

FLEETLEASE (UK) LIMITED
(Registered Number: 1413993)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 1997



FLEETLEASE (UK) LIMITED

DIRECTORS' REPORT

The directors have pleasure in submitting their report and financial statements for the year ended 31st March, 1997.

BUSINESS REVIEW

The company's main activity is the provision of contract hire and fleet management services.

The results for the period are set out in the profit and loss account on page 5. It is anticipated that the business will continue to expand by organic growth.

DIRECTORS

The directors during the year were as follows:

D. G. Anthony
S. C. Oliphant
N. Sakamoto
P. W. Scott
A. Syme
R. Whalley

The directors retiring by rotation are P.W. Scott and A. Syme who, being eligible, offer themselves for re-election.

No director had a beneficial interest in the share capital of the company, the immediate holding company Hitachi Credit (UK) PLC, or any other company in the group during the year.

EMPLOYEES

The directors believe that the maintenance of a highly skilled and committed workforce is a key element in the continuing success of the business.

The company complies fully with all existing legislation concerning health and safety at work and provides in-house training for employees. The company has a commitment to ensure that employment is offered to employees who become temporarily or permanently disabled, and to identify positions which could be filled by disabled persons.

DIVIDENDS AND TRANSFER TO RESERVES

The profit for the financial year after taxation of £1,300,000 has been transferred to reserves.

The directors do not recommend the payment of a dividend (1996: NIL).

FLEETLEASE (UK) LIMITED

DIRECTORS' REPORT

CREDITOR PAYMENT POLICY

The company aims to settle supplier accounts in accordance with their individual terms of business. The number of days billings from suppliers outstanding at the year end was 8 days.

CHARITABLE DONATIONS

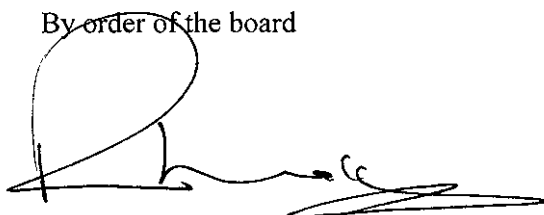
During the year the company made charitable donations of £200 (1996: £210).

AUDITORS

In accordance with section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors is to be proposed at the forthcoming Annual General Meeting.

Furlong House
Hambridge Road
Newbury, Berkshire
RG14 5UT

By order of the board

A handwritten signature in black ink, appearing to be 'R. Whalley', written over a horizontal line.

R. WHALLEY
Director
2nd June 1997

FLEETLEASE (UK) LIMITED

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 and of the profit or loss 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, subject to any material departures disclosed and explained in the financial statements;
- 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

REPORT OF THE AUDITORS, KPMG
TO THE MEMBERS OF FLEETLEASE (UK) 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 of 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.

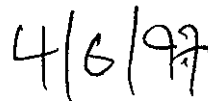
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity 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 as at 31 March 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



KPMG
Chartered Accountants
Registered Auditors



Arlington Business Park
Theale
Reading
Berkshire
RG7 4SD

FLEETLEASE (UK) LIMITED
PROFIT AND LOSS ACCOUNT
For the year ended 31st March, 1997

	Notes	1997 £'000	1996 £'000
Turnover	2	36,531	31,317
Cost of sales		(26,299)	(23,428)
		<hr/>	<hr/>
Gross profit		10,232	7,889
Administrative expenses		(3,585)	(2,748)
		<hr/>	<hr/>
Operating profit		6,647	5,141
Interest payable	6	(4,681)	(4,200)
		<hr/>	<hr/>
Profit on ordinary activities before taxation	3	1,966	941
Tax on profit on ordinary activities	7	(666)	(310)
		<hr/>	<hr/>
Profit for the financial year		1,300	631
Retained profit brought forward		1,414	783
		<hr/>	<hr/>
Retained profit carried forward		2,714	1,414
		<hr/> <hr/>	<hr/> <hr/>

The attached notes form part of these financial statements.

There are no recognised gains and losses, other than the profit for the financial year, and accordingly no Statement of Total Recognised Gains and Losses has been produced.

Turnover and profit on ordinary activities before taxation for both years relate exclusively to continuing operations.

FLEETLEASE (UK) LIMITED

BALANCE SHEET As at 31st March, 1997

	Notes	1997 £'000	1996 £'000
FIXED ASSETS			
Tangible assets	8	91,258	67,609
CURRENT ASSETS			
Stock	9	1,172	1,222
Debtors	10	3,687	2,213
		<hr/>	<hr/>
		4,859	3,435
CREDITORS: amounts falling due within one year	11	(15,083)	(11,416)
		<hr/>	<hr/>
Net current liabilities		(10,224)	(7,981)
TOTAL ASSETS LESS CURRENT LIABILITIES		<hr/>	<hr/>
		81,034	59,628
Creditors: amounts falling due after more than one year	12	(75,095)	(56,457)
Provisions for liabilities and charges	13	(1,525)	(1,057)
		<hr/>	<hr/>
Net assets		4,414	2,114
CAPITAL AND RESERVES		<hr/>	<hr/>
Called up share capital	14	1,700	700
Profit and loss account		2,714	1,414
		<hr/>	<hr/>
Shareholders' funds	15	4,414	2,114
		<hr/>	<hr/>

The attached notes form part of these financial statements.

