

1977/78

GKN CHEP LIMITED

ANNUAL ACCOUNTS

31ST DECEMBER 1990

Coopers  
& Lybrand  
Deloitte

Report of the Directors 31st December 1990

Report of the directors to be submitted to the Seventeenth Annual General Meeting to be held at Unit 2, Weybridge Business Park, Addlestone on the 19 September 1991.

Directors: N.T. Butcher (Chairman)  
H.R. Hibbert  
E.G. Harding  
R. Humble  
P.G. Dawson  
R.W.F. Stoner  
T.J. Nichols  
D.W. McKerrow

- 1 The directors present their annual report, together with the audited accounts of the Company for the year ended 31st December 1990.

Principal activities of the business

- 2 The Company continues in the business as the operator of a National Pallet and Container Pool. In addition, the company manufactures a proportion of its own pallet requirements and provides a pallet recovery service for non-pool pallets.

Capital, dividends and reserves

- 3 The Directors have declared and paid interim dividends of £11,540,000 for the year ended 31 December 1990. A further interim dividend of £2,464,084 is recommended for the period making a total for the year of £14,004,084.

Fixed assets

- 4 During the year the net book value of the fixed assets of the company was increased by £12,699,818 through the acquisition of hire stocks, buildings and plant. Certain new motor vehicles purchased in the United Kingdom during 1990 have been acquired under leasing arrangements set up by the GKN Group.

Directors

- 5 The following resigned as Directors of the company on 10 May 1990. The Directors wish to record their appreciation of their service to the company:

R.H. Coveney  
R.J.B. Jessop  
H.E.St.L. King  
P.T. Williams

Report of the Directors 31st December 1990

The following appointments as Directors of the company were made during the year at the dates indicated:

D.W. McKerrow	-	2 March 1990
H.R. Hibbert	-	2 March 1990
E.G. Harding	-	10 May 1990
R. Humble	-	10 May 1990
P.G. Dawson	-	1 August 1990
R.W.F. Stoner	-	4 September 1990

Directors' interests

- 6 Interests in shares or debentures of GKN Plc and its subsidiaries, of persons who were Directors of the company on 31 December 1990 as required to be disclosed by the Companies Act 1985 are as follows:

	Holding at <u>31/12/90</u>	Holding at <u>1/1/90</u>
N.T. Butcher - GKN Plc £1 Ord.	10,260	11,196
T.J. Nichols - GKN Plc £1 Ord.	7,748	7,748

Employee involvement

- 7 The company continues to follow a policy of positive involvement of all employees and to ensure that employees are systematically informed of matters of concern to them.

Twice yearly, the GKN Group audio-visual presentation on Group performance and prospects is shown in all Regional Offices and Head Office. The overall performance, current plans and priorities of the company are covered in a GKN Chep audio-visual presentation shown in all locations in the first quarter, and further briefing sessions, by the Managing Director or a member of the Management Board, are given quarterly, covering the extent to which the current year's financial sales and marketing operational objectives are being met.

A savings related (SAYE) Share Option Scheme, first introduced by the parent company, GKN Plc in 1978, continues to operate. The personalised incentive schemes for depot employees and some senior managers also continue to operate, as does the company performance-related bonus scheme for employees not eligible for personalised schemes.

As part of the systematic arrangement for communicating to and consulting employees, regular meetings are held at all levels and in all locations within the company. Certain specific topics, for example Health & Safety, are dealt with by special committee.

The company continues to provide extensive training for employees, aiming both to improve specific skills and to broaden awareness of the financial and operational factors in the further successful development of the company.

Report of the Directors 31st December 1990

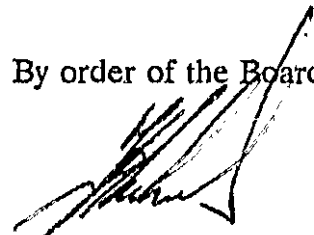
Disabled persons

- 8 All applications for employment, including those received from disabled persons are given full consideration, and selection is on the basis of ability.

