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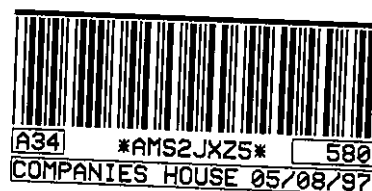
Company Registration No. 319964

**TUFFNELLS PARCELS EXPRESS
LIMITED**

Report and Financial Statements

31 December 1996

**Deloitte & Touche
10-12 East Parade
Leeds
LS1 2AJ**





REPORT AND FINANCIAL STATEMENTS 1996

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DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 1996.

ACTIVITIES

The company's principal activity during the year was express parcel carrying.

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

The directors have continued to develop the business of the company in the light of prevailing conditions, and the position at 31 December 1996 is reflected in these accounts. The present intention is to continue the development of the existing business of the company, and the directors consider the future prospects to be satisfactory.

DIVIDENDS AND TRANSFERS TO RESERVES

The directors recommend payment of a dividend of £1,354,709 (1995: £Nil) and retained profits of £405,476 (1995: £2,262,855) have been transferred to reserves.

FIXED ASSETS

Movements in fixed assets during the year are detailed in Note 9 to the financial statements.

DIRECTORS AND THEIR INTERESTS

The following were directors of the company during the year ended 31 December 1996:

Mr P H Gregory
Mr A E Mason
Mr W M Rogers

None of the directors had any disclosable interests in the shares of the company during the year.

Interests in the shares of the ultimate parent company are shown below. The directors had no interests in the shares of any other group companies.

The beneficial interests of the directors in the shares of The Big Green Parcel Machine Limited at 31 December 1996 are as follows:

	1p Ordinary shares
	No
P H Gregory	71,500
A E Mason	50,000
W M Rogers	22,500



DIRECTORS' REPORT

EMPLOYMENT OF DISABLED PERSONS

It is the company practice to facilitate the employment of disabled persons and to provide, whenever possible, opportunities for training, career development and promotion. When employees become disabled in the service of the group, every effort is made to rehabilitate them in their former jobs or some other suitable alternative, and to provide appropriate training and specialist advice.

POLITICAL AND CHARITABLE CONTRIBUTIONS

The charitable contributions made by the company during the year were £Nil (1995 : £1,074). No contributions were made for political purposes (1995: £Nil).

EMPLOYEE INVOLVEMENT

As a key part of the company's philosophy, it continues to place great importance on involving employees in its operations. Regular meetings are held between employees and senior management to create the necessary attitudes and skills towards good communication and consultations. Through these meetings and the normal chain of command the group seeks to keep employees informed and involved in its activities.

AUDITORS

Deloitte & Touche have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board

W M Rogers

Secretary

16 May 1997

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company 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
- 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 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 are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Approved by the Board of Directors
and signed on behalf of the Board

W M Rogers

Secretary

16 May 1997



Chartered Accountants

Deloitte & Touche
10-12 East Parade
Leeds LS1 2AJ

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AUDITORS' REPORT TO THE MEMBERS OF

TUFFNELLS PARCELS EXPRESS LIMITED

We have audited the financial statements on pages 5 to 13 which have been prepared under the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of 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 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 of the state of the company's affairs at 31 December 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Chartered Accountants and
Registered Auditors

16 May 1997


PROFIT AND LOSS ACCOUNT
Year ended 31 December 1996

	Note	1996 £'000	1995 £'000
TURNOVER: continuing operations	2	44,518	41,318
Costs and other operating charges	3	(42,725)	(38,172)
		<hr/>	<hr/>
OPERATING PROFIT: continuing operations	5	1,793	3,146
Interest (payable)/receivable (net)	6	(35)	118
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,758	3,264
Tax on profit on ordinary activities	7	2	1,001
		<hr/>	<hr/>
PROFIT FOR THE FINANCIAL YEAR		1,760	2,263
Dividends	8	1,355	-
		<hr/>	<hr/>
RETAINED PROFIT FOR THE FINANCIAL YEAR	16	405	2,263
		<hr/>	<hr/>

The profit for the current and previous financial years noted above represents the total recognised gains and losses in those periods.


TUFFNELLS PARCELS EXPRESS LIMITED
BALANCE SHEET
31 December 1996

	Note	1996 £'000	1995 £'000
FIXED ASSETS			
Tangible assets	9	11,049	9,732
CURRENT ASSETS			
Stocks	10	223	251
Debtors	11	7,497	6,536
Cash at bank and in hand		62	166
		7,782	6,953
CREDITORS: amounts falling due within one year	12	(7,204)	(5,483)
NET CURRENT ASSETS		578	1,470
TOTAL ASSETS LESS CURRENT LIABILITIES		11,627	11,202
CREDITORS: amounts falling due after more than one year	13	(20)	-
NET ASSETS		11,607	11,202
CAPITAL AND RESERVES			
Called up share capital	14	1,092	1,092
Profit and loss account	16	10,515	10,110
EQUITY SHAREHOLDERS' FUNDS	15	11,607	11,202

These financial statements were approved by the Board of Directors on 16 May 1997

Signed on behalf of the Board of Directors

W M Rogers

Director

P H Gregory

Director



NOTES TO THE ACCOUNTS
Year ended 31 December 1996

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention as modified by the revaluation of certain fixed assets.

