

PRECISION LEASING LIMITED

REPORT OF THE DIRECTORS AND ACCOUNTS
FOR THE YEAR ENDED 31ST MARCH 1999



Registered number 995183

PRECISION LEASING LIMITED

DIRECTORS

J. M. Bury
J. L. Davies
M. P. Kilbee

REPORT OF THE DIRECTORS

The directors submit herewith the Balance Sheet at 31st March 1999 together with the Profit and Loss Account for the year ended on that date.

PROFIT AND DIVIDEND

The profit for the year is set out in the attached Profit and Loss Account. The directors propose payment of a dividend of £300,000 for the year.

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 run down in the following year.

DIRECTORS

Mr P. F. Hook and Mr M. P. Kilbee were directors throughout the year. Mr J. M. Bury was appointed on 12th April 1999. Mr P. F. Hook resigned on 31st December 1999 and Mr J. L. Davies was appointed on 1st January 2000.

Neither of the directors had a beneficial interest in the shares of the company during the year. The interests of the directors in the ordinary shares and options to subscribe for shares in other group companies were as follows:-

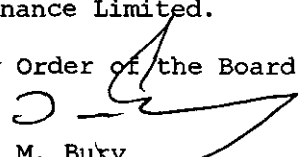
| | <u>At 31.3.99</u> | | <u>Options granted during year</u> | <u>At 1.4.98</u> | |
|--|-------------------|----------------|--|------------------|----------------|
| | <u>Shares</u> | <u>Options</u> | | <u>Shares</u> | <u>Options</u> |
| In the ordinary shares of 25p each of Lloyds TSB Group plc: | | | | | |
| P. F. Hook | 3,175 | 49,146 | 15,000 | 3,145 | 34,146 |
| M. P. Kilbee | 29,480 | 16,146 | 4,000 | 31,837 | 12,146 |

YEAR 2000

The company is a member of the Lloyds UDT Finance group of companies, and because it utilises common information systems, is subject to the same risks and uncertainties in connection with respect to the Year 2000 issue as its parent Lloyds UDT Finance Limited. The directors of Lloyds UDT Finance Limited undertook a detailed program to review, test and evaluate the group's, and therefore the company's, ability to process transactions with dates beyond 31st December 1999. The review programme also encompassed the impact of Year 2000 issues on relations with certain key customers and suppliers, where the relationship may have a material impact on the group's, and also the company's operations or financial statements. The cost of this program has been borne by Lloyds UDT Finance Limited.

The primary critical date of 1st January 2000 has passed without any significant impact on the company's operations. Full details of the Year 2000 review program, and the related costs incurred can be found in the financial statements of Lloyds UDT Finance Limited.

By Order of the Board


J. M. Bury
Director
12th January 2000

PRECISION 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 PRECISION LEASING LIMITED

We have audited the accounts on pages 3 to 7.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the accounts as described above. 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 accounts 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 accounts, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

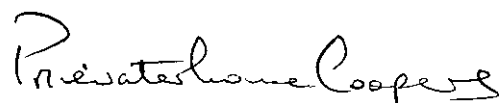
Basis of audit opinion

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 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 as at 31st March 1999 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
Erskine House
68-73 Queen Street
EDINBURGH EH2 4NH
12th January 2000

PRECISION LEASING LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST MARCH 1999

| | <u>Notes</u> | <u>1999</u> £ | Restated (Note 1) <u>1998</u> £ |
|--|--------------|------------------|--|
| TURNOVER | 2 | 2,811,806 | 3,675,796 |
| OTHER OPERATING CHARGES | | (322,503) | (790,318) |
| INTEREST PAYABLE | 4 | (2,169,119) | (2,808,373) |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | 3 | <u>320,184</u> | <u>77,105</u> |
| TAXATION ON PROFIT ON ORDINARY ACTIVITIES | 5 | (25,080) | 211,195 |
| PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION | | <u>295,104</u> | <u>288,300</u> |
| DIVIDEND PAID | | - | (2,000,000) |
| DIVIDEND PROPOSED | | (300,000) | (520,000) |
| | | <u>(4,896)</u> | <u>(2,231,700)</u> |
| RETAINED PROFIT BROUGHT FORWARD | | <u>5,108</u> | <u>2,236,808</u> |
| RETAINED PROFIT CARRIED FORWARD | | <u>212</u> | <u>5,108</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 7
form part of these accounts.

