

FLEETLEASE (UK) LIMITED
(Registered Number: 1413993)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1999



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DIRECTORS' REPORT

The directors have pleasure in submitting their report and financial statements for the year ended 31st March 1999.

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 6. It is anticipated that the business will continue to expand by organic growth.

On 1st October 1998 the company entered into a one year insurance policy for its residual value risk on its fleet portfolio.

YEAR 2000

We have undertaken a programme for Year 2000 compliance of our business critical systems involving a combination of testing and modification to ensure, as far as it is possible, that they will function properly in 2000.

We will also be undertaking a supplier evaluation programme to establish the status of key suppliers and seek corrective action where necessary.

DIRECTORS

The directors during the year and their beneficial interests in the share capital of the immediate holding company Hitachi Credit (UK) PLC were as follows:

	Shareholding at 31 st March 1999	Shareholding at 1 st April 1998
D. G. Anthony	7,586	7,586
S. C. Oliphant	-	-
N. Sakamoto	7,404	7,404
P. W. Scott (resigned 31 January 1999)	-	-
A. Syme (resigned 31 January 1999)	-	-
R. Whalley	7,404	7,404

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

The directors retiring by rotation are D.G. Anthony and N. Sakamoto who being eligible, offer themselves for re-election.

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

The directors recommend the payment of a final dividend of 10 pence per share. The total distribution of dividends for the year to 31st March 1999 will be £170,000.

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 20 days.

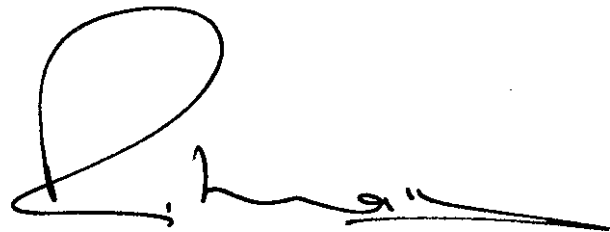
CHARITABLE DONATIONS

During the year the company made charitable donations of £780 (1998: £595).

AUDITORS

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

By order of the board



Director
4th June 1999

Kiln House
Kiln Road
Newbury
Berkshire
RG14 2HA

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 AUDIT PLC**TO THE MEMBERS OF FLEETLEASE (UK) LIMITED**

We have audited the financial statements on pages 6 to 16.

Respective Responsibilities of Directors and Auditors

As described on page 4 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 as at 31st March 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



KPMG Audit Plc
Chartered Accountants
Registered Auditor



Arlington Business Park
Theale
Reading
Berkshire
RG7 4SD

PROFIT AND LOSS ACCOUNT
For the year ended 31st March, 1999

	Notes	1999 £'000	1998 £'000
Turnover	2	54,473	45,289
Cost of sales		(38,394)	(32,506)
Gross profit		16,079	12,783
Administrative expenses		(4,679)	(3,861)
Operating profit		11,400	8,922
Interest payable	6	(8,172)	(6,530)
Profit on ordinary activities before taxation	3	3,228	2,392
Tax on profit on ordinary activities	7	(1,001)	(759)
Profit on ordinary activities after taxation		2,227	1,633
Dividend – proposed		(170)	(170)
Retained profit for the financial year		2,057	1,463
Retained profit brought forward		4,177	2,714
Retained profit carried forward		6,234	4,177

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.

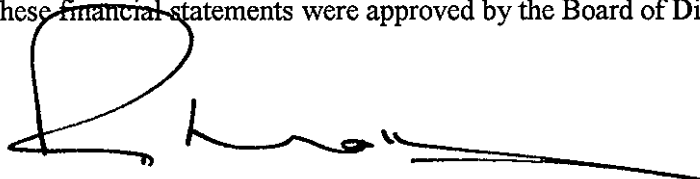
BALANCE SHEET

As at 31st March, 1999

	Notes	1999		1998	
		£'000	£'000	£'000	£'000
FIXED ASSETS					
Tangible assets	8		135,635		113,513
CURRENT ASSETS					
Stock	9	1,782		1,344	
Debtors	10	5,674		4,795	
Cash at bank and in hand		-		271	
		<u>7,456</u>		<u>6,410</u>	
Creditors: amounts falling due within one year	11	(21,973)		(19,872)	
		<u></u>		<u></u>	
Net current liabilities			(14,517)		(13,462)
			<u></u>		<u></u>
TOTAL ASSETS LESS CURRENT LIABILITIES			121,118		100,051
Creditors: amounts falling due after more than one year	12	(109,595)		(91,647)	
Provisions for liabilities and charges	13	(3,589)		(2,527)	
		<u></u>		<u></u>	
Net assets			7,934		5,877
			<u></u>		<u></u>
CAPITAL AND RESERVES					
Called up share capital	14	1,700		1,700	
Profit and loss account		6,234		4,177	
		<u></u>		<u></u>	
Shareholders' funds	15		7,934		5,877
			<u></u>		<u></u>

The attached notes form part of these financial statements.

These financial statements were approved by the Board of Directors on 4th June 1999



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 preparation

The financial statements have been prepared in accordance with applicable accounting standards, and under the historic cost accounting rules.

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

As the company is a wholly owned subsidiary of Hitachi Credit (UK) PLC, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group. The consolidated financial statements of Hitachi Credit (UK) PLC, within which this company is included, can be obtained from the address given in note 19.

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:

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

NOTES TO THE FINANCIAL STATEMENTS

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.

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.

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 £51,491,000 (1998: £42,310,000) in respect of vehicle hire and leasing rental income.

