LEX VEHICLE PARTNERS (3) LIMITED

Directors' Report and Financial Statements

30 September 2011

Registered number: 2954958

Registered Office:
Charterhall House
Charterhall Drive
Chester
Cheshire
CH88 3AN

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Lex Vehicle Partners (3) Limited

Directors' Report and Financial Statements

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Lex Vehicle Partners (3) Limited

Directors

N C Stead	(resigned 30 June 2011)
R Francis	
C A Parkes	
M F Chessman	(appointed 3 October 2011)

Company secretary

P Gittins

Lex Vehicle Partners (3) Limited

Company Registration Number 2954958

Directors' report

The directors present their report together with the audited financial statements for the Company for the year ended 30 September 2011

Principal activity

The principal activity of the Company is vehicle leasing

Business review

Lex Vehicle Partners 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 are 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 The Company is a component part of the Group's Asset Finance business

On 30 April 2011 the remainder of the Company's vehicle assets were transferred to another group company, Lex Autolease Limited This is part of a process to consolidate the vehicle leasing businesses within Lloyds Banking Group

Risk management

Responsibility for the control of overall risk within the Company lies with the Board of Directors See note 2 for further information

Performance

During the year there was a decrease in the fleet from 958 vehicles to nil vehicles, due to the migration of assets to Lex Autolease Limited The Company has total assets of £678,000 compared to £10,273,000 in 2010 During the year the Company made a loss before tax of £2,606,000 (2010 profit of £1,844,000)

Key performance indicator's ('KPIs')

The directors of Lloyds Banking Group plc manage the Group's operation on a divisional basis During the year, the Company was included within the Asset Finance business unit of the Wholesale Division

Future developments

All vehicle assets have now been transferred to a fellow group company All new business is now being written in Lex Autolease Limited The Company has in effect ceased to trade and has become dormant

Directors' report *(continued)*

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 agreement in place, the Company had no specific trade payables at 30 September 2011 and so the average number of days credit taken at 30 September 2011 was nil (2010 nil)

Results and dividend

The results for the year are shown in the Statement of comprehensive income on page 7 No dividend was paid during the year (2010 £nil)

Going concern

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

Directors and directors' interests

The directors who held office during the year and up until the date of signing the financial statements are listed on page 1

Directors' indemnities

The directors have the benefit of a deed of indemnity which constitutes a "qualifying third party indemnity provision" These deeds are in force during the whole of the financial year (or from the date of appointment in respect of the directors who join the board during the financial year) The indemnities remain in force at the date of signing these financial statements Deeds for existing directors are available for inspection at the registered office of Lloyds Banking Group plc

Auditors

PricewaterhouseCoopers LLP are deemed to be re-appointed as auditors under section 487(2) of the Companies Act 2006

Lex Vehicle Partners (3) Limited

Company Registration Number 2954958

Directors' report *(continued)*

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' 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 European Union (EU)

Under company law the directors must not approve the financial statements unless they are satisfied that they 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 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 applicable International Financial Reporting Standards (IFRSs) as adopted by the European Union 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 confirm that they have complied with the above requirements in preparing the financial statements

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and 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 2006 They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Disclosure of information to auditors

In accordance with Section 418 of the Companies Act 2006, directors' reports shall include a statement, in the case of each director in office at the date the directors' report is approved, that

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- he or she has taken all the steps that he or she ought to have taken as a director in order to make himself or herself 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 418 of the Companies Act 2006

CAParkes

C A Parkes
Director
28 June 2012

Charterhall House
Charterhall Drive
Chester
Cheshire
CH88 3AN

Independent auditors' report to the member of Lex Vehicle Partners (3) Limited

We have audited the financial statements of Lex Vehicle Partners (3) Limited for the year ended 30 September 2011 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity, the cash flow statement and the related notes The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

This report, including the opinions, has been prepared for and only for the Company's member as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose We do not, in giving these opinions, 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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the Report of the Directors to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 30 September 2011 and of its profit and cash flows for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Independent auditors' report to the member of Lex Vehicle Partners (3) Limited
(continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

M Ellis

Mark Ellis(Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Cardiff

28th June 2012

Lex Vehicle Partners (3) Limited

Statement of Comprehensive Income
for the year ended 30 September 2011

	Notes	2011 £000	* Restated 2010 £000
Revenue	4	**8,540**	56,832
Cost of sales		**(10,967)**	(53,452)
Gross (loss)/profit		**(2,427)**	3,380
Other operating expenses		**(29)**	(1,063)
Operating (loss)/profit before financing costs	5	**(2,456)**	2,317
Financial expenses	6	**(150)**	(473)
(Loss)/profit before taxation		**(2,606)**	1,844
Income tax credit/(expense)	7	**3,304**	(1,869)
Profit/(loss) for the year attributable to the equity shareholder		**698**	(25)

