

Company Number: SC344140

**ST VINCENT INVESTMENTS
(DEVELOPMENTS) LIMITED**

ANNUAL REPORT AND FINANCIAL STATEMENTS

30 SEPTEMBER 2011

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ST VINCENT INVESTMENTS (DEVELOPMENTS) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

30 SEPTEMBER 2011

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ST VINCENT INVESTMENTS (DEVELOPMENTS) LIMITED

Officers and Professional Advisers

Directors Simon Gaunt
 Lynn McManus (appointed 2 June 2011)
 Paul A Raymond

Secretary Lorna McMillan

Registered Office 30 St Vincent Place
 Glasgow
 G1 2HL

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

ST VINCENT INVESTMENTS (DEVELOPMENTS) LIMITED

Report of the Directors

The Directors of St Vincent Investments (Developments) Limited ("the Company") submit their Annual Report and Financial Statements for the year ended 30 September 2011.

Activities

The Company's principal activity is the acquisition of properties for development.

Profits and appropriations

The profit attributable to the shareholder for the year ended 30 September 2011 amounted to £1,008,000 (2010: loss of £955,000). No dividend was paid during the period (2010: £Nil). The Directors do not recommend the payment of a final dividend in respect of this financial year.

Principal risks and uncertainties

The key risks facing the Company are discussed further in note 11.

Going concern

The Directors are satisfied that the Company has adequate resources to meet its obligations for the foreseeable future and confirm that the Company is a going concern. For this reason they continue to adopt the going concern basis in preparing the financial statements.

Business review

The Directors do not rely on key performance indicators at the individual company level. The business is managed by monitoring the financial performance of each individual property investment within each subsidiary.

The operations of the business are unchanged since incorporation.

The focus for the Company during the year ended 30 September 2011 has been completion of the remaining development assets and marketing a number for sale. During the course of the year the Company sold 20 individual units to third parties. In addition, to mitigate the regulatory capital treatment of the assets owned by the Company the decision was taken to transfer £10.6m of assets to Clydesdale Bank PLC ("CB PLC"). This transfer took place on 29 September 2011.

The focus for the year commencing 1 October 2011 is to dispose of the remaining assets held by the Company.

Directors and Directors' interests

In terms of the Articles of Association of the Company, no Directors are required to retire by rotation.

Directors' interests

The current Directors are shown on page 2. None of the Directors held shares in the company or in any related UK company during the period. 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 and thus is not disclosed in this report.

Appointments

Lynn McManus was appointed as a Director of the Company on 2 June 2011.

Scott Butterworth was appointed as a Director of the Company on 25 February 2011.

Resignations

Iain Smith resigned as a Director of the Company on 25 February 2011.

Lynne Peacock resigned as a Director of the Company on 30 June 2011.

Scott Butterworth resigned as a Director of the Company on 23 January 2012.

Kevin Page resigned as a Director of the Company on 11 May 2012.

ST VINCENT INVESTMENTS (DEVELOPMENTS) LIMITED
Report of the Directors (continued)

Directors and Directors' interests (continued)

Directors' liabilities

During the period 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 obligated to indemnify directors and officers for such liability.

Directors' remuneration

The Directors of the Company are remunerated as employees of the National Australia Group Europe Limited ("NAGE"), 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.

Employee involvement

The Company does not have any employees. All staff are provided by NAGE.

Charitable and political donations

No charitable or political donations were made throughout the period (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 the UK.

Elective regime

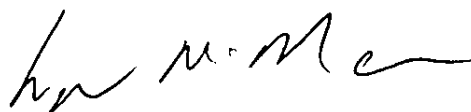
In accordance with the provisions of the Companies Act 2006, as amended, the company has elected to dispense with the laying of Financial Statements before a general meeting, the holding of annual general meetings and the obligation to appoint auditors annually.

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.

