

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

Directors' report and financial statements

30 September 2000

Registered number 2259571



Directors' report and financial statements

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Officers and professional advisers

Directors

J Bradley	
DG Devonport	(resigned 5 November 1999)
R Lakin	(resigned as an Alternate Director 5 November 1999)
R Lakin	(appointed 1 March 2000)
G LeFevre	(appointed 13 March 2000)
GP Savage	

Secretary

A Jones

Registered office

88 Wood Street
London
EC2V 7QQ

Company registration number

2259571

Auditors

KPMG Audit Plc
PO Box 695
8 Salisbury Square
London
EC4Y 8BB

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 2000.

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 (1999: £Nil). The profit for the year of £1,130,631 (1999: profit £891,775 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.

Post balance sheet event


On 1 October 2000, the then direct holding company, National Australia Group Europe Limited sold its interest in National Australia Finance (Equipment Leasing) Limited to a fellow group company National Europe Holdings Limited.

Directors' report *(continued)*

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


Director

R. Lakin

88 Wood Street
London
EC2V 7QQ

27 July 2001

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.



KPMG Audit Plc

PO Box 695
8 Salisbury Square
London EC4Y 8BB
United Kingdom

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

We have audited the financial statements on pages 6 to 13.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 4, 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. 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 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 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc
Chartered Accountants
Registered Auditors

KPMG Audit Plc

21 July

2001

Profit and loss account
for the year ended 30 September 2000

	<i>Note</i>	2000	1999
		£	As restated (see note 1) £
Turnover	2	45,517,010	18,097,552
Interest payable	3	(35,597,493)	(16,369,218)
Gross profit		9,919,517	1,728,334
Administrative expenses		(8,036,751)	(748,065)
Profit on ordinary activities before taxation	4	1,882,766	980,269
Tax charge on profit on ordinary activities	5	(752,135)	(88,494)
Retained profit for the financial year		1,130,631	891,775

All items dealt with in arriving at the profit on ordinary activities before taxation for 2000 and 1999 relate to continuing operations.

A statement of movements on reserves is given in note 11.

Statement of total recognised gains and losses
for the year ended 30 September 2000

	2000	1999
	£	As restated (see note 1) £
Profit for the financial year	1,130,631	891,775
Prior year adjustment (as explained in note 1)	3,663,750	-
	<hr/>	<hr/>
Total gains and losses recognised since the last annual report	4,794,381	891,775
	<hr/>	<hr/>

Balance sheet
at 30 September 2000

	Note	2000	1999 As restated (see Note 1)
		£	£
Current assets			
Debtors	6		
Instalment debtors:			
Amounts falling due within one year		1,775,969	78,919
Amounts falling due after more than one year		639,542,958	307,160,050
		<u>641,318,927</u>	<u>307,238,969</u>
Other debtors	7	22,008,171	8,268,110
Bank		6,367,551	105,129
		<u>669,694,649</u>	<u>315,612,208</u>
Creditors: amounts falling due within one year	8	(199,197,995)	(126,630,214)
Net current assets		<u>470,496,654</u>	<u>188,981,994</u>
Total assets less current liabilities		<u>470,496,654</u>	<u>188,981,994</u>
Creditors: amounts falling due after more than one year	8	(385,865,038)	(138,263,480)
		<u>84,631,616</u>	<u>50,718,514</u>
Provisions for liabilities and charges	9	(79,337,073)	(46,554,602)
Net assets		<u>5,294,543</u>	<u>4,163,912</u>
Capital and reserves			
Called up share capital	10	10,000	10,000
Profit and loss account	11	5,284,543	4,153,912
Shareholders' funds: equity	12	<u>5,294,543</u>	<u>4,163,912</u>

These financial statements were approved by the board of directors on 27 July 2001 and were signed on its behalf by:

Director :


R. Lakin

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 adjustment

In prior years, National Australia Finance (Equipment Leasing) Limited has charged brokerage fees associated with its big ticket leasing activities to the profit and loss account up front without recognising an appropriate amount of finance income to compensate for these fees, and so generate a constant rate of return on the net investment over the term of the lease, in accordance with SSAP21.

