Lex Transfleet Limited and subsidiary undertakings

Directors' report and consolidated financial statements

Registered number 46710

26 December 2004

Contents

Directors and Secretary

Directors

AH Hobart
SA Bowles
PE Lord (appointed 5 May 2004)
NTJ Clibbens (appointed 13 September 2004)
PR Harris (appointed 4 January 2005)
RM Priestman (resigned 5 May 2004)
RD Brodie (resigned 4 January 2005)
EAM Flint (resigned 13 September 2004)
DM Smith

Secretary

A Taylor

Directors' report

The directors have pleasure in submitting their annual report, together with the audited financial statements of the group for the 52 weeks ended 26 December 2004.

Principal activity

The principal activity of the group is the provision of commercial vehicles for leasing, short term rental and related logistics support services.

Business review

The group profit on ordinary activities before taxation was £5,802,000 *(2003: loss of £660,000)* on which there was a taxation charge of £1,727,000 *(2003: credit of £132,000).* The directors resolved to pay an interim dividend of £2,400,000 during the year *(2003: £1,300,000)* but do not recommend the payment of a final dividend *(2003: £Nil).*

During the year, the business completed the exit of the unprofitable MSD contracts and was reorganised into three divisions, each focusing on its own customer base: Commercial Fleet customers, Airline customers and Defence customers.

The integration of central operations and finance into these central business areas has allowed overheads to be reduced. The organisation is now set up for future growth.

Directors and directors' interests

The directors who held office during the period and subsequently are shown on page 1.

None of the persons who were directors at 26 December 2004 had any interests in the shares of the company, its subsidiary undertakings or its joint ventures.

Fixed assets

The company's freehold and long leasehold properties were last valued in December 1994 at open market value on the basis of existing use. This valuation has not been incorporated in the financial statements as the directors consider there is no permanent diminution in the value of the properties.

Donations

The total of charitable donations made during the period amounted to £3,600 *(2003: £4,000).*

Payment to suppliers

The company is responsible for agreeing the terms and conditions under which business transactions with suppliers are conducted. It is company policy that payments to suppliers are made in accordance with these terms, provided that the supplier is also complying with all the relevant terms and conditions. It is the company's policy not to formally follow any code or standard on payment practice. The number of days billing outstanding at the end of the financial period is 23 days *(2003: 10 days).*

Directors' report *(continued)*

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditors to the company is to be proposed at the forthcoming Annual General Meeting.

Approved by the Board and signed on its behalf by:

A Taylor
Secretary

Lombard House
Minerva Way
Glasgow
G3 8AY

8 February 2005

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and the group 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, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the group 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

KPMG Audit Plc
2 Cornwall Street
Birmingham
B3 2DL
United Kingdom

Independent auditors' report to the members of Lex Transfleet Limited

We have audited the financial statements on pages 6 to 27.

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 are responsible for preparing the directors' report and, as described on page 4, 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 group 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 group'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 and the group as at 26 December 2004 and of the profit of the group for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

8 February 2005

Consolidated profit and loss account

for the 52 weeks ended 26 December 2004

	Note	2004 Continuing £000	2004 Discontinued £000	2004 Total £000	2003 Continuing £000	2003 Discontinued £000	2003 Total £000
Turnover: Group and share of joint venture		**184,041**	**15,444**	**199,485**	177,427	34,070	211,497
Less share of joint venture		**(17,697)**	**-**	**(17,697)**	(23,032)	-	(23,032)
Group turnover	2	**166,344**	**15,444**	**181,788**	154,395	34,070	188,465
Depreciation of tangible fixed assets	10	**(26,474)**	**(1,040)**	**(27,514)**	(28,034)	(2,354)	(30,388)
Other operating income		**260**	**-**	**260**	392	-	392
Other operating charges		**(129,840)**	**(14,046)**	**(143,886)**	(116,079)	(32,315)	(148,394)
Group operating profit/(loss)	5	**10,290**	**358**	**10,648**	10,674	(599)	10,075
Loss on the termination of an Operation	6	**-**	**-**	**-**	-	(4,995)	(4,995)
Profit/(loss) on ordinary activities before interest and joint venture income		**10,290**	**358**	**10,648**	10,674	(5,594)	5,080
Share of operating profit of joint venture companies				**24**			18
Interest receivable and similar Income	7			**47**			113
Interest payable and similar charges	8			**(4,917)**			(5,871)
Profit/(loss) on ordinary activities before taxation				**5,802**			(660)
Tax (charge)/credit on profit/(loss) on ordinary activities	9			**(1,727)**			132
Profit/(loss) for the financial period				**4,075**			(528)
Dividends paid and proposed on equity shares				**(2,400)**			(1,300)
Retained profit/(loss) transferred to reserves	19			**1,675**			(1,828)

The notes on page 10 to 27 form part of these financial statements.

