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LLOYDS COMMERCIAL LEASING LIMITED

30 September 2004



Member of Lloyds TSB Group

LLOYDS COMMERCIAL LEASING LIMITED  
25 Gresham Street London EC2V 7HN

DIRECTORS

A J Cumming (Alternate: M A Grant)  
A R Foad  
M W Joseph  
P B Miles  
A B Vowles (Alternate: A M Vowles)

SECRETARY

S Slattery

AUDITORS

PricewaterhouseCoopers LLP

REGISTERED OFFICE

25 Gresham Street  
London EC2V 7HN

REGISTERED NUMBER

1367545

# LLOYDS COMMERCIAL LEASING LIMITED

## REPORT OF THE DIRECTORS

### PRINCIPAL ACTIVITY

The principal activity of the company is the leasing of plant and equipment and the holding of an investment in a limited partnership.

During the year the company incurred expenditure of £42,000 (2003: £44,000) on an investment in a limited partnership.

At the end of the year the cost of leased assets owned amounted to £136,961,000 (2003: £146,771,000).

### RESULTS

The profit after taxation for the year ended 30 September 2004 amounted to £862,000 (2003: £904,000) as set out in the profit and loss account on page 5.

An interim dividend of £850,000 (2003: £1,000,000) will be paid in December 2004.

### DIRECTORS

The names of the directors of the company are shown on page 1. The following changes in directors have taken place during the year:

	Appointed	Resigned
A M Basing*	7 July 2004	
A J Cumming	22 December 2003	
M J Green		3 December 2003
M A Grant**	22 December 2003	
M W Joseph	9 June 2004	
R S King		31 October 2003
F M P Riding		29 December 2003
G T Tate	29 December 2003	5 May 2004
A B Vowles***		31 October 2003
A B Vowles	29 December 2003	

\* alternate to A B Vowles

\*\* alternate to A J Cumming

\*\*\* alternate to R S King

All the directors are also directors of Lloyds TSB Leasing Limited, the immediate parent company, and reference to the interests of those who were directors at the end of the year in the capital of Lloyds TSB Group plc, the ultimate parent company, and its subsidiaries is made in the report and accounts of Lloyds TSB Leasing Limited.

### 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 Orderline 0870-1502500 (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 at 30 September 2004, 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



S Slattery  
Secretary

6 December 2004

## INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF LLOYDS COMMERCIAL LEASING LIMITED

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

### Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described below, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom law and accounting standards. 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 as at the end of the year and of the profit or loss of the company 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 a 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 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.

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

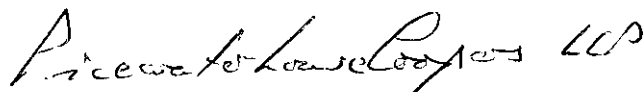
### Basis of audit opinion

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 the company's affairs as at 30 September 2004 and of the 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

The Quay  
30 Channel Way  
Ocean Village  
Southampton  
SO14 3QG

6 December 2004

## LLOYDS COMMERCIAL LEASING LIMITED

### ACCOUNTING POLICIES

The accounts have been prepared under the historical cost convention, in compliance with the Companies Act 1985 and in accordance with applicable accounting standards and Statement of Recommended Practice for the leasing industry. The company is exempted from producing a cash flow statement since a consolidated cash flow statement prepared in accordance with the requirements of Financial Reporting Standard 1 (Revised) is included in the accounts of its ultimate parent company. In addition advantage has been taken of the exemption available under Financial Reporting Standard 8 not to disclose details of transactions with Lloyds TSB Group plc or other group or associated undertakings as the consolidated accounts of Lloyds TSB Group plc in which the company is included are publicly available.

#### (a) Accounting presentation

A leasing company has no equivalent to cost of sales or gross profit. Consequently, the directors consider adaptation of the Companies Act 1985 profit and loss account format to be appropriate. Amortisation of leased assets is the charge or credit to the profit and loss account necessary to comply with the company's policy on income recognition for finance leases. Interest expense has been shown above administrative expenses since this reflects more meaningfully the nature of interest expense within the context of a leasing business. Operating expenses include administrative expenses, management fees payable to the parent company and such other expenses as may be incurred as overheads during the normal conduct of the company's business.

