

LEX VEHICLE PARTNERS (3) LIMITED

Directors' Report and Financial Statements

30 September 2005

Registered number 2954958

Registered Office:
Lex House
17 Connaught Place
London
W2 2EL



Lex Vehicle Partners (3) Limited

Directors' Report and Financial Statements

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Lex Vehicle Partners (3) Limited

Directors

R Francis

J K Walden

R W Wastell (resigned 30 April 2006)

P M Coles (resigned 30 June 2005)

P C Easter (appointed 30 June 2005, resigned 31 May 2006)

S C J Machell (appointed 30 June 2005, resigned 31 May 2006)

P J R Snowball (appointed 30 June 2005, resigned 31 May 2006)

L J Town (appointed 31 May 2006)

Secretary

P Gittins (appointed 31 May 2006)

Aviva Company Secretarial Services Limited (appointed 30 June 2005, resigned 31 May 2006)

P M Coles (resigned 30 June 2005)

Lex Vehicle Partners (3) 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 30 September 2005.

Principal Activities

The principal activity of the company is vehicle leasing.

Business Review

During the year the fleet increased from 5,017 to 5,751 vehicles. The directors expect the general level of activity to continue for the foreseeable future.

On 31st May 2006, Halifax Vehicle Leasing (1998) Limited, a member of the HBOS plc Group, acquired the 50% shareholding in Lex Vehicle Leasing (Holdings) Limited previously owned by Aviva plc, as a result of which HBOS plc became the ultimate parent undertaking.

Results and dividends

The profit after taxation for the year ended 30 September 2005 was £1,116,000 (2004: £1,236,000). The audited financial statements for the year ended 30 September 2005 are set out on pages 5 to 13. The directors recommend that no dividend be paid.

Directors and directors' interests

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

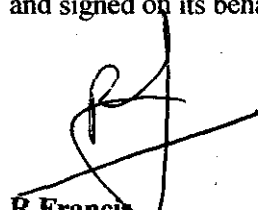
None of the persons who were directors at 30 September 2005 had any interests required to be disclosed under schedule 7 of the Companies Act 1985.

Auditors

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.

Approved by the board of directors
and signed on its behalf by:

9 August 2006



R Francis
Director

Lex Vehicle Partners (3) 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.

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;
- 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 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 Partners (3) Limited

Independent auditors report to the members of Lex Vehicle Partners (3) 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 30 September 2005 and of its profit 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
St James' Square
Manchester
M2 6DS

Lex Vehicle Partners (3) Limited

Profit and Loss Account

for the financial year ended 30 September 2005

	Notes	2005 £000	2004 £000
Turnover		21,384	20,381
Depreciation and other amounts written off tangible fixed assets		(12,907)	(12,480)
Other operating charges		(4,869)	(4,735)
Operating profit		3,608	3,166
Interest payable	4	(1,873)	(1,401)
Profit on ordinary activities before taxation	2	1,735	1,765
Taxation on profit on ordinary activities	5	(619)	(529)
Retained profit for the financial year	9	1,116	1,236

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

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

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

Lex Vehicle Partners (3) Limited

Balance Sheet

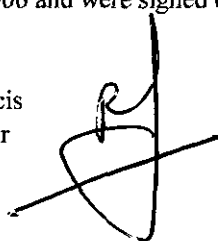
at 30 September 2005

	Notes	2005 £000	2004 £000
Assets			
Fixed assets			
Tangible assets	6	66,374	54,940
Current assets			
Debtors	7	6,017	3,652
		<u>72,391</u>	<u>58,592</u>
Liabilities			
Capital and reserves			
Called up share capital	8	-	-
Profit and loss account	9	(652)	(1,768)
Equity shareholders' deficit	10	<u>(652)</u>	<u>(1,768)</u>
Provisions for liabilities and charges	11	2,739	568
Creditors	12	70,304	59,792
		<u>72,391</u>	<u>58,592</u>

The financial statements on pages 5 to 13 were approved by the board of directors on 2006 and were signed on its behalf by:

9 August

R Francis
Director



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

Lex Vehicle Partners (3) Limited

Notes to the financial statements

1. Principal accounting policies

Accounting convention

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.

