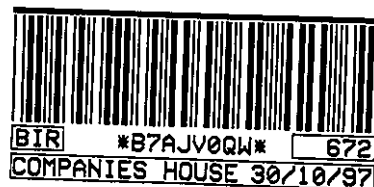


Autolease Limited

Annual report for the year ended 31 December 1996

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**Directors' report
for the year ended 31 December 1996**

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

Principal activities

Until 30 June 1996, the principal activities of the company were those of contract hire and leasing specialists. On 30 June 1996, the trade and certain net assets of the company were transferred to its subsidiary, Autolease Finance Limited, for consideration of £63,768,860. Further details are given in note 21 to the financial statements. From 1 July 1996, the principal activity of the company is that of an investment company.

Review of business

The profit and loss account for the year is set out on page 5. The directors consider the state of affairs of the company to be satisfactory.

Dividends and transfers to reserves

The directors have recommended and paid a dividend of £50,000,000. The profit for the financial year of £1,850,382 will be transferred to reserves.

Directors

The directors of the company at 31 December 1996 are listed below:

R E C Marton
P Turnbull (appointed 23 April 1996)
J B Tustain
A M Tucker
A Guest
J M Given
K B Hall
J Haynes
T J Jones
S G Thompson

P R Williams resigned on 23 April 1996. J B Tustain and S G Thompson resigned on 4 April 1997.

Directors' report for the year ended 31 December 1996 (continued)

Directors' interests

None of the directors had any beneficial interest, other than in the ordinary course of business, in any contract to which the company was a party during the year.

The directors of the ultimate parent undertaking disclose their interests in the share capital of BSG International plc in the financial statements of that company.

The interests of the directors (other than directors of the ultimate parent undertaking) in the share capital of BSG International plc are as follows:

	31 December 1996 Ordinary shares of 10p each	31 December 1995 (or date of appointment) Ordinary shares of 10p each
Beneficial interests		
S G Thompson	64,882	64,882
K B Hall	13,800	-
	<u> </u>	<u> </u>
Options held under BSG International plc Executive Share Option Scheme 1985		
T J Jones	153,940	153,940
A M Tucker	150,000	150,000
	<u> </u>	<u> </u>
Options held under BSG International plc Savings Related Share Option Scheme 1988		
A Guest	30,157	30,157
K B Hall	12,062	39,262
J M Given	-	9,066
T J Jones	12,062	39,262
	<u> </u>	<u> </u>

The options are exercisable in the years 1997 to 2005 at subscription prices between 57.50p and 75.52p per share.

Employee participation

It is the company's policy to meet at regular intervals with representatives of various sections of employees to discuss relevant information and developments.

**Directors' report
for the year ended 31 December 1996 (continued)****Directors' responsibilities**

The directors are required by UK company law to prepare financial statements for each financial year that 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.

The directors confirm that suitable accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 December 1996. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

Kidsons Impey resigned from office during the year. The company has appointed Coopers & Lybrand as auditors and elected to dispense with the annual re-appointment of auditors. In the absence of a specific resolution, Coopers & Lybrand will continue in office.

By order of the board

S D McCaslin
for BSG Secretarial Services Limited
Company Secretary
4 April 1997

Registered Office
PO Box 1234
1270 Coventry Road
Yardley
Birmingham B25 8JD

Report of the auditors to the members of Autolease Limited

We have audited the financial statements on pages 5 to 16.

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.



Coopers & Lybrand

Chartered Accountants and Registered Auditors
Birmingham
4 April 1997

Profit and loss account for the year ended 31 December 1996

	Notes	1996 £	1995 £
Turnover	2	29,554,334	56,851,800
Cost of sales		(25,532,510)	(46,573,234)
Gross profit		4,021,824	10,278,566
Administrative expenses		(1,281,575)	(4,733,489)
Operating profit	3	2,740,249	5,545,077
Profit on transfer of business	21	50,000,000	-
Profit on ordinary activities before interest		52,740,249	5,545,077
Net interest receivable	4	67,911	726,365
Profit on ordinary activities before taxation		52,808,160	6,271,442
Taxation on profit on ordinary activities	7	(957,778)	(2,001,870)
Profit for the financial year		51,850,382	4,269,572
Dividends paid	8	(50,000,000)	-
Retained profit for the year	15	1,850,382	4,269,572

The turnover and operating profit relate wholly to discontinued operations.

