

NATIONAL AUSTRALIA GROUP EUROPE INVESTMENTS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

30 September 2003

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NATIONAL AUSTRALIA GROUP EUROPE INVESTMENTS LIMITED

Directors' report and Financial Statements

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NATIONAL AUSTRALIA GROUP EUROPE INVESTMENTS LIMITED

Officers and Professional Advisers

Directors

R. Lakin
D. Richards

Secretary

K. Leung
C. O'Connor (Acting Company Secretary – appointed
9 June 2003)

Registered Office

30 St. Vincent Place,
Glasgow, G1 2HL.

Bankers

National Australia Bank Limited

Solicitors

Cameron McKenna

Auditors

KPMG Audit Plc
Chartered Accountants
Registered Auditor

NATIONAL AUSTRALIA GROUP EUROPE INVESTMENTS LIMITED

Report of the Directors

The Directors of National Australia Group Europe Investments Limited (the "Company") present their annual report and the audited Financial Statements for the year ended 30 September 2003.

Principal activities

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

Directors and Directors' interests

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

G Savage resigned as a Director on 30 November 2002. R. Cameron resigned as a Director on 31 October 2003. S Fletcher resigned as a Director and A Stirrup resigned as an Alternate Director on 17 May 2004.

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

Results and dividends

The profit for the financial year attributable to the shareholder for the year ended 30 September 2003 amounted to £91,060,000 (2002: £73,184,000). Interim dividends totalling £88,593,000 (2002 : £75,484,000) were paid during the year. The Directors do not recommend the payment of a final dividend in respect of the financial year.

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 accounts before a general meeting, the holding of annual general meetings and the obligations to appoint auditors annually. KPMG Audit Plc will therefore continue as the Company's auditors.

By order of the Board



D. Richards
Director

20 July 2004

NATIONAL AUSTRALIA GROUP EUROPE INVESTMENTS LIMITED

Statement of Directors' Responsibilities

Company Law requires the Directors to prepare Financial Statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss for that financial year. In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and 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 and which enable them to ensure that the Financial Statements comply with the Companies Act 1985. 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.

NATIONAL AUSTRALIA GROUP EUROPE INVESTMENTS LIMITED

Report of the independent auditors to the member of National Australia Group Europe Investments Limited

We have audited the Financial Statements on pages 6 to 14.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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

The Directors are responsible for preparing the Directors' report and, as described on page 4, the Financial Statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We 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 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 the Company's affairs as at 30 September 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

26 July 2004

NATIONAL AUSTRALIA GROUP EUROPE INVESTMENTS LIMITED

Profit and loss account for the year ended 30 September 2003

<i>Continuing operations</i>	Note	2003 £'000	2002 £'000
Administrative expenses		(1,000)	(345)
Other operating income	2	323	323
Income from shares in group undertakings	4	87,911	74,197
Income from fixed asset investments		15,377	8,599
Other interest receivable and similar income	5	4,132	2,035
Interest payable and similar charges	6	(2,997)	(3,397)
Profit on ordinary activities before taxation	3	<u>103,746</u>	<u>81,412</u>
Tax on profit on ordinary activities	7	<u>(12,686)</u>	<u>(8,228)</u>
Profit on ordinary activities after tax for the financial year		91,060	73,184
Ordinary dividend paid to parent company		(88,593)	(75,484)
Retained profit / (loss) for the year	15	<u><u>2,467</u></u>	<u><u>(2,300)</u></u>

All items dealt with in arriving at the profit on ordinary activities before taxation for 2003 and 2002 relate to continuing operations.

There were no recognised gains or losses other than the profit attributable to shareholders of the Company of £91,060,000 in the year ended 30 September 2003 (2002: £73,184,000).

NATIONAL AUSTRALIA GROUP EUROPE INVESTMENTS LIMITED

Balance Sheet at 30 September 2003

	Note	2003 £'000	2002 £'000
Fixed asset investments			
Investment in subsidiary undertakings	8	1,949,161	1,949,161
Other investments	9	350,000	420,087
Current assets			
Debtors	10	104,386	82,796
Cash at bank and in hand	11	721	563
		<u>105,107</u>	<u>83,359</u>
Creditors: amounts falling due within one year	12	(72,107)	(122,597)
Net current liabilities		<u>33,000</u>	<u>(39,238)</u>
Total assets less current liabilities		<u>2,332,161</u>	<u>2,330,010</u>
Provisions for liabilities and charges	13	-	(316)
Net assets		<u>2,332,161</u>	<u>2,329,694</u>
Capital and reserves - equity			
Called up share capital	14	2,321,000	2,321,000
Profit and loss account	15	11,161	8,694
	16	<u>2,332,161</u>	<u>2,329,694</u>

The Financial Statements were approved by the Board of Directors on 20 July 2004 and signed on its behalf by:


R. Lakin
Director

NATIONAL AUSTRALIA GROUP EUROPE INVESTMENTS LIMITED

Notes

(forming part of the Financial Statements)

1) Accounting policies

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 in accordance with applicable Accounting Standards. The Company is exempt by virtue of s228/s248 of the Companies Act 1985 from the requirement to prepare group accounts. The format of the Profit and Loss Account, Balance Sheet and Notes to the Financial Statements is as prescribed by Schedule 4 to the Act. These Financial Statements present information about the Company as an individual undertaking and not about its group.