Auditors

- 9 A resolution to reappoint Coopers & Lybrand Deloitte as auditors of the company will be proposed at the Annual General Meeting.

By order of the Board



T J NICHOLS  
Secretary  
March 1991

AUDITORS' REPORT TO THE MEMBERS OF

GKN CHEP LIMITED

We have audited the accounts on pages 5 to 19 in accordance with Auditing Standards.

In our opinion the accounts give a true and fair view of the state of the Company's affairs at 31st December 1990 and of its results for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Coopers & Lybrand Deloitte*  
COOPERS & LYBRAND DELOITTE

Chartered Accountants  
London  
(March 1991

Accounting policies 31st December 1990**1 Basis of accounting**

These accounts are prepared under the historical cost convention as modified by the revaluation of land and buildings and comply with UK Statements of Standard Accounting Practice.

**2 Turnover**

Turnover represents the invoiced value of goods and services charged to customers, excluding value added tax.

**3 Depreciation**

- (a) Depreciation is not provided on freehold land. In the case of buildings, computers, and certain stocks held for hire depreciation is provided on valuation or original cost. For all other categories of asset, depreciation is provided on the written down value at the beginning of the financial year. Except for stocks held for hire, depreciation is not charged on fixed assets capitalised during the year and available for use, but a full year's depreciation is charged on fixed assets sold or scrapped during the year.

In the case of hire stocks, effective from 1 January 1990, established container products are depreciated on a 15% reducing balance basis, established roll pallet products are depreciated on a 22% reducing balance basis, and new products are depreciated on a straight line basis over five years. Since pallet pool assets are maintained to a consistently high standard with costs of repair and refurbishment written off as incurred depreciation is considered unnecessary, but a provision for technological obsolescence is charged at 10% on additions during the year.

- (b) Depreciation is applied to specific classes of asset by reference to their useful lives. The rates of depreciation used are:-

	<u>Straight line</u> %	<u>Reducing balance</u> %
Buildings	2	-
Plant and machinery	-	8 to 35
Computers	20 - 33 $\frac{1}{3}$	-
Cars	-	44
Other vehicles	-	27
Hire stocks (excluding pallet pool)		
- established containers	-	15
- established roll pallets	-	22
- new products	20	-

Leased properties are amortised by equal annual instalments over the period of the lease or 50 years, whichever is shorter.

**Accounting policies 31st December 1990 - (continued)****4 Surplus on trading**

- (a) Surplus on trading reflects the profits and losses arising from the trading activities of the year and costs of reorganisation.
- (b) Revenue expenditure on research and development is written off against trading profits as incurred.
- (c) The cost of acquiring patents and know-how is written off in the year of acquisition.

**5 Foreign currencies**

Assets and liabilities in foreign currencies are translated to sterling at the exchange rate ruling at the balance sheet date. Differences arising from changes in exchange rates on revenue transactions are dealt with through the profit and loss account.

**6 Tangible fixed assets**

- (a) Capital work in progress represents expenditure on fixed assets in the course of construction. Transfers are made to other fixed asset categories when assets are available for use.
- (b) Where fixed assets are financed by leasing agreements which give rights approximating to ownership the assets are treated as if they had been purchased and the capital element of the leasing commitments is shown as "obligations under finance leases". The rentals payable are apportioned between interest, which is charged in the profit and loss account, and capital, which reduces the outstanding obligation.

**7 Stocks**

Stocks have been consistently valued at the lower of cost and estimated net realisable value, due allowance being made for obsolete or slow moving items. Cost includes the relevant proportion of works overheads assuming normal levels of activity.

**8 Deferred taxation**

Provision is made for deferred taxation to the extent that there is a reasonable probability that such tax will become payable in the foreseeable future, calculated at the rate of corporation tax expected to apply for the period when the tax is forecast to become payable. The liability is reduced by any tax losses available for set off against future profits.

