

LLOYDS TSB LEASING LIMITED
(formerly Lloyds Leasing Limited)

31 December 1999



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COMPANIES HOUSE

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31/03/00

Member of Lloyds TSB Group

LLOYDS TSB LEASING LIMITED
203 Blackfriars Road London SE1 8NH

DIRECTORS

D P Pritchard- Chairman
M J Green
D H A Harrison CBE
P B Miles (alternate: A R Foad)

SECRETARY

N S Black

AUDITORS

PricewaterhouseCoopers

REGISTERED OFFICE

71 Lombard Street
London EC3P 3BS

REGISTERED NUMBER

1004792

LLOYDS TSB LEASING LIMITED

REPORT OF THE DIRECTORS

CHANGE OF NAME

On 28 June 1999, the name of the company was changed from Lloyds Leasing Limited to Lloyds TSB Leasing Limited.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The principal activity of the company is the provision of leasing facilities.

During the year, the company invested a further £239,800,000 in Motability Car Lease and Motability Hire Purchase.

At the end of the year the cost of leased assets amounted to £508,643,000.

RESULTS AND DIVIDEND

The profit after taxation for the year ended 31 December 1999 amounted to £32,903,000, as set out in the profit and loss account on page 6.

An interim dividend of £15,000,000 was paid in September 1999. A further interim dividend of £17,700,000 will be paid in March 2000.

DIRECTORS

The names of the directors of the company are shown on page 1.

Mr Fairey resigned as a director of the company on the 12 January 2000.

DIRECTORS' INTERESTS

The interests of those who were directors of the company at the end of the year but who were not also directors of Lloyds TSB Group plc in the capital of Lloyds TSB Group plc were:

Shares:	At 31 December 1999	At 1 January 1999
		(or later date of appointment)
A R Foad	26,148	23,855
M J Green	97,011	90,640
D H A Harrison	53,005	54,705
P B Miles	67,479	65,394

Options to acquire shares:

	At 1 January 1999 (or later date of appointment)	During the year (or since appointment during the year)		At 31 December 1999
		Granted	Exercised/Lapsed	
A R Foad	28,159	3,000	6,833	24,326
M J Green	21,245	16,000	5,294	31,951
D H A Harrison	123,060	15,000	-	138,060
P B Miles	44,184	2,782	1,219	45,747

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

LLOYDS TSB LEASING LIMITED

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 Department of Trade and Industry, No. 1 Victoria Street, London, SW1H 0ET.

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.

The number of days to be shown in this report, to comply with the provisions of the Companies Act 1985, is 2. This bears the same proportion to the number of days in the year as the aggregate of the amounts owed to trade creditors at 31 December 1999 bears to the aggregate of the amounts invoiced by suppliers during the year.

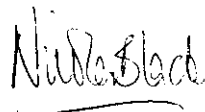
YEAR 2000

Lloyds TSB Leasing Limited recognised the far-reaching implications of the problems which might have arisen from the failure of systems to acknowledge dates before, on or after 1 January 2000, and its policy was to ensure that the systems and business processes were not affected by these problems.

The successful implementation of the Lloyds TSB Leasing Limited year 2000 programme represented the culmination of many years' work. This comprehensive programme ensured the continued progress of the group's systems, processes and infrastructure.

Costs incurred to the end of 1999 were £100,000.

On behalf of the board



N S Black
Secretary

6 March 2000

AUDITORS' REPORT TO THE MEMBER OF LLOYDS TSB LEASING LIMITED

We have audited the financial statements on pages 5 to 14 which have been prepared under the historical cost convention and the accounting policies set out on page 5.

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 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 have responsibility for ensuring the company keeps 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 responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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.

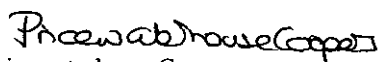
Basis of audit opinion

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 31 December 1999 and of the profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants
and Registered Auditors

Southwark Towers
32 London Bridge Street
London SE1 9SY

6 March 2000

ACCOUNTING POLICIES

The accounts have been prepared under the historical cost convention as modified by the revaluation of shares in subsidiary companies, in compliance with the Companies Act 1985 and in accordance with applicable accounting standards. 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) Basis of preparation

The company is exempt by virtue of S228 of the Companies Act 1985 from the requirement to prepare group accounts.

(b) 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 administration expenses since this reflects more meaningfully the nature of interest expense within the context of a leasing business. Operating expenses include administration expenses, and such other expenses as may be incurred as overheads during the normal conduct of the company's business.

(c) Investments in subsidiary undertakings

Investments in subsidiary undertakings are stated in the balance sheet at the lower of cost and net realisable value.

