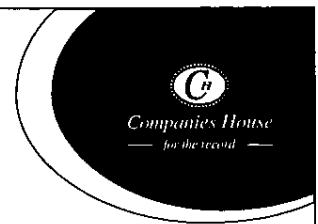
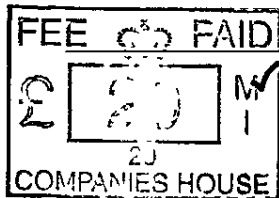


# OS AA01

## Statement of details of parent law and other information for an overseas company



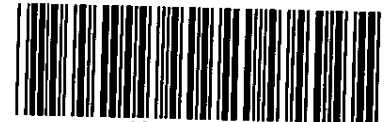
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**What this form is for**  
You may use this form to  
accompany your accounts  
disclosed under parent law

**X What this form is NOT for**  
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#481

COMPANIES HOUSE

### Part 1 Corporate company name

Corporate name of overseas company ①	NAGEO BV
If the company has already been registered in the UK, please enter the establishment number below	
UK establishment number ②	B R 0 0 5 5 8 5

→ **Filling in this form**  
Please complete in typescript or in bold black capitals

All fields are mandatory unless specified or indicated by \*

① This is the name of the company in its home state

② This should only be completed if the company has already been registered in the UK

### Part 2 Statement of details of parent law and other information for an overseas company

<b>A1</b>	<b>Legislation</b>
Legislation ③	European Union and the Netherlands Civil Code

③ This means the relevant rules or legislation which regulates the preparation and, if applicable, the audit of accounts

<b>A2</b>	<b>Accounting principles</b>
Accounts	<p>Have the accounts been prepared in accordance with a set of generally accepted accounting principles?</p> <p>Please tick the appropriate box</p> <p><input type="checkbox"/> No Go to <b>Section A3</b></p> <p><input checked="" type="checkbox"/> Yes Please enter the name of the organisation or other body which issued those principles below, and then go to <b>Section A3</b></p>
Name of organisation or body ④	International Financial Reporting Standards

④ Please insert the name of the appropriate accounting organisation or body

<b>A3</b>	<b>Accounts</b>
Accounts	<p>Have the accounts been audited? Please tick the appropriate box</p> <p><input type="checkbox"/> No Go to <b>Section A5</b></p> <p><input checked="" type="checkbox"/> Yes Go to <b>Section A4</b></p>

# OS AA01

## Statement of details of parent law and other information for an overseas company

**A4**

### Audited accounts

Audited accounts

Have the accounts been audited in accordance with a set of generally accepted auditing standards?

Please tick the appropriate box

☐ No Go to Part 3 'Signature'

☒ Yes Please enter the name of the organisation or other body which issued those standards below, and then go to Part 3 'Signature'

① Please insert the name of the appropriate accounting organisation or body

Name of organisation or body ①

International Financial Reporting Standards

**A5**

### Unaudited accounts

Unaudited accounts

Is the company required to have its accounts audited?

Please tick the appropriate box

☐ No

☒ Yes

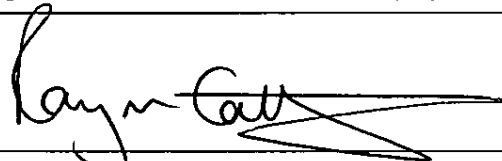
## Part 3

### Signature

I am signing this form on behalf of the overseas company

Signature

Signature

**X****X**

This form may be signed by  
Director, Secretary, Permanent representative

# OS AA01

Statement of details of parent law and other information for an overseas company



## Presenter information

You do not have to give any contact information, but if you do it will help Companies House if there is a query on the form. The contact information you give will be visible to searchers of the public record.

Contact name	A TODD									
Company name	NATIONAL AUSTRALIA GROUP									
Address	88 WOOD STREET									
Post town	LONDON									
County/Region										
Postcode	E	C	2	V		7	Q	Q		
Country										
DX										
Telephone	020 7560 7182									



## Checklist

We may return forms completed incorrectly or with information missing

Please make sure you have remembered the following

- ☐ The company name and, if appropriate, the registered number, match the information held on the public Register
- ☐ You have completed all sections of the form, if appropriate
- ☐ You have signed the form



## Important information

Please note that all this information will appear on the public record



## Where to send

You may return this form to any Companies House address.

