

P.F.A. (UK) LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

Registered number FC23759

30 SEPTEMBER 2009

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P F A (UK) LIMITED

Year ended 30 September 2009

Officers and Professional Advisers

Directors

B Carr
R Catt
R Lakin
R Golding

Secretary

B Lewis

Cayman Islands Registered Office

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

UK branch office

88 Wood Street
London
EC2V 7QQ

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 ended 30 September 2009

Principal activities

The Company operates as an investment Company, funding other National Australia Bank Group ("NAB Group") subsidiaries

Business review and future developments

There have been no significant changes to the business during the year. The principal risk and uncertainties are set out in the risk overview note to the financial statements. The Company does not expect any significant changes in the future.

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

Profits and appropriations

The profit attributable to the shareholders for the year ended 30 September 2009 amounted to £882,000 (2008: £1,823,000). Interim dividends totalling £2,200,000 (2008: £3,200,000) were paid during the year. The directors do not recommend the payment of a final dividend in respect of this financial year (2008: £Nil).

Going Concern

The directors consider the going concern basis of preparation of the financial statements to be appropriate. The Company has generated satisfactory profits and has an adequate capital base for the Company to continue in operation for at least the next 12 months from the date of approval of the financial statements. 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.

S. Learoyd resigned as a director on 24 March 2010.

B. Carr was appointed as a director on 24 March 2010.

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 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 so is not disclosed in this report.

Directors' liabilities

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

Company secretary

The current company secretary is shown on page 2.

Report of the Directors *(continued)*

Employee involvement

The Company does not have any employees (2008 nil) All staff are provided by the ultimate parent company, NAB

Charitable and political donations

No charitable or political donations were made throughout the year (2008 £Nil)

Corporate Governance

It is the Company's policy not to include all of the disclosures in respect of voluntary Corporate Governance Codes of Practice as it is a wholly owned subsidiary of NAB The NAB Group's Annual Financial Report details the corporate governance framework applicable to the Company These disclosures are made after consideration of authoritative pronouncements on audit committees and associated disclosures in Australia, the USA and UK

Events since the balance sheet date

No information has been identified since the balance sheet date about conditions existing at the balance sheet date, which are required to be disclosed in these financial statements

Auditors

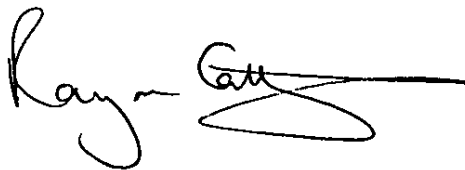
A resolution to reappoint Ernst and Young LLP will be proposed at the next meeting of the board of directors

Directors' statement as to disclosure of information to auditors

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

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

By order of the board


R Catt
Director
25 June 2010

Statement of Directors' Responsibilities

The directors are responsible for preparing the directors' report and financial statements in accordance with applicable law and regulations

The Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) and applicable 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 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,
- 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. 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

Report of the Independent Auditor to the Members of P.F.A. (UK) Limited

We have audited the company's financial statements for the year ended 30 September 2009 which comprise Income Statement, Balance Sheet, Cash Flow Statement and the related notes 1 to 12. 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, in accordance with our engagement letter. 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 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 (IFRSs) as adopted by the European Union.

Our responsibility is to audit the financial statements in accordance with 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 (IFRSs) as adopted by the European Union.

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.

Report of the Independent Auditor to the Members of P.F.A. (UK) Limited *(continued)*

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 2009 and of its profit for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union



Ernst & Young LLP
London

28 JUN 2010

Income Statement for the year to 30 September 2009

	Note	2009 £'000	2008 £'000
Interest income and similar income	3	3,075	6,475
Interest expense	11	(1,334)	(2,774)
Other operating expenses		(1)	(1)
Profit/(loss) on ordinary activities before tax		<u>1,740</u>	<u>3,700</u>
Tax credit/(expense)	4	(858)	(1,877)
Profit for the financial year		<u>882</u>	<u>1,823</u>
Dividends paid	5	(2,200)	(3,200)
Retained profit / (loss) for the financial year		<u>(1,318)</u>	<u>(1,377)</u>

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

All items dealt with in arriving at the profit before tax for 2009 and 2008 relate to continuing operations

