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QUALITY POLICY

Our role

To satisfy the financial requirements of high quality business and personal customers, including those within the Hitachi Group of Companies in the UK, thereby helping to promote the business development of the Group as a whole.

Our commitment to Quality

We operate a quality system to ensure that customer service is maintained at a consistently high level.

Everyone within the organisation has the authority to take appropriate actions within their area of responsibility to ensure that the quality system is an effective and efficient control mechanism.

Our business principles

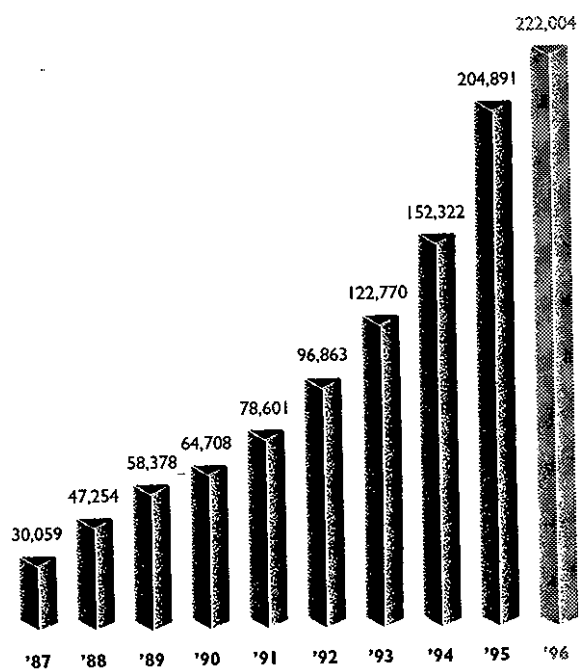
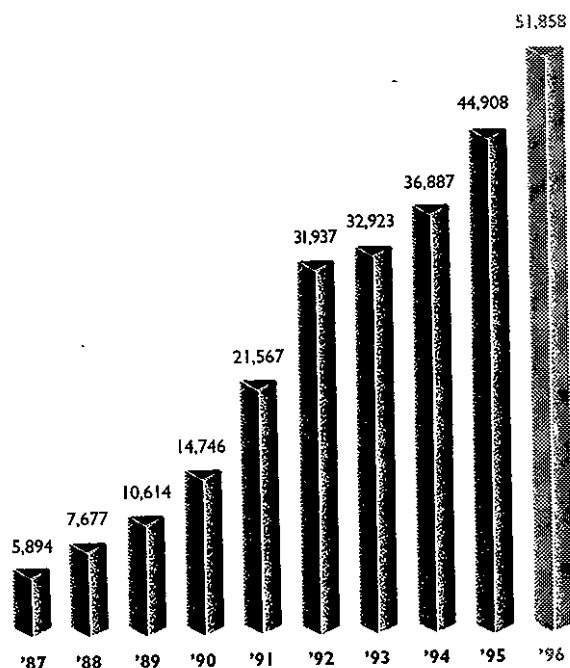
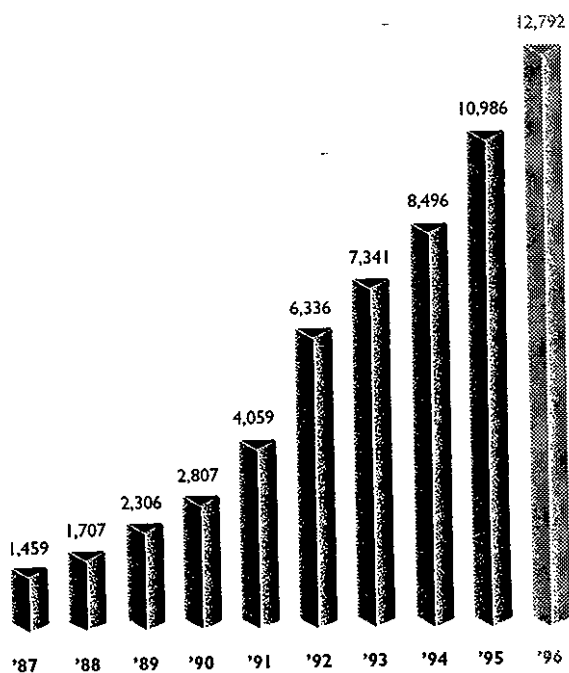
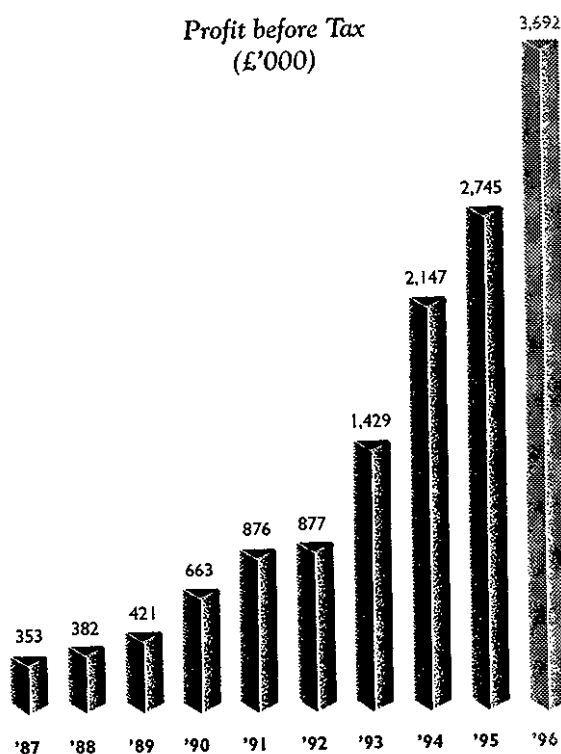
- Long term relationships with quality customers.
- Long term investment in high quality people.
- Development of a clear market focus identifying sectors where we can gain a substantial presence.
- Financial products designed solely to support the specific purchases of goods and services.
- Financial integrity built on the strength of the Hitachi Group.
- High ethical and moral standards, carrying out our business in a responsible manner.



