

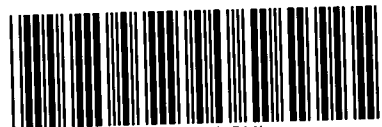
NATIONAL AMERICAS HOLDINGS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

Registered number 02995522

30 SEPTEMBER 2013

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Officers and Professional Advisers

Directors

R. Lakin
A. Yates

Secretary

B. Lewis

Registered Office

88 Wood Street
London
EC2V 7QQ

Bankers

National Australia Bank Limited

Auditors

Ernst & Young LLP
1 More London Place
London
SE1 2AF

Strategic report

The directors of National Americas Holdings Limited (the "Company") present their Strategic Report for the year ended 30 September 2013.

Principal activities

The Company's principal assets are shareholdings in its major subsidiary undertakings, which are engaged in the business of investment related financial services. The Company's role is principally to act as an intermediate holding company. The Company also provides funding to related group companies.

Business review

In September 2013 part of the Company's share capital of £120,310,000 and all of its share premium account of £876,106,369 were repaid to its immediate parent National Australia Group Europe Limited.

In September 2013 the £50,000 investment held by the Company in National Capital Investments Limited was repaid by offset against the intercompany debt owed to National Capital Investments Limited by the Company.

Principal risks and uncertainties

The principal risks and uncertainties to the Company are outlined below. Further detail on the Company's approach to the management of risk can be found in the risk overview note 11.

Operational risk and compliance

Operational risk is the risk of loss resulting from inadequate or failed processes, people or systems, or from external events. This includes risk relating to the management of ongoing activities, as well as to organisational changes such as project and change initiatives.

The NAB Group is committed to sound risk management and compliance and continues to improve its capabilities in these areas.

Credit risk

Credit risk is the potential that a borrower or a counterparty will fail to meet its obligations in accordance with agreed terms. NAB places limits around the amount of risk accepted to one borrower, which are monitored on a frequent basis.

Given the majority of balances are with related entities the credit risk is deemed to be minimal.

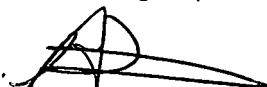
Interest rate risk

The Company exposure to interest rate risk is in relation to the reset of interest receivable on assets.

Key Performance Indicators

The directors do not rely on any key performance indicators (KPI's) at the Company level to monitor performance. The nature of the business means it is more relevant to undertake a review of the KPI's at the National Australia Bank Limited "NAB" Group level.

The Strategic Report was approved by the board of directors on 11 June 2014 and was signed on its behalf by:



A. Yates
Director

Report of the Directors

The directors of National Americas Holdings Limited (the "Company") submit their report and financial statements for the year ended 30 September 2013. The Company is registered in England and Wales with registration number 02995522.

Profits and appropriations

The profit attributable to the shareholders for the year ended 30 September 2013 amounted to £24,807,000 (2012: £20,498,000). Interim dividends totalling £34,269,000 (2012: £13,651,000) were paid during the year. The directors do not recommend the payment of a final dividend in respect of this financial year (2012: £nil).

Going Concern

Management are intending to wind up the Company. For further information refer to note 2 Accounting policies "Basis of preparation" on page 12.

Directors and directors' interests

The names of the current directors are listed on page 2.

There have been the following changes of directorships during the year and up to the date of signing of the Financial Statements:

R. Catt (resigned 20 December 2013)

C. Burgess (resigned 21 March 2014)

J. Duffy (resigned 10 April 2014)

R. Lakin (appointed 30 March 2014)

A. Yates (appointed 30 March 2014)

Directors' interests

As the Company is a wholly owned subsidiary of National Australia Bank Limited ("NAB"), which is incorporated in Australia, any interest which the directors may have in NAB does not need to be notified to the Company so is not disclosed in this report. No director had any interest in the shares or debentures of the Company.

Directors' liabilities

During the year the NAB Group paid a premium for a contract insuring the directors and officers of NAB, its subsidiaries and controlled entities against personal liabilities which may arise in the course of the performance of their duties, as well as protecting the NAB Group itself to the extent that it is obliged to indemnify directors and officers for such liability.

Directors' remuneration

The directors of the Company are remunerated as employees of the ultimate parent company, NAB and do not receive incremental remuneration in respect of their duties as directors of the Company. As there has been no substantial new activity in the year requiring executive input, the directors believe it would be inappropriate to apportion part of their remuneration as being in respect of their duties to the Company.

Company secretary

The current company secretary is shown on page 2.

