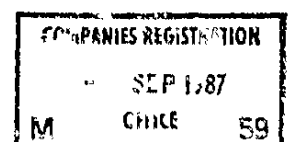


NF 2450.

8246/4

UNITED DOMINIONS LEASING LIMITED

31 OCTOBER 1986



UNITED DOMINIONS LEASING LIMITED

REPORT OF THE DIRECTORS

The directors present the audited accounts for the year to 31 October 1986.

PRINCIPAL ACTIVITY

The principal activity of the company is the leasing of passenger cars and other vehicles, plant and equipment.

BUSINESS REVIEW AND RESULTS FOR THE YEAR

The company continued to expand its leasing activities principally in respect of fleet vehicles.

The result for the year after extraordinary items, taxation and charge for management expenses made by the intermediate holding company was a loss of £94,260 (1985 profit - £2,105,714) which has been deducted from accumulated profit brought forward of £1,713,886 leaving a positive balance of £1,619,626 to be carried forward.

The directors do not recommend the payment of a dividend.

DIRECTORS

D.C. McCrickard
F.J. Randall

DIRECTORS' INTERESTS IN SHARE CAPITAL

The directors' interests in shares (as defined by the Companies Act 1985 and according to the register maintained thereunder) in the Company's ultimate holding company, TSB Group plc as at 31st October, 1986 are shown below.

	<u>Ordinary Shares of 25p each</u> <u>Acquired by Allotment</u>	<u>Unquoted Ordinary Shares</u> <u>of 25p each</u>
D.C. McCrickard	4500	150
F.J. Randall	2500	150

The interests in the ordinary shares acquired by allotment were received under the allotment arrangements which applied to priority or public applications in the course of the Offer of Sale of shares in the TSB Group plc during September 1986. Interests in the unquoted ordinary shares were received by employees of the Group under the TSB Group Staff Share Scheme.

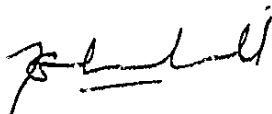
No director held any beneficial interest in shares or debentures of TSB Group plc or any of its subsidiaries at 1st November 1985 (or at the date of appointment, where later) and, except as disclosed above, at 31st October 1986.

UNITED DOMINIONS LEASING LIMITED

AUDITORS

It is proposed that Peat, Marwick, Mitchell & Co, be re-appointed auditors of the company.

BY ORDER OF THE BOARD



JC THORNHILL
Secretary

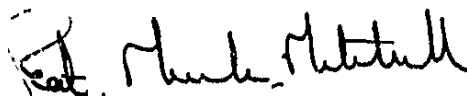
6th January 1987

AUDITORS' REPORT TO THE MEMBERS OF
UNITED DOMINIONS LEASING LIMITED

We have audited the accounts on pages 4 to 8 in accordance with approved Auditing Standards.

In our opinion the accounts, which have been prepared on the basis of the accounting policies set out on page 6 give a true and fair view of the state of the company's affairs at 31 October 1986 and of its result for the year to that date and comply with the Companies Act 1985.

The accounts do not include a statement of the source and application of funds of the company as required by Statement of Standard Accounting Practice No. 10.



PEAT, MARWICK, MITCHELL & Co.
Chartered Accountants
London

6th January 1987

UNITED DOMINIONS LEASING LIMITED

PROFIT AND LOSS ACCOUNT FOR THE TWELVE MONTHS ENDED 31 OCTOBER

	<u>1986</u>	<u>1985</u>
	<u>£</u>	<u>£</u>
Turnover (Note 1)	25,615,748	12,739,974
Cost of sales	<u>22,517,954</u>	<u>8,339,636</u>
Gross profit	3,097,794	4,400,338
Administrative expenses (Note 2)	<u>1,773,000</u>	<u>927,000</u>
Operating profit	1,324,794	3,473,338
Interest payable and similar charges (on borrowings repayable within five years)	<u>1,044,054</u>	<u>1,793,258</u>
Profit on ordinary activities before taxation	280,740	1,680,080
Tax on profit on ordinary activities (Note 3)	<u>375,000</u>	<u>(425,634)</u>
Profit on ordinary activities after taxation and before extraordinary charges	<u>(94,260)</u>	<u>2,105,714</u>
Profit/(Loss) for the financial year	(94,260)	2,105,714
Balance brought forward	<u>1,713,886</u>	<u>(391,828)</u>
Balance carried forward	<u>1,619,626</u>	<u>1,713,886</u>

The notes on pages 6 to 8 form an integral part of these accounts.

