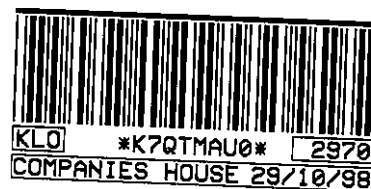


LLOYDS LEASING DEVELOPMENTS LIMITED

31 December 1997

Member of Lloyds TSB Group



LLOYDS LEASING DEVELOPMENTS 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

1856355

# LLOYDS LEASING DEVELOPMENTS LIMITED

## REPORT OF THE DIRECTORS

### PRINCIPAL ACTIVITY

The principal activity of the company is property investment.

During the year the company incurred no expenditure on leased assets and at the end of the year the cost of leased assets amounted to £131,472,000.

### RESULTS

The profit after taxation for the year ended 31 December 1997 amounted to £1,635,000 as set out in the profit and loss account on page 5.

An interim dividend of £1,600,000 will be paid in November 1998.

### DIRECTORS

### DIRECTORS

Since the balance sheet date the following changes to the board of directors have occurred:

<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

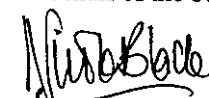
The company's policy is to agree terms of payment with suppliers and these normally provide for payment within 30 days after the date of the invoice, except where other arrangements have been negotiated. It is the policy of the company to abide by the agreed terms of payment, provided the supplier performs according to the terms of the contract.

The number of days to be shown in this report, to comply with the provisions of paragraph 12(3) of part VI of schedule 7 to 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 1997 bears to the aggregate of the amounts invoiced by suppliers during the year.

### AUDITORS

On 14 September 1998, Price Waterhouse resigned as auditors of the company and PricewaterhouseCoopers were appointed in their place.

On behalf of the board



N S Black  
Secretary

27 October 1998

## AUDITORS' REPORT TO THE MEMBER OF LLOYDS LEASING DEVELOPMENTS 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 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 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 have responsibility for ensuring the company keeps accounting records which disclose with reasonable accuracy 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.

It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

### Basis of 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 affairs of the company as at 31 December 1997 and of the profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*PricewaterhouseCoopers*

PricewaterhouseCoopers  
Chartered Accountants  
and Registered Auditors

Southwark Towers  
32 London Bridge Street  
London SE1 9SY

27 October 1998

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.

(a) Change in accounting presentation

The financial statements have been amended to incorporate the requirements of UITF Abstract 16 'Income and expenditure subject to non standard rates of tax', which became effective for accounting periods ending on or after 23 June 1997. It requires that income and expenses be included in the profit before taxation on the basis of the amounts actually payable or receivable, without any adjustment to reflect a notional amount of tax that would have been paid or relieved in respect of the transaction if it had been taxable, or allowable for tax purposes on a different basis. Accordingly, notional income and tax adjustments are no longer included in the accounts. However, in order to preserve the recognition of profit after tax in accordance with the actuarial after tax method, tax equalisation adjustments are made on those transactions which include permanent tax differences resulting from income and expenses subject to non standard rates of tax. There is no impact on the profit after tax arising from this change.

(b) Income recognition - finance leases

(i) Tax variable 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 pre-tax profits are determined by reference to the post-tax profit allocated at the effective rate of tax applicable to the lease for the period.

(ii) Fixed for tax leases

Rentals receivable, after adjusting for the amortisation of the cost of leased assets either positive or negative, are credited to the profit and loss account over the primary period of each lease in proportion to the net cash invested in each period, taking into account the effects of taxation.

(b) 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.

(c) 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 DEVELOPMENTS LIMITED

PROFIT AND LOSS ACCOUNT

for the year ended 31 December 1997

	Note	1997 £000	Restated 1996 £000
TURNOVER	1	8,491	17,933
AMORTISATION OF LEASED ASSETS		6,031	(1,729)
		<hr/> 14,522	<hr/> 16,204
INTEREST EXPENSE	2	14,772	15,968
		<hr/> (250)	<hr/> 236
OTHER INCOME		-	20
		<hr/> (250)	<hr/> 256
OPERATING EXPENSES			
Administrative expenses		37	266
Management fee payable to parent company		63	51
		<hr/> 100	<hr/> 317
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		<hr/> (350)	<hr/> (61)
TAXATION CREDIT	3	1,985	2,596
PROFIT AFTER TAXATION		<hr/> 1,635	<hr/> 2,535

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 DEVELOPMENTS LIMITED

RECONCILIATION OF MOVEMENTS IN CAPITAL AND RESERVES  
for the year ended 31 December 1997

	1997 £000	Restated 1996 £000
PROFIT FOR THE YEAR AFTER TAXATION	1,635	2,535
DIVIDEND	1,600	2,530
	<hr/>	<hr/>
NET INCREASE IN CAPITAL AND RESERVES	35	5
CAPITAL AND RESERVES AT BEGINNING OF YEAR	119	114
	<hr/>	<hr/>
CAPITAL AND RESERVES AT END OF YEAR	154	119
	<hr/>	<hr/>

