



LEEDS LEASING PLC

Annual Report and Accounts

30 September 2002

Registered number 588708



Leeds Leasing plc

Directors' report and financial statements

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Directors & senior management

Malcolm Wilson (Non-Executive Chairman)

Age 53. Malcolm joined Leeds Group as Finance Director in April 1999 at which point he took up the position of Chairman of Leeds Leasing plc. He was subsequently appointed as Managing Director of Leeds Group in September 2002.

An Honours graduate in Economics and Jurisprudence, Malcolm trained and qualified as a Chartered Accountant with KPMG. Since qualification, Malcolm has worked in international manufacturing businesses, holding senior financial positions with Vickers plc and Du Pont, and was Finance Director of Yorkshire Group between 1991 and 1998.

John Blanchflower (Managing Director)

Age 41. John was appointed Managing Director in September 1999. Previously he had spent seven years as Head of Commercial Division and Head of Field Sales at Sovereign Finance plc (Alliance & Leicester Group). Prior to this he was a Director of Hill Hire plc, had six years in various roles at Lloyds Bowmaker Ltd in commercial middle ticket finance, and five years in retail banking with National Westminster Bank plc. He is qualified as ACIB & FHD.

Robin Thornton (Finance Director & Company Secretary)

Age 43. Robin was appointed in August 2000, having spent fourteen years in various finance and treasury roles at Yorkshire Building Society and Halifax plc. He is a finance graduate and qualified as a Chartered Accountant with KPMG.

Bill Cran (Independent Non-Executive Director)

Age 53. Bill joined the Board in February 2002 and has over 25 years' experience in the property, instalment credit and leasing industries. Bill is currently Non-Executive Chairman of Headway plc, Non-Executive Director of Capital for Companies VCT Plc and Non-Executive Director of Burtonwood Brewery Plc. He was the founder and Executive Chairman of Birkby Plc until its merger with Mentmore Abbey Plc in 1999.

David Eyre (Head of Risk)

Age 47. David joined the management team in June 2002. A qualified ACIB, he completed fifteen years in commercial asset lending at Forward Trust (HSBC), nine years at Sovereign Finance plc in collections and as a senior underwriter and four years at GE Capital Commercial as Senior Risk Manager.

Leeds Leasing plc

Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 September 2002.

Principal activity

The principal activity of the company is the leasing of equipment to businesses.

Review of the year and future prospects

The company has made a profit before taxation for the year of £1,019,000 (2001: £887,000).

This year there has been significant external economic disruption, most of which has had plenty of publicity already, followed by a business slowdown over the summer in conjunction with the Golden Jubilee and World Cup, ending with the deterioration of World Stock Markets, some industrial unrest and the continuing threat of war in the Middle East. The direct cumulative effect of these has been a small shortfall of business written compared to our target, although some of this has been the result of a deliberately higher rejection rate of proposals.

Therefore, against this backdrop, and a backdrop of generally lacklustre results of companies in the marketplace, a 15% increase in pretax profit must be viewed as a reasonable result. This result continues to support our philosophy of profit not volume, and our discipline of strict control of our costs.

In addition to developing the current business streams, initiatives continue in research for future projects, and these currently include discussions with specialists in medical and dental funding, small packaging equipment, and the gradual growth into the hair, beauty and clinic markets. Also, we have continued our work with manufacturers of the "core" products and new schemes giving us greater control are close to launch. Development of these new relationships and areas should ensure that we can continue our strategic growth, whilst mitigating our exposure to sectors or suppliers and thus, hopefully, avoiding stutters in the business generated.

The next year will be different for us again. As the remaining parts of our parent company's textile businesses are tidied up, we now must absorb a large part of the Group Head Office overhead, which will increase our cost base. At the same time, the key focus on 2003 will be the conversion of our computer system onto a new platform so that we are in good shape for the foreseeable future and have another solid foundation on which to build.

Beyond this, we remain optimistic about the continued potential of the business. There is still a large amount of growth potential in all our current and target markets, but we have the experience to know that radical growth in a leasing business is fraught with risk, and so are committed to our steady growth and prudence. We have a business model which we have proved is effective and a team of staff who have completed another excellent year, many of whom have personally developed well beyond their previous expectations.

