

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

**Directors' report and financial statements**

30 September 2005

Registered number 2259571



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

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## **Officers and professional advisers**

### **Directors**

J Rowe (alternate to B Birch)  
R Lakin  
R Golding  
B Birch

### **Secretary**

R Speak

### **Registered office**

88 Wood Street  
London  
EC2V 7QQ

### **Company registration number**

2259571

### **Auditors**

Ernst & Young LLP  
1 More London Place  
London  
SE1 2AF

### **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 2005.

### 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 1 December 2004, assets totalling £82,465,431 representing part of the leasing trade of the company were transferred at book value to a fellow group undertaking, National Australia Finance (Infrastructure Leasing No 1) Limited. On 30 September 2005, assets totalling £285,229,648 representing the remaining leasing trade of the company were transferred at book value to a fellow group undertaking, National Australia Finance (Asset Leasing) LLP.

### 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 (2004: £Nil). The profit for the year of £914,047 (2004: £6,121,019) 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 are set out on page 1. D Richards resigned as director on 14 September 2005. J Rowe, B Birch and R Golding were appointed as directors on 14 September 2005.

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 are required to retire by rotation.

### Company Secretary

The name of the current Company Secretary is shown on page 1. C. O'Connor resigned as Company Secretary on 11 October 2004.

### Elective regime

KPMG Audit plc resigned as auditors on 31 January 2005 and the directors appointed Ernst & Young LLP.

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



R Speak  
Secretary

88 Wood Street  
London  
EC2V 7QQ

24 July 2006

## **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 auditors' report

### to the members of National Australia Finance (Equipment Leasing) Limited

We have audited the Company's financial statements for the year ended 30 September 2005 which comprise the Profit and Loss Account, Balance Sheet and the related notes 1 to 19. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with 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 auditors' 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

As described in the Statement of Directors' Responsibilities the Company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

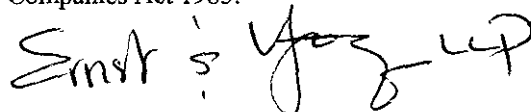
#### Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 affairs of the Company as at 30 September 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP  
Registered Auditor  
London

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**Profit and loss account**  
*for the year ended 30 September 2005*

	Note	2005	2004
		£	£
<b>Turnover</b>	2	<b>12,309,138</b>	14,948,662
Interest payable	3	(11,527,299)	(16,128,490)
Interest receivable		497,070	306,308
		<hr/>	<hr/>
<b>Gross profit / (loss)</b>		<b>1,278,909</b>	(873,520)
Administrative expenses	4	(339,696)	297,362
Bad and doubtful debt credit	6	-	1,380,603
		<hr/>	<hr/>
<b>Profit on ordinary activities before taxation</b>	5	<b>939,213</b>	804,445
Tax (charge) / credit on profit on ordinary activities	7	(25,166)	5,316,574
		<hr/>	<hr/>
<b>Retained profit for the financial year</b>		<b>914,047</b>	6,121,019
		<hr/>	<hr/>

All items dealt with in arriving at the profit on ordinary activities before taxation for 2005 and 2004 relate to continuing operations.

The notes on pages 7 to 13 form part of these financial statements.

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

There were no other recognised gains or losses during the year.

**Balance sheet**  
**at 30 September 2005**

	Note	2005	2004
		£	£
<b>Fixed Asset Investments</b>			
Investment in Partnership	8	10,000	-
<b>Current assets</b>			
Debtors	9		
Lease instalment debtors:			
Amounts falling due within one year		-	-
Amounts falling due after more than one year		-	368,031,823
			<hr/>
			368,031,823
Other debtors	10	215,583,011	5,253,705
Cash at bank and in hand		13,797,839	13,164,182
		<hr/>	<hr/>
		229,380,850	386,449,710
<b>Creditors: amounts falling due within one year</b>	11	(214,921,396)	(97,231,213)
		<hr/>	<hr/>
<b>Net current assets</b>		14,459,454	289,218,497
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		14,469,454	289,218,497
<b>Creditors: amounts falling due after more than one year</b>	11	-	(212,682,244)
		<hr/>	<hr/>
			76,536,253
<b>Provisions for liabilities and charges</b>	12	-	(62,980,846)
		<hr/>	<hr/>
<b>Net assets</b>		14,469,454	13,555,407
		<hr/>	<hr/>
<b>Capital and reserves</b>			
Called up share capital	13	10,000	10,000
Profit and loss account	14	14,459,454	13,545,407
		<hr/>	<hr/>
<b>Shareholders' funds: equity</b>	15	14,469,454	13,555,407
		<hr/>	<hr/>

The notes on pages 7 to 13 form part of these financial statements.

These financial statements were approved by the board of directors on 24 July 2006 and were signed on its behalf by:

  
B Birch  
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. The financial statements have been prepared on a going concern basis.

Following the requirements of FRS 18 "Accounting policies", the financial statements have been prepared in accordance with the requirements of the "Statement of Recommended Practice" ("SORP") issued for the asset finance and leasing industry by the Finance and Leasing Association.

