

LEX VEHICLE LEASING (1) LIMITED

Directors' Report and Financial Statements

31 March 2004

Registered number 2953304

Registered Office:

Lex House
17 Connaught Place
London
W2 2EL



Lex Vehicle Leasing (1) Limited

Directors' Report and Financial Statements

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Lex Vehicle Leasing (1) Limited

Directors

R Francis

J K Walden

P M Coles (appointed 2 July 2004)

Secretary

P M Coles

Lex Vehicle Leasing (1) Limited

Directors' report

The directors have pleasure in submitting their annual report together with the audited financial statements for the company for the year ended 31 March 2004.

Principal Activities

The principal activity of the company is vehicle leasing.

Business Review

During the year the fleet increased from 20,326 to 39,413 vehicles.

On 1 February 2004, Lex Vehicle Leasing purchased the UK Contract Hire business of Ford Europe, Ford Business Partner. As a result of this the fleet in Lex Vehicle Leasing (1) Limited increased by 18,572 vehicles.

Results and dividends

The audited financial statements for the year ended 31 March 2004 are set out on pages 5 to 13. The profit for the year after taxation was £2,793,000 (2003: £4,201,000). The directors cannot recommend the payment of a dividend (2003: £nil).

Directors and directors' interests

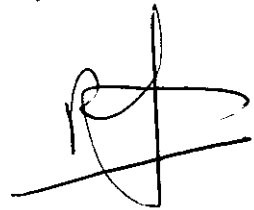
The directors who held office during the period are shown on page 1.

None of the persons who were directors at 31 March 2004 had any interests in the shares of the company or any other group undertaking.

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 Extraordinary General Meeting.

By order of the board

A handwritten signature in black ink, appearing to be 'R Francis', written over a horizontal line.

R Francis
Director

25th January 2005

Lex Vehicle Leasing (1) Limited

Statement of directors' responsibilities

The following statement, which should be read in conjunction with the auditors' report set out on page 4, is made with a view to distinguishing for shareholders the respective responsibilities of the directors and the auditors in relation to the financial statements.

United Kingdom 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 as at the end of the financial year and of the profit or loss of the company for that year. 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; 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 enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Lex Vehicle Leasing (1) Limited

Independent auditor's report to the members of Lex Vehicle Leasing (1) Limited

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

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 auditor

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 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 affairs of the company as at 31 March 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


KPMG Audit Plc

Chartered Accountants
Registered Auditor
St James' Square
Manchester
M2 6DS

25th January 2005

Lex Vehicle Leasing (1) Limited

Profit and Loss Account

for the financial year ended 31 March 2004

	<i>Notes</i>	2004 £000	2003 £000
Turnover	2	84,194	68,885
Depreciation and other amounts written off tangible fixed assets		(41,554)	(37,265)
Other operating charges		(30,893)	(19,911)
Operating profit	4	11,747	11,709
Interest payable	5	(7,755)	(5,707)
Profit on ordinary activities before taxation	3	3,992	6,002
Taxation on profit on ordinary activities	6	(1,199)	(1,801)
Retained profit for the financial year	10	2,793	4,201

All activity has arisen from continuing operations.

The company has no recognised gains or losses in either year other than the profit for that year. A statement of movements in reserves is given in note 11.

The notes on pages 7 to 13 form an integral part of this profit and loss account.

Lex Vehicle Leasing (1) Limited

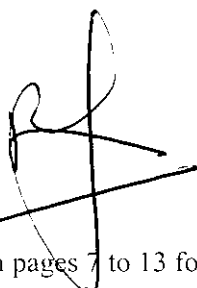
Balance Sheet

at 31 March 2004

	Notes	2004 £000	2003 £000
Assets			
Fixed assets			
Tangible assets	7	315,688	183,750
Current assets			
Debtors	8	20,952	11,216
		<u>336,640</u>	<u>194,966</u>
Liabilities			
Capital and reserves			
Called up share capital	9	-	-
Profit and loss account	10	(5,448)	(8,241)
Equity shareholders' funds	11	<u>(5,448)</u>	<u>(8,241)</u>
Provisions for liabilities and charges	12	19,709	9,851
Creditors	13	322,379	193,356
		<u>336,640</u>	<u>194,966</u>

The financial statements on pages 5 to 13 were approved by the board of directors on 25th January 2005 and signed on its behalf by:

R Francis
Director



The notes on pages 7 to 13 form an integral part of this balance sheet

Lex Vehicle Leasing (1) Limited

Notes to the financial statements

1. Principal accounting policies

The financial statements have been prepared under the historical cost accounting convention and in accordance with applicable accounting standards. The particular accounting policies adopted are described below. They have all been applied consistently throughout the year and the preceding year.