(d) 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 rate of tax applicable for the period. Rentals arising during the secondary period are recognised on the due date.

(e) Joint ventures

Income from joint ventures is credited to the profit and loss account when received.

The investment in joint ventures is stated in the balance sheet at the lower of cost and net realisable value.

(f) 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.

(g) Foreign currency translation

Assets and liabilities in foreign currencies are matched and are translated into Sterling at original contractual rates.

(h) Deferred taxation

Deferred taxation is provided at the appropriate rates of taxation where there is a reasonable probability that a liability or asset will crystallise in the foreseeable future.

LLOYDS TSB LEASING LIMITED

PROFIT AND LOSS ACCOUNT
for the year ended 31 December 1999

	Note	1999 £000	1998 £000
TURNOVER	1	11,164	15,087
AMORTISATION OF LEASED ASSETS		5,853	4,175
		<hr/> 17,017	<hr/> 19,262
INCOME FROM JOINT VENTURES		21,009	18,340
INTEREST INCOME	2	7,981	11,190
OTHER OPERATING INCOME	3	430	1,655
		<hr/> 46,437	<hr/> 50,447
INTEREST EXPENSE	5	36,809	43,846
		<hr/> 9,628	<hr/> 6,601
Management fees receivable from subsidiary undertakings		3,105	3,318
		<hr/> 12,733	<hr/> 9,919
INCREASE IN GENERAL PROVISIONS FOR BAD AND DOUBTFUL DEBTS		-	3,215
		<hr/> 12,733	<hr/> 6,704
OPERATING EXPENSES			
Administrative expenses		5,777	6,713
Auditors' remuneration		218	212
		<hr/> 5,995	<hr/> 6,925
		6,738	(221)
DIVIDENDS RECEIVABLE FROM SUBSIDIARY COMPANIES		27,968	25,305
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<hr/> 34,706	<hr/> 25,084
TAXATION CHARGE (CREDIT)	6	1,803	(4,210)
PROFIT ATTRIBUTABLE TO THE SHAREHOLDER		<hr/> 32,903	<hr/> 29,294

The notes on pages 9 to 14 form part of these accounts.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the year ended 31 December 1999

	Note	1999 £000	1998 £000
PROFIT FOR THE FINANCIAL YEAR		32,903	29,294
PRIOR YEAR ADJUSTMENT	13	-	(75,684)
		<hr/>	<hr/>
TOTAL GAINS AND LOSSES RECOGNISED SINCE LAST FINANCIAL STATEMENTS		32,903	(46,390)
		<hr/>	<hr/>

RECONCILIATION OF MOVEMENTS IN CAPITAL AND RESERVES
for the year ended 31 December 1999

	1999 £000	1998 £000
PROFIT FOR THE YEAR AFTER TAXATION	32,903	29,294
DIVIDENDS	32,700	31,400
	<hr/>	<hr/>
NET INCREASE (DECREASE) IN CAPITAL AND RESERVES	203	(2,106)
CAPITAL AND RESERVES AT BEGINNING OF YEAR	10,633	12,739
	<hr/>	<hr/>
CAPITAL AND RESERVES AT END OF YEAR	10,836	10,633
	<hr/>	<hr/>

LLOYDS TSB LEASING LIMITED

BALANCE SHEET
at 31 December 1999

	Note	1999 £000	1998 £000
ASSETS			
FIXED ASSETS			
Investments	8	471,964	349,579
CURRENT ASSETS			
DEBTORS			
Finance lease receivables after more than one year	9	302,714	299,725
Amounts owed by group companies	10	143,228	170,190
Other debtors		355	148
		<hr/> 918,261	<hr/> 819,642
LIABILITIES			
CAPITAL AND RESERVES			
Called up share capital	11	2,000	2,000
Reserves	12	8,836	8,633
		<hr/> 10,836	<hr/> 10,633
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred taxation	13	95,472	81,750
CREDITORS			
Amounts owed to group companies	14	805,670	716,592
Loans	15	4,326	8,134
Other creditors		1,957	2,533
		<hr/> 811,953	<hr/> 727,259
		<hr/> 918,261	<hr/> 819,642

Director



Director



The notes on pages 9 to 14 form part of these accounts.

NOTES TO THE ACCOUNTS

1 TURNOVER

Turnover represents gross rentals receivable in the year.

2 INTEREST INCOME

	1999 £000	1998 £000
Interest income comprises:		
from group companies	7,980	11,190
from others	1	-
	<hr/>	<hr/>
	7,981	11,190
	<hr/>	<hr/>

3 OTHER OPERATING INCOME

Other operating income comprises fee income for the arrangement of leases and profits arising on sale of trade investments.

