

Leeds Leasing plc

Directors' report and financial statements

30 September 2004

Registered number 588708



Leeds Leasing plc

Directors' report and financial statements

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Leeds Leasing plc

Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 September 2004.

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 £661,000 (2003: loss of £45,000). The loss results principally from an exceptional charge relating to a change in the method by which bad debt provisions are calculated, and the Directors anticipate a return to profitability in the year ending 30 September 2005.

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 (resigned 31 May 2004) Mrs. C A Roberts (appointed 1 June 2004)
Non-Executive	W M Cran (resigned 29 April 2004) Mrs D Bowler (resigned 30 September 2004) M J Wilson (Chairman) Mrs. Vin Murria (appointed 26 June 2004)

Mrs. C A Roberts and Mrs. Vin Murria, having been appointed since the date of the last Annual General Meeting, offer themselves for re-election. The director retiring by rotation is Mr M J Wilson who, being eligible, offers himself for re-election.

None of the directors had a disclosable interest in the shares of the company. Mrs. Vin Murria and Mr. M J Wilson are directors of Leeds Group plc and their interests are disclosed in the directors' report of that company. Mrs. C A Roberts has no disclosable interest in the shares of Leeds Group plc.

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 14 days' purchases outstanding at 30 September 2004 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.

Leeds Leasing plc

Directors' report (continued)

Statement of directors' responsibilities (continued)

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.

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



Malcolm Wilson
Secretary
17 February 2005

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 4 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 2, 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.

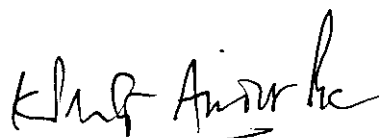
Basis of audit opinion

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 Group'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 affairs of the Company as at 30 September 2004 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



KPMG Audit Plc
Chartered Accountants
Registered Auditor

17 February 2005

Leeds Leasing plc

Profit and loss account

For the year ended 30 September 2004

	Note	2004 £000	2003 £000
Gross earnings from finance leases	1	2,849	3,373
Commission receivable		2	40
Commission payable		(404)	(313)
Gross profit		2,447	3,100
Administrative expenses		(2,367)	(2,424)
Other operating income		84	80
Operating profit before exceptional items		764	1,356
Exceptional items included within administrative expenses	7	(600)	(600)
Operating profit		164	756
Interest payable and similar charges	5	(825)	(801)
Loss on ordinary activities before taxation	2	(661)	(45)
Tax (charge)/credit on loss on ordinary activities	6	(370)	195
(Loss)/Profit on ordinary activities after taxation for the financial year	15	(1,031)	150
Retained profit brought forward		4,832	4,682
Retained profit carried forward		3,801	4,832

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

There were no other recognized gains or losses in the period.

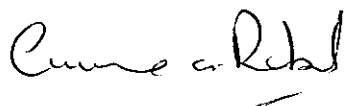
Leeds Leasing plc

Balance Sheet

At 30 September 2004

	Note	2004 £000	2003 £000
Fixed Assets			
Tangible Assets	8	218	245
Current Assets			
Debtors	9	19,364	19,536
Deferred tax	10	800	1,170
Total debtors		20,164	20,706
Creditors: amounts falling due within one year	11	(10,281)	(10,456)
Net current assets		9,883	10,250
Of which:			
Due within one year		(1,841)	(801)
Debtors due after more than one year		11,724	11,051
Total assets less current liabilities		10,101	10,495
Creditors: amounts falling due after more than one year	12	(6,250)	(5,613)
Net assets		3,851	4,882
Capital and reserves			
Called up equity share capital	14	50	50
Profit and loss account		3,801	4,832
Equity shareholders' funds	15	3,851	4,882

These financial statements were approved by the board of directors on 17 February 2005 and were signed on its behalf by:



Carol Roberts
Managing Director



Malcolm 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 due.