C O M P A N Y I N F O R M A T I O N

Directors	M. Hanabusa, <i>Chairman</i> N. Sakamoto, <i>Managing Director</i> D. G. Anthony, <i>General Manager</i>
Secretary	P. G. Bridgman
Auditors	KPMG
Registered Office & Head Office	Wallbrook Business Centre Green Lane Hounslow Middlesex TW4 6NW Telephone: 0181 572 7554
Northern Business Centre	Eleven Albion Street Leeds LS1 5ES Telephone: 0113 244 4881
Midlands Business Centre	Bellway House 7 Worcester Road Bromsgrove B61 7DL Telephone: 01527 575694
Fleetlease (UK) Ltd	Furlong House Hambridge Road Newbury Berkshire RG14 5UT Telephone: 01635 524411
Ambassador Insurance Ltd	St. James' House Adelaide Road Dublin 2 Telephone: (353-1) 4752788
Company Registration Number	1630491

TEN YEAR FINANCIAL SUMMARY

Volume of Business
(£'000)Turnover
(£'000)Gross Profit
(£'000)Profit before Tax
(£'000)

CHAIRMAN'S STATEMENT

Hitachi Credit (UK) PLC was established in 1982, and has increased both its volume of business and profits every year since then.

Last year, volume of business increased by 8% to £222 million, gross profit by 16% to £12.8 million, and profit before tax by 34% to £3.7 million. Profit after tax rose by 31% to £2.4 million, representing a return of 21.3% on shareholders' funds. Our contract hire subsidiary, Fleetlease (UK) Ltd, increased its profit before tax by 12% to £941,000, and Ambassador Insurance Ltd, our Dublin-based reinsurance subsidiary acquired in March 1995, made its initial contribution amounting to £202,000.

We are proud of our unbroken record of growth, because it included a period of major economic recession and few of our competitors can claim such a record. I believe this success is the result of a number of key characteristics. Some are derived from the Hitachi Group and some from our experience in the British market place. Together they define the unique spirit of the company:

High Quality Customer Service

We believe that profit is the reward for good service, we aim by continuous development to make our own products obsolete, knowing that if we do not our competitors will. Tangible evidence of our commitment to quality was the achievement of ISO 9002 accreditation by all the major trading units of Hitachi Credit (UK) PLC in 1994 and a similar achievement by Fleetlease (UK) Ltd in 1995.

Credit Solely for Real Demand

Our financial products are designed solely to support specific purchases of goods and services. We do not provide working capital loans to corporate clients or cash advances to individuals. This policy of "real demand only" is one of the keys to our outstanding credit quality - as evidenced by bad debt write-offs amounting this year to less than 0.3% of average receivables, and balances on accounts more than one instalment in arrears amounting to less than 0.7% of total receivables at the end of the year.

High Quality Vendor Relationships

Good quality products attract good quality customers: we therefore seek long-term relationships with manufacturers and suppliers of excellent products. Our success is evidenced by the growing high street presence of the NOVA brand, and by key vendor relationships in the printing, machine tool, transport, insurance and other markets.

Clear Market Focus

We do not aim to be present in every market, but to choose markets with real potential and to provide a comprehensive service to them.

There is a growing tendency for customers to focus on use rather than ownership of assets, and financial services companies must therefore provide much more than credit. Fleetlease has strong core skills in the management of operating leases and the assessment of residual value risks in the vehicle market, and we intend to extend these skills to other markets. Similarly, in NOVA Insurance Services we are developing a range of insurance and warranty products designed to enhance customers' secure enjoyment of their purchases.

Careful Risk Management

Ultimately businesses succeed or fail according to their success in managing risks. Some, like interest rate risk, are driven by external factors beyond our control and we hedge them very carefully. Others, such as credit risk, are fundamental to our business. The future of the company lies in striking a correct balance between risk and reward.

The attitude of every staff member is important. It is unacceptable to take no risks in the hope that there will be no problems: this way there is no challenge and no future. Conversely, risk-taking without knowledge is mere recklessness. We aim to build a culture where everyone has the knowledge to understand risks and the courage to take them.

Financial Integrity Built on the Strength of the Hitachi Group

Our parent, Hitachi Credit Corporation, holds AA long term and A-1 + short term ratings from Standard and Poor's, whilst its parent, Hitachi Ltd, is rated AAA. This financial strength is reflected in our ability to obtain funds cheaply from a wide range of sources. In March 1996 Hitachi Credit (UK) PLC established a new US\$300 million Euro Note Programme supported by the guarantee of Hitachi Credit Corporation. The Programme has been rated AA by Standard and Poor's, and will provide a stable source of low-cost funds in the years to come.

Membership of the Hitachi Group also brings many business benefits because of our connections with sister companies and with other major Japanese corporations. Our knowledge of Japanese business, language and culture provides a significant competitive advantage when dealing with UK-based Japanese companies.

Building on these strengths, I anticipate further progress in the current year, assisted by a relatively favourable domestic economic environment.

Our staff have worked hard to produce an excellent result. My thanks to them, and also to our bankers and investors for their continuing confidence and support, and to our customers for choosing us.