Tangible fixed assets

Depreciation is calculated to write off the cost or valuation of fixed assets on a straight line basis over the expected useful lives of the assets concerned. The principal annual rates of depreciation are as follows:

Freehold and long leasehold land	Nil
Freehold and long leasehold buildings	2%-5%
Short leaseholds (less than 50 years to run)	Amortised over remaining life of lease
Motor vehicles	17%-25%
Trailers	12.5%
Cranes, plant and furniture	10%-25%
Computer equipment	20%-40%

Leases and hire purchase contracts

Assets obtained under finance leases and hire purchase contracts are recorded in the balance sheet as tangible assets, initially at fair value, and depreciated over the shorter of the lease term or their estimated useful life. Future rental obligations are included with borrowings. The interest element of the rental payable is charged to the profit and loss account over the period of the lease using the actuarial method.

Operating lease rentals are charged to the profit and loss account in the year in which they arise.

Deferred tax

This comprises the deferred liability for tax computed at the current rates of corporate tax on the excess of the book values of all fixed assets other than property over their corresponding tax written down values to the extent that tax liabilities are likely to crystallise in the foreseeable future.

No provision has been made for tax which might arise in the event of properties being sold at their revalued amounts or for tax on properties sold and deferred by rollover relief.

Pensions

The company operates a defined benefit pension scheme. Assets of the scheme are held separately from those of the company in trustee administered funds. The expected costs of providing pensions and other post retirement benefits, as calculated periodically by professionally qualified actuaries, is charged to the profit and loss account so as to spread the cost over the service lives of the employees in the scheme in such a way that the pension cost is a substantially level percentage of current and expected future pensionable payroll.

Related party transactions

The company has taken advantage of exemptions within FRS8 and has not disclosed transactions with other group companies on the grounds that the company is a wholly owned subsidiary of a parent undertaking which publishes consolidated financial statements in accordance with UK company legislation.

2. TURNOVER

Turnover represents the invoiced amount of sales, net of VAT and constitutes one class of business.


NOTES TO THE ACCOUNTS
Year ended 31 December 1996
3. COSTS AND OTHER OPERATING CHARGES

	1996 £'000	1995 £'000
Raw materials and consumables	4,754	4,334
Other external charges	16,851	13,876
Staff costs (note 4)	13,962	14,186
Depreciation	606	734
Other operating charges	6,552	5,042
	<u>42,725</u>	<u>38,172</u>

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	1996 No	1995 No
Average weekly number of persons employed during the year were:		
Haulage	789	698
Office and management	276	337
	<u>1,065</u>	<u>1,035</u>

	£'000	£'000
Staff costs during the year		
Wages and salaries	12,807	12,992
Social security costs	1,103	1,141
Other pension costs	52	53
	<u>13,962</u>	<u>14,186</u>

Directors' emoluments	-	300
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	1996 No	1995 No
Scale of directors' remuneration		
£Nil - £5,000	3	6
£65,001 - £70,000	-	1
£80,001 - £85,000	-	1
£120,001 - £125,000	-	1

The chairman received no remuneration from the company during 1996 (1995:£Nil). The remuneration of the highest paid director was £Nil (1995:£120,713).



NOTES TO THE ACCOUNTS
Year ended 31 December 1996

5. OPERATING PROFIT

	1996 £'000	1995 £'000
Operating profit is after charging:		
Depreciation - owned assets	600	651
- assets held on finance leases and hire purchase contracts	6	83
Rentals under operating leases		
- plant and machinery	2,938	2,317
- other	121	442
Auditors' remuneration - audit fee	18	15
- Non audit fees	3	5
Management charge	2,282	390
	<u> </u>	<u> </u>

6. INTEREST (PAYABLE)/RECEIVABLE (NET)

	1996 £'000	1995 £'000
Interest payable on bank loans and overdrafts repayable within five years	(42)	(17)
Hire purchase interest charges	(2)	-
	<u> </u>	<u> </u>
Interest receivable	(44)	(17)
	9	135
	<u> </u>	<u> </u>
	<u>(35)</u>	<u>118</u>

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1996 £'000	1995 £'000
The tax charge based on the profit on ordinary activities for the year comprises:		
Corporation tax at 33% (1995: 33%)	17	1,015
Tax overprovided in previous years	(19)	(14)
	<u> </u>	<u> </u>
	<u>(2)</u>	<u>1,001</u>

The tax charge for the year is disproportionately low when compared to the accounts profit due to group relief received free of charge.