The movement on reserves is detailed in note 19 on page 22 of these financial statements.

The company had no recognised gains or losses in the period or preceding period other than the result for that period.

There are no significant acquisitions in either period.

The joint venture did not have any interest receivable or payable in either period.

Consolidated balance sheet
at 26 December 2004

	Note	2004 £000	2004 £000	2003 £000	2003 £000
Fixed assets					
Tangible assets	*10*		141,046		146,781
Investments in participating interests:					
Share of gross assets	*12*	2,258		3,415	
Share of gross liabilities	*12*	(2,233)		(3,391)	
		25		24	
Other investments	*12*	2		2	
			27		26
			141,073		146,807
Current assets					
Stocks	*13*	175		215	
Debtors: Amounts falling due within one year	*14*	21,799		32,456	
Debtors: Amounts falling due after more than one year	*14*	4,625		7,600	
Cash at bank and in hand		3,404		9	
		30,003		40,280	
Creditors: amounts falling due within one year	*15*	(69,172)		(75,544)	
Net current liabilities			(39,169)		(35,264)
Total assets less current liabilities			101,904		111,543
Creditors: amounts falling due after more than one year	*16*		(67,500)		(77,500)
Provisions for liabilities and charges	*17*		(13,561)		(14,875)
Net assets			20,843		19,168
Capital and reserves					
Called up share capital	*18*		19,908		19,908
Profit and loss account	*19*		935		(740)
Equity shareholders' funds			20,843		19,168

The notes on pages 10 to 27 form part of these financial statements.

These financial statements were approved by the board of directors on 8 February 2005 and signed on its behalf by:

AH Hobart
Director

NTJ Clibbens
Director

Company balance sheet
at 26 December 2004

	Note	2004		2003	
		£000	£000	£000	£000
Fixed assets					
Tangible assets	*10*		**140,117**		144,483
Investments	*12*		**20,081**		20,081
			160,198		164,564
Current assets					
Stocks	*13*	**175**		215	
Debtors: Amounts falling due within one year	*14*	**22,495**		34,426	
Debtors: Amounts falling due after more than one year	*14*	**4,625**		7,600	
Cash at bank and in hand		**3,404**		9	
		30,699		42,250	
Creditors: amounts falling due within one year	*15*	**(89,532)**		(96,011)	
Net current liabilities			**(58,833)**		(53,761)
Total assets less current liabilities			**101,365**		110,803
Creditors: amounts falling due after more than one year	*16*		**(67,500)**		(77,500)
Provisions for liabilities and charges	*17*		**(13,436)**		(14,548)
Net assets			**20,429**		18,755
Capital and reserves					
Called up share capital	*18*		**19,908**		19,908
Profit and loss account	*19*		**521**		(1,153)
Equity shareholders' funds			**20,429**		18,755

The notes on pages 10 to 27 form part of these financial statements.

These financial statements were approved by the board of directors on 8 February 2005 and signed on its behalf by:

AH Hobart

AH Hobart
Director

NTJ Clibbens
Director

Consolidated cash flow statement
for the 52 weeks ended 26 December 2004

	Note	2004		2003	
		£000	£000	£000	£000
Net cash inflow from operating activities	*21*		**45,625**		35,085
Returns on investments and servicing of finance					
Interest received		**47**		113	
Interest paid on bank loans		**(5,462)**		(7,248)	
Net cash outflow for returns on investments and servicing of finance			**(5,415)**		(7,135)
Taxation					
UK corporation tax paid		**(178)**		(2,575)	
Net cash outflow for taxation			**(178)**		(2,575)
Capital expenditure					
Purchase of tangible fixed assets		**(29,078)**		(38,432)	
Sale of tangible fixed assets		**8,862**		9,977	
Net cash outflow for capital expenditure			**(20,216)**		(28,455)
Equity dividends paid			**(2,400)**		(1,300)
Cash inflow/(outflow) before the use of liquid resources and financing			**17,416**		(4,380)
Financing					
Loans taken out during the period		**15,000**		29,000	
Repayment of loans		**(28,000)**		(26,000)	
Net cash (outflow)/inflow from financing			**(13,000)**		3,000
Increase/(decrease) in cash for the period	*22*		**4,416**		(1,380)

Notes

(forming part of the financial statements)

1 Principal accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements of the group and the company.

Basis of preparation

These financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

The company has complied with the Statement of Recommended Practice on Accounting Issues in the Asset Finance and Leasing Industry, issued by the Finance & Leasing Association.

