

NATIONAL AUSTRALIA FINANCE (COMMERCIAL LEASING) LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

Registered number 02248489

1 April 2017 to 30 September 2018



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NATIONAL AUSTRALIA FINANCE (COMMERCIAL LEASING) LIMITED

For the period from 1 April 2017 to 30 September 2018

Officers and Professional Advisers

Directors

R. Lakin
S. Nye

Secretary

B. Lewis

Registered number

02248489

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

NATIONAL AUSTRALIA FINANCE (COMMERCIAL LEASING) LIMITED

For the period from 1 April 2017 to 30 September 2018

Report of the Directors

The Directors of National Australia Finance (Commercial Leasing) Limited (the "Company") submit their report and Financial Statements for the period ended 30 September 2018. The Company is registered in England and Wales with registration number 02248489. The Company is a private company limited by shares and applies the strategic report exemption.

Principal activities

The Company provides leasing facilities to industry. The transactions which it enters into relate principally to high value finance lease agreements. For the financial period ended 30 September 2018, three finance lease agreements are in place.

Profits and appropriations

The profit attributable to the shareholders for the period ended 30 September 2018 amounted to £95,500 (2017: £25,921 loss). Interim dividends totalling £nil (2017: £nil) were paid during the period. The Directors do not recommend the payment of a final dividend in respect of this financial period (2017: £nil).

Business review and future developments

On 9 July 2017 National Australia Finance (Asset Leasing) LLP which the Company previously held an investment in was dissolved.

On 29 June 2018 the company entered into a finance lease arrangement, as lessor, for infrastructure plant and machinery with a water and sewerage company.

The principal risks and uncertainties are set out in the risk overview note to the Financial Statements. Brexit is not considered to have a significant impact on the entity. The Company does not expect any significant changes in the future.

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 perform a review of the KPI's at the National Australia Bank Limited ("NAB") Group level.

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 and funding from its parent for the Company to continue in operation for at least the next 12 months from the date of approval of the Financial Statements. A letter of comfort has been supplied from its ultimate parent National Australia Bank Limited ("NAB") which undertakes that NAB will continue to provide the Company financial and other comfort for at least 12 months from the date of approval of the Company's Financial Statements. An analysis has been performed on the recoverability of future cashflows from the lessee with no matters noted. 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 period the NAB Group paid a premium for a contract insuring the Directors and officers of NAB, its subsidiaries and controlled entities against personal liabilities which may arise in the course of the performance of their duties, as well as protecting the NAB Group itself to the extent that it is obliged to indemnify Directors and officers for such liability.

NATIONAL AUSTRALIA FINANCE (COMMERCIAL LEASING) LIMITED

For the period from 1 April 2017 to 30 September 2018

Report of the Directors (continued)

Directors' remuneration

The directors of the Company are remunerated as employees of the ultimate parent company, National Australia Bank Limited, 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 period 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 the period (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.

Events since the reporting date

No information has been identified since the reporting date about conditions existing at the reporting date, which are required to be disclosed in these Financial Statements.

Auditors

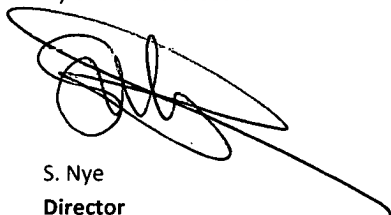
In accordance with Section 485 of the Companies Act 2006 a resolution to reappoint Ernst & Young LLP will be proposed at the next meeting of the board of Directors.

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



S. Nye
Director

25 June 2019

Statement of Directors' Responsibilities

The directors are responsible for preparing 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 National Australia Finance (Commercial Leasing) Limited

Opinion

We have audited the Financial Statements of National Australia Finance (Commercial Leasing) Limited for the period 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 11, 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 period 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 National Australia Finance (Commercial Leasing) 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 Directors' Report for the financial period for which the Financial Statements are prepared is consistent with the Financial Statements; and
- the 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 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 5, 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

25 June 2019

NATIONAL AUSTRALIA FINANCE (COMMERCIAL LEASING) LIMITED
For the period from 1 April 2017 to 30 September 2018
Statement of comprehensive income for the period from 1 April 2017 to 30 September 2018

	Note	Period from 1 April 2017 to 30 September 2018 £	2017 £
Finance lease income		(12,930)	(6,451)
Other income		26,658	-
		<hr/> 13,728	<hr/> (6,451)
Other expenses		(11,715)	(433)
Finance costs	9	(1,680)	(1,176)
		<hr/> (13,395)	<hr/> (1,609)
Profit/(loss) on ordinary activities before tax		<hr/> 333	<hr/> (8,060)
Income tax credit/(expense)	3	95,167	(17,861)
Profit/(loss) for the period/year and total comprehensive income		<hr/> 95,500	<hr/> (25,921)

