

Registered Number 2811272

OCEAN LEASING (JULY) LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31 JULY 2004



**OCEAN LEASING (JULY) LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
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**OCEAN LEASING (JULY) LIMITED
DIRECTORS AND COMPANY INFORMATION**

DIRECTORS

J M Morrissey
S J Peters
L J Town

SECRETARY

M S Lodge

REGISTERED OFFICE

Level 7
Bishopsgate Exchange
155 Bishopsgate
London
EC2M 3YB

AUDITORS

KPMG Audit Plc
8 Salisbury Square
London
EC4Y 8BB

OCEAN LEASING (JULY) LIMITED DIRECTORS' REPORT

The directors present their Report and the audited financial statements for the year ended 31 July 2004.

PRINCIPAL ACTIVITY

During the year the company was engaged in the business of leasing assets to third parties.

BUSINESS REVIEW

During the year the company continued to manage the leasing transactions underwritten.

RESULTS AND DIVIDEND

The results for the year are shown in the profit and loss account on page 9. The directors do not recommend the payment of a dividend (2003 – Nil).

FUTURE DEVELOPMENTS

The company remains committed to the business of leasing assets to third parties.

SUPPLIER PAYMENT POLICY

The Company's suppliers are paid through the centralised invoice processing facilities operated by Halifax plc, the intermediate parent undertaking.

For the forthcoming year, the Company's policy for the payment of suppliers will be as follows:

- payment terms will be agreed at the start of the relationship with the supplier and will only be changed by agreement;
- standard payment terms to suppliers of goods and services will be 30 days from receipt of a correct invoice for satisfactory goods or services which we have ordered and received unless other terms are agreed in a contract;
- payment will be made in accordance with the agreed terms or in accordance with the law if no agreement has been made;
- suppliers will be advised when an invoice is contested without delay and we will settle disputes as quickly as possible.

The Company will comply with the Better Payment Practice Group's Code. Information regarding this code and its purpose can be obtained from the Better Payment Practice Group's website at www.payontime.co.uk.

**OCEAN LEASING (JULY) LIMITED
DIRECTORS' REPORT (CONT'D)**

DIRECTORS AND DIRECTORS' INTERESTS

The directors who served during the year were as follows:-

S J Peters

J D M Smallwood (resigned on 17th December 2003)

L J Town

J M Morrissey (appointed on 18th November 2003)

Directors' beneficial interests in the ordinary shares of HBOS plc during the year were as follows:

(References to "HBOS plc shares" are to ordinary shares of 25p each in HBOS plc)

During the year, no Director had any beneficial interest in the share capital of the Company or of any other Group undertaking other than in HBOS plc, the ultimate holding company.

The beneficial interests of the Directors and their immediate families in HBOS plc shares are set out below:-

	At 31.07.03 or date of appointment if later	At 31.07.04
J M Morrissey	1,104	400
S J Peters	1,220	5,786
L J Town	-	-

SHORT-TERM INCENTIVE PLAN – HBOS SCHEME AND FORMER HALIFAX SCHEME

Certain Directors have conditional entitlements to shares arising from the annual incentive plan. Where the annual incentive for any year was taken in shares and these shares are retained in trust for three years, the following shares will also be transferred to the Directors:

	Grant effective from	Shares as at 31.03.04
J M Morrissey	March 2002	-
	March 2003	-
	March 2004	-
S J Peters	March 2002	-
	March 2003	610
	March 2004	1,102
L J Town	March 2002	-
	March 2003	-
	March 2004	-

**OCEAN LEASING (JULY) LIMITED
DIRECTORS' REPORT (CONT'D)**

LONG-TERM INCENTIVE PLAN – HBOS SCHEME AND FORMER HALIFAX SCHEME

Details of the shares which have been conditionally awarded to Directors under the plans are set out below. The conditions relating to the long-term incentive plan may be found in the HBOS plc Annual Report & Accounts 2003.

	Grant effective from	At 31.07.03 or date of appointment if later	Granted (G) or lapsed (L) in year	Added as a result of performance	Dividend reinvestment shares	Released in year	At 31.07.04
J M Morrissey	January 2002	-	-	-	-	-	-
	January 2003	-	-	-	-	-	-
	January 2004	-	-	-	-	-	-
S J Peters	January 2002	-	-	-	-	-	-
	January 2003	-	-	-	-	-	-
	January 2004	-	-	-	-	-	-
L J Town	January 2002	5,208	-	-	-	-	5,208
	January 2003	6,757	-	-	-	-	6,757
	January 2004	-	7,670	-	-	-	7,670

Shares granted under these plans can crystallise at any level between 0% and 200% of the conditional award noted in the above table, dependant upon performance. The performance period for the January 2000 grant ended on 31 December 2002 and, in the light of the performance outcome, grants were released at 200% of the conditional award.

