

# Annual Report and Financial Statements

## National Wealth Management Europe Holdings Limited

For the year ended 30 September 2014

Company Number: 4220402

WEDNESDAY



\*L4A70BTE\*

LD2

24/06/2015

#19

COMPANIES HOUSE

# National Wealth Management Europe Holdings Limited

## Annual Report and Financial Statements

30 September 2014

### Contents

Directors and Professional Advisers .....	1
Strategic Report.....	2
Directors' Report.....	6
Statement of Directors' Responsibilities.....	8
Report of the Independent Auditor to the members of National Wealth Management Europe Holdings Limited .....	9
Statement of Comprehensive Income .....	11
Balance Sheet .....	12
Statement of Changes in Equity .....	13
Statement of Cash Flows .....	14
Notes to the Financial Statements .....	15

# National Wealth Management Europe Holdings Limited

## Directors and Professional Advisers

<b>Directors</b>	Lesley Beattie Steven Fletcher
<b>Secretary</b>	Bernadette Lewis
<b>Registered office</b>	88 Wood Street London EC2V 7QQ
<b>Bankers</b>	Clydesdale Bank PLC
<b>Auditors</b>	Ernst & Young LLP 1 More London Place London SE1 2AF

# National Wealth Management Europe Holdings Limited

## Strategic Report

The Directors of the Company present their Strategic Report for the year ended 30 September 2014.

### **Our business**

The Company holds an investment in a subsidiary company in the United Kingdom ("UK"). As part of the corporate group structure review that was undertaken in 2013/14, the Company rationalised a number of its investments in its non-trading subsidiaries during the year. These subsidiaries have been wound down through Members voluntary arrangements.

The economic activity which remains within this structure is undertaken in National Australia Insurance Services Limited ("NAIS") who provide a range of insurance and investment products and services to Clydesdale and Yorkshire Bank customers in the UK.

The Directors do not rely on any key performance indicators ("KPIs") at the Company level to monitor performance. The nature of the business means it is more relevant to review KPIs at the National Australia Bank Limited ("NAB") Group level. The Company's results are included within the UK Banking segment of the NAB Group financial statements.

### **Our operating environment**

The UK economy continues to show signs of improvement, having experienced seven consecutive quarters of output growth. The economy expanded by 0.7% in the September quarter and by 0.9% in the three months to June. The Q3 2014 GDP figures were enhanced by expansion in the service, production and construction industries. While the slowdown in the pace of growth has raised concerns that the economic recovery will stall as a result of the issues facing the Eurozone, the UK is still forecast to be the fastest growing advanced economy in 2014. The UK unemployment rate as at September 2014 was 6%, its lowest level since late 2008, with 1.96m people unemployed at that point, a reduction of 115,000 from the previous quarter.

The inflation rate (as measured by annualised growth in the Consumer Prices Index) reduced to 1.2% in September 2014, its lowest level for five years, and is below the Bank of England target of 2.0%. The Bank of England Bank Rate has remained at 0.5% since March 2009, and the spread between Bank Rate and 3 month LIBOR has remained relatively narrow throughout the year.

The economic conditions in which the Company operates remain challenging with the reduction in the reported revenue and profit before tax figures in the year. This is due to a number of factors including lower new business home insurance commissions, slow growth in Life & Critical Illness sales and a reduction in profit share income driven by the run-off across the Payment Protection Insurance ("PPI") book.

"Flood Re" was announced by the Government in the 2013 Water Bill with the intention for the scheme to be implemented in summer 2015. This still requires final UK legislation and formal approval from European Union. Flood Re will create a Reinsurance arrangement open to all Home Insurers which will enable them to cede flood risks at an "affordable" premium (the level of which has still to be agreed and is expected to vary by council tax band). The impact will be to make insurance more affordable for individuals in high risk areas. All household insurers will be required to contribute to the shortfall in flood premiums collected by Flood Re through an additional levy applied to household insurance premiums. The Company believes that Flood Re will lead to more competitive premiums being available in some areas which are particularly prone to flood. On the 18th December 2014 the insurance industry and Government announced the final agreement securing the development and delivery of Flood Re.

