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EUROFLEET RENTAL LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 30 SEPTEMBER 1987

1. The directors submit their report and accounts for the year ended 30 September 1987.

Results and dividends

2. Details of the results for the year are set out in the profit and loss account on page 4. The directors recommend a dividend in respect of the year ended 30 September 1987 of £851,000 (30 September 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 10 to the accounts.

Directors

5. The following directors have held office during the whole of the year ended 30 September 1987:

Mr N Mellors
Mr G P McDougall
Mr T S Blackshaw

6. In accordance with the Articles of Association, Mr T S Blackshaw 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 1987 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 1987.



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
25th Feb. 1988

T S Blackshaw
Secretary

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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 1987 and of the profit and source and application of funds for the year then ended and comply with the Companies Act 1985.

Toune Rm Co

Chartered Accountants
Leeds

26th February 1988

EUROFLEET RENTAL LIMITED

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PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 SEPTEMBER 1987

		<u>12 months to</u> <u>30 September</u> <u>1987</u>	<u>6 months to</u> <u>30 September</u> <u>1986</u>
	Note	£	£
Turnover	2	1,708,198	674,587
Cost of sales		1,081,699	444,042
Gross profit		626,499	230,545
Operating expenses	3	212,335	87,746
Operating profit		414,164	142,799
Net interest payable and similar charges	6	(189,617)	(95,585)
Profit on ordinary activities before taxation	4	224,547	47,214
Taxation	7	7,133	-
Profit on ordinary activities after taxation		217,414	47,214
Extraordinary item	8	-	(17,000)
Profit for the financial period		217,414	30,214
Dividends	9	(851,000)	-
(Loss)/profit transferred to reserves		(633,586)	30,214
		=====	=====

STATEMENT OF RETAINED PROFITS

Brought forward	634,280	604,066
(Loss)/profit for the period	(633,586)	30,214
Carried forward	694	634,280
	=====	=====

EUFLEET RENTAL LIMITED
BALANCE SHEET - 30 SEPTEMBER 1987

		<u>30 September</u> <u>1987</u>	<u>30 September</u> <u>1986</u>
	<u>Notes</u>	£	£
FIXED ASSETS			
Tangible assets	10	3,071,285	3,606,984
CURRENT ASSETS			
Stocks	11	4,644	5,547
Debtors	12	332,808	206,626
Cash in hand		24	59
		<hr/> 337,476	<hr/> 212,232
CURRENT LIABILITIES			
creditors: amounts falling due within one year	13	2,409,422	1,694,438
NET CURRENT LIABILITIES		(2,071,946)	(1,482,206)
TOTAL ASSETS LESS CURRENT LIABILITIES		<hr/> 999,339	<hr/> 2,124,778
CREDITORS: amounts falling due after more than one year	13	898,645	1,390,498
		<hr/> 100,694	<hr/> 734,280
		=====	=====
CAPITAL AND RESERVES			
Called up share capital 15		100,000	100,000
Profit and loss account		634	634,280
		<hr/> 100,634	<hr/> 734,280
		=====	=====

These accounts were approved by the board on 30th 7th 1988.

N Mellors

G P McDougall

Directors

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EUROFLEET RENTAL LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE YEAR ENDED 30 SEPTEMBER 1987

	<u>12 months to</u> <u>30 September</u> <u>1987</u>		<u>6 months to</u> <u>30 September</u> <u>1986</u>	
	£	£	£	£
<u>SOURCE OF FUNDS</u>				
Profit on ordinary activities before taxation		224,547		47,214
Adjustment for items not involving the movement of funds:				
Depreciation	579,906		274,226	
Profit on sale of tangible fixed assets	(37,029)	542,877	(32,764)	241,462
		767,424		288,676
Extraordinary item		-		(17,000)
Special provision		-		17,000
Total generated from operations		767,424		288,676
Funds from other sources:				
Sales proceeds of tangible fixed assets	139,632		106,405	
(Decrease)/increase in creditors falling due after more than one year	(491,853)	(352,221)	122,547	228,952
Total source of funds		415,203		517,628
<u>APPLICATION OF FUNDS</u>				
Purchase of tangible fixed assets		(146,810)		(559,602)
Total application of funds		268,393		(41,974)
		=====		=====
<u>INCREASE/(DECREASE) IN WORKING CAPITAL</u>				
Made up as follows:				
(Decrease)/increase in stocks		(903)		1,044
Increase in debtors		126,182		33,544
Decrease/(increase) in creditors falling due within one year, excluding bank overdraft		115,860		(38,164)
		241,139		(3,576)
Movement in net liquid funds				
Cash at bank and in hand	(35)		(46)	
Bank overdraft	27,289	27,254	(38,352)	(38,398)
		268,393		(41,974)
		=====		=====

