

FLEETLEASE (UK) LIMITED
(Registered Number: 1413993)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 1995



FLEETLEASE (UK) LIMITED

DIRECTORS' REPORT

The directors have pleasure in submitting their report and financial statements for the year ended 31st March, 1995.

BUSINESS REVIEW

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

Changes in fixed assets during the year can be found in note 9 to the financial statements.

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:

P.W. Scott
A. Syme
N. Sakamoto
D.G. Anthony
S.C. Oliphant
R. Whalley (appointed 3rd January 1995)

The directors retiring by rotation are R. Whalley and S.C. Oliphant 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 £557,000 has been transferred to reserves.

The directors do not recommend the payment of a dividend (1994: NIL).

FLEETLEASE (UK) LIMITED

DIRECTORS' REPORT

CHARITABLE DONATIONS

During the year the company made charitable donations of £25 (1994: £350).

AUDITORS

On 6th February 1995 our auditors changed the name under which they practise to KPMG and accordingly have signed their report in their new name.

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.

By order of the board



J. RICE

Secretary

1st June 1995

Furlong House
Hambridge Road
Newbury, Berkshire
RG14 5UT

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 17.

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 misstatements, 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 1995 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
Berks
RG7 4SD

FLEETLEASE (UK) LIMITED
PROFIT AND LOSS ACCOUNT
For the year ended 31st March, 1995

	Notes	1995 £'000	1994 £'000
Turnover	2	28,828	24,328
Cost of sales		(21,697)	(18,171)
		<hr/>	<hr/>
Gross profit		7,131	6,157
Administrative expenses		(2,523)	(1,721)
		<hr/>	<hr/>
Operating Profit		4,608	4,436
Interest receivable and similar income	6	2	1
Interest payable and similar charges	7	(3,771)	(3,677)
		<hr/>	<hr/>
Profit on ordinary activities before taxation	3	839	760
Tax on profit on ordinary activities	8	(282)	(536)
		<hr/>	<hr/>
Profit for the financial year		557	224
Retained profit brought forward		226	2
		<hr/>	<hr/>
Retained profit carried forward		783	226
		<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 relates exclusively to continuing operations.

FLEETLEASE (UK) LIMITED

BALANCE SHEET
As at 31st March, 1995

	Notes	1995		1994	
		£'000	£'000	£'000	£'000
FIXED ASSETS					
Tangible assets	9		46,380		42,181
CURRENT ASSETS					
Stock	10	806		814	
Debtors: due within one year	11	6,879		7,102	
due after one year	12	7,950		6,289	
Cash at bank and in hand		108		347	
		15,743		14,552	
CREDITORS: Amounts					
falling due within one year	13	(7,902)		(8,793)	
Net current assets			7,841		5,759
TOTAL ASSETS LESS					
CURRENT LIABILITIES			54,221		47,940
Creditors: Amounts falling					
due after one year	14		(52,259)		(46,893)
Provision for liabilities and					
charges	15		(479)		(621)
Net assets			1,483		426
CAPITAL AND RESERVES					
Called up share capital	16		700		200
Profit and loss account			783		226
Shareholders' funds	17		1,483		426

The attached notes form part of these financial statements.

These financial statements were approved by the Board of Directors on 1st June 1995



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 contract hire vehicles are credited to the profit and loss account on a straight line basis over the period of the lease. Income from contract purchase vehicles is recognised over the primary period of the agreement so as to recognise a constant rate of return on the agreement over that period.

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
Contract hire motor vehicles	-	period of the hire agreement
Own motor vehicles	-	4 years

Depreciation on contract 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 contract hire agreement.

Stock

Stock is valued at the lower of cost and net realisable value.

FLEETLEASE (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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.

Contract purchase agreements

Amounts due from customers under contract purchase agreements are recorded in the balance sheet as debtors at the amount of the net investment in the agreement.

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.

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.

FLEETLEASE (UK) LIMITED**NOTES TO THE FINANCIAL STATEMENTS****2. TURNOVER**

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

Included in turnover is £21,551,000 (1994: £19,829,000) in respect of contract hire rental income.

**3. PROFIT ON ORDINARY
ACTIVITIES BEFORE TAXATION**

	1995 £'000	1994 £'000
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Depreciation on owned tangible fixed assets	15,754	11,080
Operating lease costs - land and buildings	70	70
Auditors remuneration - audit	20	17
Auditors remuneration - other services	21	7
Rentals receivable under contract purchase agreements	(5,306)	(3,583)
(Profit)/loss on disposal of fixed assets	(521)	583
	<hr/>	<hr/>

FLEETLEASE (UK) LIMITED**NOTES TO THE FINANCIAL STATEMENTS****4. STAFF NUMBERS AND COSTS**

	1995 Number	1994 Number
The average number of persons employed by the company during the year (including directors) was as follows:		
Management	9	9
Administrative	26	24
New Business	10	8
	<hr/> 45	<hr/> 41
	<hr/>	<hr/>
	1995 £000	1994 £000
Staff costs including directors' remuneration (see note 5), were as follows:		
Salaries	1,211	912
Social security costs	109	98
Pension costs	86	51
	<hr/> 1,406	<hr/> 1,061
	<hr/>	<hr/>

FLEETLEASE (UK) LIMITED**NOTES TO THE FINANCIAL STATEMENTS****5. EMOLUMENTS OF DIRECTORS**

	1995 £'000	1994 £'000
Emoluments including pension contributions	222	217
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The emoluments in respect of services as directors of the company disclosed above include the following amount (excluding pension contributions):		
The highest paid director	77	68
The chairman	-	-
<hr/>		
The total number of directors whose emoluments (excluding pension contributions) fell within the following ranges was as follows:		
£ Nil - £ 5,000	2	2
£15,001 - £20,000	1	-
£45,001 - £50,000	-	1
£50,001 - £55,000	1	-
£55,001 - £60,000	1	-
£65,001 - £70,000	-	2
£75,001 - £80,000	1	-
<hr/>		

