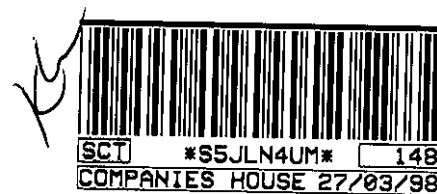


**Lex Transfleet Limited and subsidiary
undertakings**

Directors' report and financial statements

28 December 1997

Registered number 46710



Report and financial statements

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Directors

| | |
|-------------|---------------------------------------|
| AJ Beeston | (appointed 5 February 1997) |
| JD Fitch | (Chairman, appointed 5 February 1997) |
| PR Harris | |
| J Johnson | |
| AK Simpson | (appointed 18 February 1997) |
| DM Smith | |
| CP Sullivan | |
| P Cosgrove | (resigned 18 February 1997) |
| MA Maberly | (resigned 31 December 1996) |
| JD Purdy | (resigned 31 December 1996) |

Secretary

E Richardson

Directors' report

The directors have pleasure in submitting their report and the financial statements of the group for the year ended 28 December 1997.

Principal activity

The principal activity of the group is the provision of commercial vehicles for leasing, short term rental and related logistics support services.

Business review

The group profit on ordinary activities before taxation was £2,807,000 (1996: £976,000) on which there was a taxation charge of £493,000 (1996: £322,000). The directors do not recommend the payment of a dividend (1996: £Nil).

The group through continued organic growth, has increased the size of the commercial fleet under its control and the directors will continue to develop the business through a portfolio of logistics support services in the foreseeable future.

On 25 April 1997 the company acquired 15% of Primary Management (Aldershot) Limited. This company was set up together with Gardner Merchant (trading as Primary Management) and WS Atkins Facilities Management Limited to provide facilities management and associated services for the Ministry of Defence at Aldershot Garrison on the terms of a contract signed between Primary Management (Aldershot) Limited and the Ministry of Defence.

On 10 October 1997 the Company held an Extraordinary General Meeting and passed a Special Resolution to reduce its authorised and issued capital from £46,550,300 to £34,908,300 by the cancellation of 11,642,000 ordinary shares of £1 each. Approval from the courts for the cancellation of the 11,642,000 ordinary shares was received on 23 December 1997. The credit arising was transferred to the company's profit and loss account reserve to eliminate the accumulated deficit on that reserve following which the net credit balance was transferred to a non distributable capital reserve.

Directors and directors' interests

None of the persons who were directors at 28 December 1997 had any interests in the shares of the company or its subsidiary undertakings.

According to the register kept by the company, the interests of the directors at the year end in the share and loan capital of National Westminster Bank Plc were as follows:

| | Ordinary shares of £1 each | | | |
|-------------|----------------------------|--------------------|--------------------|--------------------|
| | 28 December 1997 | | 29 December 1996* | |
| | Beneficially owned | Held by Trustees † | Beneficially owned | Held by Trustees † |
| AJ Beeston | 6,287 | 2,774 | 5,091 | 2,711 |
| J Johnson | 115 | - | 115 | - |
| JD Fitch | 25,980 | - | 25,980 | - |
| CP Sullivan | 1,140 | 1,983 | 1,478 | 2,102 |

† Held by Trustees of the National Westminster Bank Plc Group 1979 Profit Sharing Share Scheme.

* or at date of appointment if later.

Directors' report (continued)

Directors and directors' interests (continued)

Share options and other potential interests in ordinary shares of £1 each of National Westminster Bank Plc:

| | As at 28 December 1997 | Share Option Schemes Number of options | | Lapsed | As at 29 December 1996* |
|-------------|---------------------------|---|-----------|--------|----------------------------|
| | | Granted | Exercised | | |
| AJ Beeston | 60,220 | 8,284 | 2,423 | - | 54,359 |
| J Johnson | 46,177 | 9,326 | - | - | 36,851 |
| CP Sullivan | 24,745 | 7,052 | 862 | - | 18,555 |
| JD Fitch | - | - | - | - | - |
| MA Maberly | **58,173 | - | - | - | 58,173 |
| JD Purdy | **83,210 | - | - | - | 83,210 |

* or at date of appointment if later.

