

# UDT Budget Leasing Limited

## Report and Accounts 30 June 2005

Registered office

25 Gresham Street  
London  
EC2V 7HN

Company number

750062

Directors

J L Davies  
M P Kilbee  
D K Potts

Company Secretary

David Jarvis

# Report of the Directors

## Principal activity

The principal activity of the Company is leasing.

## Results

The profit after taxation for the year ended 30 June 2005 amounted to £215,211 (2004: £563,212).

No dividend (2004: £563,212) is proposed.

## Directors

The names of the directors of the Company, all of whom held office throughout the year, are shown on page 1.

The interests of the directors in the capital of Lloyds TSB Group plc were:

Ordinary shares of 25p each

	At 30 June 2005	At 1 July 2004
J L Davies	143,477	142,708
M P Kilbee	35,176	33,946
D K Potts	53,588	52,524

Options to subscribe for ordinary shares of 25p each

	At 1 July 2004	Granted during the year	Lapsed during the year*	At 30 June 2005
J L Davies	913,909	189,773	58,219	1,045,463
M P Kilbee	58,670	15,199	-	73,869
D K Potts	66,138	17,903	-	84,041

None of the directors had any other interest in the capital of Lloyds TSB Group plc or its subsidiaries.

\* During the year these share options lapsed in accordance with the rules of the scheme.

## Statement of directors' responsibilities

The directors are responsible for preparing the annual report including, as described below, the financial statements. The United Kingdom Companies Act 1985 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 as at the end of the year and of the profit or loss for that year. 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; and
- 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 accounting records which disclose with reasonable accuracy at any time the financial position of the Company and which enable them to ensure that the financial statements 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 Directors

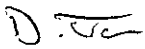
### Policy and practice on payment of creditors

The Company follows "The Better Payment Practice Code" published by the Department of Trade and Industry, regarding the making of payments to suppliers. A copy of the code and information about it may be obtained from The DTI Publications Order Line 0845 0150010 quoting ref. URN 04/606.

The Company's policy is to agree terms of payment with suppliers and these normally provide for settlement within 30 days after the date of the invoice, except where other arrangements have been negotiated. It is the policy of the Company to abide by the agreed terms of payment, provided the supplier performs according to the terms of the contract.

As the Company owed no amounts to trade creditors as at 30 June 2005, the number of days required to be shown in this report, to comply with the provisions of the Companies Act 1985, is nil.

On behalf of the board



David Jarvis  
Company Secretary

7<sup>th</sup> June 2006

# Report of the independent auditors to the members of UDT Budget Leasing Limited

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes.

## Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements, in accordance with applicable United Kingdom law and accounting standards, are set out in the statement of directors' responsibilities.

Our responsibilities, as independent auditors, are established in the United Kingdom by statute, and the Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 United Kingdom 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 is not disclosed.