LONG – TERM INCENTIVE PLAN

HBOS SCHEME, FORMER BANK OF SCOTLAND SCHEME AND FORMER HALIFAX SCHEME

Share options granted between 1995 and 2000 under the Bank of Scotland Executive Stock Option Scheme 1995 are subject to performance pre-conditions which have now been satisfied. Share options granted under other plans are not subject to a performance precondition. Details of the options outstanding under these plans are set out below.

	Options outstanding At 31.07.03 or date of appointment	Granted (G)/ lapsed (L) or exercised (E) in year	At 31.07.04
J M Morrissey	4,487	2,388 (G)	6,875
S J Peters	5,842	2,948 (G)	8,790
L J Town	7,295	4,631 (G)	11,926

**OCEAN LEASING (JULY) LIMITED
DIRECTORS' REPORT (CONT'D)**

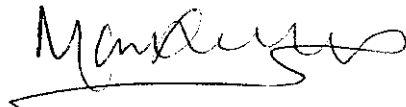
SHARESAVE PLAN

Share options granted under these plans are set out below.

	At 31.07.03 or date of appointment	Grant (G) Lapsed (L) or Exercised (E) In year	At 31.07.04
J M Morrissey	1,581	-	1,581
S J Peters	2,362	2,362 (E)	-
L J Town	3,142	-	3,142

Options under these plans were granted using middle market prices shortly before the dates of the grants, discounted by 20%.

By Order of the Board



**M S LODGE
SECRETARY**

Level 7
Bishopsgate Exchange
155 Bishopsgate
London
EC2M 3YB

22nd February 2005

OCEAN LEASING (JULY) LIMITED
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 affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, 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 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 a 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.

**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF OCEAN LEASING (JULY) LIMITED**

We have audited the financial statements on pages 9 to 16.

The 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 7, 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 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 31 July 2004 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc
KPMG Audit Plc
Chartered Accountants
Registered Auditor

8 Salisbury Square
London
EC4Y 8BB

28 February 2005

**OCEAN LEASING (JULY) LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 JULY 2004**

	Note	2004 £'000	2003 £'000
INCOME FROM FINANCE LEASES	2	5,085	3,908
Administrative expenses		(5)	(36)
		<hr/>	<hr/>
OPERATING PROFIT		5,080	3,872
Interest payable and similar charges	4	(4,355)	(3,293)
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		725	579
Tax on profit on ordinary activities	5	(218)	(174)
		<hr/>	<hr/>
PROFIT FOR THE FINANCIAL PERIOD	6,11	507	405
		<hr/>	<hr/>

A statement of the movement on reserves is shown in Note 6 to the financial statements on page 13.

The above results relate to continuing operations.

The company had no recognised gains or losses other than the profit for the financial years shown above.

The notes on pages 11 to 16 form part of these financial statements.

OCEAN LEASING (JULY) LIMITED
BALANCE SHEET AS AT 31 JULY 2004

	Note	2004 £'000	2003 £'000
CURRENT ASSETS			
Debtors amounts falling due:	7		
within one year		2,508	2,053
after one year		78,359	78,724
		<hr/>	<hr/>
Total Debtors		80,867	80,777
CREDITORS: amounts falling due within one year	8	(70,550)	(75,441)
		<hr/>	<hr/>
NET CURRENT ASSETS		10,317	5,336
CREDITORS: amounts falling due after more than one year			
PROVISIONS FOR LIABILITIES AND CHARGES	9	(9,337)	(4,863)
		<hr/>	<hr/>
NET ASSETS		980	473
		<hr/>	<hr/>
CAPITAL AND RESERVES			
Called up equity share capital	10	-	-
Profit and loss account	6	980	473
		<hr/>	<hr/>
EQUITY SHAREHOLDERS' FUNDS	11	980	473
		<hr/>	<hr/>

These financial statements were approved by the Board of Directors on 22nd February 2005 and were signed on its behalf by

J. Morrissey

Director

The notes on pages 11 to 16 form part of these financial statements.

**OCEAN LEASING (JULY) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2004**

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.

1.1 BASIS OF PREPARATION

The financial statements have been prepared in accordance with applicable accounting standards and have been drawn up under the historical cost convention.

The financial statements fall within the scope of the Statement of Recommended Accounting Practice (SORP) on Accounting Issues in the Asset Finance and Leasing Industry and comply with it.

The financial statements have been prepared on a going concern basis as the parent undertaking has indicated it will continue to provide financial and other support for the foreseeable future.

1.2 FINANCE LEASES

Assets leased to customers under agreements which transfer substantially the risks and rewards associated with ownership, other than legal title, are classified as finance leases. The net investment in finance leases represents total minimum lease payments less gross earnings allocated to future periods. Income from finance leases is credited to the profit and loss account using the actuarial after tax method to give a constant periodic rate of return on the net cash investment.