We thank all the staff for their continued commitment and contribution which have ensured that a difficult economic year has been one of progress for Leeds Leasing.

Dividends

The Directors do not recommend the payment of a dividend.

Directors and directors' interests

The directors who held office during the year were as follows:

Executive J W Blanchflower (Managing Director)
 R M Thornton (Finance Director)

Non-Executive W M Cran (appointed 22 March 2002)
 C J Marsden (resigned 31 March 2002)
 M J Wilson (Chairman)

Leeds Leasing plc

Directors' report

Mr W M Cran, who was appointed on 22 March 2002, retires in accordance with the Articles of Association and, being eligible, offers himself for re-election. The director retiring by rotation is Mr J W Blanchflower who, being eligible, offers himself for re-election.

None of the Directors had a disclosable interest in the shares of the company. Interests in the shares of the ultimate parent company, Leeds Group plc, were as follows:

	30 September 2002	30 September 2001
J W Blanchflower	32,500	Nil
R M Thornton	20,000	Nil

According to the register of directors' interests, no rights to subscribe for shares in or debentures of Leeds Group plc were granted to any of the directors or their immediate families, or exercised by them, during the financial year. Mr J W Blanchflower had 20,000 share options outstanding throughout the financial year. The options have been granted at a price of 40p and are exercisable between January 2003 and January 2010. The market price of Leeds Group plc shares between 1 October 2001 and 30 September 2002 ranged between 13p and 44.5p and as at 30 September 2002 was 14p.

Mr W M Cran and Mr M J Wilson are directors of Leeds Group plc and their interests are disclosed in the directors' report of that company.

Creditor payment policy

It is company policy to pay suppliers for goods subject to third party leases at the time contracts are executed and the relevant goods delivered. All other suppliers are paid within one month of the invoice date. The company had one day's purchases outstanding at 30 September 2002 based on the average daily amount invoiced by suppliers during the year then ended.

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of the affairs of the company and of the profit or loss for that period. 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;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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 financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

By order of the board



R M Thornton
Secretary
9 December 2002

*Schofield House
Gateway Drive
Yeadon
Leeds
LS19 7XY*

Leeds Leasing plc

Report of the independent auditors, KPMG Audit plc, to the members of Leeds Leasing plc

We have audited the financial statements on pages 5 to 13.

Respective responsibilities of directors and auditors.

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom 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 1985. 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 with the company is not disclosed.

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 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 30 September 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit plc
Chartered Accountants
Registered Auditor
Leeds
9 December 2002

Leeds Leasing plc

Profit and loss account

For the year ended 30 September 2002

	Note	2002 £000	Restated 2001 £000
Gross earnings from finance leases	1	3,634	3,011
Commission receivable		75	54
Commission payable		<u>(406)</u>	<u>(256)</u>
Gross profit		3,303	2,809
Administrative expenses		(1,475)	(1,176)
Other operating income		<u>63</u>	<u>50</u>
Operating profit		1,891	1,683
Interest payable and similar charges	5	<u>(872)</u>	<u>(796)</u>
Profit on ordinary activities before taxation	2	1,019	887
Tax on profit on ordinary activities	6	<u>679</u>	<u>29</u>
Profit on ordinary activities after taxation for the financial year		1,698	916
Retained profit brought forward		<u>2,984</u>	<u>2,068</u>
Retained profit carried forward		<u>4,682</u>	<u>2,984</u>

A reconciliation of movements in shareholders' funds is given in note 14 to the financial statements.

The comparative figures have been restated to reflect the effect of a prior year adjustment following the adoption of Financial Reporting Standard 19.

