KINGSTAR LEASING LIMITED

REPORT AND FINANCIAL STATEMENTS
31 August 2006

Registered office

25 Gresham Street
London EC2V 7HN

Registered number

1582256

Directors

M P Kilbee
D K Potts
S I Rice

Company Secretary

R A Connor

THURSDAY
L4WZNQSP
LD4 28/06/2007 92
COMPANIES HOUSE

Member of Lloyds TSB Group

KINGSTAR LEASING LIMITED
31 August 2006

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KINGSTAR LEASING LIMITED

Report of the directors

The directors present the report together with the audited financial statements for the year ended 31 August 2006

Business review and principal activities

The principal activity of Kingstar Leasing Limited (the "Company") is the leasing of vehicles, plant and equipment

The directors consider the level of performance to be in line with expectations. The environment within which the Company operates remains competitive. The directors do not expect any significant developments in the business in the forthcoming year however remain confident that current levels of performance will be maintained in the future

The profit after taxation for the year ended 31 August 2006 amounted to £15,000 (2005: £22,000) as set out in the income statement on page 8. The Company is funded entirely by other companies within the Lloyds TSB Group.

Principal risks

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the Lloyds TSB Group and are not managed separately For further information refer to note 2- "Risk management policy" in these financial statements.

Key Performance Indicators (KPI's)

Given the straightforward nature of the business the directors are of the opinion that analysis using KPI's is not necessary for an understanding of the development, performance or position of the Company's business.

Directors

The names of directors are shown on page 1. The following change has taken place since the balance sheet date J L Davies resigned as a director on 18 December 2006.

KINGSTAR LEASING LIMITED

Report of the directors (continued)

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company and of 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union 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 confirm that they have complied with the above requirements in preparing the financial statements

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 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

Disclosure of information to auditors

Each director in office at the date of this report confirms that

-so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and

-the director has taken all steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

Policy and practice on payment of suppliers

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

KINGSTAR LEASING LIMITED

Report of the directors (continued)

As the Company owed no amounts to trade payables as at 31 August 2006, the number of days required to be shown in this report, to comply with the provisions of the Companies Act 1985, is nil (2005: nil)

On behalf of the board

R A Connor
Secretary
22 June 2007

KINGSTAR LEASING LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KINGSTAR LEASING LIMITED

We have audited the financial statements of Kingstar Leasing Limited for the year ended 31 August 2006 which comprise the Income Statement, the Balance Sheet, the Statement of Changes in Equity, the Cash Flow Statement and the related notes These financial statements have been prepared under the accounting policies set out therein

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). 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 whether the financial statements have been properly prepared in accordance with the Companies Act 1985 We also report to you if, in our opinion, the information given in the Directors' Report is consistent with the financial statements

In addition we report to you if, in our opinion, 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 other transactions is not disclosed

We read the Directors' report and consider its implications for our report if we become aware of any apparent misstatements within it

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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

KINGSTAR LEASING LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KINGSTAR LEASING LIMITED
(continued)

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, in accordance with IFRSs as adopted by the European Union, of the state of the Company's affairs as at 31 August 2006 and of its profit and cash flows for the year then ended;

-the financial statements have been properly prepared in accordance with the Companies Act 1985, and

-the information given in the Directors' report is consistent with the financial statements

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
31 Great George Street
Bristol
BS1 5QD

25th June 2007

KINGSTAR LEASING LIMITED
INCOME STATEMENT
YEAR ENDED 31 August 2006

	Note	2006 £000	2005 £000
Interest and similar income		72	91
Interest expense		(36)	(45)
Net Interest Income	4	36	46
Other operating expenses	5	(13)	(14)
Profit before tax	5	23	32
Taxation	6	(8)	(10)
Profit for the year attributable to equity shareholders		15	22

All results derive from continuing activities

The notes on pages 12 to 24 form part of these financial statements

KINGSTAR LEASING LIMITED

BALANCE SHEET - 31 August 2006

	Note	2006 £000	2005 £000
ASSETS			
Trade and other receivables	8	1,735	1,748
Deferred tax asset	9	155	148
Total Assets		1,890	1,896
LIABILITIES			
Trade and other payables	10	63	106
Group relief payable		147	125
Total liabilities		210	231
EQUITY			
Share capital	11	-	-
Retained profits		1,680	1,665
Total equity		1,680	1,665
Total equity and liabilities		1,890	1,896

Approved by the directors on 22 June 2007 and signed on their behalf by:

D K Potts
Director

The notes on pages 12 to 24 form part of these financial statements.

