

National Wealth Management Holdings Limited
ABN 73 093 329 983

Special Purpose Annual Financial Report

30 September 2005

National Wealth Management Holdings Limited

ABN 73 093 329 983

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National Wealth Management Holdings Limited

Directors' report

The Directors present their report together with the special purpose financial report of National Wealth Management Holdings Limited ("the Company") for the financial year ended 30 September 2005 and the auditor's report thereon.

Directors

The Directors of the Company at any time during or since the end of the financial year are:

Name	Appointed	Resigned
M H Codd		
I K Crow		
G A Tomlinson		
W A H Webster		
J A Moule		
E K Stafford	Appointed 10 February 2005	
A Fahour	Appointed 10 February 2005	
S J Tucker	Appointed 10 February 2005	
A G Thorburn	Appointed 22 February 2005	
R G Elstone	Appointed 27 July 2005	Resigned 07 November 2005
P B Scott	Appointed 01 August 2000	Resigned 14 January 2005
M T Laing	Appointed 03 May 2002	Resigned 06 December 2004
R E McKinnon	Appointed 03 May 2002	Resigned 06 December 2004
I G Macdonald	Appointed 26 February 2003	Resigned 24 December 2004
R M Nicolson	Appointed 30 April 2003	Resigned 10 December 2004

Principal activity

The principal activity of the Company during the course of the financial year was to act as a holding company of certain financial services companies within the National Australia Bank Limited group.

There were no significant changes in the nature of the activities of the Company during the financial year.

Review and results of operations

The Company's profit from ordinary activities after income tax amounted to \$337,500,000 (2004: \$218,478,010).

State of affairs

In the opinion of the Directors, there were no significant changes in the state of affairs of the Company that occurred during the financial year under review.

Environmental regulation

The Company's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation.

Events subsequent to balance date

No items, transactions or events of a material and unusual nature have arisen between the end of the financial year and the date of this report, which is likely, in the opinion of the Directors, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

National Wealth Management Holdings Limited

Directors' report

Likely developments

Information about likely developments in the operations of the Company and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Company.

Indemnification and insurance of officers and auditors

Indemnification

The Company has not indemnified or made a relevant agreement for indemnifying against a liability any person who is or has been an officer or auditor of the Company.

Insurance premiums

During the financial year the Company paid premiums in respect of directors' and officers' liability and legal expenses insurance contracts for the financial year ended 30 September 2005 and since the end of the financial year, the Company has paid or agreed to pay, premiums in respect of such insurance contracts for the year ending 30 September 2006. Such insurance contracts insure against certain liability (subject to specific exclusions) persons who are or have been directors or executive officers of the Company.

Disclosure of the nature of the liability and the amount of the premium is prohibited by the confidentiality clause of the contract of insurance.

Audit Independence

Auditor's independence declaration

A copy of the auditor's independence declaration as required by section 307C of the Corporations Act 2001 (Cth) is attached and forms part of this report.

ASIC relief – Ernst & Young Australia bank accounts

In connection with Ernst & Young becoming National Australia Bank Ltd's (the National) auditor for the 2005 year, ASIC granted transitional relief to Ernst & Young from certain provisions of the Corporations Act 2001 (Cth). By virtue of Order [04/1168] dated September 30, 2004, ASIC granted Ernst & Young Australia and its partners relief from sections 324CF(1) and 324CF(2) of the Corporations Act 2001(Cth) to permit the following relationships to continue during the period October 1, 2004 to November 30, 2004:

- (a) a relationship that consists of one partner of Ernst & Young Australia owing an amount to the National of more than \$5,000 but less than \$1,200,000 solely as a result of that partner also being a member of a certain other partnership, and where:
 - that partner is not engaged on the audit of the National or a related body corporate of the National, whether having actual carriage and control of the audit or not;
 - that partner is not involved in the management of the firm as a whole, does not undertake audits, and does not practice mainly in Melbourne;
 - the indebtedness arose prior to July 31, 2004 upon ordinary commercial terms as to the rate of interest, the terms of repayment of principal and payment of interest, the security to be provided and otherwise; and
- (b) a relationship that consists of Ernst & Young Australia maintaining one deposit account with the National, where such account is at no time overdrawn (other than by reason of the imposition of fees and taxes ordinarily applied to accounts of that type).

