VEHICLE LEASING (1) LIMITED

Directors' Report and Financial Statements

31 March 2009

Registered number 2953304

Registered Office:
Charterhall House
Charterhall Drive
Chester
CH88 3AN

Vehicle Leasing (1) Limited

Directors' Report and Financial Statements

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Vehicle Leasing (1) Limited

Directors

J K Walden	(resigned 31 March 2009)
L J Town	(resigned 7 April 2009)
S J Ballingall	(resigned 10 June 2009)
N C Stead	(appointed 5 May 2009)
R Francis	(appointed 5 May 2009)
C A Parkes	(appointed 22 July 2009)

Secretary

P Gittins

Directors' report

The directors present their report together with the audited financial statements for the year ended 31 March 2009.

Principal activities

The principal activity of the Company is vehicle leasing.

Business review

During the year the Company's lease fleet fell against a background of a volatile economy. In January 2009 the Company's ultimate parent, HBOS plc, was acquired by Lloyds TSB Group plc and the enlarged group was renamed the Lloyds Banking Group plc.

Lex Vehicle Leasing Limited, a fellow group company, acts as an agent and provides agency services in respect of which the Company pays an annual fee. The services provided by the agent comprise of seeking new business, negotiating and agreeing terms of and arranging the execution of all lease documents on behalf of the Company. The agent maintains accurate accounting and other records and is responsible for the settlement of all invoices relating to the services. The business is funded by the parent company Lex Vehicle Leasing (Holdings) Limited, which is itself funded by Lloyds Banking Group plc.

Risk management

The key risks and uncertainties faced by the Company are managed within the framework established for the Lloyds Banking Group plc, previously HBOS plc. Interest rate risk and credit risk are discussed below. The Company is funded by its parent and ultimately liquidity risk is managed within the Lloyds Banking Group plc, previously HBOS plc. The Company does not have any exposure to foreign exchange risk.

Credit risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed for all customers and updated annually.

Interest rate risk

All agreements are fixed rate agreements where the customer is committed to pay interest at a rate fixed at the commencement of the agreement for the agreement term; as such the Company is exposed to interest rate risk. This risk is not managed at the Company level. However, on a Group basis, this risk is materially hedged by fixed interest bearing financial liabilities that are held within the parent company, Lex Vehicle Leasing (Holdings) Limited. The cost of these liabilities is passed down to the individual companies by way of a Group recharge.

Performance

The Company has conducted its activities throughout the year in a satisfactory manner. No significant change in the scale or nature of the Company's activities is foreseen at the present time.

During the year the fleet decreased from 28,809 to 26,422 vehicles. The Company has total assets of £320.7m compared to £336.6m in 2008. The Company experienced a pre tax loss in the year of £7.4m (2008: £11.7m profit). The downturn in the second hand car market has severely impacted this year's results with disposal losses of £4.2m being incurred (2008: £3m profit) and an increase to the Residual value provision of £3.8m (2008: £2.4m).

Vehicle Leasing (1) Limited

Directors' report *(continued)*

Future developments

The Company remains committed to the business of leasing assets to third parties and will operate within the integrated contract hire division ("Lex Autolease") established following the acquisition of HBOS plc by Lloyds TSB Group plc.

Supplier payment policy

The Company follows "The Better Payment Practice Code" published by the Department for Business Innovation and Skills (BIS) regarding the making of payments to suppliers. A copy of the code and information about it may be obtained from the BIS Publications Order Line 0845-0150-010 quoting ref URN 04/606.

The Company's policy is to agree terms of payment with suppliers and these normally provide for settlement within 7 days after the date of the invoice, except where other arrangements have been negotiated. It is the policy of the Company to abide by the agreed terms of payment, provided the supplier performs according to the terms of the contract.

As a result of the agency arrangement in place, the Company had no specific trade payables at 31 March 2009 and so the average number of days credit taken at 31 March 2009 was nil *(2008: nil)*.