3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	1999 £'000	1998 £'000
Profit on ordinary activities before taxation is stated after charging /(crediting):		
Depreciation on owned tangible fixed assets	30,459	25,742
Operating lease costs – land and buildings	79	70
Auditors' remuneration – audit	26	19
Auditors' remuneration – other services	7	12
Profit on disposal of fixed assets	(1,311)	(2,006)

NOTES TO THE FINANCIAL STATEMENTS**4. STAFF NUMBERS AND COSTS**

	1999 Number	1998 Number
The average number of persons employed by the company during the year (including directors) was as follows:		
Management	14	13
Administration	58	50
New business	16	14
	<hr/>	<hr/>
	88	77
	<hr/>	<hr/>

	1999 £'000	1998 £'000
Staff costs, including directors' remuneration (see note 5), were as follows:		
Salaries	2,367	2,003
Social security costs	250	204
Pension costs	340	219
	<hr/>	<hr/>
	2,957	2,426
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS

5. REMUNERATION OF DIRECTORS

	1999 £'000	1998 £'000
Directors' emoluments	342	277

The aggregate of the emoluments of the highest paid director was £124,000 (1998: £103,000). He is a member of a defined benefit scheme, under which his accrued pension at the year end was £8,200 (1998: £5,600).

	1999 Number of directors	1998 Number of directors
Retirement benefits are accruing to the following number of directors under:		
Defined benefit scheme	2	3

6. INTEREST PAYABLE

	1999 £'000	1998 £'000
Interest payable to parent undertaking	8,172	6,530

7. TAXATION

	1999 £'000	1998 £'000
Current year		
Corporation tax at 31%	143	109
Deferred tax (Note 13)	858	655
Prior years		
Corporation tax	(204)	(352)
Deferred tax	204	347
	1,001	759

NOTES TO THE FINANCIAL STATEMENTS

8. TANGIBLE FIXED ASSETS

	Leasing & Hire Vehicles	Own Motor Vehicles	Leasehold Improve- ments	Fixtures Fittings & Equipment	Totals
	£'000	£'000	£'000	£'000	£'000
Cost					
At 31 st March 1998	149,885	329	-	1,077	151,291
Additions	68,116	114	1,155	420	69,805
Returns and disposals	(37,245)	(147)	-	(76)	(37,468)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 st March 1999	180,756	296	1,155	1,421	183,628
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation					
At 31 st March 1998	36,935	119	-	724	37,778
Charge for the period	30,130	68	28	233	30,459
Returns and disposals	(20,102)	(66)	-	(76)	(20,244)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 st March 1999	46,963	121	28	881	47,993
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net Book Value					
At 31 st March 1999	133,793	175	1,127	540	135,635
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 st March 1998	112,950	210	-	353	113,513
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NOTES TO THE FINANCIAL STATEMENTS

9. STOCK

	1999 £'000	1998 £'000
Motor vehicles held for resale	1,782	1,344

10. DEBTORS

	1999 £'000	1998 £'000
Trade debtors	2,124	1,600
Other debtors	1,361	2,225
Prepayment and accrued income	2,037	970
Corporation tax	152	-
	<u>5,674</u>	<u>4,795</u>

11. CREDITORS: amounts falling due within one year

	1999 £'000	1998 £'000
Bank loans and overdraft	510	-
Trade creditors	5,338	4,196
Corporation tax	143	109
Other creditors including taxation and social security	293	911
Deferred income	7,018	5,889
Accruals	8,501	8,597
Dividend payable	170	170
	<u>21,973</u>	<u>19,872</u>

NOTES TO THE FINANCIAL STATEMENTS

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

	1999 £'000	1998 £'000
Amounts owed to parent undertaking	109,595	91,647

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:

	1999 £'000	1998 £'000
Accelerated capital allowances	4,638	3,777
Short term timing differences	(1,049)	(1,250)
	<u>3,589</u>	<u>2,527</u>

The movement on deferred tax is:

At start of period	2,527	1,525
Transfer from/(to) Profit and Loss account in respect of:		
Current year	858	655
Prior years	204	347
	<u>3,589</u>	<u>2,527</u>
At end of period	<u>3,589</u>	<u>2,527</u>

NOTES TO THE FINANCIAL STATEMENTS

14. CALLED UP SHARE CAPITAL

Authorised	1999		1998	
	Number	£'000	Number	£'000
Ordinary shares of £1 each	5,000,000	5,000	5,000,000	5,000
<hr/>				
Allotted, called up and fully paid.				
Ordinary shares of £1 each	1,700,000	1,700	1,700,000	1,700
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15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1999 £'000	1998 £'000
Profit for the financial year	2,227	1,633
Dividends	(170)	(170)
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Net additions to shareholders' funds	2,057	1,463
Opening shareholders' funds	5,877	4,414
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Closing shareholders' funds	7,934	5,877
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16. COMMITMENTS

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

	1999 £'000	1998 £'000
Operating leases which expire within one year	-	70
Operating leases which expire after five years	89	-
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	89	70
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NOTES TO THE FINANCIAL STATEMENTS**17. CAPITAL COMMITMENTS**

	1999 £'000	1998 £'000
Contracted for but not provided	9,485	11,262

18. PENSION SCHEME

The Company operates a pension scheme based on final pensionable salary. The scheme is set up under trust and the assets are therefore held separately from the Company.

The pension cost is assessed in accordance with the advice of an actuary using the projected unit credit method. The key assumptions used to determine the pension cost for the current period were that investment returns would exceed increases in salaries by 1.5%, investment returns would exceed increases to pensions in payment by 3.0%, assets would be brought into account at market value less an investment reserve and the surplus would be amortised over 12 years by level instalments of capital with interest on the reducing balance.

The latest actuarial valuation at 1 April 1998 showed that the market value of the assets amounted to £5,782,000 and the funding level, ratio of assets to liabilities, was 140%.

The pension cost for the year ending 31 March 1999 was £340,200 (1998: £219,000).

19. 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.