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# **CBA (Europe) Finance Limited**

## **Report and Financial Statements**

30 June 2006

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COMPANIES HOUSE

# CBA (Europe) Finance Limited

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Registered No: 3279332

## **Directors**

J C C Marshall  
B Parker  
C McBride

## **Secretary**

J C C Marshall

## **Auditors**

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

## **Bankers**

Commonwealth Bank of Australia  
108-120 Pitt Street  
Sydney  
New South Wales 2000

National Westminster Bank Plc  
Kings Cross House  
200 Pentonville Road  
London N1 9HL

## **Registered Office**

Level 3  
Senator House  
85 Queen Victoria Street  
London EC4V 4HA

## **Directors' report**

The directors present their report and financial statements for the year ended 30 June 2006.

### **Principal activity and review of the business**

The Company's principal activity during the year is the making of investments. CBA (Europe) Finance Limited has three subsidiaries which are also engaged in the business of making investments.

### **Results and dividends**

The loss for the year, after taxation, amounted to AUD 1.309 million (2005 profit of AUD 4.676 million). The directors do not recommend the payment of a dividend this financial year.

### **Future developments**

The directors of the Company consider the Company is well placed to meet the future demands on the business.

The directors do not foresee any significant future changes in the operations of the Company.

### **Directors and their interests**

The directors who held office during the year were as follows:

B Parker  
J C C Marshall  
C McBride

No director who held office at the end of the financial year had any beneficial interest in the ordinary shares or preference shares of the Company.

### **Directors' statement as to disclosure of information to auditors**

In so far as the directors are aware, there is no relevant audit information of which the Company's auditors are unaware. The directors have taken all the necessary steps in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

## Directors' report

### Financial Risk Management

The Directors have considered the provisions included within Schedule 7(5A) of the Companies Act 1985, relating to the financial risk management objectives and policies of the Company, including any associated use of financial instruments.

The financial risk management of the Company is performed in conjunction with the overall risk management of the UK entities, the ultimate parent Company being the Commonwealth Bank of Australia (CBA), and of the CBA group as a whole. Relevant procedural guidelines and methods of the CBA Risk Management Group used to manage credit risk, liquidity risk and interest rate risk are set out below and where appropriate these have been implemented by the Company.

#### *Credit risk*

CBA Risk Management Group has policies requiring appropriate credit checks on potential counterparties before transactions are made. The amount of exposure to any counterparty is subject to a limit, which is re-assessed continuously by the Risk Management department.

#### *Liquidity risk*

Investments are matched in terms of maturity and cashflows to loans from either other affiliated entities or external providers thereby eliminating any liquidity risk.

#### *Interest rate risk*

The Company manages its interest rate risk on cost of borrowings and proceeds from loans by benchmarking against LIBOR, with the spread of the latter being larger than the former. Hence interest rate risk is minimised through this natural hedge. The directors will re-assess the adequacy of this arrangement should the Company's operations change in size or nature.

### Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of Ernst & Young LLP as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

On behalf of the board



Director

Date: 27<sup>th</sup> April 2007

## **Statement of directors' responsibilities in respect of the financial statements**

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards.

The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its 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.

## **Independent auditors' report**

to the members of CBA (Europe) Finance Limited

We have audited the Company's financial statements for the year ended 30 June 2006 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 14. These financial statements have been prepared under the accounting policies set out therein.

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 auditors' 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 the preparation of the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, are properly prepared in accordance with the Companies Act 1985 and whether the information given in the Directors' Report is consistent with the financial statements.

We also report to you if, in our opinion, 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 other transactions is not disclosed.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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.

## **Independent auditors' report**

to the members of CBA (Europe) Finance Limited

### **Opinion**

In our opinion:

- The financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 30 June 2006 and of its loss for the year then ended;
- The financial statements have been properly prepared in accordance with the Companies Act 1985; and
- The information given in the directors' report is consistent with the financial statements.

