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Company Number: FC24336

**NATIONAL AUSTRALIA GROUP EUROPE ASSET INVESTMENTS
LIMITED**

ANNUAL REPORT AND FINANCIAL STATEMENTS

30 September 2005



Annual Report and Financial Statements

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Officers and professional advisers

Directors

B. Rose
R. Catt
R. Lakin

Secretary

B. McAll

Registered office

Maples and Calder
Ugland House
P.O. Box 309
South Church Street
George Town

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

Ernst & Young
1 More London Place
London
SE1 2AF

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 2005.

Principal activities and business review

The Company's principal activity is that of an investment Company. On 28 February 2006, the directors resolved to arrange for the voluntary liquidation of the affairs of the company. Subsequent to the year end the parent company has changed from National Australia Group Europe Asset Holdings Limited to National Australia Group Investments Limited, the loans to group companies have been redeemed, cross currency swaps unwound, and investment in Gilts sold.

Directors and Directors' interests

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

D. Richards resigned as a Director on 25 August 2005. M. Stone and R. Catt were appointed as Directors on 24 August 2005. M. Stone resigned as a director on 25 September 2006. B. Rose was appointed as a director on 25 September 2006.

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

B McAll was appointed as Joint Company Secretary on 3 June 2005. P. Turner resigned as company secretary and R. Speak was appointed as company secretary on 19 November 2004, and resigned on 25 September 2006.

Profits and appropriations

The profit attributable to the shareholders for the year ended 30 September 2005 amounted to US\$35,860,000 (2004: US\$35,277,000). Dividends totalling US\$35,114,000 (2004: US\$34,913,000) were paid or accrued as payable during the year.

By order of the Board.



B. McAll
Secretary

30 October 2006

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 year as if applicable United Kingdom law applied to them. In preparing these Financial Statements, the Directors have elected 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 a 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 Company's financial statements for the year ended 30 September 2005 which comprise the Profit and Loss Account, Balance Sheet and the related notes 1 to 15. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body. Our audit work has been undertaken so that we might state to the company's members those matters we are required under United Kingdom Auditing Standards to state to them in an auditors' report and for no other purpose. To the fullest extent required by the 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 in the Statement of Directors' Responsibilities the Company's directors have accepted responsibility for the preparation of the financial statements in accordance with applicable United Kingdom accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom Auditing Standards and to report to you our opinion as to whether the financial statements give a true and fair view. We read other information contained in the financial statements and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.


Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 30 September 2005 and of its profit for the year then ended and have been properly prepared in accordance with the accounting principles generally accepted in the United Kingdom.


Ernst & Young LLP
Registered Auditor
London

31-X-2006

Profit and loss account
For the year to 30 September 2005

	Note	2005 US\$'000	2004 US\$'000
<i>Continuing operations</i>			
Interest receivable and similar income	3	50,904	50,869
Administration expenses		(2)	(2)
Other operating income		243	(472)
Profit on ordinary activities before taxation	2	<u>51,145</u>	<u>50,395</u>
Taxation on profit on ordinary activities	4	<u>(15,285)</u>	<u>(15,118)</u>
Profit for the financial year		35,860	35,277
Dividends paid and accrued	5	(35,114)	(34,913)
Retained profit for the year	13	<u><u>746</u></u>	<u><u>364</u></u>

All material items dealt with in arriving at the profit on ordinary activities before tax for the year ended 30 September 2005 and for the year ended 30 September 2004 relate to continuing operations at 30 September 2005.

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 2005

	Note	2005 US\$'000	2004 US\$'000
Fixed assets			
Investments	6	-	1,154
Loans to group undertakings	7	-	898,000
Current assets			
Investments	6	1,224	-
Loans to group undertakings	7	898,000	-
Cash at bank	8	322	231
Debtors	9	14,174	13,451
		<u>913,720</u>	<u>13,682</u>
Creditors : amounts falling due within one year	10	(10,331)	(10,193)
Net current assets		<u>903,389</u>	<u>3,489</u>
Total assets less current liabilities		<u>903,389</u>	<u>902,642</u>
Net assets		<u>903,389</u>	<u>902,643</u>
Capital and reserves			
Called up share capital	11	90	90
Share premium account	12	898,910	898,910
Profit and loss account	13	4,389	3,643
	14	<u>903,389</u>	<u>902,643</u>

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

The accounts were approved by the Board of Directors on 30 October 2006 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 are prepared on a break up basis, as the directors have resolved to liquidate the company subsequent to the year end. 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.

Post Balance Sheet Events

On 28th February 2006, the directors resolved to arrange for voluntary liquidation of the affairs of the company. Subsequent to the year end the parent company changed from National Australia Group Asset Holding Limited to National Australia Group Europe Investments, the loans to group companies have been redeemed, cross currency swaps unwound, and investment in Gilts sold.

