

3120091

BCH (Holdings) Limited
(Formerly Glencoyne Limited)



Report and Accounts
14 Months to 31 December 1996



BCH (HOLDINGS) LIMITED

DIRECTORS AND ADVISORS

DIRECTORS

R M Pepper (Chairman)
K Allen (Finance Director)
M W Dawson
R F Hopkins
D A Yates
T J Wigg
C M Masterson (Non Executive)
C F Corby (Non Executive)

SECRETARY

T J Wigg

AUDITORS

KPMG
15 Pembroke Road
Clifton
Bristol
BS8 3BG

BANKERS

Midland Bank Plc.
49 Corn Street
Bristol
BS99 7PP

SOLICITORS

Farrells
9 Portland Square
Bristol
BS2 8ST

REGISTERED OFFICE

Oakwood Park
Lodge Causeway
Fishponds
Bristol
BS16 3JA

Registered No. 0312009

BCH (HOLDINGS) LIMITED

CHAIRMAN'S STATEMENT

I am pleased to report the first Group results of BCH (Holdings) Limited, following the management buyout of BCH Vehicle Management Limited (formerly Bryan Contract Hire Limited) in December 1995. I have included in my statement a 3 year trading summary which clearly highlights the successful growth of the business over the last few years.

The Group results for the 14 month period to December 1996 incorporate the results of BCH Vehicle Management Limited for the 12 months to December 1996 and proforma comparative figures which have been included within the financial statements on the assumption that the BCH Group was in existence for the 12 month period to December 1995. Details on the basis on which the proforma comparatives have been prepared are included within the notes to the financial statements.

As BCH (Holdings) Limited has no trading income, both group turnover and operating profits relate wholly to BCH Vehicle Management Limited results for the 12 months since acquisition to December 1996. Turnover increased from £40.5m to £46.2m with operating profit after fleet financing costs increasing from £1.9m to £2.7m representing a 39% increase. Our fleet size showed continued significant growth standing at 11,062 vehicles at December 1996 a 20% growth compared with 9,208 vehicles at December 1995.

Pre-tax profits for the 14 month period totalled £2.0m after interest charges of £680,000 relating to the funding of the management buyout. The proforma comparative pre-tax profit of £2.7m is stated after crediting £821,000 of interest received on cash balances held by BCH Vehicle Management Ltd. prior to the management buyout.

The growth in operating profits has been achieved primarily as a result of the growth in the contract hire fleet, but is also due to improved margins on the disposal of vehicles at the end of contract together with increased disposal volumes. The groups retail outlet 'Motormart' continues to dispose the best of our used vehicles and ensures we have the flexibility to obtain the best prices for our used vehicles and the opportunity to sell additional finance and warranty products.

Borrowings totalled £91.0m at 31 December 1996 (£82.4m at 31 December 1995) representing a reduction in gearing from 937% to 856% after adding back the goodwill write off relating to the acquisition of BCH Vehicle Management Limited. Borrowings within BCH (Holdings) Limited totalled £5.0m at 31 December 1996 (£7.0m at 31 December 1995) and these relate wholly to the funding of the acquisition of BCH Vehicle Management Limited. The group is currently 100% hedged against interest rate fluctuation and consequently is not exposed to interest rate increases.

The financial backing for the management buyout was provided by HSBC Private Equity and Midland Bank together with our asset finance providers. As a result of their investments we have been able to position the business as the major independent contract hire group in the UK with a strong commitment to our customers to continue to concentrate on improving the products we offer and maintaining the high service levels, we set ourselves.

Following the management buyout we relocated the business to new premises at Fishponds, Bristol which enabled us to consolidate the head office functions with both our transport and disposals department. The move has significantly improved the efficiency of the business and the quality of service offered to our customers as well as raising the profile and credibility of the Group, which together with our continued focus on marketing enabled us to open 154 new accounts in the 12 months to December 1996.

BCH (HOLDINGS) LIMITED

CHAIRMANS STATEMENT

During the period the Group established an Employee Share Option Scheme to enable all employees to be involved in the share ownership of the Group. Additionally, a defined contribution Group Pension Scheme was established as well as a Profit Related Pay Scheme, which clearly demonstrates our commitment to all our employees who continue to be the major asset within the Group.

I am confident that following the management buyout and relocation of our head office, the Group is now well positioned to continue its strategy to expand through organic growth, providing quality vehicle management products and services. I would like to take this opportunity to thank all our customers, suppliers and staff for their contribution to our success in our first full year of independence.

GROUP 3 YEAR TRADING SUMMARY

	14 months to 31 December 1996 £'000	Proforma 12 months to 31 December 1995 £'000	Proforma 12 months to 31 December 1994 £'000
Turnover	46,176	40,483	33,499
Operating profit	9,153	7,719	6,443
Fleet financing costs	(6,760)	(6,017)	(5,380)
Contract purchase interest receivable	306	240	244
Operating profit after fleet financing costs	2,699	1,942	1,307
Interest receivable	12	821	543
Interest payable	(680)	(118)	(54)
Profit before taxation	2,031	2,645	1,796
Taxation	(673)	(876)	(640)
Profit after taxation	<u>1,358</u>	<u>1,769</u>	<u>1,156</u>
No.			
Total fleet size at 31 December	<u>11,062</u>	<u>9,208</u>	<u>8,152</u>

As BCH (Holdings) Limited has no trading income, turnover and operating profit after fleet financing costs for the 14 months to 31 December 1996 comprise the results of BCH Vehicle Management Limited for the 12 months since acquisition.