Results and dividend

The results for the year are shown in the Income Statement on page 7. A dividend of £2,973,000 was paid during the year *(2008: £nil)*.

Going concern

As set out in the 'Principles underlying going concern assumption' of the Basis of Preparation section of the Notes to the Accounts, the Directors are satisfied that the Company has adequate resources to continue in business for the foreseeable future and consequently the going concern basis continues to be appropriate in preparing the accounts.

Directors and directors' interests

The directors who held office during the year are listed on page 1.

By order of the board

CAParkes
....

C.A. Parkes
Director
Charterhall House
Charterhall Drive
Chester
CH88 3AN

Statement of directors' responsibilities in respect of the Annual report and the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and applicable law.

The financial statements are required by law and IFRSs as adopted by the EU to present fairly the financial position of the Company and the performance for that period; the Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; 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 confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its 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.

Under applicable law and regulations, the directors are also responsible for preparing a Directors' Report and a Business Review.

Auditors

Following the resignation of KPMG on 10 June 2009, PricewaterhouseCoopers LLP were appointed as auditors of the company with effect from the same date by resolution of the members dated 13 July 2009.

Pursuant to section 487 of the Companies Act 2006, auditors duly appointed by the members of the company shall, subject to any resolution to the contrary, be deemed to be reappointed for the next financial year and PricewaterhouseCoopers LLP will therefore continue in office.

Disclosure of information to auditors

Each director in office at the date of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given, and should be interpreted, in accordance with section 243ZA of the Companies Act 1985.

Independent auditors' report to the members of Vehicle Leasing (1) Limited

We have audited the financial statements of Vehicle Leasing (1) Limited for the year ended 31 March 2009 which comprise the Income Statement, the Balance Sheet, the Cash Flow Statement, the Statement of Changes in Equity and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU are set out in the Statement of Directors' Responsibilities on page 4.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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.

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRSs, as adopted by the EU, of the state of the Company's affairs as at 31 March 2009 and of its loss and cashflows for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985;
- the information given in the Directors' Report is consistent with the financial statements.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP 29 January 2010
Chartered Accountants and Registered Auditors
Cardiff

Vehicle Leasing (1) Limited

Income statement
for the year ended 31 March 2009

	Notes	**2009** **£000**	2008 £000
Revenue	*2*	**126,125**	115,366
Cost of sales		**(85,032)**	(64,861)
Gross profit		**41,093**	50,505
Other operating expenses		**(32,900)**	(25,059)
Operating profit before financing costs	*3*	**8,193**	25,446
Financial expenses		**(15,640)**	(13,735)
(Loss)/profit before taxation		**(7,447)**	11,711
Income tax credit/(expense)	*4*	**2,086**	(2,310)
(Loss)/profit for the year		**(5,361)**	9,401

All of the above amounts are in respect of continuing operations. A reconciliation of the movement in capital and reserves can be found on page 9.

The notes on pages 11 to 20 form an integral part of these financial statements.

Vehicle Leasing (1) Limited

Balance sheet

As at 31 March 2009

	Notes	**2009 £000**	2008 £000
Assets			
Property, plant and equipment	*5*	**302,742**	319,822
Deferred tax asset	*8*	**7,760**	-
Total non-current assets		**310,502**	319,822
Assets awaiting sale	*5*	**1,810**	2,276
Trade and other receivables	*6*	**8,380**	12,837
Corporation tax receivable		**-**	1,646
Total current assets		**10,190**	16,759
Total assets		**320,692**	336,581
Equity			
Issued capital	*7*	**-**	-
Accumulated profits		**13,145**	21,479
Total equity		**13,145**	21,479
Liabilities			
Deferred tax liabilities	*8*	**-**	16,851
Other payables	*9*	**26,119**	29,828
Total non-current liabilities		**26,119**	46,679
Trade and other payables	*9*	**260,549**	268,423
Corporation tax liabilities		**20,879**	-
Total current liabilities		**281,428**	268,423
Total liabilities		**307,547**	315,102
Total equity and liabilities		**320,692**	336,581