Balance Sheet as at 30 September 2009

	Note	2009 £'000	2008 £'000
Current assets			
Cash and cash equivalents	10	39,754	41,858
Due from related entities	11	65,787	66,108
Total assets		105,541	107,966
Current liabilities			
Current tax		(1,692)	(2,229)
Due to related entities	11	(145)	(715)
		(1,837)	(2,944)
Non current liabilities			
Due to related entities	11	(65,100)	(65,100)
Total liabilities		(66,937)	(68,044)
Net assets		38,604	39,922
Shareholders' equity			
Share capital	6	1	1
Share premium	7	38,000	38,000
Retained earnings	8	603	1,921
Total shareholders' equity	9	38,604	39,922

The financial statements were approved by the directors on 25 June 2010 and were signed on their behalf by


R. Lakshmi
Director

Cash Flow Statement for the year to 30 September 2009

	Note	2009 £'000	2008 £'000
Cash flows from operating activities			
Profit before taxation		1,740	3,700
<i>Adjustments for non cash movements</i>			
Interest income		(3,075)	(6,475)
Interest expense		1,334	2,774
		(1)	(1)
Tax (paid)/received		(1,395)	(1,890)
Net cash (used in)/provided by operating activities		(1,396)	(1,891)
Cash flows from investing activities			
Interest received		3,396	6,528
Net cash provided by investing activities		3,396	6,528
Cash flows from financing activities			
Ordinary dividends paid		(2,200)	(3,200)
Preference dividends paid		(1,904)	(2,774)
Net cash used in financing activities		(4,104)	(5,974)
Net decrease in cash and cash equivalents		(2,104)	(1,337)
Cash and cash equivalents at beginning of year		41,858	43,195
Cash and cash equivalents at end of year	10	39,754	41,858

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 for the year ended 30 September 2009 were authorised for issue by the directors on 25 June 2010 and the balance sheet was signed on their behalf by R Lakin

The Company is incorporated in the Cayman Islands. The ultimate parent undertaking is National Australia Bank Limited ("NAB"), a company incorporated in the State of Victoria, Australia. NAB also heads the largest group in which the results of the Company are consolidated. The smallest group in which the results of the Company are consolidated is that headed by National Australia Group Europe Limited which is incorporated in Great Britain and registered in England & Wales.

Copies of group accounts prepared in respect of National Australia Group Europe Limited ("NAGE") may be obtained from the Company Secretary at 88 Wood Street, London, EC2V 7QQ. 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). The principal accounting policies adopted by the Company are set out in Note 2.

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.

Accounting developments

During the period the IASB and International Financial Reporting Interpretations Committee issued the following standards and interpretations with an effective date after the date of the financial statements that would be relevant to this company in future years.

International Financial Reporting Standards		Effective date
		Annual periods beginning
		On or after
Various	Improvements to IFRS (Issued 22 May 2008)	Various, earliest 1 January 2009
Various	Improvements to IFRS (Issued 16 April 2009)	Various, earliest 1 July 2009
IFRS 1	Amendment – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2009
IFRS 7	Financial Instruments: Disclosures – Amendments enhancing disclosures about fair value and liquidity risk	1 January 2009

Notes to the Financial Statements *(continued)*

2) Accounting policies *(continued)*

Accounting developments *(continued)*

IFRS 8	Operating segments	1 January 2009
IFRS 9	Financial Instruments Recognition and Measurement	1 January 2013
IAS 1	Presentation of Financial Statements – Comprehensive revision including requiring a statement of comprehensive income	1 January 2009
IAS 23	Revised – Borrowing costs	1 January 2009
IAS 24	Revised – Related Party Disclosures	1 January 2011
IAS 39	Amendment – Eligible Hedged Items and Embedded Derivatives	1 July 2009

The Company has not early adopted these new/revised standards and interpretations, which are unlikely to have a significant impact on the Company's financial statements. There were no IFRIC's released that are deemed 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 pound sterling and all values are rounded to the nearest thousand pounds unless otherwise stated.

Cash and cash equivalents

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

Dividend expense

Dividend expense is recorded in the income statement 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.

Interest income

Interest income is reflected in the income statement using the effective interest method. The effective interest method is a method of calculating amortisation using the effective interest rate of a financial instrument. The effective interest rate is the rate that exactly discounts the estimated stream of future cash payments or receipts over the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial instrument.