** at date of resignation.

During the year, the following directors exercised options as shown:

| | No. of options | Subscription price (p) | Market price at date of exercise (p) |
|-------------|----------------|---------------------------|--|
| AJ Beeston | 1,561 | 196 | 952.5 |
| | 862 | 261 | 884.0 |
| CP Sullivan | 862 | 261 | 974.0 |

Details of the terms and conditions appropriate to the respective option schemes are given in the 1997 accounts of National Westminster Bank Plc. The options outstanding at 28 December 1997 are potentially exercisable, between various future points in time, at the prices set out below:

| | Exercise price | | | | | | | | |
|-------------|----------------|------|--------|--------|------|--------|------|--------|-------|
| | 399p | 436p | 493p | 503p | 546p | 590p | 634p | 637p | 793p |
| AJ Beeston | 518 | - | 16,074 | 14,744 | 214 | 14,036 | 184 | 6,350 | 8,100 |
| J Johnson | - | - | 5,691 | 3,984 | 214 | 14,862 | 326 | 12,100 | 9,000 |
| CP Sullivan | 518 | 458 | 3,866 | 3,093 | 758 | 5,000 | 652 | 4,000 | 6,400 |

No other director at the year end is registered as having interests during the year in the share and loan capital of National Westminster Bank Plc.

During 1997 certain National Westminster Group employees were granted potential awards under the Medium Term Equity Plan. This is a type of Employee Share Ownership Plan funded by National Westminster Bank Plc and administered by an independent trustee. The awards are subject to a stretching performance condition.

At 28 December 1997 1,411,552 (1996: 1,234,032) shares were held by the independent trustee for the Plan and, in the terms of the trust deed setting up the plan, all employees and directors are deemed to have an interest as potential beneficiaries in those ordinary shares.

In October 1997 the Bank established a Qualifying Employee Share Ownership Trust (QUEST) to operate in connection with the Bank's Savings Related Share Option Scheme. The trustee of the QUEST is NatWest Quest Limited, a wholly owned subsidiary.

As at 28 December 1997, 1,638,490 ordinary shares were held by the trustee. In the terms of the trust deed setting up the QUEST all employees and executive directors are deemed to have an interest as potential discretionary beneficiaries in those ordinary shares.

Directors' report *(continued)*

Fixed assets

The company's freehold and long leasehold properties were last valued in December 1994 at open market values on the basis of existing use. This valuation has not been incorporated in the financial statements as the directors consider there is no permanent diminution in the value of the properties.

Donations

The total of charitable donations made during the year amounted to £1,000.

Payment to suppliers

The company is responsible for agreeing the terms and conditions under which business transactions with suppliers are conducted. It is company policy that payments to suppliers are made in accordance with these terms, provided that the supplier is also complying with all the relevant terms and conditions. The number of days billing outstanding at the end of the financial year is 28 days.

Auditor

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditor to the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



E Richardson
Secretary

19 February 1998

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 the group and of the profit or loss for that year. 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the 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 group and to prevent and detect fraud and other irregularities.



KPMG Audit Plc

2 Cornwall Street
Birmingham B3 2DL

Auditor's report to the members of Lex Transfleet Limited

We have audited the financial statements on pages 6 to 25.

Respective responsibilities of directors and auditor

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 directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the 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 and the group as at 28 December 1997 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc
Chartered Accountants
Registered Auditor

19 February 1998

Consolidated profit and loss account
 for the year ended 28 December 1997

| | Note | 1997 | | 1996 | |
|---|------|-----------------------|----------|-----------------------|----------|
| | | Continuing operations | | Continuing operations | |
| | | £000 | £000 | £000 | £000 |
| Turnover | 2 | | 143,051 | | 141,968 |
| Depreciation of tangible fixed assets | 9 | | (39,581) | | (39,231) |
| Other operating income | | | 300 | | 339 |
| Other operating charges | | | | | |
| - excluding exceptional items | | (91,885) | | (91,115) | |
| - exceptional item | 6 | - | | (365) | |
| | | | | | |
| Total other operating charges | | | (91,885) | | (91,480) |
| | | | | | |
| Operating profit | 5 | | 11,885 | | 11,596 |
| Interest receivable and similar income | | | 18 | | 5 |
| Interest payable and similar charges | 7 | | (9,096) | | (10,625) |
| | | | | | |
| Profit on ordinary activities before taxation | | | 2,807 | | 976 |
| Tax charge on profit on ordinary activities | 8 | | (493) | | (322) |
| | | | | | |
| Profit on ordinary activities after taxation being retained profit for the financial year for equity shareholders | | | 2,314 | | 654 |

The notes on pages 10 to 25 form part of these financial statements.