Statement of total recognised gains & losses

For the year ended 30 September 2002

	2002 £000	Restated 2001 £000
Profit for the financial year	1,698	916
Prior year adjustment on implementation of FRS19	<u>296</u>	<u>-</u>
Total gains recognised during the year	<u>1,994</u>	<u>916</u>

Leeds Leasing plc

Balance Sheet

At 30 September 2002

	Note	2002 £000	2001 £000	Restated 2001 £000
Fixed Assets				
Tangible Assets	7		70	87
Current Assets				
Debtors	8	20,054		17,992
Deferred tax	9	<u>975</u>		<u>296</u>
		21,029		18,288
Creditors: amounts falling due within one year	10	<u>(10,906)</u>		<u>(10,487)</u>
Net current assets		10,123		7,801
Of which:				
Due within one year			(912)	(1,875)
Debtors due after more than one year			<u>11,035</u>	<u>9,676</u>
Total assets less current liabilities			10,193	7,888
Creditors: amounts falling due after more than one year	11		<u>(5,461)</u>	<u>(4,854)</u>
Net assets			<u>4,732</u>	<u>3,034</u>
Capital and reserves				
Called up equity share capital	13		50	50
Profit and loss account			<u>4,682</u>	<u>2,984</u>
Equity shareholders' funds	14		<u>4,732</u>	<u>3,034</u>

These financial statements were approved by the board of directors on 9 December 2002 and were signed on its behalf by:

John W. Blanchflower

J W Blanchflower
Managing Director

R M Thornton

R M Thornton
Finance Director

Leeds Leasing plc

Notes to the financial statements

1. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules, and in compliance with the Finance & Leasing Association Statement of Recommended Accounting Practice.

Fixed assets and depreciation

Depreciation is provided by the company to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Motor vehicles	-	5 years
Office equipment	-	3 to 5 years

Pension Costs

Until 1 September 2002, certain employees were members of one of three defined contribution pension schemes operated by Leeds Group plc. The assets of the schemes are held separately from those of the group in independently administered funds. With effect from 1 September 2002 these schemes ceased to accept contributions and Leeds Leasing Group Personal Pension Plans have been offered to all employees. The amount charged against profits represents the contributions payable to the schemes and plans in respect of the accounting period.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. During the year the company has implemented FRS19 relating to deferred taxation. Except where otherwise required by Financial Reporting Standards, full provision is made on an asset recognised, without discounting.

A prior year adjustment has been made and comparative figures restated to reflect the adoption of FRS19.

Income from finance leases

Income from finance leases is credited to the profit and loss account using an actuarial method to give a constant periodic return on the net cash investment.

Leasing assets

Assets leased to customers which transfer substantially all the risks and rewards of ownership to the customer are classified as finance leases and are recorded within debtors. The net investment in finance leases represents total minimum payments less gross earnings allocated to future periods.

Provisions for bad and doubtful debts

Specific provisions are made on an individual assessment basis, taking into account factors such as the number of payments from the customer that are overdue and the value of any collateral held. A general provision is made against finance lease receivables to cover bad and doubtful debts which have not been separately identified, but which are known from experience to be present in such a book of finance leases. The level of general provision is determined in light of past experience and the current business environment.

Leeds Leasing plc

Notes (continued)

1. Accounting policies (continued)

Specific and general provisions are deducted from finance lease receivables. Provisions made during the year, less amounts released and recoveries of amounts written off in previous years, are charged to the profit and loss account.

Operating leases

Rentals payable under operating leases are charged to the profit and loss account over the terms of the leases.

Commission assets

Commissions paid on finance lease assets acquired are spread over the life of the lease.

Cash flow statement

Under Financial Reporting Standard 1 (revised 1996), the company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary undertaking.

2. Profit on ordinary activities before taxation

<i>Profit on ordinary activities before taxation is stated after charging</i>	2002 £000	2001 £000
Auditors' and their associates' remuneration:		
Audit	12	12
Non-audit	2	3
Depreciation and other amounts written off tangible fixed assets	26	23
Operating lease rentals – land and buildings	<u>34</u>	<u>32</u>
<i>After crediting</i>		
Rentals receivable under finance leases	<u>12,553</u>	<u>9,985</u>

3. Remuneration of directors

	2002 £000	2001 £000
Directors' emoluments:		
Executive remuneration	161	127
Pension contributions	<u>2</u>	<u>2</u>
	<u>163</u>	<u>129</u>

During the year one director paid pension contributions into a money purchase pension scheme and a group personal pension plan.

Leeds Leasing plc

Notes (continued)

4. Staff numbers and costs

The average number of persons employed by the company (including executive directors) during the year was 29 (2001:25).