* The restatement of the prior year comparative is explained in note 17

The notes on pages 11 to 22 form an integral part of these financial statements

Lex Vehicle Partners (3) Limited

Balance sheet

As at 30 September 2011

	Notes	**2011 £000**	2010 £000
Assets			
Property, plant and equipment	*8*	-	9,492
Deferred tax	*11*	-	302
Total non-current assets		-	9,794
Assets awaiting sale	*8*	-	164
Trade and other receivables	*9*	**678**	315
Total current assets		**678**	479
Total assets		**678**	10,273
Liabilities			
Trade and other payables	*12*	-	376
Total non-current liabilities		-	376
Trade and other payables	*12*	-	728
Corporation tax liabilities		**696**	4,302
Borrowings	*12*	-	5,583
Total current liabilities		**696**	10,613
Total liabilities		**696**	10,989
Equity			
Issued capital	*10*	-	-
Accumulated losses		**(18)**	(716)
Total equity		**(18)**	(716)
Total equity and liabilities		**678**	10,273

The financial statements on pages 7 to 22 were approved by the board of directors on 28 June 2012 and were signed on its behalf by

CAParkes

C A Parkes
Director

Lex Vehicle Partners (3) Limited

Statement of changes in equity

For the year ended 30 September 2011

	Share Capital £000	Retained losses £000	Total £000
At 30 September 2009	-	(691)	(691)
Total comprehensive expense for the year	-	(25)	(25)
At 30 September 2010	-	(716)	(716)
Total comprehensive income for the year	-	698	698
At 30 September 2011	-	(18)	(18)

The notes on pages 11 to 22 form an integral part of these financial statements

Lex Vehicle Partners (3) Limited

Cash flow statement

for the year ended 30 September 2011

	Notes	2011 £000	* Restated 2010 £000
Cash flows from operating activities			
(Loss)/profit before tax		**(2,606)**	1,844
Depreciation of property, plant and equipment		**1,374**	3,349
Cost on disposal of ex-leased assets		**9,238**	49,536
Interest payable		**150**	473
Decrease in trade and other receivables		**315**	2,461
Decrease in trade and other payables		**(1,104)**	(2,715)
(Decrease)/increase in residual value provision		**(956)**	79
Net cash flows from operations		**6,411**	55,027
Taxes paid via group relief		**-**	(131)
Interest payable		**(150)**	(473)
Net cash from operating activities		**6,261**	54,423
Cash flows from investing activities			
Purchase of property, plant and equipment		**-**	(4,223)
Net cash outflow from investing activities		**-**	(4,223)
Net increase in cash and cash equivalents		**6,261**	50,200
Cash and cash equivalents at 1 October		**(5,583)**	(55,783)
Cash and cash equivalents at 30 September	*13*	**678**	(5,583)

* The restatement of the prior year comparative is explained in note 17

The notes on pages 11 to 22 form an integral part of these financial statements

Lex Vehicle Partners (3) Limited

Notes to the financial statements

1. Significant accounting policies

Lex Vehicle Partners (3) Limited is a company incorporated and domiciled in the United Kingdom

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the European Union, and under the historical cost convention

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

The following new IFRS pronouncements relevant to the Company have been adopted in these financial statements

Improvements to IFRSs (issued May 2010) This sets out minor amendments to IFRS standards as part of the annual improvements process Most amendments clarified existing practice The application of these new interpretations has not had any impact for amounts recognised in these financial statements

Details of those pronouncements which will be relevant to the Company but which were not effective at 30 September 2011 and which have not been applied in preparing these financial statements are given in note 16

Principles underlying going concern assumption

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

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses Depreciation is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment

The cost of vehicles held for contract hire 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 a quarterly basis to identify any potential impairment

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 statement of comprehensive income immediately

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 lease 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

1. Significant accounting policies *(continued)*

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 loss for the year comprises current and deferred tax Income tax is recognised in the statement of comprehensive income 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 in full 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, based on tax rates that are enacted or substantively enacted at the balance sheet date

Deferred tax assets are recognised where it is probable that future taxable profit will be available against which the temporary differences can be utilised The tax effect of losses available for carry forward are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised

Deferred and current tax assets and liabilities are offset when they arise in the same tax reporting group and where there is both a legal right of offset and the intention to settle on a net basis or to realise the asset and settle the liability simultaneously