# National Wealth Management Europe Holdings Limited

## Strategic Report (continued)

### *Our operating environment (continued)*

The final points of negotiation have all been agreed including the inclusion of properties within council tax bands H and I in the scope of Flood Re. Outstanding issues relating to the financial controls in place for Flood Re have been agreed in principle but as pricing will be at the insurers discretion no details are yet available.

The agreement paves the way for the next key steps needed in the implementation of Flood Re. The firm will require full regulatory approval from the Prudential Regulatory Authority and Financial Conduct Authority. Flood Re expects to announce the successful bidders for both the Managing Agent and Reinsurance Broker in late January 2015.

The Company introduced a new third party provider in respect of the Mortgage Protection (L&G) and the new proposition went live at the beginning of January 2014. The Home Insurance provider (currently RSA) will be subject to review and tender in the year ahead for renewal or replacement in FY16.

Income from the back book of PPI products is subject to review as part of a Risk Review being undertaken by the product provider, Aviva. In a more benign economic environment it is possible that premium and commission thereon may reduce.

Pensions freedom announced by the Government that came into force from April 2015 may offer opportunities for a self-service wealth proposition and appropriate referral to advisers in the Retail Banking business. This is subject to review.

The regulatory environment in which the Company and its subsidiary ("UK Group") operate continues to evolve. Key changes include:

- The European Union implemented Basel III through the Capital Requirements Directive IV ("CRD IV") package published in June 2013. The PRA published its final rules on the UK implementation of CRD IV during December 2013 in Policy Statement 7/13. These introduced a wide range of measures commencing on 1 January 2014. The UK Group currently complies with the inforce measures and is working with the regulator to ensure it continues to meet capital requirements throughout the progressive implementation of these rules.
- The UK Government has also put in place a range of mechanisms to improve consumer and business access to credit or other financial services. These include the 'New Buy' scheme (which provided an equity loan worth up to 20% of the value of a new build home, repayable at any time or once the home is sold). This has subsequently been extended into a 'Help to Buy' scheme which is a mortgage guarantee scheme for lenders who offer mortgages to households with a deposit between 5% and 20% on homes with a value up to £600,000. This is anticipated to stimulate the market for the provision of mortgage protection and related home insurance products.

### *Our goal and strategic priorities*

The Company is aligned to the NAB Group's goals and strategic priorities. In 2014, the NAB Group continued to better align the business to the changing economic landscape and customers' evolving needs. In Australia, the NAB Group has implemented an integrated and simplified operating model that aligns the organisation to the external environment and evolving customer needs.

# National Wealth Management Europe Holdings Limited

## Strategic Report (continued)

### *Our goal and strategic priorities (continued)*

The model features:

- more streamlined customer management divisions focused on managing and growing customer relationships;
- a single product house to effectively coordinate and manage all product offerings and drive innovation;
- a centralised operations, shared services and transformation division to drive greater scale and efficiency, and delivery of business-wide transformation; and
- centralised support divisions, bringing together Risk, Finance & Strategy, People, Communications and Governance, to remove duplication and promote greater consistency.

### *Business model risks and challenges*

As part of the UK Banking segment in the NAB Group's financial statements, the Company's risk management framework is dealt with by NAB's UK Group under a "delegated authority" and not directly by NAB. The primary areas of risk and challenge to the Company's business model are outlined below. Tolerances for appropriate levels of risk, as well as the other risks to which the Company is exposed, are set regularly through the UK Group's risk appetite statement ('RAS') process. The position against the various RAS settings is monitored and reported to the UK Group's various management and Board governance committees.

- *Credit risk:* this is the risk of financial loss if a customer or counterparty fails to meet their contractual payments. Further detail on the Company's approach to the management of credit risk is included in note 11 to the financial statements.
- *Operational risk:* this is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, including legal risk. The Company regards operational risks as a core component of doing business as they arise from day-to-day operational activities as well as from organisational changes such as projects and business change initiatives. The Company and UK Banking has focused on improving these areas over recent years with an emphasis on control effectiveness and improvements in the control environment (processes), enhancing skills and appropriate resource allocation (people) and improvements in system resilience and availability. An important constituent part of operational risk is service interruption. The Company and UK Banking recognises the impact that any service interruption issues may cause to our customers and continues to assess and manage its current technical systems landscape and to develop contingency plans to manage and mitigate this risk.

