

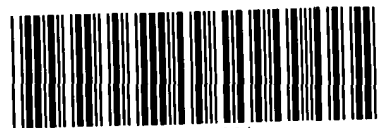
**NATIONAL AUSTRALIA FINANCE (COMMERCIAL LEASING) LIMITED**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

Registered number 02248489

**30 September 2020**

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**NATIONAL AUSTRALIA FINANCE (COMMERCIAL LEASING) LIMITED**  
*Year ended 30 September 2020*

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**NATIONAL AUSTRALIA FINANCE (COMMERCIAL LEASING) LIMITED**  
*Year ended 30 September 2020*

**Officers and Professional Advisers**

<b>Directors</b>	R. Lakin S. Nye
<b>Secretary</b>	R. Franklin (appointed 12 May 2021) B. Lewis (resigned 27 May 2021)
<b>Registered number</b>	02248489
<b>Registered Office (former)</b>	88 Wood Street, London, EC2V 7QQ
<b>Registered Office (from 2 December 2019)</b>	52 Lime Street, London, EC3M 7AF
<b>Bankers</b>	National Australia Bank Limited
<b>Auditors</b>	Ernst & Young LLP 25 Churchill Place Canary Wharf London E14 5EY

## **Directors' report for the year ended 30 September 2020**

The Directors of National Australia Finance (Commercial Leasing) Limited (the "Company") submit their report and Financial Statements for the year ended 30 September 2020. The Company is registered in England and Wales with registration number 02248489. The company is a private company limited by shares and has applied the small companies exemption in relation to the strategic report as per s.414B of the Companies Act 2006.

### **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 2020, three finance lease agreements are in place.

### **Profits and appropriations**

The profit attributable to the shareholders for the period ended 30 September 2020 amounted to £271,844 (2019: £130,786). Interim dividends totalling £nil (2019: £nil) were paid during the period. The Directors do not recommend the payment of a final dividend in respect of this financial period (2019: £nil).

### **Business review and future developments**

There have been no significant changes to the business during the year. The principal risks and uncertainties are set out in note 8 to the Financial Statements. The company does not expect any significant changes in the future.

The novel coronavirus (COVID-19) pandemic has resulted in ongoing disruptions to businesses and the global economic environment. Market volatility has led to favourable results for underlying Credits and Rates Markets, and it is expected that Covid-19 will not have any material impact on the performance of the entity.

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

### **Going Concern**

The directors consider the going concern basis of preparation of the Financial Statements to be appropriate. The company 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 directors who held office during the year and up to the date of signing these financial statements are listed on page 2. There have been no changes of directorships during the year and up to the date of signing the financial statements. In accordance with the company's Articles of Association, none of the directors are required to retire by rotation.

### **Directors' liabilities**

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

### **Directors' 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.

## **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 company secretary during the year and up to the date of signing these financial statements is listed on page 2.

There have been the following changes to the company secretary during the year and up to the date of signing the financial statements:

R. Franklin (appointed 12 May 2021)

B. Lewis (resigned 27 May 2021)

### **Employee involvement**

The Company does not have any employees (2019: nil). All staff are provided by the ultimate parent company, NAB.

### **Political donations**

No political donations were made during the period (2019: £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 and disclosure of information to auditors**

So far as each director is aware at the time this report is approved, there is no relevant audit information of which the company's auditors are unaware. Relevant information is defined as information needed by the company's auditors in connection with preparing their report. Each director has taken all the steps (such as making enquiries of other directors and the auditors and any other steps required by the director's duty to exercise due care, skill and diligence) that he ought to have taken in his duty as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

In accordance with section 485 of the Companies Act 2006 Ernst & Young LLP will be deemed to be reappointed as auditors of the company when the end of the next accounting period for appointing auditors expires.

By order of the board



S. Nye

Director

24 June 2021

## Statement of Directors' Responsibilities

The directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations. 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 Accounting Standards in conformity with the requirements of the Companies Act 2006 and applicable law.

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 of the profit or 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 they have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so

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 responsible for such internal control as they determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error, and 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.

The directors confirm that they have complied with these requirements and, having a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future, continue to adopt the going concern basis in preparing the financial statements.

## **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 year ended 30 September 2020 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 8, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006.

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 30 September 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006; 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 year 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; or
- the directors were not entitled to take advantage of the small companies exemption in preparing the strategic report.

**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.

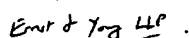
**Auditor's responsibilities for the audit of the financial statements**

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.