KINGSTAR LEASING LIMITED

STATEMENT OF CHANGES IN EQUITY

31 August 2006

	Share capital £'000	Retained profits £'000	Total £'000
Previously reported balance at 1 September 2004	-	1,643	1,643
Prior year adjustment – IFRS adoption	-	-	-
Adjusted balance at 1 September 2004	-	1,643	1,643
Profit for the year	-	22	22
At 31 August 2005	-	1,665	1,665
Profit for the year	-	15	15
At 31 August 2006	-	**1,680**	**1,680**

The notes on pages 12 to 24 form part of these financial statements

KINGSTAR LEASING LIMITED

CASH FLOW STATEMENT

31 August 2006

	Note	**2006 £000**	**2005 £000**
Cash generated from operating activities	12	29	92
Interest paid		(36)	(45)
Group relief received/(paid)		7	(47)
Cash and cash equivalents at beginning of year		-	-
Cash and cash equivalents at end of year		-	-

The notes on pages 12 to 24 form part of these financial statements.

KINGSTAR LEASING LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 August 2006

1. Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below These policies have been consistently applied to all the years presented, unless otherwise stated

1.1 Basis of preparation

The Company's ultimate parent Company adopted International Financial Reporting Standards ("IFRS") as adopted by the European Union in its financial statements for the year ended 31 December 2005 The Company has also adopted IFRS in the preparation of these financial statements for the year ended 31 August 2006 The financial statements have been prepared under the historical cost convention

The rules for first time adoption of IFRS are set out in IFRS 1 'First-time Adoption of International Financial Reporting Standards' On 1 September 2004, the date of transition, the opening IFRS balance sheet position has been determined in accordance with IFRS 1 which requires IFRS accounting policies to be applied on a retrospective basis with certain exceptions and exemptions detailed below

Changes in accounting policy - adoption of IFRS standards

Mandatory Exception	Impact
Estimates	The Company's estimates at the date of transition are consistent with those under UK GAAP

Voluntary Exemption	Impact
Comparatives for financial instruments and designation of financial assets	There was no material impact on the financial statements in relation to the adoption of IAS 32 and IAS 39

The disclosures required by IFRS1 concerning the transition from UK GAAP to IFRS are given in note 15 There were no material changes arising on the conversion to IFRS

1.2 Income recognition

Interest income and expense are recognised in the income statement for all interest-bearing financial instruments, including advances to customers under finance lease agreements, using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or liability and of allocating the interest income or interest expense. The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the instrument, to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the future cash flows are estimated after considering all the contractual terms of the agreement but not future credit losses. The calculation includes all amounts paid or received by the Company that are an integral part of the overall return, direct incremental transaction costs related to the acquisition, issue or disposal of a financial instrument and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

1.3 Fee and commission income and expense

Fees and commissions which are not an integral part of the effective interest rate are generally recognised on an accruals basis when the service has been provided

1.4 Financial assets

The majority of the Company's financial assets are advances under finance lease agreements.

1.5 Impairment of financial assets

At each balance sheet date the Company assesses whether, as a result of one or more events occurring after initial recognition, there is objective evidence that a financial asset or group of financial assets has become impaired Evidence of impairment may include indications that the borrower or group of borrowers are experiencing significant financial difficulty, default or delinquency in interest or principal payments, it becoming probable that the borrower will enter bankruptcy or other financial reorganisation or the debt being restructured to reduce the burden on the borrower

KINGSTAR LEASING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) - 31 August 2006

1.5 Impairment of financial assets (continued)

If there is objective evidence that an impairment loss has been incurred, a provision is established which is calculated as the difference between the balance sheet carrying value of the asset and the present value of estimated future cash flows discounted at that asset's original effective interest rate If an asset has a variable interest rate, the discount rate used for measuring the impairment loss is the current effective interest rate The calculation of the present value of the estimated future cash flows of a collateralised asset or group of assets reflects the cash flows that may result from foreclosure less the costs of obtaining and selling the collateral, whether or not foreclosure is probable

If there is no objective evidence of individual impairment the asset is included in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment Future cash flows are estimated on the basis of the contractual cash flows of the assets in the group and historical loss experience for assets with similar credit risk characteristics Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, such as an improvement in the borrower's credit rating or subsequent recoveries of amounts previously written off, the provision is adjusted and the amount of the reversal is recognised in the income statement