### England and Wales

The Registrar of Companies, Companies House,  
Crown Way, Cardiff, Wales, CF14 3UZ  
DX 33050 Cardiff

### Scotland

The Registrar of Companies, Companies House,  
Fourth floor, Edinburgh Quay 2,  
139 Fountainbridge, Edinburgh, Scotland, EH3 9FF  
DX ED235 Edinburgh 1  
or LP - 4 Edinburgh 2 (Legal Post)

### Northern Ireland

The Registrar of Companies, Companies House,  
Second Floor, The Linenhall, 32-38 Linenhall Street,  
Belfast, Northern Ireland, BT2 8BG  
DX 481 N R Belfast 1



## Further information

For further information, please see the guidance notes on the website at [www.companieshouse.gov.uk](http://www.companieshouse.gov.uk) or email [enquiries@companieshouse.gov.uk](mailto:enquiries@companieshouse.gov.uk)

This form is available in an alternative format. Please visit the forms page on the website at [www.companieshouse.gov.uk](http://www.companieshouse.gov.uk)

**NAGEO B.V.**

**FINANCIAL REPORT**

Registered number BV1110532

UK Registered number FC022580

**30 SEPTEMBER 2010**



COMPANIES HOUSE

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**Officers and Professional Advisers**

<b>Directors</b>	R Lakin R Catt C Burgess (alternate to R Catt)
<b>Secretary</b>	B Lewis
<b>Registered Office</b>	Strawinskylaan 1725 1077 XX Amsterdam The Netherlands
<b>Office</b>	88 Wood Street London EC2V 7QQ United Kingdom
<b>Bankers</b>	National Australia Bank Limited
<b>Solicitor</b>	Freshfields Bruckhaus Deringer, Amsterdam
<b>Auditors</b>	Ernst & Young Accountants LLP Antonio Vivaldistraat 150 1083HP Amsterdam The Netherlands

## **Report of the Directors**

The directors of NAGEO B V (the "Company") submit their report and Financial Statements for the year ended 30 September 2010. The Company is registered in The Netherlands with registration number BV1110532 and in England and Wales with registration number FC022580.

### **Principal activities**

The Company provides finance to National Australia Bank Limited ("NAB") or to any wholly owned subsidiary of NAB, and enters into and participates in various financial transactions with the NAB Group.

### **Profits and appropriations**

The profit attributable to the shareholders for the year ended 30 September 2010 amounted to £1,050,000 (2009 £3,313,000) before the payment of dividends in respect of ordinary shares issued.

### **Business review and future developments**

The Company continues to operate as an investment company. The directors are currently considering the future of the Company within the wider NAB Group. No formal resolution has been made on the future of the Company and as such the Financial Statements continue to be prepared on a going concern basis.

The principal risk and uncertainties are set out in Note 12 to the Financial Statements. The Company does not expect any significant risk changes in the future.

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.

### **Going Concern**

The Directors consider the going concern basis of preparation of the Financial Statements to be appropriate. The Company has generated satisfactory profits and has an adequate capital base for the Company to continue in operation for at least the next 12 months from the date of approval of the Financial Statements. There are no events or conditions that exist that cast any doubt on the Company's ability to continue as a going concern.

### **Directors and directors' interests**

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

S. Learoyd resigned on 24 March 2010.

#### Directors' interests

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.

#### Directors' liabilities

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

## Report of the Directors (continued)

### Company secretary

The current Company secretary is shown on page 2

### Employee involvement

The Company does not have any employees (2009 None) 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)

### 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 other 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

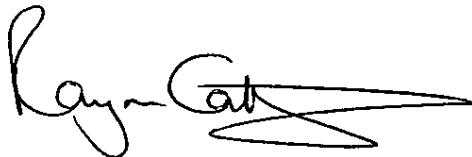
A resolution to reappoint Ernst and Young Accountants LLP will be proposed at the next Annual General Meeting.

### 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



R Catt  
Director

30 MARCH 2011



**Income Statement for the year to 30 September 2010**

	Note	2010 £'000	2009 £'000
Interest income and similar income	10	1,253	4,243
Interest expense	10	-	(1,648)
Other operating expense		(1)	-
<b>Profit on ordinary activities before tax</b>		<b>1,252</b>	<b>2,595</b>
Income tax (charge) /credit	7	(202)	718
<b>Profit for the year and total comprehensive profit</b>		<b>1,050</b>	<b>3,313</b>

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

All items dealt with in arriving at the profit on ordinary activities before tax for the year ended 30 September 2010 and the year ended 30 September 2009 relate to continuing operations

**Statement of changes in equity for the year to 30 September 2010**

	Share capital £'000	Share premium £'000	Revaluation reserves £'000	Retained earnings £'000	Total shareholders' equity £'000
Balance at 1 October 2009	27	151,225	(7)	3,068	154,313
Profit for the year	-	-	-	1,050	1,050
Dividend paid	-	-	-	(2,800)	(2,800)
FX Revaluation	(1)	-	(1)	-	(2)
Balance at 30 September 2010	26	151,225	(8)	1,318	152,561