BCH (HOLDINGS) LIMITED

DIRECTORS REPORT

The Directors present the report and accounts of the company for the 14 months ended 31 December 1996, comprising those of the company and its subsidiary undertaking BCH Vehicle Management Limited.

INCORPORATION AND CHANGE OF NAME

The company was incorporated on 31st October 1995. On 29 November 1995 the company's name was changed from Glencoyne Limited to BCH (Holdings) Limited.

ACQUISITIONS

On 14 December 1995 the company acquired the total issued share capital of Bryan Contract Hire Limited, details of which are shown in note 11 to the financial statements. On 29 November 1995 Bryan Contract Hire Limited was renamed BCH Vehicle Management Limited.

RESULTS AND DIVIDENDS

The Directors report a group profit after taxation for the 14 months to 31 December 1996 of £1,358,000. Preference Dividends of £584,000 were paid during the period and the Directors do not recommend the payment of a final ordinary dividend. The retained group profit for the period transferred to reserves is £745,000.

PRINCIPAL ACTIVITIES OF THE BUSINESS AND FUTURE DEVELOPMENTS

The principal activity of the group during the period was the provision of fleet management services to external customers, including the arrangement of vehicle financing, and the sale of used motor vehicles. Details of the groups future developments and prospects are included in the Chairmans' Statement set out on pages 2 to 3.

BCH (HOLDINGS) LIMITED

DIRECTORS REPORT

DIRECTORS

The Directors of the company in office during the period and their interests in the issued ordinary share capital of the company as defined by the Companies Act 1985 were as follows:

		At 31 December 1996
		Ordinary Shares
R M Pepper	(appointed 14 December 1995)	168,000
R J Hopkins	(appointed 14 December 1995)	26,500
T J Wigg	(appointed 14 December 1995)	26,500
D A Yates	(appointed 14 December 1995)	26,500
C M Masterson	(appointed 14 December 1995)	3,235
K Allen	(appointed 15 February 1996)	—
J A Betts	(appointed 20 March 1996, resigned 1 April 1997)	—

In addition M W Dawson and C F Corby were appointed Directors on 31 January 1997 and 1 April 1997 respectively.

Directors' share options are disclosed in note 20 to the financial statements. There have been no changes in Directors' shareholdings since the period end.

CHARITABLE AND POLITICAL CONTRIBUTIONS

Donations made by the group for charitable purposes in the UK amounted to £554. In line with established group policy there were no contributions for political purposes.

EMPLOYMENT POLICIES

It is the policy of the group that there should be no unfair discrimination in considering applications for employment including those from disabled persons. Should any employee become disabled, every practical effort is made to provide continued employment.

The Directors are committed to maintaining and developing communication procedures with employees who, in turn are encouraged to become aware of and involve themselves in the performance of the group. Additionally, the Directors are committed to wide employee share ownership and during the period an Employee Share Option Scheme was established, details of which are shown in note 20 to the financial statements.

BCH (HOLDINGS) LIMITED

DIRECTORS REPORT

CREDITOR PAYMENT POLICIES

It is the group's policy to settle all of its trading transactions on the agreed settlement date. All other creditors are paid in accordance with the relevant invoice terms.

AUDITORS

KPMG were appointed as auditors in place of Ernst & Young during the period. A resolution to re-appoint KPMG will be proposed at the Annual General Meeting.

By order of the Board



T J Wigg

Secretary

25 April 1997

BCH (HOLDINGS) 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 a 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

BCH (HOLDINGS) LIMITED

REPORT OF THE AUDITORS

to the Members of BCH (Holdings) Limited

We have audited the accounts on pages 9 to 31 except for the proforma information given on these pages.

Respective responsibilities of Directors and auditors

As described on page 7 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 mis-statement, 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 31 December 1996 and of the profit of the group for the 14 months then ended and have been properly prepared in accordance with the Companies Act 1985.

We have reviewed without audit, the proforma profit and loss account for the year ended 31 December 1995 and balance sheet as at 31 December 1995 which are included in the accounts. In our opinion these proforma statements have, so far as the calculations are concerned, been properly compiled on the basis set out in note 1.


KPMG

Chartered Accountants
Registered Auditors
Bristol

25 April 1997

BCH (HOLDINGS) LIMITED

GROUP PROFIT AND LOSS ACCOUNT

for the 14 months to 31 December 1996

	Notes	14 months to 31 December 1996 £'000	Proforma 12 months to 31 December 1995 £'000
TURNOVER	2	46,176	40,483
Cost of sales		<u>32,685</u>	<u>28,731</u>
GROSS PROFIT		<u>13,491</u>	<u>11,752</u>
Distribution Costs		544	617
Administrative expenses		3,905	3,545
Other operating income		<u>(111)</u>	<u>(129)</u>
		<u>4,338</u>	<u>4,033</u>
OPERATING PROFIT	3,4 & 5	9,153	7,719
Other interest receivable and similar income	6	<u>318</u>	<u>1,061</u>
		<u>9,471</u>	<u>8,780</u>
Interest payable and similar charges	7	<u>7,440</u>	<u>6,135</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		2,031	2,645
Tax on profit on ordinary activities	8	<u>673</u>	<u>876</u>
PROFIT FOR THE FINANCIAL YEAR	21	1,358	<u>1,769</u>
Preference dividend on non-equity shares	9	583	
Preference dividend on equity shares	9	30	
Ordinary dividend on equity shares	9	<u>—</u>	
PROFIT/(LOSS) RETAINED FOR EQUITY SHAREHOLDERS		<u>745</u>	

The group turnover and operating profits for the 14 months to 31 December 1996 are wholly attributable to BCH Vehicle Management Ltd. which was acquired on the 14 December 1995. The basis of the preparation of the proforma figures is explained in note 1.