*Ernst & Young LLP*

Ernst & Young LLP  
Registered auditor  
London  
United Kingdom

Date *27/4/07*

**Profit and loss account**

for the year ended 30 June 2006

	Notes	2006 AUD'000	2005 AUD'000
Income from shares in group undertaking		46,335	52,348
Income from loans to group undertakings		961	1,799
Other interest receivable and similar income from			
- group undertakings		-	614
- others		146	312
Interest payable to group undertaking		(48,772)	(50,032)
Other operating charges		21	(53)
<b>(Loss) / profit on ordinary activities before taxation</b>	2	(1,309)	4,676
Tax on (loss) / profit on ordinary activities	5	-	-
<b>(Loss) / profit on ordinary activities after taxation</b>		(1,309)	4,676
<b>(Loss) / profit retained for the financial year</b>		(1,309)	4,676

The accounting policies and notes on pages 10 to 16 form a part of these financial statements.



## Statement of total recognised gains and losses

for the year ended 30 June 2006

	2006 AUD'000	2005 AUD'000
(Loss) / profit retained for the financial year	(1,309)	4,676
Exchange difference on retranslation of foreign equity investments	15,723	(40,651)
Exchange difference on retranslation of foreign currency borrowings designated as hedges	(15,723)	40,651
<b>Total recognised losses and gains relating to the year</b>	<b>(1,309)</b>	<b>4,676</b>

The accounting policies and notes on pages 10 to 16 form a part of these financial statements.


**Balance sheet**

at 30 June 2006

	Notes	2006 AUD'000	2005 AUD'000
<b>Fixed assets</b>			
Fixed asset investments	7	896,939	881,216
<b>Current assets</b>			
Debtors	8	34,114	38,417
Cash at bank and in hand		338	126
		<u>34,452</u>	<u>38,543</u>
<b>Creditors: amounts falling due within one year</b>	10	(927,956)	(913,898)
<b>Net current liabilities</b>		<u>(893,504)</u>	<u>(875,355)</u>
<b>Total assets less current liabilities</b>		<u>3,435</u>	<u>5,861</u>
<b>Creditors: amounts falling due after more than one year</b>	10	(37)	(1,154)
		<u>3,398</u>	<u>4,707</u>
<b>Capital and reserves</b>			
Called up share capital	12	-	-
Profit and loss account	13	3,398	4,707
<b>Total shareholders' funds</b>	13	<u>3,398</u>	<u>4,707</u>

The accounting policies and notes on pages 10 to 16 form a part of these financial statements.

Approved by the Board of Directors

  
Director

27<sup>th</sup> April 2007  
Date

## Notes to the financial statements

at 30 June 2006

### 1. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements, except as noted below.

In these financial statements the following new standards have been adopted for the first time:

- FRS 21 Events after balance sheet date
- The presentation requirements of FRS 25 'Financial instruments: presentation and disclosure' and
- FRS 28 Corresponding amounts

The accounting policies under these new standards are set out below together with an indication of the effects of their adoption. FRS 21 'Events after the Balance Sheet date' and FRS 28 'Corresponding amounts' have had no effect on these financial statements.

#### a) Basis of preparation

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

#### b) Related parties

The Company has taken advantage of the exemption in Financial Reporting Standard 8 from disclosing transactions with related parties which are part of the group.

#### c) Cash flow statement

The Company is a wholly owned subsidiary of Commonwealth Bank of Australia and has taken advantage of the exemption under FRS 1 (revised) from preparing a cash flow statement.

#### d) Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

Where foreign currency borrowings are used to finance foreign equity investments denominated in foreign currencies, the investments are translated at the end of each accounting period at the closing rate and exchange differences arising are taken to reserves. Exchange gains or losses on the foreign currency borrowings used to finance such investments are offset, as a reserve movement, against exchange difference on the investments.

All other differences are taken to the profit and loss account.

#### e) Fixed asset investments

Investments are shown at cost (as adjusted for discounts or premiums) unless, in the opinion of the directors, there has been an impairment in value, in which case an appropriate adjustment is made.

## Notes to the financial statements

at 30 June 2006

### 1. Accounting policies (continued)

#### f) Derivative financial instruments

The Company uses swaps to reduce exposures to foreign exchange, interest rate and credit risk on certain assets and liabilities.