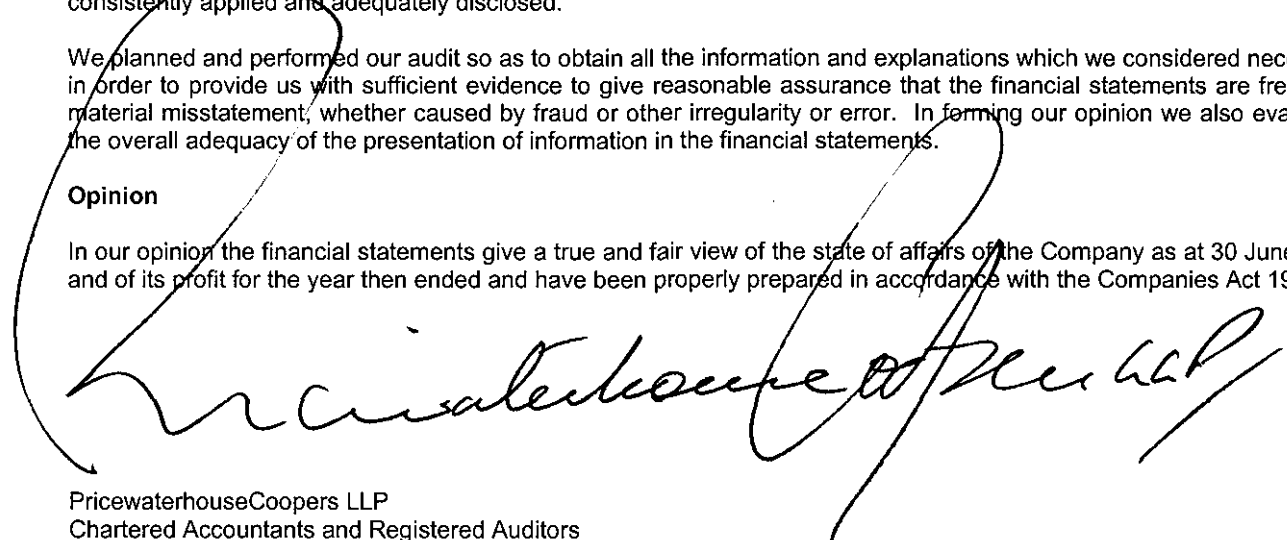
## Basis of audit opinion

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 affairs of the Company as at 30 June 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors

One Kingsway  
Cardiff  
CF10 3PW

7th June 2006

# Profit and loss account

30 June 2005

	Notes	2005 £	2004 £
Turnover	3	5,297,874	5,638,185
Interest receivable from group companies		418,590	307,873
Interest payable and similar charges	4	(2,363,534)	(2,487,310)
		<b>3,352,930</b>	<b>3,458,748</b>
Other operating charges		<b>(3,045,945)</b>	<b>(2,654,253)</b>
Profit on ordinary activities before taxation	3	<b>306,985</b>	804,495
Taxation on profit on ordinary activities	5	<b>(91,774)</b>	(241,283)
Profit on ordinary activities after taxation		<b>215,211</b>	563,212
Dividends payable		-	(563,212)
Retained profit for the financial year	11	<b>215,211</b>	-

The above results relate to continuing operations.

The Company has no recognised gains or losses other than the profits and losses above and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the profit on ordinary activities before taxation or the retained profit for the period stated above and their historical cost equivalents.

The notes on pages 7 to 12 form part of these financial statements.

# Balance sheet

30 June 2005

	Notes	2005 £	As restated 2004 £
<b>Fixed assets</b>			
Operating lease assets	6	7,565,992	9,753,999
<b>Current assets</b>			
Debtors: due within one year	7	41,707,066	26,107,337
due after more than one year	7	78,809,615	26,255,863
		120,516,681	52,363,200
Creditors: amounts falling due within one year	8	(124,240,503)	(58,035,140)
Net current liabilities		(3,723,822)	(5,671,940)
Total assets less current liabilities		3,842,170	4,082,059
Provisions for liabilities and charges	9	(3,449,500)	(3,904,600)
<b>Net assets</b>		392,670	177,459
<b>Capital and reserves</b>			
Called up share capital	10	1,000	1,000
Profit and loss account	11	391,670	176,459
<b>Equity shareholders' funds</b>	12	392,670	177,459

The notes on pages 7 to 12 form part of these financial statements.



D K Potts  
Director

# Notes to the financial statements

30 June 2005

## 1. Principal accounting policies

Accounting policies are unchanged from 2004.

### Accounting convention

The financial statements have been prepared under the historical cost convention and in accordance with applicable Accounting Standards.

### Cash flow statement

As permitted by Financial Reporting Standard 1 (revised) "Cash Flow Statements", no cash flow statement is presented in these accounts, as the Company is a wholly owned subsidiary of Lloyds TSB Group plc which presents such a statement in its own accounts.

### Income recognition

Income from finance leases is credited to the profit and loss account in proportion to the funds invested so as to give a constant rate of return over each period. Income from operating leases is credited to the profit and loss account on a rentals receivable basis.

### Commissions

Commission payable on new business is allocated to accounting periods over the life of agreements to produce a constant rate of charge on the outstanding balance. Commissions receivable are credited to the profit and loss account when earned.

### Leasing transactions

Assets leased to customers are classified as finance leases if the lease agreements transfer substantially all of the risks and rewards of ownership to the lessee; all other leases are classified as operating leases.

### Provisions for bad and doubtful debts

Loans and advances are written-off where there is no realistic prospect of recovery. Specific provisions are made to reduce all impaired loans and advances to their estimated realisable values.