There were no gains or losses other than the profit for the year.

BCH (HOLDINGS) LIMITED

GROUP BALANCE SHEET

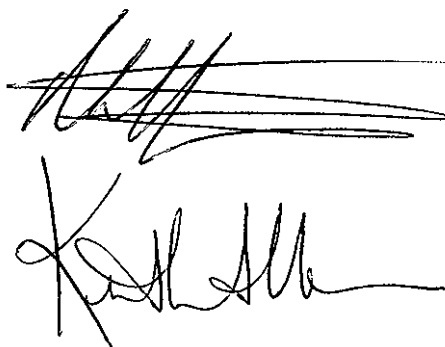
at 31 December 1996

	Notes	1996 £'000	Proforma 1995 £'000
FIXED ASSETS			
Tangible assets	10	<u>86,398</u>	<u>74,385</u>
CURRENT ASSETS			
Stocks	12	1,093	941
Debtors : Amounts falling due within one year	13	5,986	5,108
Amounts falling due after one year		1,718	1,657
Cash at bank		<u>170</u>	<u>221</u>
		8,967	7,927
CREDITORS: amounts falling due within one year	14	<u>(48,542)</u>	<u>(42,382)</u>
NET CURRENT LIABILITIES		<u>(39,575)</u>	<u>(34,455)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		46,823	39,930
CREDITORS: amounts falling due after more than one year	15	(54,710)	(50,327)
PROVISION FOR LIABILITIES AND CHARGES	18	<u>(2,423)</u>	<u>(1,750)</u>
		<u>(10,310)</u>	<u>(12,147)</u>
CAPITAL AND RESERVES			
Equity share capital	19	8	7
Non-equity share capital	19	92	83
Share premium account	21	9,783	8,732
Goodwill Reserve	21	(20,938)	(20,938)
Profit and loss account	21	<u>745</u>	<u>(31)</u>
TOTAL EQUITY AND NON EQUITY SHAREHOLDERS FUNDS	21	<u>(10,310)</u>	<u>(12,147)</u>

R M Pepper

K Allen

)
) Directors
)



Approved by the Board on 25 April 1997

BCH (HOLDINGS) LIMITED

COMPANY BALANCE SHEET

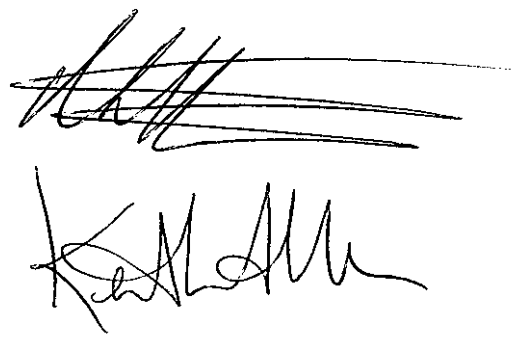
at 31 December 1996

	Notes	1996 £'000
FIXED ASSETS		
Investments	11	<u>20,682</u>
CURRENT ASSETS		
Debtors	13	178
Cash at bank		<u>—</u>
		178
CREDITORS: amounts falling due within one year	14	<u>(7,049)</u>
NET CURRENT LIABILITIES		<u>(6,871)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		13,811
CREDITORS: amounts falling due after more than one year	15	(3,915)
PROVISION FOR LIABILITIES AND CHARGES	18	<u>—</u>
		<u>9,896</u>
CAPITAL AND RESERVES		
Equity share capital	19	8
Non-equity share capital	19	92
Share premium account	21	9,783
Profit and loss account	21	<u>13</u>
TOTAL EQUITY AND NON EQUITY SHAREHOLDERS FUNDS		<u>9,896</u>
Equity shareholders funds		813
Non equity shareholders funds		<u>9,083</u>
		<u>9,896</u>

R M Pepper

K Allen

)
) Directors
)



Approved by the Board on 25 April 1997

BCH (HOLDINGS) LIMITED

GROUP CASHFLOW STATEMENT

for the 14 months ended 31 December 1996

	Notes	14 months to 31 December 1996 £'000's
CASHFLOW FROM OPERATING ACTIVITIES	22a	31,484
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	22b	(7,952)
TAXATION		(320)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENTS	22b	(33,231)
ACQUISITIONS	22b	(15,729)
EQUITY DIVIDENDS PAID		<u>(30)</u>
Cash outflow before use of liquid resources and financing		(25,778)
FINANCING:		
Issue of shares	22b	10,000
Increase in debt	22b	<u>15,926</u>
INCREASE IN CASH IN THE PERIOD		<u>148</u>

RECONCILIATION OF NET CASHFLOW TO MOVEMENT IN NET DEBT (note 22c)

	14 months to 31 December 1996 £'000's
INCREASE IN CASH IN THE PERIOD	148
Cash inflow from increase in debt, hire purchase and lease financing.	<u>(15,926)</u>
Changes in net debt resulting from cashflows	(15,778)
Loans, hire purchase and finance lease agreements acquired with subsidiary	<u>(75,081)</u>
MOVEMENT IN NET DEBT IN THE PERIOD	(90,859)
NET DEBT AT 1 NOVEMBER 1995	<u>—</u>
NET DEBT AT 31 DECEMBER 1996	<u>(90,859)</u>

