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EUROFLEET RENTAL LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31ST MARCH 1986

1. The directors submit their report and the audited accounts for the year ended 31st March 1986.

Results and dividends

2. Details of the results for the financial year are set out in the profit and loss account on page 4. The directors do not recommend the payment of a dividend in respect of the year ended 31st March 1986 (1985: £300,000).

Principal activities and review of the business and future developments

3. The principal activity of the company continues to be the renting of articulated trailers. Both the level of business and the year end financial position were satisfactory and it is envisaged that the present level of activity will be sustained for the foreseeable future.

Fixed assets

4. The movements in fixed assets are set out in note 8 to the accounts.

Directors

5. The following directors have held office during the whole of the year ended 31st March 1986, (except where otherwise indicated).

Mr N Mellors
Mr J R Smyth (retired 13.1.86)
Mr G P McDougall
Mr T S Blackshaw (appointed 13.1.86)

6. In accordance with the Articles of Association, Mr N Mellors retires by rotation and, being eligible, offers himself for re-election. Mr T S Blackshaw is required to offer himself for re-election at the Annual General Meeting.

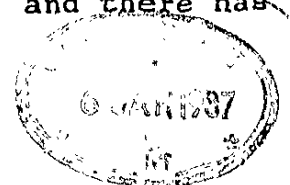
The directors wish to place on record their appreciation of the services to the company of Mr J R Smyth who retired during the year.

Directors' interests in shares

7. According to the register required to be kept under Section 325 of the Companies Act 1985, none of the directors of the company at 31st March 1986 have any notifiable interests in the shares of the ultimate holding company, John Brown PLC, or its subsidiaries.

Close company

8. The company is not a close company within the provisions of the Income and Corporation Taxes Act 1970, as amended, and there has been no change in this respect since 31st March 1986.



EUROFLEET RENTAL LIMITED
REPORT OF THE DIRECTORS (Continued)

Auditors

9. A resolution to reappoint the auditors, Coopers & Lybrand, will be proposed at the Annual General Meeting.

BY ORDER OF THE BOARD

T S Blackshaw

Woodville
20 June 1986

T S Blackshaw
Secretary

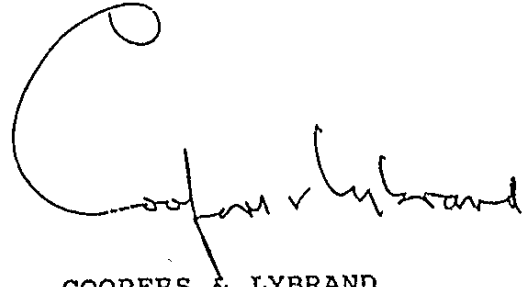
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REPORT OF THE AUDITORS TO THE MEMBERS OF
EUROFLEET RENTAL LIMITED

We have audited the accounts set out on pages 4 to 13 in accordance with approved Auditing Standards.

In our opinion the accounts give a true and fair view of the state of affairs of the company at 31st March 1986 and of its profit and source and application of funds for the year then ended and comply with the Companies Act 1985.

Sheffield
20 June 1986



COOPERS & LYBRAND
Chartered Accountants

EUROFLEET RENTAL LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 1986

		<u>1986</u>	<u>1985</u>
	Note	£	£
Turnover	2	1,283,151	1,165,292
Cost of sales		775,301	662,535
		<hr/>	<hr/>
Gross profit		507,850	502,757
Net operating expenses	3	165,946	202,970
		<hr/>	<hr/>
Operating profit		341,904	299,787
Interest payable and similar charges	6	(225,554)	(169,459)
		<hr/>	<hr/>
Profit on ordinary activities before tax	4	116,350	130,328
Tax on profit on ordinary activities	7	-	-
		<hr/>	<hr/>
Profit on ordinary activities after tax		116,350	130,328
Dividends		-	(300,000)
		<hr/>	<hr/>
Retained profit/(deficit) for the year		116,350	(169,672)
		=====	=====

STATEMENT OF RETAINED PROFITS

Retained profit at 1 April 1985	487,716	657,388
Retained profit/(deficit) for the year	116,350	(169,672)
	<hr/>	<hr/>
Retained profit at 31 March 1986	604,066	487,716
	=====	=====

The notes on pages 7 to 13 form part of these accounts.

