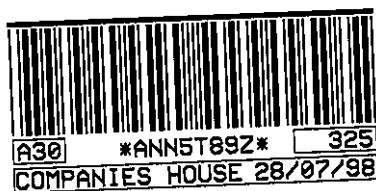


LLOYDS BOWMAKER BUSINESS LEASING LIMITED

REPORT OF THE DIRECTORS AND ACCOUNTS
FOR THE YEAR ENDED 30TH SEPTEMBER 1997



Registered number 586974

LLOYDS BOWMAKER BUSINESS LEASING LIMITED
DIRECTORS

D. A. Baggaley
P. F. Hook

REPORT OF THE DIRECTORS

The directors submit herewith the Balance Sheet at 30th September 1997, together with the Profit and Loss Account for the year ended on that date.

RESULT AND DIVIDEND

The result for the year is set out in the attached Profit and Loss Account. The directors declared a dividend of £585,000 for the year.

PRINCIPAL ACTIVITY

The principal activity of the company is leasing.

BUSINESS REVIEW

The year end financial position was satisfactory. The directors anticipate that the level of business will be maintained in the following year.

DIRECTORS

The directors listed above were directors throughout the year. Mr D. A. Baggaley retired as a director on 6th March 1998 and Mr M. P. Kilbee was appointed on that date.

None of the directors had a beneficial interest in the shares of the company during the year. The interests of the directors in the shares and options to subscribe for shares in other group companies were as follows:-


	<u>At 30.9.97</u>		<u>Options</u>	<u>Options</u>	<u>Options</u>	<u>At 01.10.96</u>	
	<u>Shares</u>	<u>Options</u>	<u>exercised</u>	<u>lapsed</u>	<u>granted</u>	<u>Shares</u>	<u>Options</u>
			<u>during year</u>	<u>during year</u>	<u>during year</u>		
In the ordinary shares of 25p each of Lloyds TSB Group plc:							
D.A. Baggaley	1,798	4,146	-	-	4,146	-	-
P.F. Hook	3,145	14,146	-	-	14,146	-	-
In the ordinary shares of 5p each of Lloyds TSB Financial Services Holdings plc:							
D.A. Baggaley	-	-	70,032	2,352	-	7,827	72,384
P.F. Hook	-	-	34,880	2,365	-	-	37,245

As a consequence of the scheme of arrangement by which Lloyds TSB Financial Services Holdings plc (formerly Lloyds Abbey Life plc) became a wholly owned subsidiary of Lloyds TSB Group plc, the options were exercisable for a six month period commencing on 11 December 1996. On exercise, optionholders could receive for every 7 Lloyds Abbey Life plc shares under option, 6 new Lloyds TSB Group plc shares and 2100p in cash. Optionholders could also elect to receive a partial cash or loan note alternative. Optionholders in the savings-related share option scheme could, during the six month period commencing on 11 December 1996, either exercise their options on the terms described or exchange their options in Lloyds Abbey Life plc in return for the grant of new options in Lloyds TSB Group plc on the basis of 1.624 Lloyds TSB Group plc shares for every Lloyds Abbey Life plc share under option.

AUDITORS

Our auditors, Price Waterhouse have merged with Coopers & Lybrand on 1 July 1998 and the directors propose to appoint the new firm, PricewaterhouseCoopers, as auditors to the company.

By Order of the Board,


M. P. KILBEE
Secretary
Bournemouth
16th July 1998

LLOYDS BOWMAKER BUSINESS LEASING LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the profit of the company for that year. In preparing those accounts, 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 accounts; and
- * prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors confirm that the accounts comply with the above requirements.

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 accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

REPORT OF THE AUDITORS

TO THE MEMBERS OF LLOYDS BOWMAKER BUSINESS LEASING LIMITED

We have audited the accounts on pages 3 to 8 which have been prepared under the historical cost convention and the accounting policies set out on page 5.

