

2317215

Transamerica Trailer Leasing Limited

Report and Accounts

31 DECEMBER 1996



Transamerica Trailer Leasing Limited

Registered No. 2317213

DIRECTORS

J Johnson
D J Kenny
C E Tingley (Chairman)
E T Mann
H M Roome
D P Loosley

SECRETARY

F S Gelderd

AUDITORS

Ernst & Young
400 Capability Green
Luton
Bedfordshire
LU1 3LU

BANKERS

National Westminster Bank Plc
32 East Street
Barking
Essex IG11 8E2

SOLICITORS

Berwin Leighton
Adelaide House
London Bridge
London EC4R 9HA

REGISTERED OFFICE

Roding House
2 Cambridge Road
Barking
Essex IG11 8NL

 **ERNST & YOUNG**

Transamerica Trailer Leasing Limited

DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31 December 1996.

RESULTS AND DIVIDENDS

The profit for the year after taxation amounted to £2,735,032 (1995 - £939,921) which has been transferred to reserves. No dividend is proposed.

PRINCIPAL ACTIVITY

The company's principal activity during the year continued to be the provision of trailers for rent or lease.

FUTURE DEVELOPMENTS

The company has established a firm foothold in the UK and further expansion is planned for 1997 with new branches in Bristol, Felixstowe and Leeds.

The trailer fleet which is now over 5,000 units is positioned for continued growth over the next 12 months.

FIXED ASSETS

Details of fixed assets are set out in note 7 to the accounts.

DIRECTORS AND THEIR INTERESTS

The directors during the year were as follows:

D J Kenny
C E Tingley
J Johnson
E T Mann
H M Roome
D P Loosley

None of the directors had any beneficial interest in shares or contracts of the company.

PAYMENTS TO SUPPLIERS

The Company agrees terms and conditions for its business transactions with suppliers. Payment is then made to these terms, subject to the terms and conditions being met by the supplier.

AUDITORS

A resolution in accordance with section 386 of the Companies Act 1985 to dispense with the obligation to appoint auditors annually was passed on 12 June 1996 and accordingly Ernst & Young shall be deemed reappointed as auditors.

By order of the board



F S Gelderd
Secretary

22 SEPTEMBER 1997

Transamerica Trailer Leasing Limited

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

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 of the profit or loss of the company 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; and
- prepare the accounts 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 accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

REPORT OF THE AUDITORS

to the members of Transamerica Trailer Leasing Limited

We have audited the accounts on pages 5 to 17, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

As described on page 3, the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

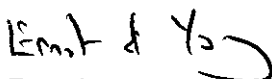
Basis of opinion

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 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 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 the company's affairs as at 31 December 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Ernst & Young
Chartered Accountants
Registered Auditor
Luton

22 September 1997

Transamerica Trailer Leasing Limited

PROFIT AND LOSS ACCOUNT

for the year ended 31 December 1996

| | Notes | 1996 £ | 1995 £ |
|--|-------|----------------------------|---------------------------|
| TURNOVER | | | |
| Cost of sales | 2 | 20,798,703 (10,265,114) | 15,334,661 (7,495,396) |
| GROSS PROFIT | | | |
| Administrative expenses | | 10,533,589 (2,947,587) | 7,839,265 (2,102,812) |
| Other operating income | | 7,586,002 1,191,422 | 5,736,453 803,697 |
| OPERATING PROFIT | 3 | 8,777,424 | 6,540,150 |
| Interest receivable | | 79,172 | 35,210 |
| Interest payable | 5 | (4,793,319) | (4,018,076) |
| | | (4,714,147) | (3,982,866) |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | | | |
| Taxation | 6 | 4,063,277 (1,328,245) | 2,557,284 (1,617,363) |
| PROFIT FOR THE FINANCIAL YEAR | 16 | 2,735,032 | 939,921 |

A statement of movement on reserves can be found in note 16 to the accounts.