As a result, turnover of £7,853,112 (1999: £881,777) relating to the big ticket leasing activities has now been recognised in the profit and loss account and included in instalment debtors, in order to produce a constant rate of return. The tax credit for the year has been decreased by £1,736,043 (1999: increase of £199,591) and the provision for deferred tax has decreased by £291,719 (1999: £647,079). In addition, instalment debtors have been increased by £2,764,720 and deferred tax of £829,417 has been provided, relating to finance income for years prior to 1999.

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.

Deferred taxation

Deferred taxation is provided under the liability method only to the extent that it is probable that a liability to corporation tax will crystallise.

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.

Notes (continued)

Accounting policies (continued)

Provision for bad and doubtful debts (continued)

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.

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 Profit on ordinary activities before taxation

	2000 £	1999 £
<i>The profit on ordinary activities before taxation is stated after charging</i>		
Auditor's remuneration - Audit	4,000	3,100
- Other services	8,800	300
	<hr/>	<hr/>
	12,800	3,400
	<hr/>	<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.

5 Corporation tax (charge) / credit on profit on ordinary activities

	2000 £	1999 (as restated) £
Group relief receivable at 30% (1999: 30.5%)		
Current year	32,030,336	11,339,110
Prior year	-	-
Transfer from deferred taxation (note 9)	(32,782,471)	(11,427,604)
	<hr/>	<hr/>
	(752,135)	(88,494)
	<hr/>	<hr/>

The total tax charge for 1999 is £88,494 an effective rate of 9%. This low effective rate is explained by the fact that current tax is charged at 30.5% but deferred tax is provided at 30%.

Notes (continued)

6 Assets purchased and rentals receivable

The cost of the assets purchased during the year for the purpose of leasing was £341,790,914 (1999: £112,570,508).
 The aggregate rentals receivable in the year amounted to £39,409,487 (1999: £17,457,859).

7 Other debtors

	2000	1999 (as restated)
	£	£
Group relief	21,066,150	8,268,110
Other debtors	11,389	-
VAT receivable	930,632	-
	<u>22,008,171</u>	<u>8,268,110</u>

8 Creditors

Amounts falling due within one year:

	2000	1999
	£	£
Bank loans and overdraft	180,826,011	112,734,937
Other creditors and accruals	18,371,984	13,882,085
VAT payable	-	13,192
	<u>199,197,995</u>	<u>126,630,214</u>

Amounts falling due after more than one year:

	2000	1999
	£	£
Loans	385,865,038	138,263,480
	<u>385,865,038</u>	<u>138,263,480</u>
Repayable:		
	2000	1999
	£	£
Within one to two years	19,972,114	5,091,011
Within two to five years	39,531,888	14,287,291
After more than five years	326,361,036	118,885,178
	<u>385,865,038</u>	<u>138,263,480</u>

Notes (continued)

9 Provisions for liabilities and charges

	2000 £	1999 £
Deferred taxation provided at 30% (1999: 30%) in the financial statements as follows:		
At beginning of year as previously stated	46,554,602	34,297,581
Adjustment relating to prior years	-	829,417
	<hr/>	<hr/>
At beginning of year as restated	46,554,602	35,126,998
Additional amount provided during the year	32,782,471	11,427,604
	<hr/>	<hr/>
At end of year	79,337,073	46,554,602
	<hr/>	<hr/>

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

10 Share capital

	2000 £	1999 £
Authorised:		
10,000 ordinary shares of £1 each	10,000	10,000
	<hr/>	<hr/>
Allotted, called up and fully paid:		
10,000 ordinary shares of £1 each	10,000	10,000
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11 Profit and loss account

	2000 £
Profit brought forward as previously stated	490,162
Prior year adjustment (as explained in note 1)	3,663,750
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Profit brought forward as restated	4,153,912
Retained profit for the year	1,130,631
	<hr/>
Profit carried forward at end of year	5,284,543
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Notes (continued)

12 Reconciliation of movement in shareholders' funds

	2000	1999 (as restated)
	£	£
Retained profit for the financial year	1,130,631	891,775
Opening shareholders' funds (originally £500,162 before adding prior year adjustment of £3,663,750)	4,163,912	3,272,137
	<hr/>	<hr/>
Closing shareholders' funds: equity	5,294,543	4,163,912
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13 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.

14 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.

15 Ultimate parent company

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

16 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