

**Highway Vehicle Management Limited
(formerly Highway Vehicle Leasing Limited)**

Report and Financial Statements

31 March 1998

Registered No : 3113876



Highway Vehicle Management Limited

Report and financial statements for the period ended 31 March 1998

Contents	Page
Officers and professional advisers	1
Directors' report	2 - 3
Statement of directors' responsibilities	4
Auditors' report	5
Profit and loss account	6
Balance sheet	7
Notes to the financial statements	8 - 17

Highway Vehicle Management Limited

1

Officers and Professional advisers

Directors

P L Weigh, Chairman
C R McLean, Managing Director
R G Cumming
A A Dunn (Resigned 3 July 1998)
R N Graham
D M MacLeod
A Orr
I A Grant
D Hall

Secretary

D M MacLeod

Registered Office

PO Box 166
Ambassador House
Devonshire Street
Manchester
M60 1GG

Bankers

Whiteaway Laidlaw Bank Limited
Ambassador House
PO Box 93
Devonshire Street North
Manchester
M60 6BU

Auditors

Coopers & Lybrand
PO Box 90
Erskine House
68-73 Queen Street
Edinburgh
EH2 4NH

Directors' Report for the period ended 31 March 1998

The directors have pleasure in submitting their annual report together with the audited financial statements for the 14 month period ended 31 March 1998.

Activities

The company's principal activities are the leasing contract hire and fleet management of vehicles.

Review of business and future developments

The directors consider the performance of the company, and its future prospects, to be satisfactory.

Change of name

The company's name was changed to Highway Vehicle Management Limited on 8 January 1998.

Dividends

The directors have proposed dividends of £2,385,000 during the period. No further dividends are recommended.

Directors

The directors of the company during the period and at 31 March 1998 are listed on page 1.

Directors' interests

No director had any interest in the shares or debentures of the company at 31 March 1998.

At 31 March 1998 P L Weigh held 1,000 shares of the ultimate holding company. The interests of the other directors were nil.

Employees

The company's policy is to consult and discuss with employees all matters likely to affect their interests.

The company's policy is to recruit disabled workers for those vacancies that they are able to fill as appropriate to their aptitudes and abilities.

Directors' Report for the period ended 31 March 1998

Creditor payment policy

The company's policy is to

- (a) Settle the terms of payment with suppliers when agreeing the terms of each transaction;
- (b) ensure that those suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts.
- (c) pay in accordance with its contractual and other legal obligations.

Year 2000

The Year 2000 issue, which stems from computer programs written using two digits rather than four to define the applicable year, could result in processing faults on the change of century, producing a wide range of consequences.

The company has conducted a risk-based review of its computer systems to identify those which could be affected. The affected systems are being updated or replaced at no significant additional cost.

Auditors

A resolution to reappoint the auditors, Coopers & Lybrand, will be proposed at the annual general meeting.

By order of the Board



D M MacLeod
Company secretary
7 July 1998

Statement of directors' responsibilities

The directors are required by UK company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period.

The directors confirm that suitable accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the period ended 31 March 1998. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records, for taking reasonable steps to safeguard the assets of the company, and to prevent and detect fraud and other irregularities.

By order of the board



D M MacLeod
Company secretary
7 July 1998

Report of the auditors to the members of Highway Vehicle Management Ltd

We have audited the financial statements on pages 6 to 17.

Respective responsibilities of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

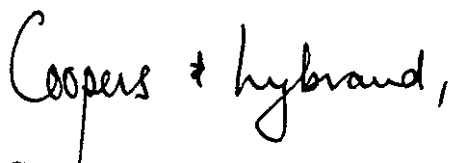
Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company at 31 March 1998 and of the profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



Coopers Lybrand

Chartered Accountants and Registered Auditors

Edinburgh

9 July 1998

Profit and Loss Account for the period ended 31 March 1998

	Note	14 months to 31 March 1998 £'000	10 days to 31 January 1997 £'000
Turnover	2	94,600	1,757
Direct costs		82,348	1,504
Gross profit		12,252	253
Administrative expenses		(5,549)	(109)
Operating profit		6,703	144
Gain on sale of subsidiary undertaking		-	15,832
Income from shares in group undertakings		-	17,275
Profit on ordinary activities before interest		6,703	33,251
Interest receivable		287	8
Profit on ordinary activities before taxation	3	6,990	33,259
Tax on profit on ordinary activities	6	(1,913)	(2,479)
Profit for the financial period		5,077	30,780
Dividends	7	(2,385)	(17,275)
Retained profit for the period	15	2,692	13,505

All activities are continuing.

