

Leeds Leasing plc

Directors' report and financial statements

30 September 2003

Registered number 588708



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Leeds Leasing plc

Directors' report and financial statements

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Leeds Leasing plc

Directors and senior management

Malcolm Wilson (Non-Executive Chairman)

Age 54. Malcolm was appointed Group Managing Director in September 2002, and previously was Group Finance Director from April 1999. Since that date he has also served as Chairman of Leeds Leasing plc, the subsidiary that has become Leeds Group's core activity in the UK. An Honours graduate in Economics and Jurisprudence, Malcolm trained and qualified as a Chartered Accountant with KPMG. Since qualification, Malcolm has worked exclusively in international manufacturing businesses, holding senior financial positions with Vickers plc and Du Pont, and was Finance Director of Yorkshire Group plc between 1991 and 1998.

John Blanchflower (Managing Director)

Age 42. 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.

Dawn Bowler (Company Secretary)

Age 36. Dawn was appointed Group Finance Director in September 2002 and, in addition, has managed the accounting and company secretarial functions of Leeds Leasing plc since August 2003. She joined the Company in 1996 as Group Financial Controller and became Group Company Secretary in 1997. She qualified as a Chartered Accountant with KPMG in 1991 and joined the Allied Domecq internal audit team in 1995.

Bill Cran (Independent Non-Executive Director)

Age 54. 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 2003.

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 loss before taxation for the year of £45,000 (2002: profit of £1,019,000).

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
 R M Thornton - resigned 31 August 2003

Non-Executive W M Cran
 M J Wilson (Chairman)

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. 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.

Mr J W Blanchflower had the following interests in the shares of the ultimate parent company, Leeds Group plc, as follows:

	Number of shares At beginning and end of the year
J W Blanchflower	32,500

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 the following share options:

	At beginning of the year	Number of shares Granted in the year	At end of the year
1996 Approved Share Option Scheme	20,000	88,000	108,000
1996 Unapproved Share Option Scheme	-	12,000	12,000
	<u>20,000</u>	<u>100,000</u>	<u>120,000</u>

Leeds Leasing plc

Directors' report

Directors and directors' interests (continued)

The details of the options outstanding at the end of the financial year are as follows:

	Number of shares	Option price	Exercise period
1996 Approved Share Option Scheme	20,000	40p	January 2003 to January 2010
1996 Approved Share Option Scheme	88,000	25p	January 2006 to January 2013
1996 Unapproved Share Option Scheme	12,000	25p	January 2006 to January 2013
	<u>120,000</u>		

The market value of Leeds Group shares between 1 October 2002 and 30 September 2003 ranged between 12.4p and 35.5p and as at 30 September 2003 was 20.5p.

The parent company made a special capital payment of 13p to all its shareholders on 8 August 2003. In accordance with the rules of the share option schemes, the Remuneration Committee resolved to reduce the exercise price for the options by 13p to 27p and 12p respectively. This reduction will become effective once Inland Revenue approval for the reduction is obtained.

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 16 day's purchases outstanding at 30 September 2003 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 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 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.

Leeds Leasing plc

Directors' report

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution is to be proposed at the forthcoming Annual General Meeting for the re-appointment of KPMG Audit Plc as auditors of the company.

By order of the board



Dawn Bowler
Secretary
17 December 2003

Schofield House
Gateway Drive
Yeadon
Leeds
LS19 7XY

Leeds Leasing plc

Report of the independent auditors to the members of Leeds Leasing plc

We have audited the financial statements on pages 6 to 14.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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.

We read the other information accompanying the financial statements and consider whether it is consistent with those statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

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 30 September 2003 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

17 December 2003

Leeds Leasing plc

Profit and loss account

For the year ended 30 September 2003

	Note	2003 £000	2002 £000
Gross earnings from finance leases	1	3,373	3,634
Commission receivable		40	75
Commission payable		(313)	(406)
Gross profit		3,100	3,303
Administrative expenses		(2,424)	(1,475)
Other operating income		80	63
Operating profit		756	1,891
Interest payable and similar charges	5	(801)	(872)
(Loss)/profit on ordinary activities before taxation	2	(45)	1,019
Tax credit on (loss)/profit on ordinary activities	6	195	679
Profit on ordinary activities after taxation for the financial year		150	1,698
Retained profit brought forward		4,682	2,984
Retained profit carried forward		4,832	4,682

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

Statement of total recognised gains and losses

For the year ended 30 September 2003

	2003 £000	2002 £000
Profit for the financial year	150	1,698
Prior year adjustment on implementation of FRS19	-	296
Total recognised gains during the year	150	1,994

