

OS AA01

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



Companies House

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

☒ What this form is NOT for
You cannot use this form to
an alteration of manner of
with accounting requirements

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13/07/2012

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COMPANIES HOUSE

Part 1 Corporate company name

FC 24011

Corporate name of
overseas company ①

MACHILL INVESTMENTS LIMITED

UK establishment
number

B R 0 0 6 6 5 9

→ 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

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

A1 Legislation

Please give the legislation under which the accounts have been prepared and,
if applicable, the legislation under which the accounts have been audited

Legislation ②

Cayman Islands Company Law

② This means the relevant rules or
legislation which regulates the
preparation and, if applicable, the
audit of accounts

A2 Accounting principles

Accounts

Have the accounts been prepared in accordance with a set of generally accepted
accounting principles?

Please tick the appropriate box

☐ No Go to Section A3

☒ Yes Please enter the name of the organisation or other
body which issued those principles below, and then go to Section A3

Name of organisation
or body ③

International Financial Reporting Standards

③ Please insert the name of the
appropriate accounting organisation
or body

A3 Accounts

Accounts

Have the accounts been audited? Please tick the appropriate box

☐ No Go to Section A5

☒ Yes Go to Section A4

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 Standards on Auditing (UK and Ireland)

A5

Unaudited accounts

Unaudited accounts

Is the company required to have its accounts audited?

Please tick the appropriate box

☒

No

☐

Yes

Part 3

Signature

Signature

I am signing this form on behalf of the overseas company

Signature

X

B Lewis

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 **MR A R TODD**

Company name **NATIONAL AUSTRALIA GROUP**

UK COMPANY SECRETARIAT

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 or email 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

MACHILL INVESTMENTS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

Registered number FC024011

30 SEPTEMBER 2011



COMPANIES HOUSE

MACHILL INVESTMENTS LIMITED
Year ended 30 September 2011

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MACHILL INVESTMENTS LIMITED
Year ended 30 September 2011

Officers and Professional Advisers

Directors

J Duffy
T Slater
K Malkin

Secretary

B Lewis

Cayman Islands Registered Office

Maples and Calder
Ugland House
South Church Street
P O Box 309
George Town
Grand Cayman, Cayman Islands

UK branch office

88 Wood Street
London
EC2V 7QQ

Advisors as to English Law

Linklaters and Alliance

Advisors as to Cayman Island Law

Maples and Calder

Auditors

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

MACHILL INVESTMENTS LIMITED

Year ended 30 September 2011

Report of the Directors

The Directors of Machill Investments Limited (the "Company") submit their report and Financial Statements for the year ended 30 September 2011

Principal activities

The Company is a wholly owned subsidiary of Yorkshire Bank Investments Limited ("YBIL") its immediate parent company YBIL is a subsidiary of Clydesdale Bank PLC ("CB PLC") National Australia Bank Limited ("NAB") is the ultimate parent of the Company

The Company provides finance to other group companies. The Company did not enter into any new transactions during the year ended 30 September 2011

Profits and appropriations

The profit attributable to the shareholders for the year ended 30 September 2011 amounted to £849,000 (2010 £698,000) Interim dividends totalling £486,000 (2010 £489,000) were paid during the year. The Directors do not recommend the payment of a final dividend in respect of this financial year (2010 £Nil)

Business review and future developments

There have been no significant changes to the business during the year. The principal risks and uncertainties are set out in the risk overview note to the Financial Statements (note 10). The Company does not expect any significant changes in the near 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 KPIs at the NAB Group level.

Directors and Directors' interests

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

Directors' interests

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

Directors' liabilities

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

Directors' remuneration

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

Company secretary

The company secretary is shown on page 2.

