

LEX VEHICLE PARTNERS LIMITED

Directors' Report and Financial Statements

31 December 2006

Registered number 2965906



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

Lex Vehicle Partners Limited

Directors' Report and Financial Statements

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Lex Vehicle Partners Limited

Directors

J K Walden

R Francis

L J Town (appointed 31 May 2006)

S J Ballingall (appointed 15 January 2007)

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)

Secretary

P Gittins (appointed 31 May 2006)

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

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 2006

Principal Activities

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

Business Review

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

During the year the company continued to manage the leasing transactions underwritten in previous years on behalf of fellow group companies

The company acts as an agent and provides agency services by charging an annual fee to companies within the group. The service provided by the company is seeking new business, negotiating and agreeing terms of and arranging the execution of all lease documents on behalf of these companies. The company maintains accurate accounting and other records such as collection and settlement of all invoices relating to the services.

Risk Management

The key risks and uncertainties faced by the company are managed within the framework established for the HBOS group. Interest rate risk and credit risk are discussed below. The company is funded by its parent and as a result liquidity risk is managed within the HBOS group.

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.

There were no significant concentrations of credit risk at the balance sheet date.

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 individual company is exposed to interest rate risk. This risk is not managed at the individual 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 had a successful year and the number of vehicles under the management of the company increased from 21,097 to 21,307 during the year.

Lex Vehicle Partners Limited

Directors' report (continued)

Future Developments

The company remains committed to obtaining vehicle leasing business on behalf of its fellow group companies

Going concern

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

Results and Dividend

The results for the year are shown in the Income Statement on page 7 The directors recommend that no final dividend be paid (2005 £nil)

Directors and directors' interests

The directors who held office during the year are listed on page 1 S J Ballingall was appointed as a Director of the Company on 15 January 2007

Directors' beneficial interests in the ordinary shares of HBOS plc during the year were as follows:

(References to 'HBOS plc shares' are to ordinary shares of 25p each in HBOS plc)

During the year no Director had any beneficial interest in the share capital of the Company or of any Group undertaking other than in HBOS plc, the ultimate holding Company

The beneficial interests of the Directors and their immediate families in the HBOS plc shares are set out below -

	As at 31 December 2005 or date of appointment	As at 31 December 2006
L J Town*	19,764	21,203

Long term incentive plan – HBOS Scheme

Details of the shares which have been conditionally awarded to the Directors under the plan are set out below The conditions relating to the long term incentive plan may be found in the HBOS plc Annual Report & Accounts 2006

Conditional Awards - Ordinary shares of 25p each

Grant effective from	As at 31 December 2005	Awards granted/lapsed	Added as a result of performance	Dividend reinvestment shares	Released in year	As at 31 December 2006
L J Town*						
January 2003	6,757	-	6,478	1,048	(14,283)	-
January 2004	7,670	-	-	-	-	7,670
January 2005	9,473	-	-	-	-	9,473
January 2006	15,702	-	-	-	-	15,702
J K Walden						
January 2006	-	15,030	-	-	-	15,030

Lex Vehicle Partners Limited

Directors' report (continued)

Shares granted under these plans can crystallise at any level between 0% and 200% of the conditional award noted in the above table, dependant upon performance. The performance period for the January 2003 grant ended on 31 December 2005 and, in the light of the performance outcome, grants were released at 183% of the conditional award. On maturity, dividend reinvestment shares equivalent to approximately 15.5% of the original conditional grant were also released to participants in accordance with the rules of the plan.

Long term incentive plan - HBOS Scheme, former Bank of Scotland scheme

Share options granted between 1995 and 2000 under the Bank of Scotland Executive Stock Option Scheme 1995 are subject to performance pre-conditions, which have now been satisfied. Share options granted under other plans are not subject to a performance precondition. Details of the options outstanding under these plans are set out below.

	Options outstanding – Ordinary shares of 25p each		
	As at 31 December 2005	Options exercised or lapsed	As at 31 December 2006
L J Town*	8,598	(3,967)	4,631

Sharesave Plan

Share options granted under these plans are set out below.

	Options – Ordinary shares of 25p each			
	As at 31 December 2005	Options granted	Options exercised/ lapsed	As at 31 December 2006
L J Town*	1,740	-	-	1,740

* At date of appointment

Options under these plans were granted using middle market prices shortly before the dates of the grants, discounted by 20%.

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

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

P Gittins
Secretary



Lex House
17 Connaught Place
London W2 2EL

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 2006 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 5.

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 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.

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 2006 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,
- the information given in the Directors' Report is consistent with the financial statements.