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

Statement of changes in equity for the period from 1 April 2017 to 30 September 2018

	Share capital £	Retained earnings £	Total shareholders' equity £
Balance at 1 April 2016	10,000	1,177,588	1,187,588
Loss for the year and total comprehensive income	-	(25,921)	(25,921)
Balance at 31 March 2017	<hr/> 10,000	<hr/> 1,151,667	<hr/> 1,161,667
Profit for the period and total comprehensive income	-	95,500	95,500
Balance at 30 September 2018	<hr/> 10,000	<hr/> 1,247,167	<hr/> 1,257,167

NATIONAL AUSTRALIA FINANCE (COMMERCIAL LEASING) LIMITED*For the period from 1 April 2017 to 30 September 2018***Statement of financial position as at 30 September 2018**

	Note	2018 £	2017 £
Non-current assets			
Finance lease receivables	4	5,250,855	-
Deferred tax asset	5	461,279	631,929
		<u>5,712,134</u>	<u>631,929</u>
Current assets			
Finance lease receivables	4	56,625	-
Cash at bank	9	107,367	714,935
Group relief receivable		212,443	38,904
Trade and other receivables	6	1,032,983	-
		<u>1,409,418</u>	<u>753,839</u>
Total assets		<u>7,121,552</u>	<u>1,385,768</u>
Current liabilities			
Due to related entities	9	5,864,385	220,429
Finance lease payables	4	-	2,389
Trade and other payables	7	-	1,283
		<u>5,864,385</u>	<u>224,101</u>
Total liabilities		<u>5,864,385</u>	<u>224,101</u>
Net assets		<u>1,257,167</u>	<u>1,161,667</u>
Shareholders' equity			
Share capital	8	10,000	10,000
Retained earnings		1,247,167	1,151,667
Total shareholders' equity		<u>1,257,167</u>	<u>1,161,667</u>

The Financial Statements were approved by the Directors on 25 June 2019 and were signed on their behalf by:



R. Lakin
Director

NATIONAL AUSTRALIA FINANCE (COMMERCIAL LEASING) LIMITED
For the period from 1 April 2017 to 30 September 2018
Statement of cash flows for the period from 1 April 2017 to 30 September 2018

	Note	Period from 1 April 2017 to 30 September 2018 £	2017 £
Cash flows from operating activities			
Rental refunds		(14,499)	(7,007)
Other expenses		(11,715)	(433)
		<hr/> (26,214)	<hr/> (7,440)
Tax received – group relief		92,278	71,796
VAT recoverable		(1,007,608)	783
Interest paid		(1,246)	(1,368)
Payments under finance lease		(5,308,300)	-
Net cash (used in)/provided by operating activities		<hr/> (6,251,090)	<hr/> 63,771
Cash flows from investing activities			
Repayment of investment from partnership		-	495,000
Net cash provided by investing activities		<hr/> -	<hr/> 495,000
Cash flows from financing activities			
Increase/(decrease) in funding from ultimate parent		5,243,522	(60,494)
Increase in funding from immediate parent		400,000	-
Net cash provided by/(used in) financing activities		<hr/> 5,643,522	<hr/> (60,494)
Net (decrease) /increase in cash at bank		<hr/> (607,568)	<hr/> 498,277
Cash at bank at beginning of period/year		714,935	216,658
Cash at bank at end of period/year	9	<hr/> 107,367	<hr/> 714,935
		Period from 1 April 2017 to 30 September 2018 £	2017 £
Cash flows from financing activities			
Opening balance		220,429	281,115
Cash flows:			
Drawdowns		5,643,522	-
Repayments		-	(60,494)
Interest paid		(1,246)	(1,368)
Non-cash flows:			
Finance costs		1,680	1,176
Closing balance		<hr/> 5,864,385	<hr/> 220,429

Notes to the Financial Statements

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

The Financial Statements of National Australia Finance (Commercial Leasing) Limited for the period ended 30 September 2018 were authorised for issue by the Directors on 25 June 2019 and the statement of financial position was signed on their behalf by R. Lakin.

The Company is incorporated and registered in the UK.

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

National Australia Finance (Europe Holdings) Limited is the immediate parent for the Company.

Copies of Group Accounts prepared in respect of National Australia Bank Limited may be obtained from NAB London Branch at 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 period beginning 1 April 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'. Lease receivables recognised by a lessor are subject to the derecognition and impairment requirements of the standard. Under the simplified approach the impact is expected to be immaterial.

