

NAB INVESTMENTS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

Registered number 2418245

30 SEPTEMBER 2018



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Officers and Professional Advisers

Directors

B. Carr
M. Wong
A. Yates

Secretary

B. Lewis

Registered Office

88 Wood Street
London
EC2V 7QQ

Bankers

National Australia Bank Limited

Auditors

Ernst & Young LLP
25 Churchill Place
Canary Wharf
London
E14 5EY

Strategic report

The directors of NAB Investments Limited (the "Company") present their Strategic Report for the year ended 30 September 2018.

Principal activities

The Company acts as an investment holding company.

Business review

On 15 November 2017 the Company received £55,974 for the redemption of 40 preferred equity certificates issued by Fitness First Luxembourg SCA.

On 25 July 2018 the Company sold 540,500 of Arran Isle Limited ordinary shares under a share buyback receiving proceeds of £150,000.

On 23 August 2018 the Company redeemed 552,486 Phoenix Group Holdings Plc equity warrants receiving proceeds of £6,188.

Principal risks and uncertainties

The principal risks and uncertainties to the Company are outlined below. Brexit is not considered to have a significant impact on the entity. The Company does not expect any significant changes in the future. Further detail on the Company's approach to the management of risk can be found in the risk overview note 11.

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 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 at bank and amounts due from related entities are considered to approximate fair value. This is due to their short term nature.

Management records the value of investment securities at fair value, based on a valuation technique that makes maximum use of observable market inputs and places minimal reliance upon entity-specific inputs.

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.

Interest rate risk

The Company exposure to interest rate risk is in relation to the reset of interest receivable on assets.

Key Performance Indicators

The directors do not rely on any key performance indicators (KPI's) at the Company level to monitor performance. The nature of the business means it is more relevant to undertake a review of the KPI's at the National Australia Bank Limited "NAB" Group level.

The Strategic Report was approved by the board of directors on 19 June 2019 and was signed on its behalf by:



A. Yates
Director

Report of the Directors

The directors of NAB Investments Limited (the "Company") submit their report and Financial Statements for the year ended 30 September 2018. The Company is registered in England and Wales with a registration number of 2418245. The Company is a private company limited by shares.

Profits and appropriations

The profit attributable to the shareholders for the year ended 30 September 2018 amounted to £212,000 (2017: £38,000). Interim dividends totalling £1,400,000 (2017: £nil) were paid during the year. The directors do not recommend the payment of a final dividend in respect of this financial year (2017: £nil).

Going Concern

The Directors consider the going concern basis of preparation of the Financial Statements to be appropriate. The Company has generated profits and has an adequate capital base 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.

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.

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 the ultimate parent company NAB, 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 current Company secretary is shown on page 2.

Employee involvement

The Company does not have any employees (2017: nil). All staff are provided by the ultimate parent company, NAB.

Political donations

No political donations were made during year (2017: £nil).

Corporate Governance

It is the Company's policy not to include all of the disclosures in respect of the 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.

Report of the Directors (continued)

Events since the reporting date

On 17 October 2018 the Company received £69,833 for the redemption of 49 preferred equity certificates issued by Fitness First Luxembourg SCA.

On 18 June 2019 the directors of the Company approved the redemption of 58 preferred equity certificates issued by Fitness First Luxembourg SCA for a consideration of £68,294.

Auditors

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

Directors' statement as to disclosure of information to auditors

The directors who were members of the board at the time of approving the directors' report are listed on page 2. Having made enquiries of fellow directors and of the Company's auditors, each of these directors confirms that:

- to the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the Company's auditors are unaware; and
- each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

By order of the board



B. Carr
Director
19 June 2019

Statement of Directors' Responsibilities

The directors are responsible for preparing the Strategic report, the Directors' report and the Financial Statements in accordance with applicable United Kingdom law and those International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

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 (IFRS) as adopted by the European Union (EU). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the profit and loss of the Company for that period.

In preparing these Financial Statements the directors are required to:

- select suitable accounting policies in accordance with *IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors* and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether the Company has complied with IFRSs, subject to any material departures disclosed and explained in the Financial Statements;
- prepare Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditor's Report to the Members of NAB Investments Limited

Opinion

We have audited the Financial Statements of NAB Investments Limited for the year ended 30 September 2018 which comprise the statement of comprehensive income, statement of changes in equity, statement of financial position, statement of cash flows and the related notes 1 to 12, including a summary of significant accounting policies. 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.

In our opinion, the Financial Statements:

- give a true and fair view of the Company's affairs as at 30 September 2018 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the Financial Statements section of our report below. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the Financial Statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the Financial Statements is not appropriate; or
- the directors have not disclosed in the Financial Statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the Financial Statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the Financial Statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the Financial Statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the Financial Statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Independent Auditor's Report to the Members of NAB Investments Limited (continued)

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements; and
- the Strategic Report and Directors' report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or Directors' Report.

