

LEX VEHICLE PARTNERS LIMITED

Directors' Report and Financial Statements

31 December 2005

Registered number 2965906

Registered Office:

Lex House
17 Connaught Place
London
W2 2EL



Lex Vehicle Partners Limited

Directors' Report and Financial Statements

<i>Contents</i>	<i>Page</i>
Directors	1
Directors' report	2
Statement of directors' responsibilities	3
Auditor's report	4
Income Statement	5
Statement of Recognised Income and Expense	5
Balance Sheet	6
Notes to the financial statements	7

Lex Vehicle Partners Limited

Directors

J K Walden

R Francis

L J Town (appointed 31 May 2006)

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

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

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

R W Wastell (resigned 30 April 2006)

P M Coles (resigned 30 June 2005)

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 Limited

Directors' report

The directors have pleasure in submitting their annual report together with the audited financial statements for the year ended 31 December 2005. On 1 January 2005 the company adopted International Financial Reporting Standards (IFRSs) and these are the first set of financial statements prepared under IFRS.

Principal Activities

The principal activity of the company is to act as an agent obtaining vehicle leasing business.

Business Review

The audited financial statements for the year ended 31 December 2005 are set out on pages 5 to 11. The profit after taxation for the year ended 31 December 2005 was £1,867,000 (2004: £1,888,000). The directors recommend that no final dividend be paid (2004: £nil).

Directors and directors' interests

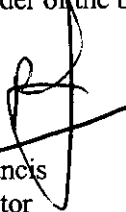
The directors who held office during the year are listed on page 1.

None of the persons who were directors at 31 December 2005 had any interests in the shares of the company or any other subsidiary undertakings.

Auditor

Elective resolutions to dispense with holding annual general meetings, the laying of accounts before the Company in general meeting and the appointment of auditors annually are currently in force. The auditor, KPMG Audit Plc, will therefore be deemed to have been reappointed at the end of the period of 28 days beginning with the day on which the copies of this report and accounts are sent to members unless a resolution is passed under section 393 of the Companies Act 1985 to the effect that their appointment be brought to an end.

By order of the board


R Francis
Director

Lex Vehicle Partners Limited

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

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 IFRSs as adopted by the EU.

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 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.

Lex Vehicle Partners Limited

Independent auditors' report to the members of Lex Vehicle Partners Limited

We have audited the financial statements of Lex Vehicle Partners Limited for the year ended 31 December 2005 which comprise the Income Statement, the Balance Sheet, the Statement of Recognised Income and Expense and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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 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 3.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 and Article 4 of the IAS Regulation. 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 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.

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 December 2005 and of its profit for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation.

KPMG Audit Plc

KPMG Audit Plc

Chartered Accountants

Registered Auditor

St. James' Square

Manchester

M2 6DS

24 October 2006

Lex Vehicle Partners Limited

Income Statement

for the year ended 31 December 2005

	Notes	2005 £000	2004 £000
Revenue	1	9,023	6,868
Cost of Sales		(6,326)	(4,139)
Gross profit		<u>2,697</u>	<u>2,729</u>
Other operating expenses		(-)	(-)
Profit before taxation		<u>2,697</u>	<u>2,729</u>
Income tax expense	2	(830)	(841)
Profit for the year		<u>1,867</u>	<u>1,888</u>

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

A reconciliation of the movement in capital and reserves can be found in Note 5.

Statement of Recognised Income and Expense

	2005 £000	2004 £000
Profit for the year	1,867	1,888
Total recognised income and expense	<u>1,867</u>	<u>1,888</u>

The notes on pages 7 to 11 form an integral part of these financial statements.

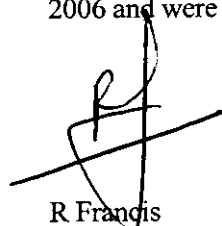
Lex Vehicle Partners Limited

Balance Sheet

As at 31 December 2005

	Notes	2005 £000	2004 £000
Trade and other receivables	3	14,912	10,090
Total current assets		14,912	10,090
Total assets		14,912	10,090
Equity			
Issued capital	4	-	-
Accumulated profits	5	5,411	3,544
Total equity	5	5,411	3,544
Liabilities			
Trade and other payables	6	6,700	4,574
Tax liabilities	6	2,801	1,972
Total current liabilities		9,501	6,546
Total liabilities		9,501	6,546
Total equity and liabilities		14,912	10,090

The financial statements on pages 5 to 11 were approved by the board of directors on 27 October 2006 and were signed on its behalf by:



R Francis
Director

The notes on pages 7 to 11 form an integral part of these financial statements.