The financial statements on pages 7 to 20 were approved by the board of directors on 29th January 2010 and were signed on its behalf by:

CAParkes
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C A Parkes
Director

Vehicle Leasing (1) Limited

Statement of changes in equity

As at 31 March 2009

	Share Capital £'000	Retained profits £'000	Total £'000
At 1 April 2007	-	**12,078**	**12,078**
Profit for the year	-	9,401	9,401
At 31 March 2008	-	**21,479**	**21,479**
Loss for the year	-	(5,361)	(5,361)
Dividends	-	(2,973)	(2,973)
At 31 March 2009	-	**13,145**	**13,145**

The notes on pages 11 to 20 form an integral part of these financial statements.

Vehicle Leasing (1) Limited

Cash flow statement

for the year ended 31 March 2009

	Notes	2009 £000	2008 £000
Operating (loss)/profit		**(7,447)**	11,711
Depreciation of property, plant and equipment		**78,688**	66,810
Profit on sale of operating leases		**4,196**	(3,002)
Decrease/(increase) in trade and other receivables		**4,457**	(2,800)
Increase in trade and other payables		**(10,444)**	(6,431)
Increase in residual value provision		**3,819**	2,357
Net Cash from operating activities		**73,269**	68,645
Taxes paid via group relief		**-**	(3,948)
Net cash from operating activities		**73,269**	64,697
Cash flows from investing activities			
Purchase of property, plant and equipment		**(112,072)**	(141,340)
Proceeds on disposal of property, plant and equipment		**42,914**	44,124
Net cash outflow from investing activities		**(69,158)**	(97,216)
Cashflows from financing activities			
Dividends paid		**(2,973)**	-
Net Cash from financing activities		**(2,973)**	-
Net increase/(decrease) in cash and cash equivalents		**1,138**	(32,519)
Cash and cash equivalents at 1 April		**(227,776)**	(195,257)
Cash and cash equivalents at 31 March	*10*	**(226,638)**	(227,776)

The notes on pages 11 to 20 form an integral part of these financial statements.

Notes to the financial statements

1. Significant accounting policies

Vehicle Leasing (1) Limited is a company domiciled in the United Kingdom.

The financial statements were authorised for issue by the directors on 29th January 2010.

Statement of compliance

The financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"). The financial statements also comply with the relevant provisions of Part VII of the Companies Act 1985, as amended by the Companies Act 1985 (International Accounting Standards and Other Accounting Amendments) Regulations 2004.

The following standards and interpretations have been adopted by the EU but are not effective for the year ended 31 March 2009 and have not been applied in preparing the financial statements: IFRS 8 "Operating Segments" which is applicable for periods commencing on or after 1 January 2009. The application of this standard in 2008 would not have had any financial impact as it is only concerned with disclosure.

The following standards and interpretations have not yet been adopted by the EU, are not effective for the year ended 31 March 2009 and have not been applied in preparing the financial statements: Revised IAS 1 "Presentation of Financial Statements" which is effective for periods commencing on or after 1 January 2009. The application of this revised standard in 2008 would not have had any material impact on the financial statements.

Basis of preparation

Principles underlying going concern assumption

The Company is reliant on funding ultimately provided by Lloyds Banking Group plc. Owing to uncertainty in financial markets Lloyds Banking Group plc participates in government sponsored measures to improve funding and liquidity. The directors are satisfied that it is the intention of Lloyds Banking Group plc that its subsidiaries, including the Company, will continue to receive funding in the future and, accordingly, the financial statements have been prepared on a going concern basis.

The financial statements are presented in Sterling, rounded to the nearest thousand. They are prepared on the historical cost basis.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives are as follows:

Vehicles held on contract hire
The cost of vehicles is depreciated to estimated residual value over their useful lives on a straight-line basis. Residual values are subject to a review on at least an annual basis to identify any potential impairment.