The principal activity of the group is the provision of commercial vehicles for leasing, short term rental and related logistics support services.

The principal risks of the company are:

(i) Residual value risk

Residual value risk arises in relation to a leasing transaction to the extent that the actual value of the leased asset at the end of the lease term (the residual value) recovered through disposing of or re-letting the asset at the end of the lease term, could be different to that projected at the time that the lease incepted. The company policy is to reduce their residual value risk by securing "guaranteed buy back" agreements with the manufacturers of their fleet wherever possible. Where this is not possible, residual value exposure is regularly monitored by the business through reviewing the recoverability of the residual value projected at lease inception. Provision is made in accordance with Financial Reporting Standard No 11 to the extent that the carrying value of assets is impaired through residual values not being fully recoverable.

(ii) Maintenance risk

The company provides maintenance in consideration for contracted rentals from the leasee during the lease term. Where the company bears the risk that related costs will be different to those initially anticipated, the company monitors projected maintenance activities and related costs through the useful economic life of the assets, enabling any risk to be minimised.

Basis of consolidation

The financial statements incorporate those of the company and its subsidiary undertakings. In the case of subsidiary undertakings acquired during the period, the financial statements reflect the results of acquired undertakings from the date of acquisition.

Goodwill

Goodwill is the excess of the purchase consideration over the fair value of the separable net assets of businesses and subsidiary undertakings acquired.

In accordance with Financial Reporting Standard No 10, goodwill arising on acquisitions after the introduction of Financial Reporting Standard 10 in December 1998 is capitalised and amortised over the years in which the group expects to derive direct economic benefit.

Goodwill written off directly to reserves as a matter of accounting policy in previous accounting periods has not been reinstated.

The profit or loss on the sale or closure of a previously acquired business is calculated after charging the amount of any related goodwill not previously written off through the profit and loss account, including amounts previously taken directly to reserves.

Stock

Stock is stated at the lower of cost and net realisable value.

Notes *(continued)*

1 Principal accounting policies *(continued)*

Depreciation

Freehold and long leasehold land is not depreciated. The hire fleet comprises contract hire and short term rental vehicles. Contract hire vehicles are depreciated to estimated residual values on a straight line basis over the life of the contract, short term rental vehicles are depreciated to residual values on a straight line basis over 3 to 10 years. Depreciation on property and equipment is provided on a straight line basis over the estimated useful lives as follows:

	Basis	**Estimated useful life**
Freehold buildings	Straight line	50 years
Long leasehold buildings	Straight line	50 years
Short leasehold buildings	Straight line	Unexpired years
Company cars, service vehicles and computer peripherals	Straight line	3 to 4 years
Furniture, fittings, plant and equipment	Straight line	5 years

Deferred taxation

The group's policy is to comply with Financial Reporting Standard No 19: Deferred taxation.

Finance and operating leases receivable

Assets made available to third parties under finance leases are treated as amounts receivable and are disclosed in debtors. Assets held for operating leases are capitalised and held as fixed assets.

Net income from finance leases is credited to the profit and loss account in proportion to the funds invested. Credit is taken for income from operating leases in equal instalments over the life of the contract commencing at the time of delivery.

Leased assets

The fair value of assets acquired under the finance leases and similar hire purchase agreements is included in fixed assets and in creditors as an obligation to pay future rentals. Depreciation is provided at the same rates as for owned assets.

Rentals payable under finance leases and similar hire purchase agreements are apportioned between the finance charge and the outstanding obligation so as to produce a constant rate of charge on the remaining balance.

Rentals payable under operating lease agreements are charged on a straight line basis over the lease term.

Investments in subsidiary and joint venture undertakings

Investments in subsidiary and joint venture undertakings are stated at cost less provisions for any permanent diminution in value.