PRECISION LEASING LIMITED

BALANCE SHEET

AT 31ST MARCH 1999

| | <u>Notes</u> | <u>1999</u> £ | <u>1998</u> £ |
|---|--------------|------------------|------------------|
| CURRENT ASSETS | | | |
| Debtors: due within one year | 6 | 13,165,110 | 21,787,294 |
| due after more than one year | 6 | 16,651,559 | 31,708,619 |
| | | <hr/> | <hr/> |
| | | 29,816,669 | 53,495,913 |
| CREDITORS: amounts falling due within one year | 7 | (23,214,147) | (43,715,123) |
| | | <hr/> | <hr/> |
| NET CURRENT ASSETS | | 6,602,522 | 9,780,790 |
| PROVISIONS FOR LIABILITIES AND CHARGES | 8 | (4,215,000) | (4,590,000) |
| ACCRUALS AND DEFERRED INCOME | 9 | (2,386,310) | (5,184,682) |
| | | <hr/> | <hr/> |
| NET ASSETS | | <u>1,212</u> | <u>6,108</u> |
| CAPITAL AND RESERVES | | | |
| CALLED-UP SHARE CAPITAL | 10 | 1,000 | 1,000 |
| PROFIT AND LOSS ACCOUNT | | 212 | 5,108 |
| | | <hr/> | <hr/> |
| SHAREHOLDERS' FUNDS | | <u>1,212</u> | <u>6,108</u> |

The notes on pages 5 to 7
form part of these accounts.



J. M. BURY
Director

PRECISION 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 presentation of the prior year profit and loss account has been amended to conform with the classification adopted in the year ended 31st March 1999, in order to be consistent with all other subsidiaries in the Lloyds UDT group of companies. The change has had no impact on the profit for the prior year.

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 the 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) Deferred Income:

Income from 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) 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 £22,818,230 (1998, £43,308,376) and the cost of assets acquired during the year was £16,600 (1998, £19,042,114).

3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

1999
£

1998
£

The following have been taken into account in arriving at the profit:

Bad and doubtful debts credit

156,436

74,065

Directors' emoluments

-

-

Other operating charges include a management fee payable to the immediate parent company. Auditors' remuneration has been borne by the immediate parent company.

4. INTEREST PAYABLE

On loans from parent company

2,169,119

2,808,373

PRECISION LEASING LIMITED

NOTES TO THE ACCOUNTS

| | <u>1999</u> £ | <u>1998</u> £ |
|---------------------------------|------------------|------------------|
| 5. TAXATION | | |
| Current year: | | |
| Corporation tax payable at 31% | 400,080 | 2,624,805 |
| Transfer from deferred taxation | (375,000) | (2,812,000) |
| | <hr/> 25,080 | <hr/> (187,195) |
| Prior year adjustments: | | |
| Corporation tax | - | (24,000) |
| | <hr/> 25,080 | <hr/> (211,195) |
| | <hr/> <hr/> | <hr/> <hr/> |

The benefit in the current year tax charge of £74,000 arises as a result of the reduction in the rate at which deferred taxation is provided.

| 6. DEBTORS | <u>1999</u> | | <u>1998</u> | |
|---|---------------------------------------|--|---------------------------------------|--|
| | Due within <u>one year</u> £ | Due after more than <u>one year</u> £ | Due within <u>one year</u> £ | Due after more than <u>one year</u> £ |
| Trade debtors: | | | | |
| Rentals receivable under leasing contracts, less provisions | 13,165,110 | 16,651,559 | 19,875,031 | 31,708,619 |
| Sundry debtors | - | - | 1,912,263 | - |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| | 13,165,110 | 16,651,559 | 21,787,294 | 31,708,619 |
| | <hr/> | <hr/> | <hr/> | <hr/> |

| | <u>1999</u> £ | <u>1998</u> £ |
|--|------------------|------------------|
| 7. CREDITORS: amounts falling due within one year | | |
| Amounts owed to group companies | 19,802,850 | 37,955,805 |
| Other creditors | 2,711,217 | 2,612,513 |
| Corporation tax payable | 400,080 | 2,626,805 |
| Dividend proposed | 300,000 | 520,000 |
| | <hr/> 23,214,147 | <hr/> 43,715,123 |
| | <hr/> <hr/> | <hr/> <hr/> |

PRECISION LEASING LIMITED

NOTES TO THE ACCOUNTS

8. PROVISIONS FOR LIABILITIES AND CHARGES

£

Deferred Taxation

| | |
|-------------------------------------|-----------|
| Balance at 31st March 1998 | 4,590,000 |
| Transfer to profit and loss account | (375,000) |

| | |
|----------------------------|------------------|
| Balance at 31st March 1999 | <u>4,215,000</u> |
|----------------------------|------------------|

The amounts provided at 31st March 1999 and 1998 were the full potential liabilities and were attributable to accelerated capital allowances.

9. ACCRUALS AND DEFERRED INCOME

| | <u>1999</u> | <u>1998</u> |
|-------------------------|------------------|------------------|
| | £ | £ |
| Unearned leasing income | <u>2,386,310</u> | <u>5,184,682</u> |

10. SHARE CAPITAL

| | | |
|---|--------------|--------------|
| Authorised, allotted, called-up and fully paid: 1,000 Ordinary shares of £1 each | <u>1,000</u> | <u>1,000</u> |
|---|--------------|--------------|

11. APPROVAL OF ACCOUNTS

These accounts were approved by the Board of Directors on 12th January 2000.

12. 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 31st March 1999 the company's intermediate parent company was Lloyds UDT Finance 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, 71 Lombard Street, London EC3P 3BS