Auditors' report page 3.

EUROFLEET RENTAL LIMITED
BALANCE SHEET - 31ST MARCH 1986

		<u>1986</u>		<u>1985</u>	
	<u>Notes</u>	£	£	£	£
FIXED ASSETS					
Tangible assets	8		3,412,249		3,118,958
CURRENT ASSETS					
Stocks	9	4,503		4,843	
Debtors	10	173,082		864,452	
Cash in hand		105		342	
		177,690		869,637	
CREDITORS: amounts falling due within one year					
	11	1,617,922		2,169,499	
NET CURRENT LIABILITIES					
			(1,440,232)		(1,299,862)
Total assets less current liabilities					
			1,972,017		1,819,096
CREDITORS: amounts falling due after more than one year					
	11		1,267,951		1,231,380
			704,066		587,716
			=====		=====
CAPITAL AND RESERVES					
Called up share capital	13		100,000		100,000
Profit and loss account			604,066		487,716
			704,066		587,716
			=====		=====

These accounts were approved by the board on 20 June 1986.

N Mellors )
G P McDougall ) Directors

The notes on pages 7 to 13 form part of these accounts

Auditors' report page 3.

EUROFLEET RENTAL LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE YEAR ENDED 31 MARCH 1986

	<u>1986</u>		<u>1985</u>	
	£	£	£	£
<u>SOURCE OF FUNDS</u>				
Profit on ordinary activities before taxation		116,350		130,328
Adjustment for items not involving the movement of funds:				
Depreciation	489,788		388,439	
Profit on sale of tangible fixed assets	(44,751)	445,037	(8,252)	380,187
Total generated from operations		561,387		510,515
Funds from other sources:				
Sales proceeds of tangible fixed assets	145,305		44,966	
Increase in creditors falling due after more than one year	36,571	181,876	335,726	380,692
Total source of funds		743,263		891,207
<u>APPLICATION OF FUNDS</u>				
Purchase of tangible fixed assets	(883,633)		(950,995)	
Dividends paid	-	(883,633)	(300,000)	(1,250,995)
Total application of funds		(140,370)		(359,788)
		=====		=====
(DECREASE) IN WORKING CAPITAL				
Made up as follows:				
(Decrease) in stocks		(340)		(3,956)
(Decrease)/increase in debtors		(691,370)		715,343
Decrease/(increase) in creditors falling due within one year, excluding bank overdraft		499,616		(1,047,957)
		(192,094)		(336,570)
Movement in net liquid funds				
Cash at bank and in hand	(237)		136	
Bank overdraft	51,961	51,724	(23,354)	(23,218)
		(140,370)		(359,788)
		=====		=====

Auditors' report page 3.

EUROFLFET RENTAL LIMITED

NOTES TO THE ACCOUNTS - 31ST MARCH 1986

1. Principal accounting policies

As in previous years the accounts are prepared in accordance with the historical cost convention. The following is a summary of the more important accounting policies of the company, which have been applied consistently.

(a) Tangible fixed assets

Plant and equipment is depreciated on the straight line method at rates expected to write off the cost of the assets concerned to a residual value of 10% over a period of 10 years. Other rates of depreciation used are:

	%
Motor vehicles	25
Fixtures and fittings	10

(b) Stocks and work in progress

Stocks and work in progress are stated at the lower of cost and net realisable value. In general, cost is determined on a first in first out basis and includes transport and handling costs. Net realisable value is the price at which the stock can be realised in the normal course of business after allowing for the costs of realisation, and, where appropriate, the cost of conversion from their existing state to a finished condition. Provision is made for obsolescent, slow moving and defective stocks.