Pensions

RAC plc operates a defined benefit pension scheme covering the majority of its permanent employees seconded to Lex Transfleet Limited. The scheme's funds are administered by trustees and are independent of the company's finances. The scheme is funded and contributions are paid to the scheme in accordance with the recommendations of independent actuaries. The company's contributions are charged against profits of Lex Transfleet Limited in the year in which contributions are made. Full details of the scheme are given in the financial statements of RAC plc.

Notes *(continued)*

2 Turnover

Turnover derives from the leasing and hiring of commercial vehicles and related services. It represents lease income, rentals on operating leases and associated services credited to the profit and loss account during the period, all of which arises in the United Kingdom. The analysis of turnover is as follows:

	2004	2003
	£000	£000
Operating leases	**132,752**	131,667
Finance leases	**2,133**	3,017
Associated services	**46,903**	53,781
	181,788	188,465

3 Staff costs

	2004	2003
	Number	Number
Directors	**6**	6

All staff, excluding certain directors, are employees of RAC plc, the costs being recharged to this company by management charge.

4 Directors' remuneration

The emoluments of the directors, including pension contributions, paid by any company in respect of services provided to this company, were as follows:

	2004	2003
	£000	£000
Salary payments (including benefits in kind)	**344**	160
Compensation for loss of office	**186**	-
Pension contributions	**39**	20
	569	180

Retirement benefits are accruing to the following number of directors under:

	Number	Number
Defined benefit schemes	**3**	3

The emoluments of the highest paid director amounted to £335,000 *(2003: £122,000)* and pension contributions amounted to £14,000 *(2003: £15,000).*

Notes *(continued)*

5 Group operating profit/(loss)

	2004 £000	2003 £000
Group operating profit/(loss) is stated		
after charging/(crediting):		
Auditors' remuneration for audit services:		
Company	**65**	61
Subsidiary undertakings	**1**	1
Operating leases:		
Hire of plant and machinery	**14,624**	13,359
Hire of buildings	**1,369**	1,297
Rent receivable from land and buildings	**(260)**	(392)
Loss on disposal of fixed assets	**1,105**	1,538

Non-audit fees paid to the auditor and its associates amounted to £18,350 *(2003: £8,000).*

6 Loss on the termination of an operation

	2004 £000	2003 £000
Exceptional depreciation charge	-	2,812
Loss on sale of fixed assets	-	194
Provisions for redundancy and reorganisation	-	1,989
	-	4,995

On 3 October 2003 the directors decided to terminate the managed services business sector. The exceptional depreciation charge last year arose following an impairment review carried out in accordance with FRS 11 of the associated fixed assets held at 28 December 2003. A provision for redundancy and reorganisation was created last year in accordance with FRS 12 to reflect the company's obligations at 28 December 2003, of which £87,000 was used in 2003 and the remainder in 2004 (note 17).

7 Interest receivable and similar income

	2004 £000	2003 £000
On balances due by joint venture companies	**34**	86
On other loans wholly repayable within five years	**13**	27
	47	113

8 Interest payable and similar charges

	2004 £000	2003 £000
To Lombard North Central Plc	**4,817**	5,768
On other loans wholly repayable within five years	**100**	103
	4,917	5,871

Notes *(continued)*

9 Tax charge/(credit) on profit/(loss) on ordinary activities

	2004	2003
	£000	£000
UK corporation tax based on the results for the period at 30% *(2003: 30%)*	**1,016**	509
Deferred taxation (charge)/credit (note 17)	**801**	(624)
Share of tax charge of associates and joint ventures	**23**	11
Current year's tax charge/(credit)	**1,840**	(104)
Adjustments in respect of prior years:		
UK corporation tax	**100**	(139)
Deferred taxation (note 17)	**(213)**	111
	1,727	(132)

Factors affecting tax charge for the period

The corporation tax assessed for the period differs from that calculated by applying the standard rate of corporation tax in the UK of 30%. The differences between the standard rate of corporation tax in the UK and the tax charge assessed for the company are explained below:

	2004	*2003*
	£000	£000
Profit/(loss) on ordinary activity before tax	**5,802**	(660)
Profit/(loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% *(2003: 30%)*	**1,741**	(198)
Effects of:		
Amounts not deductible for tax purposes	**99**	94
Depreciation (less than)/in excess of capital allowances	**(475)**	629
Short term timing differences	**(326)**	(5)
Share of tax charge of associates and joint ventures	**(23)**	(11)
UK corporation tax charge based on the results for the period	**1,016**	509