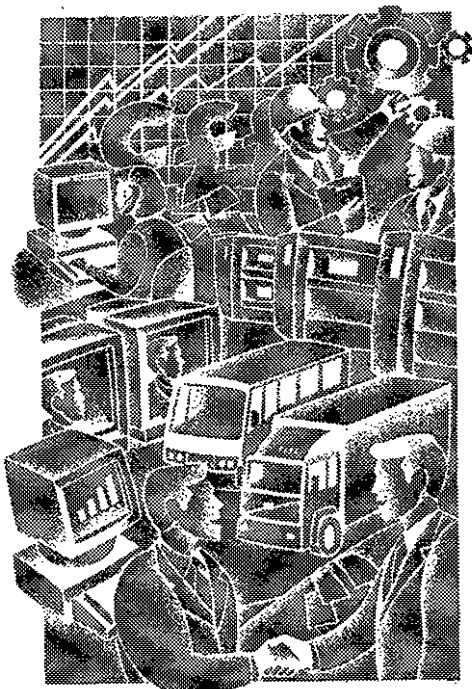
Masayoshi Hanabusa
President of Hitachi Credit Corporation
and Chairman of Hitachi Credit (UK) PLC

REVIEW OF ACTIVITIES

Hitachi Credit (UK) PLC offers a wide range of financial solutions to both the business and personal sectors and is a subsidiary of Hitachi Credit Corporation of Japan which holds AA long term and A-1+ short term credit ratings from Standard and Poor's.

During the year total assets increased by 24% despite a generally more competitive environment in all areas. Following the acquisition of 3 new businesses since February 1995 and the development of new products within the existing divisions this has been a year of consolidation and growth which has created a very strong base for the future.

The strategy of providing finance facilities for high quality customers has resulted in the Company maintaining a consistently low level of arrears and bad debt losses.



NOVA Business Finance

NOVA Business Finance provides finance to business customers for a variety of equipment including plant and machinery, commercial vehicles, printing equipment, computers and cars. The products provided include block discounting and both vendor and direct leasing and hire purchase.



Competition has remained intense during the year. Nevertheless the division has increased its volume of business by 31% and increased its profit contribution. The successful development of its vendor programmes into the printing equipment market has enabled the division to expand this area further by entering the machine tools market during the year.

Vendor programmes within NOVA Business Finance offer manufacturers a range of benefits including a rapid response to credit requests made possible by Autoscore an automatic credit scoring system. As with the other main divisions within Hitachi Credit this is an important area for future development within the division.

For all areas of NOVA Business Finance it has been a year of expansion and growth, which we expect to continue during the forthcoming year.

REVIEW OF ACTIVITIES

NOVA Premium Finance

NOVA Premium Finance assists private individuals, companies and partnerships to finance their insurance policies by instalments through registered insurance brokers and can be used to finance any type of insurance policy.

The division has continued its progressive business development with an increase in business volume of 61%. This has been achieved by its development into new areas such as healthcare and the direct insurance markets during the past year.

The introduction of NOVA Personal Options, a scheme which offers the choice of 2 payment methods for personal lines business, was well received by the market. It was introduced as part of the Company's on-going programme to deliver products which accommodate brokers' demands for lower interest rates, simplified processing and risk management and also offers good growth potential during the forthcoming year.

Commercial Lines business has seen a successful increased presence of NOVA Premium Finance in the market despite the development of a more competitive environment. A revised package offered to the market has resulted in a well received combination of competitive rates, early payout and a support service tailored to the requirements of the market.

NOVA Premium Finance's strategy of working closely with good quality brokers has resulted in the division developing good long term relationships and highlights its commitment to the premium finance market.

NOVA
Premium Finance



REVIEW OF ACTIVITIES

NOVA Retail Finance

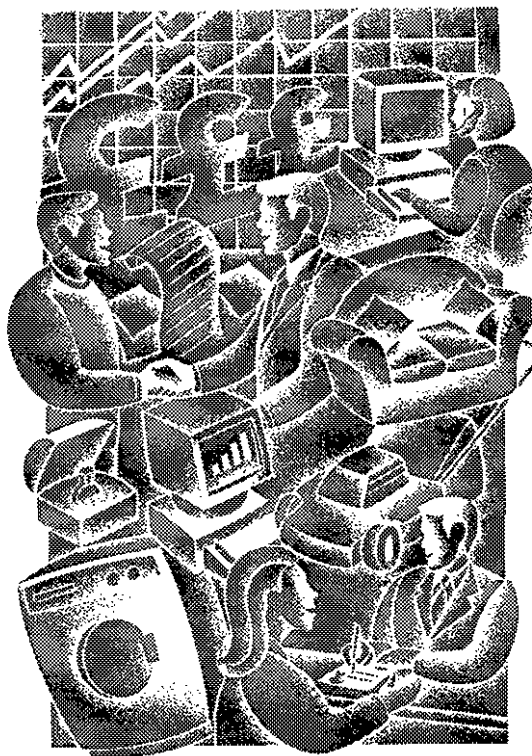
NOVA Retail Finance is one of the top providers of point of sale credit facilities for customers of high quality retailers in the electrical goods, furniture, computer and other markets. Facilities offered include interest free credit, interest bearing credit, low cost credit, buy now pay later schemes and credit cover.



NOVA Retail Finance has introduced a number of products to the marketplace during the year. These include NOVA Direct, a service which allows retailers direct access to automatic credit checks and prints out finance documentation, simplifying the administration process, shortening the transaction time and reducing errors.

SURE Plan, a finance and warranty linked product was developed and introduced in conjunction with NOVASURE to the market and highlights the synergy between the divisions of Hitachi Credit (UK) PLC.

NOVA Retail Finance saw a significant improvement in its business volumes and profitability during the second half of the year and in line with company principles has continued its development of clear market focus. The division will continue to develop its products to meet the needs of its retailers and their customers with the benefits of these developments being seen in the forthcoming year.