Profit and loss account for the year ended 31st December 1990

	<u>Notes</u>	<u>1990</u> <u>£'000</u>	<u>1989</u> <u>£'000</u>
TURNOVER	1	<u>73,687</u>	<u>60,771</u>
SURPLUS ON TRADING	2	26,676	22,327
Income from investments and interest receivable	3	14	22
Interest payable	4	<u>(10,171)</u>	<u>(7,204)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		16,519	15,145
Taxation	5	<u>(2,515)</u>	<u>(3,580)</u>
PROFIT FOR THE YEAR		14,004	11,565
Interim dividends - paid		(4,000)	(4,249)
- proposed		<u>(10,004)</u>	<u>(7,316)</u>
TRANSFER TO RESERVES		<u>-</u>	<u>-</u>
STATEMENT OF RETAINED PROFITS AND RESERVES			
Opening reserves		487	487
Transfer from profit and loss account		-	-
CLOSING RESERVES		<u>487</u>	<u>487</u>

The notes on pages 10 to 19 and the accounting policies on pages 5 and 6 form part of these accounts.

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**GKN CHEP LIMITED**

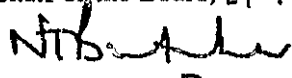
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(A subsidiary of GKN plc, which is incorporated in England)

**Balance Sheet at 31st December 1990**

	Notes	1990 £'000	1989 £'000
<b>FIXED ASSETS</b>			
Tangible assets	8	86,909	73,165
<b>CURRENT ASSETS</b>			
Stocks	9	2,604	672
Debtors	10	14,737	13,151
Cash at bank and in hand		1,354	790
		<u>18,695</u>	<u>14,613</u>
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>			
Bank loans and overdrafts		587	183
Creditors	12	14,070	14,512
Taxation payable	13	3,011	705
Dividend payable		10,004	7,316
		<u>27,672</u>	<u>22,716</u>
<b>NET CURRENT ASSETS</b>		<u>(8,977)</u>	<u>(8,103)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>77,932</u>	<u>65,062</u>
<b>CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR</b>			
Obligations under finance leases	14	58	-
		<u>77,874</u>	<u>65,062</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	16	6,129	6,129
Profit and loss account	17	487	487
Revaluation reserve	17	1,044	-
Other reserve	18	6,244	6,244
		<u>13,904</u>	<u>12,860</u>
Equity interest		13,904	12,860
Subordinated loans from shareholders	19	24,378	15,200
ACCOUNT WITH GKN PLC	20	39,592	37,002
		<u>77,874</u>	<u>65,062</u>

Signed on behalf of the Board, 27 February 1991



 )  
 ) Directors

The notes on pages 10 to 19 and the accounting policies  
on pages 5 and 6 form part of these accounts.

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**Statement of source and application of funds 31 December 1990**

	<u>1990</u> <u>£'000</u>	<u>1989</u> <u>£'000</u>
<b>SOURCE OF FUNDS</b>		
Profit for the year before taxation	16,519	15,145
Depreciation and obsolescence	4,174	3,607
Cash flow from operations	20,693	18,752
<b>FUNDS FROM OTHER SOURCES</b>		
Loans received	9,178	1,880
Book value of fixed assets sold, transferred or written-off	4,621	4,666
Total sources of funds	<u>34,492</u>	<u>25,298</u>
<b>APPLICATION OF FUNDS</b>		
Additions to fixed assets	(21,495)	(21,404)
Dividends paid	(11,316)	(12,595)
Taxation paid	(209)	(5,145)
<b>MOVEMENT IN WORKING CAPITAL</b>		
(Increase)/decrease in stocks	(1,933)	612
(Increase) in debtors (including amounts owing from other Group companies)	(1,586)	(3,253)
Increase/(decrease) in creditors (including amounts owing to other Group companies)	(383)	2,198
Total application of funds	<u>(36,922)</u>	<u>(39,587)</u>
<b>(INCREASE)/DECREASE IN AMOUNT BORROWED FROM GKN (UNITED KINGDOM) PLC DURING THE YEAR</b>	<b>(2,430)</b>	<b>(14,289)</b>
Liquid resources and current account with GKN (United Kingdom) plc at beginning of year	<u>(36,395)</u>	<u>(22,106)</u>
Liquid resources and current account with GKN (United Kingdom) plc at end of year	<u>(38,825)</u>	<u>(36,395)</u>

Auditors' report page 4.