National Wealth Management Holdings Limited Directors' report

The relief was granted on the following conditions:

- the existence of the relief and the terms of the Order must be summarised in the report of the directors of the National for the half year ended March 31, 2005 and the year ended September 30, 2005, and in the report of the directors of any related body corporate of the National that is required to lodge a financial report for either or both of those periods;
- the National must report to ASIC within 7 days of the occurrence of any event of default and any enforcement action taken in relation to the indebtedness of the one partner of Ernst & Young Australia referred to above;
- at intervals of not greater than two business days (and forthwith after expiry of the relief), Ernst & Young Australia must transfer the balance in the deposit account referred above to an account maintained by it with another Australian authorised deposit-taking institution; and
- within seven days after the signing of the audit report for the National for the year ended September 30, 2005, the directors must report to ASIC whether or not, in the Audit Committee's opinion, the above conditions have been complied with, and Ernst & Young Australia must report to ASIC whether or not the conduct of their audit or the content of their audit report has been influenced by the relationships referred to in the Order, as described above.

This report is made and signed in accordance with a Resolution of Directors this 14th day of December 2005.



Director



Director

National Wealth Management Holdings Limited

Statement of financial performance

For the year ended 30 September 2005

	Notes	2005 \$	2004 \$
Revenues from ordinary activities	2	337,500,000	220,000,000
Expenses from ordinary activities	3	-	1,521,991
Profit/(loss) from ordinary activities before income tax expense		337,500,000	218,478,009
Income tax (benefit)/expense relating to ordinary activities	5(a)	-	1
Net profit/(loss)		<u>337,500,000</u>	<u>218,478,010</u>
Total changes in equity from non-owner related transactions	11	<u>337,500,000</u>	<u>218,478,010</u>

National Wealth Management Holdings Limited

Statement of financial position

As at 30 September 2005

	Notes	2005 \$	2004 \$
Current Assets			
Receivables	7	59,000,001	1
Total current assets		59,000,001	1
Non-current assets			
Investments	8	6,539,525,606	6,539,525,606
Total non-current assets		6,539,525,606	6,539,525,606
Total assets		6,598,525,607	6,539,525,607
Current liabilities			
Overdraft	12(b)	4	4
Total current liabilities		4	4
Total liabilities		4	4
Net assets		6,598,525,603	6,539,525,603
Equity			
Contributed equity	9	6,540,047,593	6,540,047,593
Retained profits/(Accumulated losses)	10	58,478,010	(521,990)
Total equity		6,598,525,603	6,539,525,603

The above statement of financial position should be read in conjunction with the accompanying notes

National Wealth Management Holdings Limited

Statement of cash flows

For the year ended 30 September 2005

	Note	2005 \$	2004 \$
Cash flows from operating activities			
Dividends received		278,500,000	220,000,000
Payment of expenses		-	(4)
		<hr/>	<hr/>
Net cash provided by operating activities	12(a)	278,500,000	219,999,996
		<hr/>	<hr/>
Cash flows from investing activities			
Payments for additional investments in subsidiaries		-	-
		<hr/>	<hr/>
Net cash used in investing activities		-	-
		<hr/>	<hr/>
Cash flows from financing activities			
Dividend paid		(278,500,000)	(219,000,000)
Repayments of related party loans		-	(1,000,000)
		<hr/>	<hr/>
Net cash (used in)/provided by financing activities		(278,500,000)	(220,000,000)
		<hr/>	<hr/>
Net (decrease)/increase in cash held		-	(4)
Cash at the beginning of the financial year		(4)	-
		<hr/>	<hr/>
Cash at the end of the financial year	12(b)	(4)	(4)
		<hr/> <hr/>	<hr/> <hr/>

The above statement of cash flows should be read in conjunction with the accompanying notes