MACHILL INVESTMENTS LIMITED

Year ended 30 September 2011

Report of the Directors (continued)

Employee involvement

The Company does not have any employees (2010 Nil) All staff are provided by controlled entities of the ultimate parent company, NAB

Charitable and political donations

No charitable or political donations were made during the year (2010 £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

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. To the best of the Directors' knowledge, there are no events or conditions that exist that cast any doubt on the Company's ability to continue as a going concern

Events since the balance sheet date

There has been no information which has been identified since the balance sheet date about conditions existing at the balance sheet date, which is required to be disclosed in these Financial Statements

Auditors

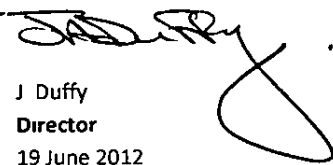
A resolution to reappoint Ernst and Young LLP will be proposed at the next meeting of the board of Directors

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


J Duffy
Director
19 June 2012

Statement of Directors' Responsibilities

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

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law 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 or loss of the Company for that period. In preparing these Financial Statements the Directors are required to

- select suitable accounting policies in accordance with International Accounting Standard 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 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 are compliant. 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 DIRECTORS OF MACHILL INVESTMENTS LIMITED

We have audited the financial statements of Machill Investments Limited for the year ended 30 September 2011 which comprise the Income Statement, the Balance Sheet, Statement of Change in Equity, Statement of Cash Flows, and the related notes 1 to 12. The financial reporting framework that has been applied in their preparation is the International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's directors, as a body, in accordance with our engagement letter dated 16 September 2011. Our audit work has been undertaken so that we might state to the company's directors 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 directors 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 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 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 directors' report to identify material inconsistencies with the audited financial statements. 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 2011 and of its profit for the year then ended, and
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union

Ernst & Young LLP

Ernst & Young LLP

London

22 June 2012

MACHILL INVESTMENTS LIMITED
Year ended 30 September 2011

Income Statement for the year to 30 September 2011

	Note	2011 £'000	2010 £'000
Interest income	3	14,783	14,817
Interest expense	9	(9,940)	(9,968)
Administrative expenses		(4)	(3)
Profit on ordinary activities before tax		4,839	4,846
Tax expense	4	(3,990)	(4,148)
Profit for the financial year		849	698

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 2011 and 2010 relate to continuing operations

MACHILL INVESTMENTS LIMITED
Year ended 30 September 2011

Balance Sheet as at 30 September 2011

	Note	2011 £'000	2010 £'000
Non current assets			
Due from related entities	9	-	276,000
Current assets			
Due from related entities	9	285,861	9,442
Cash and cash equivalents	8	4	15
		285,865	9,457
Total assets		285,865	285,457
Current liabilities			
Current tax		(2,001)	(1,984)
Due to related entities	9	(2,424)	(2,396)
		(4,425)	(4,380)
Non current liabilities			
Due to related entities	9	(200,000)	(200,000)
Total liabilities		(204,425)	(204,380)
Net assets		81,440	81,077
Shareholders' equity			
Share capital	6	80	80
Share premium	7	79,920	79,920
Retained earnings		1,440	1,077
Total shareholders' equity		81,440	81,077

The Financial Statements were approved by the Directors on 19 June 2012 and were signed on their behalf by

K.O. Malkin

K Malkin
Director

MACHILL INVESTMENTS LIMITED
Year ended 30 September 2011

Statement of Changes in Equity for the year to 30 September 2011

	Share Capital	Share Premium	Retained Earnings	Total
	£'000	£'000	£'000	£'000
Balance at 1 October 2009	80	79,920	868	80,868
Profit for year ended 30 September 2010	-	-	698	698
Dividends paid	-	-	(489)	(489)
Balance at 30 September 2010	80	79,920	1,077	81,077
Profit for year ended 30 September 2011	-	-	849	849
Dividends paid	-	-	(486)	(486)
Balance at 30 September 2011	80	79,920	1,440	81,440

MACHILL INVESTMENTS LIMITED*Year ended 30 September 2011***Statement of Cash Flows for the year to 30 September 2011**

	Note	2011 £'000	2010 £'000
Cash flows from operating activities			
Profit before taxation		4,839	4,846
<i>Adjustments for non cash movements</i>			
Interest income		(14,783)	(14,817)
Interest expense		9,940	9,968
Administrative expense		-	3
		(4)	-
Tax paid		(3,973)	(4,158)
Net cash used in operating activities		(3,977)	(4,158)
Cash flows from financing activities			
Interest received		14,740	14,858
Preference share interest paid		(9,912)	(9,994)
Ordinary dividends paid		(486)	(489)
Net increase in Amounts due from related entities		(376)	(230)
Net cash provided by financing activities		3,966	4,145
Net decrease in cash and cash equivalents		(11)	(13)
Cash and cash equivalents at beginning of year		15	28
Cash and cash equivalents at end of year	8	4	15

Notes to the Financial Statements

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

The Financial Statements of Machill Investments Limited for the year ended 30 September 2011 were authorised for issue by the Directors on 19 June 2012 and the balance sheet was signed on their behalf by K Malkin

The Company is incorporated in the Cayman Islands

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 CB PLC which is incorporated in Great Britain and registered in Scotland.