BCH (HOLDINGS) LIMITED

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS FUNDS

	Group	Company
	14 months to 31 December 1996 £'000's	14 months to 31 December 1996 £'000's
Profit for the period	1,358	626
Dividends	<u>(613)</u>	<u>(613)</u>
	745	13
Shares Issued:		
- in respect of acquisition of BCH Vehicle Management Ltd.	9,967	9,967
- in respect of Employee Benefit Trust	33	33
- share issue expenses	(146)	(146)
Write back of issue costs previously charged to share premium	29	29
Goodwill on acquisition	<u>(20,938)</u>	<u>—</u>
	(10,310)	9,896
Net additions to shareholder funds		
Shareholder funds at beginning of period, at incorporation	<u>—</u>	<u>—</u>
Shareholder funds at end of period	<u>(10,310)</u>	<u>9,896</u>

No note of historical cost profits and losses is given as there were no material differences between the results as set out in the group profit and loss account, and their historical cost equivalents.

BCH (HOLDINGS) LIMITED

NOTES TO THE ACCOUNTS

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.

Basis of preparation and consolidation

BCH (Holdings) Ltd was incorporated on 31 October 1995 and acquired BCH Vehicle Management Ltd. on 14 December 1995. Accordingly consolidated accounts have been prepared for the 14 months to 31 December 1996. These include the results of BCH (Holdings) Ltd since incorporation and for practical reasons, the results of BCH Vehicle Management Ltd since 1 January 1996. In the opinion of the Directors there is no material difference between these results and the results for the period since acquisition. As permitted by S230 of the Companies Act 1985, no profit and loss account for the company is presented. The profit of the company for the financial period to 31 December 1996 is £626,000.

Basis on which proforma figures have been prepared

The Directors have included unaudited proforma comparative group profit and loss account information which consolidate the results of BCH (Holdings) Ltd since incorporation, and BCH Vehicle Management Ltd since 1 January 1995, to 31 December 1995, as if the group had been in existence for the whole year. The Directors have also included a proforma group balance sheet which shows the consolidated position of the group at 31 December 1995 as if accounts had been prepared at that date. The proforma information given does not form part of the information required to be disclosed under the Companies Act 1985.

Goodwill

Goodwill arises on the acquisition of subsidiary undertakings where the purchase consideration exceeds the fair values attributed to the net assets at acquisition, and is charged against reserves as it arises.

Tangible fixed assets

Depreciation is provided at rates calculated to write off the costs, less estimated residual value, of each asset evenly over its estimated useful life, as follows:

Leasehold property -	over 50 years
Plant & Equipment -	over 5 to 10 years
Motor vehicles -	over the life of the individual hire contract

Fixed assets provided by the group under leases

Where assets are provided by the group under lease purchase or lease rental agreements that give rights to the lessee approximating to ownership the assets are treated as if they had been sold outright and the corresponding asset to the company is included as a lease debtor.

Receipts from lease debtors are treated as consisting of capital and interest elements and the interest is credited to the profit and loss account using the pre-tax actuarial method.

BCH (HOLDINGS) LIMITED

NOTES TO THE ACCOUNTS

at 31 December 1996

1. ACCOUNTING POLICIES: continued

Fixed assets provided by the group under leases: continued

All other assets provided under leases are provided under operating leases ("contract hire") and the relevant annual lease rentals are credited to profit and loss account on a straight line basis over the lease term.

Maintenance of contract hire vehicles

Vehicle maintenance costs are charged to the profit and loss account on a straight line basis over the individual lease term.

Stocks

Stocks are stated at the lower of cost or net realisable value. Net realisable value is based on estimated selling price less any further costs expected to be incurred to disposal.

Hire purchase and leasing commitments

Assets held under hire purchase contracts or finance leases are capitalised in the balance sheet. The capital elements of future obligations under the hire purchase contracts and leases are included in liabilities in the balance sheet.

The interest element of the rental obligation is calculated to represent a constant proportion of the balance of capital repayments outstanding and is charged to the profit and loss account for the period of the lease or hire purchase contract.

Deferred taxation

Full provision is made for timing differences arising between the treatment of certain items for taxation and accounting purposes.

Pensions

The group operates a defined contribution pension scheme. Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the scheme.

2. TURNOVER

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties. Turnover arises wholly in the United Kingdom and is attributable to the company's continuing principal activity of the provision of fleet management services, including the arrangement of vehicle financing, the sale of used motor vehicles and volume bonuses received from vehicle manufacturers which is credited to turnover on a straight line basis over the life of the contract to which the bonus relates.

BCH (HOLDINGS) LIMITED

NOTES TO THE ACCOUNTS

at 31 December 1996

3. OPERATING PROFIT

This is stated after charging/(crediting):

	14 months to 31 December 1996 £'000	Proforma 12 months to 31 December 1995 £'000
Operating lease rentals receivable	(37,367)	(33,873)
Contract purchase rentals receivable	(847)	(929)
	<u>(38,214)</u>	<u>(34,802)</u>
Depreciation - assets on hire purchase or finance leases	21,780	19,027
Depreciation - owned assets	127	73
Operating lease rentals - land and buildings	170	13
Profit on disposal of fixed assets	(689)	(319)
Auditors remuneration - audit services	35	32
- non-audit services	<u>28</u>	<u>5</u>

4. DIRECTORS EMOLUMENTS

	1996 £'000
Fees	15
Other emoluments (including pension contributions)	<u>429</u>
	<u>444</u>

Directors emoluments, excluding pension contributions, fell within the following ranges:

	1996 No
£5,001 - £10,000	2
£60,001 - £65,000	4
£160,001 - £165,000	1

The emoluments, excluding pension contributions, of the chairman, who was also the highest paid director, were £164,755. Details of Directors share options are given in note 20.