**Balance Sheet as at 30 September 2010**

	Note	2010 £'000	2009 £'000
<b>Current assets</b>			
Cash and cash equivalents	9	21	10
Due from related entities	10	152,173	153,734
Current tax		367	569
<b>Total assets</b>		<b>152,561</b>	<b>154,313</b>
<b>Total liabilities</b>		<b>-</b>	<b>-</b>
<b>Net assets</b>		<b>152,561</b>	<b>154,313</b>
<b>Shareholders' equity</b>			
Share capital	3	26	27
Share premium	4	151,225	151,225
Revaluation reserves	5	(8)	(7)
Retained earnings	6	1,318	3,068
<b>Total shareholders' equity</b>		<b>152,561</b>	<b>154,313</b>

The Financial Statements were approved by the directors on  
by

**30 MAR 2011** and were signed on their behalf

R Catt  
Director



# **Cash Flow Statement for the year ended 30 September 2010**

	Note	2010 £'000	2009 £'000
<b>Cash flows from operating activities</b>			
Profit before taxation		1,252	2,595
<i>Adjustments for non cash movements</i>			
Interest income		(1,253)	(4,243)
Interest expense		-	1,648
Other expense		1	-
<b>Cash flows from operating activities before changes in operating assets and liabilities</b>		-	-
Tax		-	-
<b>Net cash (used in)/provided by operating activities</b>		-	-
<b>Cash flows from investing activities</b>			
Interest received		1,252	5,681
Increase / (decrease) in amounts due from related entities		1,559	(290)
<b>Net cash provided by investing activities</b>		2,811	5,391
<b>Cash flows from financing activities</b>			
Interest paid		-	(3,295)
Ordinary dividends paid to ultimate parent		(2,800)	(2,100)
<b>Net cash used in financing activities</b>		(2,800)	(5,395)
<b>Increase/(Decrease) in cash and cash equivalents</b>		11	(4)
Cash and cash equivalents at beginning of year		10	14
<b>Cash and cash equivalents at end of year</b>	9	21	10

## Notes to the Financial Statements

### 1) Authorisation of Financial Statements and statement of compliance with International Financial Reporting Standards

The Financial Statements of NAGEO B V for the year ended 30 September 2010 were authorised for issue by the directors on **30 MARCH 2011** and the balance sheets were signed on their behalf by R Catt

The immediate parent undertaking is National Australia Group Europe Investments Limited and the ultimate parent undertaking is National Australia Bank Limited ("NAB"), a company incorporated in the State of Victoria, Australia. NAB heads the largest group in which the results of the Company are consolidated. The smallest group into which the results of the Company are consolidated is that headed by National Australia Group Europe Limited which is incorporated in Great Britain and is registered in England and Wales.

Copies of the group accounts prepared in respect of National Australia Group Europe Limited and 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 Dutch Law. 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 could 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 IFRICs 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 and all values are rounded to the nearest thousand pounds unless otherwise stated.

#### **Foreign currency denominated share capital**

Share capital has been translated at the year end exchange rate. The movements are not considered significant for the Financial Statements and any items are transferred to reserves.

#### **Cash and cash equivalents**

For the purposes of the cash flow statement, 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.

#### **Interest income**

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.

#### **Recognition of fee income including loan related fees and costs**

Interest income is reflected in the Income Statement when earned on an accruals basis. When fees and commissions relate to specific transactions or events, they are recognised as income in the period that services are provided. When they are charged for services provided over a period, they are recognised as income on an accruals basis.

#### **Preference shares**

Under IAS 32 the preference shares are classified as non-current liabilities as they have the characteristics of debt rather than equity, and the preference dividend expense is recorded within interest expense and accrues on a daily basis. The preference shares are translated at the rate prevailing on the balance sheet date but due to the small nominal values this is not significant to the accounts. The premium paid on the purchase of the shares was paid in pounds sterling and therefore is not impacted by changes in foreign exchange rates.

#### **Dividend payments**

Dividend payments are recorded in retained earnings when the Company's right to payment of the dividends is established.

#### **Related party transactions**

The Company enters into a number of related party transactions including receiving and providing funding to other NAB Group companies. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are not classed as 'available for sale' or designated at fair value through profit and loss. Loans and receivables are recorded at amortised cost using the effective interest method, adjusted for impairment losses.

## Notes to the Financial Statements (continued)

### 2) Accounting policies (continued)

#### Related party transactions (Continued)

and unearned income. They are derecognised when the rights to receive cash flow have expired or transferred substantially all the risks and rewards of ownership.