8. DIVIDENDS ON EQUITY SHARES

	1996 £'000	1995 £'000
Final proposed (£1.24 per share)	1,355	-
	<u> </u>	<u> </u>


NOTES TO THE ACCOUNTS
Year ended 31 December 1996
9. TANGIBLE FIXED ASSETS

	Land and buildings				Cranes, plant and furniture	
	Freehold	Long leasehold	Short leasehold	Motor vehicles	£'000	Total £'000
	£'000	£'000	£'000	£'000		
Cost or valuation						
At 1 January 1996	6,201	1,828	28	3,550	2,135	13,742
Additions	1,539	-	-	139	250	1,928
Disposals	-	-	-	(312)	-	(312)
At 31 December 1996	7,740	1,828	28	3,377	2,385	15,358
Depreciation						
At 1 January 1996	96	144	28	2,261	1,481	4,010
Disposals	-	-	-	(307)	-	(307)
Charge for the year	78	32	-	310	186	606
At 31 December 1996	174	176	28	2,264	1,667	4,309
Net book value						
At 31 December 1996	7,566	1,652	-	1,113	718	11,049
At 31 December 1995	6,105	1,684	-	1,289	654	9,732

The above assets are held at historic cost valuation with the exception of £125,000 of freehold land and buildings valued in 1990 and £905,000 of long leasehold property valued in 1988.

The net book value of assets held under finance leases and hire purchase contracts at 31 December 1996 amounted to £27,416 (1995: £Nil).

The historical cost of the freehold and leasehold property at 31 December 1996 amounted to £7,846,000 and £2,016,000 respectively. No allocation of cost between land and buildings in respect of freehold and long leaseholds existed prior to 1 January 1977. It is therefore not possible to compute the depreciation of buildings based on historic cost.

10. STOCKS

	1996 £'000	1995 £'000
Consumables	223	251



NOTES TO THE ACCOUNTS
Year ended 31 December 1996

11. DEBTORS

	1996 £'000	1995 £'000
Amounts falling due within one year:		
Trade debtors	7,286	6,439
Other debtors	52	24
Prepayments and accrued income	159	73
	<u>7,497</u>	<u>6,536</u>

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1996 £'000	1995 £'000
Obligations under finance lease and hire purchase contracts	9	-
Trade creditors	2,776	2,129
Amounts owed to ultimate parent company and fellow subsidiaries	2,114	421
Current corporation tax	26	938
Other taxes and social security	1,382	1,045
Other creditors	111	324
Accruals and deferred income	786	626
	<u>7,204</u>	<u>5,483</u>

13. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	1996 £'000	1995 £'000
Obligations under finance leases and hire purchase contracts	20	-
Analysis of hire purchase repayments:		
Within one year (note 12)	9	-
Between two and five years	20	-
	<u>29</u>	<u>-</u>



NOTES TO THE ACCOUNTS
Year ended 31 December 1996

14. CALLED UP EQUITY SHARE CAPITAL

	1996 £'000	1995 £'000
Authorised, allotted, issued and fully paid 1,091,800 ordinary shares of £1 each	1,092	1,092
	<u>1,092</u>	<u>1,092</u>

15. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	1996 £'000	1995 £'000
Profit attributable to members of the company	1,760	2,263
Dividends	1,355	-
	<u>405</u>	<u>2,263</u>
Net addition to shareholders' funds	11,202	8,939
Opening shareholders' funds	<u>11,607</u>	<u>11,202</u>
Closing shareholders' funds	<u>11,607</u>	<u>11,202</u>

16. PROFIT AND LOSS ACCOUNT

	Profit & loss account £'000
Balance at 1 January 1996	10,110
Retained profit for the year	405
	<u>10,515</u>
Balance at 31 December 1996	<u>10,515</u>

17. CAPITAL COMMITMENTS

	1996 £'000	1995 £'000
Authorised and contracted for	<u>15</u>	<u>110</u>


NOTES TO THE ACCOUNTS
Year ended 31 December 1996
18. OPERATING LEASE COMMITMENTS

	1996		1995	
	Plant and equipment £'000	Land and buildings £'000	Plant and equipment £'000	Land and buildings £'000
Payments in respect of operating leases expiring:				
Within 1 year	459	18	235	31
Between 2 and 5 years	3,205	-	2,971	-
After 5 years	59	36	-	36
	<u>3,723</u>	<u>54</u>	<u>3,206</u>	<u>67</u>

19. PENSION COMMITMENTS

Contributions to the group's defined benefit scheme are determined by a qualified actuary using the projected unit method.

The pension scheme commenced in January 1996, and to date no actuarial valuation has been conducted. A bulk transfer value in respect of members' accrued rights in their previous scheme is expected to be paid in the near future. The calculation of the bulk transfer is such that the monies transferred adequately cover the liabilities assumed by the pension scheme. The main assumptions used in this assessment is that investment return exceeds salary inflation by 2.5% pa, and pension increases by 7% pa.

20. CONTINGENT LIABILITIES

The company has guaranteed the loans and bank overdrafts of all other group companies by way of a cross-guarantee dated 19 December 1995 and a debenture providing legal charges over the company's properties.

21. ULTIMATE PARENT COMPANY

The ultimate parent company is The Big Green Parcel Machine Limited, a company incorporated in Great Britain and registered in England.