

110-1543

LLOYDS LEASING
(NORTH SEA TRANSPORT)
LIMITED

31 December 1998

Member of Lloyds TSB Group



LLOYDS LEASING (NORTH SEA TRANSPORT) LIMITED
203 Blackfriars Road London SE1 8NH

DIRECTORS

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

SECRETARY

N S Black

AUDITORS

PricewaterhouseCoopers

REGISTERED OFFICE

71 Lombard Street
London EC3P 3BS

REGISTERED NUMBER

1107543

LLOYDS LEASING (NORTH SEA TRANSPORT) LIMITED

REPORT OF THE DIRECTORS

PRINCIPAL ACTIVITY

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

During the year the company incurred expenditure on leased assets totalling £18,094,000 and at the end of the year the cost of leased assets owned was £82,214,000.

The company is a partner in a leasing partnership, North Sea Marine Leasing Company.

RESULTS AND DIVIDEND

The profit after taxation for the year ended 31 December 1998 amounted to £199,000, including a net profit of £1,073,000 attributable to North Sea Marine Leasing Company after taking account of interest costs, as set out in the profit and loss account on page 5.

DIRECTORS

The following changes in directors have taken place during the year:

<u>Director's name</u>	<u>Appointed</u>	<u>Resigned</u>
A E Moore		30 April 1998
D P Pritchard	1 May 1998	
J A Davies		30 September 1998
M J Green	1 October 1998	

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

POLICY AND PRACTICE ON PAYMENT OF CREDITORS

The company does not follow a code relating to payments to suppliers. Its policy is to agree terms of payment 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 31 December 1998, the number of days required to be shown in this report, to comply with the provisions of the Companies Act 1985, is nil.

YEAR 2000

The company recognises the far-reaching implications of the Year 2000 problem. The principal risk faced by the company is a failure to maintain electronically based services to its customers. Lloyds Leasing Limited, of which the company is a subsidiary, has undertaken a review of computerised systems throughout the group, to identify any alterations needed to deal with problems arising from the failure to recognise dates before, on or after 1 January, 2000. Testing of all systems has now been satisfactorily completed and there are plans to ensure that customer service will be maintained at all times.

The group is liaising with its customers, suppliers and others to assess and minimise the impact on the group should they fail to deal adequately with this issue.

AUDITORS

The company's auditors, Price Waterhouse, merged with Coopers & Lybrand on 1 July 1998, following which Price Waterhouse resigned and the directors appointed the new firm, PricewaterhouseCoopers, as auditors.

On behalf of the board



N S Black
Secretary

14 June 1999

AUDITORS' REPORT TO THE MEMBER OF LLOYDS LEASING (NORTH SEA TRANSPORT) LIMITED

We have audited the financial statements on pages 4 to 10 which have been prepared under the historical cost convention and the accounting policies set out on page 4.

Respective responsibilities of directors and auditors

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 judgments 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 by statute, the Auditing Practices Board and by our profession's ethical guidance.

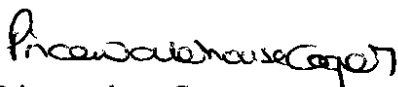
We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper 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 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. 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 1998 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

14 June 1999

LLOYDS LEASING (NORTH SEA TRANSPORT) 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. 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 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.

The accounts of the company include its share of the assets, liabilities and results of the leasing partnership in which it has an interest.

(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. Net 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, 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) 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. Income arising during the secondary lease period is recognised when due.

(c) 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.

(d) 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 LEASING (NORTH SEA TRANSPORT) LIMITED

PROFIT AND LOSS ACCOUNT
for the year ended 31 December 1998

	Note	1998 £000	1997 £000
TURNOVER	1	8,236	7,035
AMORTISATION OF LEASED ASSETS		5,066	5,973
		<hr/> 3,170	<hr/> 1,062
NET INTEREST EXPENSE	2	3,202	1,304
		<hr/> (32)	<hr/> (242)
OPERATING EXPENSES			
Administrative expenses		106	420
Management fee payable to parent company		110	120
		<hr/> 216	<hr/> 540
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(248)	(782)
TAXATION CREDIT	3	447	428
PROFIT (LOSS) AFTER TAXATION		<hr/> 199	<hr/> (354)

There are no further gains or losses attributable to the shareholder other than those disclosed above.

The notes on pages 8 to 10 form part of these accounts.