Lex Vehicle Partners (3) Limited

Notes to the financial statements *(continued)*

2. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	2005 £000	2004 £000
Depreciation and amounts written off tangible fixed assets	12,907	12,480
Loss on sale of fixed assets	450	639

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

	2005 £000	2004 £000
Interest payable to immediate parent undertaking	1,873	1,401

Lex Vehicle Partners (3) Limited

Notes to the financial statements *(continued)*

5. Taxation on profit on ordinary activities

	2005 £000	2004 £000
Current tax:		
Corporation tax based on the profit for the year at 30%	(258)	1,117
Adjustments in respect of prior years	<u>(1,294)</u>	<u>-</u>
	(1,552)	1,117
Deferred tax:		
Origination and reversal of timing differences	779	(588)
Underprovision in respect of prior years	<u>1,392</u>	<u>-</u>
	619	529

Factors affecting tax charge for year

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

	2005 £000	2004 £000
Profit on ordinary activities before tax	<u>1,735</u>	<u>1,765</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30%	521	529
Effects of:		
Capital allowances for the year (in excess of)/under depreciation	(779)	588
Adjustments to tax charge in respect of previous periods	<u>(1,294)</u>	<u>-</u>
Current Tax (credit)/charge for the year	(1,552)	1,117

Lex Vehicle Partners (3) Limited

Notes to the financial statements (continued)

6 Tangible fixed assets

	Assets held for Operating leases £000
<i>Cost</i>	
1 October 2004	75,845
Additions	34,468
Disposals	(22,037)
30 September 2005	<u>88,276</u>
<i>Depreciation and other asset provisions</i>	
1 October 2004	20,905
Charge for year and movement in other asset provisions	12,907
Disposals	(11,910)
30 September 2005	<u>21,902</u>
<i>Net book value</i>	
30 September 2005	<u>66,374</u>
30 September 2004	<u>54,940</u>

The net book value of assets held for contract hire at the year end includes unguaranteed residual values amounting to £43,282,000.

There were no capital commitments at 30 September 2005 (2004 :£nil)

7. Debtors

	2005 £000	2004 £000
Other debtors	4,365	2,558
Prepayments and accrued income	1,006	1,094
Group Relief owed by fellow group undertakings	646	-
	<u>6,017</u>	<u>3,652</u>

Lex Vehicle Partners (3) Limited

Notes to the financial statements *(continued)*

8. Called up share capital

	2005 £	2004 £
<i>Authorised</i>		
1,000 ordinary shares of £1 each	1,000	1,000
<i>Called up, allotted and fully paid</i>		
2 ordinary shares of £1 each	2	2

9. Reserves

	2005 £000	2004 £000
1 October 2004	(1,768)	(3,004)
Retained profit for the financial year	1,116	1,236
30 September 2005	(652)	(1,768)

10. Reconciliation of movements in shareholders' deficit

	2005 £000	2004 £000
Opening equity shareholders' deficit	(1,768)	(3,004)
Retained profit for the financial year	1,116	1,236
Closing equity shareholders' deficit	(652)	(1,768)

Lex Vehicle Partners (3) 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:

	2005 £000	2004 £000
1 October 2004	568	1,156
Profit and loss account credit in the financial year	2,171	(588)
30 September 2005	2,739	568

12. Creditors

	2005 £000	2004 £000
Amounts falling due within one year:		
Trade creditors	956	2,288
Amounts owed to immediate parent undertaking	65,530	52,753
Corporation tax	-	907
Accruals and deferred income	2,532	2,701
	69,018	58,649
Amounts falling due after more than one year:		
Accruals and deferred income	1,286	1,143

Lex Vehicle Partners (3) Limited

Notes to the financial statements *(continued)*

13. Post balance sheet event

On 31st May 2006, Halifax Vehicle Leasing (1998) Limited, a member of the HBOS plc Group, acquired the 50% shareholding in Lex Vehicle Leasing (Holdings) Limited previously owned by Aviva plc, as a result of which HBOS plc became the ultimate parent undertaking.

14. Parent undertaking

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

The joint venture companies Aviva 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 Aviva plc and Lex Vehicle Leasing (Holdings) Limited can be obtained from The Secretary, Aviva plc, St. Helen's, 1 Undershaft, London, EC3P 3DQ