Notes on the accounts 31st December 1990

## 1 Turnover

	<u>1990</u> £'000	<u>1989</u> £'000
Geographical analysis by ultimate destination:		
United Kingdom	71,008	58,887
Outside United Kingdom	2,679	1,884
	<hr/> 73,687 <hr/>	<hr/> 60,771 <hr/>

All turnover and profit on ordinary activities before taxation were attributable to the principal activity of the business as shown in the directors' report.

## 2 Surplus on trading is after charging:

	<u>1990</u> £'000	<u>1989</u> £'000
(Increase) in finished goods and work in progress	(405)	5
Raw materials and consumables	10,964	8,062
Other external charges	14,589	12,583
Wages and salaries	13,011	9,722
Social security costs	956	736
Other pension costs	100	177
Redundancy costs in on-going activities	46	270
Reorganisation costs	104	791
Rental for hire of plant and vehicles under operating leases	1,903	1,361
Rental of leased land & buildings	1,543	1,102
Auditors' remuneration	30	29
Depreciation on owned assets	4,171	3,605
Depreciation on assets under finance leases	3	1
Surplus on sale of land and buildings	(4)	-
	<hr/> 47,011 <hr/>	<hr/> 38,444 <hr/>

## 3 Income from investments and interest receivable

	<u>1990</u> £'000	<u>1989</u> £'000
Interest receivable on short term loans and deposits	14	22

Notes on the accounts 31st December 1990 - (continued)

## 4 Interest payable

	<u>1990</u> £'000	<u>1989</u> £'000
Group loans		
Long term loans	9,040	6,506
Short term loans	1,057	694
Finance leases	72	1
	2	3
	<u>10,171</u>	<u>7,204</u>

## 5 Taxation

	<u>1990</u> £'000	<u>1989</u> £'000
UK Corporation tax:		
Corporation tax at 35%	3,190	3,400
Overseas taxation	187	-
Double tax relief	(152)	-
	<u>3,225</u>	<u>3,400</u>
Surplus taxation of previous years	(710)	180
	<u>2,515</u>	<u>3,580</u>

## 6 Employee information

	<u>1990</u> Number	<u>1989</u> Number
The average number of persons employed during the year was:		
Works	480	406
Staff	458	416
	<u>938</u>	<u>822</u>

Notes on the accounts 31st December 1990 - (continued)

## 7 Directors' emoluments

Directors' emoluments are disclosed in accordance with the Companies Act 1985.

- (a) The emoluments of directors wholly in respect of executive services, amounted to £452,686 (1989 - £141,154).
- (b) The following table shows the number of directors, not including the chairman, of the Company whose emoluments (excluding pension contributions) were within the scales stated:

Scale		<u>1990</u>	<u>1989</u>
Directors:	£0 - £ 5,000	-	5
	£20,001 - £25,000	1	-
	£25,001 - £30,000	1	-
	£30,001 - £35,000	1	-
	£40,001 - £45,000	1	-
	£55,001 - £60,000	1	1
	£60,001 - £65,000	1	-
	£75,001 - £80,000	1	-
		<u>7</u>	<u>6</u>

- (c) The emoluments of the chairman of the Company amounted to £54,963 (1989 - £52,430).
- (d) The emoluments of the highest paid director amounted to £78,483 (1989 - £58,466).
- (e) Certain directors are employed by, and receive their emoluments from, GKN plc. The amounts shown above represent the remuneration applicable to their executive services to the company. 1989 figures are shown on the same basis and where appropriate, have been restated.