The interest differentials on the swap are recognised by accruing with net interest payable. The foreign exchange gains and losses on the swap are recognised on a basis that matches the timing of foreign exchange gains and losses on fixed asset investments recognised during the period. Credit default swaps are not revalued or shown on the Company's balance sheet at year end. Fees payable on credit default swaps purchased are amortised over the term of the contract. Gains and losses on these instruments are recognised on a basis that matches the timing of any gains and losses from credit events on hedged assets and liabilities recognised during the period.

#### g) Classification of financial instruments issued by the Company

Following the adoption of FRS 25, financial instruments issued by the Company are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions:

- a) they include no contractual obligations upon the Company (or Group as the case may be) to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company (or Group); and
- b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges. Finance payments associated with financial instruments that are classified as part of shareholders' funds (see dividends policy), are dealt with as appropriations in the reconciliation of movements in shareholders' funds.

The Company does not have any preference shares on issue as at 30 June 2006. The provisions of FRS 25 will therefore not apply.

## Notes to the financial statements

at 30 June 2006

### 1. Accounting policies (continued)

#### h) Hire purchase contracts

The net investment in hire purchase contracts is recorded on the balance sheet as a debtor. The rental receipts under hire purchase contracts are charged as finance income in the profit and loss account over the periods of hire purchase contracts and represent a constant proportion of capital repayment of the debtor balance.

#### i) Interest receivable and payable

Interest receivable and payable is accrued over the period of the loans, investments and borrowings.

#### j) Dividends on shares presented within shareholders' funds

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

### 2. Profit on ordinary activities before taxation

This is stated after charging for auditors' remuneration for the Company of AUD38K (2005: AUD 47K).

### 3. Directors' Remuneration

No emoluments were received by the directors from the Company or any other third party for the performance of their duties.

### 4. Employees

The Company did not have any employees during the year.

## Notes to the financial statements

at 30 June 2006

### 5. Taxation

	2006 AUD'000	2005 AUD'000
<b>(a) Current tax charge</b>		
UK Corporation tax at 30% (2005 - 30%)	—	—
	<u>          </u>	<u>          </u>
<b>(b) Reconciliation of total tax charge</b>		
(Loss) / profit on ordinary activities before tax	(1,309)	4,676
	<u>          </u>	<u>          </u>
(Loss) / profit on ordinary activities multiplied by standard rate of Corporation tax in the UK of 30%	(393)	1,403
Effects of:		
Tax credit on non-assessable income	(13,900)	(15,705)
Group relief surrendered for free	13,899	13,712
Schedule 28AA adjustment for Inter Company loans	394	590
	<u>          </u>	<u>          </u>
Current tax charge for the year (note 7(a))	—	—
	<u>          </u>	<u>          </u>

### 6. Dividends

There were no dividends paid in the 2006 financial year (2005 : Nil).

## Notes to the financial statements

at 30 June 2006

### 7. Fixed asset investments

*Shares in group undertakings*

	2006 AUD'000	2005 AUD'000
At 1 July	881,216	439,069
Additions	–	600,000
Distribution of share premium*	–	(117,202)
Foreign exchange movement	15,723	(40,651)
At 30 June	896,939	881,216

\* On 31 May 2005, the directors of Burdekin Investments Limited, a wholly owned subsidiary made a distribution from the Share Premium Account of £48,507k to the Company.

Details of investments in which the Company holds 20% or more of the nominal value of any class of share capital as at 30 June 2006 are as follows:

Company	Country of incorporation	Holding	Proportion of voting rights and shares held	Nature of business
Burdekin Investments Limited	Cayman Islands	Ordinary & Preference shares	100%	Investment Company
Pontoon (Funding) Plc	United Kingdom	Ordinary shares	100%	Funding Company
Quay (Funding) Plc	United Kingdom	Ordinary shares	100%	Funding Company
Pavilion & Park Limited *	United Kingdom	Ordinary shares	75%	Investment Company
Waterloo & Victoria Limited *	Cayman Islands	Ordinary shares	25% <sup>§</sup>	Investment Company
Watermark Limited *	Hong Kong	Ordinary & Preference shares	100% <sup>Ω</sup>	Investment Company
Bayswater & Bond Limited	Cayman Islands	Ordinary shares	100%	Investment Company

\* The Company holds an indirect interest through its interest in Burdekin Investments Limited.