The movement on reserves is detailed in note 17 on page 20 of these financial statements.

There are no recognised gains or losses other than those passing through the above profit and loss account.

Consolidated balance sheet
at 28 December 1997

| | Note | 1997 £000 | 1996 £000 |
|--|------|-----------------|-----------------|
| Fixed assets | | | |
| Tangible assets | 9 | 166,382 | 188,641 |
| Investments | 10 | 2 | - |
| | | <u>166,384</u> | <u>188,641</u> |
| Current assets | | | |
| Stocks | 11 | 439 | 484 |
| Debtors | 12 | 22,038 | 25,854 |
| Cash at bank and in hand | | 79 | 59 |
| | | <u>22,556</u> | <u>26,397</u> |
| Creditors: amounts falling due within one year | 13 | <u>(82,860)</u> | <u>(91,087)</u> |
| Net current liabilities | | <u>(60,304)</u> | <u>(64,690)</u> |
| Total assets less current liabilities | | <u>106,080</u> | <u>123,951</u> |
| Creditors: amounts falling due after more than one year | 14 | <u>(57,089)</u> | <u>(75,692)</u> |
| Provisions for liabilities and charges | 15 | <u>(10,801)</u> | <u>(12,383)</u> |
| Net assets | | <u>38,190</u> | <u>35,876</u> |
| Capital and reserves | | | |
| Called up share capital | 16 | 34,908 | 46,550 |
| Profit and loss account | 17 | 2,780 | (10,723) |
| Other reserves | 18 | 502 | 49 |
| Equity shareholders' funds | | <u>38,190</u> | <u>35,876</u> |

The notes on pages 10 to 25 form part of these financial statements.

These financial statements were approved by the board of directors on 19 February 1998 and were signed on their behalf by:

J Johnson
 Director

P Harris
 Director

Balance sheet
 at 28 December 1997

| | Note | 1997 £000 | 1996 £000 |
|--|------|------------------|------------------|
| Fixed assets | | | |
| Tangible assets | 9 | 133,220 | 147,986 |
| Investments | 10 | 20,245 | 20,243 |
| | | <u>153,465</u> | <u>168,229</u> |
| Current assets | | | |
| Stocks | 11 | 424 | 475 |
| Debtors | 12 | 59,583 | 62,678 |
| Cash at bank and in hand | | 10 | 59 |
| | | <u>60,017</u> | <u>63,212</u> |
| Creditors: amounts falling due within one year | 13 | <u>(114,236)</u> | <u>(114,261)</u> |
| Net current liabilities | | <u>(54,219)</u> | <u>(51,049)</u> |
| Total assets less current liabilities | | <u>99,246</u> | <u>117,180</u> |
| Creditors: amounts falling due after more than one year | 14 | (55,825) | (74,602) |
| Provisions for liabilities and charges | 15 | (8,060) | (7,840) |
| Net assets | | <u>35,361</u> | <u>34,738</u> |
| Capital and reserves | | | |
| Called up share capital | 16 | 34,908 | 46,550 |
| Profit and loss account | 17 | - | (11,812) |
| Other reserves | 18 | 453 | - |
| Equity shareholders' funds | | <u>35,361</u> | <u>34,738</u> |

The notes on pages 10 to 25 form part of these financial statements.

These financial statements were approved by the board of directors on 19 February 1998 and were signed on their behalf by:

J Johnson
 Director

P Harris
 Director

Consolidated cash flow statement
for the year ended 28 December 1997

| | Note | 1997 £000 | 1996 £000 |
|---|------|--------------|--------------|
| Net cash inflow from operating activities | 20 | 54,572 | 54,932 |
| Returns on investments and servicing of finance | | | |
| Interest received | | 18 | 5 |
| Interest paid on bank loans | | (9,610) | (9,471) |
| Interest paid on finance lease and hire purchase agreements | | (359) | (560) |
| Net cash outflow for returns on investments and servicing of finance | | (9,951) | (10,026) |
| Taxation | | | |
| Group relief received | | 383 | 1,654 |
| UK corporation tax received | | 13 | 68 |
| UK corporation tax paid | | (21) | (184) |
| Net cash inflow for taxation | | 375 | 1,538 |
| Capital expenditure and financial investment | | | |
| Purchase of tangible fixed assets | | (30,576) | (48,995) |
| Sale of tangible fixed assets | | 16,499 | 12,291 |
| Purchase of trade investments | | (2) | - |
| Net cash outflow for capital expenditure and financial investment | | (14,079) | (36,704) |
| Acquisitions | | | |
| Additional investment in subsidiary | | - | (70) |
| Purchase of subsidiary undertakings | | - | (2,200) |
| Net overdrafts acquired with subsidiaries | | - | (652) |
| Net cash outflow for acquisitions | | - | (2,922) |
| Cash inflow before the use of liquid resources and financing | | 30,917 | 6,818 |
| Financing | | | |
| Loans taken out during the year | | 20,000 | 52,500 |
| Repayment of loans | | (49,500) | (57,000) |
| Capital element of finance lease repayments | | (1,711) | (2,071) |
| Net cash outflow from financing | 21 | (31,211) | (6,571) |
| (Decrease)/increase in cash for the period | 21 | (294) | 247 |

Notes

(forming part of the financial statements)

1 Principal accounting policies

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

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

Basis of consolidation

The financial statements incorporate those of the company and its subsidiary undertakings. In the case of subsidiary undertakings acquired during the year, the financial statements reflect the results of acquired undertakings from the date of acquisition.

Goodwill

Goodwill arising on consolidation representing the difference between the fair value of the consideration paid over the fair value of the separable net assets of businesses and subsidiary undertakings acquired, is set off against reserves in the year of acquisition.

Stock

Stock is stated at the lower of cost and net realisable value.

Depreciation

Freehold and long leasehold land is not depreciated. The hire fleet comprises contract hire and short term rental vehicles. Contract hire vehicles are depreciated to estimated residual values on a straight line basis over the life of the contract, short term rental vehicles are depreciated to residual values on a straight line basis over years of 3 to 10 years. Depreciation on property and equipment is provided on a straight line basis over the estimated useful lives as follows:

| | Basis | Estimated useful life |
|---|---------------|-----------------------|
| Freehold buildings | Straight line | 50 years |
| Long leasehold buildings | Straight line | 50 years |
| Short leasehold buildings | Straight line | unexpired years |
| Company cars, service vehicles and computer peripherals | Straight line | 3 to 4 years |
| Furniture, fittings, plant and equipment | Straight line | 5 years |

Deferred taxation

Deferred tax is provided on the liability method on all timing differences to the extent that a taxation liability is expected to arise in the future.

Finance leases

Assets made available to third parties under finance leases are treated as amounts receivable and are disclosed in debtors.

Net income from finance leases is credited to the profit and loss account in proportion to the funds invested.

Notes (continued)

1 Principal accounting policies (continued)

Leased assets

The fair value of assets acquired under finance leases and similar hire purchase agreements is included in fixed assets and in creditors as an obligation to pay future rentals. Depreciation is provided at the same rates as for owned assets.

Rentals payable under finance leases and similar hire purchase agreements are apportioned between the finance charge and the outstanding obligation so as to produce a constant rate of charge on the remaining balance.

Rentals payable under operating lease agreements are charged on a straight line basis over the lease term.

Credit is taken for income from operating leases in equal instalments over the life of the contract commencing at the time of delivery.

Investments in subsidiary undertakings

Investments in subsidiary undertakings are stated at cost less provisions for any permanent diminution in value.

Pensions

Lex Service PLC operates a defined benefit pension scheme covering the majority of its permanent employees seconded to Lex Transfleet Limited. The scheme's funds are administered by trustees and are independent of the company's finances. The scheme is fully funded and contributions are paid to the scheme in accordance with the recommendations of independent actuaries. The company's contributions are charged against profits of Lex Transfleet Limited in the year in which contributions are made. Full details of the scheme are given in the financial statements of Lex Service PLC.