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

30 March 2007

Lex Vehicle Partners Limited

Income Statement

for the year ended 31 December 2006

	<i>Notes</i>	2006 £000	2005 £000
Revenue	<i>1</i>	8,347	9,023
Cost of Sales		(5,894)	(6,326)
Gross profit		<u>2,453</u>	<u>2,697</u>
Financial income		88	-
Profit before taxation	<i>2</i>	<u>2,541</u>	<u>2,697</u>
Income tax expense	<i>3</i>	(770)	(830)
Profit for the year		<u>1,771</u>	<u>1,867</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 6

Statement of Recognised Income and Expense

	2006 £000	2005 £000
Profit for the year	1,771	1,867
Total recognised income and expense	<u>1,771</u>	<u>1,867</u>

The notes on pages 9 to 13 form an integral part of these financial statements

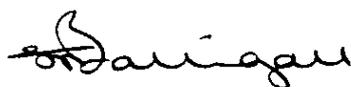
Lex Vehicle Partners Limited

Balance Sheet

As at 31 December 2006

	Notes	2006 £000	2005 £000
Trade and other receivables	4	15,348	14,912
Total current assets		15,348	14,912
Total assets		15,348	14,912
Equity			
Issued capital	5	-	-
Accumulated profits	6	7,182	5,411
Total equity	6	7,182	5,411
Liabilities			
Trade and other payables	7	5,810	6,700
Tax liabilities	7	2,356	2,801
Total current liabilities		8,166	9,501
Total liabilities		8,166	9,501
Total equity and liabilities		15,348	14,912

The financial statements on pages 7 to 13 were approved by the board of directors on 30 March 2007 and were signed on its behalf by



S J Ballingall
Director

The notes on pages 9 to 13 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 30 March 2007

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")

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. The company has no cash or cash equivalent balances and accordingly no cash flow statement has been prepared.

Trade and other receivables

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

Financial income

Financial income represents interest income from HMRC relating to overpaid corporation tax in previous years.

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. Profit from operations

Profit from operations has been arrived at after charging

	2006	2005
	£000	£000
Auditor's remuneration for audit services	9	-

3. Income tax expense

Recognised in the income statement

	2006	2005
	£000	£000
Current tax expense		
Current year	770	830
Total income tax expense in income statement	<u>770</u>	<u>830</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

	2006	2005
	£000	£000
Profit before tax	2,541	2,697
Income tax using the domestic corporation tax rate of 30%	<u>762</u>	<u>809</u>
Effects of		
Non-deductible expenses	8	21
Total income tax expense for the year	<u>770</u>	<u>830</u>

Lex Vehicle Partners Limited

Notes to the financial statements (continued)

4. Trade and other receivables

	2006 £000	2005 £000
Current trade and other receivables :		
Trade receivables	2,910	2,676
Amounts owed by fellow group undertakings	11,845	12,211
Other receivables	475	-
Prepayments and accrued income	118	25
	15,348	14,912

5. Issued capital

	2006 £	2005 £
<i>Authorised</i>		
1,000 ordinary shares of £1 each	1,000	1,000
<i>Allotted, issued and fully paid</i>		
2 ordinary shares of £1 each	2	2

6. Capital and Reserves

	Share Capital £000	Accumulated profits £000	Total equity £000
Balance at 1 January 2005	-	3,544	3,544
Total recognised income and expense	-	1,867	1,867
Balance at 31 December 2005	-	5,411	5,411
Balance at 1 January 2006	-	5,411	5,411
Total recognised income and expense	-	1,771	1,771
Balance at 31 December 2006	-	7,182	7,182

Lex Vehicle Partners Limited

Notes to the financial statements (continued)

7. Liabilities

	2006	2005
	£000	£000
Current liabilities:		
Trade payables	4,468	5,588
Other payables	507	312
Other taxation and social security	-	16
Accruals and deferred income	835	784
	<hr/>	<hr/>
	5,810	6,700
Tax liabilities	2,356	2,801
	<hr/>	<hr/>
	8,166	9,501
	<hr/>	<hr/>

8. Financial Instruments

The company's financial assets and liabilities are restricted to trade receivables and payables, for which the carrying value is deemed to approximate fair value

Credit risk

Trade receivables are exposed to credit risk, however 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.

There were no significant concentrations of credit risk at the balance sheet date.

Interest Rate Risk

Trade receivables represent amounts receivable under operating lease agreements. 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 individual company is exposed to interest rate risk. This risk is not managed at the individual 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.

9. Contractual commitments

The company had contracted capital commitments of £4,249,000 at the end of the financial year for which no provision had been made. On acquisition these assets will be transferred into fellow group undertakings for whom the company acts as an agent.

Lex Vehicle Partners Limited

Notes to the financial statements *(continued)*

10. Parent undertaking

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

HBOS plc is the ultimate parent undertaking of Lex Vehicle Partners Limited and heads the largest group into which the accounts of the Company are consolidated. The consolidated accounts of HBOS plc may be obtained from its head office at The Mound, Edinburgh EH1 1YZ

Halifax plc heads the smallest group into which the accounts of the Company are consolidated. The accounts of Halifax plc may be obtained from its head office at Trinity Road, Halifax HX1 2RG

11. 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

	2006 £000	2005 £000
Transactions with immediate parent undertaking	(366)	3,939
Intercompany receivable with immediate parent undertaking as at 31 December	11,845	12,211

Transactions with directors and key managers

There were no material related party transactions with directors or key managers *(2005 £ml)*