

Company Number:80960

NATIONAL AUSTRALIA GROUP EUROPE INVESTMENTS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

30 September 2001



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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

G. Savage
R. Lakin
R. Cameron
S. Fletcher
D. Richards
A. Stirrup (Alternate)

Secretary

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

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 2001.

1) Principal activities

The company operates as an investment company. During the year, the company invested in three newly incorporated wholly-owned subsidiaries being Ariodante Limited, P.F.A. Limited and PMJI Inc. 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 30 October 2001 and G. Lefevre resigned as a director on 1 November 2001.

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 2001 amounted to £22,030,000 (2000: £25,814,000). Interim dividends totalling £21,179,000 (2000 £32,000,000) were paid during the year. 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 £619,767 of fully paid up ordinary share capital.

5) Fixed asset investments

The changes in fixed asset investments during the year are detailed in note 8 to the financial statements.

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


R. Lakin
Director

18 July 2002

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 13.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report. As described on page 4, this includes responsibility for preparing 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 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 affairs of the company as at 30 September 2001 and of the profit of the company 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
18 July 2002

18 July 2002

NATIONAL AUSTRALIA GROUP EUROPE INVESTMENTS LIMITED

Profit and loss account for the year ended 30 September 2001

<i>Continuing operations</i>	Note	2001 £'000	2000 £'000
Administrative expenses		(247)	(219)
Other operating income	2	337	273
Income from shares in group undertakings	4	22,122	8,814
Other interest receivable and similar income	5	1,343	24,287
Interest payable and similar charges	6	(1,565)	-
Profit on ordinary activities before taxation	3	<u>21,990</u>	<u>33,155</u>
Tax on profit on ordinary activities	7	<u>40</u>	<u>(7,341)</u>
Profit for the financial year		22,030	25,814
Dividend paid to parent company		(21,179)	(32,000)
Retained profit / (loss) for the year	13	<u><u>851</u></u>	<u><u>(6,186)</u></u>

All material items dealt with in arriving at the profit on ordinary activities before taxation for 2001 and 2000 relate to continuing operations.

There were no recognised gains or losses other than the profit attributable to shareholders of the company of £22,030,000 in the year ended 30 September 2001 (2000: £25,814,000).

NATIONAL AUSTRALIA GROUP EUROPE INVESTMENTS LIMITED

Balance Sheet at 30 September 2001

	Note	2001 £'000	2000 £'000
Fixed assets			
Investments	8	<u>1,880,928</u>	<u>1,196,059</u>
Current assets			
Debtors	9	27,524	29,276
Cash at bank and in hand	10	453	325
		<u>27,977</u>	<u>29,601</u>
Creditors: amounts falling due within one year	11	(65,144)	(2,517)
Net current assets		<u>(37,167)</u>	<u>27,084</u>
Total assets less current liabilities		<u>1,843,761</u>	<u>1,223,143</u>
Capital and reserves - equity			
Called up share capital	12	1,832,767	1,213,000
Profit and loss account	13	10,994	10,143
	14	<u>1,843,761</u>	<u>1,223,143</u>

The financial statements were approved by the Board of Directors on 18 July 2002 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 comprise shares in subsidiary undertakings and are held at the lower of cost and net realisable value. Any impairment in the value is recognised immediately in the profit and loss account.

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. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

NATIONAL AUSTRALIA GROUP EUROPE INVESTMENTS LIMITED

Notes to the financial statements (continued)

2) Other operating income

	2001 £'000	2000 £'000
Income from sub-lease to fellow subsidiary	263	263
Stock lending fees	74	10
	<u>337</u>	<u>273</u>

3) Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging /(crediting):

	2001 £'000	2000 £'000
Rental of premises under operating leases	<u>219</u>	<u>219</u>

The company did not have any employees in 2001 or 2000. 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

	2001 £'000	2000 £'000
<i>Dividend income:</i>		
National Australia Group Europe Finance B.V.	13,767	5,555
NAGEO B.V.	6,590	3,259
P.F.A. Limited	1,765	-
	<u>22,122</u>	<u>8,814</u>