There were no recognised gains and losses in the period other than as disclosed in the profit and loss account. Accordingly a Statement of Total Recognised Gains and Losses is not provided.

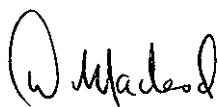
There is no difference between the operating profit and profit for the financial period shown above and the relevant amounts calculated under the historical cost convention.

Balance Sheet at 31 March 1998

	Notes	31 March 1998 £'000	31 January 1997 £'000
Fixed assets			
Tangible assets	8	107,897	77,781
Investments	9	16,000	16,000
		<u>123,897</u>	<u>93,781</u>
Current assets			
Contract hire vehicles	8	22,976	19,382
Debtors			
- due within one year	10	7,953	6,636
- due after more than one year	10	2,701	2,847
		<u>33,630</u>	<u>28,865</u>
Creditors : amounts falling due within one year	11	<u>116,545</u>	<u>59,198</u>
Net current liabilities		<u>(82,915)</u>	<u>(30,333)</u>
Total assets less current liabilities		<u>40,982</u>	<u>63,448</u>
Creditors : amounts falling due after more than one year			
Lease purchase liabilities	12	(20,304)	(51,276)
Provisions for liabilities and charges			
Deferred taxation	13	(4,782)	(3,598)
Accruals and deferred income		<u>(13,461)</u>	<u>(8,831)</u>
		<u>2,435</u>	<u>(257)</u>
Capital and reserves			
Called up share capital	14	168	168
Profit and loss account	15	2,267	(425)
Equity shareholders' funds		<u>2,435</u>	<u>(257)</u>

These financial statements were approved by the Board of Directors on 7 July 1998.

Signed on behalf of the Board of Directors



D M MacLeod

Notes to the financial statements for the period ended 31 March 1998

1 Accounting policies

The financial statements are prepared in accordance with applicable Accounting Standards. The particular accounting policies are described below.

The period ended 31 March 1998 represents fourteen months trading. The comparative period ended 31 January 1997 represents the activities of the company since incorporation on 17 May 1996 to 31 January 1997 although trading only commenced on 21 January 1997.

Basis of accounting and consolidation

The financial statements have been prepared under the historical cost convention.

The company is exempt under Section 228 of The Companies Act 1985 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included in the consolidated financial statements of the ultimate parent company.

Goodwill on acquisition is written off direct to reserves in the year of acquisition.

Leases - with funders

Vehicles acquired under finance leases and the related lease purchase liabilities are recorded in the balance sheet at the fair value of the vehicles at the inception of the leases. The amounts by which the lease payments exceed the recorded lease purchase liabilities represent finance costs which are charged over each lease term to give a constant rate of charge on the remaining balance of the liability.

Leases - with customers

(a) Contract hire

Vehicles leased to customers under contract hire arrangements are treated as operating leases. Rentals are recognised in the profit and loss account on a straight line basis over the term of the contract.

Profit on each hire contract is credited to the profit and loss account evenly over the term of the contract. The cost of each vehicle, less estimated residual value, is spread over the contract term in such a way that depreciation taken together with the related finance cost (see note above) amounts to a constant charge throughout the period of the lease.

Vehicles due for disposal during the following financial year are classified as current assets.

1 Accounting policies (continued)

(b) Hire purchase contracts

Vehicles which are sold to customers under hire purchase contracts are treated as disposals in the amount of their net book value. Amounts receivable from customers are shown in the balance sheet as debtors.

Rentals receivable from customers are apportioned between finance income and repayment of the debtor balance in such a way that the amount of finance income recorded in each hire period represents a constant rate of return on the outstanding debtor balance.

(c) Agency vehicles

Vehicles leased to customers by the company acting solely as agent for a funder are not capitalised unless the company has acquired (and not disposed of) an interest in the residual value of the vehicle at the end of the lease. In these circumstances the obligation to purchase the vehicle is included as a liability (note 11) and the company's interest in the eventual resale value is included in current assets (note 10) in the same amount, less provision for any foreseeable losses on disposal.

(d) Maintenance contracts

Income and profits from all maintenance contracts on cars leased to customers are recognised on a straight line basis over the term of the contract. Maintenance contracts on commercial vehicles recognise income on a straight line base with profits only recognised at the end of the contract. The difference between the cost of sales required to comply with this policy and the actual costs incurred on live contracts is included as a maintenance reserve within accruals and deferred income.

Depreciation of fixed assets

No depreciation is charged on heritable property since in the directors' opinion its useful life is long and residual value (excluding inflation) will remain at a high level through proper care and maintenance, and any depreciation would therefore be immaterial.

