

LLOYDS UDT BUSINESS LEASING LIMITED
(formerly Lloyds Bowmaker Business Leasing Limited)

REPORT OF THE DIRECTORS AND ACCOUNTS
FOR THE YEAR ENDED 30TH SEPTEMBER 1998



Registered number 586974

LLOYDS UDT BUSINESS LEASING LIMITED
(formerly Lloyds Bowmaker Business Leasing Limited)

DIRECTORS

J. M. Bury
P. F. Hook
M. P. Kilbee

REPORT OF THE DIRECTORS

The directors submit herewith the Balance Sheet at 30th September 1998, together with the Profit and Loss Account for the year ended on that date.

RESULT AND DIVIDEND

The result for the year is set out in the attached Profit and Loss Account. The directors declared a dividend of £920,000 for the year.

CHANGE OF NAME

The company changed its name from Lloyds Bowmaker Business Leasing Limited to Lloyds UDT Business Leasing Limited on 1st July 1999.

PRINCIPAL ACTIVITY

The principal activity of the company is leasing.

BUSINESS REVIEW

The year end financial position was satisfactory. The directors anticipate that the level of business will be maintained in the following year.

DIRECTORS

Mr P. F. Hook was a director throughout the year. Mr D. A. Baggaley retired as a director on 6th March 1998 and Mr M. P. Kilbee was appointed on that date. Mr J. M. Bury was appointed on 12th April 1999.

None of the directors had a beneficial interest in the shares of the company during the year. The interests of the directors in the shares and options to subscribe for shares in other group companies were as follows:-

	At 30.9.98		Options Granted During year	At 1.10.97 or date of appointment	
	Shares	Options		Shares	Options
In the ordinary shares of 25p each of Lloyds TSB Group plc:					
P.F. Hook	3,145	34,146	20,000	3,145	14,146
M. P. Kilbee	32,271	12,146	-	32,271	12,146

AUDITORS

Our auditors, Price Waterhouse, merged with Coopers & Lybrand on 1st July 1998 and the directors appointed the new firm, PricewaterhouseCoopers, as auditors to the company on 25th September 1998.

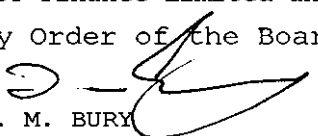
YEAR 2000

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 UDT Finance 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 1st January 2000. A significant proportion of the necessary changes have now been made and there are plans to ensure that customer service will be maintained at all times. In that regard, comprehensive testing will continue throughout 1999.

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.

All costs relating to the company's Year 2000 preparations are being borne by Lloyds UDT Finance Limited and have been disclosed in that company's accounts.

By Order of the Board,


J. M. BURY
Director
14th July 1999

LLOYDS UDT BUSINESS LEASING LIMITED
(formerly Lloyds Bowmaker Business Leasing Limited)

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the profit of the company for that year. In preparing those accounts, 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 accounts; and
- * prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors confirm that the accounts comply with the above requirements.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts 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.

REPORT OF THE AUDITORS
TO THE MEMBERS OF LLOYDS UDT BUSINESS LEASING LIMITED
(formerly Lloyds Bowmaker Business Leasing Limited)

We have audited the accounts on pages 3 to 8 which have been prepared under the historical cost convention and the accounting policies set out on page 5.

Respective responsibilities of directors and auditors

As described above the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

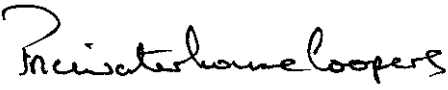
Basis of opinion

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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts are free from material mis-statement, 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of the company's affairs at 30th September 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


PRICEWATERHOUSECOOPERS
Chartered Accountants
and Registered Auditors
Albany House
58 Albany Street
Edinburgh EH1 3QR
14th July 1999

LLOYDS UDT BUSINESS LEASING LIMITED
(formerly Lloyds Bowmaker Business Leasing Limited)