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 payable 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. Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated:

	2004 £000	2003 £000
<i>After charging</i>		
Auditor's and their associates' remuneration:		
Audit	26	8
Non-audit	2	4
Depreciation	92	22
Operating lease rentals		
Land and buildings	34	34
<i>After crediting</i>		
Rentals receivable under finance leases	12,456	12,937

3. Remuneration of directors

	2004 £000	2003 £000
Directors' emoluments:		
Executive remuneration	59	146
Pension contributions	3	4
	<u>62</u>	<u>150</u>

During the year one director 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 28 (2003:32).

The aggregate payroll costs of these persons were as follows:

	2004 £000	2003 £000
Wages and salaries	608	688
Social security costs	59	64
Other pension costs (note 16)	15	19
	<u>682</u>	<u>771</u>

5. Interest payable and similar charges

	2004 £000	2003 £000
On bank loans, overdrafts and other loans wholly repayable within five years	<u>825</u>	<u>801</u>

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

	2004 £000	2003 £000
Current tax		
UK corporation tax at 30% (2002: 30.0%) on the loss for the year on ordinary activities	-	-
Total current tax	<u>-</u>	<u>-</u>
Deferred tax (note 10)		
Movement in the recognised deferred tax asset	(370)	-
Reversal of timing differences	-	195
Total deferred tax	<u>(370)</u>	<u>195</u>
Tax (charge) / credit on loss on ordinary activities	<u>(370)</u>	<u>195</u>

Leeds Leasing plc

Notes *(forming part of the financial statements)*

6. Tax (charge)/credit on loss on ordinary activities (continued)

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:

	2004 £000	2003 £000
(Loss) on ordinary activities before tax	(661)	(45)
Current tax (credit) at 30% (2003:30%)	(198)	(14)
Effects of:		
Expenses not deductible for tax purposes	15	(1)
Shortfall / (excess) of depreciation over capital allowances	135	(13)
Short term timing differences	48	-
Group relief	-	28
Total current tax credit (see above)	-	-

7. Exceptional items

	2004 £000	2003 £000
Bad debt provision	600	600

2004

During the year, following the introduction of new leasing software, the Directors reviewed the basis on which bad debt provisions in Leeds Leasing plc are calculated. As a result of this review, specific provisions are now made against the Company's exposure to arrears cases with the percentage provided in each case increasing with the number of payments in arrears. The effect of adopting the new methodology was to increase the bad debt provision by £600,000, which has been reported as an exceptional item within operating profit.

2003

The exceptional bad debt provision was made against a long-standing supplier from which Leeds Leasing acquired assets to rent. Leeds Leasing had recourse arrangements with the supplier in the event of default by lessees, and provision against the lease debts was made as the financial position of the supplier made it unlikely that recourse debts would be collectible. The provision was included as an exceptional item within operating profit.

Leeds Leasing plc

Notes (forming part of the financial statements)

8. Tangible fixed assets

	Motor Vehicles £000	Office Equipment £000	Total £000
Cost			
At beginning of year	63	234	297
Transfers from group undertakings	-	65	65
Additions	-	33	33
Disposals	(14)	-	(14)
At end of year	<u>49</u>	<u>332</u>	<u>381</u>
Depreciation			
At beginning of year	22	30	52
Transfers from group undertakings	-	30	30
Charge for year	10	82	92
Disposals	(11)	-	(11)
At end of year	<u>21</u>	<u>142</u>	<u>163</u>
Net book amount			
At 30 September 2004	<u>28</u>	<u>190</u>	<u>218</u>
At 30 September 2003	<u>41</u>	<u>204</u>	<u>245</u>

9. Debtors

	2004 £000	2003 £000
Trade debtors	532	835
Finance lease receivables	18,328	18,014
Other debtors	15	94
Prepayments and accrued income	489	593
	<u>19,364</u>	<u>19,536</u>

Assets acquired during the year for letting under finance leases amounted to £10,855,000 (2003: £10,968,000).

Included in finance lease debtors is an amount of £10,924,000 (2003: £9,881,000), which falls due after more than one year.