REVIEW OF ACTIVITIES

NOVA Insurance Services

NOVA Insurance Services is our newest division. Presently it provides payment protection insurance to customers of NOVA Retail Finance. In addition

NOVA SURE
Extended Warranty Insurance

NOVA SURE Extended Warranty Insurance was launched at the Electrical Retailing Show in March 1996, attracting very positive comment in the trade press, and the division intends to develop a range of insurance and warranty products complementary to the services offered by NOVA Retail Finance, NOVA Business Finance and Fleetlease (UK) Ltd.

Electrical extended warranties were widely criticised following the Office of Fair Trading's investigation in 1994, which correctly identified a need for greater transparency and wider competition. There is clearly a real demand for such products because they offer secure enjoyment and peace of mind, and our intention is to provide our customers with a high quality product at a fair price along with the convenience of "one stop shopping" for both warranties and credit.

Manufacturers also require peace of mind: if their machinery fails, their business stops. We believe there is good potential for warranty products in certain industrial markets, such as machine tools and printing equipment, and plan to develop these in conjunction with our vendor finance facilities.

All insurance and warranty products are reinsured through Ambassador Insurance Ltd, our Dublin-based reinsurance subsidiary, which has negotiated reinsurance treaties with leading insurance companies. Ambassador also handles reinsurance business generated by Hitachi Credit Corporation in Japan.

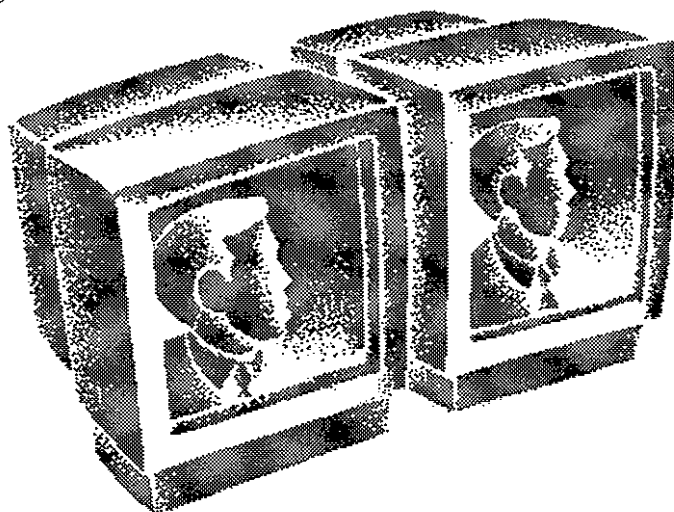


REVIEW OF ACTIVITIES

Hitachi Rental Division

Hitachi Rental Division is our specialist Japanese services unit and is staffed mostly by Japanese-speaking staff. It rents **HITACHI Rental Division** televisions, videos, satellite receivers and other electrical goods to the Japanese and Korean communities within the London area.

In addition the division is developing vendor relationships with Japanese companies trading in the UK. We believe our own Japanese origins give us a special ability to support these companies, and anticipate progressive business growth.



REVIEW OF ACTIVITIES

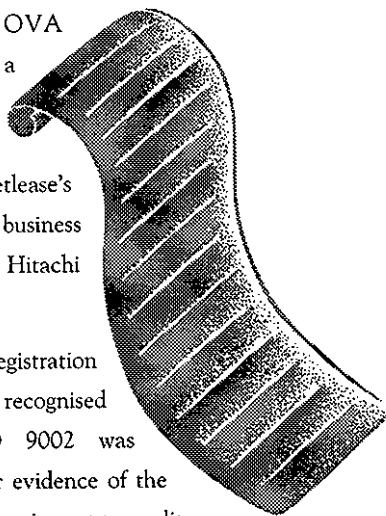
Fleetlease (UK) Ltd

Fleetlease provides vehicle management solutions for organisations which require a flexible contract hire or fleet management service, taking into **FLEETLEASE** account individual needs and requirements. It has pioneered the development of private driver schemes in both the public and private sectors and can advise organisations on every aspect of vehicle management.

The last year has been one of considerable expansion for Fleetlease. The size of its vehicle fleet has grown by 15%, while it has also significantly enhanced its information systems through the acquisition of the fleet management software business GAMMA Management Services. The acquisition is a logical progression, following the launch of Fleetlease's fleet management service, and will enable the Company to offer additional software support to existing clients, as well as diversify into the fleet management software market. This reflects the Company's strategy of providing a comprehensive financial service in depth to its target markets.

In addition NOVA Contract Motoring, a personal leasing scheme, was launched in early 1996, capitalising on Fleetlease's strength and the existing business relationships with other Hitachi Credit divisions.

In December 1995 registration under the internationally recognised quality standard ISO 9002 was achieved. This is further evidence of the Company's long term commitment to quality.



DIRECTORS' REPORT

Year ended 31st March 1996

The directors present their annual report and the audited accounts for the year ended 31st March 1996.

Business Review

The principal activities are providing finance in the forms of contract hire, block discounting, leasing, hire purchase and credit sale, as well as providing re-insurance services. The Business Review is included in the Chairman's Statement and in the Review of Activities.

	1996	1995
	£'000	£'000
Turnover	51,858	44,908
Profit before taxation	3,692	2,745
Taxation	1,305	924
Profit after taxation	2,387	1,821

Dividends

The Directors recommend a dividend of 10.0p per share. The total distribution of dividends for the year to 31st March 1996 will be £691,000 and the retained profit transferred to reserves will be £1,696,000.

Tangible Fixed Assets

Changes in fixed assets over the year can be found in note 7 to the accounts.

Share Capital

On 3rd April 1995 the Company issued 1,000,000 ordinary £1 shares, at par. For full details see note 15 to the accounts.

Charitable Donations

During the year the Group gave £3,000 for charitable purposes.