#### Income tax

Income tax on the profit or loss for the year comprises current and deferred 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.

Deferred tax assets and liabilities are recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Statements. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. A deferred tax asset or liability is not recognised if it arises from initial recognition of an asset or liability that at the time of the transaction affects neither accounting profit nor taxable profit or loss.

### 3) Share capital

	2010 €	2009 €
<i>Authorised</i>		
150 ordinary shares of €300 each	45,000	45,000
	<hr/>	<hr/>
	2010 £	2009 £
<i>Allotted, called up and fully paid</i>		
100 ordinary shares at €300 each	25,992	27,448
	<hr/>	<hr/>
	25,992	27,448
	<hr/>	<hr/>

The exchange rate used as at balance sheet date was €1=£0.87 (2009: €1=£0.91). Any change in translation is taken to reserves.

There is no restriction on the rights of holders of the ordinary shares. Each ordinary share carries (and previously each preference share carried) the right to one vote per share held.

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

**4) Share premium**

	2010 £'000	2009 £'000
Share premium on 75 ordinary shares at £683,000 per share	51,225	51,225
Share premium on 25 ordinary shares at £4,000,000 per share	100,000	100,000
	<u>151,225</u>	<u>151,225</u>

**5) Revaluation reserves**

	2010 £'000	2009 £'000
FX translation on ordinary share capital at 1 October	(7)	(3)
FX translation movement on preference shares	(1)	(4)
FX translation on ordinary share capital at 30 September	<u>(8)</u>	<u>(7)</u>

**6) Retained earnings**

	2010 £'000	2009 £'000
At 1 October	3,068	1,855
Profit for the year	1,050	3,313
Dividends paid – equity	(2,800)	(2,100)
At 30 September	<u>1,318</u>	<u>3,068</u>

**7) Income tax credit / (expense)**

**a) Current tax charge**

	2010 £'000	2009 £'000
UK corporation tax at 28% (2009 28%)	(351)	718
Prior year adjustment	149	-
Income tax (expense)/ credit reported in the income statement	<u>(202)</u>	<u>718</u>

The current tax charge is 28%. Following the emergency budget on 22 June 2010, a reduction in the corporation income tax rate was announced from 28% to 24%. This is to be phased in over four years from 1 April 2011.

## Notes to the Financial Statements (continued)

### Income tax credit / (expense) (continued)

#### b) Analysis of the charge for the year

	2010 £'000	2009 £'000
Profit on ordinary activities before tax	1,252	2,595
Profit multiplied by standard rate of corporation tax in the UK of 28%	(351)	(727)
Effects of		
Permanent differences	-	(461)
Prior year adjustment	149	-
Group relief not paid for	-	1,906
Total tax (charge)/credit for the period	(202)	718

The Company is incorporated in the Netherlands but tax resident in the UK by virtue of being managed and controlled in the UK. Permanent differences relate to Group relief claimed for nil consideration and amounts not deductible for tax purposes.

#### 8) Interim dividends paid

	2010 £'000	2009 £'000
Interim dividends paid on 100 (2009: 75) ordinary shares at £28,000 per share	2,800	2,100

#### 9) Cash & 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 £'000	2009 £'000
Due from related entities (Note 10)	21	10



## Notes to the Financial Statements (continued)

### 10) Related party transactions

The Company is a wholly owned and controlled entity of National Australia Bank Limited. The ultimate parent entity of the Company is NAB.

	2010 £'000	2009 £'000
<b>Amounts due from related entities</b>		
Amounts due from parent undertaking	151,840	153,679
Accrued interest receivable from parent undertaking	333	55
Amount due from ultimate parent (Note 9)	21	10
As at 30 September	<u>152,194</u>	<u>153,744</u>

The amount due from parent undertakings is a variable rate deposit with National Australia Group Europe Limited and has a maturity of 14 January 2011 at a rate of 1.02% (2009 1.01%). This deposit rolls on a quarterly basis.

	2010 £'000	2009 £'000
<b>Transactions during the year with related parties</b>		
Interest receivable from intermediate parent	1,253	4,243
Interest payable to intermediate parent	-	(1,648)
Management fee payable to ultimate parent	-	-
Net income from related parties	<u>1,253</u>	<u>2,595</u>

In 2009 Interest payable (under IAS32) represented accrued preference share dividend expense for the year at an annual rate of 6.59%. On 20 March 2009, with the requisite approvals and agreement of the preference shareholder, the Company converted the 25 preference shares into 25 ordinary shares with a share premium equivalent to £4,000,000 per share. The Company's audit fees are borne by the ultimate parents company NAB.