In accordance with FRS1 "Cash Flow Statements (Revised 1996)", no cash flow statement is presented as the Company is a wholly owned subsidiary of National Australia Bank Limited which presents such a statement in its own consolidated Financial Statements, in which the Company's results are consolidated.

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

The accounting policies used in the preparation of these Financial Statements are consistent with previous years.

Fixed asset investments

Fixed asset investments are held at cost less any provision for permanent diminution in value.

Foreign currency translation

All foreign currency monetary assets and liabilities are translated at the rates of exchange ruling at the balance sheet date. Realised gains and losses arising from these retranslations are recognised immediately in the profit and loss account. Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction (or, if hedged forward, at the rate of exchange under the related currency contract).

Leases

Lease rentals receivable and payable on operating leases are recognised in the profit and loss account in periodic amounts over the effective lease term.

Shares in Subsidiaries

Shares in subsidiary undertakings are stated at original cost less any necessary provision for impairment. Losses relating to the impairment in the value of the shares in subsidiary undertakings are recognised in the profit and loss account.

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) Other operating income

	2003 £'000	2002 £'000
Income from sub-lease to fellow subsidiary	263	263
Stock lending fees	60	60
	<u>323</u>	<u>323</u>

NATIONAL AUSTRALIA GROUP EUROPE INVESTMENTS LIMITED

Notes to the Financial Statements (continued)

3) Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	2003 £'000	2002 £'000
Rental of premises under operating leases	219	219

The Company did not have any employees in 2003 or 2002. All staff services are provided by the London Branch of National Australia Bank Limited. Auditors remuneration is also met by the London Branch of National Australia Bank Limited.

4) Income from shares in group undertakings

	2003 £'000	2002 £'000
<i>Dividend income:</i>		
National Australia Group Europe Finance B.V.	16,405	13,805
NAGEO B.V.	7,890	6,590
P.F.A. (UK) Limited	2,906	3,802
Ariodante	10	-
Angara Company Limited	60,700	50,000
	<u>87,911</u>	<u>74,197</u>

5) Interest receivable and similar income

	2003 £'000	2002 £'000
On amounts due from immediate parent undertaking	2,636	918
On amounts due from ultimate parent undertaking	52	64
Other loans	1,444	1,053
	<u>4,132</u>	<u>2,035</u>

6) Interest payable and similar charges

	2003 £'000	2002 £'000
On amounts due to ultimate parent undertaking	2,393	3,397
On amounts due to subsidiary undertaking	604	-
	<u>2,997</u>	<u>3,397</u>

NATIONAL AUSTRALIA GROUP EUROPE INVESTMENTS LIMITED

Notes to the Financial Statements (continued)

7) Taxation on profit on ordinary activities

a) Analysis of the charge for the year

	2003 £'000	2002 £'000
<i>The charge for taxation comprises :</i>		
<u>Current taxation</u>		
UK corporation tax charge at 30% (2002: 30%)		
- current year	20,872	17,436
- prior year	1,200	-
	<u>22,072</u>	<u>17,436</u>
Relief for double taxation	(9,070)	(9,524)
Total current taxation	<u>13,002</u>	<u>7,912</u>
<u>Deferred taxation</u>		
Origination and reversal of timing differences		
- current year	-	316
- prior year	(316)	-
Tax on profit on ordinary activities	<u>12,686</u>	<u>8,228</u>

b) Factors affecting the tax charge for the current year

The current tax charge for the year is lower than the standard rate of corporation tax in the UK of 30% (2002 : 30%). The difference is explained below :

	2003 £'000	2002 £'000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	103,746	81,412
Current tax at 30% (2002 : 30%)	31,124	24,423
<i>Effects of:</i>		
Dividend income from UK subsidiary undertakings (not taxable) and other amounts not subject to tax	(13,206)	(9,838)
Adjustment in respect of prior years	1,200	-
Permanent timing differences	233	310
Short term timing differences	-	(316)
Underlying tax on overseas dividends	2,721	2,857
Relief for overseas tax	(9,070)	(9,524)
Total current tax charge (see above)	<u>13,002</u>	<u>7,912</u>

c) Factors that may affect future tax charges

No deferred tax has been provided on the unremitted earnings of overseas subsidiaries. It is anticipated that a dividend of past earnings will be paid by the Company's subsidiary in Hong Kong during the next accounting period. The additional UK tax that may be payable upon receipt of this dividend is £11,500,000.

