

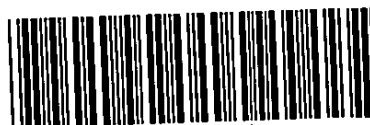
NATIONAL CAPITAL INVESTMENTS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

Registered number 04277344

30 SEPTEMBER 2010

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NATIONAL CAPITAL INVESTMENTS LIMITED*Year ended 30 September 2010*

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NATIONAL CAPITAL INVESTMENTS LIMITED
Year ended 30 September 2010

Officers and Professional Advisers

Directors

R Catt
B Carr

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

NATIONAL CAPITAL INVESTMENTS LIMITED

Year ended 30 September 2010

Report of the Directors

The directors of National Capital Investments Limited (the "Company") submit their report and Financial Statements for the year ended 30 September 2010. The Company is registered in England and Wales with registration number 04277344.

Principal activities

The Company operates as an investment Company, investing in UK Treasury Gilts. The Company did not enter into any new transactions during the year ended 30 September 2010.

Business review and future developments

There have been no significant changes to the business during the year. The principal risk and uncertainties are set out in the risk overview note to the Financial Statements. The Company does not expect any significant changes in the future. Since the UK gilts matured in December 2007 the Company has been looking for other investment opportunities.

The directors do not rely on any key performance indicators at the Company level to monitor performance. The nature of the business means it is more relevant to perform a review of the KPI's at the NAB Group level.

Profits and appropriations

The profit attributable to the shareholders for the year ended 30 September 2010 amounted to £Nil (2009: £24). The directors do not recommend the payment of a dividend in respect of the financial year (2009: £Nil).

Directors and directors' interests

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

B. Rose resigned as a director on 29 March 2010.

S. Learoyd resigned as a director on 2 March 2011.

B. Carr was appointed as a director on 10 June 2011.

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 or any Group company at any time during the year.

Directors' liabilities

As the Company is a wholly owned subsidiary of 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 or any Group company at any time during the year except as described above.

Company secretary

The current company secretary is shown on page 2.

Employee involvement

The Company does not have any employees (2009: Nil). All staff are provided by the ultimate parent company, NAB.

Charitable and political donations

No charitable or political donations were made throughout the year (2009: £Nil).

Report of the Directors (continued)

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 balance sheet date

No information has been identified since the balance sheet date about conditions existing at the balance sheet date, which are required to be disclosed in these Financial Statements.

Auditors

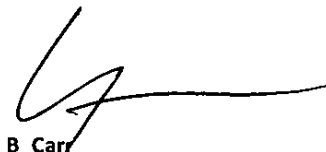
In accordance with section 485 of the Companies Act 2006 a resolution to reappoint Ernst and Young LLP will be proposed at the next meeting of the board of directors.

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



B Carr
Director
20 June 2011

Statement of Directors' Responsibilities in relation to the Financial Statements

The directors are responsible for preparing the directors' report and Financial Statements in accordance with applicable law and regulations

Company Law requires the directors to prepare Financial Statements for each financial period. Under that law the Directors have elected to prepare the Financial Statements in accordance with International Financial Reporting Standards (IFRSs) 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 of 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,
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information,
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the financial position and financial performance, and
- state that the Company has complied with IFRSs, subject to any material departures disclosed and explained in the Financial Statements

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 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 Capital Investments Limited

We have audited the Financial Statements of National Capital Investments Limited for the year ended 30 September 2010 which comprise the income statement, statement of changes in equity, balance sheet, cash flow statement and the related notes 1 to 10. 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 auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 5, 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 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.

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 2010 and of its result for the period 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

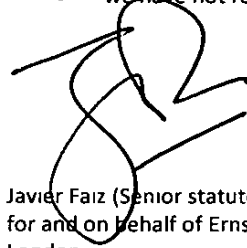
In our opinion the information given in the Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements.