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

LLOYDS LEASING DEVELOPMENTS LIMITED

BALANCE SHEET  
at 31 December 1997

	Note	1997 £000	1997 £000	Restated 1996 £000	Restated 1996 £000
CURRENT ASSETS					
DEBTORS					
Finance lease receivables after more than one year	4		175,466		169,599
Amounts owed by group companies	5		1,712		4,044
			<hr/>		<hr/>
			177,178		173,643
			<hr/>		<hr/>
LIABILITIES					
CAPITAL AND RESERVES					
Called up share capital	6		100		100
Profit and loss account	7		54		19
			<hr/>		<hr/>
			154		119
PROVISIONS FOR LIABILITIES AND CHARGES					
	8		19,585		19,865
CREDITORS					
Amounts owed to group companies	9	157,427		151,945	
Other creditors		12		1,714	
		<hr/>		<hr/>	
			157,439		153,659
			<hr/>		<hr/>
			177,178		173,643
			<hr/>		<hr/>



D P Pritchard - Chairman



P B Miles - Managing Director

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



# LLOYDS LEASING DEVELOPMENTS LIMITED

## NOTES TO THE ACCOUNTS

### 1 TURNOVER

Turnover represents gross rentals receivable in the year.

### 2 INTEREST EXPENSE

	1997 £000	1996 £000
Interest expense comprises:		
Interest payable to group companies on bank loans and overdrafts	14,772	16,171
Less: interest receivable from group companies	-	(203)
	<u>14,772</u>	<u>15,968</u>

### 3 TAXATION CREDIT

	1997 £000	Restated 1996 £000
Group relief receivable - current year	1,461	2,079
Group relief receivable (payable) - prior year	244	(165)
Deferred taxation	600	(1,987)
Tax equalisation	(320)	2,669
	<u>1,985</u>	<u>2,596</u>

The taxation credit on the loss for the year has been based on a United Kingdom corporation tax rate of 31.5% (1996: 33%).

The movement in the deferred tax balance includes a one off credit amounting to £2,080,000 (1996: Nil), as a consequence of the reduction in the rate of corporation tax from 33% 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.

### 4 FINANCE LEASE RECEIVABLES

	1997 £000	Restated 1996 £000
Future rentals	247,376	257,346
Less:		
Rentals received in advance	(852)	(687)
Income allocated to future periods	(71,058)	(87,060)
	<u>175,466</u>	<u>169,599</u>

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

Accumulated amortisation	<u>44,846</u>	<u>38,815</u>
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LLOYDS LEASING DEVELOPMENTS LIMITED

NOTES TO THE ACCOUNTS

5 AMOUNTS OWED BY GROUP COMPANIES

	1997 £000	1996 £000
Amounts falling due within one year:		
Bank deposits	-	1,965
Group relief receivable	1,712	2,079
	<hr/>	<hr/>
	1,712	4,044
	<hr/>	<hr/>

6 CALLED UP SHARE CAPITAL

	1997 £000	1996 £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 Bank plc is the parent company of the smallest such group of companies. Copies of the group accounts of both companies may be obtained from the company secretary's office, Lloyds TSB Group plc, 71 Lombard Street, London EC3P 3BS.

7 PROFIT AND LOSS ACCOUNT

	£000
At 1 January 1997	19
Retained profit for the year	35
	<hr/>
At 31 December 1997	54
	<hr/>

# LLOYDS LEASING DEVELOPMENTS LIMITED

## NOTES TO THE ACCOUNTS

### 8 PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred taxation £000	Tax equalisation £000	Balance sheet amounts £000
At 1 January 1997 (restated)	14,927	4,938	19,865
(Credit) charge for the year	(600)	320	(280)
	<hr/>	<hr/>	<hr/>
At 31 December 1997	14,327	5,258	19,585
	<hr/>	<hr/>	<hr/>

The deferred taxation balances at 1 January and 31 December 1997 represent full provision in respect of the potential liability of the company for taxation on the excess of capital allowances over related amortisation of leased assets.

### 9 AMOUNTS OWED TO GROUP COMPANIES

	1997 £000	1996 £000
Amounts falling due within one year:		
Bank overdraft	1,314	-
Bank borrowings	151,757	149,199
Interest payable	226	216
Interim dividend	4,130	2,530
	<hr/>	<hr/>
	157,427	151,945
	<hr/>	<hr/>

### 10 CAPITAL AND OTHER 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:

	1997 £000	1996 £000
Underlying principal amount	94,619	137,193
Replacement cost	33,105	22,184

### 11 DATE OF APPROVAL

The directors approved the accounts on 27 October 1998.