Hikenear Limited

Directors' report and financial statements

20 Week period ended 5 July 1997
Registered Number: 3320928

Hikenear Limited

Directors' report and financial statements

Contents | *Page*

Hikenear Limited

Directors' report

The directors present their report and the audited financial statements for the 20 week period ended 5 July 1997.

Principal activities

The principal activity of the business is the provision of vehicle contract hire.

Business review

The company was incorporated on 19 February 1997 and on 16 March 1997 it acquired the vehicle contract hire fleet business from a fellow group company. During the period ended 5 July 1997 the company made a loss of £108 on turnover of £12,740,911.

On 31 August 1997 the trade and all assets and liabilities were transferrred to the parent undertaking at that date, Leasecontracts Limited.

Proposed dividend and transfer from reserves

The directors do not recommend the payment of a dividend. The retained loss for the period of £108 has been charged to reserves.

Directors

The directors who served during the period and after the period end were as follows:

RJM Dunne	(appointed 19 February 1997, resigned 6 July 1997)
AR Williams	(appointed 19 February 1997, resigned 6 July 1997)
J Burr	(appointed 6 July 1997)
T Taylor	(appointed 6 July 1997)
M Chapman	(appointed 6 July 1997)

None of the directors that held office at 5 July 1997 had any disclosable interest in the share capital of the company or other group companies.

Auditors

Ernst & Young were appointed as auditors of the company on 19 February 1997. During the period Ernst & Young resigned and KPMG Audit Plc was appointed as auditor of the company. In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditor of the company is to be proposed at the forthcoming annual general meeting.

By order of the board

M A Chapman

M Chapman
Director

Lauriston House
Pitchill
Evesham
WR11 5YT

3 June 1998

Hikenear Limited

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Report of the auditor, KPMG Audit Plc, to the members of Hikenear Limited

We have audited the financial statements on pages 4 to 10.

Respective responsibilities of directors and auditors

As described on page 2 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 the company's affairs as at 5 July 1997 and of its loss for the period from incorporation on 19 February 1997 to 5 July 1997 and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

3 June 1998

Hikenear Limited

Profit and loss account
for the 20 weeks ended 5 July 1997

	Note	**20 weeks ended 5 July 1997 £**
Turnover	*2*	**12,740,911**
Cost of sales		**(10,614,530)**
Gross profit		**2,126,381**
Administrative expenses		**(111,911)**
Operating profit		**2,014,470**
Interest payable	*6*	**(2,014,578)**
Loss on ordinary activities before taxation	*3*	**(108)**
Tax on loss on ordinary activities	*7*	**-**
Loss for the financial period	*13*	**(108)**

All of the activities of the company were discontinued on 31 August 1997.

Movements in reserves are set out in note 13 to the financial statements.

The company has no recognised gains or losses other than the loss for the period.

Hikenear Limited

Balance sheet
at 5 July 1997

	Note	1997 £	1997 £
Fixed assets			
Tangible assets	*8*		**93,119,831**
Current assets			
Debtors	*9*	**3,379,567**	
Creditors: amounts falling due within one year	*10*	**(97,803,792)**	
Net current liabilities			**(94,424,225)**
Net liabilities			**(1,304,394)**
Capital and reserves			
Called up share capital	*12*		**2**
Profit and loss account	*13*		**(1,304,396)**
Equity shareholders' deficit	*15*		**(1,304,394)**

The financial statements were approved by the board of directors on 3 June 1998 and signed on its behalf by:

M Chapman
Director

Hikenear Limited

Notes
(forming part of the financial statements)

1. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

(a) Basis of accounting

The financial statements have been prepared in accordance with historical cost accounting rules and applicable Accounting Standards.

(b) Depreciation

Depreciation is calculated to write off the cost less estimated residual value of a vehicle on a straight line basis over the term of the lease contract.

(c) Taxation

The charge for taxation is based on the result for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise in the foreseeable future.

(d) Leases

All leases are accounted for as 'operating leases' and the rental charges are charged to the profit and loss account on a straight line basis over the life of the lease.

(e) Cash flow statement

Under FRS1 (Revised 1996) the company is exempt from the requirement to prepare a cash flow statement. Exemption is on the grounds that it is a wholly owned subsidiary undertaking and its cash flows appear in a consolidated cash flow statement in the financial statements of the ultimate parent company which are available to the public.