1.3 DEFERRED TAXATION

Deferred taxation is recognised in accordance with Financial Reporting Standard 19 (Deferred Tax).

Deferred taxation is provided, without discounting, on all timing differences that have originated but not reversed by the balance sheet date.

1.4 CASH FLOW STATEMENT

Under FRS1 (Revised 1996) the company is exempt from the requirement to prepare a cash flow statement on the grounds that all of its voting rights are controlled by Halifax plc. Halifax plc publishes consolidated financial statements which are publicly available.

OCEAN LEASING (JULY) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2004 (CONT'D)

2. INCOME FROM FINANCE LEASES

	2004 £'000	2003 £'000
Aggregate rentals receivable under finance leases.	5,085	3,318
	<hr/>	<hr/>

The cost of assets acquired in the year for the purposes of letting under finance leases was Nil (2003- £52,154,038).

3. STAFF NUMBERS AND COSTS

The company employed no permanent staff directly. A recharge is made by the intermediate parent undertaking to other group companies to cover the costs of staff seconded to the company, including the cost of directors. The company's audit fee is also covered by this recharge.

4. INTEREST PAYABLE AND SIMILAR CHARGES

	2004 £'000	2003 £'000
On loan from other group companies	4,355	3,205
Other charges	-	88
	<hr/>	<hr/>
	4,355	3,293
	<hr/>	<hr/>

OCEAN LEASING (JULY) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2004 (CONT'D)

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2004 £'000	2003 £'000
<u>Current Tax:</u>		
UK Corporation tax credit for the period at a rate of 30% (2003-30%)	4,256	3,990
	<hr/> 4,256	<hr/> 3,990
<u>Deferred Tax:</u>		
Deferred tax charge for the period at a rate of 30% (2003-30%)(note 9)	(4,474)	(4,164)
	<hr/> (218)	<hr/> (174)

The tax charge on ordinary activities for the period reported in the profit and loss account is equal to the current tax charge that would result after taking account of accelerated capital allowances of £4,474k from applying the UK standard rate of tax to the profit on ordinary activities before tax.

6. RESERVES

	2004 £'000	2003 £'000
PROFIT AND LOSS ACCOUNT		
Opening balance	473	68
Profit for the financial year	507	405
	<hr/>	<hr/>
Closing balance	980	473
	<hr/>	<hr/>

OCEAN LEASING (JULY) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2004 (CONT'D)

7. DEBTORS

	2004 £'000	2003 £'000
Debtors falling due within one year;		
Net investment in finance leases	378	3
Amounts receivable under group relief	2,129	2,049
Other debtors	1	1
	<hr/> 2,508	<hr/> 2,053
Debtors falling due after one year;		
Net investment in finance leases	78,359	78,724
	<hr/>	<hr/>
Total Debtors	80,867	80,777
	<hr/>	<hr/>

There is no residual value risk in respect of leases entered into by the company.

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2003 £'000	2002 £'000
Amounts due to other group companies	70,541	75,432
Trade creditors	9	9
	<hr/>	<hr/>
	70,550	75,441
	<hr/>	<hr/>

OCEAN LEASING (JULY) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2004 (CONT'D)

9. PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred Taxation	
	2004	2003
	£'000	£'000
Opening Balance	4,863	699
Charge for the year in the profit and loss account (Note 5)	4,474	4,164
Closing Balance	<u>9,337</u>	<u>4,863</u>

Amounts provided in respect of deferred taxation arise as a result of accelerated capital allowances.

All amounts in respect of deferred taxation are fully provided.

10. CALLED UP EQUITY SHARE CAPITAL

	2004	2003
	£	£
Authorised 1,000 ordinary shares of £1 each	1,000	1,000
Allotted, called up and fully paid 2 ordinary shares of £1 each	<u>2</u>	<u>2</u>

11. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2004	2003
	£'000	£'000
Opening shareholders' funds	473	68
Profit for the financial year	507	405
Closing shareholders' funds	<u>980</u>	<u>473</u>

**OCEAN LEASING (JULY) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2004 (CONT'D)**

12. RELATED PARTY TRANSACTIONS

The company's ultimate parent undertaking is HBOS plc. The consolidated financial statements of this company are publicly available and include all transactions with group members who are related parties of the group. Under the provisions of Financial Reporting Standard No. 8, transactions with related parties of this company have not been disclosed other than as required under Companies Act 1985.

13. PARENT UNDERTAKING

The company's parent undertaking is Bank of Scotland Structured Asset Finance Limited, with its intermediate parent undertaking being Halifax plc. The company's ultimate parent undertaking is HBOS plc. Copies of HBOS plc Annual Report and Accounts may be obtained from its Head Office at The Mound, Edinburgh, EH1 1YZ.