Independent Auditor's Report to the Members of National Capital Investments 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



Javier Faiz (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, statutory auditor
London

Date 23 JUNE 2011

Income Statement for the Year to 30 September 2010

	Note	2010 £	2009 £
Other income		-	34
Profit on ordinary activities before tax		<u>-</u>	<u>34</u>
Tax expense	3	-	(10)
Retained profit for the financial year		<u>-</u>	<u>24</u>

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

All items dealt with in arriving at the profit before tax for 2010 and 2009 relate to continuing operations

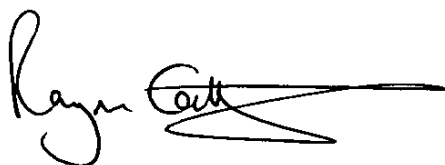
Statement of changes in equity for the Year to 30 September 2010

	Share capital £	Retained earnings £	Total shareholder's equity £
Balance at 1 October 2009	50,000	9,690	59,690
Profit for the year	-	-	-
Balance at 30 September 2010	50,000	9,690	59,690

NATIONAL CAPITAL INVESTMENTS LIMITED*Year ended 30 September 2010***Balance Sheet as at 30 September 2010**

	Note	2010 £	2009 £
Current assets			
Cash and cash equivalents	8	59,153	59,145
Current tax asset	4	537	545
Total assets		<u>59,690</u>	<u>59,690</u>
Net assets		<u>59,690</u>	<u>59,690</u>
Shareholders' equity			
Share capital	5	50,000	50,000
Retained earnings	6	9,690	9,690
Total shareholders' equity	7	<u>59,690</u>	<u>59,690</u>

The Financial Statements were approved by the directors on 20 June 2011 and were signed on their behalf by



R Catt
Director

Cash Flow Statement for the year to 30 September 2010

	Note	2010 £	2009 £
Cash flows from operating activities			
Profit before taxation		-	34
<i>Adjustments for non cash movements</i>			
Interest income		-	-
			<u>34</u>
Tax (paid)/received		9	(55)
Net cash provided by/(used in) operating activities		<u>9</u>	<u>(21)</u>
Net increase/(decrease) in cash and cash equivalents		<u>9</u>	<u>(21)</u>
Cash and cash equivalents at beginning of year		59,145	59,166
Cash and cash equivalents at end of year	8	<u>59,154</u>	<u>59,145</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 Capital Investments Limited for the year ended 30 September 2010 were authorised for issue by the directors on 20 June 2011 and the balance sheet was signed on their behalf by R. Catt

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. NAB 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, liabilities, revenues and expenses and the disclosed amount of contingent liabilities. Assumptions made at each balance sheet 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.

Accounting developments

During the year the IASB and International Financial Reporting Interpretations Committee issued the following standards and interpretations with an effective date after the date of the Financial Statements that would be relevant to this company in future years.

International Financial Reporting Standards		Effective date Annual periods beginning On or after
IFRS 9	Financial Instruments: Recognition and Measurement	1 January 2013
IAS 24	Revised – Related Party Disclosures	1 January 2011

The Company has not early adopted these new/revised standards and interpretations, which are unlikely to have a significant impact on the Company's Financial Statements. There were no IFRIC's released that are deemed relevant to the Company.

Notes to the Financial Statements (continued)

2) Accounting policies (continued)

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.

Cash and cash equivalents

Cash and cash equivalents comprise balances with less than three months' maturity from the date of inception. Cash and cash equivalents are brought to account at the face value or the gross value of the outstanding balance where appropriate.

Income tax

Income tax expense or revenue is the tax payable (or receivable) on the current period's taxable income based on the applicable tax rate.

Income tax on the profit or loss for the year comprises current tax. Income tax is recognised in the income statement except to the extent that it is related to items recognised in equity, in which case the tax is also recognised in equity.

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

Recognition of fee income including loan related fees and costs

Interest income is reflected in the income statement 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.

3) Income tax expense

a) Analysis of charge in the year

	2010 £	2009 £
Current tax		
Corporation tax charge at 28% (2009: 28%)	-	(10)
Tax expense reported in the income statement	-	(10)

NATIONAL CAPITAL INVESTMENTS LIMITED*Year ended 30 September 2010***Notes to the Financial Statements (continued)****3) Income tax expense (continued)****b) Factors affecting tax charge for the year**

	2010 £	2009 £
Profit before tax	-	34
Profit multiplied by standard rate of corporation tax in the UK of 28% (2009 28%)	-	(10)
Total income tax charge for the year	-	(10)

4) Current tax

	2010 £	2009 £
Corporation tax	537	545
	<u>537</u>	<u>545</u>

5) Share capital

	2010 £	2009 £
<i>Authorised</i>		
Equity	50,000	50,000
50,000 Ordinary shares of £1 each		
Non Equity		
150,000,000 Redeemable Ordinary shares of £1 each	150,000,000	150,000,000
200,000,000 Non Cumulative Preferential shares of £1 each	200,000,000	200,000,000
	<u>350,050,000</u>	<u>350,050,000</u>

