

LEX VEHICLE PARTNERS (2) LIMITED

Directors' Report and Financial Statements

30 June 2000

Registered number 2953302



Registered Office:

Lex House
17 Connaught Place
London
W2 2EL

Lex Vehicle Partners (2) Limited

Directors' Report and Financial Statements

<i>Contents</i>	<i>Pages</i>
Directors	1
Directors' report	2
Statement of directors' responsibilities	4
Auditors' report	5
Profit and Loss Account	6
Balance Sheet	7
Notes to the financial statements	8

Lex Vehicle Partners (2) Limited

Directors

A Hay

P C Roberts

J K Walden

Secretary

P M Coles

Lex Vehicle Partners (2) Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 June 2000.

Principal Activities

The principal activity of the company is vehicle leasing.

Business Review

The loss for the year ended 30 June 2000 was £4,219,000 (1999: profit of £536,000). The directors did not propose the payment of an interim dividend during the year (1999: £1,000,000) and, accordingly, a deficit of £4,219,000 (1999: £464,000) was recorded on the profit and loss account.

During the year the fleet increased from 4,578 to 4,580 vehicles.

Directors and directors' interests

The directors who held office during the period are shown on page 1.

P C Roberts resigned as a director of the company on 28 July 2000. R W Wastell was appointed as a director of the company on 2 October 2000.

None of the persons who were directors at 30 June 2000 had any interests in the shares of the company. The directors who held office at 30 June 2000 had the following interests in the ordinary shares of Lex Service PLC, as recorded in the register of the directors' share and debenture interests:-

	Ordinary shares of 25p each	
	30 June 2000	1 July 1999
A Hay	-	-
P C Roberts	-	-
J K Walden	5,000	1

Lex Sharesave Scheme

Under the terms of the Scheme, introduced in 1997, the Board of Lex Service PLC, the company's ultimate parent company, may offer options to purchase ordinary shares in Lex Service PLC, to those eligible employees who enter into and Inland Revenue approved Save As You Earn (SAYE) savings contract. The price at which options may be offered is up to a maximum discount of 20% of the market price for three consecutive dealing days preceding the date of offer. The options may normally be exercised during the period of six months after the completion of the SAYE contract, whether three or five years after entering the Scheme.

Options held under the Scheme by the following director who served during the year are as follows:-

Name	Number of shares under option at 1 July 1999	Number of shares under option at 30 June 2000	Exercise price £	Date of grant	Date from which normally Exercisable	Expiry date
A Hay	-	2,244	2.59	31.03.00	01.05.03	01.11.03

Lex Vehicle Partners (2) Limited

Directors' report (continued)

Directors and directors' interests (continued)

Lex Sharesave Scheme (continued)

The outstanding options under the 2000 Lex Sharesave Scheme are exercisable for up to six months commencing on 1 May 2003.

Long Term Incentive Plan

The Long Term Incentive Plan was approved by shareholders at the Lex Service PLC 1998 Annual General Meeting. It is designed to align the interests of executive directors and the other senior executives with those of shareholders, to encourage increased shareholding to assist with the attraction and retention of individuals who will be crucial to the Group's success in the coming years, and to reward sustained good performance over a period of time.

Details of the Lex Service PLC ordinary shares provisionally awarded to each director, as a participant under the Long Term Incentive Plan, are as follows:-

Name	1 July 1999	Grants/awards during 2000	30 June 2000
A Hay	21,733	16,650	38,383
P C Roberts	25,461	18,798	44,259
J K Walden	29,476	35,806	65,282

Full details of the Long Term Incentive Plan are disclosed in the Directors' report of Lex Service PLC. The middle market price of the shares at 30 June 2000 was 332.5p and the range during the year was 290p – 624p per share.

Interests in shares of Halifax Group plc

According to the register kept by the company, the directors at the year end did not have any interests in the ordinary shares of Halifax Group plc.

Auditor

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

By order of the board


P M Coles
Secretary

8 February 2001

Lex Vehicle Partners (2) Limited

Statement of directors' responsibilities

The following statement, which should be read in conjunction with the auditors' report set out on page 5, is made with a view to distinguishing for shareholders the respective responsibilities of the directors and the auditors in relation to the financial statements.

