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Company Number FC23759

P.F A (UK) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

30 SEPTEMBER 2007

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Annual Report and Financial Statements

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Officers and professional advisers

Directors	R Catt R Lakin S Learoyd R Golding (alternate to R Catt)
Secretary	B McAll
Registered office	Maples and Calder Ugland House South Church Street P O Box 309 George Street Grand Cayman, Cayman Islands
UK Branch office	88 Wood Street London EC2V 7QQ
Bankers	National Australia Bank Limited
Advisors as to English Law	Freshfields Bruckhaus Deringer
Advisors as to Cayman Island Law	Maples and Calder
Auditors	Ernst & Young LLP 1 More London Place London SE1 2AF

Report of the Directors

The Directors of P F A (UK) Limited ('the Company') submit their Report and Financial Statements for the year to 30 September 2007

Principal activities

The Company's business is the making of investments and providing funding to group companies

Business Review

The Company has not experienced any significant changes in business during the current financial year

Profits and appropriations

The profit attributable to the shareholders for the year to 30 September 2007 amounted to £1,781,000 (2006 £1,462,000) Ordinary dividends totalling £Nil (2006 £1,300,000) were paid during the year

The directors do not rely on any key performance indicators at the company level to monitor performance The nature of the business means it is more relevant to review the KPI's at the NAB Group level

Directors and Directors' interests

The names of the current Directors are listed on page 2

Directors' interests

No director had any interest in the shares or debentures of the Company or any Group company at any time during the year As the Company is a wholly owned subsidiary of National Australia Bank Limited, which is incorporated in Australia, any interest which the Directors may have in NAB does not need to be notified to the Company so is not disclosed in this report

Directors' liabilities

During the year NAB paid a premium for a contract insuring the directors and officers of National Australia Bank Limited, 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 Group itself to the extent that it is obligated to indemnify directors and officers for such liability

Company Secretary

The current Company Secretary is shown on page 2

Employee Involvement

The Company does not have any employees All staff are provided by the ultimate parent company, NAB

Charitable and political donations

No charitable or political donations were made throughout the year (2006 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

Events after the balance sheet date

No information has been identified since the balance sheet date about the condition existing at the balance sheet date which requires to be disclosed in these financial statements

Report of the Directors *(continued)*

Auditors

A resolution to reappoint Ernst and Young LLP, and to authorise the directors to fix their remuneration, will be proposed at the next Annual General Meeting

Directors' statement as to disclosure of information to auditors

The Directors who were members of the board at the time of approving the Directors' report are listed on page 2. Having made enquiries to fellow Directors and of the company's auditors, each of these Directors confirm 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

A handwritten signature in black ink, appearing to read 'R. Catt', followed by a long, sweeping horizontal stroke.

R. Catt
Director
11 April 2008

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with International Financial Reporting Standards

The Directors to prepare Financial Statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss for that financial year. In preparing these Financial Statements, the Directors are required to

- select suitable accounting policies 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 of IFRS is insufficient to enable users to understand the impact of particular transactions, other events, and conditions on the entity's financial position and financial performance, and
- state that the Company has complied with IFRS, subject to any material departures disclosed and explained in the financial statements

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and which enable them to ensure that the Financial Statements comply with IFRS. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF P F.A (UK) LIMITED

We have audited the company's financial statements for the year ended 30 September 2007 which comprise the Income Statement, Balance Sheet, Cash Flow Statement, and the related notes 1 to 13. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members as a body. Our audit work has been undertaken so that we might state to the company's members those matters we are required under International Standards on Auditing (UK and Ireland) to state to them in an auditors' report and for no other purpose. To the fullest extent required by the 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 auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable International Financial Reporting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland), and to report to you our opinion as to whether the financial statements give a true and fair view in accordance with International Financial Reporting Standards.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 30 September 2007 and of its profit for the year then ended in accordance with International Financial Reporting Standards.

A handwritten signature in black ink, appearing to read 'Subo Yang' followed by 'LLP'.

Ernst & Young LLP
London
17 April 2008

**Income Statement
for the year ended 30 September 2007**

	Note	2007 £'000	2006 £'000
Interest receivable from related parties	13	5,683	4,550
Interest receivable and similar Income	3	461	584
Interest payable	13	(2,512)	(2,121)
Other operating expenses		(11)	(15)
Profit on ordinary activities before taxation		<u>3,621</u>	<u>2,998</u>
Tax expense	4	(1,840)	(1,536)
Profit for the financial year		<u>1,781</u>	<u>1,462</u>
Dividends paid	5	-	(1,300)
Retained profit for the year		<u><u>1,781</u></u>	<u><u>162</u></u>

The Company has no other recognised gains or losses other than the profit for the year

All material items dealt with in arriving at the operating profit for 2007 and 2006 relate to continuing operations