Copies of group accounts prepared in respect of CB PLC may be obtained from the Company Secretary at Corporate Affairs Department, Clydesdale Bank PLC, 20 Waterloo Street, Glasgow, G2 6DB. 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 ("IFRSs"). 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 IFRSs 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 on the going concern under the historical cost convention, as modified by the application of fair value measurements as required by the relevant accounting standards.

Significant accounting judgements and estimates

In the process of applying the Company's accounting policies, management has exercised judgements and estimates in determining the amounts recognised in the Financial Statements. The most significant use of judgement and estimates are as follows:

Going concern

The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future.

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Report of the Directors on page 3. In addition, notes 10 and 11 to the Financial Statements includes the Company's objectives, policies and processes for managing its capital, financial risk management objectives, and its exposure to liquidity risk.

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Directors adopt the going concern basis in preparing the annual report and Financial Statements.

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 values are rounded to the nearest thousand pounds unless otherwise stated.

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 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 instrument or, when appropriate, a shorter period to the net carrying amount of the financial instrument.

Recognition of fee expenses from funding activities

When fees relate to specific transactions or events, they are recognised as an expense in the period that services are received. When they are charged for services provided over a period, they are recognised as an expense on an accruals basis.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are not classed as 'available for sale' or designated at fair value through profit and loss.

Loans and receivables are recorded at amortised cost using the effective interest method, adjusted for impairment losses and unearned income. They are derecognised when the rights to receive cash flow have expired or transferred substantially all the risks and rewards of ownership.

Cash and cash equivalents

For the purposes of the Statement of Cash Flows, 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.

Dividend

Dividends are recorded in the Income Statement when the Company's right to receive the dividend is established. Under IAS 39 the preference shares are classified as non-current liabilities, and the dividend expense is recorded within interest expense. Interest expense is reflected in the Income Statement using the effective interest method.

Notes to the Financial Statements (continued)

2) Accounting policies (continued)

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

Accounting developments

The Company has adopted the following standards, interpretations and amendments which have been endorsed by the European Union. None of the following standards, interpretations and amendments had a material impact on the Company's Financial Statements

(i) Applied in the current reporting period

- Improvements to IFRSs 2009, issued 16 April 2009, make numerous non-urgent but necessary changes to accounting standards arising from the IASB's annual improvement project. Certain amendments are effective for financial periods beginning on or after 1 January 2010
- Improvements to IFRSs 2010, issued 6 May 2010, make numerous non-urgent but necessary changes to accounting standards arising from the IASB's annual improvement project. Certain amendments are effective for financial periods beginning on or after 1 July 2010

(ii) Early adopted and applied in the current reporting period

The Company has not early adopted any standard, interpretation or amendment

(iii) To be applied in a future reporting period

The following standards, interpretations and amendments were available for adoption in the European Union, but not mandatory, for the current reporting period. Those amendments which are applicable to the Company and which are not likely to have an impact on the Company's Financial Statements and have not yet been applied by the Company as follows

- Revised IAS 24 Related Party Disclosures, issued 4 November 2009, is effective for financial periods beginning on or after 1 January 2011

The following standards, interpretations and amendments were not available for adoption in the European Union as at the reporting date. Those amendments which are applicable to the Company and, which are not likely to have an impact on the Company's Financial Statements, and have not yet been applied or early adopted by the Company in preparing this financial report are

- Amendment to IFRS 7 Financial Instruments Disclosures, issued 7 October 2010, is effective for financial periods beginning on or after 1 July 2011
- IFRS 9 Financial Instruments, issued 12 November 2009, is effective for financial periods beginning on or after 1 January 2015. The Company has not yet assessed the potential impact of the standard, although changes which include the removal of the Available for Sale Asset category will affect the Company's accounting for financial assets

Notes to the Financial Statements (continued)

2) Accounting policies (continued)

Accounting developments (continued)