Financial expenses

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

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

Operating lease rental income is recognised in the statement of comprehensive income 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

Notes to the financial statements *(continued)*

1. Significant accounting policies *(continued)*

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 statement of comprehensive income The reversal of an impairment loss for an asset is recognised immediately in the statement of comprehensive income 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 'Accounting Policies, Changes in Accounting Estimates and Errors', the depreciation on assets has been adjusted in instances where the future estimated residual value has increased compared to the original estimated residual value

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances that are repayable on demand

2. Risk management policy

The Company's operations expose it to credit risk, liquidity risk and interest rate risk, it is not exposed to any foreign exchange risks Responsibility for the control of overall risk within the Company lies with the Board of Directors, operating within a managerial framework established by a fellow subsidiary company, Lloyds TSB Asset Finance Division Limited, and the ultimate parent, Lloyds Banking Group plc The interest rate and 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

Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due Impairment provisions are provided for losses that have been incurred at the balance sheet date

The credit risk associated with trade receivables is managed through the application of strict underwriting criteria, determined by the Lloyds TSB Asset Finance Division Limited credit committee and credit functions Significant credit exposures are measured and reported to the credit committee on a regular basis

2. Risk management policy *(continued)*

Other risks

The Company's activities expose it to movement in the used values of motor vehicles as the sale proceeds arising from the disposal of returned vehicles are important to the profitability of the Company Residual values, which are set at lease inception, are determined by reference to the latest available industry data and are subject to regular review by the Company's Pricing Committee, which comprises members of the management team with significant industry experience Thereafter, residual values are subject to regular review as explained in note 3

Capital disclosures

The Company's objectives when managing capital are to safeguard the entity's ability to continue as a going concern, provide an adequate return to its shareholder through pricing products and services commensurately with the level of risk and, indirectly, to support the Group's regulatory capital requirements

The Company's parent manages the Company's capital structure and advises the board of directors to consider making adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets In order to maintain or adjust the capital structure, the board of directors may adjust the amount of dividends to be paid to the shareholder, return capital to the shareholder, issue new shares, or sell assets

The Company's capital comprises all components of equity, movements in which appear in the statement of changes in equity The Company receives its funding requirements from its fellow group undertakings and does not raise funding externally

3. Critical accounting estimates, and judgements in applying accounting policies

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period Although those estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates

Impairment of assets

The Company reviews the residual value of its operating lease assets on a quarterly basis by reference to independent market value data and the prevailing economic conditions The adjustment arising from the reviews are dealt with as set out in note 1 above

Lex Vehicle Partners (3) Limited

Notes to the financial statements *(continued)*

4. Revenue

	2011	* Restated 2010
	£000	£000
Income from operatıng lease assets	**2,309**	5,754
Proceeds on sale of vehıcles*	**6,231**	51,078
	8,540	56,832

* Included ın the proceeds ıs an amount of £5,242,000 (2010 £47,820,000) representıng the transfer of contract hıre assets to another group company at net book value

The transfer ıncluded a net deferred tax lıabılıty wıth a book value of £3,243,000 (2010 asset £1,772,000)

5. Operating (loss)/profit before financing costs

Operatıng (loss)/profıt before financıng costs has been arrıved at after chargıng

	2011	2010
	£000	£000
Deprecıatıon	**1,374**	3,349
Cost of sale on dısposal of property, plant and equıpment*	**9,238**	49,536
Audıtors' remuneratıon for audıt servıces	**-**	10

Audıtors' remuneratıon for audıt servıces of £10,000 has been borne by the parent company ın 2011

* Included ın Cost of sale on dısposal of property, plant and equıpment ıs an amount of £8,485,000 (2010 £46,048,000) representıng the transfer of contract hıre assets to another group company at net book value

Lex Vehıcle Partners Lımıted provıded management servıces to the Company durıng the year The charges ıt made ınclude an element ın respect of dırectors' and employees' remuneratıon, whıch ıt ıs not possıble to ıdentıfy separately As such, no employee costs have been ıncluded ın the statement of comprehensıve ıncome

6. Financial Expenses

	2011	2010
	£000	£000
Interest payable to a fellow group company (note 15)	**150**	473

Notes to the financial statements *(continued)*

7. Taxation

Recognised in the Statement of comprehensive income

	2011 £000	* Restated 2010 £000
Current tax:		
Corporation tax on loss/profit for the year	**25**	400
Adjustments in respect of prior years	**(3,631)**	(814)
Deferred tax:		
Origination and reversal of temporary differences	**(439)**	1,469
Adjustments in respect of prior years	**741**	814
Total income tax (credit)/expense for the year	**(3,304)**	1,869

