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EUROFLEET RENTAL LIMITED

REPORT OF THE DIRECTORS FOR THE 6 MONTHS ENDED 30 SEPTEMBER 1986

1. The directors submit their report and accounts for the 6 months ended 30 September 1986.

Results and dividends

2. Details of the results for the 6 months 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 6 months ended 30 September 1986 (31 March 1986: £Nil).

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 6 months ended 30 September 1986:

Mr N Mellors
Mr G P McDougall
Mr T S Blackshaw

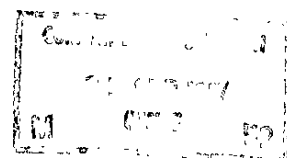
6. In accordance with the Articles of Association, Mr G P McDougall retires by rotation and, being eligible, offers himself for re-election.

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 30 September 1986 have any notifiable interests in the shares of the ultimate holding company, Trafalgar House Public Limited Company, 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 30 September 1986.



EUROFLEET RENTAL LIMITED
REPORT OF THE DIRECTORS (Continued)

Auditors

9. A resolution to reappoint the auditors, Touche Ross and Co, will be proposed at the Annual General Meeting.

BY ORDER OF THE BOARD

T S Blackshaw

Woodville
27 March 1987

T S Blackshaw
Secretary

AUDITORS' REPORT TO THE MEMBERS

of

EUROFLEET RENTAL LIMITED

We have audited the accounts and notes on pages 4 to 14 in accordance with approved Auditing Standards.

In our opinion, the accounts and notes give a true and fair view of the state of affairs of the company at 30 September 1986 and of the profit and source and application of funds for the 6 months then ended and comply with the Companies Act 1985.

Touche Ross & Co

Chartered Accountants
Leeds

14 April 1987

EUROFLEET RENTAL LIMITED

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PROFIT AND LOSS ACCOUNT FOR THE 6 MONTHS ENDED 30 SEPTEMBER 1986

		<u>6 months to</u> <u>30 September</u> <u>1986</u>	<u>12 months to</u> <u>31 March</u> <u>1986</u>
	Note	£	£
Turnover	2	674,587	1,283,151
Cost of sales		444,042	775,301
Gross profit		<hr/> 230,545	<hr/> 507,850
Operating expenses	3	87,746	165,946
Operating profit		<hr/> 142,799	<hr/> 341,904
Net interest payable and similar charges	6	(95,585)	(225,554)
Profit on ordinary activities before and after taxation	4/7	<hr/> 47,214	<hr/> 116,350
Extraordinary item	16	(17,000)	-
Profit for the financial period carried forward		<hr/> 30,214	<hr/> 116,350
		=====	=====

STATEMENT OF RETAINED PROFITS

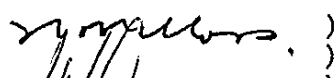

Brought forward	604,066	487,716
Profit for the period	30,214	116,350
Carried forward	<hr/> 634,280	<hr/> 604,066
	=====	=====

EUROFLEET RENTAL LIMITED
BALANCE SHEET - 30 SEPTEMBER 1986

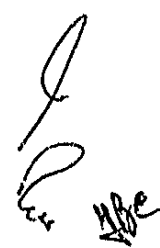
		<u>30 September</u> <u>1986</u>	<u>31 March</u> <u>1986</u>
	<u>Notes</u>	£	£
FIXED ASSETS			
Tangible assets	8	3,606,984	3,412,249
CURRENT ASSETS			
Stocks	9	5,547	4,503
Debtors	10	206,626	173,082
Cash in hand		59	105
		<hr/> 212,232	<hr/> 177,690
CREDITORS: amounts falling due within one year	11	1,694,438	1,617,922
NET CURRENT LIABILITIES		(1,482,206)	(1,440,232)
TOTAL ASSETS LESS CURRENT LIABILITIES		<hr/> 2,124,778	<hr/> 1,972,017
CREDITORS: amounts falling due after more than one year	11	1,390,498	1,267,951
		<hr/> 734,280	<hr/> 704,066
		=====	=====
CAPITAL AND RESERVES			
Called up share capital, 13		100,000	100,000
Profit and loss account		634,280	604,066
		<hr/> 734,280	<hr/> 704,066
		=====	=====

These accounts were approved by the board on 27 March 1987.