Notes on the accounts 31st December 1990 - (continued)

## 8 Tangible assets

## (a) Summary

	Land and buildings £'000	Plant, machinery and motor vehicles £'000	Total £'000
<b>Cost or valuation</b>			
At 1st January 1990	3,663	83,204	86,867
Capital expenditure	498	20,997	21,495
Group transfers	179	-	179
Disposals	(170)	(5,484)	(5,654)
Revaluation	819	-	819
At 31st December 1990	<u>4,989</u>	<u>98,717</u>	<u>103,706</u>
<b>Accumulated depreciation</b>			
At 1st January 1990	569	13,132	13,701
Group transfers	25	-	25
Disposals	(25)	(853)	(878)
Charge for the year	133	4,041	4,174
Revaluation	(225)	-	(225)
At 31st December 1990	<u>477</u>	<u>16,320</u>	<u>16,797</u>
<b>Net book values at 31st December 1990</b>			
Owned assets	4,512	82,317	86,829
Leased assets	-	80	80
	<u>4,512</u>	<u>82,397</u>	<u>86,909</u>

Freehold and long leasehold properties have been professionally valued during the year by chartered surveyors employed by the group on the basis of open market value assuming existing use or, for specialised properties, at depreciated replacement cost.

The surplus arising on revaluation of £1,044,000 has been transferred to revaluation reserve.

Notes on the accounts 31st December 1990 - (continued)

## 8 Tangible assets - continued

	<u>Cost or valuation</u> £'000	<u>Accumulated depreciation</u> £'000	<u>1990</u> £'000	<u>1989</u> £'000
Freehold land	1,542	-	1,542	668
Freehold buildings	1,088	3	1,085	1,365
Long leases	1,358	24	1,334	555
Short leases (expiring on or before 31 December 2040)	1,001	450	551	506
	<u>4,989</u>	<u>477</u>	<u>4,512</u>	<u>3,094</u>

(b) The cost or valuation of land and buildings at 31 December 1990 includes:

	£'000
1990 valuation	3,610
At cost	1,379
	<u>4,989</u>

The original cost of land and buildings at 31 December 1990 was £4,048,000; the notional net book value on that basis would have been £3,353,000.

## 9 Stocks

	<u>1990</u> £'000	<u>1989</u> £'000
Raw materials	2,166	639
Work in progress	438	32
Finished goods and goods for resale	-	1
	<u>2,604</u>	<u>672</u>

## 10 Debtors

	<u>1990</u> £'000	<u>1989</u> £'000
Receivable within one year:		
Trade debtors	13,597	12,014
Amounts owed by group companies	3	84
Amounts owed by related companies	273	286
Other debtors	388	149
Prepayments and accrued income	476	618
	<u>14,737</u>	<u>13,151</u>

Notes on the accounts 31st December 1990 - (continued)**11 Investment in subsidiary companies**

The subsidiary companies, which are all wholly owned and incorporated in Great Britain, are:

<u>Dormant companies</u>	<u>Class of shares issued</u>	<u>Attributable to the company</u> %
Tilgate Pallet Services Limited	Ordinary shares of 25p	100
Chep Pallets Limited (formerly Tilgate Pallets Limited)	Ordinary shares of £1	100*
Tilgate Pallets (Scotland) Limited	Ordinary shares of £1	100*
Pallet Recovery Services Limited	Ordinary shares of £1	100*
Tilgate MP Limited	Ordinary shares of £1	100*

\* Shares indirectly held through Tilgate Pallet Services Limited.

These subsidiary companies have not been consolidated as they have not traded this year and in the opinion of the Directors their inclusion would be of no real value to members in view of the insignificant amounts involved.

In the opinion of the Directors, the value of the investment at 31 December 1990 was not less than cost

**12 Creditors**

	<u>1990</u> £'000	<u>1989</u> £'000
Trade creditors	7,389	7,948
Amounts owed to group companies	2,063	2,098
Amounts owed to related companies	74	79
Other creditors and social security	3,775	3,954
Accruals	765	420
Short term obligations under finance leases (see note 14)	4	13
	<u>14,070</u>	<u>14,512</u>



Notes on the accounts 31st December 1990 - (continued)

## 13 Taxation payable

	<u>1990</u> £'000	<u>1989</u> £'000
United Kingdom Corporation Tax:		
Current year	3,038	3,400
Adjustment in respect of previous year	(710)	180
Advance corporation tax	496	(2,675)
Non UK taxation	187	(200)
	<u>3,011</u>	<u>705</u>