Related party transactions

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

Notes to the Financial Statements (continued)

2) Accounting policies (continued)

Income tax

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

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

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

3) Interest income and similar income

	2009 £'000	2008 £'000
Interest income from related entities	3,075	6,465
Management fee reversal	-	10
	<u>3,075</u>	<u>6,475</u>

4) Taxation on profit on ordinary activities

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

	2009 £'000	2008 £'000
Current tax		
Corporation tax charge/(credit) at 28% (2008: 29%)	861	1,877
Corporation tax prior year adjustment	(3)	-
	<u>858</u>	<u>1,877</u>

The current tax charge is 28%. For the prior year was 29% equivalent to the average standard rate of corporation tax. The first half of 2008 was 30% against the new standard tax rate in the UK of 28% in the second half of the year.

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

	2009 £'000	2008 £'000
Profit on ordinary activities before tax	1,740	3,700
Profit multiplied by standard rate of corporation tax in the UK of 28% (2008: 29%)	<u>487</u>	<u>1,073</u>
Effects of		
Permanent differences	374	804
Corporation tax prior year adjustment	(3)	-
Total income tax charge/(credit) for the period	<u>858</u>	<u>1,877</u>

Notes to the Financial Statements (continued)

5) Dividends paid

	2009 £'000	2008 £'000
Equity – interim ordinary dividends paid £211.95 per share (2008: £308.29 per share)	2,200	3,200
	<u>2,200</u>	<u>3,200</u>

6) Share capital

	2009 £	2008 £
<i>Authorised</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
	<u>1,800</u>	<u>1,800</u>

The following shares were issued and fully paid up

<i>Allotted, called up and fully paid</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
	<u>1,380</u>	<u>1,380</u>

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.

7) Share premium

	2009 £'000	2008 £'000
Share premium on 380 ordinary 'B' shares (£100,000 per share)	38,000	38,000
	<u>38,000</u>	<u>38,000</u>

Notes to the Financial Statements (continued)

8) Retained earnings

	2009 £'000	2008 £'000
At 1 October	1,921	3,298
Profit for the period	882	1,823
Dividends paid - equity	(2,200)	(3,200)
At 30 September	603	1,921

9) Shareholders' equity

	2009 £'000	2008 £'000
Profit for the period	882	1,823
Dividends paid - equity	(2,200)	(3,200)
Net increase / (decrease) in shareholder's equity	(1,318)	(1,377)
Opening shareholder's equity	39,922	41,299
Closing shareholder's equity	38,604	39,922

10) Cash and 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

	2009 £'000	2008 £'000
Due from related entities (Note 11)	39,754	41,858

11) Related party transactions

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

Notes to the Financial Statements (continued)

11) Related party transactions (continued)

	2009 £'000	2008 £'000
Amounts due from related entities		
Current assets		
Amounts due from immediate parent	65,700	65,700
Accrued interest receivable from immediate parent	87	408
Cash held at ultimate parent	206	1,078
Cash held at immediate parent	39,548	40,780
	<u>105,541</u>	<u>107,966</u>
Amounts due to related entities		
Current liabilities		
Preference dividend accrued to immediate parent	(145)	(715)
Non current liabilities		
Preference shares issued to immediate parent	<u>65,100</u>	<u>65,100</u>

The variable loan is with NAGE, it has a maturity date of 31 December 2009 at a rate of 0.54188%

The cash held with NAGE has a maturity of 14 October 2009 at a rate of 1.005630%

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.

The preference shares are accruing at a floating rate of 0.54188% until 31 December 2009.

Transactions during the year with related parties

	2009 £'000	2008 £'000
Interest income from fellow group undertakings	3,075	6,475
Dividends payable on preference shares to immediate parent	<u>1,334</u>	<u>2,774</u>

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

Transactions with directors, key management and their close family members

There are no amounts outstanding at 30 September 2009 (2008: £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)

Compensation of key management personnel

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

Directors' emoluments

The directors are employed as executives of other NAB Group companies. The aggregate emoluments of the directors of the Company were £Nil (2008: £Nil).

12) 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 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.

The NAB Group Risk Management Committee, chaired by the Managing Director and Group Chief Executive, serves as the principal risk strategy and policy decision making body with the NAB Group, and provides the Board with assurance in the performance of the overall risk management framework. This committee is supported by three sub-committees – NAB Group Credit and Concentration Risk Committee, NAB Group Asset and Liability Committee, and NAB Group Capital Committee – each with a specialised focus.

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.

Notes to the Financial Statements (continued)

12) Risk overview (continued)

Operational risk and compliance (continued)

Compliance is the requirement to comply with external regulatory and legal obligations in addition to operating within the Group and regional policies and standards. This includes risk relating to reputational impact, incurring restrictive conditions and undertakings by regulators on how the Group does business.