### Transaction with Directors, key management and their close family members

There were no amounts outstanding as 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. No transactions, arrangements or agreements have taken place 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.

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

### 10) Related party transactions (*continued*)

#### Directors' emoluments

The directors are employed as executives of other NAB Group companies. Therefore no amounts are disclosed as referred to in Article 383, Book 2 of Dutch Civil Code for the three directors of the Board. The Company has no Supervisory Board members. The aggregate emoluments of the directors of the Company were £Nil (2009: £Nil).

### 11) Risk overview

#### *Risk management*

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

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

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

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

The NAB Group manages risk within an established 'three lines of defence' framework. Control is exercised through a 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.

#### *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.

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

### 11) Risk overview *(continued)*

#### *Operational risk and compliance (continued)*

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 considerations into the 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, amounts due from and due to related entities are considered to approximate fair value. This is due to their short term nature.

## Notes to the Financial Statements (continued)

### 11) Risk overview (continued)

#### 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.

	2010 £'000	2009 £'000
<b>Assets</b>		
Cash and cash equivalents	21	10
Due from related entities	152,173	153,734
Current tax	367	569
<b>Total credit risk exposure</b>	<b>152,561</b>	<b>154,313</b>

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

#### Currency risk

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

#### Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities when they fall due. The liquidity risk monitoring and maintenance is managed on a monthly basis from reviews performed on management information to ensure that all liabilities can be met when they fall due.

The directors do not believe there is a significant exposure to liquidity risk due to the related party nature of funding and liability exposures with fellow NAB Group companies. Given the short term nature of the liabilities the undiscounted cash flows are not significantly different from the balance sheet carrying values.

## Notes to the Financial Statements (continued)

### 11) Risk overview (continued)

#### Interest rate sensitivity analysis

The Company is exposed to the risk of fluctuations in interest rates due to the assets accruing interest at a floating rate and the liabilities at a fixed rate. The risk of a 1% increase or decrease in rates will have the following effect on net assets and profit before tax

	2010 £'000	2009 £'000
1% increase in rates	1,522	1,537
1% decrease in rates	(1,522)	(1,537)

#### 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 £'000	Weighted average effective interest rate %	Call	3 months or less	3 to 12 months	No specific maturity	Non-interest bearing	Total
<b>Assets</b>							
Cash and cash equivalents	-	21	-	-	-	-	21
Due from related entities	1.02%	-	151,838	-	-	335	152,173
Current tax	-	-	-	-	-	367	367
		21	151,838	-	-	702	152,561
<b>Liabilities</b>							
Shareholders' equity	-	-	-	-	-	152,561	152,561
		-	-	-	-	152,561	152,561
		21	151,838	-	-	(151,859)	-

## Notes to the Financial Statements (continued)

### 11) Risk overview (continued)

#### Interest rate sensitivity analysis (continued)

Interest rate sensitivity analysis 2009 £'000	Weighted average effective interest rate %	Call	3 months or less	3 to 12 months	No specific maturity	Non-interest bearing	Total
<b>Assets</b>							
Cash and cash equivalents	-	10	-	-	-	-	10
Due from related entities	1.01%	-	153,400	-	-	334	153,734
Current tax asset	-	-	-	-	-	569	569
		10	153,400	-	-	903	154,313
<b>Liabilities</b>							
Shareholders' equity	-	-	-	-	-	154,313	154,313
		-	-	-	-	154,313	154,313
		10	153,400	-	-	(153,410)	-

#### 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.

## **Other information**

### **1) Statutory appropriation of income**

According to Article 29 of the Articles of Association, the Company may only make distributions to shareholders and other persons entitled to distributable profits to the extent that its equity exceeds the total amount of its issued share capital and the reserves to be maintained pursuant to the law

### **2) Proposal of profit appropriation**

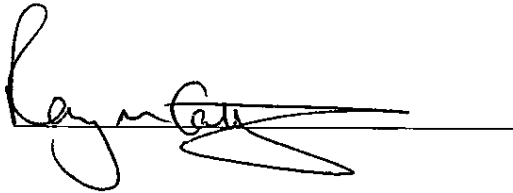
Subject to the approval of the Annual Meeting of Shareholders, the total net profit amounted to £1,050,000 (2009 £3,313,000) Out of the net profit for the year, dividends of £2,800,000 (2009 £2,100,000) have been paid to the shareholders

### **3) Auditor's report**

The auditor's report is set forth on the following page

The directors of the Company

R Catt

A handwritten signature in black ink, appearing to read 'R Catt', is written over a horizontal line.