Notes to the financial statements *(continued)*

1. Significant accounting policies *(continued)*

Property, plant and equipment (continued)

A residual value provision is made against vehicles by comparing the net present value of expected cash flows with the carrying value. A key element of the cash flow is the expected residual value of vehicles at the end of their contract. In order to arrive at the expected residual value, estimates have been made as to how the used vehicle market itself will move over time. Any impairment identified in this manner is charged to the income statement immediately (see page 13).

Trade and other receivables

Trade and other receivables are stated at their nominal amount (discounted if material) less impairment losses.

Assets awaiting sale

Assets awaiting sale comprise of operating leased assets where the agreements have reached their termination date, but the assets will not be sold until after the balance sheet date. Such assets are reported at the lower of amortised cost or expected net realisable value.

Financial assets and liabilities

All regular methods of purchase and sale of financial assets are recognised on the trade date i.e. the date the Company commits to the purchase or sale of the asset.

All financial assets are initially measured at fair value plus transaction costs which are directly attributable to their acquisition.

Financial liabilities are measured initially at fair value plus any directly attributable transaction costs.

Income tax

Income tax on the profit for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

Financial expenses

Financial expenses represent borrowing costs which are recognised as an expense in the period in which they are incurred.

Notes to the financial statements *(continued)*

1. Significant accounting policies *(continued)*

Operating leases

Assets leased to customers are classified as operating leases on the basis that substantially all of the risks and rewards of those assets are retained by the Company. These assets are disclosed in the balance sheet as assets held for contract hire within property, plant and equipment and are recorded at cost less accumulated depreciation, which is calculated on a straight line basis, and less any provision for impairment.

Operating lease rental income is recognised in the income statement on a straight line basis. Initial direct costs incurred are deferred and allocated to income over the lease term in proportion to the recognition of rental income.

Impairment provisions

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is an indication of impairment. If any such indication exists, the assets' recoverable amount is estimated. Impairment is assessed individually for financial assets.

The recoverable amount of other assets including operating leases is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If impaired, the carrying value is adjusted and the difference charged to the income statement. The reversal of an impairment loss for an asset is recognised immediately in the income statement. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised.

In accordance with IAS 8, the depreciation on assets has been adjusted in instances where the future estimated residual value has increased compared to the original estimated residual value.

Dividends

Dividends on ordinary shares are recognised in equity in the period in which they are paid.

2. Revenue

The revenue received in the year consists of:

	2009	2008
	£000	£000
Income from operating leased assets	**126,125**	115,366
	126,125	115,366

Notes to the financial statements *(continued)*

3. Operating (loss)/profit before financing costs

Operating (loss)/profit before financing costs has been arrived at after charging/(crediting):

	2009	2008
	£000	£000
Depreciation	**78,688**	66,810
Loss/(profit) on sale of property, plant and equipment	**4,196**	(3,002)
Auditors' remuneration for audit services	**10**	9

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, which it is not possible to identify separately. As such, no employee costs have been included in the income statement.

4. Income tax expense

Recognised in the income statement:

	2009	2008
	£000	£000
Current tax expense		
Current tax charge for the year	**22,541**	761
Adjustments for prior years	**(16)**	(2,378)
Deferred tax expense		
Deferred tax charge for the year	**(24,626)**	1,549
Adjustments for prior years	**15**	2,378
Total income tax (credit)/expense in income statement	**(2,086)**	2,310

Reconciliation of effective tax rate

The tax assessed for the year varies from the standard rate of Corporation Tax in the UK (28%; 2008 30%). The differences are explained below:

	2009	2008
	£000	£000
Profit before tax	**(7,447)**	11,711
Income tax using the standard corporation tax rate of 28% (2008: 30%)	**(2,085)**	3,513
Effects of:		
Reduction in deferred tax rate from 30% to 28%	**-**	(1,203)
Under provided in prior years	**(1)**	-
Total income tax expense/(income) for the year	**(2,086)**	2,310

Notes to the financial statements *(continued)*

5. Property, plant and equipment

	Assets held for contract hire £000
Cost	
1 April 2008	455,509
Additions	112,072
Disposals	(114,043)
31 March 2009	453,538
Depreciation and other asset provisions	
1 April 2008	133,411
Charge for the year	78,688
Residual value provision	3,819
Disposals	(66,932)
31 March 2009	148,986
Net book value	
At 31 March 2009	
Assets held for contract hire	**302,742**
Assets awaiting sale	**1,810**
	304,552
Net book value	
At 31 March 2008	322,098

Notes to the financial statements *(continued)*

5. Property, plant and equipment *(continued)*

Details of the movement in property, plant and equipment in 2008 were as follows:

	Assets held for contract hire £000
Cost	
1 April 2007	413,900
Additions	141,340
Disposals	(99,731)
31 March 2008	455,509
Depreciation and other asset provisions	
1 April 2007	122,853
Charge for the year	66,810
Residual value provision	2,357
Disposals	(58,609)
31 March 2008	133,411
Net book value	
At 31 March 2008	
Assets held for contract hire	**319,822**
Assets awaiting sale	**2,276**
	322,098
Net book value	
At 31 March 2007	291,047

There were no capital commitments at 31 March 2009 *(2008: £nil)*

The aggregate rentals receivable during the year in respect of operating leases and similar agreements were £122.0m *(2008: £113.5m)*.

The net book value of assets held for contract hire at the year end includes non-guaranteed residual values amounting to £142.8m *(2008: £172.6m)*. These mature as follows:

Non-guaranteed residual value	Within 1 year £000	1 to 2 years £000	2 to 5 years £000	After 5 years £000	Total £000
2009	**53,956**	**39,812**	**48,983**	**-**	**142,751**
2008	59,356	46,625	66,623	-	172,604

Notes to the financial statements *(continued)*

6. Trade and other receivables

	2009 £000	2008 £000
Current trade and other receivables:		
Financial assets:		
Prepayments and accrued income	**3,463**	3,856
	3,463	3,856
Non-financial assets:		
VAT receivable	**4,917**	8,981
	8,380	12,837

7. Issued capital

	2009 £	2008 £
Authorised		
1,000 Ordinary shares of £1 each	**1,000**	1,000
	1,000	1,000
Allotted, issued and fully paid		
2 Ordinary shares of £1 each	**2**	2
	2	2

8. Deferred tax liability

The movement for the year in the Company's net deferred tax position was as follows:

Deferred taxation	2009 £000	2008 £000
1 April	**16,851**	12,924
Recognised in income statement:		
(Credit)/charge for the year	**(24,626)**	1,549
Adjustments for prior years	**15**	2,378
31 March	**(7,760)**	16,851

Deferred tax liabilities relate to accelerated capital allowances.

Notes to the financial statements *(continued)*

9. Liabilities

	2009	2008
	£000	£000
Current liabilities:		
Financial liabilities:		
Amounts owed to group companies	**226,638**	227,776
Other payables	**81**	229
Accruals and deferred income	**33,830**	40,418
	260,549	268,423
Non-current liabilities:		
Financial liabilities:		
Accruals and deferred income	**26,119**	29,828
	286,668	298,251

10. Cash and cash equivalents

	2009	2008
	£000	£000
Cash and cash equivalents owing to group companies	**226,638**	227,776
	226,638	227,776

11. Operating leases

Amounts receivable under operating leases are as follows:

Operating leases	Within 1 year £000	1 to 2 years £000	2 to 5 years £000	After 5 years £000	Total £000
Amounts receivable	23,903	55,489	111,866	-	191,258

12. Financial instruments

The Company's financial assets and liabilities are restricted to trade receivables and payables which are predominantly due to and from other Group companies, for which the carrying value is deemed to approximate fair value.