On behalf of the Directors



Lynn McManus
Director
25 May 2012

ST VINCENT INVESTMENTS (DEVELOPMENTS) LIMITED

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Report of the Directors 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 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 the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ST VINCENT INVESTMENTS (DEVELOPMENTS) LIMITED

We have audited the financial statements of St Vincent Investments (Developments) Limited for the year ended 30 September 2011 which comprise the Income Statement, the Balance Sheet, the Statements of Changes in Equity, the Statement of Cash Flows, and the related notes 1 to 13. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 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 annual 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;
- ▶ 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.



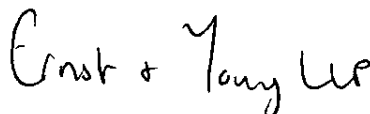
Opinion on other matter prescribed by the Companies Act 2006

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.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- ▶ adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- ▶ the financial statements are not in agreement with the accounting records and returns; or
- ▶ certain disclosures of directors' remuneration specified by law are not made; or
- ▶ we have not received all the information and explanations we require for our audit.



Javier Faiz (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
25 May 2012



INVESTOR IN PEOPLE

ST VINCENT INVESTMENTS (DEVELOPMENTS) LIMITED
Income Statement for the year ended 30 September 2011

	Note	2011 £'000	2010 £'000
Sale of properties		20,510	3,039
Less: cost of sales		(19,053)	(3,646)
Profit/(loss) on sale of properties		<u>1,457</u>	<u>(607)</u>
<u>Other operating income</u>			
Rental income		<u>195</u>	<u>148</u>
Total income/(expenses)		1,652	(459)
Other expenses	3	<u>(274)</u>	<u>(849)</u>
Profit/(loss) on ordinary activities before tax		1,378	(1,308)
Tax (charge)/credit	4	(370)	353
Retained profit/(loss) for the financial year/period		<u><u>1,008</u></u>	<u><u>(955)</u></u>

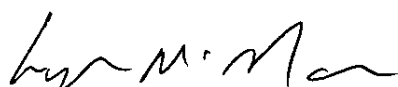
The Company has no recognised gains or losses other than those disclosed above.

All material items dealt with in arriving at the profit/loss on ordinary activities before tax relate to continuing activities.

ST VINCENT INVESTMENTS (DEVELOPMENTS) LIMITED
Balance Sheet at 30 September 2011

	Note	2011 £'000	2010 £'000
Non current assets			
Investment in subsidiary	5	1	1
Current assets			
Property inventory	6	10,103	26,904
Trade and other receivables	7	<u>244</u>	<u>448</u>
		10,347	27,352
Total assets		10,348	27,353
Current liabilities			
Trade and other payables	8	642	707
Due to related entities	10	<u>4,939</u>	<u>22,887</u>
Total liabilities		5,582	23,594
Net assets		<u>4,767</u>	<u>3,759</u>
Shareholders' equity			
Share capital	9	5,000	5,000
Retained deficit		<u>(233)</u>	<u>(1,241)</u>
Total shareholders' equity		<u>4,767</u>	<u>3,759</u>

The Financial Statements were approved by the Directors on 25 May 2012 and were signed on their behalf by:



Lynn McManus
Director

ST VINCENT INVESTMENTS (DEVELOPMENTS) LIMITED
Statement of Changes in Equity for the year ended 30 September 2011

	Share capital £'000	Retained deficit £'000	Total £'000
Balance at 30 September 2009	500	(286)	214
Issue of shares	4,500	-	4,500
Loss for the year ended 30 September 2010	-	(955)	(955)
Balance at 30 September 2010	5,000	(1,241)	3,759
Profit for the year ended 30 September 2011	-	1,008	1,008
Balance at 30 September 2011	5,000	(233)	4,767

ST VINCENT INVESTMENTS (DEVELOPMENTS) LIMITED
Statement of Cash Flows for the year ended 30 September 2011