Notes *(continued)*

9 Tax charge/(credit) on profit/(loss) on ordinary activities *(continued)*

The current period's tax charge/(credit) can be analysed between ordinary activities, excluding exceptional items, and exceptional items as follows:

	2004	2003
	£000	£000
Ordinary activities excluding exceptional items:		
UK corporation tax charge based on the results for the period of 30% *(2003: 30%)*	**1,016**	1,016
Deferred tax	**801**	367
Share of tax charge of associates and joint ventures	**23**	11
	1,840	1,394
Exceptional items (as set out in note 6)		
UK corporation tax credit at 30%	-	(507)
Deferred tax	-	(991)
	-	(1,498)
	1,840	(104)

Notes *(continued)*

10 Tangible fixed assets

Group

	Land and buildings					
	Freehold	**Long leasehold**	**Short leasehold**	**Equipment and vehicles**	**Hire fleet**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Cost						
At beginning of period	5,903	1,067	1,459	6,605	239,848	254,882
Additions	-	5	263	1,022	30,456	31,746
Disposals	(416)	-	(1)	(351)	(34,641)	(35,409)
Transfers	-	1	29	43	(73)	-
At end of period	5,487	1,073	1,750	7,319	235,590	251,219
Depreciation						
At beginning of period	1,332	323	832	5,393	100,221	108,101
Charge for the period	88	26	108	531	26,761	27,514
Disposals	(199)	-	-	(280)	(24,963)	(25,442)
Transfers	(8)	-	5	26	(23)	-
At end of period	1,213	349	945	5,670	101,996	110,173
Net book value						
At 26 December 2004	**4,274**	**724**	**805**	**1,649**	**133,594**	**141,046**
At 28 December 2003	4,571	744	627	1,212	139,627	146,781

Included in the hire fleet are assets held under finance leases and hire purchase agreements with a net book value of £Nil *(2003: £Nil)*. The amount of depreciation on these assets allocated for the period was £Nil *(2003: £2,000)*.

The hire fleet is held for use under operating leases.

Included in the cost of land and buildings are depreciable assets of £6,332,000 *(2003: £6,387,000)*.

	2004	2003
	£000	£000
Capital commitments		
Capital expenditure contracted but not provided	**Nil**	Nil

Notes *(continued)*

10 Tangible fixed assets *(continued)*

Company

	Land and buildings					
	Freehold	**Long leasehold**	**Short leasehold**	**Equipment and vehicles**	**Hire fleet**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Cost						
At beginning of period	5,903	1,067	1,459	6,605	230,486	245,520
Additions	-	5	263	1,022	30,456	31,746
Disposals	(416)	-	(1)	(351)	(31,713)	(32,481)
Transfers	-	1	29	43	457	530
At end of period	5,487	1,073	1,750	7,319	229,686	245,315
Depreciation						
At beginning of period	1,332	323	832	5,393	93,157	101,037
Charge for the period	88	26	108	531	25,964	26,717
Disposals	(199)	-	-	(280)	(22,637)	(23,116)
Transfers	(8)	-	5	26	537	560
At end of period	1,213	349	945	5,670	97,021	105,198
Net book value						
At 26 December 2004	**4,274**	**724**	**805**	**1,649**	**132,665**	**140,117**
At 28 December 2003	4,571	744	627	1,212	137,329	144,483

Included in the hire fleet are assets held under finance leases and hire purchase agreements with a net book value of £Nil *(2003: £Nil)*. The amount of depreciation on these assets allocated for the period was £Nil *(2003: £1,000)*.

The hire fleet is held for use under operating leases.

Included in the cost of land and buildings are depreciable assets of £6,332,000 *(2003: £6,387,000)*.

	2004	2003
	£000	£000
Capital commitments		
Capital expenditure contracted but not provided	**Nil**	Nil

Notes *(continued)*

11 Residual values

Included in tangible fixed assets and leasing debtors are un-guaranteed residual values at the end of current lease terms, which will be recovered through sale or re-leasing in the following periods:

	2004		2003	
	Operating leases	**Finance leases**	Operating leases	Finance leases
	£000	**£000**	£000	£000
Within one year	**8,733**	**237**	4,043	333
Between one and two years	**3,252**	**598**	3,077	192
Between two and five years	**6,863**	**572**	8,414	1,115
Greater than five years	**4,037**	**16**	3,452	19
	22,885	**1,423**	18,986	1,659

12 Investments

Group

	Participating interests			
	Shares	***Post-acquisition profits/(losses)***	***Trade investments***	***Total***
	£000	**£000**	**£000**	**£000**
Cost and net book value				
At beginning of period	25	(1)	2	26
Share of post-acquisition profit	-	1	-	1
At end of period	**25**	**-**	**2**	**27**

The group holds a 50% equity shareholding in Lex Defence (Whitefleet) Limited, a company incorporated in Great Britain. The remaining 50% is held by Lex Vehicle Leasing (Holdings) Limited.