We have nothing to report in respect of the following matters in relation to which 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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 6, the directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

A further description of our responsibilities for the audit of the Financial Statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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.

Ernst & Young LLP

Chetan Trivedy (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

20 July 2019

Statement of comprehensive income for the year ended 30 September 2018

	Note	2018 £'000	2017 £'000
Interest income	10	48	26
Gain on sale/redemption of investments	3	213	-
Other income	4	-	17
Profit on ordinary activities before tax		261	43
Tax expense	5	(49)	(5)
Profit for the year		212	38
Other comprehensive income			
Revaluation reserve gain		49	327
Tax charge relating to components of other comprehensive income	6	(8)	(56)
Other comprehensive income for the year net of tax		41	271
Total comprehensive income for the year net of tax		253	309

All items dealt with in arriving at the profit before tax for 2018 and 2017 relate to continuing operations.

Statement of changes in equity for the year ended 30 September 2018

	Share capital £'000	Retained earnings £'000	Other reserves £'000	Total shareholders' equity £'000
Balance at 1 October 2016	10,000	1,450	1	11,451
Profit for the year and total comprehensive income	-	38	271	309
Balance at 30 September 2017	10,000	1,488	272	11,760
Profit for the year and total comprehensive income	-	212	41	253
Dividends paid	-	(1,400)	-	(1,400)
Balance at 30 September 2018	10,000	300	313	10,613

Statement of financial position for the year ended 30 September 2018

	Note	2018 £'000	2017 £'000
Non-current assets			
Investment securities	7	379	331
Current assets			
Cash at bank	10	206	61
Due from related entities	10	10,104	11,439
		<u>10,310</u>	<u>11,500</u>
Total assets		<u>10,689</u>	<u>11,831</u>
Current liabilities			
Current tax payable		12	15
Non-current liabilities			
Deferred tax liabilities	8	64	56
Total liabilities		<u>76</u>	<u>71</u>
Net assets		<u>10,613</u>	<u>11,760</u>
Shareholders' equity			
Share capital	9	10,000	10,000
Retained earnings		300	1,488
Other reserves		313	272
Total shareholders' equity		<u>10,613</u>	<u>11,760</u>

The Financial Statements were approved by the directors on 19 June 2019 and were signed on their behalf by:



M. Wong
 Director

Statement of cash flows for the year ended 30 September 2018

	Note	2018 £'000	2017 £'000
Cash flows from operating activities			
Profit before taxation		261	43
<i>Adjustments for non-cash movements:</i>			
Interest income		(9)	5
		<u>252</u>	<u>48</u>
Decrease in loans to related entities		1,345	62
Tax (paid)/received – current tax		(52)	(109)
Net cash provided by operating activities		<u>1,545</u>	<u>1</u>
Cash flows from financing activities			
Dividends paid		(1,400)	-
Net increase in cash at bank		<u>145</u>	<u>1</u>
Cash at bank at beginning of year		61	60
Cash at bank at end of year	10	<u>206</u>	<u>61</u>

	2018 £'000	2017 £'000
Cash flows from financing activities		
Dividends paid	(1,400)	-

Notes to the Financial Statements

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

The Financial Statements of NAB Investments Limited for the year ended 30 September 2018 were authorised for issue by the directors on 19 June 2019 and the statement of financial position was signed on their behalf by M. Wong.

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

The immediate and ultimate parent undertaking is National Australia Bank Limited ("NAB"), a company incorporated in the State of Victoria, Australia. NAB heads the group in which the results of the Company are consolidated.

Copies of the group accounts prepared in respect of NAB may be obtained from National Australia Bank Limited (London Branch), 88 Wood Street, London EC2V 7QQ.

The Financial Statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and as applied in accordance with the Companies Act 2006. The principal accounting policies adopted by the Company are set out in Note 2.

2) Accounting policies

Basis of preparation

The preparation of Financial Statements in conformity with IFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities. Assumptions made at each reporting 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

(a) New and amended standards adopted by the Company

There are no IFRSs, IFRIC interpretations or any amended standards that are effective for the first time for the financial year beginning 1 October 2017 that have a material impact on the Company.

(b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company:

IFRS 9 (new standard) "Financial instruments" (effective from 1 January 2018) addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortised cost. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded as a component of 'other comprehensive income'. Under the simplified approach, there is expected to be an immaterial impact on the Company.

- IFRS 15 "Revenue from Contracts with Customers" (effective from 1 January 2018) specifies how and when an IFRS reporter will recognise revenue as well as requiring such entities to provide users of Financial Statements with more informative, relevant disclosures. This standard supersedes IAS 18 (Revenue) and a number of revenue

Notes to the Financial Statements

2) Accounting policies (continued)

Accounting developments (continued)

interpretations. The standard will be effective for annual reporting years beginning on or after 1 January 2018 subject to EU endorsement. The impact to the Company is likely to be immaterial.