### Deferred taxation

Full provision is made for deferred tax arising from timing differences between the recognition of gains and losses in the financial statements and their recognition in tax computations. The Company has chosen not to discount deferred tax assets and liabilities.

### Depreciation

Assets leased under operating leases to customers, are depreciated over the lease term down to their anticipated realisable value at the termination of each agreement on a straight line basis. Anticipated realisable values are reassessed when appropriate, any permanent diminution in value being charged immediately to the profit and loss account.

### Related party transactions

Advantage has been taken of the exemption available under Financial Reporting Standard 8 "Related Party Disclosures" not to disclose details of transactions with companies within the Lloyds TSB group, as the consolidated accounts of Lloyds TSB Group plc in which the Company is included are publicly available.

# Notes to the financial statements

30 June 2005

## 2. Directors and staff

The Company did not directly employ any persons during the year (2004: none), accounting and administrative services being provided by a fellow subsidiary undertaking.

No remuneration was paid or is payable by the Company to the directors (2004: £nil). The directors are employed by other companies in the Lloyds TSB group and consider that their services to the Company are incidental to their other activities within the group.

## 3. Profit on ordinary activities before taxation

	2005	2004
	£	£

The profit before taxation is arrived at after taking into account the following items:

### Turnover

Interest receivable from finance lease agreements	2,336,939	2,711,095
Rentals receivable from operating lease agreements	2,960,935	2,927,090

### Charges

Depreciation of operating lease assets	2,444,525	2,279,531
Loss on disposal	1,228	15,570
Management fees	484,819	350,000
Bad debt expense	1,070	6,103

Auditors' remuneration has been borne by the parent company.

## 4. Interest payable

This represents interest payable to other companies in the Lloyds TSB group.



# Notes to the financial statements

30 June 2005

## 5. Taxation

<b>(a) Analysis of charge in the year</b>	<b>2005 £</b>	<b>2004 £</b>
The charge for taxation is made up as follows:		
Current tax:		
Group relief payable on profits for the year	<b>546,874</b>	750,207
Adjustment in respect of prior years	-	18,476
<b>Total current tax (note 5(b))</b>	<b>546,874</b>	768,683
Deferred tax:		
Origination and reversal of timing differences	<b>(455,100)</b>	(508,924)
Adjustment in respect of prior years	-	(18,476)
<b>Total deferred tax (note 9)</b>	<b>(455,100)</b>	(527,400)
<b>Total tax charge on profit on ordinary activities</b>	<b>91,774</b>	241,283

## (b) Factors affecting the tax charge for the year

The tax assessed for the year is different from the standard rate of corporation tax in the UK (30%). The differences are explained below:

	<b>2005 £</b>	<b>2004 £</b>
Profit before tax	<b>306,985</b>	804,495
Profit multiplied by standard rate of corporation tax in the UK of 30% (2004: 30%)	<b>92,096</b>	241,349
Effects of:		
Temporary differences between taxable accounting profit:		
Accelerated capital allowances	<b>469,036</b>	495,257
Other timing differences	<b>(14,258)</b>	13,601
Adjustment in respect of prior years	-	18,476
<b>Current tax charge for year (note 5(a))</b>	<b>546,874</b>	768,683

# Notes to the financial statements

30 June 2005

## 6. Operating lease assets

	£
<b>Cost</b>	
At 1 July 2004	17,468,370
Additions	-
Disposals	(484,911)
Reclassification	749,861
<b>At 30 June 2005</b>	<b>17,733,320</b>
<b>Depreciation</b>	
At 1 July 2004	7,714,371
Charge for the year	2,444,525
Disposals	(360,689)
Reclassification	369,121
<b>At 30 June 2005</b>	<b>10,167,328</b>
<b>Net book value</b>	
<b>30 June 2005</b>	<b>7,565,992</b>
30 June 2004	9,753,999

Operating lease assets includes assets reclassified from debtors with a net book value of £380,740. This transfer corrects a misclassification relating to assets previously classified as loans and advances to customers.

During the year, the company changed its estimation technique for depreciation of its operating lease assets to a straight line basis from an actuarial method.

Management believes the revised technique to be more appropriate since it corresponds with that adopted by the Lloyds TSB Group for similar assets employed within its own operations. The impact of the change on its adoption was to increase accumulated depreciation by £142,454 (before tax), with an associated credit to deferred taxation of £42,736, reflected in the results for the financial period ended 30 June 2005.