(f) Transactions with related parties

The company, as a wholly owned subsidiary undertaking of NFC plc during the period, has taken advantage of an exemption contained in FRS 8, "Related Party Disclosure", in preparing its accounts. This exemption allows the company not to disclose details of transactions with other group companies or investees of the group qualifying as related parties, as the consolidated accounts of NFC plc in which the company is included are available to the public.

(g) Goodwill

Goodwill arising on acquisition, representing the excess of the fair value of the consideration given over the fair value of the identifiable net assets acquired, has been written off against reserves on acquisition.

2. Turnover

Turnover represents the total amount, excluding value added tax, invoiced to customers for rentals due under operating lease and similar hire purchase agreements and for other goods and services supplied by the company during the year.

Notes
(continued)

3. Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated after charging the following:

	20 weeks ended 5 July 1997 £
Depreciation	10,525,044
Auditors' remuneration	5,000
Operating lease charges - plant and machinery	89,486

4. Directors' remuneration

No director received any remuneration during the period.

5. Staff numbers and costs

The average number of persons employed by the company during the period was nil.

6. Interest payable

	20 weeks ended 5 July 1997 £
On loans from group undertakings	2,014,578

7. Tax on loss on ordinary activities

	20 weeks ended 5 July 1997 £
Taxation based on the loss for the period:	
Corporation tax at 31½%	1,304,288
Deferred tax	(1,304,288)
	-

Hikenear Limited

Notes
(continued)

8. Tangible fixed assets

	Leased vehicles £
Cost	
Additions on acquisition of business	92,488,593
Other additions	17,451,087
Disposals	(7,054,967)
At end of period	**102,884,713**
Depreciation	
Charge for the period	10,525,044
Disposals	(760,162)
At end of period	**9,764,882**
Net book value	
At 5 July 1997	**93,119,831**

9. Debtors

	5 July 1997 £
Other debtors	68,002
VAT recoverable	826,724
Prepayments and accrued income	2,484,841
	3,379,567

10. Creditors: amounts falling due within one year

	5 July 1997 £
Amounts owed to group undertakings	96,155,171
Corporation tax	1,304,288
Other creditors	337,819
Accruals and deferred income	6,514
	97,803,792

Hikenear Limited

Notes
(continued)

11. Provisions for liabilities and charges

Deferred taxation	**Accelerated capital allowances £**
On acquisition of business	**1,304,288**
Credit to profit and loss account	**(1,304,288)**
At 5 July 1997	-

At 5 July 1997 the company had an unprovided deferred taxation liability in respect of accelerated capital allowances of £5,143,098.

12. Share capital

	5 July 1997 £
Authorised:	
2 ordinary shares of £1 each	2
Allotted, called up and fully paid:	
2 ordinary shares of £1 each	2

13. Profit and loss account

	5 July 1997 £
Goodwill on acquisition written off	(1,304,288)
Loss for the financial period	(108)
At 5 July 1997	**(1,304,396)**

Hikenear Limited

Notes
(continued)

14. Acquisitions

On 16 March 1997 the company acquired the vehicle contract hire fleet business of BRS. The consideration was £95,284,739. The fair value of the identifiable net assets acquired totalled £93,980,451 giving rise to goodwill of £1,304,288, which has been written off against reserves.

	BRS		
	Book value	**Fair value adjustments**	**Fair value to the company**
	£	**£**	**£**
Tangible fixed assets	92,488,593	-	92,488,593
Net operating assets	2,796,146	-	2,796,146
Deferred tax	-	(1,304,288)	(1,304,288)
	95,284,739	(1,304,288)	93,980,451

The adjustment was made to adopt a SSAP15 valuation of deferred tax.

15. Reconciliation of movements in shareholders' funds

	5 July 1997
	£
Loss for the financial period	(108)
Share capital issued on incorporation	2
Goodwill eliminated against reserves	(1,304,288)
Closing equity shareholders' deficit	**(1,304,394)**

16. Ultimate holding company

The largest group in which the results of the company are consolidated is that headed by its ultimate parent company, NFC plc, incorporated in England and Wales. The accounts of this company are available to the public and may be obtained from 66 Chiltern Street, London W1M 1PR.

On 6 July 1997 the entire issued share capital of the company was acquired by Leasecontracts Limited, a company incorporated in England and Wales. From that date the company's ultimate parent undertaking has been General Electric Company (USA), a company incorporated in the United States of America.