2 Turnover

Turnover derives from the leasing and hiring of commercial vehicles and related services. It represents lease income, rentals on operating leases and associated services credited to the profit and loss account during the year, all of which arises in the United Kingdom. The analysis of turnover is as follows:

| | 1997 £000 | 1996 £000 |
|---------------------|--------------|--------------|
| Operating leases | 99,618 | 101,830 |
| Finance leases | 1,859 | 1,545 |
| Associated services | 41,574 | 38,593 |
| | <hr/> | <hr/> |
| | 143,051 | 141,968 |
| | <hr/> | <hr/> |

Notes (continued)

3 Staff costs

| | 1997 £000 | 1996 £000 |
|-----------------------|--------------|--------------|
| Wages and salaries | 181 | 211 |
| Social security costs | 18 | 21 |
| | <u>199</u> | <u>232</u> |

Staff numbers

| | | |
|-------------------------------|-----------|-----------|
| Vehicle hire and distribution | 6 | 6 |
| Workshops | 7 | 6 |
| | <u>13</u> | <u>12</u> |

The above staff costs and numbers all relate to a subsidiary undertaking, Chart Hire Services (N.I.) Limited. All other staff are employees of Lex Service PLC.

4 Directors' remuneration

The emoluments of directors, including pension contributions paid by the company, were as follows:

| | 1997 £000 | 1996 £000 |
|--|--------------|--------------|
| Salary payments (including benefits in kind) | 184 | 36 |
| Pension contributions | 12 | 2 |
| | <u>196</u> | <u>38</u> |

Retirement benefits are accruing to the following number of directors under:

| | 1997 Number | 1996 Number |
|-------------------------|----------------|----------------|
| Defined benefit schemes | 2 | 1 |

Notes (continued)

5 Operating profit

Operating profit is stated after charging/(crediting):

| | 1997 £000 | 1996 £000 |
|---|-------------------|-------------------|
| Auditor's remuneration for audit services | 61 | 69 |
| - company | | |
| - subsidiary undertakings | 3 | 3 |
| Operating leases | | |
| Hire of plant and machinery | 686 | 621 |
| Hire of buildings | 1,062 | 1,199 |
| Rent receivable from land and buildings | (300) | (339) |
| Profit on disposal of fixed assets | (229) | (74) |
| Provision for permanent diminution in value of goodwill | - | 365 |
| | <u> </u> | <u> </u> |

Non-audit fees paid to the auditor and its associates amounted to £6,000 (1996: £36,000).

6 Exceptional item

Included in other operating charges last year is an exceptional operating charge of £365,000 which relates to the permanent diminution in the value of the goodwill arising on the acquisition of BVS Rentals Limited and BVS Watford Limited.

7 Interest payable and similar charges

| | 1997 £000 | 1996 £000 |
|--|-------------------|-------------------|
| To National Westminster Bank Plc group undertakings | 8,697 | 10,126 |
| On other loans wholly repayable within five years | 40 | 29 |
| Finance charges in respect of finance leases and similar hire purchase agreements: | | |
| National Westminster Bank Plc group undertakings | 136 | 84 |
| Other | 223 | 386 |
| | <u> </u> | <u> </u> |
| | 9,096 | 10,625 |
| | <u> </u> | <u> </u> |

8 Tax charge on profit on ordinary activities

| | 1997 £000 | 1996 £000 |
|---|-------------------|-------------------|
| UK corporation tax based on the results for the year at 31.5% (1996: 33%) | 612 | (82) |
| Group relief at 31.5% (1996: 33%) | 1,560 | (382) |
| Deferred taxation (release)/charge (note 15) | (1,426) | 716 |
| Adjustments in respect of prior years: | | |
| UK corporation tax | (9) | - |
| Group relief | (88) | - |
| Deferred taxation (note 15) | (156) | 70 |
| | <u> </u> | <u> </u> |
| | 493 | 322 |
| | <u> </u> | <u> </u> |

The company has benefited from a reduced tax charge in the current year primarily as a result of the reduction in deferred tax provisioning rate from 33% to 31%. The effect of this is to reduce the group's tax charge for the year by £752,683.

Notes (continued)

