

LLOYDS LEASING DEVELOPMENTS LIMITED

31 December 1999

Member of Lloyds TSB Group



LLOYDS LEASING DEVELOPMENTS LIMITED
203 Blackfriars Road London SE1 8NH

DIRECTORS

D P Pritchard - Chairman
M J Green
P B Miles (alternate: A R Foad)
R S King
R R Seggins

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.

At the end of the year the cost of leased assets owned amounted to £112,826,000.

RESULTS

The profit after taxation for the year ended 31 December 1999 amounted to £2,482,000 as set out in the profit and loss account on page 5.

An interim dividend of £2,500,000 will be paid in June 2000.

DIRECTORS

The following changes in directors have taken place since the balance sheet date:

| <u>Director's name</u> | <u>Appointed</u> | <u>Resigned</u> |
|------------------------|------------------|-----------------|
| D H A Harrison | | 6 March 2000 |
| R S King | 6 March 2000 | |
| R R Seggins | 6 March 2000 | |

All the directors are also directors of Lloyds TSB 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 TSB Leasing Limited.

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.

As the company owed no amounts to trade creditors at 31 December 1999, 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

Lloyds TSB Leasing Limited, of which the company is a subsidiary, 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 the group's policy was to ensure that the systems and business processes were not affected by these problems.

The successful implementation of the group's 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.

All costs relating to the company's year 2000 preparations were borne by Lloyds TSB Leasing Limited and have been disclosed in that company's accounts.

On behalf of the board



N S Black
Secretary

5 June 2000

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

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, by the Auditing Practices Board and 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.

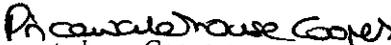
Basis of audit opinion

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

5 June 2000

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 (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) Accounting presentation

A property investment 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 property investment 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

Income and expenses are 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. 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.

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.

(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 DEVELOPMENTS LIMITED

PROFIT AND LOSS ACCOUNT
for the year ended 31 December 1999

| | Note | 1999 | 1998 |
|--|------|--------|--------|
| | | £000 | £000 |
| TURNOVER | 1 | 10,546 | 11,847 |
| AMORTISATION OF LEASED ASSETS | | 2,785 | 4,407 |
| | | <hr/> | <hr/> |
| | | 13,331 | 16,254 |
| INTEREST EXPENSE | 2 | 11,151 | 14,334 |
| | | <hr/> | <hr/> |
| | | 2,180 | 1,920 |
| | | | |
| OPERATING EXPENSES | | | |
| Administrative expenses | | 1 | 4 |
| Management fee payable to parent company | | 55 | 63 |
| | | <hr/> | <hr/> |
| | | 56 | 67 |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | | <hr/> | <hr/> |
| | | 2,124 | 1,853 |
| TAXATION CREDIT (CHARGE) | 3 | 358 | (86) |
| | | <hr/> | <hr/> |
| PROFIT AFTER TAXATION | | 2,482 | 1,767 |
| | | <hr/> | <hr/> |

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 1999

| | 1999 £000 | 1998 £000 |
|---|--------------|--------------|
| PROFIT FOR THE YEAR AFTER TAXATION | 2,482 | 1,767 |
| DIVIDEND | 2,500 | 1,800 |
| | <hr/> | <hr/> |
| NET DECREASE IN CAPITAL AND RESERVES | (18) | (33) |
| CAPITAL AND RESERVES AT BEGINNING OF YEAR | 121 | 154 |
| | <hr/> | <hr/> |
| CAPITAL AND RESERVES AT END OF YEAR | 103 | 121 |
| | <hr/> | <hr/> |