Employee involvement

The Company does not have any employees (2012: nil). All staff are provided by the ultimate parent company, NAB.

Report of the Directors (*continued*)

Political donations

No political donations were made during the year (2012: £nil).

Corporate Governance

It is the Company's policy not to include all of the disclosures in respect of voluntary Corporate Governance Codes of Practice as it is a wholly owned subsidiary of NAB. The NAB Group's Annual Financial Report details the corporate governance framework applicable to the Company. These disclosures are made after consideration of authoritative pronouncements on audit committees and associated disclosures in Australia, the USA and UK.

Events since the reporting date

On 20 December 2013 the Company's £300,000,000 investment in the limited partnership RMOND LP was repaid and the partnership was subsequently dissolved on this date.

On 5 March 2014 National Capital Investments Limited a subsidiary of the Company was dissolved.

On 5 May 2014 Tokenhouse Investments Limited a subsidiary of the Company was dissolved.

Auditors

In accordance with section 485 of the Companies Act 2006 a resolution to reappoint Ernst and Young LLP will be proposed at the next meeting of the board of directors.

Directors' statement as to disclosure of information to auditors

The directors who were members of the board at the time of approving the directors' report are listed on page 2. Having made enquiries of fellow directors and of the Company's auditors, each of these directors confirms that:

- to the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the Company's auditors are unaware; and
- each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

By order of the board



A. Yates

Director

11 June 2014

Statement of Directors' Responsibilities

The directors are responsible for preparing the directors' report and the Financial Statements in accordance with applicable United Kingdom law and those International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

Company law requires the directors to prepare Financial Statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the profit and loss of the Company for that period.

In preparing these financial statements the directors are required to:

- select suitable accounting policies in accordance with *IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors* and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether the Company has complied with IFRSs, subject to any material departures disclosed and explained in the financial statements;
- prepare 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 adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditor's Report to the Members of National Americas Holdings Limited

We have audited the Financial Statements of National Americas Holdings Limited for the year ended 30 September 2013 which comprise the statement of comprehensive income, statement of changes in equity, statement of financial position, statement of cash flows and the related notes 1 to 12. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 6, the directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the Financial Statements sufficient to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the Financial Statements. In addition, we read all the financial and non-financial information in the Directors' report and Financial Statements of the Company to identify material inconsistencies with the audited Financial Statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the Financial Statements:

- give a true and fair view of the state of the Company's affairs as at 30 September 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements.

Independent Auditor's Report to the Members of National Americas Holdings Limited (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company's Financial Statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Ernst & Young LLP

Javier Faiz (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

London

13 JUNE 2014

Statement of comprehensive income for the year ended 30 September 2013

	Note	2013 £'000	2012 £'000
Interest income		3,681	3,523
Dividend income	3	26,395	22,478
		<u>30,076</u>	<u>26,001</u>
Other expenses		4	-
Profit on ordinary activities before tax		<u>30,072</u>	<u>26,001</u>
Tax expense	4	(5,265)	(5,503)
Profit for the year and total comprehensive profit		<u>24,807</u>	<u>20,498</u>

All items dealt with in arriving at the profit on ordinary activities before tax for 2013 and 2012 relate to continuing operations.

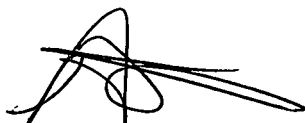
Statement of changes in equity for the year ended 30 September 2013

	Share capital £'000	Share Premium £'000	Retained earnings £'000	Total shareholders' equity £'000
Balance at 1 October 2011	420,310	876,106	3,501	1,299,917
Profit for the year	-	-	20,498	20,498
Dividends paid	-	-	(13,651)	(13,651)
Balance at 30 September 2012	<u>420,310</u>	<u>876,106</u>	<u>10,348</u>	<u>1,306,764</u>
Profit for the year	-	-	24,807	24,807
Dividends paid	-	-	(34,269)	(34,269)
Capital reduction	(120,310)	(876,106)	-	(996,416)
Balance at 30 September 2013	<u>300,000</u>	<u>-</u>	<u>886</u>	<u>300,886</u>