# National Wealth Management Europe Holdings Limited

## Strategic Report (continued)

### *Business model risks and challenges (continued)*

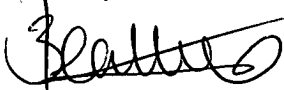
Further detail on the risks the Company faces and how these are managed is included in Note 11 to the financial statements.

The Company scans the environment in which it operates to identify those emerging risks and challenges that can have an impact on how it operates from a strategic, operational and financial perspective. The Company currently considers these to be:

- *The UK and European economy:* while the UK economic recovery is currently gaining momentum it remains fragile and vulnerable to events and trends in Europe. The UK Group's future plans are linked to the UK economy achieving a current and prolonged period of economic growth and ultimately, in the medium term, to a resumption of more normalised interest rate conditions.
- *The potential for reconstitution of political arrangements for the UK:* the UK Group faces risks associated with the possible referendum on the UK withdrawing from the EU and implications of the 2015 General Election. The outcome of these events could have a material impact on the regulatory, fiscal and monetary regimes in the UK and in Europe. The potential effect of any change is uncertain but could have an impact on the Company's costs and future business.
- *The changing financial industry landscape:* the UK Group is subject to extensive regulation and changes to this may adversely impact the Company's financial performance and position. Future changes in laws, regulations and other industry wide initiatives are unpredictable and beyond the Company's control and could adversely affect its business and operations. These changes are influenced by a number of different and competing drivers including evolving stakeholder expectations regarding transparency, competition, financial system stability and international harmonisation.
- *Competition:* there is substantial competition in the UK insurance market. Increased competition for customers can have the effect of compressing profit margins, changing terms and conditions, increasing advertising and related expenses to attract and retain customers, increasing customer turnover, decreasing customer loyalty or driving loss of market share. As technology and customer attitudes are rapidly evolving, particularly in the digital arena, this increases the risk of competition, including from new business entrants, and the cost of doing business.

The risks and challenges identified in the Strategic Report do not represent an exhaustive list of the risks and issues associated with the Company. Other risks and issues not specifically referenced may adversely impact the future financial position and performance of the Company. Accordingly, no assurances or guarantees of future performance, profitability or returns on capital are given by the Company.

The Strategic Report was approved by the Board of Directors on 12 June 2015 and was signed on its behalf by:



Lesley Beattie

**Director**

# National Wealth Management Europe Holdings Limited

## Directors' Report

The Directors present their Annual Report and Financial Statements of National Wealth Management Europe Holdings Limited ("the Company") for the year ended 30 September 2014.

## Profits and appropriations

The profit attributable to the shareholder for the year ended 30 September 2014 amounted to £6,618,000 (2013: £Nil).

An interim dividend of £40,000,000 was paid during the year in respect of the year ended 30 September 2014 (2013: £Nil). The Directors do not recommend the payment of a final dividend on the ordinary shares in respect of this financial year.

## Future development

Information regarding future developments has been included in the strategic report.

## Directors and Directors' interests

The current Directors are shown on page 1. In terms of the Articles of Association of the Company, no Directors are required to retire by rotation.

### Directors' interests

No Director had any interest in the shares, debentures or share options of the Company at any time during the year. 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.

### Directors' liabilities

During the year the NAB Group paid a premium for a contract insuring the Directors and officers of NAB Limited, 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 Company itself to the extent that it is obligated to indemnify directors and officers for such liability.

### Directors' remuneration

The Directors of the Company are remunerated as employees of the National Australia Group Europe Limited or its subsidiary Clydesdale Bank PLC, 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.

## 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 2014 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 the UK.



# National Wealth Management Europe Holdings Limited

## Directors' Report (continued)

### Re-appointment of auditors

In accordance with section 487 of the Companies Act 2006, the Company's auditors, Ernst & Young LLP, will be deemed to have been re-appointed at the end of the period of 28 days following circulation of copies of these financial statements as no notice has been received from members pursuant to section 488 of the Companies Act 2006 prior to the end of the accounting reference period to which these financial statements relate.