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.

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.

Financial Instruments

The company utilises derivative instruments in order to hedge currency risk. Hedging derivatives must be effective at reducing the risk associated with the exposure being hedged. Accordingly, changes in the fair value of the hedging derivative must be closely correlated with changes in the fair value of the underlying exposure at inception of the hedge and over the term of the hedged exposure.

Functional currency

The functional currency of the Company is US dollars.

Notes to the Financial Statements (continued)

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.

2) Profit on ordinary activities before taxation

Profit on ordinary activities before tax is stated after :	2005 US\$'000	2004 US\$'000
Revaluation of investment in gilts	83	-
FX (loss) / gain on translation	160	(472)
Directors remuneration	Nil	Nil

Auditors' remuneration is charged to the parent undertaking. The Company did not have any employees during the year (2004: nil). All services are provided by the London Branch of NAB and no management charge was made in the year ended 30 September 2005 (2004: US\$Nil).

3) Interest receivable and similar income

	2005 US\$'000	2004 US\$'000
Interest on loan to parent undertaking	36,106	36,651
Interest on loan to fellow group undertaking	14,744	14,165
Interest receivable on gilts	54	53
	<u>50,904</u>	<u>50,869</u>

4) Taxation on profit on ordinary activities

a) Analysis of the charge for the year

	2005 US\$'000	2004 US\$'000
<i>The charge for taxation comprises:</i>		
UK corporation tax charge at 30%	15,285	15,118
	<u>15,285</u>	<u>15,118</u>

Notes to the Financial Statements (continued)

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%.

	2005 US\$'000	2004 US\$'000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	51,145	50,395
Current tax at 30%	15,344	15,118
<i>Effects of:</i>		
Expenses not deductible for corporation tax	(59)	-
Total current tax charge (see above)	<u>15,285</u>	<u>15,118</u>

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

	2005 US\$'000	2004 US\$'000
Ordinary dividends paid	35,114	34,913
	<u>35,114</u>	<u>34,913</u>

6) Investments

	2005 US\$'000	2004 US\$'000
<i>Listed</i>		
<i>Investment in UK 3 1/2% War Gilt</i>		
At cost	1,011	1,011
Foreign currency translation	130	143
Market value adjustment	83	-
At 30 September 2005	<u>1,224</u>	<u>1,154</u>
Market value	<u>1,224</u>	<u>1,158</u>

Following the decision to liquidate the Company in 2005, the Investments have been reclassified to current assets, and restated on the balance sheet at market value.

7) Loans to group undertakings

	2005 US\$'000	2004 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 2005	<u>898,000</u>	<u>898,000</u>

Notes to the Financial Statements (continued)

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%.

Following the decision to liquidate the Company in 2005, the Loans to group undertakings have been reclassified to current assets.

8) Cash held at ultimate parent undertaking

	2005 US\$'000	2004 US\$'000
Current account with NAB – London Branch	322	231

9) Debtors

	2005 US\$'000	2004 US\$'000
Accrued interest receivable on gilts	17	46
Accrued interest on loan to fellow group undertaking	2,933	3,106
Accrued interest on loan to parent undertaking	603	916
Interest receivable under swap arrangement with parent undertaking	2,814	2,628
Loan to parent undertaking	7,807	6,755
	14,174	13,451

10) Creditors

Amounts falling due within one year

	2005 US\$'000	2004 US\$'000
Corporation tax payable	7,398	7,438
Interest payable on cross currency swap arrangement with parent undertaking	2,933	2,755
	10,331	10,193

11) Called up share capital

The authorised share capital of the Company is as follows:

	2005 US\$'000	2005 US\$'000
<i>Authorised:</i>		
<i>Equity</i>		
1,500 ordinary shares at US\$100 each	150	150
	150	150

Notes to the Financial Statements (continued)

The following shares were issued and fully paid up:

	2005 US\$'000	2004 US\$'000
<i>Allotted, called up and fully paid:</i>		
<i>Equity</i>		
899 ordinary shares at US\$100 each	90	90
	<u>90</u>	<u>90</u>

12) Share premium

	2005 US\$'000	2004 US\$'000
Share premium on 899 ordinary shares	898,910	898,910
	<u>898,910</u>	<u>898,910</u>

13) Profit and loss Account

	2005 US\$'000
At 1 October 2004	3,643
Retained profit for the year	746
At 30 September 2005	<u>4,389</u>

14) Reconciliation of shareholder's funds

	2005 US\$'000	2004 US\$'000
Retained profit for the year	746	364
Net increase in shareholder's funds	<u>746</u>	<u>364</u>
Opening shareholder's funds	902,643	902,279
Closing shareholder's funds	<u>903,389</u>	<u>902,643</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.