#### (b) Investments

Income from investments are recognised when received. Investments are stated in the balance sheet at lower of cost and estimated net realisable value.

#### (c) Income recognition - finance leases

Post-tax profits on leases are allocated to the profit and loss account in proportion to the net cash invested in each period taking into account the effects of taxation so as to give a constant periodic rate of return. The taxation charge and pre-tax profits are determined by reference to the post-tax profit allocated and the effective rate of tax applicable to the lease for the period. Rentals arising during the secondary lease period are recognised on the due date.

#### (d) Interest rate swaps

The company in the course of its business enters into interest rate swap contracts to reduce its exposure to fluctuations in interest rates on borrowings where the associated finance lease income is at a fixed rate. The amounts receivable and payable on these swaps are included in the profit and loss account so as to match the interest payable on the borrowing.

#### (e) Provisions for bad and doubtful debts

Provisions for bad and doubtful debts are based on a year-end appraisal of rentals receivable less income allocated to future periods.

#### (f) Deferred taxation

Full provision is made for deferred tax liabilities arising from timing differences between recognition of gains and losses in the financial statements and their recognition in the tax computation. Deferred tax assets are recognised to the extent that they are 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, or where they can be offset against deferred tax liabilities.

LLOYDS COMMERCIAL LEASING LIMITED

PROFIT AND LOSS ACCOUNT  
for the year ended 30 September 2004

	Note	2004 £000	2003 £000
TURNOVER	1	9,924	9,784
AMORTISATION OF LEASED ASSETS		4,678	4,120
		<u>5,246</u>	<u>5,664</u>
INVESTMENT INCOME		1,586	1,453
		<u>6,832</u>	<u>7,117</u>
INTEREST EXPENSE	2	5,426	5,698
		<u>1,406</u>	<u>1,419</u>
OPERATING EXPENSES			
Administrative expenses	3	-	1
Management fee payable to parent company		105	127
		<u>105</u>	<u>128</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,301	1,291
TAXATION	4	439	387
		<u>862</u>	<u>904</u>
PROFIT FOR THE FINANCIAL YEAR		862	904
PROPOSED DIVIDEND		850	1,000
		<u>12</u>	<u>(96)</u>
RETAINED PROFIT (LOSS) FOR THE FINANCIAL YEAR	9	12	(96)

There are no further gains or losses attributable to the shareholder other than those disclosed 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 and the profit for the year as stated above and their historical cost equivalents.

LLOYDS COMMERCIAL LEASING LIMITED

BALANCE SHEET  
at 30 September 2004

	Note	2004 £000	2003 £000
ASSETS			
FIXED ASSETS			
Investments	5	36,405	36,363
CURRENT ASSETS			
DEBTORS			
Finance lease receivables			
within one year		5,406	4,678
after more than one year		71,604	77,290
	6	77,010	81,968
Amounts owed by group companies	7	1,568	1,989
		114,983	120,320
LIABILITIES			
SHAREHOLDER'S FUNDS			
Called up share capital	8	100	100
Profit and loss account	9	17	5
	10	117	105
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred taxation	11	32,985	33,588
CREDITORS – Amounts falling due within one year			
Amounts owed to group companies	12	81,389	86,044
Other creditors		492	583
		81,881	86,627
		114,983	120,320



P B Miles  
Director

6 December 2004

The notes on pages 7 to 9 form part of these accounts.

# LLOYDS COMMERCIAL LEASING LIMITED

## NOTES TO THE ACCOUNTS

### 1 TURNOVER

Turnover represents gross rentals receivable in the year.

### 2 INTEREST EXPENSE

2004	2003
£000	£000

Interest expense comprises:

Interest payable to other group companies on bank loans and overdrafts	5,426	5,698
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### 3 ADMINISTRATIVE EXPENSES

Audit fees for the company are borne by the immediate parent company. The company has no employees and the directors received no remuneration in respect of their services to the company.