When a loan is uncollectible, it is written off against the related provision once all the necessary procedures have been completed and the amount of the loss has been determined Subsequent recoveries of amounts previously written off decrease the amount of impairment losses in the profit and loss account

1.6 Leases

Lease agreements are classified as finance leases if the lease agreements transfer substantially all of the risks and rewards of ownership to the lessee

When assets are held subject to a finance lease, the present value of the lease payments is recognised as a receivable within advances to customers Finance lease income, comprising interest together with non-contingent contractual fees, is recognised over the term of the lease using the effective interest rate method (before tax)

1.7 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition

KINGSTAR LEASING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) - 31 August 2006

1.8 Taxation, including deferred income taxes

Current tax which is payable on taxable profits is recognised as an expense in the period in which the profits arise.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements Deferred tax is determined using tax rates that have been enacted or substantially enacted by the balance sheet date that are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised where it is probable that future taxable profit will be available against which the temporary differences can be utilised. The tax effect of losses available for carry forward are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised

Deferred and current tax assets and liabilities are offset when they arise in the same tax reporting group and where there is a legal right of offset and the intention to settle on a net basis or to release the asset and settle the liability simultaneously.

2. Risk management policy

The Company's operations expose it to credit risk, liquidity risk and interest rate risk; it is not exposed to any significant foreign exchange risk. Responsibility for the control of overall risk lies with the Board of Directors, operating within a management framework established by the intermediate parent, Lloyds TSB Scotland plc, and the ultimate parent, Lloyds TSB Group plc. The interest rate and liquidity risk faced by the Company is in substance managed and borne by other group companies which fund the Company and credit risk is carefully monitored by Lloyds TSB Scotland credit committees and credit functions

2.1 Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due Impairment provisions are provided for losses that have been incurred at the balance sheet date

The credit risk associated with instalment credit contracts is managed through the application of strict underwriting criteria, determined by the Lloyds TSB Scotland plc committees Significant credit exposures are measured and reported on a regular basis.

2.2 Cash flow and fair value interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates The Company takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates which can result in a fair value and a cash flow risk Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise The Lloyds TSB Scotland plc Board of Directors sets limits on the level of mismatch of interest rate re-pricing that may be undertaken, which is monitored regularly

3. Critical accounting estimates, and judgements in applying accounting policies

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period Although those estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates

Impairment losses on advances under finance lease agreements

The Company regularly reviews its loan portfolio to assess for impairment In determining whether an impairment has occurred the Company considers whether there is any observable data indicating that there has been a measurable decrease in the estimated future cash flows and their timings, such observable data includes whether there has been an adverse change in the payment status of borrowers or changes in economic conditions that correlate with defaults on assets in the Company

The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience

KINGSTAR LEASING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) – 31 August 2006

4. Net interest income

	2006 £000	2005 £000
Interest and similar income		
Rental income	440	423
Depreciation of leased assets	(383)	(371)
Profit on disposal of assets	15	39
	72	91
Interest expense		
Group interest expense (note 14)	(36)	(45)
	36	46

The average effective interest rate in the year was 8 23% for finance lease receivables The interest expense relates to the cost of funding the leasing portfolio and is payable to the immediate parent undertaking.

5. Profit before tax

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

	2006 £000	2005 £000
Management fees (note 14)	11	11
Broker commissions	2	3

Auditors' remuneration of £3,000 (2005 £3,000) has been borne by a group Company.

There were no employees (2005: Nil) No remuneration was paid or is payable by the Company to the directors. The directors are employed by other companies in the Lloyds TSB group and consider their services to this Company as incidental to their other activities within the group (see also note 14).

KINGSTAR LEASING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) - 31 August 2006

6. Taxation

	2006 £000	2005 £000
(a) Analysis of charge in the year		
UK corporation tax		
- Current tax charge/(credit) on profits for the year	13	(17)
-Adjustments in respect of prior years	2	-
Current tax charge/(credit)	15	(17)
Origination and reversal of timing differences	(7)	27
	8	10

The charge for tax on the profit for the year is based on a corporation tax rate of 30% (2005 30%)

(b) Factors affecting the tax charge for the year

A reconciliation of the charge that would result from applying the standard UK corporation tax rate to profit before tax to the tax charge for the year is given below

	2006 £000	2005 £000
Profit before tax	23	32
Tax charge thereon at UK corporation tax rate of 30%	7	10
Factors affecting charge		
- Adjustment in respect of prior years	1	-
Tax on profit on ordinary activities	8	10
Effective rate	35%	30%