Turnover

Turnover is the invoiced value of rentals due for the year, arising from operating leases with external customers. Sales of used vehicles to the trade, value added tax and sales of fixed assets are not included.

Cash flow statement

As permitted by Financial Reporting Standard 1 (revised) "Cash Flow Statements" the company has not prepared a cash flow statement because it is a wholly owned subsidiary of Lex Vehicle Leasing (Holdings) Limited which prepares consolidated financial statements that are publicly available.

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided to write down assets held for operating leases to their estimated residual values over their expected useful lives using an actuarial method (straight-line basis for assets acquired as part of the Ford Business Partner purchase). Residual values are subject to a review on at least an annual basis to identify any potential impairment.

Taxation

UK corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

2. Turnover

The total turnover of the company for the year has been derived from its principal activities wholly undertaken in the United Kingdom.

Lex Vehicle Leasing (1) Limited

Notes to the financial statements *(continued)*

3. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging/(crediting):

	2004 £000	2003 £000
Depreciation	41,554	37,265
Loss on sale of fixed assets before release of residual value provision	1,968	1,987

4. Administrative expenses including directors' and employees' remuneration

Lex Vehicle Leasing 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.

5. Interest payable and similar charges

	2004 £000	2003 £000
Interest payable to immediate parent undertaking	7,755	5,707

Lex Vehicle Leasing (1) Limited

Notes to the financial statements *(continued)*

6. Taxation on profit on ordinary activities

	2004 £000	2003 £000
Amounts relating to current year:		
Group relief based on the results for the year at 30%	(8,661)	(1,354)
Deferred (see note 12)	9,858	3,155
Under provision in respect of prior years:		
Deferred	2	-
	<u>1,199</u>	<u>1,801</u>

Factors affecting tax charge for year

The tax assessed for the year varies from the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2004 £000	2003 £000
Profit on ordinary activities before tax	<u>3,992</u>	<u>6,002</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30%	1,199	1,801
Effects of:		
Capital allowances for period in excess of depreciation	(9,858)	(3,155)
Adjustments to tax charge in respect of previous periods	(2)	-
	<u>(8,661)</u>	<u>(1,354)</u>

Lex Vehicle Leasing (1) Limited

Notes to the financial statements (continued)

7. Tangible fixed assets

	Assets held for Operating leases £000
<i>Cost</i>	
1 April 2003	257,369
Additions	202,620
Disposals	(61,927)
31 March 2004	398,062
<i>Depreciation and other asset provisions</i>	
1 April 2003	73,619
Charge for year and movement in other asset provisions	41,554
Disposals	(32,799)
31 March 2004	82,374
<i>Net book value</i>	
31 March 2004	315,688
31 March 2003	183,750

The net book value of assets held for contract hire at the year end includes unguaranteed residual values amounting to £159,125,000

There were no capital commitments at 31 March 2004 (2003:£nil)

8. Debtors

	2004 £000	2003 £000
Group relief owed by fellow group undertakings	12,292	2,015
Other debtors	4,481	7,241
Prepayments and accrued income	4,179	1,960
	20,952	11,216

Lex Vehicle Leasing (1) Limited

Notes to the financial statements *(continued)*

9. Called up share capital

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

10. Profit and Loss Account

	2004 £000	2003 £000
1 April 2003	(8,241)	(12,442)
Profit for the financial year	2,793	4,201
31 March 2004	(5,448)	(8,241)

11. Reconciliation of movements in shareholders' funds

	2004 £000	2003 £000
1 April 2003	(8,241)	(12,442)
Profit for the financial year	2,793	4,201
31 March 2004	(5,448)	(8,241)

Lex Vehicle Leasing (1) Limited

Notes to the financial statements *(continued)*

12. Provisions for liabilities and charges

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

	2004	2003
	£000	£000
1 April 2003	9,851	6,696
Charged to the profit and loss account in the year	9,858	3,155
31 March 2004	<u>19,709</u>	<u>9,851</u>

13. Creditors

	2004	2003
	£000	£000
Amounts falling due within one year:		
Trade creditors	18,829	5,811
Amounts owed to immediate parent undertaking	258,183	156,997
Accruals and deferred income	24,403	12,663
	<u>301,415</u>	<u>175,471</u>
Amounts falling due after more than one year:		
Accruals and deferred income	20,964	17,885

Lex Vehicle Leasing (1) Limited

Notes to the financial statements *(continued)*

14. Parent undertaking

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

The joint venture companies RAC plc and HBOS 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 HBOS PLC can be obtained from The Secretary, HBOS PLC, The Mound, Edinburgh, EH1 1YZ.

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