Chetan Trivedy (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

London

Date 28 June 2021

**Statement of comprehensive income for the year ended 30 September 2020**

	Note	2020 £	2019 £
Finance lease income		419,265	56,762
Other income		-	87,500
		419,265	144,262
Finance costs	6	(173,062)	(45,632)
Other expenses		(469)	(460)
		(173,531)	(46,092)
<b>Profit on ordinary activities before tax</b>		<b>245,734</b>	<b>98,170</b>
Income tax (expense)/credit	2	26,110	32,616
<b>Profit for the year and total comprehensive income</b>		<b>271,844</b>	<b>130,786</b>

The profit for both years is wholly derived from continuing operations.

The accounting policies and notes on pages 11 to 20 form part of and should be read in conjunction with these Financial Statements.

**Statement of changes in equity for the year ended 30 September 2020**

	Share capital £	Retained earnings £	Total shareholders' equity £
Balance at 1 October 2018	10,000	1,247,167	1,257,167
Profit for the year and total comprehensive income		130,786	130,786
<b>Balance at 30 September 2019</b>	<b>10,000</b>	<b>1,377,953</b>	<b>1,387,953</b>
Profit for the year and total comprehensive income		271,844	271,844
<b>Balance at 30 September 2020</b>	<b>10,000</b>	<b>1,649,797</b>	<b>1,659,797</b>

**Statement of financial position as at 30 September 2020**

	Note	2020 £	2019 £
<b>Assets</b>			
<b>Non-current assets</b>			
Finance lease receivables	3	30,037,786	30,130,928
Deferred tax asset	4	336,512	371,070
		<b>30,374,298</b>	<b>30,501,998</b>
<b>Current assets</b>			
Finance lease receivables	3	92,535	88,967
Cash at bank	6	1,411,385	185,026
Group relief receivable		90,352	183,569
VAT receivable		-	4,987,449
		<b>1,594,272</b>	<b>5,445,011</b>
<b>Total assets</b>		<b>31,968,570</b>	<b>35,947,009</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Due to related entities	6	30,288,512	34,559,056
VAT payable		20,261	-
		<b>30,308,773</b>	<b>34,559,056</b>
<b>Total liabilities</b>		<b>30,308,773</b>	<b>34,559,056</b>
<b>Net assets</b>		<b>1,659,797</b>	<b>1,387,953</b>
<b>Shareholders' equity</b>			
Share capital	5	10,000	10,000
Retained earnings		1,649,797	1,377,953
<b>Total shareholders' equity</b>		<b>1,659,797</b>	<b>1,387,953</b>

The accounting policies and notes on pages 11 to 20 form part of and should be read in conjunction with these Financial Statements.

The Financial Statements were approved by the directors on 28 June 2021 and were signed on their behalf by:



R. Lakin  
Director

**Statement of cash flows for the year ended 30 September 2020**

	Note	2020 £	2019 £
<b>Cash flows from operating activities</b>			
Net rentals received from customers		508,840	144,347
Other income		-	114,158
Other expenses		(469)	(460)
Tax received - group relief		153,886	151,698
VAT recoverable		5,007,710	(3,981,124)
Interest paid		(173,800)	(45,423)
Payments under finance lease		-	(25,000,000)
<b>Net cash flows from operating activities</b>		<b>5,496,167</b>	<b>(28,616,804)</b>
<b>Cash flows from financing activities</b>			
(Decrease)/increase in borrowings from ultimate parent		(69,808)	24,894,463
(Decrease)/increase in borrowings from immediate parent		(4,200,000)	3,800,000
<b>Net cash flows from financing activities</b>		<b>(4,269,808)</b>	<b>28,694,463</b>
<b>Net increase in cash at bank</b>		<b>1,226,359</b>	<b>77,659</b>
Cash at bank at beginning of year		185,026	107,367
<b>Cash at bank at end of year</b>	<b>6</b>	<b>1,411,385</b>	<b>185,026</b>
<b>Cash flows from financing activities</b>			
Balance at 1 October		34,559,056	5,864,385
<b>Cash flows:</b>			
(Repayments)/drawdowns		(4,269,806)	28,694,462
Interest paid		(173,800)	(45,423)
<b>Non-cash flows:</b>			
Finance costs		173,062	45,632
<b>Balance at 30 September</b>		<b>30,288,512</b>	<b>34,559,056</b>

## **Notes to the Financial Statements**

The Financial Statements of National Australia Finance (Commercial Leasing) Limited for the period ended 30 September 2020 were authorised for issue by the directors on 28 June 2021 and the statement of financial position was signed on their behalf by R. Lakin.

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

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. These can be obtained at [2020 Full Year Results Announcement \(nab.com.au\)](https://www.nab.com.au/2020-Full-Year-Results-Announcement).