BCH (HOLDINGS) LIMITED

NOTES TO THE ACCOUNTS

at 31 December 1996

5. STAFF COSTS

	14 months to 31 December 1996 £'000	Proforma 12 months to 31 December 1995 £'000
Wages and salaries	2,424	1,719
Social security costs	229	204
Other pension costs	158	67
	<u>2,811</u>	<u>1,990</u>

The average weekly number of employees during the year was as follows:

	14 months to 31 December 1996 No	Proforma 12 months to 31 December 1995 No
Management and office	122	116
Workshop	6	6
	<u>128</u>	<u>122</u>

6. OTHER INTEREST RECEIVABLE

	14 months to 31 December 1996 £'000	Proforma 12 months to 31 December 1995 £'000
Bank interest	12	—
Contract purchase interest	306	240
Interest receivable from Bryan Brothers (Holdings) Ltd.	—	821
	<u>318</u>	<u>1,061</u>

The interest receivable from Bryan Brothers (Holdings) Limited included in the proforma accounts for the 12 month period to 31 December 1995 relates to interest paid to BCH Vehicle Management Limited calculated on average month end cash balances at the Midland Bank plc. lending rate plus 1.5%.

BCH (HOLDINGS) LIMITED

NOTES TO THE ACCOUNTS

at 31 December 1996

7. INTEREST PAYABLE AND SIMILAR CHARGES

	14 months to 31 December 1996 £'000	Proforma 12 months to 31 December 1995 £'000
Bank loans and overdrafts repayable within five years	680	87
Bank loans not wholly repayable within five years	—	31
Finance charges - hire purchase contracts and finance leases	6,760	6,017
	<u>7,440</u>	<u>6,135</u>

8. TAXATION

	14 months to 31 December 1996 £'000	Proforma 12 months to 31 December 1995 £'000
Based on the adjusted results for the year:		
Corporation tax @ 33% - current year	—	269
Deferred taxation	673	648
	<u>673</u>	<u>917</u>
Adjustments in respect of previous years:		
Deferred taxation	—	(41)
	<u>673</u>	<u>876</u>

BCH (HOLDINGS) LIMITED

NOTES TO THE ACCOUNTS

at 31 December 1996

9. DIVIDENDS

	14 months to 31 December 1996 £'000
Preference dividends paid on equity shares	30
Preference dividends paid on non-equity shares	554
Amortisation of issue costs on non-equity shares	29
	<u>613</u>

10. TANGIBLE FIXED ASSETS

Group and Company	Short Leasehold Property £'000	Plant and computer equipment £'000	Motor vehicles £'000	Total £'000
Cost:				
At 1 November 1995	—	—	—	—
Acquisition of BCH Vehicle Management Ltd	<u>2</u>	<u>411</u>	<u>106,347</u>	<u>106,760</u>
At 1 January 1996	2	411	106,347	106,760
Additions	146	338	46,727	47,211
Disposals	<u>—</u>	<u>(37)</u>	<u>(30,348)</u>	<u>(30,385)</u>
At 31 December 1996	<u>148</u>	<u>712</u>	<u>122,726</u>	<u>123,586</u>
Depreciation:				
At 1 November 1995	—	—	—	—
Acquisition of BCH Vehicle Management Ltd.	<u>2</u>	<u>215</u>	<u>32,158</u>	<u>32,375</u>
At 1 January 1996	2	215	32,158	32,375
Charge for year	15	112	21,780	21,907
Disposals	<u>—</u>	<u>(20)</u>	<u>(17,074)</u>	<u>(17,094)</u>
At 31 December 1996	<u>17</u>	<u>307</u>	<u>36,864</u>	<u>37,188</u>
Net book values:				
At 31 December 1996	<u>131</u>	<u>405</u>	<u>85,862</u>	<u>86,398</u>
At 31 December 1995	<u>—</u>	<u>196</u>	<u>74,189</u>	<u>74,385</u>

The motor vehicles included above are all held under hire purchase or finance leases to generate operating lease rental income.

BCH (HOLDINGS) LIMITED

NOTES TO THE ACCOUNTS

at 31 December 1996

11. INVESTMENTS

Company

£'000's

Cost:	
At 1 November 1995	—
Additions	<u>20,682</u>
At 31 December 1996	<u>20,682</u>

The company acquired the total share capital of BCH Vehicle Management Limited (formerly Bryan Contract Hire Limited) on 14 December 1995. Information regarding the acquisition is set out below. The company has no other subsidiary undertakings or associated undertakings.

	Audited acquisition balance sheet £'000	Fair value adjustments £'000	Fair value to the group £'000
Tangible fixed assets	74,506	(121)	74,385
Stock	941	—	941
Debtors	6,017	517	6,534
Cash at bank and in hand	5,316	—	5,316
Bank overdraft	(363)	—	(363)
Creditors	(83,877)	(1,442)	(85,319)
Provisions for liabilities and charges	<u>(1,875)</u>	<u>125</u>	<u>(1,750)</u>
Net assets acquired	<u>665</u>	<u>(921)</u>	<u>(256)</u>
Consideration			19,955
Costs of acquisition			<u>727</u>
Goodwill written off to reserves to period ended 31 December 1996			<u>(20,938)</u>
Net assets acquired			<u>(256)</u>

The fair value adjustments relate to;

- i) The restatement of tangible fixed assets and deferred income in respect of manufacturers bonuses in order to bring them in line with the group's accounting policies. Corresponding adjustments have been made to deferred tax.
- ii) Deferred income debtors of £517,000 previously offset against creditors have been transferred to debtors.