Notes to the Financial Statements (continued)

2) Accounting policies (continued)

Accounting developments (continued)

- IFRS 16 (new standard) "Leases" (effective from 1 January 2019) eliminates the classification of leases as either operating leases or finance leases for a lessee. Instead all leases are treated in a similar way to finance leases applying IAS 17. For lessors IFRS 16 does not substantially change how a lessor accounts for leases compared to IAS 17. The standard requires a lessor to provide some additional disclosures covering the components of lease income recognised in the reporting period, information about exposure to residual asset risk and the estimated residual value of assets subject to operating leases at the end of their useful lives. The disclosures are to enable users of financial statements to better evaluate the uncertainty of cash flows associated with the lessor's leasing activities. Other than the additional disclosures to be made, the impact on 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.

Finance leases

Agreements which transfer to counterparties substantially all the risks and rewards incidental to the ownership of assets, but not necessarily legal title, are classified as finance leases.

Finance lease receivables are stated in the balance sheet at the amount of the net investment in the lease being the minimum lease payments and any unguaranteed residual value discounted at the interest rate implicit in the lease.

Finance lease income is recognised over the periods of the leases so as to give a constant rate of return on the net investment in the leases.

For finance leases, the allowance for impairment losses is determined on an individual basis by reference to past default experience and other recoverability information relating to the specific loan. Management assesses each impairment on a case by case basis where evidence of impairment exists and calculations of incurred loss are performed by considering current facts and circumstances of the exposure. Recoverable amounts are assessed with reference to the expected future cash flows on the loan arrangements, including considering estimates of security value (internal or professional value) as well as capacity for payment and timing of recoveries.

Contingent rent (interest rate adjustments) are recognised as a reduction to finance lease income.

Borrowings

Borrowings are recognised at fair value net of any transaction costs incurred. Borrowings are subsequently stated at amortised cost.

The interest costs on borrowings relating to the operations of the Company have been charged to the statement of comprehensive income under the effective interest rate method. The effective interest rate method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate at which estimated future cash payments are discounted to the net carrying amount of the financial liability over the expected life of the financial liability. The corresponding interest expense is presented within finance cost in the statement of comprehensive income for the period.

Notes to the Financial Statements (continued)

2) Accounting policies (continued)

Current and deferred income tax

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

The current tax charge is calculated on the taxable income for the period 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) Income tax credit/(expense)

a) Analysis of tax credit/(expense) for the period/year

	Period from 1 April 2017 to 30 September 2018 £	2017 £
Current Tax:		
Corporation tax credit at 19.0% (2017: 20.0%)		
Current year	170,202	156,626
Adjustment in respect of prior years	95,615	-
	<u>265,817</u>	<u>156,626</u>
Deferred Tax:		
Origination and reversal of temporary differences	(170,265)	(155,014)
Change in tax rate	(385)	(19,473)
	<u>(170,650)</u>	<u>(174,487)</u>
Income tax credit/(expense) reported in the statement of comprehensive income	<u>95,167</u>	<u>(17,861)</u>

Notes to the Financial Statements (continued)

3) Income tax credit/(expense) (continued)

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

	Period from 1 April 2017 to 30 September 2018 £	2017 £
Profit/(loss) before tax	333	(8,060)
Profit/(loss) multiplied by standard rate of corporation tax in the UK of 19.0% (2017: 20.0%)	(63)	1,612
<i>Effects of:</i>		
Change in tax rate	(385)	(19,473)
Adjustment in respect of prior years	95,615	-
Total income tax credit/(expense) for the period/year	95,167	(17,861)

4) Finance lease receivables/(payables)

As at 30 September 2018

	Gross investment in lease £	Unearned finance income £	Present value of minimum lease payments £
Amounts receivable under finance leases:			
Within one year	214,272	(157,647)	56,625
After more than one year and not later than 5 years	863,475	(612,620)	250,855
After more than 5 years	5,710,617	(710,617)	5,000,000
	<u>6,788,364</u>	<u>(1,480,884)</u>	<u>5,307,480</u>
Analysed as:			
Current finance lease receivables			56,625
Non-current finance leases receivables			5,250,855
			<u>5,307,480</u>

Notes to the Financial Statements (continued)

4) Finance lease receivables/(payables) (continued)

	As at 31 March 2017		
	Gross investment in lease	Unearned finance income	Present value of minimum lease payments
	£	£	£
Amounts payable under finance leases:			
Within one year	2,389	-	2,389
	<u>2,389</u>	<u>-</u>	<u>2,389</u>
Analysed as:			
Current finance lease payables			2,389
			<u>2,389</u>

During the period, contingent rents (interest rate adjustments) of £14,230 were recognised as a reduction to finance lease income in the statement of comprehensive income (2017: £12,433 reduction).

The Company leases plant, machinery, fixtures and fittings to third parties under finance leases. Rentals are calculated to recover the cost of the assets, and earn finance income.