The company has no recognised gains and losses other than the profits for the year above and therefore no separate statement of total recognised gains and losses has been presented.

Losses for the year on a historical cost basis are not materially different from those reported above.

Balance sheet at 31 December 1996

	Notes	1996 £	1995 £
Fixed assets			
Tangible assets	9	-	550,038
Investments	10	10,000,001	-
		<u>10,000,001</u>	<u>550,038</u>
Current assets			
Debtors	11	13,868,860	33,899,599
Cash at bank and in hand		-	6,066
		<u>13,868,860</u>	<u>33,905,665</u>
Creditors: amounts falling due within one year	12	(10,302,946)	(22,740,170)
Net current assets		<u>3,565,914</u>	<u>11,165,495</u>
Net assets		<u>13,565,915</u>	<u>11,715,533</u>
Capital and reserves			
Called up share capital	14	1,000,000	1,000,000
Profit and loss account	15	12,565,915	10,715,533
Equity shareholders' funds	16	<u>13,565,915</u>	<u>11,715,533</u>

The financial statements on pages 5 to 16 were approved by the board of directors on 4 April 1997 and were signed on its behalf by:



P Turnbull
Director

Notes to the financial statements for the period ended 31 December 1996

1 Principal accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention.

Changes in presentation of financial information

FRS 8 'Related party disclosures' requires the disclosure of the details of material transactions between the reporting entity and any related parties. The new standard comes into effect for all accounting periods commencing on or after 23 December 1995. Accordingly, the new disclosure requirements are dealt with in note 20.

Depreciation

Depreciation is calculated on cost on a straight line basis to write off the relevant assets over their expected useful lives. The principal annual rates used are as follows:

	%
Office equipment	10 to 20
Vehicles	25
Computer equipment	20 to 33 1/3

Leasehold properties are amortised over the unexpired portion of the lease.

Contract hire and leasing business

The company has entered into operating lease agreements with finance houses in respect of vehicles which are sub-leased to customers. Income from vehicle leasing and contract hire agreements is credited to the profit and loss account so as to allocate profits equally over the period of the lease.

Operating leases

Costs in respect of operating leases are charged to the profit and loss account on a straight line basis over the term of the lease.

Notes to the financial statements for the year ended 31 December 1996 (continued)

1 Principal accounting policies (continued)

Deferred taxation

Deferred taxation is calculated on the liability method in respect of timing differences between profits as stated in the financial statements and as computed for tax purposes. Where such timing differences are anticipated to continue for the foreseeable future no provision is made.

Pensions

The ultimate parent undertaking operates a number of defined benefit pension schemes for its employees. All the schemes are funded; liabilities are provided on a systematic basis over the period of employment of scheme members. Variations disclosed by actuarial valuations are spread over the average remaining service lives of current scheme members.

Cash flow statement

A cash flow statement has not been prepared because the company is a wholly owned subsidiary of BSG International plc within whose consolidated cash flow statement the cash flows of the company are included.

2 Turnover

Turnover represents the value excluding the value added tax of goods and services provided to customers.

Turnover consists of sales made in the United Kingdom.

Until 30 June 1996, the principal activities of the company were those of a contract hire and leasing specialist. On 30 June 1996, the trade and certain net assets of the company were transferred to its subsidiary undertaking, Autolease Finance Limited, for consideration of £63,768,860. Further details are given in note 21 to the financial statements.

Notes to the financial statements for the year ended 31 December 1996 (continued)

3 Operating profit

	1996 £	1995 £
Operating profit is stated after charging:		
Depreciation of tangible fixed assets		
Owned assets	71,400	140,438
Auditors' remuneration		
Audit	20,500	39,684
Other services	-	2,026
Rentals payable under operating leases in respect of vehicles which are sub-leased to customers	20,821,265	39,356,868
Hire of own use vehicles, plant and equipment under operating leases	86,058	197,879
	<u> </u>	<u> </u>

4 Net interest receivable

	1996 £	1995 £
Group interest receivable	142,051	1,004,019
Bank overdraft payable	(54,640)	(181,108)
Other interest payable	(19,500)	(96,546)
	<u>67,911</u>	<u>726,365</u>

5 Employee information

The average monthly number of persons (including executive directors) employed by the company, prior to the transfer of trade to Autolease Finance Limited, was:

	1996 Number	1995 Number
By activity		
Sales and distribution	20	30
Administration	48	113
	<u>68</u>	<u>143</u>
	<u> </u>	<u> </u>
	1996 £	1995 £
Staff costs (for the above persons)		
Wages and salaries	1,326,475	2,580,293
Social security costs	131,062	263,454
Pension costs (see note 19)	34,583	53,332
	<u>1,492,120</u>	<u>2,897,079</u>

Notes to the financial statements for the year ended 31 December 1996 (continued)

6 Directors' emoluments

	1996 £	1995 £
Fees and other emoluments (including pension contributions and benefits in kind) in respect of the company and its subsidiary	<u>497,466</u>	<u>413,250</u>

Included in the above is £246,615 (1995: £413,250) which was paid by the company to the directors. Further emoluments of £250,851 (1995: £nil) were paid to the directors by a subsidiary of the company, Autolease Finance Limited, in respect of management services to that company.

Fees and other emoluments (excluding pension contributions) include amounts paid to:

	1996 £	1995 £
The chairman	<u>-</u>	<u>-</u>
The highest paid director	<u>128,562</u>	<u>82,578</u>

The number of directors (including the chairman and the highest paid director) who received fees and other emoluments (excluding pension contributions) within the following ranges was:

	1996 Number	1995 Number
£0 - £5,000	6	4
£25,001 - £30,000	-	1
£70,001 - £75,000	-	3
£75,001 - £80,000	-	1
£80,001 - £85,000	1	1
£85,001 - £90,000	2	-
£95,001 - £100,000	1	-
£125,001 - £130,000	<u>1</u>	<u>-</u>

Notes to the financial statements for the year ended 31 December 1996 (continued)

7 Taxation on profit on ordinary activities

	1996 £	1995 £
United Kingdom corporation tax at 33% (1995: 33%):		
Current	957,778	2,003,000
Over provision in respect of prior years:		
Current	-	(1,130)
	<u>957,778</u>	<u>2,001,870</u>

8 Dividends paid

	1996 £	1995 £
Dividends paid	<u>50,000,000</u>	<u>-</u>

9 Tangible fixed assets

	Short leasehold improvements £	Plant, machinery, equipment and motor vehicles £	Total £
Cost			
At 1 January 1996	-	1,820,203	1,820,203
Additions	226,588	72,956	299,544
Intra-group transfers	(226,588)	(1,893,159)	(2,119,747)
	<u>-</u>	<u>-</u>	<u>-</u>
At 31 December 1996	<u>-</u>	<u>-</u>	<u>-</u>
Depreciation			
At 1 January 1996	-	1,270,165	1,270,165
Charge for the year	-	71,400	71,400
Intra-group transfers	-	(1,341,565)	(1,341,565)
	<u>-</u>	<u>-</u>	<u>-</u>
At 31 December 1996	<u>-</u>	<u>-</u>	<u>-</u>
Net book value			
At 31 December 1996	<u>-</u>	<u>-</u>	<u>-</u>
At 31 December 1995	-	550,038	550,038

Notes to the financial statements for the year ended 31 December 1996 (continued)

10 Investments

	Investment in subsidiary £
Cost and net book value	
At 1 January 1996	-
Intra-group transfers	1
Addition	10,000,000
At 31 December 1996	<u>10,000,001</u>

The company owns the whole of the issued share capital of the following company incorporated in England:

Company	Share capital	Principal activities
Autolease Finance Limited	10,001,050 ordinary shares of £1 each	Contract hire and leasing

The company's subsidiary, Autolease Finance Limited, owns the whole of the issued share capital of BSG Computer Services Limited. This company specialises in the provision of computer services and is incorporated in England. Its share capital consists of 100 ordinary shares of £1 each, which have been issued and fully paid.

As the company is a wholly owned subsidiary of BSG International plc, consolidated accounts are not required. In the opinion of the directors, the aggregate value of the company's investment in the subsidiary company is not less than the amount at which this investment is stated in the balance sheet.