4 DIRECTORS' EMOLUMENTS

The aggregate of the emoluments of the directors was £326,000 (1998: £304,000).

Retirement benefits are accruing to 2 directors (1998: 2) under defined benefit pension schemes.

The number of directors who exercised share options was 4 (1998: 4).

The aggregate of the emoluments of the highest paid director was £188,083 (1998: £175,460).

At the year end his accrued pension totalled £44,057 per annum, (1998: £40,408) being his pension entitlement based on pensionable service with the group to 31 December 1999 but payable at normal retirement age.

5 INTEREST EXPENSE

	1999 £000	1998 £000
Interest expense comprises:		
Interest payable to group companies on bank loans and overdrafts	36,047	42,600
Interest payable to others	762	1,246
	<hr/>	<hr/>
	36,809	43,846
	<hr/>	<hr/>

NOTES TO THE ACCOUNTS

6 TAXATION CHARGE (CREDIT)

	1999 £000	1998 £000
Group relief receivable	(11,919)	(5,859)
Deferred taxation	13,722	1,649
	<hr/>	<hr/>
	1,803	(4,210)
	<hr/>	<hr/>

The taxation charge (1998: credit) on the profit for the year has been based on a United Kingdom corporation tax rate of 30.25% (1998: 31%).

The movement in the prior year deferred tax balance includes a one off credit amounting to £3,073,000, as a consequence of the reduction in the corporation tax rate from 31% to 30%. A corresponding adjustment has been made to the charge for amortisation and the net book value of finance lease receivables to reflect the net reduction in future rentals.

7 LEASING PARTNERSHIPS

The company has an interest in the following leasing partnerships:

<u>Lease partnership</u>	<u>% holding</u>	<u>Principal place of business</u>
Albion Leasing Company	22.25	203 Blackfriars Road, London, SE1 8NH
Omnium Leasing Company	24.46	23 Great Winchester Street, London, EC2P 2AX

The accounts of Albion Leasing Company and Omnium Leasing Company are audited by firms other than PricewaterhouseCoopers.

Under the terms of the Partnership Act 1890, there is unlimited liability in connection with the company's participation in the above partnerships.

8 INVESTMENTS

	1999 £000	1998 £000
Investments in subsidiary undertakings (note 8a)	63,853	63,853
Investments in joint ventures (note 8b)	408,111	285,726
	<hr/>	<hr/>
	471,964	349,579
	<hr/>	<hr/>

NOTES TO THE ACCOUNTS

8 INVESTMENTS

(a) Investments in subsidiary undertakings

£000

At 1 January and 31 December 1999

63,853

The principal subsidiary undertakings on 31 December 1999, all of which are wholly owned by the company and registered in England and Wales, are:

	Accounting reference date
Birchcrown Finance Limited	20 November
Conquest Securities Limited	20 February
CTSB Leasing Limited	20 November
Greatshield Securities Limited	20 August
Hill Samuel Finance Limited	31 December
Hill Samuel Leasing (No. 2) Limited	30 June
Hill Samuel Leasing (No. 4) Limited	31 December
LBI Leasing Limited	31 March
Lloyds Asset Leasing Limited	31 March
Lloyds Associated Air Leasing Limited	31 March
Lloyds Bank Property Company Limited	30 September
Lloyds Business Leasing Limited	30 June
Lloyds Capital Leasing Limited	30 September
Lloyds Commercial Leasing Limited	30 September
Lloyds Corporate Leasing Limited	31 March
Lloyds Equipment Leasing Limited	31 March
Lloyds Financial Leasing Limited	30 June
Lloyds General Leasing Limited	31 December
Lloyds Industrial Leasing Limited	30 June
Lloyds International Leasing Limited	30 September
Lloyds Investment Bonds Limited	30 September
Lloyds Investment Bonds No. 2 Limited	31 December
Lloyds Investment Securities Limited	31 March
Lloyds Investment Securities No. 5 Limited	31 December
Lloyds Leasing (North Sea Transport) Limited	31 December
Lloyds Leasing Meadowhall Development Limited	30 September
Lloyds Leasing Developments Limited	31 December
Lloyds Machinery Leasing Limited	31 December
Lloyds (Nimrod) Leasing Industries Limited	31 December
Lloyds (Nimrod) Machinery Finance Limited	30 September
Lloyds (Nimrod) Specialist Finance Limited	31 March
Lloyds Plant Leasing Limited	31 March
Lloyds Portfolio Leasing Limited	30 September
Lloyds Project Leasing Limited	31 March
Lloyds Property Investment Company Limited	30 June
Lloyds Property Investment Company No. 3 Limited	31 December
Lloyds TSB Maritime Leasing Limited (previously Lloyds Property Investment Company No. 2 Limited)	31 December
Lunar Finance Limited	31 March
Moon Leasing Limited	16 March
Nelstar Leasing Co Limited	31 December
Sayban Leasing Limited	31 December
TSB Asset Finance (Meadowhall Development) Limited	30 September
Whitestar Securities Limited	31 December
Wood Street Leasing Limited	30 September

For commercial reasons certain subsidiary companies have accounting reference dates differing from 31 December.