Lex Vehicle Partners Limited

Notes to the financial statements

1. Significant accounting policies

Lex Vehicle Partners Limited is a company domiciled in the United Kingdom.

The financial statements were authorised for issue by the directors on 27 October 2006

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").

Transition to Adopted IFRSs

The company is preparing its financial statements in accordance with Adopted IFRS for the first time and consequently both have applied IFRS 1. An explanation of how the transition to Adopted IFRSs has affected the reported financial position and financial performance of the company is provided in note 10.

Basis of preparation

The financial statements are presented in Sterling, rounded to the nearest thousand. They are prepared on the historical cost basis, except that derivative financial instruments are stated at their fair value.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and in preparing an opening IFRS balance sheet at 1 January 2004 for the purposes of the transition to Adopted IFRSs.

Trade and other receivables

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

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.

Lex Vehicle Partners Limited

Notes to the financial statements *(continued)*

2. Income tax expense

Recognised in the income statement:

	2005 £000	2004 £000
Current tax expense:		
Current year	830	841
Total income tax expense in income statement	<u>830</u>	<u>841</u>

Reconciliation of effective tax rate

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

	2005 £000	2004 £000
Profit before tax	2,697	2,729
Income tax using the domestic corporation tax rate of 30%	<u>809</u>	<u>819</u>
Effects of:		
Non-deductible expenses	21	22
Total income tax expense for the year	<u>830</u>	<u>841</u>

Lex Vehicle Partners Limited

Notes to the financial statements (continued)

3. Trade and other receivables

	2005 £000	2004 £000
Current trade and other receivables :		
Trade receivables	2,676	1,737
Amounts owed by fellow group undertakings	12,211	8,272
Other receivables	-	51
Prepayments and accrued income	25	30
	<u>14,912</u>	<u>10,090</u>

4. Issued capital

	2005 £	2004 £
<i>Authorised</i>		
1,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
<i>Allotted, issued and fully paid</i>		
2 ordinary shares of £1 each	<u>2</u>	<u>2</u>

5. Capital and Reserves

	Share Capital £000	Accumulated profits £000	Total equity £000
Balance at 1 January 2004	-	1,656	1,656
Total recognised income and expense	-	1,888	1,888
Balance at 31 December 2004	<u>-</u>	<u>3,544</u>	<u>3,544</u>
Balance at 1 January 2005	-	3,544	3,544
Total recognised income and expense	-	1,867	1,867
Balance at 31 December 2005	<u>-</u>	<u>5,411</u>	<u>5,411</u>

Lex Vehicle Partners Limited

Notes to the financial statements (continued)

6. Liabilities

	2005 £000	2004 £000
Current liabilities:		
Trade payables	5,588	3,565
Other payables	312	222
Other taxation and social security	16	-
Accruals and deferred income	784	787
	<hr/> 6,700	<hr/> 4,574
 Tax liabilities	 2,801	 1,972
	<hr/> 9,501	<hr/> 6,546

7. 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 the immediate parent undertaking Lex Vehicle Leasing (Holdings) Limited previously owned by Aviva plc, as a result of which HBOS plc became the ultimate parent undertaking.

8. 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 (registered in England and Wales) and HBOS plc (registered in Scotland), are the ultimate parent undertakings.

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 can be obtained from The Secretary, Aviva plc, St. Helen's, 1 Undershaft, London EC3P 3DQ.

9. Related party transactions

Transactions with immediate parent undertaking

Transactions during the year and outstanding at the year end with the immediate parent undertaking are as follows:

	2005 £000	2004 £000
Transactions with immediate parent undertaking	3,939	1,335
Intercompany receivable with immediate parent undertaking as at 31 December	12,211	8,272

Lex Vehicle Partners Limited

Notes to the financial statements *(continued)*

Transactions with directors and key managers

There were no material related party transactions with directors or key managers (2004: *£nil*).

10. First time adoption of International Financial Reporting Standards

As stated in note 1, these are the company's first financial statements prepared in accordance with IFRSs.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 31 December 2005, the comparative information presented in these financial statements for the year ended 31 December 2004 and in the preparation of an opening IFRS balance sheet at 1 January 2004 (the company's date of transition).

In preparing its opening IFRS balance sheet, no adjustments have been made to amounts reported previously in financial statements prepared in accordance with its previous basis of accounting (UK GAAP).