Directors

S. Kobayashi, Chairman (resigned 29th June 1995)
 M. Hanabusa, Chairman (appointed 29th June 1995)
 N. Sakamoto
 D. G. Anthony
 G. A. Jennison (resigned 1st December 1995)
 T. A. O'Malley (died 7th November 1995)

No director had a beneficial interest in the share capital of the company as recorded in the register of directors' interests.

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution for the reappointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the Board



P. G. Bridgman
 Company Secretary

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the Directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company and Group, and of the profit or loss for that period. In preparing those accounts, 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 accounts;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Group 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 accounts comply with the Companies Act 1985. They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

By order of the Board



P. G. Bridgman

Company Secretary

REPORT OF THE AUDITORS

*Auditors' report to the members
of Hitachi Credit (UK) PLC*

We have audited the accounts on pages 15 to 28.

*Respective responsibilities of
Directors and Auditors*

As described on page 13 the Company's Directors are responsible for the preparation of accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts 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 accounts. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Group'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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Company and the Group as at 31st March, 1996 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



KPMG

Chartered Accountants

Registered Auditors

8 Salisbury Square

London EC4Y 8BB

25th June 1996

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 31st March 1996

		1996	1995
	Note	£'000	£'000
Turnover	2	51,858	44,908
Cost of sales		39,066	33,922
Gross profit		12,792	10,986
Administrative expenses		9,100	8,241
Profit on ordinary activities before taxation	3	3,692	2,745
Tax on profit on ordinary activities	4	1,305	924
Profit on ordinary activities after taxation		2,387	1,821
Proposed dividend		691	473
Retained profit for the year	16	1,696	1,348

The attached notes form part of these accounts. Note 16 states the movement on reserves.

The Group has no recognised gains and losses during the year (1995: £nil) other than those passing through the profit and loss account.

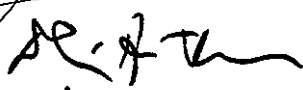
CONSOLIDATED BALANCE SHEET

as at 31st March 1996

			1996	1995
	Note	£'000	£'000	£'000
Fixed assets				
Tangible assets	7		80,882	68,115
Current assets				
Debtors				
Recoverable within one year	9	126,696		95,274
Recoverable after more than one year	9	91,727		77,107
		218,423		172,381
Cash at bank and in hand		1,269		1,432
		219,692		173,813
Creditors: amounts falling due within one year	11	150,035		106,898
Net current assets			69,657	66,915
Total assets less current liabilities			150,539	135,030
Creditors: amounts falling due after more than one year	12		136,164	124,534
Provisions for liabilities and charges	13		3,304	2,121
NET ASSETS	14		11,071	8,375
CAPITAL AND RESERVES				
Called up share capital	15		6,909	5,909
Profit and loss account	16		4,162	2,466
SHAREHOLDERS' FUNDS	17		11,071	8,375

The attached notes form part of these accounts.

These accounts were approved by the Board of Directors on 25th June 1996.

N. Sakamoto
Managing DirectorD.G. Anthony
Director and General Manager


COMPANY BALANCE SHEET

as at 31st March 1996

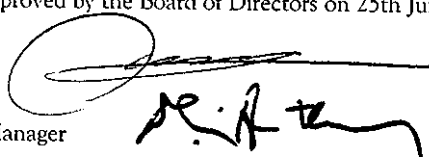
			1996	1995
	Note	£'000	£'000	£'000
Fixed assets				
Tangible assets	7		13,273	8,266
Investment in subsidiaries	8		2,705	2,705
			<u>15,978</u>	<u>10,971</u>
Current assets				
Debtors				
Recoverable within one year	9	123,260		93,103
Recoverable after more than one year	9	148,185		129,366
		<u>271,445</u>		<u>222,469</u>
Cash at bank and in hand		115		136
		<u>271,560</u>		<u>222,605</u>
Creditors: amounts falling due within one year	11	138,096		98,435
Net current assets			133,464	124,170
Total assets less current liabilities			149,442	135,141
Creditors: amounts falling due after more than one year	12		136,164	124,534
Provisions for liabilities and charges	13		2,247	1,500
NET ASSETS			11,031	9,107
CAPITAL AND RESERVES				
Called up share capital	15		6,909	5,909
Profit and loss account	16		4,122	3,198
SHAREHOLDERS' FUNDS			11,031	9,107

The attached notes form part of these accounts.

These accounts were approved by the Board of Directors on 25th June 1996.

N. Sakamoto
Managing Director

D.G. Anthony
Director and General Manager



CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31st March 1996

		1996	1995
	Note	£'000	£'000
Net cash outflow from operating activities	18	(20,803)	(26,857)
Returns on investments and servicing of finance			
Dividends paid		(473)	(473)
Taxation			
Taxation paid		(891)	(120)
Investing activities			
Purchase of fixed assets		(42,647)	(29,806)
Proceeds of sale of fixed assets		12,130	9,761
Investment in subsidiaries		—	(260)
Net cash outflow from investing activities		(30,517)	(20,305)
Net cash outflow before financing		(52,684)	(47,755)
Financing			
Issue of Euro medium term notes		46,983	87,302
Redemption of Euro medium term notes		(28,317)	(21,154)
Reduction in deep discount bond		(643)	(487)
Increase in acceptances		—	10,000
Increase in share capital		1,000	—
Net cash inflow from financing		19,023	75,661
(Decrease)/ increase in cash and cash equivalents	19	(33,661)	27,906

NOTES TO THE ACCOUNTS

1. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Group's accounts:

- **Basis of accounting**

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

- **Investments**

Investment in subsidiaries in the Company's accounts are stated at cost.

- **Consolidation**

The Group accounts include the results of the Company and its subsidiaries. In accordance with Section 228(7) of the Companies Act 1985, no separate profit and loss account is presented for Hitachi Credit (UK) PLC.