National Wealth Management Holdings Limited

Notes to the financial statements

For the year ended 30 September 2005

Note 1 Statement of significant accounting policies

The significant policies that have been adopted in the preparation of this financial report are:

Basis of preparation

In the opinion of the Directors, the Company and economic entity are not reporting entities. This financial report is a special purpose financial report on the results for the financial year ended 30 September 2005 and has been produced for the sole purpose of complying with the Corporations Act 2001 requirements to prepare and distribute a financial report to the members and must not be used for any other purpose. It has been prepared in accordance with applicable Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and Corporations Act 2001 with the exception of:

AASB 1005	Segment Reporting
AASB 1024	Consolidated Accounts
AASB 1017	Related Party Disclosures
AASB 1038	Life Insurance Business
AASB 1047	Disclosing the Impacts of Adapting Australian Equivalent International Financial Reporting Standards

The financial report has been prepared on the accrual basis of accounting as defined in AASB 1001: Accounting Policies – Disclosure, using the historical cost convention and the going concern assumption. Except where stated, it does not take into account changing money values or current valuations of non-current assets.

Comparative amounts

Comparative amounts are, where appropriate, reclassified so as to be comparable with the figures stated in the current financial year.

Revenue recognition

Dividend revenue is recognised on an accruals basis.

Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of GST. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

National Wealth Management Holdings Limited

Notes to the financial statements

For the year ended 30 September 2005

Note 1 Statement of significant accounting policies (continued)

Taxation

The Company adopts the income statement liability method of tax effect accounting.

Income tax expense is calculated on operating profit adjusted for permanent differences between taxable and accounting income. The tax effect of timing differences, which arise from items being brought to account in different periods for income tax and accounting purposes, is transferred to the head entity under the tax funding agreement.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits relating to tax losses are only brought to account when their realisation is virtually certain. The tax effect of capital losses is not recorded unless realisation is virtually certain.

The National is the head entity in the tax consolidation group comprising the National and all of its Australian wholly owned subsidiaries.

The National as head entity recognises all of the current and deferred tax assets and liabilities of the tax-consolidated group (after elimination of intra-group transactions). The Company is a member of the tax-consolidated group and has entered into a tax funding agreement that requires it to make contributions to the National for its tax liabilities as the head entity of the tax consolidated group. Under the tax funding agreement, the contributions are calculated on a 'stand-alone basis' so that the contributions are equivalent to the tax balances generated by transactions entered into by the Company. The National has agreed to reimburse the Company for current and deferred tax assets arising at the date of entering tax consolidations and that arise from the actions and operations of the Company following formation of the tax-consolidated group. The Company has agreed to reimburse the National for deferred tax liabilities arising at the date of entering tax consolidations and that arise from the actions and operations of the Company following formation of the tax-consolidated group. Ongoing assets and liabilities arising under the tax funding agreement are recognised by the Company as inter-company assets and liabilities with a corresponding charge to income tax expense.

Cash assets and bank overdrafts

Cash assets and bank overdrafts are carried at face value of the amounts deposited or drawn. The carrying amounts of cash assets and bank overdrafts approximate net fair value.

National Wealth Management Holdings Limited

Notes to the financial statements

For the year ended 30 September 2005

Note 1 Statement of significant accounting policies (continued)

Investments

Investments are initially recorded at cost at the date of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition.

At the reporting date, investments in controlled entities are carried in the Company's financial statements at the lower of cost and recoverable amount.

Payables

Liabilities are recognised for amounts to be paid in the future for goods or services received. The carrying amount of payables approximates net fair value.

Provisions

A provision is recognised when there is a legal, equitable, or constructive obligation as a result of a past event and it is probable that a future sacrifice of economic benefits will be required to settle the obligation, the timing or amount of which is uncertain.

Dividends

A provision for dividends payable is recognised in the reporting period in which the dividends are declared, for the entire undistributed amount, regardless of the extent to which they will be paid in cash.