The aggregate payroll costs of these persons were as follows:

	2002 £000	2001 £000
Wages and salaries	552	464
Social security costs	52	49
Other pension costs (note 16)	<u>15</u>	<u>13</u>
	<u>619</u>	<u>526</u>

5. Interest payable and similar charges

	2002 £000	2001 £000
On bank loans, overdrafts and other loans wholly repayable within five years	<u>872</u>	<u>796</u>

6. Taxation

	2002 £000	2002 £000	Restated 2001 £000	Restated 2001 £000
<i>a) Analysis of credit in the year</i>				
UK Corporation Tax				
Adjustments in respect of prior years		-		179
Total Current Tax		-		179
Deferred tax (note 9)				
Reversal/(origination) of timing differences	273		(150)	
Adjustment in respect of prior years	<u>(952)</u>		<u>-</u>	
		<u>679</u>		<u>(150)</u>
Tax on profit on ordinary activities		<u>679</u>		<u>29</u>

b) Factors affecting the tax credit for the current year

The current tax credit for the year is lower (2001:lower) than the charge based on the standard rate of corporation tax in the UK of 30% (2001:30%). The differences are explained below.

	2002 £000	2001 £000
Current tax reconciliation		
Profit on ordinary activities before tax	<u>1,019</u>	<u>887</u>
Current tax charge at 30% (2001:30%)	(306)	(266)
Effects of:		
Expenses not deductible for tax purposes	(30)	-
Depreciation in excess of capital allowances for the year	290	143
Short term timing differences	(14)	(6)
Group relief	60	129
Adjustments in respect of prior years	<u>-</u>	<u>179</u>
Total current tax credit (see above)	<u>-</u>	<u>179</u>

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Notes (continued)

7. Tangible fixed assets

	Motor Vehicles £000	Office Equipment £000	Total £000
<i>Cost</i>			
At beginning of year	94	30	124
Additions	14	4	18
Disposals	<u>(24)</u>	<u>-</u>	<u>(24)</u>
At end of year	<u>84</u>	<u>34</u>	<u>118</u>
<i>Depreciation</i>			
At beginning of year	21	16	37
Charge for year	19	7	26
Disposals	<u>(15)</u>	<u>-</u>	<u>(15)</u>
At end of year	<u>25</u>	<u>23</u>	<u>48</u>
<i>Net book amount</i>			
At 30 September 2002	<u>59</u>	<u>11</u>	<u>70</u>
At 30 September 2001	<u>73</u>	<u>14</u>	<u>87</u>

8. Debtors

	2002		2001	
	Due within one year £000	Due after more than one year £000	Due within one year £000	Due after more than one year £000
Trade debtors	952	-	534	-
Finance lease receivables	8,275	10,060	7,322	9,380
Amounts owed by group undertakings	45	-	-	-
Other debtors	5	-	117	-
Prepayments and accrued income	<u>717</u>	<u>-</u>	<u>639</u>	<u>-</u>
	<u>9,994</u>	<u>10,060</u>	<u>8,612</u>	<u>9,380</u>

The company has acquired assets at a cost of £12,192,000 (2001: £12,358,000) during the year for the purposes of letting under finance leases.

Leeds Leasing plc

Notes (continued)

9. Deferred Taxation

The movement in deferred taxation for the year comprises:

	£000
At 1 October 2001	-
Prior year adjustment	<u>296</u>
At 1 October 2001 as restated	296
Credited in the year (note 6)	<u>679</u>
At 30 September 2002	<u>975</u>

The amounts included in the accounts for deferred taxation are set out below:

	2002 £000	2001 £000
Accelerated capital allowances	955	290
Other timing differences	<u>20</u>	<u>6</u>
	<u>975</u>	<u>296</u>

10. Creditors: amounts falling due within one year

	2002 £000	2001 £000
Bank overdrafts	1,665	1,731
Bank loans (note 12)	6,560	6,751
Trade creditors	59	6
Amounts owed to group undertakings	-	2
Taxation and social security	37	-
Accruals and deferred income	<u>2,585</u>	<u>1,997</u>
	<u>10,906</u>	<u>10,487</u>