Various reports are produced at management, Board sub-committee and Board level to assist with their oversight and monitoring obligations. This incorporates regional reporting of risk profiles, key operational risk and events, as well as consideration of external events and their relevance to the NAB Group. This process generates visibility and understanding of the NAB Group's overall operational risk profile.

The Operational Risk Framework ("ORF") is based on a set of core principles and defines the NAB Group's standards for operational risk management and compliance. Its design recognises the importance of embedding operational risk and compliance into 'business-as-usual' activities. It has particular focus on defining and implementing the right behaviours and incorporating risk consideration into Group's systems and processes.

The ORF is an essential element of the business strategy, which underpins all operational risk management activities. It includes

- an established governance structure that is used to ensure consistent application, management and reporting of the operational risk management process. This element also includes the establishment and communication of the Company's operational risk appetite, and
- a structured risk management process to facilitate the identification, quantification and management of risks.

The NAB Group is committed to sound risk management and compliance and continues to improve its capabilities in these areas.

Fair values

The fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The carrying amounts of cash and cash equivalents, amounts due from and due to related entities, and other trade receivables and payables are considered to approximate fair value. This is due to their short term nature.

Credit risk

Credit risk is the potential that a borrower or a counterparty will fail to meet its obligations in accordance with agreed terms. NAB places limits around the amount of risk accepted to one borrower, which are monitored on a frequent basis.

Given the majority of balances are with related entities the credit risk is deemed to be minimal.

The maximum exposures to credit risk for the components of the balance sheet are set out below.

Notes to the Financial Statements (continued)

12) Risk overview (continued)

Credit risk (continued)

	2009 £'000	2008 £'000
Assets		
Cash and cash equivalents	39,754	41,858
Due from related entities	65,787	66,108
Total credit risk exposure	105,541	107,966

The Company does not have any collateral or other credit enhancements supporting these assets. The credit qualities of assets are neither past due or impaired. There are no undrawn commitments that the Company is exposed to.

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.

The liquidity risk monitoring and maintenance is managed on a monthly basis from reviews performed on management information to ensure that all liabilities can be met when they fall due.

The directors do not believe there is a significant exposure to liquidity risk due to the related party nature of funding and liability exposures with fellow NAB Group companies.

Cash flows maturity profile for liabilities as they fall due	3 months or less	3 to 12 months	No specific maturity	Total
2009 £'000				
Current tax	-	-	1,692	1,692
Due to related entities	-	-	65,245	65,245
	-	-	66,937	66,937
Cash flows maturity profile for liabilities as they fall due	3 months or less	3 to 12 months	No specific maturity	Total
2008 £'000				
Current tax	-	-	2,229	2,229
Due to related entities	-	-	65,815	65,815
	-	-	68,044	68,044

Notes to the Financial Statements (continued)

12) Risk overview (continued)

Interest rate risk

Part of the Company's exposure to interest rate risk is in relation to the mismatching of the dates on which interest receivable on assets and interest payable on liabilities are next reset

The table below summarises these pricing mismatches as at 30 September 2009 and 30 September 2008

Interest rate sensitivity analysis 2009 £'000	Weighted average effective interest rate %	Call	3 months or less	No specific maturity	Non interest bearing	Total
Assets						
Cash and cash equivalents					206	206
Cash and cash equivalents	2.8%	-	39,548	-	-	39,548
Due from related entities	3.0%	-	65,787	-	-	65,787
		-	105,335	-	206	105,541
Liabilities						
Current tax	-	-	-	-	1,692	1,692
Due to related entities	2.0%	-	-	65,245	-	65,245
Shareholders equity	-	-	-	-	38,604	38,604
		-	-	65,245	40,296	105,541
Gap		-	105,335	(65,245)	(40,090)	-

Interest rate sensitivity analysis 2008 £'000	Weighted average effective interest rate %	Call	3 months or less	No specific maturity	Non interest bearing	Total
Assets						
Cash and cash equivalents					1,078	1,078
Cash and cash equivalents	5.9%	-	40,780	-	-	40,780
Due from related entities	6.1%	-	66,108	-	-	66,108
		-	106,888	-	1,078	107,966
Liabilities						
Current tax	-	-	-	-	2,229	2,229
Due to related entities	4.3%	-	-	65,815	-	65,815
Shareholders equity	-	-	-	-	39,922	39,922
		-	-	65,815	42,151	107,966
Gap		-	106,888	(65,815)	(41,073)	-

Notes to the Financial Statements *(continued)*

12) Risk overview *(continued)*

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.