There are no recognised gains or losses other than the profit attributable to shareholders of the company of £2,735,032 in the year ended 31 December 1996 (1995 - £939,921). All recognised gains and losses arise from continuing activities.

Transamerica Trailer Leasing Limited

BALANCE SHEET

at 31 December 1996

| | Notes | 1996 £ | 1995 £ |
|--|-------|--------------|--------------|
| FIXED ASSETS | | | |
| Tangible assets | 7 | 96,703,182 | 72,677,136 |
| CURRENT ASSETS | | | |
| Debtors: | 8 | | |
| amounts falling due after one year | | 2,790,678 | 1,473,627 |
| amounts falling due within one year | | 5,169,036 | 2,757,501 |
| | | 7,959,714 | 4,231,128 |
| Cash at bank and in hand | 9 | 500 | 1,287 |
| Net investment in lease purchase agreements | | — | 13,545 |
| | | 7,960,214 | 4,245,960 |
| CREDITORS: amounts falling due within one year | 10 | (20,715,399) | (25,736,504) |
| NET CURRENT LIABILITIES | | (12,755,185) | (21,490,544) |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 83,947,997 | 51,186,592 |
| CREDITORS: amounts falling due after more than one year | 11 | (61,333,020) | (37,431,596) |
| PROVISION FOR LIABILITIES AND CHARGES | 14 | (7,486,590) | (3,158,641) |
| | | 15,128,387 | 10,596,355 |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 15 | 800 | 600 |
| Capital contribution | 16 | 37,871 | 37,871 |
| Share premium account | 16 | 10,041,522 | 8,244,722 |
| Profit and loss account | 16 | 5,048,194 | 2,313,162 |
| Equity shareholders' funds | | 15,128,387 | 10,596,355 |

Director



Director

22 SEPTEMBER 1997

The notes on pages 8 to 18 form part of these accounts.

Transamerica Trailer Leasing Limited

STATEMENT OF CASH FLOWS for the year ended 31 December 1996

| | Notes | 1996 £ | 1995 £ |
|---|-------|--------------|--------------|
| NET CASH INFLOW FROM OPERATING ACTIVITIES | 3(c) | 16,080,099 | 11,758,223 |
| RETURNS ON INVESTMENTS AND SERVICING OF FINANCE | | | |
| Interest received | | 79,172 | 35,210 |
| Interest paid | | (6,113,867) | (2,927,734) |
| NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE | | (6,034,695) | (2,892,524) |
| INVESTING ACTIVITIES | | | |
| Payments to acquire tangible fixed assets | | (32,277,683) | (29,099,593) |
| Receipts from sales of tangible fixed assets | | 398,897 | 115,897 |
| Receipts from sale of plant and machinery under sales and leaseback agreements | | 66,090,263 | - |
| NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES | | 34,211,477 | (28,983,696) |
| NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING | | 44,256,881 | (20,117,997) |
| FINANCING | | | |
| Issue of ordinary share capital | 16 | (1,797,000) | (1,900,000) |
| Proceeds from new loans | | - | (25,000,000) |
| Repayment of capital element finance leases | 13 | 1,922,995 | - |
| Repayment of loans | 12 | 38,666,128 | 5,629,415 |
| | | 38,792,123 | (21,270,585) |
| INCREASE IN CASH AND CASH EQUIVALENTS | 9 | 5,464,758 | 1,152,588 |
| | | 44,256,881 | (20,117,997) |

Transamerica Trailer Leasing Limited

NOTES TO THE ACCOUNTS

as at 31 December 1996

1. ACCOUNTING POLICIES

Accounting convention

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

Certain comparatives have been restated in order to reflect better the substance of the transactions.

Depreciation

Fixed assets are stated at cost.