Leeds Leasing plc

Balance Sheet

At 30 September 2003

	Note	2003 £000	2002 £000
Fixed Assets			
Tangible Assets	7	245	70
Current Assets			
Debtors	8	19,536	20,054
Deferred tax	9	1,170	975
Total debtors		20,706	21,029
Creditors: amounts falling due within one year	10	(10,456)	(10,906)
Net current assets		10,250	10,123
Of which:			
Due within one year		(801)	(912)
Debtors due after more than one year		11,051	11,035
Total assets less current liabilities		10,495	10,193
Creditors: amounts falling due after more than one year	11	(5,613)	(5,461)
Net assets		4,882	4,732
Capital and reserves			
Called up equity share capital	13	50	50
Profit and loss account		4,832	4,682
Equity shareholders' funds	14	4,882	4,732

These financial statements were approved by the board of directors on 17 December 2003 and were signed on its behalf by:

J W Blanchflower

J W Blanchflower
Managing Director

M J Wilson

M J Wilson
Chairman

Leeds Leasing plc

Notes *(forming part of 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 on a going concern basis in accordance with applicable accounting standards and under the historical cost accounting rules, and in compliance with the requirements of the Companies Act 1985 and 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

During the year, the Company operated a group personal pension scheme, which covered all employees. The scheme is a defined contribution type and the Group's contributions are charged against profits in the year in which contributions are made.

Taxation

Deferred taxation is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by Financial Reporting Standard 19.

Income from finance leases

Income from finance leases is credited to the profit and loss account using the 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.

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.

Leeds Leasing plc

Notes (forming part of the financial statements)

1. Accounting policies (continued)

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.

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.

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/(loss) on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging

	2003 £000	2002 £000
Auditors' and their associates' remuneration:		
Audit	8	12
Non-audit	4	2
Depreciation	22	26
Operating lease rentals		
Land and buildings	34	34
<i>After crediting</i>		
Rentals receivable under finance leases	12,937	12,553

3. Remuneration of directors

	2003 £000	2002 £000
Directors' emoluments:		
Executive remuneration	146	161
Pension contributions	4	2
	<u>150</u>	<u>163</u>

During the year two directors paid pension contributions into a group personal pension plan.

Leeds Leasing plc

Notes (forming part of the financial statements)

4. Staff numbers and costs

The average number of persons employed by the company (including executive directors) during the year was 32 (2002: 29).

The aggregate payroll costs of these persons were as follows:

	2003 £000	2002 £000
Wages and salaries	688	552
Social security costs	64	52
Other pension costs (note 16)	19	15
	<u>771</u>	<u>619</u>
	===	===

5. Interest payable and similar charges

	2003 £000	2002 £000
On bank loans, overdrafts and other loans wholly repayable within five years	801	872
	<u>801</u>	<u>872</u>
	===	===

6. Tax credit on loss/(profit) on ordinary activities

	2003 £000	2002 £000
UK corporation tax at 30% (2002: 30.0%) on the loss for the year on ordinary activities	-	-
Deferred tax (note 9)		
Reversal of timing differences	195	273
Adjustment in respect of prior years	-	(952)
	<u>195</u>	<u>679</u>
	===	===
Tax credit on loss/(profit) on ordinary activities	<u>195</u>	<u>679</u>
	===	===

A reconciliation of the current tax charge for the year as compared to the expected tax credit calculated at the standard rate in the UK is as follows:

	2003 £000	2002 £000
(Loss)/profit on ordinary activities before tax	(45)	1,019
Current tax (credit)/charge at 30% (2002: 30%)	(14)	306
Effects of:		
Expenses not deductible for tax purposes	(1)	30
Depreciation in excess of capital allowances for the year	(13)	(290)
Short term timing differences	-	14
Group relief	28	(60)
	<u>-</u>	<u>-</u>
Total current tax credit (see above)	===	===

Leeds Leasing plc

Notes (forming part of the financial statements)

7. Tangible fixed assets

	Motor Vehicles £000	Office Equipment £000	Total £000
<i>Cost</i>			
At beginning of year	84	34	118
Additions	22	200	222
Disposals	(43)	-	(43)
At end of year	<u>63</u>	<u>234</u>	<u>297</u>
<i>Depreciation</i>			
At beginning of year	25	23	48
Charge for year	15	7	22
Disposals	(18)	-	(18)
At end of year	<u>22</u>	<u>30</u>	<u>52</u>
<i>Net book amount</i>			
At 30 September 2003	<u>41</u>	<u>204</u>	<u>245</u>
At 30 September 2002	<u>59</u>	<u>11</u>	<u>70</u>

8. Debtors

	2003 £000	2002 £000
Trade debtors	835	952
Finance lease receivables	18,014	18,335
Amounts owed by group undertakings	-	45
Other debtors	94	5
Prepayments and accrued income	593	717
	<u>19,536</u>	<u>20,054</u>

Assets acquired during the year for letting under finance leases amounted to £10,968,000 (2002: £11,732,000).