	2011	2010
	£'000	£'000
Cash flows used in operating activities		
Profit/(loss) before tax	1,378	(1,308)
Changes in operating assets and liabilities		
<i>Net (increase)/decrease in :</i>		
Property inventory	16,801	(1,821)
Trade and other receivables	(77)	(39)
<i>Net increase/(decrease) in:</i>		
Trade and other payables	(389)	628
Due to related entities	(17,948)	(2,144)
Net cash used in operating activities	(235)	(4,684)
Receipts for group relief surrendered	235	184
Net cash used in operating activities	-	(4,500)
Cash flows from financing activities		
Proceeds from shares issued	-	4,500
Net cash provided by financing activities	-	4,500
Net (decrease)/increase in cash and cash equivalents	-	-
Cash and cash equivalents at beginning of year	-	-
Cash and cash equivalents at end of year	-	-

ST VINCENT INVESTMENTS (DEVELOPMENTS) LIMITED

Notes to the Financial Statements

1. Authorisation of Financial Statements and statement of compliance with IFRS

The Financial Statements of the Company for the year ended 30 September 2011 were authorised for issue by the Directors on 25 May 2012 and the balance sheets were signed on their behalf by Lynn McManus.

The Company is incorporated in the UK and registered in Scotland.

The ultimate parent undertaking and ultimate controlling party is NAB, a company incorporated in the State of Victoria, Australia. This company 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 Clydesdale Bank PLC ("CB PLC") which is incorporated and registered in Scotland. St Vincent Investments Limited is the immediate parent of the Company.

Copies of the CB PLC Group Financial Statements may be obtained from the Corporate Affairs Department, Clydesdale Bank PLC, 20 Waterloo Street, Glasgow, G2 6DB.

Statement of compliance

The Financial Statements of the Company have been presented in accordance with International Financial Reporting Standards as adopted by the European Union and as applied in accordance with the Companies Act 2006. The 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 on a going concern basis under the historical cost convention, as modified by the application of fair value measurements.

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 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 note 12 to the Financial Statements includes the Company's objectives, policies and processes for managing its capital and note 11 to the Financial Statements includes the Company's 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.

ST VINCENT INVESTMENTS (DEVELOPMENTS) LIMITED
Notes to the Financial Statements (continued)

2. Accounting policies (continued)

Currency of presentation

All amounts are expressed in pounds sterling and all values are rounded to the nearest thousand unless otherwise stated.

Rental Income

Rental income arising on investment properties is accounted for on a straight-line basis over the lease terms on ongoing leases and is recorded in the income statement on an accruals basis.

Property inventory

Property acquired or being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, is held as inventory and is measured at the lower of cost and net realisable value.

Borrowing costs

All borrowing costs incurred by the Company are directly attributable to construction expenditure on property inventory and are capitalised and included within the carrying value of property inventory.

Impairment of financial assets

The Company assesses at each balance sheet date whether there is evidence that a financial asset or a portfolio of financial assets is impaired. A financial asset or portfolio of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition of the asset and prior to the balance sheet date ('a loss event'), and that loss event or events has had an impact on the estimated future cash flows of the financial asset or the portfolio that can be reliably estimated.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement.

Investments in controlled entities and associates

The Company's investments in controlled entities and associates are valued at cost or valuation less any provision for impairment. Such investments are reviewed annually for impairment, or more frequently when there are indications that impairment may have occurred. Losses relating to impairment in the value of shares in controlled entities and associates are recognised in the income statement.

ST VINCENT INVESTMENTS (DEVELOPMENTS) LIMITED
Notes to the Financial Statements (continued)

2. Accounting policies (continued)

Income tax

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

Income tax expense or revenue is the tax payable (or receivable) on the current period's taxable income based on the applicable tax rate adjusted by changes in deferred tax assets and liabilities.

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.

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

Improvements to IFRSs 2009, issued 16 April 2009, makes 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

Improvements to IFRSs 2010, issued 6 May 2010, makes 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 30 September 2011 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 are not likely to have an impact are as follows:

- Revision to IAS 24 Related Party Disclosures, issued 4 November 2009 and effective for financial periods beginning on or after 1 January 2011.
- Improvements to IFRSs 2010, issued 6 May 2010 and effective for various financial periods with the earliest beginning on or after 1 January 2011.

