

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

**Directors' report and financial statements**

30 September 2002

Registered number 2259571



## **Directors' report and financial statements**

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## **Officers and professional advisers**

### **Directors**

R Lakin	
D Richards	(Appointed 14 February 2002)
R Cameron	(Appointed 14 February 2002)
S Fletcher	(Appointed 1 November 2001)
A Stirrup (Alternate to S Fletcher)	(Appointed 1 November 2001)
J Bradley	(Resigned 31 October 2001)
G LeFevre	(Resigned 1 November 2001)
GP Savage	(Resigned 30 November 2002)

### **Secretary**

A Jones	(Resigned 18 July 2002)
K Leung	(Appointed 18 July 2002)

### **Registered office**

88 Wood Street  
London  
EC2V 7QQ

### **Company registration number**

2259571

### **Auditors**

KPMG Audit Plc  
Chartered Accountants  
24 Blythwood 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 2002.

### **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.

### **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 (2001: £Nil). The profit for the year of £1,594,010 (2001: profit £2,028,575 as restated) 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.

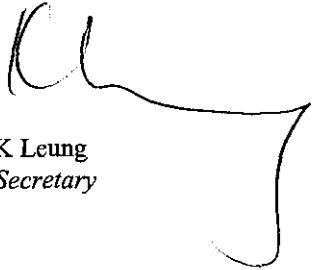
None of the directors held shares or share options in the company or in any other UK group company during the year.

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

  
K Leung  
Secretary

88 Wood Street  
London  
EC2V 7QQ  
11 April 2003

## **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 13.

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.

We read the other information accompanying the financial statements and consider whether it is consistent with those statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

### **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 2002 and of its profit 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 Auditors*

*11* April 2003

**Profit and loss account**  
*for the year ended 30 September 2002*

	<i>Note</i>	<b>2002</b>	2001 As restated
		£	£
Turnover	2	29,400,266	37,262,884
Interest payable	3	(29,208,590)	(36,365,543)
		<hr/>	<hr/>
Gross profit		191,676	897,341
Administrative expenses	4	476,553	559,875
		<hr/>	<hr/>
Profit on ordinary activities before taxation	5	668,229	1,457,216
Tax credit on profit on ordinary activities	6	925,781	571,359
		<hr/>	<hr/>
Retained profit for the financial year		<u>1,594,010</u>	<u>2,028,575</u>

All items dealt with in arriving at the profit on ordinary activities before taxation for 2002 and 2001 relate to continuing operations.

A statement of movements on reserves is given in note 12.

**Statement of total recognised gains and losses**  
*for the year ended 30 September 2002*

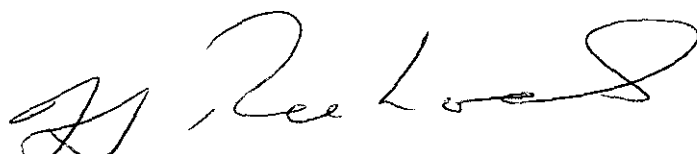
	2002	2001
	£	As restated £
Profit for the financial year	1,594,010	2,028,575
Prior year adjustment	173,918	-
	<hr/>	<hr/>
Total gains and losses recognised since the last annual report	1,767,928	2,028,575
	<hr/>	<hr/>



**Balance sheet**  
 at 30 September 2002

	Note	2002	2001
		£	As restated £
<b>Current assets</b>			
Debtors	7		
Instalment debtors:			
Amounts falling due within one year		1,700,092	821,525
Amounts falling due after more than one year		677,006,217	677,049,481
		<hr/>	<hr/>
		678,706,309	677,871,006
Other debtors	8	10,881,439	15,482,541
Bank		267,250	4,127,949
		<hr/>	<hr/>
		689,854,998	697,481,496
<b>Creditors: amounts falling due within one year</b>	9	(207,176,335)	(219,442,341)
		<hr/>	<hr/>
<b>Net current assets</b>		482,678,663	478,039,155
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		482,678,663	478,039,155
		<hr/>	<hr/>
<b>Creditors: amounts falling due after more than one year</b>	9	(350,481,231)	(365,892,924)
		<hr/>	<hr/>
		132,197,432	112,146,231
<b>Provisions for liabilities and charges</b>	10	(123,025,394)	(104,568,203)
		<hr/>	<hr/>
<b>Net assets</b>		9,172,038	7,578,028
		<hr/>	<hr/>
<b>Capital and reserves</b>			
Called up share capital	11	10,000	10,000
Profit and loss account	12	9,162,038	7,568,028
		<hr/>	<hr/>
<b>Shareholders' funds: equity</b>	13	9,172,038	7,578,028
		<hr/>	<hr/>

These financial statements were approved by the board of directors on 11 April 2003 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, except as stated below for the adoption of FRS 19 "Deferred Tax".