The cost of fixed assets is written off by equal annual instalments over their expected useful lives with residual values as follows:

| | | |
|---|---|---|
| Leasehold land and buildings | - | over the lease term |
| Equipment for rental | - | 10 to 15 years, residual value 10% to 20% |
| Motor vehicles | - | 4 years, nil residual value |
| Computer hardware acquired to 30 September 1996 | - | 3 to 5 years, nil residual value |
| Computer hardware acquired from 1 October 1996 | - | written off as incurred |

Deferred taxation and group relief

Deferred taxation is provided using the liability method on all timing differences, including those relating to pensions, which are expected to reverse in the future without being replaced, calculated at the rate at which it is anticipated the timing differences will reverse. Credit is taken for group relief receivable to the extent that it is certain that tax losses will be claimed and utilised by other group companies.

Pension benefits

The company is a member of a defined benefit scheme which is available to employees of Transamerica UK companies and branches.

Pension benefits are funded over the employees' periods of service. The company's contributions, based on the most recent triennial actuarial valuation of the fund, are made to an independent pension fund.

Leases

Income from lease purchase agreements is credited to the profit and loss account in proportion to the funds invested.

Income from operating leases is credited to profit and loss account on a straight line basis over the period of the contract.

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the company, and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. The capital elements of future obligations under the leases and hire purchase contracts are included as liabilities in the balance sheet.

The interest elements of the rental obligations are charged in the profit and loss account over the periods of the leases and hire purchase contracts and represents a constant proportion of the balance of capital repayments outstanding.

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

Transamerica Trailer Leasing Limited

NOTES TO THE ACCOUNTS

as at 31 December 1996

2. TURNOVER

Turnover is stated net of Value Added Tax and represents amounts invoiced to third parties and relate to one continuing activity, the provision of trailers for hire or lease. The activities are carried out wholly in the United Kingdom.

Gross rentals receivable amounted to:

| | 1996 £ | 1995 £ |
|--------------------|-------------------|-------------------|
| Short term rentals | 8,673,792 | 5,525,200 |
| Operating leases | 12,124,911 | 9,809,461 |
| | <u>20,798,703</u> | <u>15,334,661</u> |

3. OPERATING PROFIT

(a) This is stated after charging:

| | 1996 £ | 1995 £ |
|--|------------------|-----------|
| Auditors' remuneration - audit | 22,250 | 31,000 |
| - non audit | 8,000 | 8,000 |
| Depreciation of owned tangible fixed assets | 5,832,402 | 5,191,734 |
| Depreciation of assets held under finance leases and hire purchase contracts | <u>1,236,233</u> | <u>-</u> |

(b) Directors' remuneration

No directors received emoluments from the company during the year.

(c) Reconciliation of operating profit to net cash inflow from operating activities

| | 1996 £ | 1995 £ |
|---|-------------------|-------------------|
| Operating profit | 8,777,424 | 6,540,150 |
| Depreciation | 7,068,635 | 5,191,734 |
| Profit on disposal of fixed assets | (21,861) | (1,031) |
| Increase in debtors | (728,882) | (505,738) |
| Increase in creditors | 971,238 | 521,144 |
| Decrease in investment in lease purchase agreements | 13,545 | 11,964 |
| Net cash inflow from operating activities | <u>16,080,099</u> | <u>11,758,223</u> |

Transamerica Trailer Leasing Limited

NOTES TO THE ACCOUNTS

as at 31 December 1996

4. STAFF COSTS

| | 1996 £ | 1995 £ |
|-----------------------|------------------|----------------|
| Wages and salaries | 902,479 | 600,287 |
| Social security costs | 79,491 | 54,851 |
| Other pension costs | 73,623 | 54,424 |
| | <u>1,055,593</u> | <u>709,562</u> |

The average number of staff employed by the company during the year was 39 (1995 - 25).