LLOYDS LEASING (NORTH SEA TRANSPORT) LIMITED

RECONCILIATION OF MOVEMENTS IN CAPITAL AND RESERVES
for the year ended 31 December 1998

	1998 £000	1997 £000
PROFIT (LOSS) FOR THE YEAR AFTER TAXATION/ NET INCREASE (DECREASE) IN CAPITAL AND RESERVES	199	(354)
CAPITAL AND RESERVES AT BEGINNING OF YEAR	(330)	24
	<hr/>	<hr/>
CAPITAL AND NEGATIVE RESERVES AT END OF YEAR	(131)	(330)
	<hr/>	<hr/>

The notes on pages 8 to 10 form part of these accounts

LLOYDS LEASING (NORTH SEA TRANSPORT) LIMITED

BALANCE SHEET
at 31 December 1998

	Note	1998 £000	1997 £000
ASSETS			
CURRENT ASSETS			
DEBTORS			
Finance lease receivables			
within one year		6,392	4,530
after more than one year		54,409	43,460
	4	60,801	47,990
Amounts owed by group companies	6	4,136	4,022
Other debtors		-	40
		64,937	52,052
LIABILITIES			
CAPITAL AND RESERVES			
Called up share capital	7	5	5
Profit and loss account	8	(136)	(335)
		(131)	(330)
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred taxation	9	11,088	9,526
CREDITORS			
Amounts owed to group companies	10	53,897	42,290
Other creditors		83	566
		53,980	42,856
		64,937	52,052

Director

Witchard

Director

P. R. →

The notes on pages 8 to 10 form part of these accounts.

LLOYDS LEASING (NORTH SEA TRANSPORT) LIMITED

NOTES TO THE ACCOUNTS

1 TURNOVER

Turnover represents gross rentals receivable in the year.

2 NET INTEREST EXPENSE

	1998 £000	1997 £000
Net interest expense comprises:		
Interest payable to group companies on bank loans and overdrafts	3,202	1,726
Less: interest receivable from group companies	-	(421)
from others	-	(1)
	-	(422)
	3,202	1,304

3 TAXATION CREDIT

	1998 £000	1997 £000
Group relief receivable - current year	2,009	878
Group relief payable - prior year	-	(39)
Deferred taxation	(1,562)	(411)
	447	428

The taxation charge on the profit for the year has been based on a United Kingdom corporation tax rate of 31% (1997: 31.5%).

The movement in the deferred tax balance includes a one off credit amounting to £375,000 (1997: £568,000), as a consequence of the reduction in the corporation tax rate from 31% to 30% (1997: 33% to 31%). 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.

LLOYDS LEASING (NORTH SEA TRANSPORT) LIMITED

NOTES TO THE ACCOUNTS

4 FINANCE LEASE RECEIVABLES

	1998 £000	1997 £000
Future rentals	104,251	112,982
Less:		
Rentals received in advance	(854)	(635)
Income allocated to future periods	(42,596)	(64,357)
	<hr/>	<hr/>
	60,801	47,990
	<hr/>	<hr/>

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

Accumulated amortisation	20,559	20,011
--------------------------	--------	--------

5 LEASING PARTNERSHIP

The company has an interest in the following leasing partnership:

<u>Partnership</u>	<u>% Holding</u>	<u>Business</u>	<u>Principal place of business</u>
North Sea Marine Leasing Company	25	Leasing	41 Tower Hill, London, EC3N 4HA

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

6 AMOUNTS OWED BY GROUP COMPANIES

	1998 £000	1997 £000
Amounts falling due within one year:		
Group relief receivable	4,136	4,022
	<hr/>	<hr/>

7 CALLED UP SHARE CAPITAL

	1998 £000	1997 £000
Authorised:		
Ordinary shares of £1 each	5	5
5% Redeemable preference shares of £1 each	3,000	3,000
	<hr/>	<hr/>
Allotted and issued fully paid:		
Ordinary shares of £1 each	5	5
	<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 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.

LLOYDS LEASING (NORTH SEA TRANSPORT) LIMITED

NOTES TO THE ACCOUNTS

8 PROFIT AND LOSS ACCOUNT

£000

At 1 January 1998	(335)
Retained profit for the year	199

At 31 December 1998	(136)
---------------------	-------

9 DEFERRED TAXATION

£000

At 1 January 1998	9,526
Charge for the year	1,562

At 31 December 1998	11,088
---------------------	--------

10 AMOUNTS OWED TO GROUP COMPANIES

1998
£000

1997
£000

Amounts falling due within one year:

Bank overdraft	5,895	7,601
Bank borrowings	45,004	31,074
Sums due to fellow subsidiary undertaking	60	-
Interest payable	433	18
Group relief payable	2,055	3,147
Interim dividend	450	450

53,897

42,290

11 DATE OF APPROVAL

The directors approved the accounts on 14 June 1999.