Balance Sheet as at 30 September 2007

	Note	2007 £'000	2006 £'000
Current assets			
Cash and cash equivalents	12	43,195	32,064
Available for sale securities	6	-	8,800
Due from intermediate parent	13	66,162	66,448
Trade and other receivables	7	-	119
Total assets		<u>109,357</u>	<u>107,431</u>
Current liabilities			
Current tax		(2,242)	(2,044)
Due to related parties	13	(706)	(552)
Other creditors		(10)	(217)
		<u>(2,958)</u>	<u>(2,813)</u>
Non current liabilities			
Due to related parties	13	(65,100)	(65,100)
Total liabilities		<u>(68,058)</u>	<u>(67,913)</u>
Net assets		<u>41,299</u>	<u>39,518</u>
Shareholders' equity			
Share capital	8	1	1
Share premium	9	38,000	38,000
Retained earnings	10	3,298	1,517
	11	<u>41,299</u>	<u>39,518</u>

The Financial Statements were approved by the Board of Directors on 11 April 2008 and were signed on its behalf by



Director

Cash flow statement for the year ended 30 September 2007

	Note	2007 £'000	2006 £'000
Cash flows from operating activities			
Profit before taxation		3,621	2,998
Adjustment for non-cash movements			
Interest receivable		(6,144)	(5,134)
Interest payable		2,512	2,121
<i>Cash flows from operating activities before changes in operating assets and liabilities</i>		<u>(11)</u>	<u>(15)</u>
Changes in operating assets and liabilities			
Tax (paid) / received		(1,642)	(249)
<i>Net cash (used in) / provided by operating activities</i>		<u>(1,653)</u>	<u>(264)</u>
Cash flows from investing activities			
Interest (paid) / received		5,370	4,210
Increase / (decrease) in deposit to parent		600	-
Disposal of available for sale securities		-	1,207
Disposal of National Grid preference shares		8,937	-
Dividends received from National Grid preference shares		235	-
<i>Net cash (used in) / provided by investing activities</i>		<u>15,142</u>	<u>5,417</u>
Cash flows from financing activities			
Ordinary dividends paid		-	(1,300)
Preference dividends paid		(2,358)	(3,234)
<i>Net cash (used in) / provided by financing activities</i>		<u>(2,358)</u>	<u>(4,534)</u>
(Decrease) / Increase in cash and cash equivalents		<u>11,131</u>	<u>619</u>
Cash and cash equivalents at the beginning of the year		32,064	31,445
Cash and cash equivalents at the end of the year	12	<u>43,195</u>	<u>32,064</u>

Notes to the Financial Statements

1) **Authorisation of financial statements and statement of compliance with International Financial Reporting Standards**

The Financial Statements of P F A (UK) Limited ("the Company") for the year ended 30 September 2007 were authorised for issue by the Directors on 11 April 2008 and the balance sheets were signed on their behalf by R Catt

The Company is incorporated in the Cayman Islands. The ultimate parent undertaking 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 National Australia Group Europe Limited which is incorporated in Great Britain and registered in England & Wales.

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. The principal accounting policies adopted by the Company are set out below.

2) **Accounting policies**

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's Financial Statements.

Basis of preparation

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosed amount of contingent liabilities. Assumptions made at each balance sheet date are based on best estimates at that date. Although the Company has internal control systems in place to ensure that estimates can be reliably measured, actual amounts may differ from those estimates. It is not anticipated that such differences would be material.

The financial statements have been prepared under the historical cost convention, as modified by the application of fair value measurements as required by the relevant accounting standards.

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 pound sterling and all values are rounded to the nearest thousand pounds unless otherwise stated.

Cash and cash equivalents

Cash and cash equivalents comprise balances with less than three months' maturity from the date of inception. Cash and cash equivalents are brought to account at the face value or the gross value of the outstanding balance where appropriate.

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 when the cumulative gain or loss is transferred to the income statement.

Notes (continued)**Dividend income**

Dividend income is recorded in the income statement on an accruals basis when the Company's right to receive the dividend is established. Under IAS 39 the preference dividends are classified as non current liabilities, and the dividend expense is recorded within interest expense.

Income tax

Income tax expense or revenue is the tax payable (or receivable) on the current period's taxable income based on the applicable tax rate.

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

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to the tax payable in respect of previous years.

3) Interest receivable and similar income

	2007 £'000	2006 £'000
Investment Income	461	521
Interest receivable from Inland revenue	-	63
	<u>461</u>	<u>584</u>

4) Taxation on profit on ordinary activities

	2007 £'000	2006 £'000
<i>a) Analysis of the charge for the year</i>		
UK corporation tax charge at 30%	1,840	1,536
	<u>1,840</u>	<u>1,536</u>

b) Analysis of the charge for the year

	2007 £'000	2005 £'000
Profit on ordinary activities before tax	3,621	2,998
Current tax at 30%	1,086	899
<i>Effects of</i>		
Permanent differences	754	637
Total current tax charge	<u>1,840</u>	<u>1,536</u>

c) Factors that may affect future tax charges

On 26 June 2007 the Finance Act 2007 was substantively enacted through Parliament. The changes introduced a reduction in the current UK corporate income tax rate from 30% to 28% and amendments to the current capital allowance legislation. These changes will come into effect from 1 April 2008.