Allotted, called up and fully paid

Equity		
50,000 Ordinary shares of £1 each	50,000	50,000
	<u>50,000</u>	<u>50,000</u>

Notes to the Financial Statements (continued)

6) Retained earnings

	2010 £	2009 £
At 1 October	9,690	9,666
Profit for the year	-	24
At 30 September	<u>9,690</u>	<u>9,690</u>

7) Shareholders' equity

	2010 £	2009 £
Profit for the period	-	24
Net increase in shareholder's equity	<u>-</u>	<u>24</u>
Opening shareholder's equity	59,690	59,666
Closing shareholder's equity	<u>59,690</u>	<u>59,690</u>

8) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise the following balances with less than three months maturity from the date of inception

	2010 £	2009 £
Due from related entities (Note 9)	<u>59,153</u>	<u>59,145</u>

9) Related party transactions

The Company is a wholly owned controlled entity of National Americas Holdings Limited. The ultimate parent of the Company is NAB.

	2010 £	2009 £
Amount due from related parties		
Cash held at ultimate parent	59,153	59,145
Total due from related parties	<u>59,153</u>	<u>59,145</u>

Notes to the Financial Statements (continued)

9) Related party transactions (continued)

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 2010 (2009 £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. The aggregate emoluments of the directors of the Company were £Nil (2009 £Nil)

10) 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 rate 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

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.

The NAB Group Risk Management Committee, chaired by the Managing Director and Group Chief Executive, serves as the principal risk strategy and policy decision making body within the NAB Group, and provides the Board with assurance in the performance of the overall risk management framework. This committee is supported by three sub-committees – NAB Group Credit and Concentration Risk Committee, NAB Group Asset and Liability Committee, and NAB Group Capital Committee – each with a specialised focus.

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.

Notes to the Financial Statements (continued)

10) Risk overview (continued)

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 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 Operational Risk Framework ("ORF") is based on a set of core principles and defines the NAB Group's standards for operational risk management and compliance. Its design recognises the importance of embedding operational risk and compliance into 'business-as-usual' activities. It has particular focus on defining and implementing the right behaviours and incorporating risk consideration into Group's systems and processes.

The ORF is an essential element of the business strategy, which underpins all operational risk management activities. It includes:

- an established governance structure that is used to ensure consistent application, management and reporting of the operational risk management process. This element also includes the establishment and communication of the Company's operational risk appetite, and
- a structured risk management process to facilitate the identification, quantification and management of risks.

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 other trade receivables and payables are considered to approximate fair value. This is due to their short term nature.

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.

The maximum exposures to credit risk for the components of the balance sheet are set out below.

Notes to the Financial Statements (continued)

10) Risk overview (continued)

Credit risk (continued)

	2010	2009
	£	£
Assets		
Cash and cash equivalents	59,153	59,145
Current tax asset	537	545
Total credit risk exposure	59,690	59,690

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 Directors do not believe there is a significant exposure to liquidity risk as the Company has no financial liabilities.

Notes to the Financial Statements (continued)

10) Risk overview (continued)

Interest rate risk

Part of the Company's exposure to interest rate risk is in relation to the mismatching of the dates on which interest receivable on assets and interest payable on liabilities are next reset

The table below summarises these pricing mismatches as at 30 September 2010 and 30 September 2009

Interest rate sensitivity analysis 2010 £	Weighted average effective interest rate %	Call	3 months or less	No specific maturity	Non interest bearing	Total
Assets						
Cash and cash equivalents	-	59,153	-	-	-	59,153
Current tax asset					537	537
		59,153	-		537	59,690
Liabilities						
Shareholders equity	-	-	-	-	59,690	59,690
		-	-	-	59,690	59,690
		59,153	-	-	(59,153)	-
<hr/>						
Interest rate sensitivity analysis 2009 £	Weighted average effective interest rate %	Call	3 months or less	No specific maturity	Non interest bearing	Total
Assets						
Cash and cash equivalents	-	59,145	-	-	-	59,145
Current tax asset	-	-	-	-	545	545
		59,145	-	-	545	59,690
Liabilities						
Shareholders equity	-	-	-	-	59,690	59,690
		-	-	-	59,690	59,690
		59,145	-	-	(59,145)	-
<hr/>						

Notes to the Financial Statements *(continued)*

10) 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.