11 Debtors

	1996 £	1995 £
Amounts falling due within one year		
Trade debtors	-	1,077,023
Amounts owed by ultimate parent undertaking	-	7,352,433
Amounts owed by fellow subsidiary undertakings	13,768,860	20,479,968
Prepayments and accrued income	-	4,990,175
Corporation tax	100,000	-
	<u>13,868,860</u>	<u>33,899,599</u>

Notes to the financial statements for the year ended 31 December 1996 (continued)

12 Creditors : amounts falling due within one year

	1996 £	1995 £
Bank overdraft	-	5,268,505
Trade creditors	-	5,692,167
Amounts owed to ultimate parent undertaking	10,302,946	-
Amounts owed to fellow subsidiary undertakings	-	188,535
Corporation tax payable	-	1,833,342
Other taxation and social security	-	746,325
Accruals and deferred income	-	9,011,296
	<u>10,302,946</u>	<u>22,740,170</u>

Included in amounts owed to the ultimate parent undertaking is a loan of £10,000,000 bearing interest at 1% above Barclays base rate and being repayable upon demand.

13 Provisions for liabilities and charges

Deferred taxation provided in the financial statements and the total potential liability are as follows:

	1996		1995	
	Potential (asset)/ liability £	Amount provided £	Potential (asset)/ liability £	Amount provided £
Tax effect of timing differences because of:				
Excess of capital allowances over depreciation	-	-	17,000	-
Other	-	-	(82,000)	-
	<u>-</u>	<u>-</u>	<u>(65,000)</u>	<u>-</u>

Notes to the financial statements for the year ended 31 December 1996 (continued)

14 Called up share capital

	1996 £	1995 £
Authorised		
1,000,000 ordinary shares of £1 each	<u>1,000,000</u>	<u>1,000,000</u>
Allotted, called up and fully paid		
1,000,000 ordinary shares of £1 each	<u>1,000,000</u>	<u>1,000,000</u>

15 Profit and loss account

	£
At 1 January 1996	10,715,533
Retained profit for the year	<u>1,850,382</u>
At 31 December 1996	<u>12,565,915</u>

16 Reconciliation of movement in shareholders' funds

	1996 £	1995 £
Profit for the financial year	51,850,382	4,269,572
Dividends paid	(50,000,000)	-
Opening shareholders' funds	<u>11,715,533</u>	<u>7,445,961</u>
Closing shareholders' funds	<u>13,565,915</u>	<u>11,715,533</u>

17 Capital commitments

At 31 December 1996, authorised capital expenditure which was contracted but not provided for in these financial statements amounted to £nil (1995: £nil).

**Notes to the financial statements
for the year ended 31 December 1996 (continued)****18 Contingent liabilities**

The company has given a joint and several guarantee in respect of the indebtedness of the ultimate parent undertaking and of a fellow subsidiary to The Royal Bank of Scotland plc.

19 Pensions

Pension costs have been assessed in accordance with advice received from the actuary to the schemes on the basis of reviews carried out for the purpose of Statement of Standard Accounting Practice No 24. Pension costs were assessed using the projected unit actuarial costing method based on assumptions including a long term rate of investment return on assets of 9% per annum, a general rate of increase in members' earnings 2% less than this figure, pension increases in accordance with the scheme rules and appropriate allowances for mortality, members leaving service and early retirements.

Actuarial valuations of all schemes are carried out triennially and full details of the valuation at 31 March 1995 appear in the published financial statements of the ultimate parent undertaking.

20 Related party transactions

There were no related party transactions disclosable under FRS 8 (Related Party Disclosures).

Notes to the financial statements for the year ended 31 December 1996 (continued)

21 Disposal

On 30 June 1996, the trade and certain net assets of the company were transferred to its subsidiary undertaking, Autolease Finance Limited, for consideration of £63,768,860. The net assets transferred were as follows:

Net assets transferred		£
Tangible fixed assets		778,182
Debtors		
Intra-group debtors	31,233,436	
Other debtors	9,358,150	
	<hr/>	40,591,586
Creditors		
Bank overdraft	4,806,359	
Taxation	3,062,824	
Intra-group creditors	746,320	
Other creditors	18,985,405	
	<hr/>	(27,600,908)
Book value of net assets transferred		13,768,860
Profit on transfer of business		50,000,000
		<hr/>
		63,768,860
		<hr/>
Satisfied by:		
Cash		50,000,000
Intra-group debt		13,768,860
		<hr/>
		63,768,860
		<hr/>

22 Ultimate and immediate parent undertakings

The company's immediate and ultimate parent company is BSG International plc.

Copies of the accounts of BSG International plc are available from The Secretary, Seton House, Warwick Technology Park, Gallows Hill, Warwick, CV34 6DE.