### Financial risk management

Details of the Company's critical accounting policies are set out in note 2.

The Directors consider there not to be a material exposure to market risk. The impact of market price volatility did not have a significant effect on the operating activities of the Company. The Directors consider liquidity and interest rate risk not to have a material effect on the Company's financial performance. Detail on the group's market and liquidity risk is discussed in note 11 in the accounts.

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

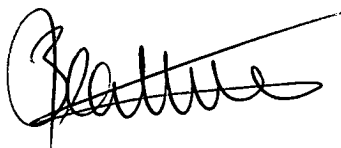
The Directors who were members of the Board during the financial year are listed on page 1. Having made enquiries of fellow Directors and of the Company's auditors, each of these Directors confirms that:

- (i) 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
- (ii) 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.

### Going concern

As set out in note 1, after making enquiries the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

On behalf of the Directors



Lesley Beattie  
Director  
12 June 2015

# **National Wealth Management Europe Holdings Limited**

## **Statement of Directors' Responsibilities**

The directors are responsible for preparing the Directors' Report, Strategic Report and 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 the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union and applicable law. 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 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 accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 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.

# **National Wealth Management Europe Holdings Limited**

## **Report of the Independent Auditor to the members of National Wealth Management Europe Holdings Limited**

We have audited the financial statements of National Wealth Management Europe Holdings Limited for the year ended 30 September 2014 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Cash Flows, the Statement of Changes in Equity and the related notes 1 to 13. 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 Directors' Responsibilities Statement set out on page 8, 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's 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 Report and Accounts 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 2014 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.

# National Wealth Management Europe Holdings Limited

## Report of the Independent Auditor to the members of National Wealth Management Europe Holdings Limited (continued)

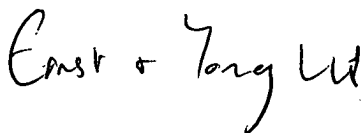
### Opinion on other matter prescribed by the Companies Act 2006

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

### 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.



Javier Faiz  
For and on behalf of Ernst & Young LLP, Statutory Auditor  
London  
16 June 2015

# National Wealth Management Europe Holdings Limited

## Statement of Comprehensive Income

For the year ended 30 September 2014

	Note	2014 £'000	2013 £'000
Interest receivable	3	21	-
Dividend income	5	36,924	-
Impairment expense		(30,323)	-
<b>Total comprehensive income for the year before tax</b>		<b>6,622</b>	<b>-</b>
Tax charge	4	(4)	-
<b>Total comprehensive income for the year after tax</b>		<b>6,618</b>	<b>-</b>

The Company has no recognised gains or losses other than those disclosed above.

All items dealt with in arriving at the result on ordinary activities for 2014 and 2013 relate to continuing activities.

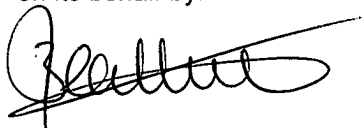
# National Wealth Management Europe Holdings Limited

## Balance Sheet

At 30 September 2014

	Note	2014 £'000	2013 £'000
<b>Non-current assets</b>			
Investment in controlled entities	6	-	30,323
<b>Current assets</b>			
Cash at bank	7	170	225
Due from related entities	9	-	3,000
		<u>170</u>	<u>3,225</u>
<b>Total assets</b>		<u>170</u>	<u>33,548</u>
<b>Current liabilities</b>			
Group relief payable		5	1
<b>Total liabilities</b>		<u>5</u>	<u>1</u>
<b>Net assets</b>		<u>165</u>	<u>33,547</u>
<b>Shareholders' equity</b>			
Share capital	8	-	94,700
Retained earnings		165	(61,153)
<b>Total shareholders' equity</b>		<u>165</u>	<u>33,547</u>

The financial statements were approved by the Board of Directors on 12 June 2015 and were signed on its behalf by:



Lesley Beattie

**Director**

Company Number: 4220402

# National Wealth Management Europe Holdings Limited

## Statement of Changes in Equity

For the year ended 30 September 2014

	Share capital £'000	Retained earnings £'000	Total £'000
Balance at 30 September 2012	94,700	(61,153)	33,547
Profit for the year ended 30 September 2013	-	-	-
Balance at 30 September 2013	<u>94,700</u>	<u>(61,153)</u>	<u>33,547</u>
Profit for the year ended 30 September 2014	-	6,618	6,618
Dividend paid	-	(40,000)	(40,000)
Share capital reduction	(94,700)	94,700	-
<b>Balance at 30 September 2014</b>	<u><u>-</u></u>	<u><u>165</u></u>	<u><u>165</u></u>

# National Wealth Management Europe Holdings Limited

## Statement of Cash Flows

For the year ended 30 September 2014

	Note	2014 £'000	2013 £'000
<b>Cash flows from operating activities</b>			
Profit before tax		6,622	-
<i>Adjustments for:</i>			
Non-cash or non-operating items included in profit before tax			
Finance income		(21)	-
Dividend income		(36,924)	-
Impairment expense		30,323	-
		-	-
<b>Changes in operating assets and liabilities</b>			
<i>Net decrease in:</i>			
Due from related entities		3,000	-
<b>Net cash provided by operating activities</b>		3,000	-
<b>Cash flows from investing activities</b>			
Dividends received		36,924	-
Finance income		21	-
<b>Net cash flows from investing activities</b>		36,945	-
<b>Cash flows from financing activities</b>			
Dividends paid		(40,000)	-
<b>Net cash used in financing activities</b>		(40,000)	-
<b>Net decrease in cash and cash equivalents</b>		(55)	-
Cash and cash equivalents at beginning of year		225	225
<b>Cash and cash equivalents at end of year</b>	7	170	225



# National Wealth Management Europe Holdings Limited

## Notes to the Financial Statements (continued)

### Notes to the Financial Statements

For the year ended 30 September 2014

#### 1. Basis of preparation

##### *Reporting entity*

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

The immediate parent undertaking of the Company is National Wealth Management International Holdings Limited, a company incorporated in the State of Victoria, Australia.

The ultimate parent undertaking and ultimate controlling party is NAB, a company incorporated in the State of Victoria. NAB also heads the largest group in which the results of the Company are consolidated.

##### *Statement of compliance*

The financial statements of the Company have been presented in accordance with International Financial Reporting Standards as adopted by the European Union and as applied in accordance with the Companies Act 2006.

The financial statements of the Company for the year ended 30 September 2014 were authorised for issue by the Board of Directors on 12 June 2015.

##### *Basis of measurement*

The financial statements have been prepared on a going concern basis under the historical cost convention.

##### *Going concern*

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report. In addition, note 11 to the financial statements includes the Company's risk management objectives and note 10 to the financial statements includes the Company's objectives, policies and processes for managing its capital.

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

# National Wealth Management Europe Holdings Limited

## Notes to the Financial Statements (continued)

### 2. Accounting policies

#### Accounting developments

The Company has adopted the following IASB pronouncements in the current financial year:

- *IFRS 13 'Fair Value Measurement'*, issued May 2011 and effective for financial years beginning on or after 1 January 2013. IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. IFRS 13 applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of IFRS 2 'Share-based Payment', leasing transactions that are within the scope of IAS 17 'Leases', and measurements that have some similarities to fair value but are not fair value (e.g. value in use for impairment assessment purposes).

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under IFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. IFRS 13 also includes extensive disclosure requirements.

The impact of these amendments is not considered material to the Company.

- *'Annual Improvements to IFRSs 2009 – 2011 cycle'*, issued May 2012 and effective for financial years beginning on or after 1 January 2013. The IASB made amendments to the following standards that are relevant to the Company: IAS 1 '*Presentation of financial statements*', IAS 32 '*Financial Instruments Presentation*' and IAS 34 '*Interim financial reporting*'. The impact of these amendments is not considered to be material to the Company.
- IAS 27 '*Consolidated and Separate Financial Statements*' issued May 2011 and effective for financial years beginning on or after 1 January 2013 (with the application date for EU entities being financial years beginning on or after 1 January 2014). The Company chose to early adopt this standard from 1 October 2013 to align with the ultimate parent company. There has been no material impact to the Company as a result of adopting IAS 27.