As at 26 December 2004, the group's share of the net assets of the joint venture were as follows:

	2004	2003
	£000	£000
Assets		
Intangible assets – set up costs	**588**	676
Tangible assets	**1,670**	2,739
	2,258	3,415
Liabilities	**(2,233)**	(3,391)
	25	24

The principal activity of Lex Defence (Whitefleet) Limited is the provision of contract management services to Lex *Defence Management Limited specifically in relation to a ten year contract obtained by that company with the* Ministry of Defence.

Notes *(continued)*

12 Investments *(continued)*

Company

	Shares in *group* undertakings £000	Shares in *participating* interests £000	Trade *Investments* £000	Total £000
Cost				
At beginning of period and end of period	31,103	25	2	31,130
Provisions				
At beginning and end of period	11,049	-	-	11,049
Net book value				
At 26 December 2004	**20,054**	**25**	**2**	**20,081**
At 28 December 2003	20,054	25	2	20,081

The basis of the provision is to write down the investment in subsidiary undertakings to their underlying net asset value as disclosed in the latest statutory financial statements.

The principal subsidiary undertakings are shown below:

Name	Principal activity	Class of share held	Country of incorporation	% of effective holding in ordinary share capital
Transfleet Truck Rentals Limited	Short term hire of commercial vehicles	Ordinary	Great Britain	100
Chart Services Limited	Holding company	Ordinary	Great Britain	100
Chadmore Assets PLC	Investment company	Ordinary	Great Britain	100

The results and period end financial position of the above principal subsidiary undertakings are included in the group's consolidated financial statements.

The company holds a 50% equity shareholding in Lex Defence (Whitefleet) Limited, a company incorporated in Great Britain. The remaining 50% is held by Lex Vehicle Leasing (Holdings) Limited.

The principal activity of Lex Defence (Whitefleet) Limited is the provision of contract management services to Lex Defence Management Limited specifically in relation to a ten year contract obtained by that company with the Ministry of Defence.

13 Stocks

	Group		**Company**	
	2004 £000	2003 £000	**2004** £000	2003 £000
Vehicle spare parts, fuel and consumables	**175**	215	**175**	215

Notes *(continued)*

14 Debtors

	Group 2004 £000	2003 £000	Company 2004 £000	2003 £000
Amounts falling due within one period:				
Trade debtors	**13,404**	19,708	**13,404**	19,708
Amounts owed by group undertakings	**-**	-	**684**	1,843
Amounts owed by joint venture undertakings	**500**	3,150	**500**	3,150
Dividend receivable from subsidiary undertakings	**-**	-	**12**	9
Other debtors	**447**	261	**447**	261
Corporation tax	**-**	774	**-**	892
Group relief	**103**	103	**103**	103
Net investments in finance leases	**2,214**	1,884	**2,214**	1,884
Prepayments and accrued income	**5,131**	6,576	**5,131**	6,576
	21,799	32,456	**22,495**	34,426
Amounts falling due after more than one year:				
Net investments in finance leases	**4,625**	7,600	**4,625**	7,600
	26,424	40,056	**27,120**	42,026

The cost of assets acquired during the period for the purpose of letting under finance leases in the group and the company amounted to £488,000 *(2003: £3,218,000).*

15 Creditors: amounts falling due within one year

	Group 2004 £000	2003 £000	Company 2004 £000	2003 £000
Bank overdraft	**248**	1,269	**248**	1,269
Trade creditors	**7,068**	2,924	**7,068**	2,924
Amounts owed to group undertakings:				
Loans	**15,000**	18,000	**15,000**	18,000
Other	**-**	9,967	**20,469**	30,437
Other creditors	**4,528**	3,990	**4,528**	3,990
Corporation tax	**164**	-	**57**	-
Other taxes and social security	**2,739**	2,916	**2,739**	2,916
Accruals and deferred income	**39,425**	36,478	**39,423**	36,475
	69,172	75,544	**89,532**	96,011