Leeds Leasing plc

Notes *(forming part of the financial statements)*

10. Deferred Taxation

The movement in the deferred tax asset in the year comprises:

	£000
At 1 October 2003	1,170
Charged in the year (note 6)	(370)
At 30 September 2004	<u>800</u>

The amounts recognised in the accounts for deferred taxation and the amounts not recognised are set out below:

	2004		2003	
	Recognised	Unrecognised	Recognised	Unrecognised
	£000	£000	£000	£000
Accelerated capital allowances	723	843	1,170	-
Other timing differences	77	-	-	-
	<u>800</u>	<u>843</u>	<u>1,170</u>	<u>-</u>

11. Creditors: amounts falling due within one year

	2004	2003
	£000	£000
Bank overdrafts	348	630
Bank loans (note 13)	6,820	6,794
Trade creditors	48	77
Amounts owed to group undertakings	850	850
Taxation and social security	17	19
Accruals and deferred income	2,198	2,086
	<u>10,281</u>	<u>10,456</u>

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

	2004	2003
	£000	£000
Bank loans (note 13)	<u>6,250</u>	<u>5,613</u>

Leeds Leasing plc

Notes (forming part of the financial statements)

13. Bank loans

Bank loans are repayable by instalments as follows:

	2003 £000	2003 £000
Within one year	6,820	6,794
Between one and two years	4,007	4,083
Between two and five years	2,243	1,530
	<u>13,070</u>	<u>12,407</u>

During the year, Leeds Leasing took out a number of medium term loans at fixed interest rates between 6.14% and 6.94% repayable in monthly instalments.

Loans amounting to £13,070,000 (2003: £12,407,000) are secured on lease agreements written by the company.

14. Called up share capital

	2004 £000	2003 £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>

15. Reconciliation of movements in shareholders' funds

	2004 £000	2003 £000
At 1 October	4,882	4,732
(Loss)/Profit for the financial year	(1,031)	150
At 30 September	<u>3,851</u>	<u>4,882</u>

16. Commitments

Capital commitments contracted at 30 September 2004 were £nil (2003 £nil).

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

	2004 £000	2003 £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)*

17. Pension scheme

The pension charge for the period represents contributions payable by the company to pension schemes amounting to £15,000 (2003: £19,000). There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

18. 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

	2004 £000	2003 £000	2002 £000	2001 £000	2000 £000
Gross earnings from finance leases	2,849	3,373	3,634	3,011	2,244
Operating profit	164	756	1,891	1,683	1,213
Interest payable	(825)	(801)	(872)	(796)	(440)
(Loss)/Profit before tax	(661)	(45)	1,019	887	773
Tax	(370)	195	679	29	(261)
Profit after tax	(1,031)	150	1,698	916	512
Dividends	-	-	-	-	(2,000)
Retained profit/(unrecovered loss)	(1,031)	150	1,698	916	(1,488)
Retained profit brought forward	4,832	4,682	2,984	2,068	3,556
Retained profit carried forward	3,801	4,832	4,682	2,984	2,068

At 30 September

	2004 £000	2003 £000	2002 £000	2001 £000	2000 £000
Finance lease debtors					
due within 12 months	7,404	8,133	8,275	7,322	5,256
due beyond 12 months	10,924	9,881	10,060	9,380	7,096
	18,328	18,014	18,335	16,702	12,352
Fixed assets	218	245	70	87	74
Deferred and current tax	800	1,170	975	296	263
Other debtors and creditors	(1,227)	(660)	(962)	(713)	(917)
	18,119	18,769	18,418	16,372	11,772
Net amounts owed to group undertakings	(850)	(850)	-	(2)	(40)
Bank debt	(13,418)	(13,037)	(13,686)	(13,336)	(9,614)
Net assets	3,851	4,882	4,732	3,034	2,118
Called up equity share capital	50	50	50	50	50
Profit and loss account	3,801	4,832	4,682	2,984	2,068
Equity shareholders' funds	3,851	4,882	4,732	3,034	2,118

The years 2000 and 2001 have been re-stated in accordance with Financial Reporting Standard 19.