(c) Finance leases and hire purchase contracts

Certain items of plant and equipment are financed by leasing agreements that give rights approximating to ownership ("finance leases"). These are included in the balance sheet as fixed assets at cost less depreciation and the capital element of future rentals is treated as a liability. The interest element is charged to profit and loss account over the period of the finance lease in proportion to the balance of capital repayments outstanding. Assets held under hire purchase contracts are accounted for on a basis similar to that adopted for finance leases and are included in the balance sheet under that heading.

(e) Deferred taxation

Provision is made for deferred taxation under the liability method at the rates of tax at which the liabilities are expected to crystallise except to the extent that (there is reasonable probability that) any tax reduction can reasonably be expected to continue for the foreseeable future.

2. Turnover

Turnover, all of which was within the United Kingdom, represents the invoiced amount of goods and services during the year, stated net of trade discounts and value added tax, but including intercompany sales which are at normal commercial prices.

3. Net operating expenses

	<u>1986</u>	<u>1985</u>
	£	£
Distribution costs	111,999	112,915
Administrative expenses	98,698	98,307
Profit on disposal assets	(44,751)	(8,252)
	<hr/>	<hr/>
	165,946	202,970
	=====	=====

4. Profit on ordinary activities before taxation

This is stated after charging:

	<u>1986</u>	<u>1985</u>
	£	£
Directors' remuneration for management, including pension contributions (Note 5)	7,200	3,200
Depreciation of tangible fixed assets	489,788	388,439
Auditors' remuneration	3,100	3,000
Hire of plant and machinery	1,884	3,206

5. Information regarding directors and employees

	<u>1986</u>	<u>1985</u>
(a) Particulars of the remuneration of directors, excluding pension contributions:		
Emoluments of the chairman (who was the highest paid director in 1984)	1,200	1,200
Emoluments of the highest paid director	3,000	2,000
Number of other directors whose remuneration was within the ranges:		
	<u>1986</u>	<u>1985</u>
£Nil - £5,000	2	1
(b) Employment costs of all employees including executive directors:	<u>1986</u>	<u>1985</u>
	£	£
Gross wages and salaries	109,305	108,521
Employer's national insurance	9,726	10,711
Employer's pension contributions under the company's pension scheme	-	3,600
	<hr/>	<hr/>
	119,031	122,832
	=====	=====
(c) The average number of persons, including executive directors, employed by the company during the year is analysed below:		
Staff	10	10
Manual workers	6	7
	<hr/>	<hr/>
	16	17
	===	===

6. <u>Interest payable and similar charges</u>	<u>1986</u>	<u>1985</u>
	£	£
Bank loans, overdrafts and other loans repayable within five years	3,000	2,752
Finance leases and hire purchase agreements	153,331	126,348
Interest payable to group companies	69,223	40,359
	<hr/>	<hr/>
	225,554	169,459
	=====	=====

7. Taxation

There is no taxation charge on the profit for the year as a result of timing differences for which no deferred taxation provision is required. (1985 £Nil).

8. Tangible fixed assets

	<u>Total</u>	<u>Freehold Land and Buildings</u>	<u>Plant</u>
<u>Cost</u>	£	£	£
At 1.4.85	4,752,108	30,726	4,721,382
Additions	883,633	69	883,564
Disposals	(307,237)	-	(307,237)
	<hr/>	<hr/>	<hr/>
At 31.3.86	5,328,504	30,795	5,297,709
	<hr/>	<hr/>	<hr/>
<u>Depreciation</u>			
At 1.4.85	1,633,150	8,400	1,624,750
Disposals	(206,683)	-	(206,683)
Charge for the year	489,788	3,115	486,673
	<hr/>	<hr/>	<hr/>
At 31.3.86	1,916,255	11,515	1,904,740
	<hr/>	<hr/>	<hr/>
Net Book Value at 31.3.86	3,412,249	19,280	3,392,969
	=====	=====	=====