## 14 Obligations under finance leases

The future minimum lease payments to which the company is committed as at 31st December 1990 under finance leases are as follows:

	<u>1990</u> £'000	<u>1989</u> £'000
Within one year	6	15
Two to five years	45	-
After five years	60	-
	<u>111</u>	<u>15</u>
<u>Less:</u> Interest charges allocated to future periods	49	2
	<u>62</u>	<u>13</u>
<u>Less:</u> Short term obligations included in creditors (see note 12)	4	13
	<u>58</u>	<u>-</u>

Notes on the accounts 31st December 1990 - (continued)

## 15 Provisions for liabilities and charges

In accordance with the accounting policy on page 6, no provision for deferred taxation is considered necessary in view of the company's continuing level of capital investment.

The potential full deferred tax liability arising on timing differences calculated on the liability method, is as follows:

	<u>1990</u> £'000	<u>1989</u> £'000
Fixed asset and other timing differences	<u>16,356</u>	<u>13,236</u>

## 16 Share capital

	<u>1990 and 1989</u>	<u>1990 and 1989</u>
	<u>Authorised</u>	Issued, called up and fully paid
	£'000	£'000
Ordinary shares of £1 each	<u>10,000</u>	<u>6,129</u>

## 17 Reserves

Distributable:	Profit and loss <u>account</u> £'000
At 1st January 1990	487
Transfer from profit and loss account	-
At 31st December 1990	<u>487</u>
Non Distributable:	Revaluation <u>reserve</u> £'000
At 1st January 1990	-
Surplus on revaluation during the year	1,044
At 31st December 1990	<u>1,044</u>

**Notes on the accounts 31st December 1990 - (continued)****18 Other reserves**

	<u>Other reserves</u> £'000
At 1st January 1990	6,244
Movement during year	-
At 31st December 1990	<u>6,244</u>

The directors have resolved that the above reserve, which arose following a change in method of accounting for depreciation on pallet hire stocks is non-distributable.

**19 Subordinated loans from shareholders**

The total comprises balances due to GKN (United Kingdom) plc of £17,065,129 and Brambles Europe Ltd £7,313,341. The balances are subordinated to the claims of the creditors and bear interest at 2% over base rate. Although the loans are repayable upon notice, after one year and one day, in specified circumstances, the directors do not envisage repayment in the foreseeable future.

**20 Account with GKN plc**

The account with GKN plc represents, together with the equity interest and subordinated loan, the GKN Group interest in the company excluding normal intra-group trading balances with fellow subsidiaries. As this account includes funding of a permanent nature and is without any repayment terms, it is considered appropriate to show it with equity interest in the balance sheet.

**21 Format of accounts**

Classification of the account with GKN (United Kingdom) plc (note 20) and the subordinated loans from shareholders (note 19) as capital employed represents a departure from the balance sheet format specified in the Companies Act 1985. In the opinion of the directors this departure is necessary in order to give a true and fair view of the financial position having regard to the permanent nature of the funding.

**22 Capital expenditure**

Capital expenditure sanctioned by the Board and outstanding at 31st December 1990 amounted to £4,373,788 (1989 - £4,692,228).

Contracts placed against these sanctions so far as not provided for in these accounts amount to £460,309 (1989 - £429,468).

**Notes on the accounts 31st December 1990 - (continued)****23 Operating leases**

The minimum payments which the company is committed to make in 1991 under operating leases are as follows:

	<u>Property</u> £'000	<u>Equipment</u> £'000
Commitment expiring within one year	137	489
Commitment expiring within two to five years	229	1,014
Commitment expiring after five years	823	-
	<u>1,189</u>	<u>1,503</u>

**24 Pensions**

The company participates in the externally funded group pension arrangements of GKN plc. Following the surplus confirmed by an actuarial valuation in 1990, the company's contribution rate to the main scheme remains at nil.

**25 Ultimate holding company**

The directors consider GKN plc to be the ultimate holding company, a company incorporated in Great Britain.