

**National Australia Finance (Equipment Leasing)
Limited**

Directors' report and financial statements

30 September 2003

Registered number 2259571



Directors' report and financial statements

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Officers and professional advisers

Directors

R Lakin	
D Richards	
R Cameron	(Resigned 31 October 2003)
S Fletcher	(Resigned 17 May 2004)
A Stirrup (Alternate to S Fletcher)	(Resigned 17 May 2004)
GP Savage	(Resigned 30 November 2002)

Secretary

K Leung	
C O'Connor (Acting Company Secretary)	(Appointed 9 June 2003)

Registered office

88 Wood Street
London
EC2V 7QQ

Company registration number

2259571

Auditors

KPMG Audit Plc
Chartered Accountants
24 Blythswood Square
Glasgow
G2 4QS

Bankers

National Australia Bank Limited

A wholly owned subsidiary of National Europe Holdings Limited, a member of the National Australia Bank Group.

Directors' report

The directors present their report together with the audited financial statements of the company for the year to 30 September 2003.

Principal activities

The company provides leasing facilities to industry and commerce. The transactions that it enters into relate principally to high value finance lease agreements. On 3 June 2003, assets totalling £188,555,370, representing part of the leasing trade of the company were transferred to a fellow group undertaking, National Australia Finance (Industrial Leasing) Limited.

Review of the business and future prospects

The directors consider that the company's activities will continue unchanged for the foreseeable future.

Dividends and transfers to reserves

The directors have not paid an interim dividend for the year under review (2002: £Nil). The loss for the year of £1,737,650 (2002: profit £1,594,010) has been transferred to reserves. The directors do not propose to recommend the payment of a final dividend for the year.

Directors

The names of the current directors and those who served during the year are set out on page 1.

None of the directors held shares or share options in the company or in any other UK group company during the year.

In terms of the Articles of Association of the company, no directors require to retire by rotation.

Elective regime

In accordance with the provisions of the Companies Act 1985, as amended, the company has elected to dispense with the laying of accounts before a general meeting, the holding of annual general meetings and the obligation to appoint auditors annually.

By order of the board



D Richards
Director

88 Wood Street
London
EC2V 7QQ

26 July 2004

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Independent auditor's report to the members of National Australia Finance (Equipment Leasing) Limited

We have audited the financial statements on pages 5 to 12.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30 September 2003 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
*Chartered Accountants
Registered Auditor*

29 July 2004

Profit and loss account
 for the year ended 30 September 2003

	Note	2003	2002
		£	£
Turnover	2	23,040,574	29,400,266
Interest payable	3	(22,554,992)	(29,208,590)
Gross profit		485,582	191,676
Administrative expenses	4	(860,664)	476,553
Loss on transfer of trade	5	(2,601,069)	-
(Loss) / profit on ordinary activities before taxation	6	(2,976,151)	668,229
Tax credit on (loss) / profit on ordinary activities	7	1,238,501	925,781
Retained (loss) / profit for the financial year		(1,737,650)	1,594,010

All items dealt with in arriving at the (loss) / profit on ordinary activities before taxation for 2003 and 2002 relate to continuing operations.

A statement of movements on reserves is given in note 14.

Statement of total recognised gains and losses
 for the year ended 30 September 2003

	Note	2003	2002
		£	£
(Loss) / profit for the financial year		(1,737,650)	1,594,010
Prior year adjustment	1	-	173,918
Total gains and losses recognised since the last annual report		(1,737,650)	1,767,928

Balance sheet
at 30 September 2003

	Note	2003	2002
		£	£
Current assets			
Debtors	8		
Lease instalment debtors:			
Amounts falling due within one year		1,187,534	1,700,092
Amounts falling due after more than one year		484,875,945	677,006,217
		<hr/>	<hr/>
		486,063,479	678,706,309
Other debtors	9	7,971,934	10,881,439
Cash at bank and in hand		9,927,690	267,250
		<hr/>	<hr/>
		503,963,103	689,854,998
Creditors: amounts falling due within one year	10	(193,188,768)	(207,176,335)
		<hr/>	<hr/>
Net current assets		310,774,335	482,678,663
		<hr/>	<hr/>
Total assets less current liabilities		310,774,335	482,678,663
		<hr/>	<hr/>
Creditors: amounts falling due after more than one year	10	(218,718,870)	(350,481,231)
		<hr/>	<hr/>
		92,055,465	132,197,432
		<hr/>	<hr/>
Provisions for liabilities and charges	11	(84,621,077)	(123,025,394)
		<hr/>	<hr/>
Net assets		7,434,388	9,172,038
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	12	10,000	10,000
Profit and loss account	13	7,424,388	9,162,038
		<hr/>	<hr/>
Shareholders' funds: equity	14	7,434,388	9,172,038
		<hr/>	<hr/>