The following IASB pronouncements are relevant to the Company and were available for adoption in the European Union, but are not mandatory and have not been applied by the Company in the 30 September 2014 reporting year. Except where otherwise stated, the Company does not expect that the adoption of the following standards, amendments to standards and interpretations will have a material impact on the financial statements:

- *'Annual improvements to IFRS 2010-2012 cycle'* issued December 2013 and effective for financial years beginning on or after 1 July 2014. The IASB have made amendments to the following standards that are relevant to the Company: IFRS 13 '*Fair Value Measurement*'.
- Amendments to IAS 36 '*Recoverable Amount Disclosures for Non-Financial Assets*' issued May 2013 and effective for financial years beginning on or after 1 January 2014. This amends the disclosure requirements of IAS 36 to include additional information about the fair value measurement where the recoverable amount of the impaired asset is based on fair value less costs of disposal.

# National Wealth Management Europe Holdings Limited

## Notes to the Financial Statements (continued)

### 2. Accounting policies (continued)

#### Accounting developments (continued)

The following IASB pronouncements are relevant to the Company but were not available for adoption in the European Union and have not been applied by the Company in the 30 September 2014 reporting year. The impact of these pronouncements is still being assessed by the Company. Except where otherwise stated, the Company does not expect that the adoption of the following standards, amendments to standards and interpretations will have a material impact on the financial statements:

- IFRS 9 '*Financial Instruments*', issued July 2014 and effective for financial years beginning on or after 1 January 2018. This standard replaces IAS 39 '*Financial instruments: Recognition and measurement*' and contains new requirements for the recognition and measurement of financial assets and liabilities and the recognition of impairment.

The revised recognition and measurement approach will lead to the Company's financial assets being classified as either amortised cost, fair value through other comprehensive income, or fair value through the income statement, dependant on the business model and cash flow characteristics of the financial asset. Financial liabilities will in most cases be accounted for as at present. One exception is where the Company opts to fair value a financial liability. Movement in fair value due to own credit risk would be directly recognised in other comprehensive income.

The impairment of financial assets under IFRS 9 will be based on expected credit losses rather than incurred credit losses as at present.

IFRS 9 will introduce changes in the way the Company accounts for financial instruments with the full impact on the Company's results still being assessed.

- Amendments to IAS 1: Disclosure initiative, issued December 2014 and effective for financial years beginning on or after 1 January 2016. Narrow scope amendments providing clarification to existing IAS 1 '*Presentation of financial statements*' requirements.

#### Consolidation

The Company has taken advantage of the exemption in Section 401 of the Companies Act 2006 to prepare and deliver group accounts on the grounds that the Company's results are included in the non EEA group accounts of a larger group. The Company is a wholly owned subsidiary of NAB (a company incorporated in the state of Victoria, Australia) and its results are incorporated in the consolidated financial statements for NAB for the year ended 30 September 2014.

#### Functional and presentational currency

All amounts are expressed in pounds sterling, which is the Company's functional and presentation currency, rounded to the nearest thousand pounds unless otherwise stated.

#### Interest received

Interest received on cash deposits is recognised on an accrual basis.

# National Wealth Management Europe Holdings Limited

## Notes to the Financial Statements (continued)

### 2. Accounting policies (continued)

#### Corporation tax

Corporation tax on the profit or loss for the year comprises current tax. Corporation tax is recognised in the Statement of Comprehensive Income except to the extent that it is related to items recognised in equity, in which case the tax is also recognised in equity. Corporation tax expense is the tax payable on the current period's taxable income based on the applicable tax rate adjusted by changes in deferred tax assets and liabilities.

#### Current tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

#### Cash and cash equivalents

For the purposes of the Statement of Cash Flows, cash and cash equivalents comprise balances within three months maturity from the date of inception.