Reconciliation of effective tax rate

The tax assessed for the year varies from the standard rate of Corporation Tax in the UK (2011 27%, *2010 28%)* The differences are explained below

	2011 £000	* Restated 2010 £000
(Loss)/profit before tax	**(2,606)**	1,844
Income tax using the standard corporation tax rate of 27% (2010 28%)	**(704)**	516
Group relief for nil payment	**(8)**	-
Adjustments in respect of previous periods	**(2,890)**	-
Non deductible / taxable expenses / (income)	**876**	(496)
Changes in rates of corporation tax on deferred assets and liabilities	**-**	77
Deferred tax on intra-group asset transfer	**(578)**	1,772
Total income tax (credit)/expense for the year	**(3,304)**	1,869

Lex Vehicle Partners (3) Limited

Notes to the financial statements *(continued)*

8. Property, plant and equipment

	Assets held for contract hire £000
Cost	
1 October 2010	17,102
Additions	-
Disposals	(1,605)
Inter group transfer	(15,497)
30 September 2011	-
Accumulated depreciation and other asset provisions	
1 October 2010	7,446
Charge for the year	1,374
Residual value provision credit	(956)
Disposals	(852)
Inter group transfer	(7,012)
30 September 2011	-
Net book value	
At 30 September 2011	
Assets held for contract hire	-
Assets awaiting sale	-
	-
Net book value	
At 30 September 2010	9,656

Inter group transfers were transferred at net book value so that no profit or loss on disposal arose (2010 £nil profit or loss)

Notes to the financial statements *(continued)*

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

Details of the movement in property, plant and equipment in the previous period were as follows

	Assets held for contract hire £000
Cost	
1 October 2009	82,842
Additions	4,223
Disposals	(7,187)
Inter group transfer	(62,776)
30 September 2010	**17,102**
Accumulated depreciation and other asset provisions	
1 October 2009	24,445
Charge for the year	3,349
Residual value provision charge	79
Inter group transfer of residual value provision	(2,348)
Disposals	(3,699)
Inter group transfer	(14,380)
30 September 2010	**7,446**
Net book value	
At 30 September 2010	
Assets held for contract hire	**9,492**
Assets awaiting sale	**164**
	9,656
Net book value	
At 30 September 2009	58,397

There were no capital commitments at 30 September 2011 (2010 £nil)

The future minimum lease payments receivable under non-cancellable operating leases are as follows

	2011 £000	2010 £000
Not later than one year	-	3,600
Later than one year and not later than five years	-	3,216
Later than five years	-	-
	-	6,816

Notes to the financial statements *(continued)*

9. Trade and other receivables

	2011 £000	2010 £000
Current trade and other receivables :		
Other receivables	-	200
Prepayments and accrued income	-	115
Amounts owed by group companies (note 15)	678	-
	678	315

10. Issued capital

	2011 £	2010 £
Authorised		
1,000 Ordinary shares of £1 each	1,000	1,000
Allotted, issued and fully paid		
2 Ordinary shares of £1 each	2	2

11. Deferred tax asset

The movement for the year was as follows

	2011 £000	2010 £000
1 October	(302)	(2,585)
Recognised in statement of comprehensive income		
Origination and reversal of temporary differences	(439)	1,469
Adjustments in respect of prior years	741	814
30 September	-	(302)

Deferred tax assets relate to accelerated capital allowances

The Finance (No 2) Act 2010 included legislation to reduce the main rate of corporation tax from 28% to 27% with effect from 1 April 2011 In his Budget speech on 23 March 2011 the Chancellor announced a further reduction in the rate of corporation tax to 26% with effect from 1 April 2011 This further reduction was enacted under the Provisional Collection of Taxes Act 1968 on 29 March 2011

Legislation to reduce the main rate of corporation tax from 26% to 25% from 1 April 2012 has been included in the Finance Act 2011 and substantively enacted on 5 July 2011 Accordingly the deferred tax asset has been recognised at 25%

Notes to the financial statements *(continued)*

11. Deferred tax asset (continued)

On 21 March 2012, the Chancellor announced that the main rate of corporation tax will be reduced from 26% to 24% with effect from 1 April 2012 Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 22% by 1 April 2014

The proposed further reductions in the rate of corporation tax by 1% per annum to 22% by 1 April 2014 are expected to be enacted separately each year. The effect of these further changes upon the Company's deferred tax balances cannot be reliably quantified at this stage