These financial statements were approved by the Board of Directors on 2nd June 1997


R. WHALLEY

Director

FLEETLEASE (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of accounting

The financial statements are produced under the historical cost convention and have been prepared in accordance with applicable accounting standards.

Income

Rentals receivable on leasing and hire vehicles are credited to the profit and loss account on a straight line basis over the period of the lease or hire agreement.

Depreciation

Depreciation is calculated so as to write off the cost of tangible assets, less any residual value, over their estimated useful lives as follows:

Furniture, fittings and equipment	-	4 years
Leasing and hire motor vehicles	-	period of the lease or hire agreement
Own motor vehicles	-	4 years

Depreciation on leasing and hire vehicles is charged to the profit and loss account on a rising scale over the period of the lease so that gross profit is recognised in proportion to the funds invested in each agreement.

Stock

Stock, representing used vehicles, is valued at the lower of cost and net realisable value.

Leases

Where the company enters into a lease which does not entail taking substantially all the risks and rewards of ownership of an asset, the lease is accounted for as an operating lease. The rental charges are charged to the profit and loss account on a straight line basis over the life of the lease.

Taxation

Deferred taxation is provided using the liability method in respect of the taxation effect of all timing differences to the extent that it is probable that liabilities will crystallise in the foreseeable future.

FLEETLEASE (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Pension costs

The expected cost of providing pensions, 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 employees in the scheme in such a way that the pension cost is a substantially level percentage of current and expected future pensionable payroll.

Cash flow statement

The company, which is a wholly owned subsidiary of Hitachi Credit (UK) PLC, has elected to utilise the exemption provided in Financial Reporting Standard 1 and accordingly has not produced a cash flow statement.

2. TURNOVER

Turnover comprises rental and other income from vehicle hire and leasing, and profit from the disposal of vehicles, exclusive of VAT, all arising from activities in the UK.

Included in turnover is £33,782,000 (1996: £28,962,000) in respect of vehicle hire and leasing rental income.

3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	1997 £'000	1996 £'000
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Depreciation on owned tangible fixed assets	20,492	17,538
Operating lease costs - land and buildings	70	70
Auditors remuneration - audit	20	20
Auditors remuneration - other services	8	29
Profit on disposal of fixed assets	(2,032)	(1,577)
	<hr/>	<hr/>

FLEETLEASE (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

4. STAFF NUMBERS AND COSTS

	1997 Number	1996 Number
The average number of persons employed by the company during the year (including directors) was as follows:		
Management	12	11
Administration	39	27
New Business	15	14
	<hr/>	<hr/>
	66	52
	<hr/>	<hr/>
	1997 £'000	1996 £'000
Staff costs, including directors' remuneration (see note 5), were as follows:		
Salaries	1,718	1,341
Social security costs	195	141
Pension costs	165	134
	<hr/>	<hr/>
	2,079	1,616
	<hr/>	<hr/>

FLEETLEASE (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

5. EMOLUMENTS OF DIRECTORS

	1997 £'000	1996 £'000
Emoluments including pension contributions	300	291
The emoluments in respect of services as directors of the company disclosed above include the following amount (excluding pension contributions):		
The highest paid director	93	87
The chairman	-	-
The total number of directors whose emoluments (excluding pension contributions) fell within the following ranges was as follows:		
	1997 Number	1996 Number
£Nil - £ 5,000	2	2
£10,001 - £ 15,000	1	-
£15,001 - £ 20,000	-	1
£65,001 - £ 70,000	-	1
£75,001 - £ 80,000	1	-
£80,001 - £ 85,000	-	1
£85,001 - £ 90,000	-	1
£90,001 - £ 95,000	2	-

6. INTEREST PAYABLE

	1997 £000	1996 £000
Interest payable to parent undertaking	4,681	4,200

7. TAXATION

	1997 £000	1996 £000
Current year:		
Deferred tax (Note 13)	649	310
Prior Year:		
Corporation tax	198	(268)
Deferred tax	(181)	268
	666	310

FLEETLEASE (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

8. TANGIBLE FIXED ASSETS

	Leasing & Hire Vehicles	Own Motor Vehicles	Fixtures Fittings & Equipment	Totals
	£'000	£'000	£'000	£'000
Cost				
At 31st March 1996	92,699	264	1,113	94,076
Additions	55,565	149	196	55,910
Returns	(27,380)	(78)	(405)	(27,863)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31st March 1997	120,884	335	904	122,123
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation				
At 31st March 1996	25,829	56	582	26,467
Charge for the period	20,184	76	232	20,492
Returns	(15,661)	(28)	(405)	(16,094)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31st March 1997	30,352	104	409	30,865
	<hr/>	<hr/>	<hr/>	<hr/>
Net Book Value				
At 31st March 1997	90,532	231	495	91,258
	<hr/>	<hr/>	<hr/>	<hr/>
At 31st March 1996	66,870	208	531	67,609
	<hr/>	<hr/>	<hr/>	<hr/>