The acquisition has been accounted for by the acquisition method of accounting. Consideration for the acquisition was satisfied by cash.

BCH (HOLDINGS) LIMITED

NOTES TO THE ACCOUNTS

at 31 December 1996

12. STOCKS

	1996 £'000	Group Proforma 1995 £'000
Used Vehicles	1,084	935
Parts	9	6
	<u>1,093</u>	<u>941</u>

13. DEBTORS

	1996 £'000	Group Proforma 1995 £'000	Company 1996 £'000
Amounts falling due within one year:			
Trade debtors	2,003	1,975	—
Contract purchase receivable	1,155	787	—
Corporation tax recoverable	146	—	146
Other debtors	49	289	32
Prepayments & accrued income	<u>2,633</u>	<u>2,057</u>	<u>—</u>
	5,986	5,108	178
Amounts falling due after more than one year:			
Contract purchase receivable	<u>1,718</u>	<u>1,657</u>	<u>—</u>
	<u>7,704</u>	<u>6,765</u>	<u>178</u>

The costs of vehicles acquired for the purpose of leasing under contract purchase agreements for the period ended 31 December 1996 was £1,357,000 (1995 - £1,380,000).

BCH (HOLDINGS) LIMITED

NOTES TO THE ACCOUNTS

at 31 December 1996

14. CREDITORS: amounts falling due within one year

	Group	Company
	Proforma	
1996	1995	1996
£'000	£'000	£'000
Bank overdraft	22	22
Bank loans (see note 16)	954	954
Other loans	—	—
Hire purchase and finance leases (see note 17)	35,212	—
Trade creditors	3,459	—
Owed to group undertakings	—	5,995
Other taxes and social security	219	—
Accruals and deferred income	8,591	—
Corporation tax	85	78
	<u>48,542</u>	<u>7,049</u>

The other loan undertaking was a short term unsecured loan from HSBC Equity Limited which was drawn down on 14 December 1995 at an interest rate of 8.75% per annum. The loan was repaid on 14 June 1996, satisfied by the issue by the company of 53,498 ordinary shares and 946,502 preference shares.

15. CREDITORS: amounts falling due after one year

	Group	Company
	Proforma	
1996	1995	1996
£'000	£'000	£'000
Bank loan (see note 16)	3,915	3,915
Hire purchase and finance leases (see note 17)	50,795	—
	<u>54,710</u>	<u>3,915</u>

BCH (HOLDINGS) LIMITED

NOTES TO THE ACCOUNTS

at 31 December 1996

16. BANK LOAN

	Group and Company 1996 £'000	Group Proforma 1995 £'000
Amounts falling due wholly within five years	5,000	5,000
Amounts repayable by instalments which in part fall due after more than five years	—	1,000
	5,000	6,000
Less: unamortised issue expenses	(131)	(187)
	<u>4,869</u>	<u>5,813</u>
The bank loan is repayable as follows:		
In one year or less	1,000	1,000
Between one and two years	1,000	1,000
Between two and five years	3,000	3,000
In five years or more	—	1,000
	5,000	6,000
Less unamortised issue expenses	(131)	(187)
	<u>4,869</u>	<u>5,813</u>
Amortisation of issue expenses are as follows:		
In one year or less	46	56
Between one and two years	36	46
Between two and five years	49	79
In five years or more	—	6
	<u>131</u>	<u>187</u>

The bank loan is a medium term loan from Midland Bank plc. with interest charged at LIBOR plus 2% and an additional regulatory cost of 0.0322%. The bank loan was drawn down on the 14 December 1995 and is repayable by quarterly instalments of £250,000 with the exception of the first instalment which was paid on the 30 June 1996 totalling £500,000.

The bank overdrafts and medium term loan are secured by debentures giving fixed and floating charges over the assets of the group and cross guarantees between the company and its subsidiary undertaking.

The group, at 31 December 1996, had entered into interest rate swap arrangements for a period to 31 December 1998 in respect of amounts totalling £4,750,000. Under these arrangements the group is required to pay interest on the above amounts at fixed rates and will receive or pay interest on these amounts at rates linked to LIBOR.

BCH (HOLDINGS) LIMITED

NOTES TO THE ACCOUNTS

at 31 December 1996

17. OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS AND LEASES

	Hire purchase Group		Finance leases Group		Total Group	
	1996 £'000	Proforma 1995 £'000	1996 £'000	Proforma 1995 £'000	1996 £'000	Proforma 1995 £'000
Payable:						
in two to five years	5,069	19,094	298	1,457	5,367	20,551
in one to two years	43,246	23,446	2,182	1,461	45,428	24,907
	48,315	42,540	2,480	2,918	50,795	45,458
within one year	33,255	27,615	1,957	2,008	35,212	29,623
	81,570	70,155	4,437	4,926	86,007	75,081

All borrowings under hire purchase and finance lease contracts are secured by fixed charges over the contract hire agreement and the underlying vehicles.

18. PROVISIONS FOR LIABILITIES AND CHARGES

Potential deferred taxation, for which full provision has been made in the accounts, is as follows:

Group	£'000
1 January 1996	1,750
Charged to the profit and loss account	673
31 December 1996	2,423

The company had no potential liability for deferred taxation as at 31 December 1996.