N Mellors
G P McDougall

} Directors



EUROFLEET RENTAL LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE 6 MONTHS ENDED 30 SEPTEMBER 1986

	<u>6 months to</u> <u>30 September</u> <u>1986</u>		<u>12 months to</u> <u>31 March</u> <u>1986</u>	
	£	£	£	£
<u>SOURCE OF FUNDS</u>				
Profit on ordinary activities before taxation		47,214		116,350
Adjustment for items not involving the movement of funds:				
Depreciation	274,226		489,788	
Profit on sale of tangible fixed assets	(32,764)	241,462	(44,751)	445,037
		288,676		561,387
Extraordinary item		(17,000)		-
Special provision		17,000		-
Total generated from operations		288,676		561,387
Funds from other sources:				
Sales proceeds of tangible fixed assets	106,405		145,305	
Increase in creditors falling due after more than one year	122,547	228,952	36,571	181,876
Total source of funds		517,628		743,263
<u>APPLICATION OF FUNDS</u>				
Purchase of tangible fixed assets		(559,602)		(883,633)
Total application of funds		(41,974)		(140,370)
		=====		=====
<u>DECREASE IN WORKING CAPITAL</u>				
Made up as follows:				
Increase/(decrease) in stocks		1,044		(340)
Increase/(decrease) in debtors		33,544		(691,370)
(Increase)/decrease in creditors falling due within one year, excluding bank overdraft		(38,164)		499,616
		(3,576)		(192,094)
Movement in net liquid funds				
Cash at bank and in hand	(46)		(237)	
Bank overdraft	(38,352)	(38,398)	51,961	51,724
		(41,974)		(140,370)
		=====		=====

EUROFLEET RENTAL LIMITEDNOTES TO THE ACCOUNTS - 30 SEPTEMBER 19861. Principal accounting policies

The accounts are prepared in accordance with the historical cost convention. The principal accounting policies of the Company, which have been applied consistently, are as follows:-

(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. 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.

(d) Deferred taxation

Deferred taxation is provided at the anticipated tax rates on differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements to the extent that it is probable that a liability or asset will crystallise in the future.

EUROFLEET RENTAL LIMITED

NOTES TO THE ACCOUNTS - 30 SEPTEMBER 1986

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, including intercompany sales which are at normal commercial prices.

3. Operating expenses

	<u>6 months to</u> <u>30 September</u> <u>1986</u>	<u>12 months to</u> <u>31 March</u> <u>1986</u>
	£	£
Distribution costs	64,967	111,999
Administrative expenses	55,543	98,698
Profit on disposal of fixed assets	(32,764)	(44,751)
	<hr/>	<hr/>
	87,746	165,946
	=====	=====

4. Profit on ordinary activities before taxation

This is arrived after charging:

Directors' remuneration for management, including pension contributions (Note 5)	3,500	7,200
Depreciation of tangible fixed assets	274,226	489,788
Auditors' remuneration	3,500	3,100
Hire of plant and machinery	2,005	1,884

EUROFLEET RENTAL LIMITED

NOTES TO THE ACCOUNTS - 30 SEPTEMBER 1986

5. Information regarding directors and employees

	<u>6 months to</u> <u>30 September</u> <u>1986</u>	<u>12 months to</u> <u>31 March</u> <u>1986</u>
(a) Particulars of the remuneration of directors, excluding pension contributions:	£	£
Emoluments of the chairman	1,500	1,200
Emoluments of the highest paid director	2,000	3,000

Number of other directors whose remuneration was within the ranges:

	<u>Number</u>	<u>Number</u>
£Nil - £5,000	1	2

(b) Employment costs of all employees including executive directors:	£	£
Gross wages and salaries	58,198	109,305
Employer's national insurance	4,914	9,726
	<hr/>	<hr/>
	63,112	119,031
	=====	=====

(c) The average number of persons, including executive directors, employed by the Company during the year is analysed below:

	<u>Number</u>	<u>Number</u>
Staff	10	10
Manual workers	7	6
	<hr/>	<hr/>
	17	16
	==	==

EUROFLEET RENTAL LIMITED

NOTES TO THE ACCOUNTS - 30 SEPTEMBER 1986

6. <u>Net interest payable and similar charges</u>	6 months to 30 September 1986	12 months to 31 March 1986
	£	£
Interest payable		
Bank loans, overdrafts and other loans repayable within five years	-	3,000
Finance leases and hire purchase agreements	80,094	153,331
Interest payable to group companies	15,679	69,223
	<hr/>	<hr/>
	95,773	225,554
	(188)	-
Less Bank interest receivable	<hr/>	<hr/>
	95,585	225,554
	=====	=====

7. Taxation

There is no charge for corporation tax as the Company has incurred a tax loss for the year. Relief for the loss will be surrendered to other companies in the Group. Further losses are available for relief in future years.

8. Tangible fixed assets

	Total	Freehold Land and Buildings	Plant
<u>Cost</u>	£	£	£
At 31 March 1986	5,328,504	30,795	5,297,709
Additions	559,602	-	559,602
Disposals	(228,333)	-	(228,333)
	<hr/>	<hr/>	<hr/>
At 30 September 1986	5,659,773	30,795	5,628,978
	<hr/>	<hr/>	<hr/>
<u>Depreciation</u>			
At 31 March 1986	1,916,255	11,515	1,904,740
Disposals	(154,692)	-	(154,692)
Charge for the year	274,226	1,540	272,686
Special provisions (note 18)	17,000	17,000	-
	<hr/>	<hr/>	<hr/>
At 30 September 1986	2,052,789	30,055	2,022,734
	<hr/>	<hr/>	<hr/>
Net Book Value at 30 September 1986	3,606,984	740	3,606,244
	=====	=====	=====
Net Book Value at 31 March 1986	3,412,249	19,280	3,392,969
	=====	=====	=====