There are no other new standards or amendments to existing standards not yet effective that are considered relevant to the Company.

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.

Related party transactions

The Company enters into a number of related party transactions including receiving and providing funding to other NAB Group companies accounted for as 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.

Available for sale securities

Available for sale investments are non-derivative financial assets that are designated as available for sale and are not categorised into any of the categories of (i) fair value through profit and loss (ii) loans and receivables or (iii) held to maturity. Available for sale investments primarily comprise debt and equity securities.

Available for sale investments are initially recognised at fair value including direct and incremental transaction costs. They are subsequently held at fair value. Gains and losses arising from changes in fair value are included as a separate component of equity until sale or impairment when the cumulative gain or loss is transferred to the statement of comprehensive income.

Fair value of financial instruments

Where the fair values of financial assets recorded in the statement of financial position cannot be derived from active markets, the Company uses a valuation technique to arrive at the fair value, including the use of transaction prices obtained in recent arm's length transactions where possible, discounted cash flow analysis and other valuation techniques commonly used by market participants. In doing so, fair value is estimated using a valuation technique that makes maximum possible use of market inputs and that places minimum possible reliance upon entity-specific inputs.

Interest income

Interest income is reflected in the statement of comprehensive income using the effective interest method. The effective interest rate method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate at which estimated future cash receipts are discounted to the net carrying amount of the financial asset over the expected life of the financial asset.

Notes to the Financial Statements

2) Accounting policies (continued)

Dividend income

Dividend income is recorded in the statement of comprehensive income on an accruals basis when the Company's right to receive a dividend is established.

Current and deferred income tax

The tax expense for the year comprises current tax. Tax is recognised in the statement of comprehensive income.

The current tax charge is calculated on the taxable income for the year and on the basis of the tax laws enacted or substantively enacted at 30 September 2018.

Deferred tax is provided in full, using the liability method, 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 30 September 2018 and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Share capital

Ordinary shares are classified as equity.

3) Gain on sale/redemption of investments

	2018 £'000	2017 £'000
Buy back of Arran Isle shares	150	-
Redemption of Fitness First Luxembourg SCA preferred equity certificates	56	-
Redemption of Phoenix Group Holdings equity warrants	6	-
Sundry items	1	-
	<u>213</u>	<u>-</u>

4) Other income

	2018 £'000	2017 £'000
Dividend income	-	17
	<u>-</u>	<u>17</u>

Notes to the Financial Statements (continued)

5) Income tax expense

a) Analysis of charge in the year

	2018 £'000	2017 £'000
Corporation tax expense at 19.0% (2017: 19.5%)		
- Current year	(49)	(5)
Income tax expense reported in the statement of comprehensive income	<u>(49)</u>	<u>(5)</u>

b) Factors affecting the tax charge for the year

	2018 £'000	2017 £'000
Profit before tax	<u>261</u>	<u>43</u>
Profit multiplied by standard rate of corporation tax in the UK of 19.0% (2017: 19.5%)	(49)	(8)
<i>Effects of:</i>		
Non-taxable income	-	3
Total tax charge for the year	<u>(49)</u>	<u>(5)</u>

Notes to the Financial Statements (continued)

6) Tax expense recognised in other comprehensive income

	2018 £'000	2017 £'000
Deferred tax		
Origination and reversal of temporary differences	(8)	64
Change in tax rate	-	(8)
Tax expense recognised in the statement of other comprehensive income	<u>(8)</u>	<u>(56)</u>

7) Fair value of Investment securities (held as available for sale securities)

	2018 £'000	2017 £'000
As at 30 September	<u>379</u>	<u>331</u>

On 3 February 2012 the Company acquired 500 Phoenix Group Holdings Plc ordinary shares for £2,920. These shares have been subsequently revalued to £3,380 per the quoted share market price at 30 September 2018 (30 September 2017: £3,780).

On 25 October 2012 the Company acquired 4,088 Fitness First Luxembourg SCA ordinary shares for £nil. These shares have been subsequently revalued to £376,096 at 30 September 2018 based on a recent offer from Fitness First Luxembourg SCA (30 September 2017: £327,040).

8) Deferred tax liabilities

	2018 £'000	2017 £'000
Opening balance	56	-
Tax expense recognised in other comprehensive income (Note 6)	8	56
	<u>64</u>	<u>56</u>

Under IAS 12 deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been substantively enacted at the balance sheet date.

The Finance Act (No.2) 2015 and the Finance Act 2016 contain provisions reducing the rate of UK corporation tax from 20% to 19% from 1 April 2017 and from 19% to 17% from 1 April 2020 respectively. These Acts were enacted on 18 November 2015 and 15 September 2016 respectively.