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.

#### *Fixed asset investments*

Fixed Asset Investments are held at cost less any provision for permanent diminution in value.

#### *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.

#### *Bad and doubtful debts*

All bad debts are written off in the period in which they are recognised and specific provision is made for all identified doubtful debts.

#### *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.

### 2 Turnover

Turnover represents finance charges earned on leasing agreements.

### 3 Interest payable

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

### 4 Administrative expenses

Administrative expenses are stated net of brokerage fees earned.

**Notes (continued)**

**5 Profit on ordinary activities before taxation**

	2005 £	2004 £
<i>The Profit on ordinary activities before taxation is stated after charging</i>		
Auditor's remuneration - Audit	8,500	8,500
- Other services	-	-
	<hr/> 8,500	<hr/> 8,500
	<hr/> <hr/>	<hr/> <hr/>

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

**6 Provision for Bad and doubtful debts**

Subsequent to a review of the lease portfolio in 2004, the directors released the provision for bad and doubtful debts.

## Notes (continued)

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

#### a) Analysis of the (charge) / credit for the year

	2005	2004
	£	£
Group relief receivable at 30% (2004: 30%)		
Current year	5,193,986	10,156,351
Prior year adjustment	(4,950)	45,944
	<hr/>	<hr/>
Total current tax	5,189,036	10,202,295
Transfer from deferred taxation (note 12)		
Current year	(5,214,202)	(8,262,325)
Prior year adjustment	-	3,376,604
	<hr/>	<hr/>
	(25,166)	5,316,574
	<hr/>	<hr/>

#### b) Factors affecting the tax (charge) / 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%, (2004 : 30%).  
 The difference is explained below:

	2005	2004
	£	£
Current tax reconciliation		
Profit on ordinary activities before tax	939,213	804,445
Current tax charge at 30% (2004: 30%)	281,764	241,334
Effects of:		
Adjustments to tax charge in respect of prior periods	4,950	(45,944)
Loss on transfer of trade not deductible for corporation tax purposes	-	-
Capital allowances for period in excess of depreciation	(5,422,985)	(9,042,403)
Short term and other timing differences	-	(414,182)
Permanent differences	(52,765)	(941,100)
	<hr/>	<hr/>
Total current tax credit (see above)	(5,189,036)	(10,202,295)
	<hr/>	<hr/>

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

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

## Notes (continued)

### 8 Fixed Asset Investments

	2005	2004
	£	£
Investment in Partnership	10,000	-
	<u>10,000</u>	<u>-</u>

On 30 September 2005 the company invested £10,000 in a partnership, National Australia Finance (Asset Leasing) LLP. The partnership is wholly owned within the group.

### 9 Assets purchased and rentals receivable

The cost of the assets purchased during the year for the purpose of leasing was £Nil (2004: £Nil). The aggregate rentals receivable in the year amounted to £12,311,604 (2004: £14,009,151).

### 10 Other debtors

	2005	2004
	£	£
Group relief	2,304,043	4,488,445
Other debtors	213,167,721	765,260
VAT receivable	111,247	-
	<u>215,583,011</u>	<u>5,253,705</u>

## Notes (continued)

### 11 Creditors

Amounts falling due within one year:

	2005 £	2004 £
Bank loans and overdraft	212,682,243	92,936,173
Other creditors and accruals	2,239,153	4,195,343
VAT Payable	-	99,697
	<u>214,921,396</u>	<u>97,231,213</u>

Amounts falling due after more than one year:

	2005 £	2004 £
Loans	-	212,682,244
Repayable:		
	2005 £	2004 £
Within one to two years	-	4,531,230
Within two to five years	-	7,880,486
After more than five years	-	200,270,528
	<u>-</u>	<u>212,682,244</u>

### 12 Provisions for liabilities and charges

	2005 £	2004 £
Deferred taxation provided at 30% (2004: 30%) in the financial statements as follows:		
At beginning of year	62,980,846	84,621,077
Transfer to fellow subsidiary	4,736,542	(26,525,952)
Transfer to partnership	(72,931,590)	-
Amount provided during the year	5,214,202	4,885,721
At end of year	<u>-</u>	<u>62,980,846</u>

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

*Notes (continued)*

**13 Share capital**

	2005 £	2004 £
<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/>

**14 Profit and loss account**

	2005 £	2004 £
Profit brought forward	13,545,407	7,424,388
Retained profit for the year	914,047	6,121,019
	<hr/>	<hr/>
Profit carried forward at end of year	14,459,454	13,545,407
	<hr/>	<hr/>

**15 Reconciliation of movement in shareholders' funds**

	2005 £	2004 £
Retained profit for the financial year	914,047	6,121,019
Opening shareholders' funds	13,555,407	7,434,388
	<hr/>	<hr/>
Closing shareholders' funds: equity	14,469,454	13,555,407
	<hr/>	<hr/>

## **Notes (continued)**

### **16 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.

### **17 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.

### **18 Ultimate parent company**

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

### **19 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