National Wealth Management Holdings Limited

Notes to the financial statements

For the year ended 30 September 2005

Note 2 Revenue from ordinary activities

	2005 \$	2004 \$
Other revenues from ordinary activities		
Dividend revenue – controlled entities	337,500,000	220,000,000

Note 3 Expenses from ordinary activities

Other expenses from ordinary activities		
Diminution in value of investment in ACN 094 484 625	-	1,521,987
Bank charges	-	4
	-	1,521,991

Note 4 Auditors' remuneration

Total amount paid or due and payable to auditors of the Company for:

Audit fees		
Audit of the financial statements	2,000	1,498

Note 5 Taxation

	2005 \$	2004 \$
(a) Income tax (benefit)/ expense		
Prima facie income tax expense calculated at 30% (2004: 30%) of profit/(loss) from ordinary activities	101,250,000	65,543,403
Tax effect of permanent differences		
Rebateable dividends	(101,250,000)	(66,000,000)
Unrealised gains/losses	-	456,596
Total income tax (benefit)/expense for the current financial year	-	(1)
(b) Provision for current income tax		
Movements during the year:		
Balance at beginning of year	-	-
Receivable from NAB under tax sharing agreement 01/10/05	(1)	
Income tax (benefit)/expense for current year	-	(1)
Transfer to tax-consolidated group head entity	1	1
Balance at end of year	-	-

National Wealth Management Holdings Limited

Notes to the financial statements

For the year ended 30 September 2005

Note 6 Dividends

(a) Dividends recognised in the current and prior year by the Company are:

Type	Total amount \$	Date of payment	Percentage franked
2005			
Interim	-		0%
Final	278,500,000	21 December 2004	0%
Total amount	<u>278,500,000</u>		
2004			
Interim	79,000,000	21 January 2004	74%
Final	140,000,000	28 June 2004	0%
Total amount	<u>219,000,000</u>		

As part of entering the tax consolidation regime tax-consolidated group, National Wealth Management Holdings Limited transferred the existing franking credit balance to National Australia Bank Limited. All franking credits arising from 1 October 2002 will belong to the National Australia Bank Limited and will no longer be disclosed in the Company's financial statements.

Note 7 Receivables

	2005 \$	2004 \$
Related party receivables:		
Dividend - NAFiM	59,000,000	-
Ultimate parent entity – tax related balance	1	1
	<u>59,000,001</u>	<u>1</u>

Note 8 Investments

	2005 \$	2004 \$
Shares in controlled entities:		
At cost		
- Investment in National Australia Financial Management Limited	6,481,736,886	6,481,736,886
At net realisable value		
- Investment in ACN 094 484 625 Limited	57,788,720	57,788,720
	<u>6,539,525,606</u>	<u>6,539,525,606</u>

National Wealth Management Holdings Limited

Notes to the financial statements

For the year ended 30 September 2005

Note 9 Contributed equity

	2005 \$	2004 \$
Issued and paid-up capital		
3,881,120,532 ordinary shares, fully paid	3,884,740,888	3,884,740,888
2,655,306,705 (2004: 2,655,306,705) redeemable preference shares, fully paid	2,655,306,705	2,655,306,705
	<u>6,540,047,593</u>	<u>6,540,047,593</u>

Ordinary shares

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholder meetings. In the event of the winding up of the Company, ordinary shareholders rank after all other shareholders and creditors and are fully entitled to any proceeds of liquidation.

Redeemable preference shares

These shares are only redeemable by the issuer at the issue price and will continue to subsist until redeemed. To the extent of the rights attaching to the shares, the shares rank ahead of the ordinary shares issued by the issuer in a winding up. Holders of the preference shares are entitled to receive dividends as declared by the issuer and are entitled to one vote per share at the shareholder meetings.