Accordingly, the deferred tax balance at 30 September 2018 has been reflected at the tax rate expected to be realised.

Notes to the Financial Statements (continued)

9) Share capital

	2018 £'000	2017 £'000
<i>Authorised:</i>		
1,500,000,000 ordinary shares of £1 each	1,500,000	1,500,000
	<hr/>	<hr/>
<i>Allotted, called up and fully paid:</i>		
10,000,000 (2017: 10,000,000) ordinary shares of £1 each	10,000	10,000
	<hr/>	<hr/>
	<hr/>	<hr/>

10) Related party transactions

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

During the year there have been transactions between the Company, and its 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.

The Company places surplus funds with its ultimate parent NAB on a 3 month rolling basis at a rate of libor plus margin.

Amounts due from related entities

	2018 £'000	2017 £'000
Current assets		
Cash at bank held with ultimate parent	206	61
Amounts due from ultimate parent	10,104	11,439
	<hr/>	<hr/>
	<hr/>	<hr/>

Transactions during the year with related parties

	2018 £'000	2017 £'000
Interest on deposit held with ultimate parent	48	26
	<hr/>	<hr/>

The Company's audit fees of £9,471 (2017: £9,331) are borne by the ultimate parent company, NAB.

During the year the Company made dividend payments totalling £1,400,000 (2017: £nil) to shareholders.

Transaction with Directors, key management and their close family members

There were no amounts outstanding as at 30 September 2018 (2017: £nil) for transactions, arrangements and agreements between the Company and its directors, key management and their close family members during the year.

Notes to the Financial Statements (continued)

10) Related party transactions (continued)

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 and do not receive incremental remuneration in respect of their duties as directors of this 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. The aggregate emoluments of the directors of the Company were £nil (2017: £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.

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.

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.

Notes to the Financial Statements (continued)

11) Risk overview (continued)

Operational risk and compliance (continued)

Various reports are produced at regional 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 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 at bank and amounts due from related entities are considered to approximate fair value. This is due to their short term nature.

Management records the value of investment securities at fair value, based on a valuation technique that makes maximum use of observable market inputs and places minimal reliance upon entity-specific inputs.

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 exposure to credit risk for the components of the statement of financial position are set out below.

	2018 £'000	2017 £'000
Assets		
Cash at bank	206	61
Due from related entities	10,104	11,439
Total credit risk exposure	10,310	11,500

The credit quality of assets are neither past due nor 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.

Notes to the Financial Statements (continued)

11) Risk overview (continued)

Liquidity risk (continued)

The directors do not believe there is a significant exposure to liquidity risk due to the nature and amount of liabilities held.

<i>Cash flows maturity profile for liabilities as they fall due</i>	3 months or less	3 to 12 months	Due after 12 months	Total
2018 £'000				
Current tax payable	-	12	-	12
	-	12	-	12

<i>Cash flows maturity profile for liabilities as they fall due</i>	3 months or less	3 to 12 months	Due after 12 months	Total
2017 £'000				
Current tax payable	-	15	-	15
	-	15	-	15

Interest rate risk

The Company's exposure to interest rate risk is in relation to the reset of interest receivable on assets.

The table below summarises these pricing mismatches as at 30 September 2018 and 30 September 2017.

<i>Interest rate analysis</i>	Weighted average effective interest rate %	Call	3 months or less	Non interest bearing	Total
2018 £'000					
Assets					
Cash at bank	-	206	-	-	206
Investment securities	-	-	-	379	379
Due from related entities	0.5%	-	10,104	-	10,104
		206	10,104	379	10,689
Liabilities					
Current tax payable	-	-	-	12	12
Deferred tax liabilities	-	-	-	64	64
Shareholders' equity	-	-	-	10,613	10,613
		-	-	10,689	10,689
		206	10,104	(10,310)	-

Notes to the Financial Statements (continued)

11) Risk overview (continued)

Interest rate risk (continued)

Interest rate analysis 2017 £'000	Weighted average effective interest rate %	Call	3 months or less	Non interest bearing	Total
Assets					
Cash at bank	-	61	-	-	61
Investment securities	-	-	-	331	331
Due from related entities	0.2%	-	11,439	-	11,439
		61	11,439	331	11,831
Liabilities					
Current tax payable	-	-	-	15	15
Deferred tax liabilities	-	-	-	56	56
Shareholders' equity	-	-	-	11,760	11,760
		-	-	11,831	11,831
		61	11,439	(11,500)	-

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.

12) Events since the reporting date

On 17 October 2018 the Company received £69,833 for the redemption of 49 preferred equity certificates issued by Fitness First Luxembourg SCA.

On 18 June 2019 the directors of the Company approved the redemption of 58 preferred equity certificates issued by Fitness First Luxembourg SCA for a consideration of £68,294.