- **Goodwill**

Purchased goodwill, representing the excess of purchase consideration over the fair value of the net tangible assets acquired, is written off against reserves.

- **Income**

A fixed amount is credited to the profit and loss account on the commencement of each instalment finance or leasing agreement so as to match the administrative costs of accepting that agreement. After deducting this amount, the remaining charges and interest are credited to the profit and loss account over the period during which repayments fall due in proportion to the monthly balances outstanding. Rentals receivable on operating leases including contract hire vehicles are credited to the profit and loss account on a straight line basis over the period of the agreement.

- **Insurance activities**

Insurance premiums are accounted for on an accruals basis. Fronting commissions are charged in full against income at the commencement of the treaty period. Full provision is made for the estimated cost of reported claims not settled at the Balance Sheet date. In addition a provision is made in respect of estimated claims incurred but not reported at that date.

- **Leases**

Amounts due from lessees under finance leases are recorded in the balance sheet as debtors at the amount of net investment in the lease, after making provision for doubtful debts. Assets leased under operating leases are included in tangible fixed assets and are depreciated over their useful lives or the period of the lease, whichever is the shorter.

- **Depreciation**

Depreciation is calculated so as to write off the cost of tangible assets over their estimated useful life as follows:

Freehold buildings - 50 years;

Furniture and fixtures - 4 years;

Motor vehicles - 2 or 3 years.

No depreciation is charged on freehold land.

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 hire contract.

- **Deferred 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.

- **Debenture loan stock**

The surplus arising on the differential between the fixed interest rate on the loan stock and the agreed rates on the related interest bearing accounts, after deducting the expenses of issue, is recognised in the profit and loss account over the period to expected maturity, in proportion to the net amount owing on the loan stock.

NOTES TO THE ACCOUNTS

continued

2. Turnover

The Group operates in two market sectors; financing activities and insurance activities. For financing activities, turnover represents charges and rentals earned in the year on instalment finance, leasing and contract hire agreements and gross interest receivable on short term advances and bank deposits. All financing income is generated within the United Kingdom. For insurance activities, turnover represents premium income, and gross interest receivable on short term advances and bank deposits. All insurance activities take place in Eire.

	1996	1995
Analysis of turnover:	£'000	£'000
Financing activities	51,543	44,908
Insurance activities	315	—
	51,858	44,908

3. Profit on ordinary activities before taxation

	1996	1995
Analysis of profit before taxation:	£'000	£'000
Financing activities	3,490	2,745
Insurance activities	202	—
	3,692	2,745
Profit before taxation is stated after charging:		
Interest payable on overdrafts, acceptances and bank loans	7,538	7,456
Interest payable on loan stock	9,454	5,986
Depreciation of tangible assets	20,078	16,051
Profit on disposal of tangible assets	(2,328)	(1,876)
Maintenance expenses on contract hire vehicles	4,771	3,119
Operating lease rentals : plant and machinery	21	12
: other	154	180
Auditors' remuneration: audit	59	52
: other services	64	61

NOTES TO THE ACCOUNTS

continued

4. Taxation on profit on ordinary activities:

	1996	1995
	£'000	£'000
Current year:		
Corporation tax at 33% (1995: 33%)	—	840
Irish corporation tax	60	—
Deferred taxation	1,356	82
Prior year: Corporation tax	(111)	2
	1,305	924

5. Staff numbers and costs

	1996	1995
	No.	No.
The average number of persons employed by the Group during the year (including directors) was as follows:		
Management	26	20
Administrative	83	73
New business	29	23
	138	116

	£'000	£'000
Staff costs including directors' remuneration (see note 6) were as follows:		
Salaries	3,353	2,982
Social security costs	354	238
Pension costs	289	208
	3,996	3,428

6. Emoluments of directors

	1996	1995
	£'000	£'000
Directors' emoluments: Fees	5	7
: Other emoluments	379	385
Directors' pension costs	38	35
Emoluments of highest paid director	197	176
Emoluments of Chairmen	—	—

	No.	No.
The total number of directors whose emoluments excluding pension contributions fell within the following ranges was as follows:		
£0 - £5,000	2	1
£5,001 - £10,000	1	1
£10,001 - £15,000	1	—
£15,001 - £20,000	—	1
£20,001 - £25,000	—	1
£25,001 - £30,000	1	—
£30,001 - £35,000	—	1
£35,001 - £40,000	1	—

NOTES TO THE ACCOUNTS

continued

7. Tangible assets	Freehold property	Motor cars	Fixtures & fittings	Company assets	Operating leases	Total
Group						
Cost	£'000	£'000	£'000	£'000	£'000	£'000
At 1st April 1995	2,431	614	1,724	4,769	88,432	93,201
Additions	14	301	699	1,014	41,633	42,647
Disposals	—	(330)	—	(330)	(22,902)	(23,232)
At 31st March 1996	2,445	585	2,423	5,453	107,163	112,616
Depreciation						
At 1st April 1995	81	207	1,058	1,346	23,740	25,086
Charge for the year	27	148	342	517	19,561	20,078
Disposals	—	(208)	—	(208)	(13,222)	(13,430)
At 31st March 1996	108	147	1,400	1,655	30,079	31,734
Net Book Value						
At 31st March 1996	2,337	438	1,023	3,798	77,084	80,882
At 31st March 1995	2,350	407	666	3,423	64,692	68,115

The cost of freehold property includes £1,354,000 (1995: £1,354,000) which is depreciable.