Company law requires the directors to prepare consolidated 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 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; and
- 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.

Lex Vehicle Partners (2) Limited

Report of the Auditor to the members of Lex Vehicle Partners (2) Limited

We have audited the financial statements on pages 6 to 13.

Respective responsibilities of directors and auditor

The directors are responsible for preparing the directors' report. As described on page 4, this includes responsibility for preparing 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. 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 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 affairs of the company as at 30 June 2000 and of its loss 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
Manchester

8 February 2001

Lex Vehicle Partners (2) Limited

Profit and Loss Account

for the financial year ended 30 June 2000

	Notes	2000 £000	1999 £000
Turnover		19,500	20,664
Depreciation and other amounts written off tangible fixed assets		(16,101)	(11,813)
Other operating charges		(6,226)	(5,250)
Operating (loss)/profit	2	(2,827)	3,601
Interest payable	4	(2,516)	(2,654)
(Loss)/profit on ordinary activities before taxation		(5,343)	947
Taxation on (loss)/profit on ordinary activities	5	1,124	(411)
(Loss)/profit on ordinary activities after taxation		(4,219)	536
Dividend		-	(1,000)
Result for the financial year	9	(4,219)	(464)

All of the above amounts are in respect of continuing operations.

The company has no recognised gains or losses other than the result for the period. A statement of movements on reserves is given in note 10.

The notes on pages 8 to 13 form an integral part of these financial statements.


Lex Vehicle Partners (2) Limited

Balance Sheet

at 30 June 2000

	Notes	2000 £000	1999 £000
Assets			
Fixed assets			
Tangible assets	6	47,174	52,655
Current assets			
Debtors	7	2,616	1,982
		<u>49,790</u>	<u>54,637</u>
Liabilities			
Capital and reserves			
Called up share capital	8	-	-
Profit and loss account	9	(3,356)	863
Equity shareholders' funds	10	<u>(3,356)</u>	<u>863</u>
Provisions for liabilities and charges	11	532	1,528
Creditors	12	52,614	52,246
		<u>49,790</u>	<u>54,637</u>

The financial statements on pages 6 to 13 were approved by the board of directors on 8 February 2001 and were signed on its behalf by:


J K Walden
Director

The notes on pages 8 to 13 form an integral part of these financial statements.

Lex Vehicle Partners (2) Limited

Notes to the financial statements

1. Principal accounting policies

The financial statements have been prepared under the historical cost accounting convention and comply with applicable UK accounting standards and with the requirements of the Companies Act 1985.

Turnover

Turnover is the invoiced value of rentals due for the year, arising from operating leases with external customers. The company operates in only one business segment in the United Kingdom and therefore a segmental report has not been prepared.

Income

Net income on operating leases after charging interest, depreciation, maintenance and other costs, is credited to the profit and loss account to give a constant periodic rate of return on the operating lease asset over the period of the contract.

Depreciation

Depreciation is provided to write down assets held for operating leases to their estimated residual values over their useful lives using an actuarial method.

Taxation

Provision for group relief is made on the assumption that claimant companies will make payment to the surrendering company at rates appropriate to the periods in which the losses claimed are utilised.

Deferred taxation

Deferred taxation is accounted for using the liability method on all material timing differences, to the extent that it is probable that a liability will crystallise.

Lex Vehicle Partners (2) Limited

Notes to the financial statements *(continued)*

2. Operating (loss)/profit

The operating (loss)/profit is stated after charging:

	2000 £000	1999 £000
Depreciation	10,838	11,813
Exceptional provision for depreciation on tangible fixed assets held for contract hire	5,263	-
Loss on sale of fixed assets	2,112	1,394

A provision of £5,263,000 has been established in the year ended 30 June 2000 as a result of a fall in the residual value of fixed assets held for contract hire.