- IFRS 13 Fair Value Measurement, issued May 2011 and effective for financial periods beginning on or after 1 January 2013

3) Interest income

	2011	2010
	£'000	£'000
Interest income from related entity	14,783	14,817
	<hr/>	<hr/>

4) Income tax expense

a) Analysis of charge in the year

	2011	2010
	£'000	£'000
Current tax		
Corporation tax payable	3,990	4,148
	<hr/>	<hr/>

b) Factors affecting tax charge for the year

	2011	2010
	£'000	£'000
Profit before tax	4,839	4,846
	<hr/>	<hr/>
Profit multiplied by standard rate of corporation tax in the UK of 27% (2010 28%)	1,307	1,357
<i>Effects of</i>		
Permanent differences	2,683	2,791
	<hr/>	<hr/>
Total income tax charge for the year	3,990	4,148
	<hr/>	<hr/>

On 21 March 2012 the UK Government announced a further reduction to the standard rate of corporation tax from the already announced 25% to 24% and this will be effective from 1 April 2012. The UK Government also confirmed its intention to reduce the corporation tax rate by a further 1% per annum, falling to 23% from 1 April 2013 and 22% from 1 April 2014. The 23% rate is expected to be substantively enacted in July 2012.

Notes to the Financial Statements (continued)

5) Dividends paid

	2011 £'000	2010 £'000
Equity – interim ordinary dividends paid £6.08 per share (2010: £6.11 per share)	486	489
	<hr/>	<hr/>

6) Share capital

	2011 £	2010 £
<i>Authorised</i>		
80,000 Class "B" Ordinary shares of £1 each	80,000	80,000
8,889 Class "A" Ordinary shares of £0.01 each	89	89
	<hr/>	<hr/>
	80,089	80,089
	<hr/>	<hr/>

	2011 Number	2010 Number
<i>Allotted, called up and fully paid</i>		
80,000 Class "B" Ordinary shares of £1 each	80,000	80,000
8,889 Class "A" Ordinary shares of £0.01 each	89	89
	<hr/>	<hr/>
	80,089	80,089
	<hr/>	<hr/>

The Class "A" ordinary shares do not give the holders any entitlement to ordinary dividends

The Class "A" ordinary shares give the holders an entitlement to vote at general meetings up to a maximum of 10 percent of the votes on any resolution voted upon at such meeting of the Company

The Class "B" ordinary shares give the holders an entitlement to ordinary dividends

The Class "B" ordinary shares give the holders an entitlement to vote at general meetings up to a maximum of 90 percent of the votes on any resolution voted upon at such meeting of the Company

7) Share premium

	2011 £'000	2010 £'000
Share premium on 80,000 Class "B" Ordinary Shares at £999 per share	79,920	79,920
	<hr/>	<hr/>

MACHILL INVESTMENTS LIMITED*Year ended 30 September 2011***Notes to the Financial Statements (continued)****8) Cash and cash equivalents**

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

	2011	2010
	£'000	£'000
Due from related entities (note 9)	4	15

9) Related party transactions

The Company is a wholly owned subsidiary of YBIL its immediate parent company. The ultimate parent of the Company is NAB.

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

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

	2011	2010
	£'000	£'000
Amounts due from related entities		
Non current assets		
Deposits and loans to parent companies	-	276,000
Current assets		
Amounts due from intermediate parent	282,256	5,880
Accrued interest receivable from intermediate parent	3,605	3,562
	285,861	9,442
Cash held at ultimate parent (note 8)	4	15
	285,865	9,457
Amounts due to related entities		
Current liabilities		
Preference share interest accrued due to immediate parent	2,424	2,396
	2,424	2,396
Non current liabilities		
Preference shares issued to immediate parent	200,000	200,000

The fixed rate (5.34%) deposit of £276m matured on 3 January 2012, after which it rolled forward on a LIBOR-based floating rate.

MACHILL INVESTMENTS LIMITED

Year ended 30 September 2011

Notes to the Financial Statements (continued)

9) Related party transactions (continued)

The preference shares may be redeemed at any time, at the request of the Company (up to a maximum of £200,000,000 at any one time), at the nominal value including premium paid plus all arrears, deficiency or accruals of the preferential dividend, by giving notice in writing to the holders of the preference shares. The holders of the preference shares shall be entitled to receive notice of, but not attend or vote at any general meeting of the Company. The preference shares shall rank ahead of the holders of the Class A and Class B ordinary shares for the purposes of dividends and in the event of a winding up.