Notes *(continued)*

16 Creditors: amounts falling due after more than one year

	Group		Company	
	2004	2003	**2004**	2003
	£000	£000	**£000**	£000
Amounts owed to group undertakings:				
Loans	**67,500**	77,500	**67,500**	77,500
	67,500	77,500	**67,500**	77,500
Loans are repayable as follows:				
Within one year	**15,000**	18,000	**15,000**	18,000
Between one and two years	**14,000**	25,000	**14,000**	25,000
Between two and five years	**20,000**	29,000	**20,000**	29,000
Over five years	**33,500**	23,500	**33,500**	23,500
	82,500	95,500	**82,500**	95,500

The group loans balance of £82.5 million relates to several fixed interest rate loans. The interest rates were fixed at the dates of inception and vary between 4.2% and 7.2%.

17 Provisions for liabilities and charges

Group

	Deferred tax	Other	Total
	£000	**£000**	**£000**
At beginning of period	12,973	1,902	14,875
Profit and loss account charge:			
Taxation (note 9)	588	-	588
Utilised in the period	-	(1,902)	(1,902)
At end of period	**13,561**	**-**	**13,561**

Other provisions at the end of last year were in respect of redundancy and reorganisation expenses associated with the termination of an operation as set out in note 6.

Company

	Deferred tax	Other	Total
	£000	**£000**	**£000**
At beginning of period	12,646	1,902	14,548
Profit and loss account	790	-	790
Utilised in the period	-	(1,902)	(1,902)
At end of period	**13,436**	**-**	**13,436**

Other provisions at the end of last year were in respect of redundancy and reorganisation expenses associated with the termination of an operation.

Notes *(continued)*

17 Provisions for liabilities and charges *(continued)*

Deferred tax

The balance provided at 30% *(2003: 30%)* comprises:

	Group		Company	
	2004	2003	**2004**	2003
	£000	£000	**£000**	£000
Accelerated capital allowances	**13,952**	13,546	**13,827**	13,219
Other timing differences	**(391)**	(573)	**(391)**	(573)
	13,561	12,973	**13,436**	12,646

There was no unprovided deferred tax liability at either period end.

18 Share capital

	2004	2003
	£000	£000
Authorised:		
Equity: 34,908,300 ordinary shares of £1 each	**34,908**	34,908
Allotted, issued and fully paid:		
Equity: 19,908,300 ordinary shares of £1 each	**19,908**	19,908

19 Profit and loss account

	Group	**Company**
	£000	**£000**
Deficit at 28 December 2003	(740)	(1,153)
Profit for the financial year	1,675	1,674
Surplus at 26 December 2004	**935**	**521**

The cumulative amount of goodwill deducted, as a matter of accounting policy, from the group's and company's reserves attributable to subsidiary undertakings and businesses acquired and not subsequently sold is as follows:

	Group	**Company**
	£000	**£000**
Goodwill written off in respect of:		
Acquisition of trade and assets	**1,820**	**1,820**
Acquisition of companies	**27,813**	**15,289**
	29,633	**17,109**

Notes *(continued)*

20 Reconciliation of movements in equity shareholders' funds

Group

	2004 £000	2003 £000
Opening shareholders' funds	**19,168**	20,996
Profit/(loss) for the financial period	**4,075**	(528)
Dividends paid and proposed	**(2,400)**	(1,300)
Closing equity shareholders' funds	**20,843**	19,168

Company

	2004 £000	2003 £000
Opening shareholders' funds	**18,755**	20,590
Profit/(loss) for the financial period	**4,074**	(535)
Dividends paid and proposed	**(2,400)**	(1,300)
Closing equity shareholders' funds	**20,429**	18,755

21 Reconciliation of operating profit to net cash inflow from operating activities

	2004 £000	2003 £000
Operating profit	**10,648**	10,075
Depreciation	**27,514**	30,388
Loss on disposal of tangible fixed assets	**1,105**	1,538
Decrease/(increase) in stocks	**40**	(1)
Decrease in debtors	**12,858**	2,864
Decrease in creditors	**(6,540)**	(9,692)
Net cash inflow from operating activities before exceptional items	**45,625**	35,172
Cash outflow from exceptional items:		
Redundancy and reorganisation expenses incurred in the period (note 6)	**-**	(87)
Net cash inflow from operating activities	**45,625**	35,085