#### ***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***

The prior year figures have been 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 restating the comparatives is an increase in the tax charge for the year ended 30 September 2001 of £80,992 (years prior to 2001 : decrease of £254,910). The total effect of these changes on brought forward 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 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, except as otherwise required by FRS 19.

#### ***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 Administration expenses

Administration expenses are stated net of bad debt provision released and brokerage fees earned.

### 5 Profit on ordinary activities before taxation

	2002 £	2001 £
<i>The profit on ordinary activities before taxation is stated after charging</i>		
Auditor's remuneration - Audit	4,000	3,400
- Other services	-	-
	<u>4,000</u>	<u>3,400</u>

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.

### 6 Corporation tax credit on profit on ordinary activities

#### a) Analysis of the credit for the period

	2002 £	2001 As restated £
Group relief receivable at 30% (2001: 30%)		
Current year	19,382,972	26,057,399
Transfer from deferred taxation (note 10)		
Current year	(18,457,191)	(25,780,935)
Prior year	-	294,895
	<u>925,781</u>	<u>571,359</u>

## Notes (continued)

### b) Factors affecting the tax credit for the current period

The current tax credit for the period differs from the standard rate of corporation tax in the UK of 30%, (2001 : 30%). The difference is explained below :

	2002 £	2001 £
Current tax reconciliation		
Profit on ordinary activities before tax	668,229	1,457,216
Current tax charge at 30% (2001 : 30%)	200,469	437,165
<i>Effects of:</i>		
<i>Timing differences</i>		
Capital allowances for period in excess of depreciation	(19,634,812)	(26,413,572)
Short term and other timing differences	51,371	(80,992)
Total current tax credit (see above)	(19,382,972)	(26,057,399)

### c) Factors that may affect future tax charges

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

## 7 Assets purchased and rentals receivable

The cost of the assets purchased during the year for the purpose of leasing was £1,442,818 (2001: £32,532,756). The aggregate rentals receivable in the year amounted to £28,578,741 (2001: £33,242,134).

## 8 Other debtors

	2002 £	2001 £
Group relief	10,214,241	15,360,111
Other debtors	-	66,130
VAT receivable	667,198	56,300
	10,881,439	15,482,541

## Notes (continued)

### 9 Creditors

Amounts falling due within one year:

	2002 £	2001 £
Bank loans and overdraft	192,520,958	203,914,208
Other creditors and accruals	14,655,377	15,528,133
	<u>207,176,335</u>	<u>219,442,341</u>

Amounts falling due after more than one year:

	2002 £	2001 £
Loans	350,481,231	365,892,924
Repayable:		
	2002 £	2001 £
Within one to two years	11,894,103	15,411,694
Within two to five years	31,332,377	33,393,932
After more than five years	307,254,751	317,087,298
	<u>350,481,231</u>	<u>365,892,924</u>

### 10 Provisions for liabilities and charges

	2002 £	2001 As restated £
Deferred taxation provided at 30% (2001: 30%) in the financial statements as follows:		
At beginning of year	104,568,203	79,082,163
Additional amount provided during the year	18,457,191	25,486,040
	<u>123,025,394</u>	<u>104,568,203</u>

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

## Notes (continued)

### 11 Share capital

	2002 £	2001 £
<i>Authorised:</i>		
10,000 ordinary shares of £1 each	10,000	10,000
	<u>          </u>	<u>          </u>
<i>Allotted, called up and fully paid:</i>		
10,000 ordinary shares of £1 each	10,000	10,000
	<u>          </u>	<u>          </u>

### 12 Profit and loss account

	2002 £
Profit brought forward	7,394,110
Prior year adjustment (as explained in note 1)	173,918
	<u>          </u>
Profit brought forward as restated	7,568,028
Retained profit for the year	1,594,010
	<u>          </u>
Profit carried forward at end of year	9,162,038
	<u>          </u>

### 13 Reconciliation of movement in shareholders' funds

	2002 £	2001 £
Retained profit for the financial year	1,594,010	2,028,575
Opening shareholders' funds (originally profit of £7,404,110 before adding prior year adjustment of £173,918)	7,578,028	5,549,453
	<u>          </u>	<u>          </u>
Closing shareholders' funds: equity	9,172,038	7,578,028
	<u>          </u>	<u>          </u>

### 14 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.

## Notes (continued)

### 15 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.

### 16 Ultimate parent company

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

### 17 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