9. <u>Stocks</u>	<u>1986</u>	<u>1985</u>
	£	£
Raw materials and consumables	4,503	4,843
	=====	=====

10. <u>Debtors</u>	<u>1986</u>	<u>1985</u>
	£	£
Amounts falling due within one year		
Trade debtors	157,745	192,920
Amounts owed by group companies:		
Holding company and fellow subsidiary companies	-	587
Prepayments and accrued income	15,337	21,473
Other debtors	-	649,472
	-----	-----
	173,082	864,452
	=====	=====

11. Creditors

(a) Summary of creditors

	<u>Amounts falling due within one year</u>		<u>Amounts falling due after more than one year</u>	
	<u>1986</u>	<u>1985</u>	<u>1986</u>	<u>1985</u>
	£	£	£	£
Bank overdraft	10,301	62,262	-	-
Obligations under finance leases and hire purchase contracts	712,923	612,719	1,267,951	1,231,380
Trade creditors	53,178	56,890	-	-
Amounts owed to group companies:				
Holding company and fellow subsidiary companies	714,640	1,378,042	-	-
Accruals	126,880	59,586	-	-
	-----	-----	-----	-----
	1,617,922	2,169,499	1,267,951	1,231,380
	=====	=====	=====	=====

(b) Obligations under finance leases and hire purchase contracts

	<u>1986</u>			<u>1985</u>		
	<u>Capital element</u>	<u>Future finance charges</u>	<u>Total future rentals</u>	<u>Capital element</u>	<u>Future finance charges</u>	<u>Total future rentals</u>
	£	£	£	£	£	£
Repayments are due in:						
4 - 5 yrs	60,496	2,186	62,682	132,007	3,889	135,896
3 - 4 yrs	297,443	17,585	315,028	249,268	15,695	264,963
2 - 3 yrs	399,590	42,607	442,197	350,662	35,675	386,337
1 - 2 yrs	510,422	76,654	587,076	499,443	68,508	567,951
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	1,267,951	139,032	1,406,983	1,231,380	123,767	1,355,147
1 yr or less	712,923	123,123	836,046	612,719	109,699	722,418
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	1,980,874	262,155	2,243,029	1,844,099	233,466	2,077,565
	=====	=====	=====	=====	=====	=====

12. Provisions for liabilities and charges

The potential liabilities to deferred taxation and the amounts provided in the accounts in accordance with the company's accounting policy described in note 1(e) are set out below:

	<u>1986</u>		<u>1985</u>	
	<u>Total potential liability</u>	<u>Provided in the accounts</u>	<u>Total potential liability</u>	<u>Provided in the accounts</u>
	£	£	£	£
Accelerated capital allowances	61,531	-	84,306	-
Other timing differences	431,893	-	352,617	-
	<hr/>	<hr/>	<hr/>	<hr/>
	493,424	-	436,923	-
Less:				
Losses and charges	(57,933)	-	(98,384)	-
	<hr/>	<hr/>	<hr/>	<hr/>
	435,491	-	338,539	-
	=====	=====	=====	=====

13. Share capital

Authorized, issued and fully paid

	<u>1986</u>	<u>1985</u>
Ordinary shares of £1 each	100,000 =====	100,000 =====

14. Capital commitments

	<u>1986</u>	<u>1985</u>
	£	£
Capital expenditure contracted for and approved by the board and not provided in the accounts	Nil ===	62,500 =====

15. Contingent liabilities

- (i) The company has given fixed and floating charges over all its assets, undertakings and property and has executed guarantees in respect of the banking facilities of the company, John Brown PLC and various fellow subsidiary companies in respect of John Brown PLC's issue of:-

5.5/8% secured loan stock 2003	£2,416,915
4.7/8% secured loan stock 2003	£742,000

- (ii) The company, jointly and severally with certain other subsidiary companies has given guarantees in respect of loans to the holding company.

In the opinion of the directors, no loss will arise in connection with the above.

16. Ultimate holding company

The ultimate holding company is John Brown PLC, which is incorporated in Great Britain.