## 7. Debtors

	2005 Due within one year £	2005 Due after more than one year £	As restated 2004 Due within one year £	2004 Due after more than one year £
Loans and advances to customers less provisions	31,837,372	78,809,615	25,525,442	26,255,863
Amounts due from group undertakings	7,060,143	-	35,767	-
Other debtors	2,809,551	-	546,128	-
	<b>41,707,066</b>	<b>78,809,615</b>	<b>26,107,337</b>	<b>26,255,863</b>

Loans and advances to customers relate to finance leases.

# Notes to the financial statements

30 June 2005

## 7. Debtors (continued)

During the year, the company changed its estimation technique, relating to the recognition of interest income on its finance lease and hire purchase contracts, from a post-tax actuarial method to a pre-tax actuarial method. The impact of the change was reflected in the results for the financial period ended 30 June 2005.

Management believes the revised technique to be more appropriate since it corresponds with that adopted for similar assets elsewhere in the Lloyds TSB Group, and with that recommended by the Statement of Recommended Practice ("SORP") on Leasing. The impact of the change on its adoption was to reduce the carrying value of finance lease and hire purchase debtors by £295,733 (gross of tax), and to recognise an associated debit to deferred taxation of £88,720, reflected in the results for the period ended 30 June 2005.

Amounts due from group companies at 30 June 2005 have been restated to enhance the presentation of the accounts. Inter-company debtors, previously offset against creditors, have been reclassified as debtors and are shown within amounts due from group companies on the balance sheet. The impact of this reclassification is to increase debtors due within one year by £35,767.

## 8. Creditors: amounts falling due within one year

	2005 £	As restated 2004 £
Amounts due to group undertakings	103,178,137	56,205,898
Group relief payable	546,874	750,207
Other creditors	20,515,492	515,823
Dividends payable	-	563,212
	<b>124,240,503</b>	<b>58,035,140</b>

Amounts due from group companies at 30 June 2005 have been restated to enhance the presentation of the accounts. Inter-company debtors, previously offset against creditors, have been reclassified as debtors and are shown within amounts due from group companies on the balance sheet. The impact of this reclassification is to increase creditors due within one year by £35,767.

Amounts due to group undertakings are unsecured, repayable on demand and interest bearing. Variable interest rates between 4.60% and 4.91% have been charged during the year.

## 9. Provisions for liabilities and charges

The movement on the deferred tax liability during the year is as follows:

	2005 £
At 1 July 2004	3,904,600
Credit to profit and loss account	(455,100)
At 30 June 2005	<b>3,449,500</b>

The deferred tax liability at 30 June comprises:

	2005 £	2004 £
Accelerated capital allowances on fixed assets leased to customers	3,449,500	3,924,115
Other short term timing differences	-	(19,515)
	<b>3,449,500</b>	<b>3,904,600</b>

# Notes to the financial statements

30 June 2005

## 10. Called up share capital

	2005 £	2004 £
Authorised:		
Ordinary shares of £1 each	10,000	10,000
Issued, called up and fully paid:		
Ordinary shares of £1 each	1,000	1,000

The immediate parent company is United Dominions Trust Limited. The company regarded by the directors as the ultimate parent company is Lloyds TSB Group plc, which is also the parent undertaking of the largest group of undertakings for which group accounts are drawn up and of which the Company is a member. Lloyds TSB Asset Finance Division Limited is the parent undertaking of the smallest such group of undertakings. Copies of the group accounts of both may be obtained from the Company Secretary's Office, Lloyds TSB Group plc, 25 Gresham Street, London EC2V 7HN.

## 11. Profit and loss account

	£
At the 1 July 2004	176,459
Retained profit for the financial year	215,211
<b>At 30 June 2005</b>	<b>391,670</b>

## 12. Reconciliation of movements in equity shareholders' funds

	2005 £	2004 £
Retained profit for the financial year	215,211	-
Net increase in equity shareholders' funds	215,211	-
Opening equity shareholders' funds	177,459	177,459
Closing equity shareholders' funds	392,670	177,459

## 13. Other liabilities

There were no contracted and committed capital commitments or contingencies at the balance sheet date (2004: £nil).

## 14. Date of approval

The directors approved the accounts on

7<sup>th</sup> June 2006