5. INTEREST PAYABLE

| | 1996 £ | 1995 £ |
|---|------------------|------------------|
| Parent undertaking | 199,318 | 284,645 |
| Interest payable on loans not wholly repayable within 5 years | — | 756,209 |
| Other interest payable | 3,541,861 | 2,977,222 |
| Finance charges payable under finance leases and hire purchase contracts | 1,052,140 | — |
| | <u>4,793,319</u> | <u>4,018,076</u> |

6. TAXATION

| | 1996 £ | 1995 £ |
|-------------------|--------------------|--------------------|
| Consortium relief | — | 1,541,278 |
| Deferred taxation | (1,328,245) | (3,158,641) |
| | <u>(1,328,245)</u> | <u>(1,617,363)</u> |

There is no current tax liability as the company utilised brought forward losses to cover the taxable profits arising in the year.

At 31 December 1996, the company had UK tax losses, subject to final agreement and before consortium relief claims by the shareholders, of approximately £2,400,000 (1995 - £19,200,000) to carry forward.

Transamerica Trailer Leasing Limited

NOTES TO THE ACCOUNTS

as at 31 December 1996

7. TANGIBLE FIXED ASSETS

| | <i>Short leasehold land and buildings</i> | <i>Plant and machinery</i> | <i>Motor vehicles</i> | <i>Computer and office equipment</i> | <i>Total</i> |
|---------------------|---|--------------------------------|---------------------------|--|--------------|
| | £ | £ | £ | £ | £ |
| Cost: | | | | | |
| At 1 January 1996 | 32,634 | 84,457,100 | 246,657 | 327,741 | 85,064,132 |
| Additions | 5,842 | 31,292,682 | 101,983 | 71,210 | 31,471,717 |
| Disposals | — | (495,108) | (31,791) | (144,082) | (670,981) |
| At 31 December 1996 | 38,476 | 115,254,674 | 316,849 | 254,869 | 115,864,868 |
| Depreciation: | | | | | |
| At 1 January 1996 | 3,757 | 12,180,461 | 66,532 | 136,246 | 12,386,996 |
| Charge for the year | 8,606 | 6,813,651 | 74,337 | 172,041 | 7,068,635 |
| Disposals | — | (129,482) | (22,180) | (142,283) | (293,945) |
| At 31 December 1996 | 12,363 | 18,864,630 | 118,689 | 166,004 | 19,161,686 |
| Net book value: | | | | | |
| At 31 December 1996 | 26,113 | 96,390,044 | 198,160 | 88,865 | 96,703,182 |
| At 31 December 1995 | 28,877 | 72,276,639 | 180,125 | 191,495 | 72,677,136 |

Plant and machinery consists of assets leased out under operating leases.

The net book value of plant and machinery above includes an amount of £64,773,347 (1995 - £Nil) in respect of assets held under finance leases.

8. DEBTORS

| | <i>1996</i> | <i>1995</i> |
|---|------------------|------------------|
| | £ | £ |
| Trade debtors | 2,141,882 | 1,285,179 |
| Other debtors | 963,961 | 617,010 |
| Prepayments | 197,094 | 261,698 |
| Due from group undertakings | 967,266 | 583,951 |
| Amounts due from a member of the Lombard North Central PLC Group | 3,689,511 | 1,483,290 |
| | <u>7,959,714</u> | <u>4,231,128</u> |

Transamerica Trailer Leasing Limited

NOTES TO THE ACCOUNTS

as at 31 December 1996

8. DEBTORS (continued)

Amounts falling due after one year included above are:

| | 1996 £ | 1995 £ |
|--|------------------|------------------|
| Amounts due from a member of Lombard North Central PLC Group | 2,695,190 | 1,282,651 |
| Due from group undertakings | 95,488 | 95,488 |
| | <u>2,790,678</u> | <u>1,378,139</u> |

These amounts relate to consortium relief claims made by the shareholders, payable upon the occurrence of various crystallising events, as defined within the consortium relief agreement.