BCH (HOLDINGS) LIMITED

NOTES TO THE ACCOUNTS

at 31 December 1996

19. SHARE CAPITAL

	1996 No.	1996 £'000	Proforma 1995 No.	1995 £'000
Allotted, called up and fully paid:				
Equity share capital:				
Ordinary 'A' shares of 1p each	280,000	3	247,500	2
Ordinary 'B' shares of 1p each	520,000	5	466,502	5
Non-equity share capital:				
6% cumulative redeemable	9,200,000	92	8,253,498	83
	<u>10,000,000</u>	<u>100</u>	<u>8,967,500</u>	<u>90</u>

The company was incorporated on 31 October 1995 with 2 £1 shares issued to the subscribers to the Memorandum of Association. The authorised share capital of the company on incorporation was £1,000 which was increased on 31 October 1995 to £10,000.

On 14 December 1995, the authorised share capital of the company was increased to £100,000 by the conversion of the 10,000 £1 ordinary shares to 280,000 1p 'A' ordinary shares, 520,000 1p 'B' ordinary shares and 200,000 6% cumulative preference shares at 1p each. Additionally a further 9,000,000 6% cumulative preference shares at 1p each were created on the same day.

On the same date 247,500 ordinary 'A' shares of 1p each and 466,502 ordinary 'B' shares of 1p each with an aggregate value of £7,140 and 8,253,498 6% cumulative redeemable preference shares with an aggregate value of £82,535 were issued fully paid for cash of £8,967,500 in order to assist in the financing of the acquisition of BCH Vehicle Management Limited (formerly Bryan Contract Hire Limited). Of the shares issued on the 14 December 1995, HSBC Equity Limited acquired 209,712 'B' ordinary shares of 1p and 3,710,288 6% cumulative redeemable preference shares fully paid for cash of £3,920,000.

On the 14 June 1996, 53,498 ordinary 'B' shares of 1p each with an aggregate value of £535 and 946,502 6% cumulative redeemable preference shares with an aggregate value of £9,465 were issued to HSBC Equity Limited as consideration for the repayment of a short term £1 million loan advanced by HSBC Equity Limited to assist in the acquisition of BCH Vehicle Management Limited.

On 19 August 1996, 32,500 ordinary 'A' shares were issued to the company's Employee Benefit Trust fully paid in respect of share options granted under the company's Approved Employee Share Option Scheme as detailed in note 20.

BCH (HOLDINGS) LIMITED

NOTES TO THE ACCOUNTS

at 31 December 1996

19. SHARE CAPITAL: cont

The 'B' ordinary and preference shares carry a dividend of 6% per annum, payable half yearly in arrears on 30 June and 31 December. The dividend rights are cumulative and are payable in priority to the holders of any other class of share.

The preference shares are redeemable at par at the option of the company at any time in accordance with the Articles of Association and in agreement with the shareholder. They are redeemable in full on a change of control, listing or sale of the company. The preference shares rank in priority to all other classes of share capital in the event of a winding up, with the 'B' ordinary shares ranking in priority to the 'A' ordinary shares.

20. SHARE OPTIONS

Under the terms of the company's Employee Share Option Scheme, options to acquire ordinary shares are granted to certain employees at a cost of £1 per employee and entitle the holder of the option to subscribe for ordinary 'A' shares at a price of £1 per share, being the market value on the date of the grant of the option as agreed with the Inland Revenue. These options are exercisable between 19 August 1999 and 18 August 2006.

Details of the options are as follows:

	No. of shares
Issue of options (18 August 1996)	32,500
Lapsed in period	350
At 31 December 1996	<u>32,150</u>

The following Director holds an option to acquire 1p ordinary shares of the company. The exercise of this option is not conditional upon any performance criteria.

	No. of shares subject to option	Period of option	Price per share	Date granted
K.Allen	10,500	19/8/99 - 18/8/06	£1	19 August 1996

BCH (HOLDINGS) LIMITED

NOTES TO THE ACCOUNTS

at 31 December 1996

21. RESERVES

	Goodwill Reserve £'000	Group Share premium £'000	Profit & loss £'000	Company Share premium £'000	Profit & loss £'000
At 1 November 1995	—	—	—	—	—
Premium on shares issued on acquisition of BCH Vehicle Management Ltd.	—	8,878	—	8,878	—
Goodwill on acquisitions	20,938				
Share issue costs	—	(146)	—	(146)	
Loss for the period	—		(31)		(31)
At 1 January 1996	20,938	8,732	(31)	8,732	(31)
Premium on shares issued during the year	—	1,022	—	1,022	—
Share issue costs charged to profit & loss account for the year	—	29	—	29	—
Profit for the year	—	—	1,389	—	657
Dividends	—	—	(613)	—	(613)
At 31 December 1996	<u>20,938</u>	<u>9,783</u>	<u>745</u>	<u>9,783</u>	<u>13</u>

Reconciliation of movement in Shareholders funds

	Equity Shareholders funds £'000	Non Equity Shareholders funds £'000	Total Shareholders funds £'000
At 1 October 1995	—	—	—
Issue of ordinary share capital	8	—	8
Issue of preference share capital	—	92	92
Premium on shares issued during the period	792	9,108	9,900
Share issue costs	—	(146)	(146)
Share issue costs previously written off, credited to share premium account	—	29	29
Goodwill written off to equity shareholders funds in the period	(20,938)	—	(20,938)
Retained profit for the period attributable to equity shareholders	<u>745</u>	<u>—</u>	<u>745</u>
At 31 December 1996	<u>(19,393)</u>	<u>9,083</u>	<u>(10,310)</u>

BCH (HOLDINGS) LIMITED

NOTES TO THE ACCOUNTS

at 31 December 1996

22. NOTES TO THE CASHFLOW STATEMENT

22a. Reconciliation of operating profit to net cash inflow from operating activities.