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

LLOYDS LEASING DEVELOPMENTS LIMITED

BALANCE SHEET
at 31 December 1999

| | Note | 1999 | | 1998 | |
|---|------|---------|---------|---------|---------|
| | | £000 | £000 | £000 | £000 |
| CURRENT ASSETS | | | | | |
| DEBTORS | | | | | |
| Finance lease receivables | | | | | |
| within one year | | | - | | 29,515 |
| after more than one year | | | 154,630 | | 150,758 |
| | | | <hr/> | | <hr/> |
| | 4 | | 154,630 | | 180,273 |
| | | | <hr/> | | <hr/> |
| LIABILITIES | | | | | |
| CAPITAL AND RESERVES | | | | | |
| Called up share capital | 5 | | 100 | | 100 |
| Profit and loss account | 6 | | 3 | | 21 |
| | | | <hr/> | | <hr/> |
| | | | 103 | | 121 |
| PROVISIONS FOR LIABILITIES AND CHARGES | 7 | | 18,573 | | 19,216 |
| CREDITORS | | | | | |
| Amounts owed to group companies | 8 | 135,938 | | 160,921 | |
| Other creditors | | 16 | | 15 | |
| | | <hr/> | | <hr/> | |
| | | | 135,954 | | 160,936 |
| | | | <hr/> | | <hr/> |
| | | | 154,630 | | 180,273 |
| | | | <hr/> | | <hr/> |

Director

Richard -

Director

A. B.

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

| | |
|------|------|
| 1999 | 1998 |
| £000 | £000 |

Interest expense comprises:

| | | |
|--|--------|--------|
| Interest payable to group companies on bank loans and overdrafts | 11,151 | 14,334 |
| | <hr/> | <hr/> |

3 TAXATION CREDIT (CHARGE)

| | |
|------|------|
| 1999 | 1998 |
| £000 | £000 |

| | | |
|-------------------------------------|-------|-------|
| Group relief payable - current year | (285) | (202) |
| - prior year | - | (253) |
| Deferred taxation | 1,524 | (125) |
| Tax equalisation | (881) | 494 |
| | <hr/> | <hr/> |
| | 358 | (86) |
| | <hr/> | <hr/> |

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

4 FINANCE LEASE RECEIVABLES

| | |
|------|------|
| 1999 | 1998 |
| £000 | £000 |

| | | |
|---------------------------------------|-----------|-----------|
| Future rentals | 279,227 | 324,932 |
| Less: | | |
| Rentals received in arrears (advance) | 159 | (451) |
| Income allocated to future periods | (124,756) | (144,208) |
| | <hr/> | <hr/> |
| | 154,630 | 180,273 |
| | <hr/> | <hr/> |

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

| | | |
|--------------------------|--------|--------|
| Accumulated amortisation | 41,644 | 44,260 |
| | <hr/> | <hr/> |

LLOYDS LEASING DEVELOPMENTS LIMITED

NOTES TO THE ACCOUNTS

5 CALLED UP SHARE CAPITAL

| | 1999 £000 | 1998 £000 |
|---|--------------|--------------|
| Authorised, allotted and issued fully paid ordinary shares of £1 each | 100 | 100 |

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 companies may be obtained from the company secretary's office, Lloyds TSB Group plc, 71 Lombard Street, London EC3P 3BS.

6 PROFIT AND LOSS ACCOUNT

| | £000 |
|----------------------------|------|
| At 1 January 1999 | 21 |
| Retained loss for the year | (18) |
| At 31 December 1999 | 3 |

7 PROVISIONS FOR LIABILITIES AND CHARGES

| | Deferred taxation £000 | Tax equalisation £000 | Balance sheet amounts £000 |
|------------------------------|------------------------------|-----------------------------|-------------------------------------|
| At 1 January 1999 | 14,452 | 4,764 | 19,216 |
| (Credit) charge for the year | (1,524) | 881 | (643) |
| At 31 December 1999 | 12,928 | 5,645 | 18,573 |

The deferred taxation balances at 1 January and 31 December 1999 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 and other short-term timing differences.

8 AMOUNTS OWED TO GROUP COMPANIES

| | 1999 £000 | 1998 £000 |
|---|--------------|--------------|
| Amounts falling due within one year: | | |
| Bank overdraft | 3,896 | 3,457 |
| Bank borrowings | 127,098 | 153,660 |
| Sum due to fellow subsidiary undertakings | 567 | 125 |
| Interest payable | 207 | 237 |
| Group relief payable | 1,670 | 1,642 |
| Interim dividend | 2,500 | 1,800 |
| | 135,938 | 160,921 |

LLOYDS LEASING DEVELOPMENTS LIMITED

NOTES TO THE ACCOUNTS

9 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:

| | 1999 £000 | 1998 £000 |
|-----------------------------|--------------|--------------|
| Underlying principal amount | 54,515 | 96,022 |
| Replacement cost | 25,612 | 47,264 |

10 DATE OF APPROVAL

The directors approved the accounts on 5 June 2000.