Statement of financial position as at 30 September 2013

	Note	2013 £'000	2012 £'000
Current assets			
Investment in related entities	6	300,000	300,050
Deferred tax asset	7	461	-
Cash and cash equivalents	10	50	400
Due from related entities	10	2,658	1,010,764
Total assets		303,169	1,311,214
Current liabilities			
Corporation tax payable		(2,283)	(4,450)
Total liabilities		(2,283)	(4,450)
Net assets		300,886	1,306,764
Shareholders' equity			
Share capital	8	300,000	420,310
Share premium	9	-	876,106
Retained earnings		886	10,348
Total shareholders' equity		300,886	1,306,764

The financial statements were approved by the directors on 11 June 2014 and were signed on their behalf by:



A. Yates
Director

Statement of cash flows for the year ended 30 September 2013

	Note	2013 £'000	2012 £'000
Cash flows from operating activities			
Profit before taxation		30,072	26,001
<i>Adjustments for non cash movements:</i>			
Interest income		378	301
		<u>30,450</u>	<u>26,302</u>
Decrease/(increase) in loans to related entities		1,007,728	(358,253)
Tax paid		(7,893)	(4,034)
Net cash provided by/(used in) operating activities		<u>1,030,285</u>	<u>(335,985)</u>
Cash flows from investing activities			
Repayment of investment from subsidiary undertaking		-	350,000
Net cash provided by investing activities		<u>-</u>	<u>350,000</u>
Cash flows from financing activities			
Repayment of share capital and premium		(996,416)	-
Increase in amounts due to related entities		50	-
Dividends paid		(34,269)	(13,651)
Net cash used in financing activities		<u>(1,030,635)</u>	<u>(13,651)</u>
Net (decrease)/increase in cash and cash equivalents		<u>(350)</u>	<u>364</u>
Cash and cash equivalents at beginning of year		400	36
Cash and cash equivalents at end of year	10	<u>50</u>	<u>400</u>

Notes to the Financial Statements

1) Authorisation of financial statements and statement of compliance with International Financial Reporting Standards

The financial statements of National Americas Holdings Limited for the year ended 30 September 2013 were authorised for issue by the directors on 11 June 2014 and the statement of financial position was signed on their behalf by A. Yates.

The Company is incorporated in the UK and registered in England and Wales. 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.

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and as applied in accordance with the Companies Act 2006. The principal accounting policies adopted by the Company are set out in Note 2.

2) Accounting policies

Basis of preparation

The preparation of Financial Statements in conformity with IFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities. Assumptions made at each reporting date are based on best estimates at that date. Although the Company has internal control systems in place to ensure that estimates can be reliably measured, actual amounts may differ from those estimates. It is not anticipated that such differences would be material.

The Financial Statements have been prepared under the historical cost convention, as modified by the application of fair value measurements as required by the relevant accounting standards.

As it is management's intention to wind up the Company, the going concern basis is inappropriate. The financial statements have been prepared on a basis reflecting the director's expectation of an orderly wind up with assets and liabilities being settled at their carrying amounts.

Accounting developments

(a) *New and amended standards adopted by the Company*

There are no IFRSs, IFRIC interpretations or any amended standards that are effective for the first time for the financial year beginning 1 October 2012 that have a material impact on the Company.

(b) *Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company:*

- IFRS 9 (new standard) "Financial instruments" (effective from 1 January 2018) addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortised cost. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded as a component of 'other comprehensive income'.

Notes to the Financial Statements (continued)

2) Accounting policies (continued)

Accounting developments (continued)

- IFRS 12 (new standard) "*Disclosure of Interests in Other Entities*" (effective from 1 January 2013) includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required.

There are no other new standards or amendments to existing standards not yet effective that are considered relevant to the Company.

Functional and presentational currency

The financial statements are presented in pounds sterling, which is the Company's functional and presentational currency. All amounts are expressed in pounds sterling and all values are rounded to the nearest thousand pounds unless otherwise stated.

Exemption from consolidation

The Company has interests in subsidiary companies but has taken advantage of the exemption from consolidation under the Companies Act 2006 section 401, because the Company is included in non-EEA group consolidated accounts of the ultimate parent NAB.

Investment in controlled entities

Investments in controlled entities are stated at original cost, and are written down to a recoverable amount where their carrying value exceeds recoverable amount. Investments in controlled entities are tested on an annual basis for impairment, and additionally whenever an indication of impairment exists. Any decrement in the carrying value is recognised as an expense in the statement of comprehensive income in the reporting period in which the impairment loss occurs. The Company is exempt from preparing consolidated accounts under section 401 of the Companies Act.

