

Company Number:SC80960

NATIONAL AUSTRALIA GROUP EUROPE INVESTMENTS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

30 September 2002



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
R. Cameron
S. Fletcher
D. Richards
A. Stirrup (Alternate to S. Fletcher)

Secretary

A. Jones (resigned 26 April 2002)
K. Leung (appointed 26 April 2002)
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 2002.

1) **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.

2) **Directors and directors' interests**

The names of the current directors are set out on page 2. S Fletcher was appointed as a director and A Stirrup as an alternate director on 1 November 2001. D Richards and R Cameron were appointed as directors on 14 February 2002. J Bradley resigned as a director on 31 October 2001, G Lefevre resigned as a director on 1 November 2001, and G Savage resigned as a director on 30 November 2002.

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

3) **Results and dividends**

The profit for the financial year attributable to the shareholder for the year ended 30 September 2002 amounted to £73,184,000 (2001: £22,030,000). Interim dividends totalling £25,484,000 (2001 £21,179,000) were paid during the year and a further dividend of £50,000,000 was proposed on 10 December 2002. The directors do not recommend the payment of a final dividend in respect of the financial year.

4) **Ordinary share capital issued**

During the year the company issued a further £488,233 (2001: £619,767) of fully paid up ordinary share capital.

5) **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

27 June 2003

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 period.

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 to enable them to ensure that the financial statements comply with the Companies Act 1985.

The Directors 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

Independent Auditors' report 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.

We read the other information accompanying the financial statements and consider whether it is consistent with those statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

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 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

1676 Audit Mc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

27 June 2003

NATIONAL AUSTRALIA GROUP EUROPE INVESTMENTS LIMITED

Profit and loss account for the year ended 30 September 2002

<i>Continuing operations</i>	Note	2002 £'000	2001 £'000
Administrative expenses		(345)	(247)
Other operating income	2	323	337
Income from shares in group undertakings	4	74,197	22,122
Income from fixed asset investments		8,599	-
Other interest receivable and similar income	5	2,035	1,343
Interest payable and similar charges	6	(3,397)	(1,565)
Profit on ordinary activities before taxation	3	<u>81,412</u>	<u>21,990</u>
Tax on profit on ordinary activities	7	<u>(8,228)</u>	<u>40</u>
Profit on ordinary activities after tax for the financial year		73,184	22,030
Dividend paid to parent company		(75,484)	(21,179)
Retained (loss) / profit for the year	15	<u>(2,300)</u>	<u>851</u>

All items dealt with in arriving at the profit on ordinary activities before taxation for 2002 and 2001 relate to continuing operations.

There were no recognised gains or losses other than the profit attributable to shareholders of the company of £73,184,000 in the year ended 30 September 2002 (2001: £22,030,000).

NATIONAL AUSTRALIA GROUP EUROPE INVESTMENTS LIMITED

Balance Sheet at 30 September 2002

	Note	2002 £'000	2001 £'000
Fixed asset investments			
Investment in subsidiary undertakings	8	1,949,161	1,880,928
Other investments	9	420,087	-
Current assets			
Debtors	10	82,796	27,524
Cash at bank and in hand	11	563	453
		<u>83,359</u>	<u>27,977</u>
Creditors: amounts falling due within one year	12	(122,597)	(65,144)
Net current liabilities		<u>(39,238)</u>	<u>(37,167)</u>
Total assets less current liabilities		<u>2,330,010</u>	<u>1,843,761</u>
Provisions for liabilities and charges	13	(316)	-
Net assets		<u>2,329,694</u>	<u>1,843,761</u>
Capital and reserves - equity			
Called up share capital	14	2,321,000	1,832,767
Profit and loss account	15	8,694	10,994
	16	<u>2,329,694</u>	<u>1,843,761</u>

The financial statements were approved by the Board of Directors on 27 June 2003 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 accounts are prepared under the historical cost convention and 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. These financial statements present information about the company as an individual undertaking and not about its group.

In accordance with FRS1 "Cash Flow Statements", no cash flow statement is presented as the company's ultimate parent undertaking, National Australia Bank Limited, presents such a statement in its own consolidated financial statements.

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.

Fixed asset investments

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

Foreign currencies

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 forward currency contract). Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains and losses on translation are included in the profit and loss account.

Leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. The provision for deferred tax is calculated according to the requirements of FRS 19 "Deferred Tax" which requires, subject to certain exemptions, that deferred tax be recognised in respect of all timing differences that have originated but not reversed by the balance sheet date.

2) Other operating income

	2002 £'000	2001 £'000
Income from sub-lease to fellow subsidiary	263	263
Stock lending fees	60	74
	<u>323</u>	<u>337</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:

	2002 £'000	2001 £'000
Rental of premises under operating leases	219	219

The company did not have any employees in 2002 or 2001. 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

	2002 £'000	2001 £'000
<i>Dividend income:</i>		
National Australia Group Europe Finance B.V.	13,805	13,767
NAGEO B.V.	6,590	6,590
P.F.A. (UK) Limited	3,802	1,765
Angara Company Limited	50,000	-
	74,197	22,122

5) Interest receivable and similar income

	2002 £'000	2001 £'000
On amounts due from immediate parent undertaking	918	1,248
On amounts due from ultimate parent undertaking	64	95
Other loans	1,053	-
	2,035	1,343