	14 months to 31 December 1996 £'000
Operating profit	9,153
Depreciation	21,907
Increase in debtors	(1,026)
Increase in stocks	(152)
Increase in creditors	2,291
Profit on disposal of tangible fixed assets	(689)
Net cash inflow from operating activities	<u>31,484</u>

22b. Analysis of cashflows for headings netted in the cashflow statement

	14 months to 31 December 1996 £'000
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	
Interest received	318
Interest paid	(624)
Issue costs relating to loans and non-equity shares	(332)
Preference dividend paid	(554)
Interest element of HP contracts and finance lease rental payments	(6,760)
Net cash outflow for returns on investments and servicing of finance	<u>(7,952)</u>
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	
Purchase of tangible fixed assets	(47,211)
Sale of tangible fixed assets	13,980
Net cash outflow for capital expenditure and financial investment	<u>(33,231)</u>

BCH (HOLDINGS) LIMITED

NOTES TO THE ACCOUNTS

at 31 December 1996

22. NOTES TO THE CASHFLOW STATEMENT: continued

22b. Analysis of cashflows for headings netted in the cashflow statement: continued

	14 months to 31 December 1996 £'000
ACQUISITIONS	
Purchase of subsidiary undertaking (see note 11)	(19,955)
Costs arising on acquisition	(727)
Net cash acquired with subsidiary	<u>4,953</u>
Net cash outflow for acquisitions	<u>(15,729)</u>
FINANCING	
Issue of ordinary share capital	800
Issue of non-equity share capital	9,200
Debt due within a year:	
increase in short term borrowing/new secured term loan	2,000
repayment of short term borrowings	(1,000)
secured term loan repayments	(1,000)
Debt due beyond a year:	
new secured term loan	5,000
Inception of finance lease and hire purchase agreements	
in respect of additions to motor vehicles	48,688
in respect of contract purchase debtors	1,357
Capital element of hire purchase and finance lease rental payments	<u>(39,119)</u>
Net cash inflow from financing	<u>25,926</u>

22c. Analysis of net debt

	At 1 November 1995 £'000's	Cash Flow £'000's	Acquisitions (ex.cash & overdrafts) £'000's	Other non-cash changes £'000's	At 31 December 1996 £'000's
Cash in hand, at bank	—	170	—	—	170
Overdrafts	—	(22)	—	—	(22)
Debt due after 1 year	—	(4,000)	—	—	(4,000)
Debt due within 1 year	—	(1,000)	—	—	(1,000)
HP contracts and finance leases	—	(10,926)	(75,081)	—	(86,007)
Current asset Investments	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total	<u>—</u>	<u>(15,778)</u>	<u>(75,081)</u>	<u>—</u>	<u>(90,859)</u>

BCH (HOLDINGS) LIMITED

NOTES TO THE ACCOUNTS

at 31 December 1996

23. CAPITAL COMMITMENTS

At the balance sheet date the group had placed orders for motor vehicles to the value of £10.7m in respect of new lease rental agreements commencing in 1997. The company had no capital commitments at the balance sheet date.

24. PENSION COMMITMENTS

The group operates a defined contribution pension scheme, The BCH Pension Scheme, for its directors and employees. The assets of the scheme are held separately from those of the group in an independently administered fund. Contributions made to the scheme for the 14 months to 31 December 1996 totalled £123,000. There were no outstanding unpaid contributions at 31 December 1996.

25. OTHER FINANCIAL COMMITMENTS

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

	Land and buildings 1996 £'000
Operating leases which expire:	
In over five years	<u>165</u>

The group has an interest in the residual value of certain vehicles, where the lease is directly written by a third party. The group may be required to purchase these vehicles in future years on the expiry of the relevant contracts. The value at which these vehicles would be purchased is set by the group on a prudent basis to ensure that under normal circumstances the market value of these vehicles is as high or higher than this value. Accordingly no material losses are expected from these commitments. The total commitment at 31 December 1996 was £4,807,000 (1995 - £1,801,000).

26. CONTINGENT LIABILITIES

At 31 December 1996, the company had cross guarantees with BCH Vehicle Management Limited for £86,007,000 (1995 - £75,081,000) owed to finance companies in respect of loans for vehicle purchases and the bank overdraft to the extent of £4,000,000 (1995 - £4,000,000) of which no amounts were utilised at 31 December 1996 (1995 - £363,000).

BCH (HOLDINGS) LIMITED

NOTES TO THE ACCOUNTS

at 31 December 1996

27. RELATED PARTY TRANSACTIONS

During the period ended 31 December 1996 the group had the following transactions with related parties as defined by Financial Reporting Standard 8 ;

- (i) As at 31 December 1996 HSBC Equity Limited held 263,210 ordinary 'B' shares in the company. As a result of this shareholding and the attached rights set out in the Shareholders Agreement HSBC Equity Limited is a related party as defined by Financial Reporting Standard 8. Transactions during the period relating to HSBC Equity Limited are detailed in note 19 - Share Capital and note 9 - Dividends. As at 31 December 1996 no amounts were due to or from HSBC Equity Limited; and
- ii) The group has supplied two vehicles under contract purchase agreements with Richard Pepper the chairman and managing director on normal commercial terms. At the beginning of the period the value of the associated loans totalled £14,566. The maximum amount outstanding during the year was £31,175 and as at 31 December 1996 the amount outstanding was £28,777.