7. Dividends

	2006	2005
	£	£
Non-equity – Preference		
Paid . 1 5p (2005 1 5p) per share	3	3

8. Trade and other receivables

	2006	2005
	£000	£000
Amounts falling due within one year:		
Advances to customers under finance lease agreements	372	381
	372	381
Amounts falling due after more than one year:		
Advances to customers under finance lease agreements	443	553
	815	934
Other amounts falling due within one year:		
Amounts receivable from fellow subsidiary Company (note 14)	909	801
Others debtors	11	13
	1,735	1,748

Amounts due from group undertakings are unsecured, repayable on demand and non interest bearing

KINGSTAR LEASING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) - 31 August 2006

8. Trade and other Receivables (continued)

Advances to customers under finance lease agreements

	2006	2005
	£000	£000
Gross investment in finance lease agreements, receivable		
- no later than one year	407	425
- later than one year and no later than five years	481	586
	888	1,011
Unearned future finance income on finance lease agreements	(73)	(77)
	815	934

The cost of assets acquired during the year for the purpose of letting under finance leases amounted to £311,000 (2005 £189,000) The finance lease agreements primarily relate to the leasing of vehicles, plant and equipment There are no contingent rents recognised as income in the period

KINGSTAR LEASING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) – 31 August 2006

9. Deferred tax

The movement in the net deferred tax asset is as follows:

	2006 £000	2005 £000
At 1 September	148	175
Income statement credit/(charge) (note 6a)	7	(27)
At 31 August	155	148

The deferred tax charge/(credit) in the income statement comprises the following temporary differences

	2006 £000	2005 £000
Accelerated capital allowances	7	(27)

Deferred tax assets and liabilities are comprised as follows:

	2006 £000	2005 £000
Deferred tax asset		
- Accelerated capital allowances	155	148

10. Trade and other payables

	2006 £000	2005 £000
Amounts falling due within one year		
Accruals and deferred income	21	23
Other creditors	42	83
	63	106

11. Share capital

	2006		2005	
	Authorised	Allotted called-up and fully paid	Authorised	Allotted called-up and fully paid
	£	£	£	£
Ordinary shares of 25p each - non-voting	839	39	839	39
6% Preference shares of 25p each	161	161	161	161
	1,000	200	1,000	200

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 of hands at every general meeting and the right to one vote per 6% preference share on a poll thereafter

With effect from 1 September 2005, following the implementation of IAS 39, these instruments have been reclassified as debt and included within trade and other payables with the dividends being recognised as interest expense

KINGSTAR LEASING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) – 31 August 2006

12. Cash flow from operating activities

	2006 £000	2005 £000
Profit before tax	23	32
Adjustments for:		
Interest expense	36	45
Decrease/(increase) in trade and other receivables	13	(23)
(Decrease)/increase in trade payables	(43)	38
Cash generated from operating activities	29	92

13. Ultimate parent Company

The immediate parent Company is Lloyds TSB Commercial Finance Scotland 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 financial statements 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 financial statements of Lloyds TSB Scotland plc are available from the Secretary, Henry Duncan House, 120 George Street, Edinburgh EH2 4LH.

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

14. Related party transactions

A number of transactions are entered into with related parties in the normal course of business These include loans, recharges and expense transactions. The outstanding balances at the year end and the related expense and income for the year are as follows:

	Group and associated companies 2006 £000	2005 £000
Lloyds TSB Commercial Finance Scotland Limited		
Balance outstanding at 31 August		
Unsecured loans and advances	909	810
Group relief payable	(147)	(125)
Interest paid	(36)	(45)
Management fees	(11)	(11)

Directors and key management personnel

Key management personnel are those persons having authority and responsibility for planning and controlling the activities of the Company Accordingly, key management comprise the directors of the Company and the members of the Lloyds TSB Scotland plc board which comprises the statutory directors of that Company and certain other senior management There were no transactions between the Company and key management personnel during the current or preceding year Also there was no remuneration that was paid to key management personnel during the current or preceding year

15. Reconciliation of net assets and profit under UK GAAP to IFRS

Kingstar Leasing Limited reported under UK GAAP in its previously published financial statements for the year ended 31 August 2005

There is no material difference between the net assets and profits as stated under UK GAAP and those stated under IFRS As a result no reconciliation of net assets and profit previously reported under UK GAAP is included