Respective responsibilities of directors and auditors

As described above the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts are free from material mis-statement, 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of the company's affairs at 30th September 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PRICE WATERHOUSE
Chartered Accountants
and Registered Auditors
Albany House
58 Albany Street
Edinburgh EH1 3QR
16th July 1998

LLOYDS BOWMAKER BUSINESS LEASING LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30TH SEPTEMBER 1997

	<u>Notes</u>	<u>1997</u> £	(Restated) <u>1996</u> £
TURNOVER	2	3,779,736	514,202
INTEREST PAYABLE	4	(2,021,451)	(199,215)
OTHER OPERATING CHARGES		(1,132,040)	(141,545)
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	626,245	173,442
TAXATION ON PROFIT ON ORDINARY ACTIVITIES	5	(33,378)	(56,919)
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		592,867	116,523
DIVIDEND DECLARED		(585,000)	(120,000)
		<hr/>	<hr/>
		7,867	(3,477)
		<hr/>	<hr/>
RETAINED PROFIT BROUGHT FORWARD		5,252	8,729
		<hr/>	<hr/>
RETAINED PROFIT CARRIED FORWARD		<u>13,119</u>	<u>5,252</u>

There are no recognised gains and losses other than the profit for the year and all operations are continuing.

The notes on pages 5 to 8 form part of these accounts.

LLOYDS BOWMAKER BUSINESS LEASING LIMITED

BALANCE SHEET

AT 30TH SEPTEMBER 1997

	<u>Notes</u>	<u>1997</u> £	(Restated) <u>1996</u> £
FIXED ASSETS			
Operating lease assets	6	14,006,161	2,425,171
CURRENT ASSETS			
Debtors: due within one year	7	21,233,179	17,480,051
due after more than one year	7	29,629,748	26,079,772
		50,862,927	43,559,823
CREDITORS: amounts due within one year	8	(55,127,388)	(38,371,681)
NET CURRENT (LIABILITIES)/ASSETS		(4,264,461)	5,188,142
TOTAL ASSETS LESS CURRENT LIABILITIES		9,741,700	7,613,313
PROVISIONS FOR LIABILITIES AND CHARGES	9	(3,015,000)	(2,307,000)
ACCRUALS AND DEFERRED INCOME	10	(6,703,581)	(5,291,061)
NET ASSETS		23,119	15,252
CAPITAL AND RESERVES			
CALLED-UP SHARE CAPITAL	11	10,000	10,000
PROFIT AND LOSS ACCOUNT		13,119	5,252
SHAREHOLDERS' FUNDS		23,119	15,252

The notes on pages 5 to 8 form part of these accounts.



M. P. KILBEE
Director

LLOYDS BOWMAKER BUSINESS LEASING LIMITED

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

(a) Accounting Convention:

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

The company is exempted from producing a cash flow statement since a consolidated cash flow statement prepared in accordance with Financial Reporting Standard 1 is included in the accounts of its ultimate holding company, Lloyds TSB Group plc.

The company is exempted from reporting intra-group related party transactions in accordance with Financial Reporting Standard 8 because it is wholly owned by Lloyds UDT Limited.

(b) Income Recognition - Finance Leases:

Income from finance leasing contracts is credited to the profit and loss account over the period of investment in proportion to the level of net funds invested.

(c) Depreciation of Operating Lease Assets:

Depreciation of operating lease assets is calculated so as to give a release of net income from those assets to the profit and loss account over the period of investment in proportion to the level of net funds invested.

(d) Deferred Taxation:

Deferred taxation is provided at appropriate rates of corporation tax in respect of timing differences where there is a reasonable probability that such taxation will become payable in the foreseeable future.

2. TURNOVER

Turnover represents the amount of leasing income earned under instalment finance arrangements.

During the year aggregate receivables were £11,829,183 (1996, £2,719,626). The cost of assets acquired during the year under leasing contracts was £30,582,883 (1996, £33,369,362).