These financial statements were approved by the board of directors on 26 July 2004 and were signed on its behalf by:



D Richards
Director

Notes

(forming part of the financial statements)

1 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 financial statements are prepared under the historical cost accounting rules and in accordance with applicable accounting standards.

Prior year restatement and adjustment

In the prior year, reserves were restated to implement the requirements of Financial Reporting Standard 19 "Deferred Tax" which requires, subject to certain exemptions, that deferred tax be recognised in respect of all timing differences that have originated but not reversed by the balance sheet date. The effect of these changes on reserves is an increase of £173,918.

Equipment financed

In accordance with Statement of Standard Accounting Practice No. 21 issued by the Accounting Standards Committee, equipment on lease to customers is included under instalment debtors in the balance sheet at the amount of the net investment in the lease.

Income recognition

Income is credited to the profit and loss account on the terms of each agreement so as to produce a constant rate of return on the net cash investment.

Taxation

The charge for taxation is based on the profit / (loss) for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date.

Deferred tax assets are recognised to the extent that they are regarded as recoverable. They should be regarded as recoverable to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Provision for bad and doubtful debts

The provision for bad and doubtful debts provides for losses inherent in credit exposures. The specific provision is established to cover all identified doubtful debts and is recognised when there is reasonable doubt over the collectability of principal and interest in accordance with the lease agreement. Amounts provided for are determined by specific identification. All bad debts are written off against the provision in the period in which they are classified as irrecoverable.

The general provision is established to cover all doubtful debts that have not been specifically identified. The Group uses a methodology that estimates the level of losses inherent, but not specifically identified, in its existing credit portfolio, based on the historical loss experience of the component exposures.

The operation of this methodology is such that when the individual loans are classified as non-accrual, specific provisions will be raised by making a transfer from the general provision. The general provision is then re-established based on the remaining portfolio of performing credit exposures.

All loans are subject to management surveillance.

Notes (continued)

2 Turnover

Turnover represents finance charges earned on leasing agreements.

3 Interest payable

This represents interest payable to group companies on bank loan and overdraft facilities provided.

4 Administrative expenses

Administrative expenses include bad debt charges and are stated net of and brokerage fees earned.

5 Loss on transfer of trade

During the year part of the leasing trade of the company was transferred to a fellow group undertaking, National Australia Finance (Industrial Leasing) incurring a book loss on transfer of £2,601,069. This loss is not a deductible expense for UK corporation tax purposes.

6 Loss / profit on ordinary activities before taxation

	2003 £	2002 £
<i>The (loss) / profit on ordinary activities before taxation is stated after charging</i>		
Auditor's remuneration - Audit	4,300	4,000
- Other services	-	-
	<hr/> 4,300 <hr/>	<hr/> 4,000 <hr/>

The directors received no remuneration for their services during either the current or prior year. Staff is provided by National Australia Bank Limited and National Australia Group Europe Limited, which bears all staff costs and makes an appropriate charge.

Notes (continued)

7 Tax credit on (loss) / profit on ordinary activities

a) Analysis of the credit for the year

	2003	2002
	£	£
Group relief receivable at 30% (2002: 30%)		
Current year	13,984,369	19,382,972
Prior year adjustment	102,743	-
	<hr/>	<hr/>
Total current tax	14,087,112	19,382,972
Transfer from deferred taxation (note 11)		
Current year	(12,710,347)	(18,457,191)
Prior year adjustment	(138,264)	-
	<hr/>	<hr/>
	<u>1,238,501</u>	<u>925,781</u>

b) Factors affecting the tax credit for the current year

The current tax credit for the year differs from the standard rate of corporation tax in the UK of 30%, (2002 : 30%). The difference is explained below :