Leasehold improvements are depreciated in equal annual instalments over the remainder of the lease.

All other assets are depreciated over their expected useful lives as follows:

Contract vehicles	See 'Contract hire' above
Furniture and fittings	25% reducing balance
Computer equipment	evenly over 7 years except for hardware purchased from 1/2/93 which is depreciated over 4 years

Deferred taxation

Deferred tax is provided in respect of timing differences to the extent that a liability or asset will arise in the foreseeable future.

1 Accounting policies (continued)

Pension costs

The Company contributes to a defined contribution group personal pension scheme which is independently administered. The assets are held separately from those of the company in policies individually allocated to each participating employee. The pension cost charge represents the contributions payable by the company to the policies.

Investments

Investments held as fixed assets are stated at cost less amounts written off.

Cash Flows

During the period the company was a wholly owned subsidiary of The Great Universal Stores PLC and the cash flows of the company are included in the consolidated group cash flow statement of The Great Universal Stores PLC. Consequently the company is exempt under the terms of Financial Reporting Standard No. 1 from publishing a cash flow statement.

2 Turnover

Turnover, all of which arises in the UK represents the net invoice value of vehicle sales to third parties, vehicle rentals and other fees and bonuses attributable to the period, excluding value added tax.

3 Profit on ordinary activities before taxation

The profit before taxation is arrived at after charging the following items

	14 months	10 days
	1998	1997
	£'000	£'000

Depreciation

- owned assets	22,632	107
- leased assets	12,824	555
Auditors remuneration - Coopers & Lybrand as auditors	37	1
- for other services	6	1
- Deloitte & Touche as auditors	-	2
Rental expenses - operating leases	158	4
And crediting:		
Rental income under operating leases	68,191	1,211

4 Directors' and employees' emoluments

	14 months 1998 £'000	10 days 1997 £'000
Directors		
Aggregate emoluments	529	-
Company pension contributions to money purchase schemes	32	-
Emoluments payable to the highest paid director are as follows:		
Aggregate emoluments	166	-
Company pension contributions to money purchase schemes	16	-

The company is making pension contributions to the personal pension schemes of six directors' (1997 six directors).

Employees

	14 months 1998 £'000	10 days 1997 £'000
Aggregate remuneration	3,254	59
Social security costs	272	7
Other pension costs	77	2
	Number	Number
Average numbers employed	129	112

5 Interest payable

	14 months 1998 £'000	10 days 1997 £'000
On overdrafts and loans repayable within 5 years		
Lease purchase		
Group	2,084	-
External	5,886	160
	<u>7,970</u>	<u>160</u>

Lease purchase interest is included as a direct cost in the profit and loss account.

6 Tax on profit on ordinary activities

	14 months 1998 £'000	10 days 1997 £'000
United Kingdom corporation tax at 31% (1997 - 33%) based on the profit of the period	963	97
Deferred tax	950	2,382
	<u>1,913</u>	<u>2,479</u>

7 Dividends paid and proposed

	14 months 1998 £'000	10 days 1997 £'000
Equity dividends paid	-	17,275
Equity dividends proposed	2,385	-
	<u>2,385</u>	<u>17,275</u>

8 Tangible fixed assets

	Heritable Property £'000	Contract Vehicles £'000	Computer Equipment Furniture & Fittings £'000	Leasehold Improvements £'000	Total £'000
Cost or valuation					
As at 1 February 1997	1,209	130,667	1,467	240	133,583
Additions	-	88,250	515	126	88,891
Disposals	-	(44,498)	(55)	-	(45,553)
At 31 March 1998	1,209	174,419	1,927	366	177,921
Aggregate depreciation					
As at 1 February 1997	-	35,318	986	117	36,421
Charge for period	-	35,183	251	19	35,453
Disposals	-	(24,776)	(50)	-	(24,826)
At 31 March 1998	-	45,725	1,187	136	47,048
Net book value					
At 31 March 1998	1,209	128,694	740	230	130,873
Less transferred to current assets	-	(22,976)	-	-	(22,976)
	1,209	105,718	740	230	107,897
Net book value					
At 31 February 1997	1,209	75,967	481	123	77,781

The net book value of contract vehicles includes £46,548,000 in respect of vehicles held under finance leases with funders.

9 Investments

	Shares in Subsidiaries £'000
Cost	
At 1 February 1997 and 31 March 1998	16,000

(a) Subsidiary undertaking

The company has one wholly owned subsidiary undertaking at 31 March 1998, Highway Vehicle Leasing Limited (registered in England) which is dormant.