The company owns 130 ordinary shares of £1 each (13% of the issued share capital) of Motability Finance Limited, a company registered in England and Wales. The results and net assets of the company are not material to Lloyds TSB Leasing Limited.

NOTES TO THE ACCOUNTS

8 INVESTMENTS (continued)

(b) Investments in joint ventures

	Balance sheet amount £000
At 1 January 1999	285,726
Additions during the year	122,385
	<hr/>
At 31 December 1999	408,111
	<hr/>

The above investment represents the company's interest in the following joint ventures:

<u>Lease partnership</u>	<u>% holding</u>	<u>Principal place of business</u>
Motability Car Lease	16.80	22 Southwark Bridge Road, London, SE1 9HB
Motability Car Lease "B" *	17.00	22 Southwark Bridge Road, London, SE1 9HB
Motability Car Lease "C" **	17.00	22 Southwark Bridge Road, London, SE1 9HB
Motability Car Lease "D"	17.00	22 Southwark Bridge Road, London, SE1 9HB
Motability Hire Purchase ***	16.80	22 Southwark Bridge Road, London, SE1 9HB

* Accounts made up to 31 March

** Accounts made up to 30 June

*** Accounts made up to 30 September

9 FINANCE LEASE RECEIVABLES

	1999 £000	1998 £000
Future rentals (net of provisions)	605,081	622,042
Less:		
Rentals received in advance	(16,854)	(14,046)
Income allocated to future periods	(285,513)	(308,271)
	<hr/>	<hr/>
	302,714	299,725
	<hr/>	<hr/>

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

Accumulated amortisation	196,122	241,967
General bad debt provision	14,075	14,075

10 AMOUNTS OWED BY GROUP COMPANIES

	1999 £000	1998 £000
Amounts due within one year:		
Bank deposits	46,069	48,570
Sums due from fellow subsidiary undertakings	67,326	80,914
Interest receivable	2,444	1,727
Group relief receivable	9,994	17,019
Dividends receivable	17,395	21,960
	<hr/>	<hr/>
	143,228	170,190
	<hr/>	<hr/>

NOTES TO THE ACCOUNTS

11 CALLED UP SHARE CAPITAL

	1999 £000	1998 £000
Authorised, allotted, issued and fully paid: ordinary shares of £1 each	2,000	2,000

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, 71 Lombard Street, London EC3P 3BS.

12 RESERVES

	£000
At 1 January 1999	8,633
Retained profit for the year	203
At 31 December 1999	8,836

13 PRIOR YEAR ADJUSTMENT

In previous years the investments on subsidiary undertakings was shown as the company's share of net assets. In order to comply with the accounting policies adopted elsewhere in the Lloyds TSB Group, investments in subsidiary undertakings in 1998 were reported at the lower of cost and net realisable value.

14 DEFERRED TAXATION

	£000
At 1 January 1999	81,750
Charge for the year	13,722
At 31 December 1999	95,472

The balances at 1 January and 31 December 1999 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.

15 AMOUNTS OWED TO GROUP COMPANIES

	1999 £000	1998 £000
Amounts falling due within one year:		
Bank overdraft	74,959	85,331
Bank borrowings	682,092	429,202
Amounts due to fellow subsidiary undertakings	13,966	21,352
Interest payable	10,066	9,653
Group relief payable	-	86
Interim dividend	17,700	17,200
	798,783	562,824
Amounts falling due between one and five years:		
Bank borrowings	6,887	153,768
	805,670	716,592

NOTES TO THE ACCOUNTS

16 LOANS

	1999 £000	1998 £000
Amounts repayable within one year	-	3,810
Amounts repayable within one and five years	4,326	4,324
	<hr/>	<hr/>
	4,326	8,134
	<hr/>	<hr/>

Loans are repayable by instalments and are at varying interest rates.

17 COMMITMENTS TO GROUP COMPANY

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:

	1999 £000	1998 £000
Underlying principal amount	259,416	22,447
Replacement cost	1,443	10

18 DATE OF APPROVAL

The directors approved the accounts on 6 March 2000.