5) Interest receivable and similar income

	2001 £'000	2000 £'000
On amounts due from immediate parent undertaking	1,248	24,272
On amounts due from ultimate parent undertaking	95	15
	<u>1,343</u>	<u>24,287</u>

NATIONAL AUSTRALIA GROUP EUROPE INVESTMENTS LIMITED

Notes to the financial statements (continued)

6) Interest payable and similar charges

	2001 £'000	2000 £'000
On amounts due to ultimate parent undertaking	1,502	-
Other interest paid	63	-
	<u>1,565</u>	<u>-</u>

7) Taxation on profit on ordinary activities

	2001 £'000	2000 £'000
<i>The credit / (charge) for taxation comprises:</i>		
UK corporation tax credit / (charge) at 30% (2000: 30%)	40	(7,302)
Adjustment in respect of prior years	-	(39)
	<u>40</u>	<u>(7,341)</u>

8) Fixed asset investments

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

	2001 £'000	2000 £'000
At 1 October	1,196,059	-
Additions	684,869	1,196,059
At 30 September	<u>1,880,928</u>	<u>1,196,059</u>

During the year the company subscribed for the ordinary share capital of three newly incorporated subsidiaries as follows :

Name	£
PMJI Inc	206,768,450
P.F.A. Limited	38,000,750
Ariodante Limited	100
	<u>244,769,300</u>

The company also acquired the "Class 1" preference shares of P.F.A. Limited through a repurchase agreement for a fixed obligation of £65.1million. (refer note 11)

The company made a further investment in the ordinary share capital of Angara Company Limited of £375m.

NATIONAL AUSTRALIA GROUP EUROPE INVESTMENTS LIMITED

Notes to the financial statements (continued)

8) Fixed asset investments (continued)

The full listing of investments in subsidiaries as at 30 September 2001 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. Limited	Cayman Islands	81.88%
National Australia Group Europe PHC Limited	England & Wales	100%

9) Debtors

	2001 £'000	2000 £'000
Amounts due from immediate parent undertaking	22,209	24,000
Group relief	232	-
Preference share dividends receivable	5,039	5,172
Sundry debtors	44	104
	<u>27,524</u>	<u>29,276</u>

The amounts above are all due within one year.

10) Cash at bank and in hand

	2001 £'000	2000 £'000
Deposits with ultimate parent undertaking	<u>453</u>	<u>325</u>

11) Creditors: amounts falling due within one year

	2001 £'000	2000 £'000
Corporation tax	-	2,472
Repurchase liability	65,100	-
Accruals and deferred income	44	45
	<u>65,144</u>	<u>2,517</u>

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

NATIONAL AUSTRALIA GROUP EUROPE INVESTMENTS LIMITED

Notes to the financial statements (continued)

12) Called up share capital

	2001 Number	2000 Number
Authorised: Ordinary shares of £1 each	<u>3,217,000,000</u>	<u>1,217,000,000</u>
	2001 £'000	2000 £'000
<i>Allotted, called up and fully paid:</i>		
<i>Ordinary shares of £1 each</i>		
At 1 October	1,213,000	752,000
Issued during the year at par	619,767	461,000
At 30 September	<u>1,832,767</u>	<u>1,213,000</u>

13) Reserves

	2001 £'000	2000 £'000
Profit and loss account		
At 1 October	10,143	16,329
Retained profit / (loss) for the year	851	(6,186)
At 30 September	<u>10,994</u>	<u>10,143</u>

14) Reconciliation of shareholder's funds

	2001 £'000	2000 £'000
Retained profit / (loss) for the year	851	(6,186)
Share capital issued	619,767	461,000
Net increase in shareholder's funds	<u>620,618</u>	<u>454,814</u>
Opening shareholder's funds	1,223,143	768,329
Closing shareholder's funds	<u>1,843,761</u>	<u>1,223,143</u>

NATIONAL AUSTRALIA GROUP EUROPE INVESTMENTS LIMITED

Notes to the financial statements (continued)

15) Commitments

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

	2001 £'000	2000 £'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>

16) 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.