Company	Freehold property	Motor cars	Fixtures & fittings	Company assets	Operating leases	Total
Cost						
At 1st April 1995	2,431	368	1,028	3,827	7,239	11,066
Additions	14	98	282	394	7,225	7,619
Disposals	—	(145)	—	(145)	—	(145)
At 31st March 1996	2,445	321	1,310	4,076	14,464	18,540
Depreciation						
At 1st April 1995	81	95	625	801	1,999	2,800
Charge for the year	27	69	193	289	2,251	2,540
Disposals	—	(73)	—	(73)	—	(73)
At 31st March 1996	108	91	818	1,017	4,250	5,267
Net book value						
At 31st March 1996	2,337	230	492	3,059	10,214	13,273
At 31st March 1995	2,350	273	403	3,026	5,240	8,266

The cost of freehold property includes £1,354,000 (1995: £1,354,000) which is depreciable.

The brought forward balances have been restated correctly to reflect operating leases. Accordingly the opening balance for the Group includes a cost of £24,911,000 and accumulated depreciation of £6,202,000 which was included in trade debtors in last year's accounts. The opening balance for the Company includes a cost of £7,239,000 and accumulated depreciation of £1,999,000 which was included in trade debtors in last year's accounts.

At 31st March 1996 an independent valuation of the Company's freehold properties was carried out on the basis of Open Market Value. The valuation showed that the carrying value of the properties in total was not materially different to the net book value shown in the accounts, and accordingly no revaluation reserve was created nor write down required.

NOTES TO THE ACCOUNTS

continued

8. Investment in subsidiaries

	1996	1995
Company	£'000	£'000
Shares at cost	2,705	2,705

The Company has two wholly owned trading subsidiaries:

	Class of shares	Activity	Country of incorporation
Fleetlease (UK) Limited	Ordinary	Contract hire	England
Ambassador Insurance Limited	Ordinary	Re-insurance	Eire

On 1st April 1996 the Company invested a further £1,000,000 in Fleetlease (UK) Limited in order to provide additional working capital.

9. Debtors

9. Debtors		1996	1995
	Amounts due within one year	Amounts due after one year	Amounts due within one year
	£'000	£'000	£'000
Group			
Investment in hire purchase agreements	26,820	39,124	17,831
Instalment finance agreements	74,614	28,926	62,981
Investment in finance leases	7,905	23,677	4,738
	109,339	91,727	85,550
Amounts owed by fellow			
Hitachi Limited group company	12,061	—	7,565
Other debtors	4,707	—	1,307
Prepayments and accrued income (note 10)	589	—	852
	126,696	91,727	95,274
			77,107
Company			
Investment in hire purchase agreements	25,938	39,124	17,831
Instalment finance agreements	74,614	28,926	62,051
Investment in finance leases	7,905	23,677	4,738
	108,457	91,727	84,620
Amounts owed by fellow			
Hitachi Limited group company	12,061	—	7,565
Amounts owed by subsidiary	—	56,458	—
Other debtors	2,247	—	261
Prepayments and accrued income (note 10)	495	—	657
	123,260	148,185	93,103
			129,366

NOTES TO THE ACCOUNTS

continued

9. Debtors, continued

	Group		Company	
	1996	1995	1996	1995
	£'000	£'000	£'000	£'000
Cost of assets acquired for the purpose of letting under finance leases	20,366	8,165	20,366	8,165
Trade debtors are stated net of deferred income which is analysed as follows:				
Investment in hire purchase agreements	6,853	5,851	6,853	5,851
Instalment finance agreements	10,281	7,654	10,281	7,654
Investment in finance leases	5,753	4,811	5,753	4,811
	22,887	18,316	22,887	18,316
Aggregate leasing rentals receivable in period	11,023	10,759	11,023	10,759
Aggregate hire purchase rentals receivable in period	33,457	22,496	33,457	22,496

10. Prepayments and accrued income

	Group		Company	
	1996	1995	1996	1995
	£'000	£'000	£'000	£'000
Prepayments	284	315	190	120
Accrued income	305	537	305	537
	589	852	495	657

Accrued income includes an amount of £305,000 (1995: £537,000) relating to the surplus arising on the interest differential on loan stock which is due in more than one year.

11. Creditors: amounts falling due within one year

	Group		Company	
	1996	1995	1996	1995
	£'000	£'000	£'000	£'000
Bank loans, overdrafts and acceptances	127,254	93,756	126,615	93,729
Euro medium term notes (note 12)	6,393	—	6,393	—
Trade creditors	2,139	1,372	12	60
Sundry creditors	526	1,230	—	79
Accruals	12,353	8,452	4,212	3,418
Outstanding claims on insurance activities	45	214	—	—
Unearned premiums	401	399	—	—
Corporation tax	60	884	—	558
Advance Corporation Tax	173	118	173	118
Dividend payable	691	473	691	473
	150,035	106,898	138,096	98,435

NOTES TO THE ACCOUNTS

continued

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

	Group		Company	
	1996	1995	1996	1995
	£'000	£'000	£'000	£'000
Debtenture loan stock:				
Loan stock	52,471	47,139	52,471	47,139
Sinking fund	(34,633)	(28,658)	(34,633)	(28,658)
	17,838	18,481	17,838	18,481
Euro medium term notes	118,326	106,053	118,326	106,053
	136,164	124,534	136,164	124,534

The loan stock is redeemable in 2002, or at the Company's option on or after 30th March 1997. It carries interest at 11% per annum, on the amount of loan stock outstanding, including accrued interest, and is payable at the redemption rate. The Company has entered into an interest swap agreement to convert the fixed interest rate on the loan stock to a variable rate linked to London Interbank Offered Rates. Interest rate receipts as a result of the swap arrangement are debited to an interest bearing account (the sinking fund). A legal right of set-off exists between the sinking fund and the loan stock.

In April 1991, the company established a Euro Medium Term Note programme to provide a further source of funding for the company's development; since it was established the programme has been extended to a US\$300,000,000 programme. In March 1996 the company established a new US\$300,000,000 Euro Note Programme supported by a guarantee from Hitachi Credit Corporation. The Company has entered into interest rate and currency swap agreements to convert the proceeds of the notes issued to date into sterling obligations at variable interest rates linked to London Interbank Offered Rates.