9. CASH AND CASH EQUIVALENTS

| | 1996 £ | 1995 £ | Net cash inflow £ | 1995 £ | 1994 £ | Net cash inflow £ |
|------------------|---------------------|---------------------|-------------------------|---------------------|---------------------|-------------------------|
| Cash at bank | 500 | 1,287 | (787) | 1,287 | 1,380,544 | (1,379,257) |
| Bank overdraft | (51,806) | (1,574,325) | 1,522,519 | (1,574,325) | - | (1,574,325) |
| Short term loans | (10,600,000) | (14,543,026) | 3,943,026 | (14,543,026) | (18,649,196) | 4,106,170 |
| | <u>(10,651,306)</u> | <u>(16,116,064)</u> | <u>5,464,758</u> | <u>(16,116,064)</u> | <u>(17,268,652)</u> | <u>1,152,588</u> |

10. CREDITORS: amounts falling due within one year

| | 1996 £ | 1995 £ |
|---|-------------------|-------------------|
| Bank overdraft | 51,806 | 1,574,325 |
| Amounts due to Lombard North Central PLC obligations under finance leases (note 13) | 3,570,664 | - |
| instalments due on loans | 11,677,238 | 18,860,176 |
| Loans from other group undertakings | 695,180 | 666,128 |
| Trade creditors | 443,500 | 552,983 |
| Other taxes and social security | 26,868 | 33,760 |
| Accruals | 555,439 | 360,965 |
| Other creditors | 1,811,238 | 2,611,557 |
| Amounts due to other group undertakings | 1,205,700 | 379,902 |
| Deferred income | 677,766 | 696,708 |
| | <u>20,715,399</u> | <u>25,736,504</u> |

The amounts due to Lombard North Central PLC relate to short term loans drawn down under a floating rate facility with interest rates currently fixed at 6.375%, 6.34375% and 6.3125% for amounts of £3,700,000, £6,400,000 and £500,000 respectively. The amount also includes an interest accrual of £1,077,238 (1995 - £2,317,150) which relates to the finance lease obligation and short term loan.

Transamerica Trailer Leasing Limited

NOTES TO THE ACCOUNTS

as at 31 December 1996

10. CREDITORS: amounts falling due within one year (continued)

Both Lombard North Central PLC and Transamerica group undertakings have confirmed that, except for the amounts due under finance lease obligations, they do not intend to call for repayments of amounts due to them within the foreseeable future.

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

| | 1996 £ | 1995 £ |
|---|-------------------|-------------------|
| Loan from Transamerica Leasing Inc. | 736,416 | 1,431,596 |
| Loans from Lombard North Central PLC | — | 36,000,000 |
| Amounts due to Lombard North Central PLC obligations under finance leases (note 13) | 60,596,604 | — |
| | <u>61,333,020</u> | <u>37,431,596</u> |

12. LOANS

Included within creditors are loans which can be analysed as follows:

| | 1996 £ | 1995 £ |
|--------------------------------------|-------------------|-------------------|
| Wholly repayable within 5 years: | | |
| Lombard North Central PLC | 10,600,000 | 40,543,026 |
| Transamerica Leasing Inc. | 1,431,596 | 2,097,724 |
| | <u>12,031,596</u> | <u>42,640,750</u> |
| Not wholly repayable within 5 years: | | |
| Lombard North Central PLC: | | |
| Repayable 8.3.2001 at 7.934% | — | 2,000,000 |
| Repayable 8.3.2002 at 8.007% | — | 3,000,000 |
| Repayable 10.3.2003 at 8.0796% | — | 3,000,000 |
| Repayable 9.1.2001 at 9.95% | — | 2,000,000 |
| Repayable 13.10.2001 at 8.5% | — | 2,000,000 |
| | <u>12,031,596</u> | <u>54,640,750</u> |