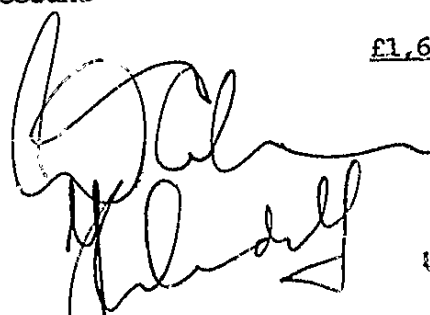
UNITED DOMINIONS LEASING LIMITED

BALANCE SHEET AS AT 31 OCTOBER

	<u>1985</u> £	<u>1985</u> £
CURRENT ASSETS		
DEBTORS		
Receivable on leased assets (Note 4)	32,895,294	31,194,984
Amounts owed by fellow subsidiary companies	43,000	4,309,000
Trade debtors	329,278	598,101
	<u>33,267,572</u>	<u>36,102,085</u>
CREDITORS: Amounts falling due within one year		
Trade creditors	20,163	116,066
Bills of exchange payable	5,500,000	12,000,000
Amounts owed to holding company	23,420,826	19,537,901
Future Lease Payments (Note 5)	<u>330,385</u> <u>29,271,374</u>	<u>387,239</u> <u>32,041,206</u>
Net current assets	<u>3,996,198</u>	<u>4,060,879</u>
Total assets less current liabilities	3,996,198	4,060,879
CREDITORS Amounts falling due after more than one year		
Future lease payments (Note 5)	213,000	558,421
PROVISION FOR LIABILITIES AND CHARGES		
Deferred tax (Note 3)	1,832,472	1,788,472
Corporation Tax	<u>331,000</u> <u>£1,619,726</u>	<u>-</u> <u>£1,713,986</u>
CAPITAL AND RESERVES		
Called up share capital Authorised, issued and fully paid 100 shares of £1 each	100	100
Profit and loss account	<u>1,619,626</u> <u>£1,619,726</u>	<u>1,713,886</u> <u>£1,713,986</u>

DIRECTORS

D.C. McCrickard
F.J. Randall



6th November 1989

The notes on pages 6 to 8 form an integral part of these accounts.

UNITED DOMINIONS LEASING LIMITED

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

(i) Basis of Accounting

The accounts have been prepared under the historical cost convention.

(ii) Turnover

Turnover represents the total of rents receivable on leasing business.

(iii) Deferred Taxation

Provision is made in the accounts for timing differences arising from the accounting and taxation treatment of depreciation of assets on lease, except to the extent that the potential tax liability is not expected to arise in the foreseeable future. The rates of taxation are those which are expected to apply in the year in which the timing differences are anticipated ultimately to reverse.

(iv) Receivable on leased assets

Finance leases are shown under current assets at amounts receivable less unearned finance charges, which are spread over the period in which the rentals are due in proportion to the reducing rentals still outstanding and not yet due.

(v) Profit before taxation

Subject to the exception outlined below the profit after taxation from each lease referred to in (iv) above is grossed up at the prevailing rate of corporation tax. In order to give effect to this policy in a period of falling corporation tax rates, part of the tax relief obtained on purchase of the assets is transferred from deferred tax to receivable on leased assets in the year of purchase, calculated by reference to the savings in tax which will result from the prospective reduction in rate of corporation tax.

This policy is not applied to individual transactions where the gross investment at the commencement of the lease is small, and the effect of grossing is considered to be insignificant.

2. ADMINISTRATIVE EXPENSES

The administrative expenses represent a management fee paid to the intermediate holding company, United Dominions Trust Limited. The basis used to establish the management fee includes an allowance for interest of £1,324,000 (1985 £666,000).

The company has no employees in its own name.

UNITED DOMINIONS LEASING LIMITED

NOTES TO THE ACCOUNTS (Continued)

3. TAXATION

(a) Current year charge

	<u>1986</u> £	<u>1985</u> £
UK Corporation tax:		
Current	331,000	-
Deferred	<u>44,000</u>	<u>(398,000)</u>
Based on result for the year	375,000	(398,000)
Group relief receivable for		
surrender of prior year losses	<u>-</u>	<u>(27,634)</u>
	<u>375,000</u>	<u>(425,634)</u>

The corporation tax charge of £1,514,000 has been reduced by £1,183,000 in respect of Advance Corporation Tax previously netted off deferred tax, and the deferred tax charge has been increased accordingly.

(b) Deferred tax provision

Timing differences on leased assets

	<u>Amount provided £</u>	<u>Potential liability £</u>
At 1st November 1985	1,788,472	<u>1,788,472</u>
Provided for current year	<u>(1,139,000)</u> 649,472	<u>649,472</u>
A.C.T. Transfer to Current Tax	<u>1,183,000</u> <u>£1,832,472</u>	<u>1,183,000</u> <u>£1,832,472</u>

UNITED DOMINIONS LEASING LIMITED

NOTES TO THE ACCOUNTS - (Continued)

4. RECEIVABLE ON LEASED ASSETS	Gross Investment £	Finance Charges £	Net Investment £
At 31 October 1986			
Due within one year	20,092,631	3,149,273	16,943,358
Due after one year but within five years	<u>17,777,485</u>	<u>1,825,549</u>	<u>15,951,936</u>
	<u>37,870,116</u>	<u>4,974,822</u>	<u>32,895,294</u>
At 31 October 1985			
Due within one year	14,973,746	3,424,433	11,549,313
Due after one year but within five years	<u>21,418,568</u>	<u>1,772,897</u>	<u>19,645,671</u>
	<u>36,392,314</u>	<u>5,197,330</u>	<u>31,194,984</u>
		<u>1986</u>	<u>1985</u>
Assets purchased in the year for use in finance leases		£22,139,907	£18,974,317
Net lease rentals receivable in the year		£25,615,748	£12,739,974
5. FUTURE LEASE PAYMENTS	Future Gross Payments £	Future Finance Charges £	Future Net Payments £
At 31 October 1986			
Due within one year	352,837	22,452	330,385
Due after one year but within five years	<u>219,637</u>	<u>6,637</u>	<u>213,000</u>
Total	<u>572,474</u>	<u>29,089</u>	<u>543,385</u>
At 31 October 1985			
Due within one year	434,704	47,465	387,239
Due after one year but within five years	<u>586,040</u>	<u>27,619</u>	<u>558,421</u>
	<u>1,020,744</u>	<u>75,084</u>	<u>945,660</u>
		<u>1986</u>	<u>1985</u>
Net lease rentals payable in the year		£131,340	£(7,761,956)

6. ULTIMATE HOLDING COMPANY

The company's ultimate holding company is TSB Group plc which is incorporated in Great Britain.