The following standards, interpretations and amendments were not available for adoption in the European Union for the 30 September 2011 reporting period. Those amendments which are applicable to the Company and, which are 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:

- Amendments to IAS12 Deferred Tax: Recovery of Underlying Assets, issued 20 December 2010, is effective for financial periods beginning on or after 1 January 2012.
- IFRS 13 Fair Value Measurement, issued May 2011 and effective for financial periods beginning on or after 1 January 2013.

ST VINCENT INVESTMENTS (DEVELOPMENTS) LIMITED

Notes to the Financial Statements (continued)

3. Other expenses

	2011 £'000	2010 £'000
Legal fees	13	7
Consultancy fees	89	172
Security	(1)	36
Rates	13	15
Repairs	85	164
Other premises costs	75	65
Write-off VAT debtor	-	390
	<u>274</u>	<u>849</u>

The company's audit fees are borne by its parent company, CB PLC. The parent company paid £10,000 of audit fees on behalf of the Company in relation to the current period.

4. Income tax charge/(credit)

a) Analysis of charge/(credit) in the period

	2011 £'000	2010 £'000
<i>Current tax</i>		
Corporation tax at 27%		
- Current year	372	(364)
- Prior year	(2)	11
<i>Income tax charge/(credit) reported in income statement</i>	<u>370</u>	<u>(353)</u>

b) Factors affecting tax expense/(credit) for the period

The tax assessed for the period reflects the standard rate of corporation tax in the UK (27%). The factors are explained below:

	2011 £'000	2010 £'000
Profit/(loss) on ordinary activities before tax	<u>1,378</u>	<u>(1,308)</u>
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in UK of 27% (2010: 28%)	372	(366)
Effects of:		
Prior year adjustment	(2)	11
Other	-	2
<i>Total income tax expense/(credit) for period</i>	<u>370</u>	<u>(353)</u>

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.

5. Investment in controlled entities

	2011 £'000	2010 £'000
Opening balance	1	-
Acquisition	-	1
As at 30 September	<u>1</u>	<u>1</u>

ST VINCENT INVESTMENTS (DEVELOPMENTS) LIMITED
Notes to the Financial Statements (continued)

5. Investment in controlled entities (continued)

Principal controlled entities at 30 September 2011	Nature of business	Country of incorporation and principal operations
St Vincent Investments (Ancoats) Limited	Property Development	United Kingdom

All the principal subsidiary undertakings are wholly owned by the entity. Details of all subsidiary undertakings will be annexed to the next Annual Return.

6. Property inventory

	2011 £'000	2010 £'000
Cost		
At 1 October	26,904	25,082
Additions	2,182	5,469
Disposals	(18,981)	(3,069)
Write down of property inventory	(2)	(578)
At 30 September 2011	<u>10,103</u>	<u>26,904</u>

Included within property inventory is property under construction of £9.6m (2010: £22.1m). The remaining properties are complete and held for sale.

During the year, borrowing costs of £85,943 were capitalised (2010: £Nil). All borrowings are directly attributable to the property inventory. The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is 3.3% (2010: Nil).

On 29 September 2011, 31 properties with a carrying value of £10,614,000 were transferred from the Company to CB PLC.

7. Trade and other receivables

	2011 £'000	2010 £'000
Prepayments and accrued income	32	5
VAT recoverable	212	162
Group relief receivable	-	281
	<u>244</u>	<u>448</u>

8. Trade and other payables

	2011 £'000	2010 £'000
Accruals	318	707
Group relief payable	324	-
	<u>642</u>	<u>707</u>

ST VINCENT INVESTMENTS (DEVELOPMENTS) LIMITED
Notes to the Financial Statements (continued)

9. Share capital

	2011 Number	2010 Number
Authorised		
Ordinary shares of £1 each		
At 1 October	5,000,000	500,000
Issued during the period	-	4,500,000
At 30 September 2011	5,000,000	5,000,000
	£	£
Allotted, called up and fully paid:		
Ordinary shares of £1 each		
At 1 October	5,000,000	500,000
Issued during the period	-	4,500,000
At 30 September 2011	5,000,000	5,000,000

10. Related party transactions

The Company receives a range of services from CB PLC and related parties, including loans and various administrative services.

