

KINGSTAR LEASING LIMITED

**REPORT AND FINANCIAL STATEMENTS
31 AUGUST 2004**

Registered office

25 Gresham Street
London EC2V 7HN

Registered number

1582256

Directors

J L Davies (Chairman)
M P Kilbee
D K Potts
S I Rice

Company Secretary

R A Connor

Member of Lloyds TSB Group



KINGSTAR LEASING LIMITED

Report of the directors

Principal activity

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

Results

The profit after taxation for the year ended 31 August 2004 amounted to £61,000 (2003: £49,000) as set out in the profit and loss account on page 6.

Business review and future developments

Directors consider the level of performance to be in line with expectations. The directors expect the volume of new business in the coming year will be similar to that of 2004.

Directors

The names of the directors are shown on page 1.

Directors' interests

The interests of those who were directors of the company at the end of the year in the capital of Lloyds TSB Group plc were:

Shares:

	At 31 August 2004	At 1 September 2003
J L Davies	142,708	141,947
M P Kilbee	34,023	32,809
D K Potts	51,906	50,736
S I Rice	4,016	2,802

KINGSTAR LEASING LIMITED

Report of the directors

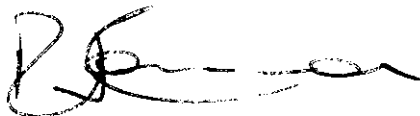
Directors' interests (continued)

Options to acquire shares:

	At 1 September 2003	During the year		At 31 August 2004
		Granted	Exercised	
J L Davies	645,573	268,336	-	913,909
M P Kilbee	39,589	19,081	-	58,670
D K Potts	44,910	21,228	-	66,138
S I Rice	256,170	79,308	-	335,478

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

By order of the board



R A Connor
Secretary
13 June 2005

KINGSTAR LEASING LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KINGSTAR LEASING LIMITED

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

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report, including as described below, the financial statements for each financial year which give a true and fair view of the state of affairs of the company and the profit or loss of the company 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 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 to enable them to ensure that the financial statements comply with the United Kingdom 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 opinion has been prepared for and only for the company's members 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 United Kingdom 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 is not disclosed.

KINGSTAR LEASING LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KINGSTAR LEASING LIMITED

(continued)

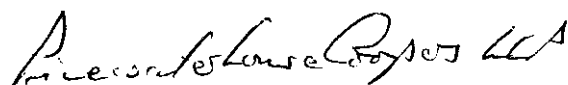
Basis of audit opinion

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 at 31 August 2004 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
Southampton

13th June 2005

KINGSTAR LEASING LIMITED**PROFIT AND LOSS ACCOUNT****YEAR ENDED 31 AUGUST 2004**

		2004 £000	2003 £000
	Note		
Turnover	1(b), 2	124	183
Interest payable	3	(63)	(87)
		<hr/>	<hr/>
Gross profit		61	96
Other operating income		46	1
Other operating charges		(20)	(27)
		<hr/>	<hr/>
Profit on ordinary activities before taxation	3	87	70
Taxation on profit on ordinary activities	4	(26)	(21)
		<hr/>	<hr/>
Profit for the financial year		61	49
Dividends – non equity	5	-	-
		<hr/>	<hr/>
Retained profit for the financial year	10, 11	<u>61</u>	<u>49</u>

There are no recognised gains or losses other than those reported above.

All operations are continuing.

The notes on pages 8 to 14 form part of these accounts.

KINGSTAR LEASING LIMITED**BALANCE SHEET - 31 AUGUST 2004**

		2004 £000	2003 £000
	Note		
DEBTORS: amounts falling due within one year	6	976	610
DEBTORS: amounts falling due after more than one year	6	<u>749</u>	<u>1,041</u>
		1,725	1,651
DEFERRED TAXATION	7	175	157
CREDITORS: amounts falling due within one year	8	(257)	(226)
		<hr/>	<hr/>
NET CURRENT ASSETS		1,643	1,582
		<hr/>	<hr/>
NET ASSETS		<u>1,643</u>	<u>1,582</u>
CAPITAL AND RESERVES			
Called-up share capital	9	-	-
Profit and loss account	10	1,643	1,582
		<hr/>	<hr/>
Equity shareholders' funds	11	<u>1,643</u>	<u>1,582</u>

Approved by the directors on

2005 and signed on their behalf by:

D K Potts
Director

The notes on pages 8 to 14 form part of these financial statements.

KINGSTAR LEASING LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 AUGUST 2004

1. Accounting policies

(a) Basis of accounting

The Financial Statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

(b) Turnover

Turnover during the year represents net rentals receivable, being the gross rentals receivable less the capital element, and profit or loss on disposals of the assets and any termination income.

(c) Income recognition

Income from leases is credited to the profit and loss account in proportion to the net cash invested using the investment period method.

(d) Finance lease receivables

Finance lease receivables are included in the balance sheet at the amount of the net investment in the lease, which is defined as total future rentals receivable less finance charges allocated to future periods.

(e) 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 the tax computations, where future payment or receipt is more likely than not to occur. The company is not discounting deferred tax assets and liabilities.

(f) Cash flow statement

A cash flow statement is not presented as the company is a wholly owned subsidiary undertaking of Lloyds TSB Group plc, whose accounts include a consolidated cash flow statement dealing with the cash flows of the group.

(g) Commissions

Commission payable on new business is allocated to accounting periods using the straight line method over a period of 30 months.