Interest income

Interest income is reflected in the statement of comprehensive income using the effective interest method. The effective interest rate method is a method of calculating amortisation using the effective interest rate of a financial instrument. The effective interest rate is the rate that exactly discounts the estimated stream of future cash payments or receipts over the expected life of the financial instruments or, when appropriate, a shorter period to the net carrying amount of the financial instrument.

Related party transactions

The Company enters into a number of related party transactions including receiving and providing funding to other NAB Group companies accounted for as loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are not classed as 'available for sale' or designated at fair value through profit and loss. Loans and receivables are recorded at amortised cost using the effective interest method, adjusted for impairment losses and unearned income. They are derecognised when the rights to receive cash flows have expired or transferred substantially all the risks and rewards of ownership.

Dividend income

Dividend income is recorded in the statement of comprehensive income when the Company's right to receive the dividend is established.

Notes to the Financial Statements (continued)

2) Accounting policies (continued)

Current and deferred income tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current tax charge is calculated on the taxable income for the year and on the basis of the tax laws enacted or substantively enacted at 30 September 2013.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by 30 September 2013 and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Share capital

Ordinary shares are classified as equity.

3) Dividend income

	2013 £'000	2012 £'000
<i>Related entities</i>		
RMOND LP	26,395	19,031
Tokenhouse Investments Limited	-	3,447
	<u>26,395</u>	<u>22,478</u>

4) Income tax expense

a) Analysis of charge for the year

	2013 £'000	2012 £'000
Current tax		
Corporation tax charge at 23.5% (2012: 25%)		
- Current year	(5,726)	(6,954)
- Prior year adjustment	-	1,451
	<u>(5,726)</u>	<u>(5,503)</u>
Deferred tax		
Origination and reversal of temporary timing differences		
- Current year	(1,341)	-
- Change in tax rate	(41)	-
- Prior year tax adjustment	1,843	-
	<u>461</u>	<u>-</u>
Income tax charge reported in the statement of comprehensive income	<u>(5,265)</u>	<u>(5,503)</u>

Notes to the Financial Statements (continued)

4) Income tax expense (continued)

b) Factors affecting tax charge for the year

	2013 £'000	2012 £'000
Profit before tax	30,072	26,001
Profit multiplied by standard rate of corporation tax in the UK of 23.5% (2012: 25%)	(7,067)	(6,500)
<i>Effects of:</i>		
UK distribution income not subject to tax	6,203	5,619
Assessable partnership income	(6,203)	(6,073)
Change in tax rate	(41)	-
Prior year adjustment	1,843	1,451
Total income tax charge for the year	(5,265)	(5,503)

5) Dividends paid

	2013 £'000	2012 £'000
Equity – interim ordinary dividends paid £0.114 per share (2012: £0.032 per share)	34,269	13,651
	34,269	13,651

6) Investment in related entities

	2013 £'000	2012 £'000
Investment in subsidiary undertakings	-	50
Investment in RMOND LP	300,000	300,000
	300,000	300,050

Notes to the Financial Statements (continued)**6) Investment in related entities (continued)****Principal investments in related entities at 30 September 2013**

Name of subsidiary	Nature of business	Country of Incorporation	Class of holdings	Holdings
Tokenhouse Investments Ltd	Investment Holding Company	England & Wales	Ordinary	100%
RMOND LP	Investment Holding Partnership	England & Wales	Preferential Limited Partner	60%

7) Deferred tax asset

	2013 £'000	2012 £'000
Opening balance	-	-
Tax credit recognised in statement of comprehensive income (Note 4)	461	-
Closing balance	461	-
The deferred tax liabilities included in the statement of financial position are attributable to:		
Assessable partnership income	461	-

The Finance Bill 2013 was substantively enacted on 17 July 2013. The reduction in the standard corporation tax rate from 23% to 21% will be effective from 1 April 2014, with a subsequent 1% reduction to 20% effective from 1 April 2015.

Deferred tax balances should be calculated at the rate at which the balances are expected to be settled, based on tax rates (and laws) that have been substantively enacted at the balance sheet date. As the reductions in the corporation tax rates to 21% and 20% have been substantively enacted at 30 September 2013, the deferred tax balance has been calculated with reference to these rates.

8) Share capital

	2013 £'000	2012 £'000
<i>Authorised:</i>		
420,310,000 ordinary shares of £1 each (2012: 420,310,000 ordinary shares of £1 each)	420,310	420,310
	420,310	420,310
<i>Allotted, called up and fully paid:</i>		
300,000,000 ordinary shares of £1 each (2012: 420,310,000 ordinary shares of £1 each)	300,000	420,310
	300,000	420,310

Notes to the Financial Statements (continued)

8) Share capital (continued)

In September 2013 part of the Company's share capital of £120,310,000 was repaid to its immediate parent National Australia Group Europe Limited.