11. Creditors: amounts falling due after more than one year

	2002 £000	2001 £000
Bank loans (note 12)	<u>5,461</u>	<u>4,854</u>

Leeds Leasing plc

Notes (continued)

12. Bank loans

Bank loans are repayable by instalments as follows:

	2002 £000	2001 £000
Within one year	6,560	6,751
Between one and two years	4,020	3,518
Between two and five years	<u>1,441</u>	<u>1,336</u>
	<u>12,021</u>	<u>11,605</u>

The company has 66 loan arrangements outstanding at the year-end. The loans are at fixed rates of interest of between 5.95% and 8.10% (nominal rates) and are repayable in equal monthly instalments. Loans amounting to £12,021,000 (2001 - £9,105,000) are secured on lease agreements written by the company.

13. Called up share capital

	2002 £000	2001 £000
<i>Authorised</i>		
Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	<u>50</u>	<u>50</u>

14. Reconciliation of movements in shareholders' funds

	£000
At 1 October 2001	2,738
Prior year adjustment	<u>296</u>
At 1 October 2002 as restated	3,034
Profit for the financial year	<u>1,698</u>
At 30 September 2002	<u>4,732</u>

15. Commitments

Capital commitments contracted at 30 September 2002 were £nil (2001 £nil).

Annual commitments under non-cancellable operating leases are as follows:

	2002 £000	2001 £000
Operating leases on land and buildings which expire within two to five years	<u>34</u>	<u>34</u>

Leeds Leasing plc

Notes (*continued*)

16. Pension scheme

Until 1 September 2002, certain employees were members of one of three defined contribution pension schemes operated by Leeds Group plc. With effect from 1 September 2002 these schemes ceased to accept contributions and Leeds Leasing Group Personal Pension Plans have been offered to all employees. The pension charge for the period represents contributions payable by the company to the schemes and plans and amounted to £15,000 (2001:£13,000). There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

17. Ultimate parent company

The ultimate parent company in which the results of the company are consolidated is Leeds Group plc, a company incorporated in Great Britain and registered in England and Wales. No intermediate parent undertaking consolidates the results of this company.

The consolidated accounts of Leeds Group plc are available to the public and may be obtained from:

The Company Secretary
Leeds Group plc
Schofield House
Gateway Drive
Yeadon
Leeds
LS19 7XY

or from the website: www.leedsgroup.plc.uk

Leeds Leasing plc

5 Year Summary of Results

For the year ended 30 September

	2002 £000	2001 £000	2000 £000	1999 £000	1998 £000
Gross earnings from finance leases	3,634	3,011	2,244	1,714	1,463
Operating profit	1,891	1,683	1,213	723	730
Interest payable	(872)	(796)	(440)	(83)	(29)
Profit before tax	1,019	887	773	640	701
Tax	679	29	(261)	(121)	(242)
Profit after tax	1,698	916	512	519	459
Dividends	-	-	(2,000)	-	-
Retained profit/(unrecovered loss)	1,698	916	(1,488)	519	459
Retained profit brought forward	2,984	2,068	3,556	3,037	2,578
Retained profit carried forward	4,682	2,984	2,068	3,556	3,037

At 30 September

	2002 £000	2001 £000	2000 £000	1999 £000	1998 £000
Finance lease debtors					
due within 12 months	8,275	7,322	5,256	3,338	2,736
due beyond 12 months	10,060	9,380	7,096	2,991	2,589
	18,335	16,702	12,352	6,329	5,325
Fixed assets	70	87	74	41	55
Deferred and current tax	975	296	263	205	(28)
Other debtors and creditors	(962)	(713)	(917)	(954)	(939)
	18,418	16,372	11,772	5,621	4,414
Net amounts owed to group undertakings	-	(2)	(40)	(1,791)	(1,227)
Bank debt	(13,686)	(13,336)	(9,614)	(224)	(99)
Net assets	4,732	3,034	2,118	3,606	3,087
Called up equity share capital	50	50	50	50	50
Profit and loss account	4,682	2,984	2,068	3,556	3,037
Equity shareholders' funds	4,732	3,034	2,118	3,606	3,087

Each comparative year has been re-stated in accordance with Financial Reporting Standard 19.