	2011 £	2010 £
Amounts due to parent company		
St Vincent Investments Limited	4,933	22,887
Clydesdale Bank	6	-
	4,939	22,887

On 29 September 2011, 31 properties with a carrying value of £10,614,000 were transferred from the Company to CB PLC.

Transactions with Directors, key management and their close family members

There were 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 that arose during the year.

Compensation of key management personnel

All compensation received by key management personnel relates to their duties on behalf of other NAGE Group companies. Thus no disclosure is presented in these Financial Statements.

Directors' emoluments

The directors are employed as executives of other NAGE Group companies. The aggregate emoluments of the Directors of the Company were £Nil (2010: £Nil).

ST VINCENT INVESTMENTS (DEVELOPMENTS) LIMITED

Notes to the Financial Statements (continued)

11. Management of risk

Effective management of risk is fundamental to the Company's strategy as well as that of its parent, Clydesdale Bank PLC ("CB PLC"), as well as that of its ultimate parent entity National Australia Bank Limited ("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 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.

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 key elements of risk, including compliance risk, operational risk, material risk, credit risk and balance sheet management.

The UK risk management team independently 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.

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 Company'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;
- a structured risk management process to facilitate the identification, quantification and management of risks.

The Company is committed to sound operational risk management and compliance within this framework.

Interest rate risk

The Directors do not believe the Company has any significant exposure to interest rate risk.

Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its current and future financial obligations as they fall due at acceptable cost.

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 group companies.

ST VINCENT INVESTMENTS (DEVELOPMENTS) LIMITED
Notes to the Financial Statements (continued)

11. Management of risk (continued)

Cash flows maturity profile for liabilities as they fall due

2011	3 months or less £'000	3 to 12 months £'000	No specific maturity £'000	Total £'000
Liabilities				
Due to related entities	-	-	4,939	4,939
Accruals	318	-	-	318
	<u>318</u>	<u>-</u>	<u>4,939</u>	<u>5,257</u>
2010	3 months or less £'000	3 to 12 months £'000	No specific maturity £'000	Total £'000
Liabilities				
Due to related entities	-	-	22,887	22,887
Accruals	707	-	-	707
	<u>707</u>	<u>-</u>	<u>22,887</u>	<u>23,594</u>

12. Capital management overview

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.

The Company is not subject to externally imposed capital requirements, however its capital is managed as part of the NAGE Group.

The NAGE Group's prime objectives in relation to the management of capital are to comply with the requirements set out by the Financial Services Authority (FSA), the NAGE Group's primary prudential supervisor, to provide a sufficient capital base to cover business risks, maintain a targeted credit rating and to support future business development.

The NAGE Group implemented Basel II requirements from 1 January 2008 in measuring operational and credit risks under the standardised approach and is progressively moving towards advanced approaches. Under Pillar I of Basel II, the NAGE Group calculates its minimum capital requirements based on 8% of RWAs. The FSA then applies a multiplier to this amount to cover risks under Pillar II of Basel II and generate a Final Individual Capital Guidance ("ICG").

The ultimate responsibility for capital adequacy rests with the Board of Directors. The Asset and Liability Committee ("UK ALCO"), which consists of an Executive Director, Chief Financial Officer and other senior executives, is responsible for the management of the capital process including approving policy, overseeing internal controls and setting internal limits over capital ratios.

The NAGE Group actively manages its capital position and reports this on a regular basis to senior management via ALCO and other governance committees. Capital requirements are included within an annual capital management plan with initiatives being executed against this plan.

13. Events after the balance sheet date

There have been no subsequent events which have occurred since 30 September 2011 that would require disclosure in the Financial Statements of the Company.