EUROFLEET RENTAL LIMITED

NOTES TO THE ACCOUNTS - 30 SEPTEMBER 1987

1. 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 12 years. Other annual 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 it is probable that a liability or asset will crystallise in the foreseeable future.

EUROFLEET RENTAL LIMITED

NOTES TO THE ACCOUNTS - 30 SEPTEMBER 1987

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>12 months to</u> <u>30 September</u> <u>1987</u>	<u>6 months to</u> <u>30 September</u> <u>1986</u>
	£	£
Distribution costs	132,404	64,967
Administrative expenses	116,960	55,543
Profit on disposal of fixed assets	(37,029)	(32,764)
	<hr/>	<hr/>
	212,335	87,746
	=====	=====

4. Profit on ordinary activities before taxation

This is stated after charging:

Directors' remuneration for management, including pension contributions (Note 5)	8,000	3,500
Depreciation of tangible fixed assets	579,906	274,226
Auditors' remuneration	3,600	3,500
Hire of plant and machinery	899	2,005

EUROFLEET RENTAL LIMITED

NOTES TO THE ACCOUNTS - 30 SEPTEMBER 1987

b. Information regarding directors and employees

	<u>12 months to</u> <u>30 September</u> <u>1987</u>	<u>6 months to</u> <u>30 September</u> <u>1986</u>
(a) Particulars of the remuneration of directors, excluding pension contributions:	£	£
Emoluments of the chairman	3,500	1,500
Emoluments of the highest paid director	4,500	2,000

Number of other directors whose remuneration was within the ranges:

	<u>Number</u>	<u>Number</u>
£Nil ~ £5,000	1	1

(b) Employment costs of all employees including executive directors:	£	£
Gross wages and salaries	129,270	58,198
Employer's national insurance	9,472	4,914
	<hr/>	<hr/>
	138,742	63,112
	=====	=====

(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	9	10
Manual workers	7	7
	<hr/>	<hr/>
	16	17
	==	==

EUROFLEET RENTAL LIMITED

NOTES TO THE ACCOUNTS - 30 SEPTEMBER 1987

6. Net interest payable and similar charges

	<u>12 months to</u> <u>30 September</u> <u>1987</u>	<u>6 months to</u> <u>30 September</u> <u>1986</u>
	£	£
Interest payable		
Finance leases and hire purchase agreements	156,049	80,094
Interest payable to group companies	34,866	15,679
	<hr/>	<hr/>
	190,915	95,773
Less Bank interest receivable	(1,298)	(188)
	<hr/>	<hr/>
	189,617	95,585
	=====	=====

7. Taxation

Group relief payment	7,133	-
	=====	=====

The charge does not bear a normal relationship to the profit for the year due to the incidence of timing differences for which deferred tax is not accounted for. Further losses are available for relief in future years against the profits arising from the Company's trade.

8. Extraordinary Item

	<u>12 months to</u> <u>30 September</u> <u>1987</u> £	<u>6 months to</u> <u>30 September</u> <u>1986</u> £
Special provision	-	17,000
	<hr/>	<hr/>
	-	17,000
	=====	=====

The Special provision arose as a result of a reappraisal of the assets and liabilities of the Company following the acquisition of John Brown Plc in 1986.

9. Dividends

Proposed	851,000	-
	=====	=====

EUROFLEET RENTAL LIMITED

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NOTES TO THE ACCOUNTS - 30 SEPTEMBER 1987