12. Liabilities

	2011	2010
	£000	£000
Current liabilities:		
Amounts owed to group companies (note 15)	-	5,583
Accruals and deferred income	-	728
	-	6,311
Non-current liabilities		
Accruals and deferred income	-	376
	-	6,687

13. Cash and cash equivalents

	2011	2010
	£000	£000
Amounts owed by group companies (note 9)	678	-
Amounts owed to group companies (note 12)	-	(5,583)
	678	(5,583)

Amounts due by and to group companies are interest bearing based on variable rates and are repayable on demand, although there is no expectation such a demand would be made

14. Parent undertaking

The Company's immediate parent company is Lex Vehicle Leasing (Holdings) Limited The company regarded by the directors as the ultimate parent company is Lloyds Banking Group plc, a limited liability company incorporated and domiciled in Scotland, which is 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

Bank of Scotland plc is the parent undertaking of the smallest such group of undertakings Copies of the group accounts of both companies may be obtained from Group Secretariat, Lloyds Banking Group plc, 25 Gresham Street, London EC2V 7HN

Notes to the financial statements *(continued)*

15. Related party transactions

Transactions with group companies

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

	Income/ (expense) 2011 £000	Income/ (expense) 2010 £000
Transactions:		
Commission charged by Lex Vehicle Partners Limited	**(94)**	(226)
Management charges charged by Lex Vehicle Partners Limited	**(19)**	(237)
Financial expenses charged by Lex Vehicle Leasing (Holdings) Limited	**(150)**	(473)
Outstanding balances:		
Balance due from/(to) Lex Vehicle Leasing Limited	**-**	(111)
Balance due from/(to) Lex Vehicle Leasing (Holdings) Limited	**678**	(5,472)

Transactions with directors and key managers

No remuneration was paid or is payable by the Company to the directors (2010 £nil) The directors are employed by other companies in the Lloyds Banking Group and consider that their duties to this Company are incidental to their other activities within the group

Key management personnel are those persons having authority and responsibility for planning and controlling the activities of the Company Accordingly, key management personnel comprise the directors of the Company and the members of the Lloyds TSB Asset Finance Division Limited Board, which comprise the statutory directors of that company and certain other senior management Key management personnel are employed by other companies within the Lloyds TSB Asset Finance Division Limited sub group and consider that their services to the Company are incidental to their activities within the group

16. Accounting Standards

The following pronouncements will be relevant to the Company but were not effective for the year ended 30 September 2011 and have not been applied in preparing the financial statements

Amendments to IAS 24 'Related Party Transactions' which is effective for periods beginning on or after 1 January 2011 The revised standard simplifies the definition of a related party and provides a partial exemption from the disclosure for government related entities

IFRS 9 Financial Instruments[1&2]: 'Classification and Measurement' which is effective for periods beginning on or after 1 January 2015 The revised standard simplifies the way entities will classify financial assets and reduces the number of classification categories to two fair value and amortised cost The existing available for sale and held to maturity categories have been eliminated Classification will be made of the entity's business model for managing the assets and the characteristics of the contractual cash flows

IFRS13 Fair value measurement [2]: which is effective for periods beginning on or after 1 January 2013 The revised standard sets out a single IFRS framework for the measurement of fair value and the related disclosure requirements

Notes to the financial statements *(continued)*

16. Accounting Standards *(continued)*

Amendments to IFRS 7 Financial instrument disclosures: 'Disclosures - Transfers of Financial Assets' which is effective for periods beginning on or after 1 July 2011 The revised standard requires additional disclosure in respect of risk exposures arising from the transferred financial assets

[1] IFRS 9 is the initial stage of the project to replace IAS 39 Future stages are expected to result in amendments to IFRS 9 to deal with changes to the impairment of financial assets measured at amortised cost and hedge accounting Until all stages of the replacement project are complete, it is not possible to determine the overall impact on the financial statements of the replacement of IAS 39 The effective date of the standard is annual periods beginning on or after 1 January 2015

[2] At the date of this report, this amendment is awaiting EU endorsement

The full impact of these pronouncements is being assessed by the Company However, the initial view is that none of these pronouncements are expected to cause any material adjustments to the reported numbers in the financial statements

17. Restatement of prior year comparatives

The restated comparatives reflect the correct treatment of deferred tax on assets transferred to related parties in the statement of comprehensive income and cash flow statement The restatement has had £nil impact on the loss after tax

	Restated £000	Adjustments £000	Previously Reported £000
Statement of comprehensive income			
Revenue	56,832	1,772	55,060
Income tax expense	(1,869)	(1,772)	(97)
Cash flow statement			
Profit before tax	1,844	1,772	72
Intra group transfer of deferred tax	-	(1,772)	1,772