EUROFLEET RENTAL LIMITED

NOTES TO THE ACCOUNTS - 30 SEPTEMBER 1986

9. <u>Stocks</u>	<u>30 September</u> <u>1986</u>	<u>31 March</u> <u>1986</u>
	£	£
Raw materials and consumables	5,547	4,503
	=====	=====

10. Debtors

Amounts falling due within one year		
Trade debtors	194,353	157,745
Amounts owed by group companies:		
Holding company and fellow subsidiary companies	3,935	-
Prepayments and accrued income	8,338	15,337
	-----	-----
	206,626	173,082
	=====	=====

11. Creditors

	<u>Amounts falling due</u> <u>within one year</u>		<u>Amounts falling due</u> <u>after more than one year</u>	
	<u>30 September</u> <u>1986</u>	<u>31 March</u> <u>1986</u>	<u>30 September</u> <u>1986</u>	<u>31 March</u> <u>1986</u>
	£	£	£	£
Bank overdraft	48,653	10,301	-	-
Obligations under finance leases and hire purchase contracts	685,524	712,923	1,390,498	1,267,951
Trade creditors	55,911	53,178	-	-
Amounts owed to group companies:				
Holding company and fellow subsidiary companies	778,517	714,640	-	-
Accruals	125,833	126,880	-	-
	-----	-----	-----	-----
	1,694,438	1,617,922	1,390,498	1,267,951
	=====	=====	=====	=====

EUROFLEET RENTAL LIMITED

NOTES TO THE ACCOUNTS - 30 SEPTEMBER 1986

11. Creditors

Obligations under finance leases and hire purchase contracts

	<u>30 September</u> <u>1986</u>			<u>31 March</u> <u>1986</u>		
	<u>Capital</u> <u>element</u>	<u>Future</u> <u>finance</u> <u>charges</u>	<u>Total</u> <u>future</u> <u>rentals</u>	<u>Capital</u> <u>element</u>	<u>Future</u> <u>finance</u> <u>charges</u>	<u>Total</u> <u>future</u> <u>rentals</u>
	£	£	£	£	£	£
Repayments are due in:						
4 - 5 yrs	67,349	3,475	70,824	60,496	2,186	62,682
3 - 4 yrs	272,424	20,641	293,065	297,443	17,585	315,028
2 - 3 yrs	481,368	53,475	534,843	399,590	42,607	442,197
1 - 2 yrs	569,357	95,969	665,326	510,422	76,654	587,076
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	1,590,498	173,560	1,564,058	1,267,951	139,032	1,406,983
1 yr or less	685,524	149,242	834,766	712,923	123,123	836,046
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	2,076,022	322,802	2,398,824	1,980,874	262,155	2,243,029
	=====	=====	=====	=====	=====	=====

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(d) are set out below:

	<u>30 September</u> <u>1986</u>		<u>31 March</u> <u>1986</u>	
	<u>Total</u> <u>potential</u> <u>liability</u>	<u>Provided</u> <u>in the</u> <u>accounts</u>	<u>Total</u> <u>potential</u> <u>liability</u>	<u>Provided</u> <u>in the</u> <u>accounts</u>
	£	£	£	£
Accelerated capital allowances	56,000	-	61,531	-
Other timing differences	505,000	-	431,893	-
	<hr/>	<hr/>	<hr/>	<hr/>
	561,000	-	493,424	-
Less:				
Losses and charges	(44,000)	-	(57,933)	-
	<hr/>	<hr/>	<hr/>	<hr/>
	517,000	-	435,491	-
	=====	=====	=====	=====

EUROFLEET RENTAL LIMITED

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NOTES TO THE ACCOUNTS - 30 SEPTEMBER 1986

12. Provisions for liabilities and charges

To the extent required by SSAP15, deferred taxation is provided in the accounts of the ultimate holding company. It is normal group practice that tax losses and advance corporation tax are surrendered between group companies for no consideration.

Under the above policy no provision for deferred taxation is required.

13. Share capital

	<u>Authorised, allotted and fully paid</u>	
	<u>30 September 1986</u>	<u>31 March 1986</u>
Ordinary shares of £1 each	100,000 =====	100,000 =====

14. Capital commitments

	<u>30 September 1986</u>	<u>31 March 1986</u>
	£	£
Capital expenditure contracted for and approved by the board and not provided in the accounts	346,305 =====	Nil ===

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	£1,616,915
4.7/8% secured loan stock 2003	£408,352

- (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.

EUROFLEET RENTAL LIMITED

NOTES TO THE ACCOUNTS - 30 SEPTEMBER 1986

16. Extraordinary Item

	<u>30 September 1986</u>	<u>31 March 1986</u>
	£	£
Special provision	17,000	-
	<hr/>	<hr/>
	17,000	-
	=====	=====

Following the acquisition of John Brown PLC (see note 17) the directors of the Company have reappraised its assets and liabilities to determine their fair value to the new ultimate holding company.

The net adjustment arising from this appraisal has been treated as a special provision within extraordinary items in the profit and loss account.

17. Ultimate holding company

On 23 June 1986 as a result of a successful offer for the whole of the share capital of John Brown PLC, Tragalgar House Public Limited Company, which is incorporated in the United Kingdom, became the ultimate holding company.