Transactions during the year with related parties

	2011	2010
	£'000	£'000
Interest income from intermediate parent undertaking	14,783	14,817
Interest expense on preference shares to immediate parent	9,940	9,968
Dividends paid on ordinary shares to immediate parent	486	489

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 2011 (2010: £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 (2010: £Nil).

10) Risk overview

Management of risk

Effective management of risk is a key capability for a successful financial services provider, and is fundamental to the Company's strategy as well as that of its intermediate parent, YBIL and that of its ultimate parent entity NAB.

The Company manages risk within an established 'three lines of defence' framework consistent throughout the NAB Group. 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 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.

Notes to the Financial Statements (*continued*)

10) Risk overview (*continued*)

Management of risk (*continued*)

These company level defences are overlaid by a broader UK group risk management framework and procedure. This framework includes a European Boards' Risk Committee ("EBRC") and a UK Risk Committee ("UKRC").

The EBRC focuses on all elements of risk, including compliance risk, operational risk, material risk, credit risk and balance sheet management.

The UK risk management team monitors and systematically assesses the risk profile within the region against established risk appetite parameters. They also assist the 'front-line' businesses in the design and implementation of appropriate risk management policies/strategies, and work with the businesses to promote awareness of the need to manage risk. Together with the NAB Group Risk Management function, efforts continue to evolve the organisational culture and staff behaviours.

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.

Notes to the Financial Statements (continued)

10) 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.

	2011 £'000	2010 £'000
Assets		
Cash and cash equivalents – ultimate parent	4	15
Due from related entities – intermediate parent	285,861	285,442
Total credit risk exposure	285,865	285,457

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.

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.

	3 months or less £'000	3– 12 months £'000	No specified maturity £'000	Total £'000
Cash flows maturity profile for liabilities as they fall due 2011				
Current tax	-	2,001	-	2,001
Due to related entities	2,424	-	200,000	202,424
	2,424	2,001	200,000	204,425

	3 months or less £'000	3 – 12 months £'000	No specified maturity £'000	Total £'000
Cash flows maturity profile for liabilities as they fall due 2010				
Current tax	-	1,984	-	1,984
Due to related entities	2,396	-	200,000	202,396
	2,396	1,984	200,000	204,380

2010 comparatives have been restated to provide enhanced disclosure.

MACHILL INVESTMENTS LIMITED
Year ended 30 September 2011

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 2011 and 30 September 2010

Interest rate sensitivity analysis	Weighted average effective interest rate	3– 12 months	No specified maturity	Non interest bearing	Total
2011	%	£'000	£'000	£'000	£'000
Assets					
Cash and cash equivalents	-	-	-	4	4
Due from related entities	5.4	282,256	-	3,605	285,861
Total assets		282,256	-	3,609	285,865
Liabilities					
Current tax	-	-	-	2,001	2,001
Due to related entities	5.0	-	200,000	2,424	202,424
Shareholders equity	-	-	-	81,440	81,440
Total liabilities and shareholders' equity		-	200,000	85,865	285,865
Gap		282,256	(200,000)	(82,256)	-

Interest rate sensitivity analysis	Weighted average effective interest rate %	3 – 12 months	1-2 years	No Specified maturity	Non interest bearing	Total
2010		£'000	£'000	£'000	£'000	£'000
Assets						
Cash and cash equivalents	-	-	-	-	15	15
Due from related entities	5.4	5,880	276,000	-	3,562	285,442
Total assets		5,880	276,000	-	3,577	285,457
Liabilities						
Current tax	-	-	-	-	1,984	1,984
Due to related entities	5.0	-	-	200,000	2,396	202,396
Shareholders equity	-	-	-	-	81,077	81,077
Total liabilities and shareholders' equity		-	-	200,000	85,457	285,457
Gap		5,880	276,000	(200,000)	(81,880)	-

2010 comparatives have been restated to provide enhanced disclosure

MACHILL INVESTMENTS LIMITED

Year ended 30 September 2011

Notes to the Financial Statements *(continued)*

11) 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 and not at a Company level.

12) 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 is required to be disclosed in these Financial Statements.