Notes (continued)**5) Dividends paid**

	2007 £'000	2006 £'000
Equity - interim ordinary dividends paid	-	1,300
£Nil per share (2006 £125 24 per share)	-	1,300

6) Available for Sale Securities

	2007 £'000	2006 £'000
NGT Preference Shares	-	8,800
	-	8,800

The National Grid preference shares were redeemed on 29 March 2007, resulting in a profit of £186,000

7) Trade and Other Receivables

	2007 £'000	2006 £'000
Other Debtors	-	119
	-	119

8) Share capital

The authorised share capital of the company is as follows

	2007 £	2006 £
<i>Authorised</i>		
<i>Equity</i>		
7,500 'A1' ordinary shares at 10p each	750	750
2,500 'A2' ordinary shares at 10p each	250	250
800 'B' redeemable ordinary shares at £1 each	800	800
	1,800	1,800

The following shares were issued and fully paid up

	2007 £	2006 £
<i>Allotted, called up and fully paid</i>		
<i>Equity</i>		
7,500 'A1' ordinary shares at 10p each	750	750
2,500 'A2' ordinary shares at 10p each	250	250
380 'B' redeemable ordinary shares at £1 each	380	380
	1,380	1,380

All or any of the Class B ordinary shares may be redeemed at any time, at the request of the Company or any of the holders of the Class B ordinary shares, at the nominal value including premium paid, by giving notice in writing to the Company or holders of the Class B ordinary shares. The Holders of the Class B ordinary shares do not have the right to receive notice of, or attend, or speak, or vote at general meetings although their consent is required for certain matters. The Class B ordinary shares shall rank ahead of the holders of the Class A ordinary shares for the purposes of dividends and in the event of a winding up.

Notes (continued)**9) Share Premium**

	2007 £'000	2006 £'000
Share premium on 380 ordinary 'B' shares	38,000	38,000
	<u>38,000</u>	<u>38,000</u>

10) Retained earnings

	2007 £'000	2006 £'000
At 1 October	1,517	1,355
Retained profit for the financial year	1,781	1,462
Dividends paid - equity	-	(1,300)
At 30 September	<u>3,298</u>	<u>1,517</u>

11) Shareholders' equity

	2007 £'000	2006 £'000
Profit for the financial year	1,781	1,462
Dividends paid - equity	-	(1,300)
Net Increase in Shareholder's funds	<u>1,781</u>	<u>162</u>
Opening shareholder's funds	39,518	39,356
Closing shareholder's funds	<u>41,299</u>	<u>39,518</u>

12) Cash & Cash Equivalents

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

	2007 £'000	2006 £'000
Due from related entities (Note 13)	<u>43,195</u>	<u>32,064</u>

13) Related party transactions

The Company is a wholly owned controlled entity of National Australia Group Europe Investments Limited. The ultimate parent is NAB.

	2007 £'000	2006 £'000
Amounts due from related entities		
Amounts due from immediate parent	65,700	66,300
Accrued interest receivable from immediate parent	462	148
Cash held at ultimate parent	1,195	214
Cash held at intermediate parent	42,000	31,850
	<u>109,357</u>	<u>98,512</u>

Notes (continued)**13) Related party transactions (continued)**

	2007 £'000	2006 £'000
Current liabilities - amounts due to related entities		
Preference share dividend accrual to immediate parent	<u>(706)</u>	<u>(552)</u>
Non current liabilities - amounts due to related entities		
Preference shares issued to immediate parent	<u>(65,100)</u>	<u>(65,100)</u>

The Holders of the Class 1 redeemable preference shares do not have the right to receive notice of, or attend, or speak, or vote at general meetings. After 31 March 2003, and provided that the shares are held by a fellow Group Company, the holders of the Class 1 preference shares shall have the right to receive notice of, or attend, or speak, or vote at general meetings. On a winding up the holders of the Class 1 preference shares shall be entitled, in priority of any payment to the holders of the Ordinary shares, or the holders of any other class of shares to an amount equal to the nominal amount together with the premium paid and including any dividend arrears thereon.

	2007 £'000	2006 £'000
Transactions during the year with related parties		
Interest receivable from fellow group undertakings	<u>5,683</u>	<u>4,550</u>
Dividends payable on preference shares to immediate parent	<u>2,512</u>	<u>2,121</u>

The Company's audit fees are borne by the ultimate parent company, NAB

Transaction with Directors, key management and their close family members

There were no amounts outstanding as at 30 September 2007 (2006 £Nil) for transactions, arrangements and agreements between the Company and its Directors, key management and their close family members during the year.

Compensation of key management personnel

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

Directors' emoluments

The Directors are employed as executives of other NAB Group companies. The aggregate emoluments of the Directors of the Company as computed in accordance with Part I of Schedule 6 of the Companies Act 1985 were £Nil (2006 £Nil).