9) Share premium

	2013 £'000	2012 £'000
Share Premium on 420,310,000 Ordinary Shares (£2.08 per share)	-	876,106
	<hr/>	<hr/>
	-	876,106
	<hr/>	<hr/>

In September 2013 all of the Company's share premium account of £876,106,369 was repaid to its immediate parent National Australia Group Europe Limited.

10) Related party transactions

The Company is a wholly owned controlled entity of National Australia Group Europe limited. The ultimate parent of the Company is NAB.

During the year there have been transactions between the Company, its ultimate parent and controlled entities of the ultimate parent.

In the normal course of business the Company maintains and conducts transactions with other members of the NAB Group. This business is conducted at prevailing market rates and terms.

The Company receives a range of services from the parent and related entities including loans and deposits and various administrative services. Fees may be charged for these services.

	2013 £'000	2012 £'000
Amounts due from related entities		
Current assets		
Amounts due from parent	2,658	1,010,386
Accrued interest due from parent	-	378
Cash held at ultimate parent	50	400
	<hr/>	<hr/>
	2,708	1,011,164
	<hr/>	<hr/>

Notes to the Financial Statements (continued)

10) Related party transactions (continued)

Transactions during the year with related parties

	2013 £'000	2012 £'000
Interest income from intermediate parent	3,681	3,523
Dividend income from subsidiary undertakings	-	3,447
Dividend income from RMOND LP	26,395	19,031
	<hr/> 30,076 <hr/>	<hr/> 26,001 <hr/>

The Company's audit fees are borne by the ultimate parent company, NAB.

Transactions with directors, key management and their close family members

There are no amounts outstanding at 30 September 2013 (2012: £nil) for transactions, arrangements and agreements between the Company and its directors, key management and their close family members during the year.

Compensation of key management personnel

All compensation received by key management personnel relates to their duties on behalf of other NAB Group companies. Thus no disclosure is presented in these financial statements.

Directors' emoluments

The directors are employed as executives of other NAB Group companies and do not receive incremental remuneration in respect of their duties as directors of this company. As there has been no substantial new activity in the year requiring executive input, the directors believe it would be inappropriate to apportion part of their remuneration as being in respect of their duties to the Company. The aggregate emoluments of the directors of the Company were £nil (2012: £nil).

11) Risk overview

Risk management

Effective management of risk is a key capability for a successful financial services provider, and is fundamental to NAB Group. A key component of the NAB Group's risk management strategy is the establishment by the Board of a formal 'risk appetite statement' for the NAB Group.

This places an overall limit on the total amount of risk that the NAB Group is prepared to take. That position is set with respect to the returns that the NAB Group is seeking to provide to shareholders, the credit rating that the NAB Group is seeking to maintain, and the NAB Group's capital position and desired ratios.

In line with the NAB Group Risk Charter, the NAB Group's approach to risk management is based on an overriding principle that risk management capability must be embedded within the business' front-line teams to be effective. This overriding principle embodies the following concepts:

- all business decisions proactively consider risk;
- business managers use the risk management framework, which assists in the appropriate balancing of both risk and reward components;
- all employees are responsible for risk management in their day-to-day activities; and
- risk management is a core competency for all employees.

Notes to the Financial Statements (continued)

11) Risk overview (continued)

The NAB Group manages risk within an established 'three lines of defence' framework. Control is exercised through clearly defined delegation of authority, with clear and rapid communication and escalation channels throughout the organisation. The first line of defence comprises the business units managing the risks associated with their activities.

The second line encompasses dedicated risk functions who are accountable for independent monitoring and oversight. The third line of defence relates to Internal Audit independently reviewing, monitoring, and testing business unit compliance with risk policies and procedures, and regularly assessing the overall effectiveness of the risk management framework.

Within the UK there is also a regional Risk Management Committee comprised of senior regional executives, which serves to provide a leadership focus on key risk issues from a regional perspective.

Operational risk and compliance

Operational risk is the risk of loss resulting from inadequate or failed processes, people or systems, or from external events. This includes risk relating to the management of ongoing activities, as well as to organisational changes such as project and change initiatives.

Compliance is the requirement to comply with external regulatory and legal obligations in addition to operating within the Group and regional policies and standards. This includes risk relating to reputational impact, incurring restrictive conditions and undertakings by regulators on how the Group does business.