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30TH SEPTEMBER 1998

	<u>Notes</u>	<u>1998</u> £	<u>1997</u> £
TURNOVER	2	6,993,778	3,779,736
INTEREST PAYABLE	4	(3,033,041)	(2,021,451)
OTHER OPERATING CHARGES		(2,734,165)	(1,132,040)
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	1,226,572	626,245
TAXATION ON PROFIT ON ORDINARY ACTIVITIES	5	(293,130)	(33,378)
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		933,442	592,867
DIVIDEND DECLARED		(920,000)	(585,000)
		<hr/>	<hr/>
		13,442	7,867
RETAINED PROFIT BROUGHT FORWARD		13,119	5,252
		<hr/>	<hr/>
RETAINED PROFIT CARRIED FORWARD		<u>26,561</u>	<u>13,119</u>

There are no recognised gains and losses other than the profit for the year and all operations are continuing.

The notes on pages 5 to 8 form part of these accounts.


LLOYDS UDT BUSINESS LEASING LIMITED
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BALANCE SHEET

AT 30TH SEPTEMBER 1998

	<u>Notes</u>	<u>1998</u> £	<u>1997</u> £
FIXED ASSETS			
Operating lease assets	6	16,666,109	14,006,161
CURRENT ASSETS			
Debtors: due within one year	7	17,990,055	21,233,179
due after more than one year	7	23,633,616	29,629,748
		41,623,671	50,862,927
CREDITORS: amounts due within one year	8	(49,962,391)	(55,127,388)
NET CURRENT LIABILITIES		(8,338,720)	(4,264,461)
TOTAL ASSETS LESS CURRENT LIABILITIES		8,327,389	9,741,700
PROVISIONS FOR LIABILITIES AND CHARGES	9	(3,227,000)	(3,015,000)
ACCRUALS AND DEFERRED INCOME	10	(5,063,828)	(6,703,581)
NET ASSETS		36,561	23,119
CAPITAL AND RESERVES			
CALLED-UP SHARE CAPITAL	11	10,000	10,000
PROFIT AND LOSS ACCOUNT		26,561	13,119
SHAREHOLDERS' FUNDS		36,561	23,119

The notes on pages 5 to 8 form part of these accounts.


J. M. BURY
Director

LLOYDS UDT BUSINESS LEASING LIMITED
(formerly Lloyds Bowmaker Business Leasing Limited)

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

(a) Accounting Convention:

The accounts are prepared under the historical cost convention 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 Financial Reporting Standard 1 is included in the accounts of its ultimate holding company, Lloyds TSB Group plc.

The company is exempted from reporting intra-group related party transactions in accordance with Financial Reporting Standard 8 because it is wholly owned by Lloyds UDT Finance Limited.

(b) Income Recognition - Finance Leases:

Income from finance leasing contracts is credited to the profit and loss account over the period of investment in proportion to the level of net funds invested.

(c) Depreciation of Operating Lease Assets:

Depreciation of operating lease assets is calculated so as to give a release of net income from those assets to the profit and loss account over the period of investment in proportion to the level of net funds invested.

(d) Deferred Taxation:

Deferred taxation is provided at appropriate rates of corporation tax in respect of timing differences where there is a reasonable probability that such taxation will become payable in the foreseeable future.

2. TURNOVER

Turnover represents the amount of leasing income earned under instalment finance arrangements.

During the year aggregate receivables were £19,036,882 (1997, £11,829,183). The cost of assets acquired during the year under leasing contracts was £13,236,613 (1997, £30,582,883).