10 Debtors

	1998 £'000	1997 £'000
Due within one year		
Trade debtors	3,677	2,642
Amounts receivable under hire purchase contracts	1,432	1,436
Residual interests in agency vehicles	-	199
Other debtors	1,138	1,347
Prepayments and accrued income	1,706	1,012
	<u>7,953</u>	<u>6,636</u>
Due after more than one year		
Amounts receivable under hire purchase contracts	2,701	2,847
	<u>2,701</u>	<u>2,847</u>

The cost of assets acquired by the company for the purposes of hire purchase contracts during the period ended 31 March 1998 was £1,812,000. Rentals receivable in the period amounted to £1,975,000.

11 Creditors: amounts falling due within one year

	1998 £'000	1997 £'000
Bank overdrafts	1,241	3,652
Trade creditors	3,274	3,178
Amounts owed to group undertakings	81,191	17,891
Dividends proposed	2,385	-
Lease purchase liabilities	26,244	32,123
Repurchase obligations	-	199
Corporation tax	961	1,229
Accrued charges	1,035	648
Other tax and social security	90	66
Other creditors	124	212
	<u>116,545</u>	<u>59,198</u>

Within amounts owed to group undertakings, £53,653,000 (1997: £Nil) remained outstanding to The Great Universal Stores PLC. Interest is charged on this at the weighted average base rate of the individual amounts borrowed.

12 Lease purchase liabilities

Lease purchase liabilities are secured over the related vehicles.

Lease purchase liabilities represent instalments outstanding on Lease Purchase and Conditional Sale Agreements which are entered into to finance vehicle purchases. Agreements are entered into for periods up to four years on fixed and variable interest terms, the rate on existing fixed rate agreements varying from 6.39% to 9.51%.

These liabilities are repayable as follows:-

	1998 £'000	1997 £'000
Within one year	26,244	32,123
Between two and five years	20,304	51,276
	<u>46,548</u>	<u>83,399</u>

The liabilities are structured such that all repayments, including those due within 12 months, are matched by contracted future rental income and ultimate vehicle sale proceeds.

13 Deferred taxation

	Balance at 1 February 1997 £'000	Charge to profit and loss account £'000	Balance at 31 March 1998 £'000
Deferred tax	3,832	950	4,782

The full potential liability to deferred taxation and the amount provided are:

	Provided 1998 £'000	Full potential liability 1998 £'000	Provided 1997 £'000	Full Potential liability 1997 £'000
Capital allowances in excess of depreciation	4,956	4,956	3,986	3,986
Other	(174)	(174)	(154)	(154)
	<u>4,782</u>	<u>4,782</u>	<u>3,832</u>	<u>3,832</u>
ACT recoverable	-	-	(234)	(234)
	<u>4,782</u>	<u>4,782</u>	<u>3,598</u>	<u>3,598</u>

14 Called up share capital

	Authorised 1998 £'000	Allotted and fully paid 1998 £'000	Authorised 1997 £'000	Allotted and fully paid 1997 £'000
Ordinary share of £1	170	168	170	-
Shares issued during period	-	-	-	168
	<u>170</u>	<u>168</u>	<u>170</u>	<u>168</u>

15 Reserves

	Profit & Loss account £'000
At 1 February 1997	(425)
Retained profit for the period	2,692
At 31 March 1998	<u>2,267</u>

16 Reconciliation of movement in shareholders' funds

	1998 £'000	1997 £'000
Profit for the financial period	5,077	30,780
Dividends	(2,385)	(17,275)
	<u>2,692</u>	<u>13,505</u>
Share capital issued	-	168
Goodwill written off	-	(13,930)
Opening shareholders' funds	(257)	-
Closing shareholders' funds	<u>2,435</u>	<u>(257)</u>

17 Financial commitments

At 31 March 1998 the company had annual commitments under non-cancellable operating leases as follows:

	1998 £'000	1997 £'000
Expiring within 2-5 years	14	14
Expiring greather than 5 years	151	139

18 Capital commitments

	1998 £'000	1997 £'000
Capital expenditure contracted but not provided	174	-

19 Pension scheme

The company contributes to a defined contribution group personal pension scheme which is independently administered. The assets are held separately from those of the company in policies individually allocated to each participating employee.

20 Ultimate parent company

The ultimate parent company and controlling entity is The Great Universal Stores PLC, which is incorporated and registered in England.

21 Related party transactions

The company, being a wholly owned subsidiary of The Great Universal Stores PLC, is exempt from disclosing further information relating to transactions and balances with group undertakings under FRS8 "Related party disclosures".