5) Deferred tax asset

	2018 £	2017 £
Opening balance	631,929	806,416
Deferred tax expense (Note 3)	(170,650)	(174,487)
	<u>461,279</u>	<u>631,929</u>

The deferred tax asset included in the statement of financial position is attributable to:

	2018 £	2017 £
Depreciation	<u>461,279</u>	<u>631,929</u>

The statutory rate of UK corporation tax reduced to 20% on 1 April 2015 (Finance Act 2013). 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.

NATIONAL AUSTRALIA FINANCE (COMMERCIAL LEASING) LIMITED*For the period from 1 April 2017 to 30 September 2018***Notes to the Financial Statements (continued)****5) Deferred tax asset (continued)**

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

6) Trade and other receivables

	2018	2017
	£	£
VAT receivable	1,000,994	-
Fee receivable	31,989	-
	<u>1,032,983</u>	<u>-</u>

7) Trade and other payables

	2018	2017
	£	£
VAT payable	-	1,283
	<u>-</u>	<u>1,283</u>

8) Share capital

	2018	2017
	£	£
<i>Allotted, called up and fully paid:</i>		
10,000 Ordinary shares of £1 each	<u>10,000</u>	<u>10,000</u>

9) Related party transactions

The Company is a wholly owned and controlled entity of National Australia Finance (Europe Holdings) Limited. The ultimate parent company is NAB.

During the period there have been transactions between the Company, its ultimate parent and controlled entities of the 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 receives funding from its ultimate parent NAB on a 3 month rolling basis at a rate of libor plus margin.

Notes to the Financial Statements (continued)

9) Related party transactions (continued)

	2018	2017
	£	£
Amounts due from related entities		
Current assets		
Cash at bank held with ultimate parent	107,367	714,935
	<u>107,367</u>	<u>714,935</u>
	2018	2017
	£	£
Amounts due to related entities		
Current liabilities		
Amounts due to ultimate parent	5,463,788	220,266
Interest payable to ultimate parent	597	163
Amounts due to immediate parent	400,000	-
	<u>5,864,385</u>	<u>220,429</u>
	Period from 1	2017
	April 2017 to 30	£
	September 2018	
	£	
Transactions during the period/year with related entities		
Finance costs with ultimate parent	1,680	1,176
Repayment of investment from partnership	-	495,000
	<u></u>	<u></u>

The Company's audit fees of £5,571 (2017: £5,489) 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 2018 (2017: £nil) for transactions, arrangements and agreements between the Company and its directors, key management and their close family members during the period.

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 period 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).

Notes to the Financial Statements (continued)

10) 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.

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.

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.

NATIONAL AUSTRALIA FINANCE (COMMERCIAL LEASING) LIMITED*For the period from 1 April 2017 to 30 September 2018***Notes to the Financial Statements (continued)****10) Risk overview****Credit risk**

Credit risk is the potential that a borrower or 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.

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

	2018	2017
	£	£
Assets		
Finance lease receivables	5,307,480	-
Cash at bank	107,367	714,935
Group relief receivable	212,443	38,904
Trade and other receivables	1,032,983	-
Total credit risk exposure	6,660,273	753,839

Management evaluates each counterparty's creditworthiness on a case by case basis. The amount of collateral obtained, if deemed necessary upon extension of credit, is based on management's credit evaluation of the counterparty.

The Company is exposed to a £25,000,000 undrawn commitment under the finance lease.

An analysis has been performed on the recoverability of future cashflows from the lessee with no matters noted.

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 the funding with fellow NAB Group companies.

Cash flows maturity profile for liabilities as they fall due	3 months or less	3 to 12 months	Due after 12 months	Total
2018				
£				
Liabilities				
Due to related entities	5,864,385	-	-	5,864,385
	5,864,385	-	-	5,864,385

NATIONAL AUSTRALIA FINANCE (COMMERCIAL LEASING) LIMITED*For the period from 1 April 2017 to 30 September 2018***Notes to the Financial Statements (continued)****10) Risk overview (continued)****Liquidity risk (continued)**

Cash flows maturity profile for liabilities as they fall due 2017	3 months or less	3 to 12 months	Due after 12 months	Total
£				
<i>Liabilities</i>				
Due to related entities	220,429	-	-	220,429
Finance lease payables	2,389	-	-	2,389
Trade and other payables	-	-	1,283	1,283
	<u>222,818</u>	<u>-</u>	<u>1,283</u>	<u>224,101</u>

Interest rate risk

The Company's exposure to interest rate risk is in relation to the mismatching of the reset for interest receivable on assets and interest payable on liabilities.

The directors do not believe there is significant risk because the net impact of any interest rate reset is minimal.

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.

11) Events since the reporting date

No information has been identified since the reporting date about conditions existing at the reporting date, which are required to be disclosed in these Financial Statements.