Note 10 Retained Profit

	2005 \$	2004 \$
Retained profits at the beginning of the financial year	(521,990)	-
Net profit attributable to members of the parent entity	337,500,000	218,478,010
Dividends paid	(278,500,000)	(219,000,000)
(Accumulated losses)/Retained profits at the end of the financial year	<u>58,478,010</u>	<u>(521,990)</u>

Note 11 Total equity reconciliation

Total equity at the beginning of the financial year	6,539,525,603	6,540,047,593
Total changes in equity recognised in the statement of financial performance	337,500,000	218,478,010
Transactions with owners as owners:		
Contribution of equity	-	-
Dividend paid	(278,500,000)	(219,000,000)
Total equity at the end of the financial year	<u>6,598,525,603</u>	<u>6,539,525,603</u>

National Wealth Management Holdings Limited

Notes to the financial statements

For the year ended 30 September 2005

Note 12 Note to the statement of cash flows

(a) Reconciliation of operating profit after income tax to net cash provided by operating activities

	2005 \$	2004 \$
Operating profit/(loss) after tax	337,500,000	218,478,010
Changes in assets and liabilities		
Decrease/(Increase) in receivables	(59,000,000)	-
Decrease/(Increase) in investments	-	1,521,986
Net cash provided by operating activities	<u>278,500,000</u>	<u>219,999,996</u>

(b) Reconciliation of cash

For the purposes of the statement of cash flows, cash includes cash on hand and at bank and short-term deposits at call, net of outstanding bank overdrafts. Cash as at the end of the financial period as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

	2005 \$	2004 \$
(Overdraft)/Cash assets	<u>(4)</u>	<u>(4)</u>

Note 13 Directors' remuneration

Total income paid or payable, or otherwise made available, to all Directors of the Company, directly or indirectly, by the Company or any related party consists of the following:

	2005 \$	2004 \$
Total remuneration	<u>-</u>	<u>-</u>

Directors remuneration has been allocated to other entities within the group.

For the purposes of this note, remuneration does not include the fair value of options or performance rights issued to executives under the National Australia Bank Limited's executive option plan and performance rights plan.

Directors' income includes amounts paid by the Company during the year to indemnify the directors, but does not include insurance premiums paid by the Company or related parties in respect of directors' and officers' liabilities and legal expenses insurance contracts, as the insurance policies do not specify premiums paid in respect of individual directors.

National Wealth Management Holdings Limited

Notes to the financial statements

For the year ended 30 September 2005

Note 14 Financial instruments

(a) Credit risk exposure

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted. The credit risk on financial assets of the Company, which have been recognised on the statement of financial position, is the carrying amount, net of any provisions for doubtful debts.

(b) Net fair values of financial assets and liabilities

The carrying amounts of cash, receivables, shares in controlled entities and payables approximate net fair value.

Note 15 Events subsequent to balance date

No items, transactions or events of a material and unusual nature have arisen between the end of the financial year and the date of this report, which is likely, in the opinion of the directors, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

Independent auditor's report to the members of National Wealth Management Holdings Limited

In the opinion of the Directors of National Wealth Management Holdings Limited:

- (a) the financial statements and notes, set out on pages 6 to 16 are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of the Company as at 30 September 2005 and of its performance, as represented by the results of its operations and its cash flows for the financial year ended on that date; and
 - (ii) complying with Accounting Standards in Australia as set out in Note 1 and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Sydney this 14th day of December 2005.

Signed in accordance with a resolution of the directors:



Director



Director

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

Independence

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

Audit opinion

In our opinion, the financial report of National Wealth Management Holdings Limited is in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of National Wealth Management Holdings Limited at 30 September 2005 and of its performance for the year ended on that date in accordance with the accounting policies described in Note 1 to the financial statements; and
 - (ii) complying with Accounting Standards in Australia to the extent described in Note 1 to the financial statements and the Corporations Regulations 2001; and
- (b) other mandatory financial reporting requirements in Australia to the extent described in Note 1 to the financial statements.



Ernst & Young



P. R. Gaydon
Partner
Sydney
16 December 2005

Auditor's Independence Declaration to the Directors of National Wealth Management Holdings Limited

In relation to our audit of the financial report of National Wealth Management Holdings Limited for the financial year ended 30 September 2005, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.


Ernst & Young


P. R. Gaydon
Partner
16 December 2005