(h) Provisions for bad and doubtful debts

Leases are written off where there is no realistic prospect of recovery. Specific provisions are made to reduce all advances to their net realisable value.

KINGSTAR LEASING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) – 31 AUGUST 2004

1. Accounting policies (continued)

(i) Related party disclosures

The company is exempted from reporting intra group related party transactions in accordance with Financial Reporting Standard 8 because it is a wholly owned subsidiary of Lloyds TSB Group plc.

2. Analysis of turnover

	2004 £000	2003 £000
Turnover		
Prime rentals receivable	639	579
Depreciation	(629)	(691)
Profit or loss on disposal of assets	<u>114</u>	<u>295</u>
	124	183

3. Profit before taxation

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

	2004 £000	2003 £000
Interest payable on loans from fellow subsidiary companies	63	87
Release of bad and doubtful debts provision	(46)	-

Auditors' remuneration has been borne by a group company.

There were no employees (2003: Nil).

No remuneration was paid or is payable by the company to the directors. The directors are employed by the other companies in the Lloyds TSB group and consider their services to this company incidental to their other activities within the group.

KINGSTAR LEASING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) – 31 AUGUST 2004

4. Taxation

(a) Analysis of charge in the year

	2004 £000	2003 £000
The charge is made up as follows:		
Current tax:		
Group relief payable/(receivable) on profits of the year	44	(6)
Total current tax (note 4b)	44	(6)
Deferred tax:		
Origination and reversal of timing differences	(18)	27
Total deferred tax (note 7)	(18)	27
Total tax charge on profit on ordinary activities	26	21

(b) Factors affecting the tax charge for the year

The tax assessed for the year is higher than the standard rate of corporation tax in the UK 30% (2003: 30%). The differences are explained below:

	2004 £000	2003 £000
Profit before tax	87	70
Profit multiplied by the standard rate of corporation tax in the UK of 30% (2003: 30%)	26	21
Effects of:		
Temporary differences between taxable and accounting profit/(loss):		
Accelerated capital allowances	32	(27)
Release General Provision	(14)	-
Current tax charge for year (note 4a)	44	(6)

KINGSTAR LEASING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) – 31 AUGUST 2004

5. Dividends

	2004 £	2003 £
Non equity – Preference	10	10
Paid: 1.5p (2003:1.5p) per share		

6. Debtors

	2004 £000	2003 £000
Amounts falling due within one year:		
Rentals received on leased assets	389	587
Amount receivable from fellow subsidiary company	587	20
Other debtors	-	3
	<u>976</u>	<u>610</u>

Amounts falling due after more than one year:

Rental receivable on leased assets	749	1,041
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The cost of assets acquired during the year for the purpose of letting under finance leases amounted to £375,000 (2003: £376,000).

The value of finance lease rentals receivable in the year amounted to £634,000 (2003: £573,000).

KINGSTAR LEASING LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) – 31 AUGUST 2004****7. Deferred taxation**

The movement on the deferred tax asset is as follows:

	2004 £000	2003 £000
At 1 September	157	184
Profit and loss account (note 4a)	18	(27)
At 31 August	<u>175</u>	<u>157</u>

The deferred tax asset provided for is made up as follows:

Accelerated capital allowance	175	143
Other timing differences	-	14
	<u>175</u>	<u>157</u>

8. Creditors

	2004 £000	2003 £000
Amounts falling due within one year:		
Accruals and deferred income	23	40
Other creditors	45	3
Group relief payable	189	183
	<u>257</u>	<u>226</u>

KINGSTAR LEASING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) – 31 AUGUST 2004

9. Called up share capital

	<u>2004</u>		<u>2003</u>	
	<u>Authorised</u>	Allotted called up and <u>fully paid</u>	<u>Authorised</u>	Allotted called up and <u>fully paid</u>
Equity share capital:	£	£	£	£
Ordinary shares of 25p each – non-voting	839	39	839	39
Non-equity share capital:				
6% Preference shares of 25p each – voting	161	161	161	161
	<hr/>	<hr/>	<hr/>	<hr/>
	<u>1,000</u>	<u>200</u>	<u>1,000</u>	<u>200</u>

The irredeemable preference shares carry a dividend of 6% per annum, payable half yearly on 20 May and 20 November. The dividend rights are non-cumulative. On a return of assets, whether in a winding up or otherwise, there is a right to a return of capital paid up on the 6% preference shares in priority over the holders of the non-voting ordinary shares, but no further right to participate in profits or assets. The preference shares carry the right to receive notice of and to attend and vote in person on a show hands at every general meeting and the right to one vote per 6% preference share on a poll thereafter.

10. Profit and loss account

	£000
At 1 September 2003	1,582
Retained profit for the year	61
	<hr/>
At 31 August 2004	<u>1,643</u>

KINGSTAR LEASING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) – 31 AUGUST 2004

11. Reconciliation of movement in shareholders' funds

	2004 £000	2003 £000
Opening shareholders' funds	1,582	1,533
Retained profit for the year	61	49
Closing shareholders' funds	<u>1,643</u>	<u>1,582</u>

12. Ultimate parent company

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 Scotland plc is the parent undertaking of the smallest such group of undertakings.

Copies of the group accounts of Lloyds TSB Scotland plc are available from the Secretary, Henry Duncan House, 120 George Street, Edinburgh EH2 4LH.

Copies of the group accounts of Lloyds TSB Group plc are available from the Secretary, 25 Gresham Street, London EC2V 7HN.