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

### **1) Accounting policies**

#### **Basis of preparation**

The financial statements have been prepared and approved by the directors in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006. At 30 September 2020, the Company had adopted all IFRS and IFRIC interpretations that had been issued by the International Accounting Standards Board (IASB) and IFRIC except those which are not yet effective. The financial statements have been prepared on the historical cost basis and on a going concern basis. The accounting policies set out below have been applied in respect of the financial year ended 30 September 2020 and have been applied consistently to all periods presented in these financial statements. The company has applied accounting standard IFRS 16 "Leases" for the first time for their annual reporting period 1 October 2019 to 30 September 2020.

#### **Going concern**

The coronavirus pandemic continues to cause disruption to businesses and the global economy. The company has generated positive cash flows through the year and has an adequate capital base for the company to continue in operation. The directors consider the going concern basis of preparation of the financial statements to be appropriate.

#### **Changes in accounting policies**

This note explains the impact of the adoption of newly effective accounting standards on these financial statements.

IFRS 16 "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 the 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.

#### **Future accounting developments**

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.

## **Notes to the Financial Statements**

### **1) Accounting policies (continued)**

#### **Leases**

The Company has adopted IFRS 16 "Leases" with effect from 1 October 2019 replacing IAS 17 "Leases". The Company has applied IFRS 16 on a modified retrospective basis.

#### **As Lessor**

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 income is recognised over the period of the leases to give a constant rate of return on the net investment in the leases. Contingent rent (interest rate adjustments) are recognised as a reduction to finance lease income.

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.

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. Unguaranteed residual values are subject to regular review to identify potential impairment. For finance leases, if there has been a reduction in the estimated unguaranteed residual value, the income allocation is revised and any reduction in respect of amounts accrued is recognised immediately.

#### **Current and deferred income tax**

The tax expense for the year 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 year and on the basis of the tax laws enacted or substantively enacted at 30 September 2020, together with adjustments to estimates made in prior years.

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 2020 and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

#### **Cash and cash equivalents**

Cash and cash equivalents include cash on hand and at bank.

## Notes to the Financial Statements (*continued*)

### 1) Accounting policies (*continued*)

#### Financial Instruments

The company has applied accounting standard IFRS 9 "Financial Instruments".

#### Financial assets

Financial assets of the company include cash at bank and finance lease receivables.

#### Initial recognition and measurement

All financial instruments are initially recognised at fair value and subsequently measured at amortised cost.

#### Impairment

The company has elected to take the IFRS 9 simplified approach and therefore measures the loss allowance at an amount equal to lifetime expected credit losses. Financial assets measured at amortised cost are subject to impairment under the Expected Credit Loss model (ECL) where ECL is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows.

#### Derecognition of financial instruments

Financial assets are de-recognised when the rights to receive cash-flows from the financial assets have expired or where the Company has transferred all of the risk and rewards of ownership. Financial liabilities are derecognised when the contractual obligations are met.

#### Financial liabilities

Financial liabilities of the company include amounts due to related entities (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.

#### Share capital

Ordinary shares are classified as equity.

#### Critical accounting estimates and judgements

The preparation of the financial statements management to make certain estimates and judgements that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. The estimates' underlying assumptions are reviewed on an ongoing basis and any revisions to accounting estimates are recognised in the period in which the estimate is revised.

Notes to the Financial Statements (continued)

2) Income tax credit/(expense)

	2020 £	2019 £
<b>a) Analysis of tax (expense)/credit for the year</b>		
<b>Current tax</b>		
Corporation tax (expense)/credit at 19.0% (2019: 19.0%)		
Current year	28,039	71,489
Adjustment in respect of prior years	32,630	51,336
	60,669	122,825
<b>Deferred tax</b>		
Origination and reversal of temporary differences	(73,868)	(90,084)
Tax rate change	39,310	
Adjustment in respect of prior years	-	(125)
	(34,558)	(90,209)
<b>Income tax (expense)/credit reported in the statement of comprehensive income</b>	<b>26,110</b>	<b>32,616</b>

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

	2020 £	2019 £
<b>Profit before tax</b>	<b>245,734</b>	<b>98,170</b>
Profits multiplied by the UK corporation tax rate of 19.0% (2019: 19.0%)	(46,690)	(18,652)
<b>Effects of:</b>		
Transfer pricing adjustment	860	57
Tax rate change	39,310	
Adjustment in respect of prior years	32,630	51,211
<b>Income tax expense reported in the statement of comprehensive income</b>	<b>26,110</b>	<b>32,616</b>

Notes to the Financial Statements *(continued)*

3) Finance lease receivables

	2020 £	2019
Amounts receivable under finance leases		
Within 1 year	961,396	961,396
1 to 2 years	961,396	961,396
2 to 3 years	961,396	961,396
3 to 4 years	1,452,740	961,396
4 to 5 years	1,452,740	1,452,740
After 5 years	31,358,220	32,810,960
Lease payments total	<u>37,147,888</u>	<u>38,109,284</u>
Unguaranteed residual values	-	-
Unearned income	(7,017,567)	(7,889,389)
Impairments	-	-
<b>Net investment in finance leases</b>	<u><b>30,130,321</b></u>	<u><b>30,219,895</b></u>
Due within one year	92,535	88,967
Due after more than one year	30,037,786	30,130,928

During the period, contingent rents (interest rate adjustments) of £438,092 were recognised as a reduction to finance lease income in the statement of comprehensive income (2019: £68,334 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.