13. Provisions for liabilities and charges

	Group		Company	
	1996	1995	1996	1995
	£'000	£'000	£'000	£'000
Deferred taxation:				
Balance at 1st April 1995	2,121	2,157	1,500	1,821
Advance Corporation Tax recoverable	(173)	(118)	(173)	(118)
Charge/(credit) for year	1,185	82	875	(203)
Undercharge for prior year	171	—	45	—
At 31st March 1996	3,304	2,121	2,247	1,500
Amount provided:				
Difference between accumulated depreciation and capital allowances	2,040	367	391	(254)
Short term timing differences	1,437	1,872	2,029	1,872
Advance Corporation Tax recoverable	(173)	(118)	(173)	(118)
	3,304	2,121	2,247	1,500

Full provision has been made for deferred taxation.

NOTES TO THE ACCOUNTS

continued

14. Analysis of net assets employed

	1996	1995
	£'000	£'000
Financing activities	10,438	7,884
Insurance activities	633	491
	11,071	8,375

15. Share capital

	1996	1995
	£'000	£'000
Authorised: 10,000,000 ordinary shares of £1 each (1995: 10,000,000)	10,000	10,000
Allotted, called up and fully paid: 6,909,350 ordinary shares of £1 each (1995: 5,909,350)	6,909	5,909

On 3rd April 1995 the company issued 1,000,000 ordinary £1 shares at par in order to increase the equity base.

16. Profit and loss account

	Group		Company	
	1996	1995	1996	1995
	£'000	£'000	£'000	£'000
At 1st April 1995	2,466	1,378	3,198	2,121
Profit for the year	1,696	1,348	924	1,077
Goodwill on acquisition	—	(260)	—	—
At 31st March 1996	4,162	2,466	4,122	3,198
Profit on ordinary activities after taxation:				
Dealt with in the accounts of the Company	1,615	1,264		
Retained by subsidiaries	772	557		
	2,387	1,821		

17. Reconciliation of movements in shareholders' funds

	Group	
	1996	1995
	£'000	£'000
Profit for financial year	2,387	1,821
Dividends	(691)	(473)
	1,696	1,348
New share capital subscribed	1,000	—
Goodwill	—	(260)
	2,696	1,088
Opening shareholders' funds	8,375	7,287
Closing shareholders' funds	11,071	8,375

NOTES TO THE ACCOUNTS

continued

18. Reconciliation of operating profit to net cash outflow from operating activities	1996	1995
	£'000	£'000
Operating profit	3,692	2,745
Depreciation	20,078	16,051
Profit on disposal of fixed assets	(2,328)	(1,876)
Surplus on loan stock	232	141
Increase in debtors	(46,274)	(42,925)
Increase/(decrease) in creditors	3,797	(993)
	(20,803)	(26,857)

19. Analysis of the balances of cash and cash equivalents as shown in the balance sheet	1996	1995	Change
	£'000	£'000	£'000
Cash at bank and in hand	1,269	1,432	(163)
Bank loans, overdrafts and acceptances	(117,254)	(83,756)	(33,498)
	(115,985)	(82,324)	(33,661)

20. Analysis of changes in financing during the year	Share capital	Loans including Euro medium term notes	Acceptances
	£'000	£'000	£'000
Balance at 1st April 1995	5,909	124,534	10,000
Issue of share capital	1,000	—	—
Issue of Euro medium term notes	—	46,983	—
Redemption of Euro medium term notes	—	(28,317)	—
Reduction in deep discount bond	—	(643)	—
At 31st March 1996	6,909	142,557	10,000

Acceptances include those amounts which mature within one year, but which are repayable more than three months from the date of the advance.

21. Commitments	Group		Company	
Capital commitments at 31st March for which no provision has been made in the accounts were as follows:	1996	1995	1996	1995
	£'000	£'000	£'000	£'000
Authorised but not contracted	72	21	72	21
The Company has the following annual commitments under operating leases in respect of land and buildings:				
Expiring within one year	16	126	16	56
Expiring between two and five years	77	—	7	—

NOTES TO THE ACCOUNTS

*continued***22. Bad Debts Insurance**

Annual premiums are paid by the Company and charged to the Profit and Loss Account under an insurance policy with Zurich International (UK) Ltd, which expires on 31st March 1998 unless terminated earlier at the Company's option.

Subject to a claim under the terms of the policy corporate bad debts may be reimbursed subject to certain qualifying conditions and to a predetermined maximum amount. If claims are, and remain, less than a predetermined minimum amount, the Company is entitled to a rebate of premiums paid on termination or expiry of the policy.

At the balance sheet date the contingent amounts were as follows:

	1996	1995
	£'000	£'000
Maximum possible amount claimable	2,306	1,723
Contingent rebate recoverable	960	606

23. Contingent liabilities

In the directors' opinion there were no material contingent liabilities at 31st March 1996 (1995: £nil).

24. Pensions

The Group participates in a separately administered pension scheme 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 Group, and of the other participating companies.

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 Group. 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 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 £289,000 (1995: £208,000). This cost was after a reduction of £29,000 (1995: £19,000) 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.

25. Holding Company

The Company is a wholly-owned subsidiary of Hitachi Credit Corporation, incorporated in Japan. Statutory accounts of this company can be obtained from:

15-12, Nishi Shimbashi 2-chome, Minato-ku, Tokyo 105, Japan

The ultimate holding company is Hitachi, Ltd, incorporated in Japan. Statutory accounts of this company can be obtained from:
6, Kanda-Surugadai 4-chome, Chiyoda-ku, Tokyo 101, Japan.

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