Credit risk

Trade receivables are predominantly due from other group companies who bear the majority of the exposure to credit risk. Management has a credit policy in place within these group companies and the exposure to credit risk is monitored on an ongoing basis. At a Group level credit evaluations are performed for all customers and updated annually.

Notes to the financial statements *(continued)*

12. Financial instruments (continued)

Market risk

Market risk is defined as the potential loss in value or earnings of the Company arising from changes in external market factors such as:

- interest rates (interest rate risk)
- foreign exchange rates (foreign exchange risk)
- residual risk

Liquidity risk

The liquidity risk faced by the Company is in substance managed and borne by other group companies which provide funding to the Company and credit risk is carefully monitored by the Asset Finance business unit credit committees and credit functions. Asset Finance is the Lloyds Banking Group business unit in which the Company resides.

Fair values

The carrying value of all financial assets and liabilities is not considered to be materially different from fair value.

13. Parent undertaking

As at 31 March 2009 the Company's immediate parent company was Lex Vehicle Leasing (Holdings) Limited, which is registered in England and Wales. Until 16 January 2009, the company regarded by the directors as the ultimate parent company was HBOS plc, a limited liability company incorporated and domiciled in Scotland, which was also the parent undertaking of the largest group of undertakings for which group accounts are drawn up and of which the Company is a member. Lex Vehicle Leasing (Holdings) Limited was the parent undertaking of the smallest such group of undertakings.

From 16 January 2009, Vehicle Leasing (1) Limited's ultimate parent undertaking and controlling party is Lloyds Banking Group plc (formerly Lloyds TSB Group plc) which is incorporated in Scotland. Lloyds Banking Group plc will produce consolidated accounts for the year ended 31 December 2009. Copies of the annual report and accounts of Lloyds TSB Group plc for the year ended 31 December 2008 may be obtained from Lloyds Banking Group's head office at 25 Gresham Street, London EC2V 7HN.

Prior to 16 January 2009, HBOS plc was the ultimate parent undertaking of Vehicle Leasing (1) Limited. Copies of the annual report and accounts of HBOS plc for the year ended 31 December 2008 may be obtained from HBOS plc's registered office at The Mound, Edinburgh EH1 1YZ.

Notes to the financial statements *(continued)*

14. Related party transactions

Transactions with group companies

Transactions during the year and outstanding at the year end with group companies are as follows:

	Income/ (Expense) 2009 £000	Income/ (Expense) 2008 £000
Transactions:		
Commission charged by Lex Vehicle Leasing Limited	**(3,048)**	(3,099)
Management charges charged by Lex Vehicle Leasing Limited	**(6,471)**	(3,553)
Financial expenses charged by Lex Vehicle Leasing (Holdings) Limited	**(15,640)**	(13,735)
Outstanding balances:		
Balance due (to) Lex Vehicle Leasing Limited	**(13,595)**	(5,766)
Balance due (to) Lex Vehicle Leasing (Holdings) Limited	**(213,043)**	(222,010)

Transactions with directors and key managers

There were no related party transactions with directors or key managers *(2008:£nil).*

15. Future Events

IAS not yet applied

The following relevant pronouncements have not yet been adopted by the European Union, are not effective for the year ended 31 March 2009 and have not been applied in preparing the financial statements.

Amendments to IAS 1 (Revised) 'Presentation of Financial Statements' which is effective for accounting periods commencing on or after 1 January 2009. The revised standard will affect the presentation of owner changes in equity and of comprehensive income. Adoption will not change the recognition, measurement or disclosure of specific transactions or events as required by other standards.

Improvements to IFRS sets out minor amendments to IFRS standards as part of the annual improvements process and will be dealt with on a standard by standard basis but not earlier than annual periods beginning on or after 1 January 2009.