10. Tangible fixed assets

	<u>Total</u>	<u>Freehold Land and Buildings</u>	<u>Plant</u>
<u>Cost</u>	£	£	£
At 30 September 1986	5,659,773	30,795	5,628,978
Additions	146,621	-	146,621
Inter group transfers in	995	-	995
Disposals	(286,578)	-	(286,578)
	<u>5,520,811</u>	<u>30,795</u>	<u>5,490,016</u>
<u>Depreciation</u>			
At 30 September 1986	2,052,789	30,055	2,022,734
Inter group transfers in	806	-	806
Disposals	(183,975)	-	(183,975)
Charge for the year	579,906	740	579,166
	<u>2,449,526</u>	<u>30,795</u>	<u>2,418,731</u>
Net book value at 30 September 1987	<u>3,071,285</u> =====	<u>-</u> =====	<u>3,071,285</u> =====
Net book value at 30 September 1986	<u>3,606,984</u> =====	<u>740</u> =====	<u>3,606,244</u> =====

11. Stocks

	<u>1987</u>	<u>1986</u>
	£	£
Raw materials and consumables	<u>4,644</u> =====	<u>5,547</u> =====

12. Debtors

Amounts falling due within one year		
Trade debtors	300,835	194,353
Amounts owed by group companies:		
Holding company and fellow		
subsidiary companies	197	3,935
Prepayments and accrued income	31,776	8,338
	<u>332,808</u>	<u>206,626</u>
	=====	=====

EUROFLEET RENTAL LIMITED

NOTES TO THE ACCOUNTS - 30 SEPTEMBER 1987

13. Creditors

	Amounts falling due within one year		Amounts falling due after more than one year	
	1987	1986	1987	1986
	£	£	£	£
Bank overdraft	21,364	48,653	-	-
Obligations under finance leases and hire purchase contracts	586,069	685,524	898,645	1,390,498
Trade creditors	95,977	55,911	-	-
Amounts owed to group companies: Holding company and fellow subsidiary companies	1,543,162	778,517	-	-
Accruals	162,850	125,833	-	-
	<u>2,409,422</u>	<u>1,694,438</u>	<u>898,645</u>	<u>1,390,498</u>
	=====	=====	=====	=====

Obligations under finance leases and hire purchase contracts

	1987			1986		
	Capital element	Future finance charges	Total future rentals	Capital element	Future finance charges	Total future rentals
	£	£	£	£	£	£
Repayments are due in:						
4 - 5 yrs	13,810	288	14,098	67,349	3,475	70,824
3 - 4 yrs	89,487	5,609	95,096	272,424	20,641	293,065
2 - 3 yrs	294,135	25,218	319,353	481,368	53,475	534,843
1 - 2 yrs	501,213	60,590	561,803	569,357	95,969	665,326
	<u>898,645</u>	<u>91,705</u>	<u>990,350</u>	<u>1,390,498</u>	<u>173,560</u>	<u>1,564,058</u>
1 yr or less	586,069	106,217	692,286	685,524	149,242	834,766
	<u>1,484,714</u>	<u>197,922</u>	<u>1,682,636</u>	<u>2,076,022</u>	<u>322,802</u>	<u>2,398,824</u>
	=====	=====	=====	=====	=====	=====

EUROFLEET RENTAL LIMITED

NOTES TO THE ACCOUNTS - 30 SEPTEMBER 1987

14. Deferred taxation

The potential amount of deferred taxation calculated on the liability method at 35% (1986: 35%) is :

	<u>1987</u>	<u>1986</u>
	£	£
Accelerated depreciation	539,386	517,000
Other timing differences	-	-
	<hr/>	<hr/>
	539,386	517,000
	=====	=====

No deferred taxation has been provided in these accounts on the basis that sufficient finance leases for fixed assets are written in future years such that potential timing differences will not reverse in the foreseeable future.

15. Share capital

Authorised, allotted and fully paid

30 September 1987 and 30 September 1986

Ordinary shares of £1 each	100,000
	=====

16. Capital commitments

	<u>1987</u>	<u>1986</u>
	£	£
Capital expenditure contracted for and approved by the board and not provided in the accounts	-	346,305
	=====	=====

EUROFLEET RENTAL LIMITED

NOTES TO THE ACCOUNTS - 30 SEPTEMBER 198717. Operating lease commitments

At 30 September 1987 the company was committed to making the following payments during the next year in respect of operating leases:

	<u>Other operating leases</u> £
Commitment expires	
2-5 years	263,016
In 5 years or more	77,386

18. Contingent liabilities

- (i) The Company jointly and severally with certain other subsidiaries of John Brown PLC has given fixed and floating charges over all its assets, undertaking and property 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

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

19. Ultimate holding company

Tragalgar House Public Limited Company, which is incorporated in the United Kingdom, is the ultimate holding company.