NATIONAL AUSTRALIA GROUP EUROPE INVESTMENTS LIMITED

Notes to the Financial Statements (continued)

8) Investment in subsidiary undertakings

Details of the Company's investment in subsidiary undertakings is as follows :

	2003 £'000	2002 £'000
At 1 October	1,949,161	1,880,928
Additions	-	68,233
At 30 September	<u>1,949,161</u>	<u>1,949,161</u>

The full listing of investments in subsidiaries as at 30 September 2003 is as follows :

Name of subsidiary	Activity	Country of incorporation	Class of holdings	Holding
NAGEO B.V.	Investment holding company	Netherlands	Ordinary Preference	100% 100%
National Australia Group Europe Finance B.V.	Investment holding company	Netherlands	Ordinary Preference	100% 100%
Angara Company Limited	Investment holding company	Hong Kong	Ordinary	99.99%
Ariodante Limited	Trading company	England & Wales	Ordinary	100%
PMJI Inc	Investment holding company	United States	Class B Stock	100%
P.F.A. (UK) Limited	Investment holding company	Cayman Islands	A1 Ordinary A2 Ordinary B Redeemable ordinary Class 1 Preference	100% 100% 100% 100%
National Australia Group Europe PHC Limited	Dormant	England & Wales	Ordinary	100%

9) Other fixed asset investments

	2003 £'000	2002 £'000
<i>Unlisted</i>		
<i>Preference shares</i>		
DB Jasmine (Cayman) Limited	250,000	250,000
Yarra Finance Limited	100,000	100,000
<i>Other loans</i>	-	70,087
	<u>350,000</u>	<u>420,087</u>

NATIONAL AUSTRALIA GROUP EUROPE INVESTMENTS LIMITED

Notes to the Financial Statements (continued)

10) Debtors

	2003 £'000	2002 £'000
Amounts due from immediate parent undertaking	97,777	75,396
Interest receivable	-	1,053
Preference share dividends receivable	6,481	6,081
Sundry debtors	128	266
	<u>104,386</u>	<u>82,796</u>

The amounts above are all due within one year.

11) Cash at bank and in hand

	2003 £'000	2002 £'000
Deposits with ultimate parent undertaking	<u>721</u>	<u>563</u>

12) Creditors: amounts falling due within one year

	2003 £'000	2002 £'000
Corporation tax	6,955	7,453
Amounts due to subsidiary undertaking	65,100	-
Repurchase liability	-	65,100
Ordinary dividend proposed	-	50,000
Accruals and deferred income	52	44
	<u>72,107</u>	<u>122,597</u>

13) Provisions for liabilities and charges

	2003 £'000	2002 £'000
Deferred taxation provided at 30% (2002: 30%) in the Financial statements as follows:		
At beginning of year	316	-
Additional amount (released) / provided during the year	(316)	316
At end of year	<u>-</u>	<u>316</u>

Deferred tax arises primarily as a result of short term timing differences.

NATIONAL AUSTRALIA GROUP EUROPE INVESTMENTS LIMITED

Notes to the Financial Statements (continued)

14) Called up share capital

	2003 Number	2002 Number
Authorised: Ordinary shares of £1 each	<u>3,217,000,000</u>	<u>3,217,000,000</u>
	2003 £	2002 £
<i>Allotted, called up and fully paid: Ordinary shares of £1 each</i>		
At 1 October	2,320,999,700	1,832,767,150
Issued during the year at par	-	488,232,550
At 30 September	<u>2,320,999,700</u>	<u>2,320,999,700</u>

15) Reserves

	2003 £'000	2002 £'000
Profit and loss account		
At 1 October	8,694	10,994
Retained profit / (loss) for the year	2,467	(2,300)
At 30 September	<u>11,161</u>	<u>8,694</u>

16) Reconciliation of shareholder's funds

	2003 £'000	2002 £'000
Retained profit / (loss) for the year	2,467	(2,300)
Share capital issued	-	488,233
Net increase in shareholder's funds	<u>2,467</u>	<u>485,933</u>
Opening shareholder's funds	2,329,694	1,843,761
Closing shareholder's funds	<u>2,332,161</u>	<u>2,329,694</u>

NATIONAL AUSTRALIA GROUP EUROPE INVESTMENTS LIMITED

Notes to the Financial Statements (continued)

17) Commitments

Annual commitments under non-cancellable operating leases are as follows and are in respect of the lease of premises from Clydesdale Bank PLC:

	2003 £'000	2002 £'000
<i>Operating leases which expire :</i>		
Within one year	-	-
In the second to fifth years inclusive	-	-
Over five years	219	219
	<hr/> 219	<hr/> 219

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

The ultimate parent undertaking is National Australia Bank Limited, 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 its immediate parent undertaking, 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 National Australia Bank Limited may be obtained from National Australia Bank Limited (London Branch), 88 Wood Street, London EC2V 7QQ.