	2003	2002
	£	£
Current tax reconciliation		
(Loss) / profit on ordinary activities before tax	(2,976,151)	668,229
Current tax charge at 30% (2002 : 30%)	(892,845)	200,469
Effects of :		
Adjustments to tax charge in respect of prior periods	(102,743)	-
Loss on transfer of trade not deductible for corporation tax purposes	780,321	-
Capital allowances for period in excess of depreciation	(14,166,726)	(19,634,812)
Short term and other timing differences	294,881	51,371
	<hr/>	<hr/>
Total current tax credit (see above)	<u>(14,087,112)</u>	<u>(19,382,972)</u>

c) Factors that may affect future tax charges

There are no items which would materially affect the future tax charge.

Notes (continued)

8 Assets purchased and rentals receivable

The cost of the assets purchased during the year for the purpose of leasing was £Nil (2002: £1,442,818). The aggregate rentals receivable in the year amounted to £23,669,785 (2002: £28,578,741).

9 Other debtors

	2003	2002
	£	£
Group relief	7,181,539	10,214,241
Other debtors	790,395	-
VAT receivable	-	667,198
	<u>7,971,934</u>	<u>10,881,439</u>

10 Creditors

Amounts falling due within one year:

	2003	2002
	£	£
Bank loans and overdraft	190,159,291	192,520,958
Other creditors and accruals	3,029,477	14,655,377
	<u>193,188,768</u>	<u>207,176,335</u>

Amounts falling due after more than one year:

	2003	2002
	£	£
Loans	218,718,870	350,481,231
Repayable:		
	2003	2002
	£	£
Within one to two years	6,036,627	11,894,103
Within two to five years	9,730,293	31,332,377
After more than five years	202,951,950	307,254,751
	<u>218,718,870</u>	<u>350,481,231</u>

Notes (continued)

11 Provisions for liabilities and charges

	2003	2002
	£	£
Deferred taxation provided at 30% (2002: 30%) in the financial statements as follows:		
At beginning of year	123,025,394	104,568,203
Transfer to fellow subsidiary	(51,252,928)	-
Amount increased during the year	12,848,611	18,457,191
	<hr/>	<hr/>
At end of year	84,621,077	123,025,394
	<hr/>	<hr/>

Deferred tax arises primarily as a result of accelerated capital allowances on leased assets.

12 Share capital

	2003	2002
	£	£
<i>Authorised:</i>		
10,000 ordinary shares of £1 each	10,000	10,000
	<hr/>	<hr/>
<i>Allotted, called up and fully paid:</i>		
10,000 ordinary shares of £1 each	10,000	10,000
	<hr/>	<hr/>

13 Profit and loss account

	2003
	£
Profit brought forward	9,162,038
Retained (loss) for the year	(1,737,650)
	<hr/>
Profit carried forward at end of year	7,424,388
	<hr/>

Notes (continued)

14 Reconciliation of movement in shareholders' funds

	2003	2002
	£	£
Retained (loss) / profit for the financial year	(1,737,650)	1,594,010
Opening shareholders' funds	9,172,038	7,578,028
	<hr/>	<hr/>
Closing shareholders' funds: equity	7,434,388	9,172,038
	<hr/>	<hr/>

15 Cash flows

Under Financial Reporting Standard 1 (revised 1996) the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

16 Related party transactions

Under Financial Reporting Standard 8 companies which are wholly owned subsidiaries of a parent whose consolidated financial statements in which the subsidiaries' results are included are publicly available, are granted exemption from disclosing inter-group transactions. The company is such a subsidiary undertaking and accordingly has not disclosed such transactions.

17 Ultimate parent company

The company's ultimate parent company is National Australia Bank Limited, a company incorporated in the State of Victoria, Australia.

18 Parent undertaking

The largest and smallest groups in which the results of the company are consolidated are those headed by the following:

	<i>Name of parent Undertaking</i>	<i>Place of registration</i>	<i>Place of incorporation</i>	<i>Address from which group Accounts available to public</i>
Largest group	National Australia Bank Limited	-	Australia	500 Bourke Street, Melbourne, Australia
Smallest group	National Australia Group Europe Limited	Great Britain	England & Wales	88 Wood Street, London, England