4) Deferred tax asset

	2020 £	2019 £
Opening balance	371,070	461,279
Tax expense recognised in statement of comprehensive income (Note 2)	(34,558)	(90,209)
<b>Closing balance</b>	<u><b>336,512</b></u>	<u><b>371,070</b></u>

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

Depreciation	336,512	371,070
	<u><b>336,512</b></u>	<u><b>371,070</b></u>

Changes to the UK corporation tax rates were enacted as part of Finance Act 2016 and included a change to the main rate of UK corporation tax to reduce the rate to 17% from 1 April 2020. On 17 March 2020 a change to the main UK corporation tax rate was substantively enacted to keep the main rate of corporation tax at 19% from 1 April 2020 and for 2021 rather than the previously enacted reduction to 17%.

**Notes to the Financial Statements (continued)**

**4) Deferred tax asset (continued)**

In addition, since the balance sheet date, the UK Government announced on 3 March 2021 (and substantively enacted on 24 May 2021) that the main UK corporation tax rate will increase to 25% from 1 April 2023. As this change was not substantively enacted before the company's balance sheet date, it is not reflected in the above deferred tax balances but is expected to have an impact of £65,023.

**5) Share capital**

	2020	2019
	£	£
<i>Allotted, called up and fully paid:</i>		
10,000 ordinary shares of £1 each	10,000	10,000
	<b>10,000</b>	<b>10,000</b>

**6) 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.

	2020	2019
	£	£
<b>Amounts due from related entities</b>		
<b>Current assets</b>		
Cash at bank held with ultimate parent	1,411,385	185,026
 <b>Amounts due to related entities</b>		
Amounts due to ultimate parent	30,288,445	30,358,251
Interest payable to the ultimate parent	67	805
Amounts due to immediate parent	-	4,200,000
	<b>30,288,512</b>	<b>34,559,056</b>

## Notes to the Financial Statements (continued)

### 6) Related party transactions (continued)

Transactions undertaken with related parties during the year gave rise to the following income statement items:	2020 £	2019 £
Finance costs with the ultimate parent	173,062	45,632

The Company's audit fees of £11,026 (2019: £10,571) 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 2020 (2019: £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. Therefore, 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 (2018: £nil).

### 7) 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.

## Notes to the Financial Statements (continued)

### 7) Risk overview (continued)

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.

#### 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.

	2020	2019
Assets	£	£
Finance lease receivables	30,130,321	30,219,895
Cash at bank	1,411,385	185,026
VAT receivable	-	4,987,449
<b>Total credit risk exposure</b>	<b>31,541,706</b>	<b>35,392,371</b>

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.

There are no undrawn commitments that the company is exposed to.

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

Notes to the Financial Statements (continued)

7) Risk overview (continued)

*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.

	3 months or less	3 to 12 months	Due after 12 months	Total
<b>As at 30 September 2020</b>				
<i>Financial assets</i>				
Cash at bank	1,411,385	-	-	1,411,385
Finance lease receivables	20,717	71,818	30,037,786	30,130,321
	<b>1,432,102</b>	<b>71,818</b>	<b>30,037,786</b>	<b>31,541,706</b>

<i>Financial liabilities</i>				
Due to related entities	30,288,511	-	-	30,288,511
	<b>30,288,511</b>	<b>-</b>	<b>-</b>	<b>30,288,511</b>

	3 months or less	3 to 12 months	Due after 12 months	Total
<b>As at 30 September 2019</b>				
<i>Financial assets</i>				
Cash at bank	185,026	-	-	185,026
Finance lease receivables	20,885	68,082	30,130,928	30,219,895
	<b>205,911</b>	<b>68,082</b>	<b>30,130,928</b>	<b>30,404,921</b>

<i>Financial liabilities</i>				
Due to related entities	34,559,056	-	-	34,559,056
	<b>34,559,056</b>	<b>-</b>	<b>-</b>	<b>34,559,056</b>

*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.

**Notes to the Financial Statements (continued)**

**7) 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.

**8) 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.