3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	1998 £	1997 £
The following have been taken into account in arriving at the profit:		
Audit fee	10,000	2,000
Directors' emoluments	-	-
Bad and doubtful debts charge	28,833	259,591
Depreciation of operating lease assets	2,466,660	590,981
4. INTEREST PAYABLE		
On loan from group company	3,033,041	2,021,451

LLOYDS UDT BUSINESS LEASING LIMITED
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NOTES TO THE ACCOUNTS

5. TAXATION	<u>1998</u> £	<u>1997</u> £
Current year:		
Corporation tax payable at 31%	26,730	-
Group relief receivable at 31% (1997; 32%)	-	(675,629)
Transfer to deferred taxation	264,700	708,991
Notional taxation charge on regional development grants	-	16
	<hr/> 291,430	<hr/> 33,378
Prior year adjustments:		
Group relief	54,400	991
Deferred taxation	(52,700)	(991)
	<hr/> 293,130	<hr/> 33,378

The benefit in the current year tax charge of £88,000 arises as a result of the change in the rate at which deferred taxation is provided.

6. OPERATING LEASE ASSETS	£
Cost:	
At 30th September 1997	14,616,504
Additions	5,493,028
Disposals	(517,223)
	<hr/> 19,592,309
At 30th September 1998	
Depreciation:	
At 30th September 1997	610,343
Charge	2,466,660
Disposals	(150,803)
	<hr/> 2,926,200
At 30th September 1998	
Net book value	
At 30th September 1998	<hr/> 16,666,109
At 30th September 1997	<hr/> 14,006,161

LLOYDS UDT BUSINESS LEASING LIMITED
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NOTES TO THE ACCOUNTS

7. DEBTORS

	<u>1998</u>		<u>1997</u>	
	Due within	Due after	Due within	Due after
	<u>one year</u>	<u>one year</u>	<u>one year</u>	<u>one year</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
Trade debtors:				
Rentals receivable under leasing contracts, less provisions	17,668,959	23,633,616	16,701,767	29,629,748
Group relief receivable	273,875	-	675,629	-
Amounts owed by parent and fellow subsidiary companies	-	-	3,769,710	-
Other debtors	47,221	-	86,073	-
	<u>17,990,055</u>	<u>23,633,616</u>	<u>21,233,179</u>	<u>29,629,748</u>

8. CREDITORS: amounts falling due within one year	<u>1998</u>	<u>1997</u>
	<u>£</u>	<u>£</u>
Amounts owed to parent and fellow subsidiary companies	46,820,863	49,363,083
Trade creditors	2,003,166	5,096,304
Other creditors	191,632	83,001
Dividend declared	920,000	585,000
Corporation tax payable	26,730	-
	<u>49,962,391</u>	<u>55,127,388</u>

9. PROVISIONS FOR LIABILITIES AND CHARGES

Deferred Taxation:	<u>£</u>
Balance at 30th September 1997	3,015,000
Transfer from Profit and Loss Account	212,000
	<u>3,227,000</u>
Balance at 30th September 1998	

The amounts provided at 30th September 1997 and 1998 were the full potential liabilities and were attributable to accelerated capital allowances.

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NOTES TO THE ACCOUNTS

10.	ACCRUALS AND DEFERRED INCOME	<u>1998</u>	<u>1997</u>
		£	£
	Unearned leasing income	5,062,538	6,702,158
	Unearned credit insurance commission	1,290	1,423
		<hr/>	<hr/>
		<u>5,063,828</u>	<u>6,703,581</u>

11. SHARE CAPITAL

Authorised, allotted, called-up and fully paid: 10,000 Ordinary shares of £1 each	<u>10,000</u>	<u>10,000</u>
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12. APPROVAL OF ACCOUNTS

These accounts were approved by the Board of Directors on 14th July 1999.

13. PARENT COMPANIES

The company's ultimate parent company is Lloyds TSB Group plc. A copy of its group accounts can be obtained from Lloyds TSB Group plc, 71 Lombard Street, London EC3P 3BS.

At 30th September 1998 the company's intermediate parent company was Lloyds UDT Limited. On 1st July 1999 Lloyds UDT Limited changed its name to Lloyds UDT Finance Limited. A copy of its group accounts can be obtained from Lloyds UDT Finance Limited, 51 Holdenhurst Road, Bournemouth BH8 8EP.