent undertaking is NAB, 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.