Notes *(continued)*

22 Analysis of net debt

	At 26 December 2004 £000	Non-cash movements £000	Cash flow £000	At 28 December 2003 £000
Cash at bank and in hand	**3,404**	-	3,395	9
Overdrafts	**(248)**	-	1,021	(1,269)
	3,156	-	4,416	(1,260)
Loans due in one year	**(15,000)**	(25,000)	28,000	(18,000)
Loans due after one year	**(67,500)**	25,000	(15,000)	(77,500)
	(82,500)	-	13,000	(95,500)
	(79,344)	-	17,416	(96,760)

23 Reconciliation of net cash flow to movement in net debt

	2004 £000	2003 £000
Increase/(decrease) in cash in the period	**4,416**	(1,380)
Cash outflow from loan and finance lease repayments	**28,000**	26,000
Cash inflow from new loans and hire purchase agreements in the period	**(15,000)**	(29,000)
Movement in the period	**17,416**	(4,380)
Opening net debt	**(96,760)**	(92,380)
Closing net debt	**(79,344)**	(96,760)

Notes *(continued)*

24 Lease commitments

On 26 December 2004 annual commitments under non-cancellable operating leases were as set out below:

Group

	2004		2003	
	Land and buildings	**Other**	Land and buildings	Other
	£000	**£000**	£000	£000
Operating leases which expire:				
Within one year	**243**	**1,501**	373	3,442
Between two and five years inclusive	**336**	**7,799**	298	7,887
Over five years	**727**	**-**	713	-
	1,306	**9,300**	1,384	11,329

Company

Operating leases which expire:				
Within one year	**243**	**-**	373	344
Between two and five years inclusive	**336**	**320**	298	721
Over five years	**727**	**-**	713	-
	1,306	**320**	1,384	1,065

25 Contingent liabilities

Performance bonds amounting to £3,544,815 *(2003: £3,544,815)* have been given by the company and group in the normal course of business.

26 Profit dealt with in the financial statements of the company

As permitted by Section 230 of the Companies Act 1985 advantage has been taken of the exemption from the requirement to publish a separate profit and loss account for the company. A profit of £4,074,000 *(2003: loss of £535,000)* of the group result for the financial period has been dealt with in the financial statements of the company.

Notes *(continued)*

27 Related party transactions

Transactions with parent and fellow subsidiaries

During the period the company entered into material transactions in the ordinary course of business with Lombard North Central PLC, a company that owns 50% of the share capital of Lex Transfleet Limited. The amount outstanding at 26 December 2004 under these arrangements is as follows:

	2004 £000	2003 £000
Loan and current accounts with Lombard North Central PLC		
Due within one year	**15,000**	27,967
Due after more than one year	**67,500**	77,500
Interest accrued at the end of the period	**2,000**	2,545
Cash at bank	**(3,397)**	-
	81,103	108,012
Interest charged during the period	**4,817**	5,768

Transactions with RAC plc

RAC plc has a 50% interest in the shares of the company. Transactions during the period and the balance outstanding at the period end with this related party are as follows:

Employees

All employees, excluding certain directors, of the company have contracts of employment with RAC plc. The cost of employees recharged by RAC Plc to the company during the year amounted to £34 million *(2003: £43 million).*

Other services

Management and property services were provided to the company by RAC plc. The charge made in respect of these services was £296,000 *(2003: £525,000).*

The total outstanding balance owed to RAC plc at 26 December 2004 was £4,068,000 *(2003: £875,000).*

Transactions with joint venture company

The company owns 50% of Lex Defence (Whitefleet) Ltd. Transactions during the period and the balance outstanding at the period end with this related party are as follows:

	2004 £000	2003 £000
Sales re vehicle rental	**1,472**	3,314
Balance outstanding due to Lex Transfleet re vehicle rentals	**291**	732
Balance outstanding due to Lex Transfleet Limited for the provision of cashflow facility	**209**	2,229

Notes *(continued)*

27 Related party transactions *(continued)*

Transactions with Lex Transfleet Limited subsidiaries

The company has taken advantage of the exemptions in Financial Reporting Standard 8 not to disclose related party transactions with its own subsidiaries.

Transactions with directors and key managers

There were no material related party transactions with directors or key managers.

28 Shareholder information

Copies of the financial statements of Lombard North Central PLC can be obtained from The Secretary, Lombard North Central PLC, 3 Princess Way, Redhill, Surrey RH1 1NP.

Copies of the financial statements of RAC plc can be obtained from The Secretary, RAC plc, 17 Connaught Place, London W2 2EL.