#### Investment in controlled entities

Shares in subsidiary undertakings are stated at cost less any provision for impairment. Unrealised losses relating to the impairment in the value of shares in subsidiary undertakings are recognised in the Statement of Comprehensive Income. The value of shares in subsidiary undertakings is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of (i) the asset's fair value less costs of disposal and (ii) the asset's value in use.

For assets that do not generate largely independent cash flows, the recoverable amount is determined for the cash generating unit to which that asset belongs. Management judgement is applied to identify cash generating units.

### 3. Interest receivable

	2014 £'000	2013 £'000
Interest receivable from group companies (note 9)	<u>21</u>	<u>-</u>

### 4. Tax expense

#### a) Analysis of charge in the year

	2014 £'000	2013 £'000
<b>Current tax</b>		
UK corporation tax		
Current year	5	-
Prior year	(1)	-
Total current tax	<u>4</u>	<u>-</u>

# National Wealth Management Europe Holdings Limited

## Notes to the Financial Statements (continued)

### 4. Tax expense (continued)

#### b) Factors affecting tax charge for the year

	2014 £'000	2013 £'000
Profit on ordinary activities before tax	6,622	-
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 22% (2013: 23.5%)	1,457	-
Non-taxable dividend income	(8,123)	-
Impairment on investment	6,671	-
Adjustments in respect of prior years	(1)	-
<b>Actual tax expense for the year</b>	<b>4</b>	<b>-</b>

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

### 5. Dividends

On 5 September 2014, the Company received a final distribution of £36,924,077 from National Europe Holdings (Wealth Management) Limited ("NEHWM").

On 26 September 2014, the Company paid a final dividend of £40,000,000.

### 6. Investments in controlled entities

	2014 £'000	2013 £'000
At 1 October	30,323	30,323
Impairment charge in the year	(30,323)	-
At 30 September	-	30,323

On 23 June 2014 NEHWM entered a Members Voluntary Liquidation, following receipt of the dividend (Note 5). The Company impaired the investment to £Nil as there are no proceeds expected on the final wind up of the Company.

On 23 June 2014 following the Group Corporate Structure review, the Company acquired the entire share capital of NAIS for £1 from NEHWM, a group company.

Subsidiary Undertaking	Nature of Business	% Ownership	Country of Incorporation
National Australia Insurance Services Limited*	Insurance services	100	England
National Europe Holdings (Wealth Management) Limited	In liquidation	100	England

\* Acquired on 23 June 2014

# National Wealth Management Europe Holdings Limited

## Notes to the Financial Statements (continued)

### 7. Cash and cash equivalents

	2014 £'000	2013 £'000
Cash at bank	<u>170</u>	<u>225</u>

### 8. Share capital

Authorised	Number	£
Ordinary shares of £1 each		
At 30 September 2014 and 2013	<u>95,000,000</u>	<u>95,000,000</u>
	Number	£
Allotted, called up and fully paid		
Ordinary Shares of £1 each		
At 30 September 2013	94,700,001	94,700,001
Redeemed during the year	(94,700,000)	(94,700,000)
At 30 September 2014	<u>1</u>	<u>1</u>

On 19 September 2014, in accordance with Chapter 2 of Part 13 of the Companies Act 2006, the Directors passed a special resolution to redeem and cancel 94,700,000 ordinary shares for a consideration of £Nil. There was a corresponding adjustment to increase retained earnings.

### 9. Related party transactions

The Company receives a range of services from the parent and related parties, including loans and various administration services.

Amounts due from related entities	2014 £'000	2013 £'000
Cash at bank		
Controlled entities of the ultimate parent	<u>170</u>	<u>225</u>
Current assets		
Controlled entities of the ultimate parent	<u>-</u>	<u>3,000</u>
Transactions with related entities		
Interest receivable		
Controlled entities of the ultimate parent	<u>21</u>	<u>-</u>

On 21 March 2014 the Company borrowed £36,924,077 from its subsidiary NEHWM. This balance was settled on 5 September 2014 through receipt of an in specie dividend from NEHWM.

