

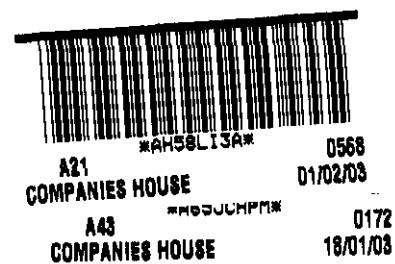
FC 24336

Company Number: CR118823

**NATIONAL AUSTRALIA GROUP EUROPE ASSET INVESTMENTS
LIMITED**

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the period from 12 July to 30 September 2002



Annual Report and Financial Statements

Contents	<u>Page</u>
Officers and professional advisers	2
Report of the directors	3
Statement of directors' responsibilities	4
Independent auditor's report	5
Profit and loss account	6
Balance sheet	7
Notes to the financial statements	8-12

Officers and professional advisers

Directors

R. Lakin
D. Richards
R. Cameron

Secretary

P. Turner

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 period from 12 July to 30 September 2002.

1) Principal activities and business review

The company was incorporated on 12 July 2002 as an investment company. In the current year the company purchased UK 3 1/2% War Gilt and has provided finance to fellow group undertakings.

2) Directors and directors' interests

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

R. Lakin, D. Richards and R. Cameron were the first directors of the company and were all appointed on 12 July 2002.

No director has any disclosable interest in the shares or debentures of the company, or other group companies incorporated in the United Kingdom or Ireland.

3) Company secretary

P. Turner was appointed as the first company secretary on 15 July 2002.

4) Profits and appropriations

The profit attributable to the shareholders for the period from 12 July to 30 September 2002 amounted to US\$3,799,000. Dividends totalling US\$1,068,000 were paid or accrued as payable during the period.

By order of the Board.


R. Lakin
Director

10 December 2002

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 period 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.

Independent Auditor's report to the members of National Australia Europe Asset Investments Limited

We have audited the financial statements on pages 6 to 12.

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 30th September 2002 and of the profit of the company for the period 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 Plc
Chartered Accountants
Registered Auditor
15 December 2002

Profit and loss account

For the period from 12 July 2002 to 30 September 2002

		12 July 2002 to 30 September 2002 US\$'000
<i>Continuing operations</i>	Note	
Interest receivable and similar income	3	5,427
Profit on ordinary activities before taxation	2	<u>5,427</u>
Taxation on profit on ordinary activities	4	<u>(1,628)</u>
Profit for the financial period		3,799
Dividends paid and accrued	5	(1,068)
Retained profit for the period	12	<u><u>2,731</u></u>

All material items dealt with in arriving at the profit on ordinary activities before tax for the period ended 30 September 2002 relate to continuing operations.


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

NATIONAL AUSTRALIA GROUP EUROPE ASSET INVESTMENTS LIMITED

Balance Sheet as at 30 September 2002

	Note	2002 US\$'000
Fixed assets		
Investments	6	1,011
Loans to group undertakings	7	898,000
Current assets		
Debtors	8	5,095
		<hr/> 5,095
Creditors : amounts falling due within one year	9	(2,375)
Net current liabilities		<hr/> 2,720
Net assets		<hr/> <hr/> 901,731
Capital and reserves		
Called up share capital	10	90
Share premium account	11	898,910
Profit and loss account	12	2,731
	13	<hr/> <hr/> 901,731

The accounts were approved by the Board of Directors on 10 December 2002 and were signed on its behalf by:


R. Lakin
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. 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. 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 taxation is stated after charging directors' remuneration of US\$ nil. Auditors' remuneration is charged to the parent undertaking. The company did not have any employees during the period. All services are provided by the London Branch of NAB and no management charge was made in the period ended 30 September 2002.

3) Interest receivable and similar income

	2002 US\$'000
Interest on loan to parent undertaking	1,270
Interest on loan to fellow group undertaking	1,098
Net interest received on swaps with parent undertaking	3,044
Interest receivable on gilts	4
FX gain on translation of gilts	11
	<hr/> 5,427 <hr/>

4) Taxation on profit on ordinary activities

a) Analysis of the charge for the period

	2002 US\$'000
<i>The charge for taxation comprises:</i>	
UK corporation tax charge at 30%	1,628
	<hr/> 1,628 <hr/>

b) Factors affecting the tax charge for the current period

The current tax charge for the period is equivalent to the standard rate of corporation tax in the UK of 30%.
US\$'000

Current tax reconciliation

Profit on ordinary activities before tax	5,427
Current tax at 30%	1,628

c) Factors that may affect future tax charges

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

5) Dividends paid and accrued

	2002 US\$'000
Ordinary dividends paid	1,068
	<hr/> 1,068 <hr/>

Notes to the financial statements (continued)

6) Investments

	2002 US\$'000
<i>Listed</i>	
At cost - investment in UK 3 1/2% War Gilts	1,011
Market value	1,034

7) Loans to group undertakings

	2002 US\$'000
<i>Details of loans are as follows :</i>	
Loan to parent undertaking	648,000
Loan to fellow group undertaking	250,000
As at 30 September 2002	898,000

The loan to parent undertaking matures on 3 September 2032 and earns interest at 3 month US\$ LIBOR.

The loan to fellow group undertaking matures on 15 October 2012 and earns interest at 3 month £ LIBOR.

8) Debtors

	2002 US\$'000
Accrued interest receivable on gilts	4
Accrued interest on loan to fellow group undertaking	1,098
Accrued interest on loan to parent undertaking	911
Interest receivable under swap arrangement with parent undertaking	2,623
Loan to parent undertaking	459
	5,095

9 Creditors

Amounts falling due within one year

	2002 US\$'000
Corporation tax payable	1,628
Interest payable on cross currency swap arrangement with parent undertaking	747
	2,375

Notes to the financial statements (continued)

10) Called up share capital

The authorised share capital of the company is as follows:

	2002 US\$
<i>Authorised:</i>	
<i>Equity</i>	
1,500 ordinary shares at US\$100 each	150,000
	<u>150,000</u>

At 30 September 2002, the following shares were issued and fully paid up:

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

11) Share premium

	2002 US\$
Share premium on 899 ordinary shares	898,910,100
	<u>898,910,100</u>

12) Profit and loss Account

	2002 US\$'000
As at incorporation	Nil
Retained profit for the period	2,731
At 30 September 2002	<u>2,731</u>

13) Reconciliation of shareholder's funds

	2002 US\$'000
Retained profit for the period	2,731
Share capital issued	899,000
Net increase in shareholder's funds	<u>901,731</u>
Opening shareholder's funds	Nil
Closing shareholder's funds	<u>901,731</u>

Notes to the financial statements (continued)

14) 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.