Analysis of maturity of debt

| | 1996 £ | 1995 £ |
|----------------------------|-------------------|-------------------|
| Loans: after five years | — | 12,000,000 |
| between two and five years | — | 19,736,416 |
| between one and two years | 736,416 | 5,695,180 |
| | <u>736,416</u> | <u>37,431,596</u> |
| within one year | 11,295,180 | 17,209,154 |
| | <u>12,031,596</u> | <u>54,640,750</u> |

Transamerica Trailer Leasing Limited

NOTES TO THE ACCOUNTS

as at 31 December 1996

12. LOANS (continued)

Analysis of changes in financing during the year

| | <i>Loans</i> £ |
|--------------------------------------|-------------------|
| Balance at 1 January 1996 | 40,097,724 |
| Cash (outflow)/inflow from financing | (38,666,128) |
| Balance at 31 December 1996 | <u>1,431,596</u> |

13. OBLIGATIONS UNDER FINANCE LEASES AND HIRE PURCHASE CONTRACTS

The maturity of these amounts is as follows:

| | <i>1996</i> £ | <i>1995</i> £ |
|----------------------|-------------------|------------------|
| Amounts payable: | | |
| Within one year | 3,570,664 | — |
| In two to five years | 16,870,667 | — |
| More than five years | 43,725,937 | — |
| | <u>64,167,268</u> | <u>—</u> |

Analysis of changes in finance leases and hire purchase contracts during the year:

| | £ |
|--|-------------------|
| At 1 January 1996 | — |
| Inception of finance lease contracts | 66,090,263 |
| Repayment of capital element of finance leases | (1,922,995) |
| At 31 December 1996 | <u>64,167,268</u> |

14. PROVISION FOR LIABILITIES AND CHARGES

| | <i>Deferred</i> <i>taxation</i> £ |
|------------------------------------|---|
| At 1 January 1996 | 3,158,647 |
| Losses surrendered | 2,999,704 |
| Charged to profit and loss account | 1,328,245 |
| At 31 December 1996 | <u>7,486,590</u> |

Transamerica Trailer Leasing Limited

NOTES TO THE ACCOUNTS

as at 31 December 1996

14. PROVISION FOR LIABILITIES AND CHARGES (continued)

Deferred taxation provided in the accounts and the amounts not provided are as follows:

| | <i>Provided 1996 £</i> | <i>Provided 1995 £</i> | <i>Not provided 1996 £</i> | <i>Not provided 1995 £</i> |
|---|--------------------------------|--------------------------------|--|--|
| Capital allowances in advance of depreciation | 8,368,409 | 9,580,871 | — | — |
| Tax losses | (820,560) | (6,334,373) | — | — |
| Other timing differences | (61,259) | (87,857) | — | — |
| | <u>7,486,590</u> | <u>3,158,641</u> | <u>—</u> | <u>—</u> |

15. SHARE CAPITAL

| | <i>1996 No.</i> | <i>Authorised 1995 No.</i> | <i>Allotted and fully paid 1996 £</i> | <i>1995 £</i> |
|--------------------------------|---------------------|------------------------------------|---|-------------------|
| Ordinary 'A' shares of £1 each | 510,000 | 510,000 | 408 | 306 |
| Ordinary 'B' shares of £1 each | 490,000 | 490,000 | 392 | 294 |
| | <u>1,000,000</u> | <u>1,000,000</u> | <u>800</u> | <u>600</u> |

During the year, the company issued 102 £1 ordinary 'A' shares and 98 £1 ordinary 'B' shares fully paid for cash of £1,797,000 in order to fund the increase in business during the year.

16. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

| | <i>Share capital £</i> | <i>Share premium £</i> | <i>Capital contribution £</i> | <i>Profit and loss account £</i> | <i>Total £</i> |
|----------------------|--------------------------------|--------------------------------|---------------------------------------|--|--------------------|
| At 1 January 1995 | 500 | 6,344,822 | 37,871 | 1,373,241 | 7,756,434 |
| Received in the year | 100 | 1,899,900 | — | — | 1,900,000 |
| Profit for the year | — | — | — | 939,921 | 939,921 |
| At 31 December 1995 | <u>600</u> | <u>8,244,722</u> | <u>37,871</u> | <u>2,313,162</u> | <u>10,596,355</u> |
| Received in the year | 200 | 1,796,800 | — | — | 1,797,000 |
| Profit for the year | — | — | — | 2,735,032 | 2,735,032 |
| At 31 December 1996 | <u>800</u> | <u>10,041,522</u> | <u>37,871</u> | <u>5,048,194</u> | <u>15,128,387</u> |

Transamerica Trailer Leasing Limited

NOTES TO THE ACCOUNTS

as at 31 December 1996

17. PENSION COMMITMENTS

The company participates in a funded defined benefits pension scheme providing benefits based on final pensionable salary. The assets of the fund are held separately from those of the company.

The contributions to the scheme are determined by a qualified actuary on the basis of regular valuations.

The results of the most recent valuation which was conducted as at 6 April 1995 were as follows:

| | |
|---|------------------------|
| Rate of return on investment | 9% per annum compound |
| Rate of salary increase | 8% per annum compound |
| Rate of increase to pensions in payment pre 6 April 1997 | 3% per annum compound |
| Rate of increases to pensions in payment post 6 April 1997 | 4½% per annum compound |
| Rate of dividend increases | 4½% per annum compound |
| Market value of scheme's assets | £1,926,161 |
| Actuarial value of the scheme's assets | £1,737,000 |
| Level of funding being the actuarial value of assets expressed as a percentage of benefits accrued to members | 115% |

This method of funding is known as the 'Attained Age Method'.

The surplus in the scheme is being recognised as a variation from regular cost, amortised over the average expected remaining service lives of current employees. Allowing for this the company will contribute at a rate of 14.8% of pensionable salaries as recommended by the Actuary.

18. RELATED PARTY TRANSACTIONS

Transactions with parent undertakings

The company had loans and other balances totalling £2,637,296 with Transamerica group companies. Interest totalling £199,318 was payable during the year on these balances.

Transactions with significant shareholders

The company had loans and overdrafts totalling £11,677,000 with Lombard North Central PLC at 31 December 1996. During the year interest of £3,547,000 was payable on these loans and overdrafts.

The company also entered into various sale and leaseback transactions with Lombard North Central PLC which in total raised finance of £66,090,000. At 31 December 1996 £64,167,000 of the capital element of the finance lease obligations was outstanding. Finance charges relating to these transactions of £1,052,000 were payable during the year.

The net book value of the assets held under these finance leases is £64,773,000.

Consortium relief

Debtors include £4,467,000 relating to consortium relief claims made by the shareholders which are payable upon the occurrence of various crystallising events, as defined within the consortium relief agreement.

Transamerica Trailer Leasing Limited

NOTES TO THE ACCOUNTS

as at 31 December 1996

19. CAPITAL COMMITMENTS

Future capital expenditure contracted for but not provided for at 31 December 1996 amounted to £5,587,207 (1995 - £5,257,008).

20. OPERATING LEASES

At 31 December 1996 the company had annual commitments under non-cancellable operating leases as set out below:

| | <i>Land and buildings</i> | |
|--------------------------------|---------------------------|-------------------|
| | <i>1996</i> | <i>1995</i> |
| | <i>£000</i> | <i>£000</i> |
| Operating leases which expire: | | |
| Within one year | 101 | — |
| In two to five years | 64 | 178 |
| In over five years | 25 | — |
| | <u> </u> | <u> </u> |

21. HOLDING COMPANY

The company is a 51% subsidiary undertaking of Transamerica Commercial Holdings Limited (the remaining 49% is held by the Lombard Group) which is registered in England and Wales, and which has included the company in its group accounts, copies of which are available from the Registrar of Companies.

The ultimate holding company is the Transamerica Corporation, incorporated in the United States of America.