# **National Wealth Management Europe Holdings Limited**

## **Notes to the Financial Statements (continued)**

### **9. Related party transactions (continued)**

#### **Transactions with Directors, key management or their close family members**

There were no transactions with directors, key management or their close family members during the year and no amounts outstanding at 30 September 2014 (2013: £Nil) under transactions, arrangements and agreements with the Company from directors, key management and their close family members. Amounts outstanding under transactions, arrangements and agreements with credit institutions within the NAB Group from directors are disclosed in the consolidated financial statements of NAB, which are publicly available.

#### **Other related party transactions**

In the normal course of business the Company maintains accounts and conducts transactions with other members of the NAB Group. The Company's audit fees are borne by NAGE who paid £7,500 on behalf of the Company in the current financial year (2013: £4,000).

#### **Directors' emoluments**

The Directors are employed as executives of other NAGE Group companies. The aggregate emoluments of the Directors of the Company were £Nil (2013: £Nil).

### **10. Capital management overview**

The Company is governed by NAB Group's capital management policy. The objective of the NAB Group's capital management policy is to efficiently manage the capital base to optimise shareholder returns whilst maintaining capital adequacy and satisfying key stakeholders such as regulators and rating agencies. The Company considers its capital to be total shareholders' equity as shown in the balance sheet.

### **11. Financial risk management**

#### **Management of risk**

Effective management of risk is a key capability for a successful financial services provider. In line with the NAB Group Risk Charter, the 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.

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 risk 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.

#### **Operational risk and compliance**

Operational risk is the risk of loss resulting from inadequate or failed processes, people or systems, or from external events. The NAB Group continues to place significant focus on improving its operational risk management processes and systems.

# National Wealth Management Europe Holdings Limited

## Notes to the Financial Statements (continued)

### 11. Financial risk management (continued)

#### Market risk

The Directors consider the Company to have minimum exposure to market risk. The impact of market price volatility does not have a significant effect on the operating activities of the Company.

#### Credit risk

Credit risk is the risk of loss resulting from the failure of a counterparty to perform its financial obligations or to perform them in a timely fashion. The Company holds no significant concentrations of credit risk, and cash is held with at least BBB+ rated banks (Standard and Poor's rating). The amount disclosed in the balance sheet in respect of total assets of £170,000 (2013: £3,225,000) represents the Company's maximum exposure to credit risk.

#### Interest rate risk

The exposure to interest rate risk is related to cash balances held with related parties. Therefore, the Directors consider this risk to be minimal.

#### Liquidity and funding risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities when they fall due. Liquidity risk arises from the possibility that market conditions prevailing at some point in the future will require the Company to sell assets at a value which is below their underlying worth. Liquidity can be reduced substantially as a result of external economic or market events, market size or the actions of individual participants.

Due to the nature of the Company's operations, cash balances are held with related parties and the Directors therefore consider the exposure to liquidity risk to be minimal.

#### Maturity analysis of assets and liabilities

	Call	No specified maturity	Total
2014	£'000	£'000	£'000
<b>Assets</b>			
Cash at bank	170	-	170
	<b>170</b>	<b>-</b>	<b>170</b>
<b>Liabilities</b>			
Group relief payable	-	5	5
	<b>-</b>	<b>5</b>	<b>5</b>



# National Wealth Management Europe Holdings Limited

## Notes to the Financial Statements (continued)

### 11. Financial risk management (continued)

2013	Call £'000	No specified maturity £'000	Total £'000
<b>Assets</b>			
Cash at bank	225	-	225
Due from related entities	-	3,000	3,000
All other assets	-	30,323	30,323
	<u>225</u>	<u>33,323</u>	<u>33,548</u>
<b>Liabilities</b>			
Due to related entities			
Group relief payable	-	1	1
	<u>-</u>	<u>1</u>	<u>1</u>

### Cash flows payable under financial liabilities

2014	No specified maturity £'000	Total £'000
Group relief payable	5	5
	<u>5</u>	<u>5</u>

2013	No specified maturity £'000	Total £'000
Group relief payable	1	1
	<u>1</u>	<u>1</u>

### 12. Employees

All staff were provided by NAGE Group companies to National Wealth Management Europe Holdings Limited.

### 13. Events since the balance sheet date

There have been no events which have occurred since 30 September 2014 that would require disclosure in the financial statements of the Company.