FLEETLEASE (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

9. STOCK

	1997 £'000	1996 £'000
Motor vehicles held for resale	1,172	1,222
	<u> </u>	<u> </u>

10. DEBTORS

	1997 £'000	1996 £'000
Trade debtors	2,103	882
Other debtors	812	740
Prepayments and accrued income	772	591
	<u> </u>	<u> </u>
	3,687	2,213
	<u> </u>	<u> </u>

11. CREDITORS: amounts falling due within one year

	1997 £'000	1996 £'000
Bank overdraft	203	639
Trade creditors	2,842	2,127
Other creditors	487	525
Deferred income	4,402	2,754
Accruals	7,149	5,371
	<u> </u>	<u> </u>
	15,083	11,416
	<u> </u>	<u> </u>

FLEETLEASE (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

12. CREDITORS: amounts falling due after more than one year

	1997 £'000	1996 £'000
Amounts owed to parent undertaking	75,095	56,457

Interest on amounts owed to the parent undertaking was charged at varying rates. The amounts due are unsecured and repayable within five years.

13. DEFERRED TAXATION

The amounts provided for deferred taxation, which also represent the full potential liability, are :

	1997 £'000	1996 £'000
Accelerated capital allowances	2,457	1,649
Short term timing differences	(932)	(592)
	<u>1,525</u>	<u>1,057</u>

The movement on deferred tax is:

At start of period	1,057	479
Transfer from/(to) Profit and Loss account in respect of:		
Current year	649	310
Prior year	(181)	268
	<u>1,525</u>	<u>1,057</u>

FLEETLEASE (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

14. CALLED UP SHARE CAPITAL

Authorised	1997		1996	
	Number	£'000	Number	£'000
Ordinary shares of £1 each	5,000,000	5,000	5,000,000	5,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Allotted, called up and fully paid				
Ordinary shares of £1 each	1,700,000	1,700	700,000	700
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

On 1st April 1996 1,000,000 ordinary shares with a nominal value of £1 each were issued for cash at par value to provide additional working capital.

15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1997 £'000	1996 £'000
Profit for the financial year	1,300	631
New capital subscribed	1,000	-
	<u> </u>	<u> </u>
Additions to shareholders' funds	2,300	631
Opening shareholders' funds	2,114	1,483
	<u> </u>	<u> </u>
Closing shareholders' funds	4,414	2,114
	<u> </u>	<u> </u>

16. COMMITMENTS

The company has annual commitments under operating leases for land and buildings:

	1997 £000	1996 £000
Operating leases which expire within 1 year	70	70
	<u> </u>	<u> </u>

FLEETLEASE (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

17. CAPITAL COMMITMENTS

	1997 £'000	1996 £'000
Contracted for but not provided	10,928	2,959

18. PENSION SCHEME

The company participates in a pension scheme providing benefits based on final pensionable earnings. The pension scheme is set up under trust and the assets of the scheme are therefore held separately from those of the company.

The pension cost charged to the profit and loss account is calculated by a qualified actuary so as to spread the cost of pensions over the employees' working lives with the company. The actuarial method used was the projected unit method. The most significant assumptions, for their effect on the pension costs, are those relating to the rate of return on the investments of the scheme and the rate of increase in salaries and pensions. It was assumed that, over the long-term, the yield earned on investments would exceed the rate of earnings increase by 1.5% per annum. For funding purposes more conservative assumptions are adopted.

The pension cost charged to the profit and loss account for the year was £165,001 (1996 £134,149). This cost was after a reduction of £23,449 (1996 £22,949) in respect of the amortisation of past over-funding. This amortisation is over a period of 14 years, the average remaining service lives of the pensioned employees.

The latest actuarial valuation at 1st April 1994 showed that the market value of the Scheme's assets was £12,808,000 and the actuarial value of these assets represented 113% of the liability for benefits under the valuation method, for service to the valuation date and based on earnings projected to retirement or earlier exit.

FLEETLEASE (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

20. PARENT AND ULTIMATE PARENT UNDERTAKING

Hitachi Credit (UK) PLC, a company registered in England and Wales, is the parent undertaking of the smallest group to consolidate the financial statements of Fleetlease (UK) Limited. Copies of the financial statements of this company can be obtained from:

Wallbrook Business Centre
Green Lane
Hounslow
Middlesex
TW4 6NW

Hitachi Limited, a company incorporated in Japan, is the ultimate parent company and the parent undertaking of the largest group to consolidate the financial statements of Fleetlease (UK) Limited. Copies of the financial statements of this company can be obtained from:

6, Kanda-Surugadai 4-chome
Chiyoda-ku
Tokyo 101
Japan.