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	1995 £'000	1994 £'000
Bank interest received	2	1
<hr/>		

7. INTEREST PAYABLE

	1995 £'000	1994 £'000
Interest payable to parent undertaking	3,771	3,677
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FLEETLEASE (UK) LIMITED**NOTES TO THE FINANCIAL STATEMENTS****8. TAXATION**

	1995 £'000	1994 £'000
Current year:		
Corporation tax at 33%	424	-
Transfer (from)/to deferred tax (Note 15)	(142)	251
Prior Year:		
Transfer to deferred tax	-	285
	<u>282</u>	<u>536</u>

9. TANGIBLE FIXED ASSETS

	Contract Hire Vehicles £'000	Own Motor Vehicles £'000	Fixtures Fittings & Equipment £'000	Totals £'000
Cost				
At 31st March 1994	53,455	141	459	54,055
Additions	27,524	128	238	27,890
Returns	(17,458)	(23)	(1)	(17,482)
	<u>63,521</u>	<u>246</u>	<u>696</u>	<u>64,463</u>
At 31st March 1995				
Depreciation				
At 31st March 1994	11,462	51	361	11,874
Charge for the period	15,604	78	72	15,754
Returns	(9,528)	(17)	-	(9,545)
	<u>17,538</u>	<u>112</u>	<u>433</u>	<u>18,083</u>
At 31st March 1995				
Net Book Value				
At 31st March 1995	<u>45,983</u>	<u>134</u>	<u>263</u>	<u>46,380</u>
At 31st March 1994	<u>41,993</u>	<u>90</u>	<u>98</u>	<u>42,181</u>

FLEETLEASE (UK) LIMITED**NOTES TO THE FINANCIAL STATEMENTS****10. STOCK**

	1995 £'000	1994 £'000
Motor vehicles held for resale	806	814
	<u> </u>	<u> </u>

11. DEBTORS - Amounts due within one year :

	1995 £'000	1994 £'000
Investment in contract purchase agreements	5,519	5,160
Trade debtors	930	1,386
Other debtors	235	368
Prepayments and accrued income	195	188
	<u>6,879</u>	<u>7,102</u>

12. DEBTORS - Amounts due after one year :

	1995 £'000	1994 £'000
Investment in contract purchase agreements	7,950	6,289
	<u> </u>	<u> </u>

During the year assets costing £7,521,000 (1994: £6,703,000) were acquired for use in contract purchase agreements.

FLEETLEASE (UK) LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

13. CREDITORS: Amounts falling due within one year	1995 £'000	1994 £'000
Bank overdraft	26	443
Trade creditors	1,312	1,069
Corporation tax	424	-
Other taxes and social security costs	562	1,158
Other creditors	338	-
Deferred income	2,409	1,590
Accruals	2,831	4,533
	<hr/> 7,902 <hr/>	<hr/> 8,793 <hr/>
14. CREDITORS: Amounts falling due after one year	1995 £'000	1994 £'000
Amounts due to parent undertaking	52,259	46,893
	<hr/>	<hr/>

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

FLEETLEASE (UK) LIMITED**NOTES TO THE FINANCIAL STATEMENTS****15. DEFERRED TAXATION**

The amount provided for deferred taxation is :

	Full Potential Liability	Provision Made	Full Potential Liability	Provision Made
	1995 £'000	1995 £'000	1994 £'000	1994 £'000
Accelerated capital allowances	575	575	1,396	1,396
Short term timing differences	(96)	(96)	-	-
Less losses carried forward	-	-	(775)	(775)
	<u>479</u>	<u>479</u>	<u>621</u>	<u>621</u>

The movement on deferred tax is:

At start of period	621	85
Transfer (to)/from Profit and Loss Account	(142)	536
At end of period	<u>479</u>	<u>621</u>

16. CALLED UP SHARE CAPITAL

	1995		1994	
Authorised:	Number	£'000	Number	£'000
Ordinary shares of £1 each	5,000,000	5,000	200,000	200
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Allotted, called up and fully paid				
Ordinary shares of £1 each	700,000	700	200,000	200
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

On 5th April 1994 500,000 ordinary shares with a nominal value of £1 each were issued at par value to provide additional working capital.

FLEETLEASE (UK) LIMITED**NOTES TO THE FINANCIAL STATEMENTS****17. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	1995 £'000	1994 £'000
Profit for the financial year	557	224
New capital subscribed	500	-
	<hr/>	<hr/>
Additions to shareholders funds	1,057	224
Opening shareholders' funds	426	202
	<hr/>	<hr/>
Closing shareholders' funds	1,483	426
	<hr/>	<hr/>

18. COMMITMENTS

At 31st March 1995 the company has annual commitments under operating leases for land and buildings:

	1995 £'000	1994 £'000
Operating leases which expire within one year.	70	70
	<hr/>	<hr/>

19. CAPITAL COMMITMENTS

	1995 £'000	1994 £'000
Contracted for but not provided	2,793	2,269
	<hr/>	<hr/>

20. PENSION SCHEME

The company participates in a pension scheme operated by a fellow group company which provides 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.

FLEETLEASE (UK) LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

The pension cost charged to the profit and loss account is calculated by the 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 £66,215 (1994 £41,190). This cost was after a reduction of £19,604 (1994 £10,011) 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.

21. 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:

Hitachi Credit House
Stables Courtyard
Church Road
Hayes
Middx
UB3 2UH

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.