3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	<u>1997</u> £	<u>1996</u> £
The following have been taken into account in arriving at the profit:		
Audit fee	2,000	1,500
Directors' emoluments	-	-
Bad and doubtful debts charge	259,591	58,561
Depreciation of operating lease assets	590,981	30,542
4. INTEREST PAYABLE		
On loan from group company	2,021,451	199,215

LLOYDS BOWMAKER BUSINESS LEASING LIMITED

NOTES TO THE ACCOUNTS

5. TAXATION	<u>1997</u> £	<u>1996</u> £
Current year:		
Group relief receivable at 32% (1996; 33%)	(675,629)	(2,086,172)
Transfer to deferred taxation	708,991	2,143,000
Notional taxation charge on regional development grants	16	91
	<hr/>	<hr/>
	33,378	56,919
Prior year adjustments:		
Group relief	991	-
Deferred taxation	(991)	-
	<hr/>	<hr/>
	<u>33,378</u>	<u>56,919</u>

The benefit in the current year tax charge of £167,000 arises as a result of the change in the rate at which deferred taxation is provided to 31%.

6. OPERATING LEASE ASSETS	£
Cost:	
At 30th September 1996	2,455,713
Additions	12,286,354
Disposals	(125,563)
	<hr/>
At 30th September 1997	14,616,504
	<hr/>
Depreciation:	
At 30th September 1996	30,542
Additions	590,981
Disposals	(11,180)
	<hr/>
At 30th September 1997	610,343
	<hr/>
Net book value	
At 30th September 1997	<u>14,006,161</u>
	<hr/>
At 30th September 1996	<u>2,425,171</u>

Operating lease business was previously presented as part of debtors as the amounts involved did not constitute a significant part of the company's activity. Due to the increase in operating lease activity in the year ended 30th September 1997, the directors have decided that fixed asset presentation is more appropriate and the prior year comparatives have been restated accordingly.

LLOYDS BOWMAKER BUSINESS LEASING LIMITED

NOTES TO THE ACCOUNTS

7. DEBTORS	<u>1997</u>		Restated (Note 6)	
	<u>Due within</u> <u>one year</u> <u>£</u>	<u>Due after</u> <u>more than</u> <u>one year</u> <u>£</u>	<u>1996</u> <u>Due within</u> <u>one year</u> <u>£</u>	<u>Due after</u> <u>more than</u> <u>one year</u> <u>£</u>
Trade debtors:				
Rentals receivable under leasing contracts, less provisions	16,701,767	29,629,748	9,725,078	26,079,772
Group relief receivable	675,629	-	2,086,172	-
Amounts owed by parent and fellow subsidiary companies	3,769,710	-	5,668,801	-
Other debtors	86,073	-	-	-
	<u>21,233,179</u>	<u>29,629,748</u>	<u>17,480,051</u>	<u>26,079,772</u>

8. CREDITORS: amounts falling due within one year	<u>1997</u> <u>£</u>	<u>1996</u> <u>£</u>
Amounts owed to parent and fellow subsidiary companies	49,363,083	32,883,766
Trade creditors	5,096,304	5,320,512
Other creditors	83,001	47,403
Dividend declared	585,000	120,000
	<u>55,127,388</u>	<u>38,371,681</u>

9. PROVISIONS FOR LIABILITIES AND CHARGES

Deferred Taxation:	£
Balance at 30th September 1996	2,307,000
Transfer from Profit and Loss Account	708,000
	<u>3,015,000</u>
Balance at 30th September 1997	

The amounts provided at 30th September 1996 and 1997 were the full potential liabilities and were attributable to accelerated capital allowances.

LLOYDS BOWMAKER BUSINESS LEASING LIMITED

NOTES TO THE ACCOUNTS

10. ACCRUALS AND DEFERRED INCOME	1997 £	Restated (Note 6) 1996 £
Unearned leasing income	6,702,158	5,289,660
Unearned credit insurance commission	1,423	1,401
	<hr/>	<hr/>
	6,703,581	5,291,061
	<hr/>	<hr/>

11. SHARE CAPITAL		
Authorised, allotted, called-up and fully paid: 10,000 Ordinary shares of £1 each	10,000	10,000
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12. APPROVAL OF ACCOUNTS

These accounts were approved by the Board of Directors on 16th July 1998.

13. PARENT COMPANIES

The company's ultimate parent company is Lloyds TSB Group plc. A copy of its group accounts can be obtained from Lloyds TSB Group plc, 71 Lombard Street, London EC3P 3BS.

The company's intermediate parent company is Lloyds UDT Limited. A copy of its group accounts can be obtained from Lloyds UDT Limited, 51 Holdenhurst Road, Bournemouth BH8 8EP.