6) Interest payable and similar charges

	2002 £'000	2001 £'000
On amounts due to ultimate parent undertaking	3,397	1,502
Other interest paid	-	63
	3,397	1,565

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

	2002 £'000	2001 £'000
<i>The charge / (credit) for taxation comprises :</i>		
<u>Current taxation</u>		
UK corporation tax charge / (credit) at 30% (2001: 30%)	17,436	(40)
	<u>17,436</u>	<u>(40)</u>
Relief for double taxation	(9,524)	-
Total current taxation	<u>7,912</u>	<u>(40)</u>
<u>Deferred taxation</u>		
Origination and reversal of timing differences		
- current year	316	-
	<u>316</u>	<u>-</u>
Tax on profit on ordinary activities	<u>8,228</u>	<u>(40)</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% (2001 : 30%). The difference is explained below :

	2002 £'000	2001 £'000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	81,411	21,990
Current tax at 30% (2001 : 30%)	24,423	6,597
<i>Effects of :</i>		
Dividend income from UK subsidiary undertakings (not taxable) and other amounts not subject to tax	(9,838)	(6,637)
Permanent timing differences	310	-
Short term timing differences	(316)	-
Underlying tax on overseas dividends	2,857	-
Relief for overseas tax	(9,524)	-
Total current tax charge / (credit) (see above)	<u>7,912</u>	<u>(40)</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 £11,000,000.

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 :

	2002 £'000	2001 £'000
At 1 October	1,880,928	1,196,059
Additions	68,233	684,869
At 30 September	<u>1,949,161</u>	<u>1,880,928</u>

On 18 April 2002 the company made a further investment in the ordinary share capital of PMJI Inc of £68,233k.

The full listing of investments in subsidiaries as at 30 September 2002 is as follows :

Name of subsidiary	Country of incorporation	Holding %
NAGEO B.V.	Netherlands	100%
National Australia Group Europe Finance B.V.	Netherlands	100%
Angara Company Limited	Hong Kong	99.99%
Ariodante Limited	England & Wales	100%
PMJI Inc	United States	100%
P.F.A. (UK) Limited	Cayman Islands	81.88%
National Australia Group Europe PHC Limited	England & Wales	100%

9) Other fixed asset investments

	2002 £'000	2001 £'000
<i>Unlisted</i>		
<i>Preference shares</i>		
DB Jasmine (Cayman) Limited	250,000	-
Yarra Finance Limited	100,000	-
<i>Other loans</i>	<u>70,087</u>	<u>-</u>
	<u>420,087</u>	<u>-</u>

The company purchased 250 Class C redeemable preference shares of DB Jasmine (Cayman) Limited on 9 January 2002 for £250,000k and 80m redeemable preference shares of Yarra Finance Limited on 4 September 2002 for £100,000k.

NATIONAL AUSTRALIA GROUP EUROPE INVESTMENTS LIMITED

Notes to the financial statements (continued)

10) Debtors

	2002 £'000	2001 £'000
Amounts due from immediate parent undertaking	75,396	22,209
Group relief	-	232
Interest receivable	1,053	-
Preference share dividends receivable	6,081	5,039
Sundry debtors	266	44
	<u>82,796</u>	<u>27,524</u>

The amounts above are all due within one year.

11) Cash at bank and in hand

	2002 £'000	2001 £'000
Deposits with ultimate parent undertaking	<u>563</u>	<u>453</u>

12) Creditors: amounts falling due within one year

	2002 £'000	2001 £'000
Corporation tax	7,453	-
Repurchase liability	65,100	65,100
Ordinary dividend proposed	50,000	-
Accruals and deferred income	44	44
	<u>122,597</u>	<u>65,144</u>

The repurchase liability represents a fixed price obligation to repurchase the "Class 1" preference shares of P.F.A. (UK) Limited from the London Branch of National Australia Bank Limited.

13) Provisions for liabilities and charges

	2002 £'000	2001 £'000
Deferred taxation provided at 30% (2001: 30%) in the Financial statements as follows:		
At beginning of year	-	-
Additional amount provided during the year	316	-
At end of year	<u>316</u>	<u>-</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

	2002 Number	2001 Number
Authorised: Ordinary shares of £1 each	<u>3,217,000,000</u>	<u>3,217,000,000</u>
	2002 £	2001 £
<i>Allotted, called up and fully paid: Ordinary shares of £1 each</i>		
At 1 October	1,832,767,150	1,213,000,000
Issued during the year at par	488,232,550	619,767,150
At 30 September	<u>2,320,999,700</u>	<u>1,832,767,150</u>

15) Reserves

	2002 £'000	2001 £'000
Profit and loss account		
At 1 October	10,994	10,143
Retained (loss) / profit for the year	(2,300)	851
At 30 September	<u>8,694</u>	<u>10,994</u>

16) Reconciliation of shareholder's funds

	2002 £'000	2001 £'000
Retained (loss) / profit for the year	(2,300)	851
Share capital issued	488,233	619,767
Net increase in shareholder's funds	<u>485,933</u>	<u>620,618</u>
Opening shareholder's funds	1,843,761	1,223,143
Closing shareholder's funds	<u>2,329,694</u>	<u>1,843,761</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:

	2002 £'000	2001 £'000
<i>Operating leases which expire :</i>		
Within one year	-	-
In the second to fifth years inclusive	-	-
Over five years	219	219
	<u>219</u>	<u>219</u>

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.