The interest rate, currency and credit risk in certain investments have been matched by swaps. On 27 August 2004, Burdekin Investments Limited invested AUD 600.01m in shares of Watermark Limited, a fellow subsidiary undertaking. The consideration was financed through the issuance of redeemable voting preference shares. Subsequent to the initial purchase, the preference shares were provided to Pavilion & Park Limited under a stock loan agreement. Cash collateral of AUD 600m was received in respect of this stock loan.

<sup>Ω</sup> Under the terms of the stock loan agreement Burdekin Investments Limited sold its voting rights attached to the preference shares and neither controls or significantly influences the entity at the year end.

Burdekin Investments Limited is the beneficiary of an indemnity against costs from ASB Bank to the extent that the net asset value of Waterloo & Victoria Limited is less than NZD 400.004m at the termination of the stock loan.

<sup>§</sup> Under the terms of the stock loan agreement Burdekin Investments Limited sold to CBA London its voting rights attached to the ordinary shares and neither controls or significantly influences the entity at the year end.

## Notes to the financial statements

at 30 June 2006

### 8. Debtors

	2006 AUD'000	2005 AUD'000
Amounts owed by group undertakings	2,212	4,914
Hire purchase contracts (see note 9)	1,292	4,131
Prepayments and accrued income from group undertakings	30,409	29,171
Other debtors	201	201
	<u>34,114</u>	<u>38,417</u>

### 9. Hire Purchase Contracts

	2006 AUD'000	2005 AUD'000
Amount receivable under finance leases:		
Within one year	1,271	2,876
In two to five years	43	1,421
	<u>1,314</u>	<u>4,297</u>
Less: Finance charges allocated to future periods	(22)	(166)
	<u>1,292</u>	<u>4,131</u>
Of which less than one year	1,251	2,910
Of which over one year	41	1,221
	<u>1,292</u>	<u>4,131</u>

### 10. Creditors

	2006 AUD'000	2005 AUD'000
<b>Amounts falling due within one year</b>		
Accruals and deferred income		
- Group undertakings	5,903	6,105
- Others	56	63
Amount owed to group undertakings (see note 11)	921,997	907,730
	<u>927,956</u>	<u>913,898</u>
<b>Amounts falling due after more than one year</b>		
Amounts owed to group undertakings (see note 11)	37	1,154
	<u>37</u>	<u>1,154</u>



## Notes to the financial statements

at 30 June 2006

### 11. Amounts owed to group undertakings

	2006 AUD'000	2005 AUD'000
Maturity analysis:		
1 year or less or on demand	921,997	907,730
In more than one year but not more than two years	37	1,119
In more than two years but not more than five years		35
	<u>922,034</u>	<u>908,884</u>

### 12. Called up and authorised share capital

	2006 £	Authorised 2005 £
100 ordinary shares of £1 each	100	100
	AUD	AUD
1,500,000,000 preference shares of AUD 1 each	1,500,000,000	1,500,000,000

	Allotted, called up and fully paid			
	2006 No.	2005 No.	2006 £	2005 £
Ordinary shares of £1 each	2	2	2	2

### 13. Reconciliation of shareholders' funds and movement on reserves

	Share capital AUD'000	Profit and loss account AUD'000	Foreign exchange reserve AUD'000	Total shareholders' funds AUD'000
At 1 July 2005	–	4,707	–	4,707
Loss retained for the year	–	(1,309)	–	(1,308)
At 30 June 2006	<u>–</u>	<u>3,398</u>	<u>–</u>	<u>3,398</u>

### 14. Parent undertaking

The Company's immediate and ultimate parent Company is Commonwealth Bank of Australia, which is incorporated in Australia. The smallest group which the financial statements are consolidated is Commonwealth Bank of Australia. Copies of its group financial statements, which include the Company, are available to the public from 48 Martin Place, Sydney, Australia.