Various reports are produced at regional management, Board sub-committee and Board level to assist with their oversight and monitoring obligations. This incorporates regional reporting of risk profiles, key operational risk and events, as well as consideration of external events and their relevance to the NAB Group. This process generates visibility and understanding of the NAB Group's overall operational risk profile.

The NAB Group is committed to sound risk management and compliance and continues to improve its capabilities in these areas.

Fair values

The fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The carrying amounts of cash and cash equivalents and amounts due from related entities are considered to approximate fair value. This is due to their short term nature.

Investments in controlled entities are unlisted and do not have a quoted market price, these are measured at cost less impairment as the fair value cannot be reliably measured.

Credit risk

Credit risk is the potential that a borrower or counterparty will fail to meet its obligations in accordance with agreed terms. NAB places limits around the amount of risk accepted to one borrower, which are monitored on a frequent basis.

Given the majority of balances are with related entities the credit risk is deemed to be minimal.

The maximum exposures to credit risk for the components of the statement of financial position are set out below.

Notes to the Financial Statements (continued)

11) Risk overview (continued)

	2013 £'000	2012 £'000
Assets		
Investment in related entities	300,000	300,050
Cash and cash equivalents	50	400
Due from related entities	2,658	1,010,764
Total credit risk exposure	302,708	1,311,214

The Company does not have any collateral or other credit enhancements supporting these assets. The credit qualities of assets are neither past due or impaired. There are no undrawn commitments that the Company is exposed to.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company has no material transactional exposures that give rise to net currency gains and losses.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities when they fall due.

The liquidity risk monitoring and maintenance is managed on a monthly basis from reviews performed on management information to ensure that all liabilities can be met when they fall due.

The directors do not believe there is a significant exposure to liquidity risk due to the related party nature of funding and liability exposures with fellow NAB Group companies.

Cash flows maturity profile for liabilities as they fall due	No specific maturity	Total
2013 £'000		
Corporation tax payable	2,283	2,283
	2,283	2,283

Cash flows maturity profile for liabilities as they fall due	No specific maturity	Total
2012 £'000		
Corporation tax payable	4,450	4,450
	4,450	4,450

Notes to the Financial Statements (continued)

11) Risk overview (continued)

Interest rate risk

The Company's exposure to interest rate risk is in relation to the reset of interest receivable on assets.

The table below summarises the interest rate risk as at 30 September 2013 and 2012.

Interest rate sensitivity analysis 2013 £'000	Weighted average effective interest rate %	Call	3 months or less	Non interest bearing	Total
Assets					
Partnership investment	-	-	-	300,000	300,000
Cash and cash equivalents	-	-	-	50	50
Due from related entities	0.40%	-	2,658	-	2,658
Deferred tax asset	-	-	-	461	461
		-	2,658	300,511	303,169
Liabilities					
Corporation tax payable	-	-	-	2,283	2,283
Shareholders' equity	-	-	-	300,886	300,886
		-	-	303,169	303,169
Gap		-	2,658	(2,658)	-

Interest rate sensitivity analysis 2012 £'000	Weighted average effective interest rate %	Call	3 months or less	Non interest bearing	Total
Assets					
Investment in related entities:					
Ordinary shares	-	-	-	50	50
Partnership investment	-	-	-	300,000	300,000
Cash and cash equivalents	-	-	-	400	400
Due from related entities	0.63%	-	734,361	276,403	1,010,764
		-	734,361	576,853	1,311,214
Liabilities					
Corporation tax payable	-	-	-	4,450	4,450
Shareholders' equity	-	-	-	1,306,764	1,306,764
		-	-	1,311,214	1,311,214
Gap		-	734,361	(734,361)	-

Notes to the Financial Statements (continued)

11) Risk overview (continued)

Capital Management

The Company is governed by NAB Group's capital management policy. The objectives of the NAB Group's capital management policy are to efficiently manage the capital base to optimise shareholder returns whilst maintaining capital adequacy and satisfying key stakeholders such as regulators and ratings agencies. This is managed and monitored at a group level not at a Company level.

12) Events since the reporting date

On 20 December 2013 the Company's £300,000,000 investment in the limited partnership RMOND LP was repaid and the partnership was subsequently dissolved on this date.

On 5 March 2014 National Capital Investments Limited a subsidiary of the Company was dissolved.

On 5 May 2014 Tokenhouse Investments Limited a subsidiary of the Company was dissolved.