Included in finance lease debtors is an amount of £9,881,000 (2002: £10,060,000), which falls due after more than one year.

Leeds Leasing plc

Notes *(forming part of the financial statements)*

9. Deferred Taxation

The movement in deferred taxation for the year comprises:

	£000
At 1 October 2002	975
Credited in the year (note 6)	195
At 30 September 2003	<u>1,170</u>

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

	2003 £000	2002 £000
Accelerated capital allowances	1,170	955
Other timing differences	-	20
	<u>1,170</u>	<u>975</u>

10. Creditors: amounts falling due within one year

	2003 £000	2002 £000
Bank overdrafts	630	1,665
Bank loans (note 12)	6,794	6,560
Trade creditors	77	59
Amounts owed to group undertakings	850	-
Taxation and social security	19	37
Accruals and deferred income	2,086	2,585
	<u>10,456</u>	<u>10,906</u>

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

	2003 £000	2002 £000
Bank loans (note 12)	<u>5,613</u>	<u>5,461</u>

Leeds Leasing plc

Notes (forming part of the financial statements)

12. Bank loans

Bank loans are repayable by instalments as follows:

	2003 £000	2002 £000
Within one year	6,794	6,560
Between one and two years	4,083	4,020
Between two and five years	1,530	1,441
	<u>12,407</u>	<u>12,021</u>

During the year, Leeds Leasing took out a number of medium term loans at fixed interest rates between 4.8% and 6.17% repayable in monthly instalments.

Loans amounting to £12,407,000 (2002: £12,021,000) are secured on lease agreements written by the company.

13. Called up share capital

	2003 £000	2002 £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

	2003 £000	2002 £000
At 1 October	4,732	2,738
Prior year adjustment	-	296
At 1 October	<u>4,732</u>	<u>3,034</u>
Profit for the financial year	150	1,698
At 30 September	<u>4,882</u>	<u>4,732</u>

15. Commitments

Capital commitments contracted at 30 September 2003 were £nil (2002 £nil).

Annual commitments under non-cancellable operating leases relating to land and buildings are as follows:

	2003 £000	2002 £000
Operating leases which expire:		
Between two to five years	<u>34</u>	<u>34</u>

Leeds Leasing plc

Notes *(forming part of the financial statements)*

16. Pension scheme

The pension charge for the period represents contributions payable by the company to pension schemes amounting to £19,000 (2002: £15,000). 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

	2003 £000	2002 £000	2001 £000	2000 £000	1999 £000
Gross earnings from finance leases	3,373	3,634	3,011	2,244	1,714
Operating profit	756	1,891	1,683	1,213	723
Interest payable	(801)	(872)	(796)	(440)	(83)
Profit before tax	(45)	1,019	887	773	640
Tax	195	679	29	(261)	(121)
Profit after tax	150	1,698	916	512	519
Dividends	-	-	-	(2,000)	-
Retained profit/(unrecovered loss)	150	1,698	916	(1,488)	519
Retained profit brought forward	4,682	2,984	2,068	3,556	3,037
Retained profit carried forward	4,832	4,682	2,984	2,068	3,556
<i>At 30 September</i>					
	2003 £000	2002 £000	2001 £000	2000 £000	1999 £000
Finance lease debtors					
due within 12 months	8,133	8,275	7,322	5,256	3,338
due beyond 12 months	9,881	10,060	9,380	7,096	2,991
	18,014	18,335	16,702	12,352	6,329
Fixed assets	245	70	87	74	41
Deferred and current tax	1,170	975	296	263	205
Other debtors and creditors	(660)	(962)	(713)	(917)	(954)
	18,769	18,418	16,372	11,772	5,621
Net amounts owed to group undertakings	(850)	-	(2)	(40)	(1,791)
Bank debt	(13,037)	(13,686)	(13,336)	(9,614)	(224)
Net assets	4,882	4,732	3,034	2,118	3,606
Called up equity share capital	50	50	50	50	50
Profit and loss account	4,832	4,682	2,984	2,068	3,556
Equity shareholders' funds	4,882	4,732	3,034	2,118	3,606

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