### 4 TAXATION

2004	2003
£000	£000

(a) The charge for the year comprises:

Group relief payable on current taxation profits for the year	638	83
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Adjustment in respect of prior years	404	25
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Total group relief payable for year (Note 4(b))	1,042	108
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Deferred taxation – current year (Note 11)	(247)	304
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Deferred taxation – adjustment in respect of prior years (Note 11)	(356)	(25)
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439	387
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(b) Factors affecting the group relief payable for the year

The group relief payable for the year differs from the standard rate of corporation tax in the UK (30%). The differences are explained below:

Profit on ordinary activities before taxation	1,301	1,291
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Profit on ordinary activities at the standard rate of corporation tax in the UK of 30% (2003: 30%)	391	387
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Depreciation for year in excess of capital allowances	247	(304)
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Adjustment in respect of prior years	404	25
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Total group relief payable for the year (Note 4(a))	1,042	108
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# LLOYDS COMMERCIAL LEASING LIMITED

## NOTES TO THE ACCOUNTS

### 5 INVESTMENTS

This represents the company's investment, at cost, of a 99.996% interest as a limited partner in The HUAL Treasure Limited Partnership, a UK limited partnership that carries on business as an owner and charterer of a ship. The results of the limited partnership are consolidated in the group accounts of Lloyds TSB Group plc.

	£000
At 1 October 2003	36,363
Additions	42
	<hr/>
At 30 September 2004	36,405
	<hr/>

### 6 FINANCE LEASE RECEIVABLES

	2004 £000	2003 £000
Future rentals	124,447	134,328
Less:		
Rentals received in advance	(7,915)	(7,636)
Income allocated to future periods	(39,522)	(44,724)
	<hr/>	<hr/>
	77,010	81,968
	<hr/>	<hr/>

Finance lease receivables represents the cost of leased assets less rentals received in advance after providing for the following:

Accumulated amortisation	52,036	57,167
	<hr/>	<hr/>

### 7 AMOUNTS OWED BY GROUP COMPANIES

	2004 £000	2003 £000
Bank deposits	1,568	1,986
Group relief receivable	-	3
	<hr/>	<hr/>
	1,568	1,989
	<hr/>	<hr/>

### 8 CALLED UP SHARE CAPITAL

	2004 £000	2003 £000
Authorised, allotted and issued fully paid: ordinary shares of £1 each	100	100
	<hr/>	<hr/>

The company regarded by the directors as the ultimate parent company is Lloyds TSB Group plc, which is also the parent company of the largest group of companies for which group accounts are drawn up and of which the company is a member. Lloyds TSB Bank plc is the parent company of the smallest such group of companies. 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.

LLOYDS COMMERCIAL LEASING LIMITED

NOTES TO THE ACCOUNTS

9 PROFIT AND LOSS ACCOUNT

		£000
At 1 October 2003		5
Retained profit for the year		12
		<hr/>
At 30 September 2004		17
		<hr/>

10 RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

	2004	2003
	£000	£000
Profit for the year after taxation	862	904
Proposed dividend	850	1,000
	<hr/>	<hr/>
Net increase (decrease) in shareholder's funds	12	(96)
Shareholder's funds at beginning of year	105	201
	<hr/>	<hr/>
Shareholder's funds at the end of year	117	105
	<hr/>	<hr/>

11 DEFERRED TAXATION

	£000
At 1 October 2003	33,588
Credit for the year	(247)
Adjustment in respect of prior years	(356)
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At 30 September 2004	32,985
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The balances at 1 October 2003 and 30 September 2004 represent full provision in respect of the potential liability of the company to taxation on the excess of capital allowances over related amortisation of leased assets and other short term timing differences.

12 AMOUNTS OWED TO GROUP COMPANIES

	2004	2003
	£000	£000
Amounts falling due within one year:		
Bank borrowings	79,508	84,821
Interest payable	295	223
Group relief payable	736	-
Interim dividend	850	1,000
	<hr/>	<hr/>
	81,389	86,044
	<hr/>	<hr/>

13 COMMITMENTS

The company in the course of its business enters into interest rate swap contracts. The underlying principal amount of these contracts and the replacement cost obtained by marking to market are:

	2004	2003
	£000	£000
Underlying principal amount	52,335	56,726
Replacement cost	5,097	7,665

14 DATE OF APPROVAL

The directors approved the accounts on 6 December 2004.