3. Administrative expenses including directors' and employees' remuneration

Lex Vehicle Partners Limited provided management services to the company during the year. The charges it made include an element in respect of directors' and employees' remuneration, in addition to the fees in respect of the statutory audit, which it is not possible to identify separately. As such, the company had no employee costs.

4. Interest payable and similar charges

	2000 £000	1999 £000
Interest payable to immediate parent undertaking	2,516	2,654

5. Taxation on loss on ordinary activities

	2000 £000	1999 £000
Amounts relating to current year:		
Group relief based on the results for the year at 30% (1999: 31.75%)	(128)	576
Deferred	(996)	(218)
Under/(over) provision in respect of prior years:		
Group relief	-	(1)
Deferred	-	54
	(1,124)	411

Lex Vehicle Partners (2) Limited

Notes to the financial statements (continued)

6. Tangible fixed assets

	Assets held for Operating leases £000
<i>Cost</i>	
1 July 1999	71,145
Additions	23,443
Disposals	(24,388)
30 June 2000	70,200
<i>Depreciation and other asset provisions</i>	
1 July 1999	18,490
Charge for year and movement in other asset provisions	16,101
Disposals	(11,565)
30 June 2000	23,026
<i>Net book value</i>	
30 June 2000	47,174
30 June 1999	52,655

There were no capital commitments at 30 June 2000 (1999:£Nil)

7. Debtors

	2000 £000	1999 £000
Other debtors	1,621	986
Prepayments and accrued income	867	996
Group relief owed by fellow group undertakings	128	-
	2,616	1,982

Lex Vehicle Partners (2) Limited

Notes to the financial statements *(continued)*

8. Called up share capital

	2000 £	1999 £
<i>Authorised</i>		
Ordinary shares of £1 each	1,000	1,000
<i>Allotted, issued and fully paid</i>		
Ordinary shares of £1 each	2	2

9. Profit and Loss Account

	2000 £000	1999 £000
1 July 1999	863	1,327
Result for the financial year	(4,219)	(464)
30 June 2000	(3,356)	863

10. Reconciliation of movements in shareholders' funds

	2000 £000	1999 £000
1 July 1999	863	1,327
Result for the financial year	(4,219)	536
Dividends	-	(1,000)
Net reduction in shareholders' funds	(4,219)	(464)
30 June 2000	(3,356)	863

Lex Vehicle Partners (2) Limited

Notes to the financial statements *(continued)*

11. Provisions for liabilities and charges

The following provision has been made for deferred tax in respect of accelerated capital allowances:

	2000 £000	1999 £000
1 July 1999	1,528	1,692
Profit and loss account credit in the financial year	(996)	(164)
30 June 2000	<u>532</u>	<u>1,528</u>

The amount of unprovided deferred taxation in respect of accelerated capital allowances at 30 June 2000 is £228,000 (1999: £655,000)

12. Creditors

	2000 £000	1999 £000
Amounts falling due within one year:		
Trade creditors	12	41
Amounts owed to immediate parent undertaking	49,248	49,087
Group relief owed to fellow group undertakings	-	103
Accruals and deferred income	1,641	677
	<u>50,901</u>	<u>49,908</u>
Amounts falling due after more than one year:		
Accruals and deferred income	1,713	2,338

Lex Vehicle Partners (2) Limited

Notes to the financial statements *(continued)*

13. Parent undertaking

The parent undertaking is Lex Vehicle Leasing (Holdings) Limited, which is registered in England and Wales.

The joint venture companies Lex Service PLC and Halifax Group PLC, which are both registered in England and Wales, are the ultimate parent undertakings of Lex Vehicle Leasing (Holdings) Limited.

The company has taken advantage of the exemption within Financial Reporting Standard 8 not to disclose related party transactions with undertakings controlled within the group.

Copies of the financial statements of Halifax Group PLC can be obtained from The Secretary, Halifax Group PLC, Trinity Road, Halifax, West Yorkshire, HX1 2RG.

Copies of the financial statements of Lex Service PLC and Lex Vehicle Leasing (Holdings) Limited can be obtained from The Secretary, Lex Service PLC, Lex House, 17 Connaught Place, London W2 2EL.