9 Tangible fixed assets

| Group | Land and buildings | | | Equipment and vehicles | Hire fleet | Total |
|-----------------------|--------------------|------------------------|-------------------------|------------------------|------------|----------|
| | Freehold £000 | Long leasehold £000 | Short leasehold £000 | | | |
| Cost | | | | | | |
| At beginning of year | 7,676 | 1,369 | 1,753 | 9,896 | 278,611 | 299,305 |
| Additions | 56 | 9 | - | 375 | 34,461 | 34,901 |
| Disposals | (581) | - | - | (1,146) | (41,063) | (42,790) |
| Transfers | - | - | - | 227 | (2,545) | (2,318) |
| At end of year | 7,151 | 1,378 | 1,753 | 9,352 | 269,464 | 289,098 |
| Depreciation | | | | | | |
| At beginning of year | 973 | 245 | 800 | 6,971 | 101,675 | 110,664 |
| Charge for the year | 146 | 30 | 103 | 1,202 | 38,100 | 39,581 |
| Disposals | (172) | - | - | (730) | (25,618) | (26,520) |
| Transfers | - | - | - | 31 | (1,040) | (1,009) |
| At end of year | 947 | 275 | 903 | 7,474 | 113,117 | 122,716 |
| Net book value | | | | | | |
| At 28 December 1997 | 6,204 | 1,103 | 850 | 1,878 | 156,347 | 166,382 |
| At 29 December 1996 | 6,703 | 1,124 | 953 | 2,925 | 176,936 | 188,641 |

Included in the hire fleet are assets held under finance leases and hire purchase agreements with a net book value of £4,540,000 (1996: £7,379,000). The amount of depreciation on these assets allocated for the year was £1,660,000 (1996: £1,767,000).

The hire fleet is held for use under operating leases.

Included in the cost of land and buildings are depreciable assets of £7,966,000 (1996: £8,432,000).

Capital commitments

| | 1997 £000 | 1996 £000 |
|---|--------------|--------------|
| Capital expenditure contracted but not provided | 7,221 | 1,776 |

Notes (continued)

9 Tangible fixed assets (continued)

| Company | Land and buildings | | Short leasehold £000 | Equipment and vehicles £000 | Hire fleet £000 | Total £000 |
|-----------------------|--------------------|---------------------------|----------------------------|--------------------------------------|-----------------------|---------------|
| | Freehold £000 | Long leasehold £000 | | | | |
| Cost | | | | | | |
| At beginning of year | 7,676 | 1,369 | 1,753 | 9,888 | 216,368 | 237,054 |
| Additions | 56 | 9 | - | 373 | 31,640 | 32,078 |
| Disposals | (581) | - | - | (1,148) | (31,927) | (33,656) |
| Business acquisitions | - | - | - | - | 4,563 | 4,563 |
| Business disposals | - | - | - | - | (6,042) | (6,042) |
| Transfers | - | - | - | 185 | (5,489) | (5,304) |
| At end of year | 7,151 | 1,378 | 1,753 | 9,298 | 209,113 | 228,693 |
| Depreciation | | | | | | |
| At beginning of year | 973 | 245 | 800 | 6,921 | 80,129 | 89,068 |
| Charge for the year | 146 | 30 | 103 | 1,195 | 30,729 | 32,203 |
| Disposals | (172) | - | - | (730) | (20,888) | (21,790) |
| Business acquisitions | - | - | - | - | 686 | 686 |
| Business disposals | - | - | - | - | (2,673) | (2,673) |
| Transfers | - | - | - | 45 | (2,066) | (2,021) |
| At end of year | 947 | 275 | 903 | 7,431 | 85,917 | 95,473 |
| Net book value | | | | | | |
| At 28 December 1997 | 6,204 | 1,103 | 850 | 1,867 | 123,196 | 133,220 |
| At 29 December 1996 | 6,703 | 1,124 | 953 | 2,967 | 136,239 | 147,986 |

On 30 December 1996 the company acquired the fixed assets and trade of a subsidiary company, BVS Watford Limited, and on 28 December 1997 the company transferred the fixed assets and trade of the Municipal Vehicle Hire division to a subsidiary company, Transfleet Truck Rentals Limited.

Included in the hire fleet are assets held under finance leases and hire purchase agreements with a net book value of £1,963,000 (1996: £212,000). The amount of depreciation on these assets allocated for the year was £1,020,000 (1996: £54,000).

The hire fleet is held for use under operating leases.

Included in the cost of land and buildings are depreciable assets of £7,966,000 (1996: £8,432,000).

Capital commitments

| | 1997 £000 | 1996 £000 |
|---|--------------|--------------|
| Capital expenditure contracted but not provided | 7,221 | 1,776 |

Notes (continued)

10 Investments

| Group | Trade investments £000 |
|--------------------------------|---------------------------|
| Cost and net book value | |
| At beginning of year | - |
| Additions | 2 |
| | <hr/> |
| At end of year | 2 |
| | <hr/> |

On 25 April 1997 the company acquired 15% of the issued share capital of Primary Management (Aldershot) Limited.

| Company | Shares in group undertakings £000 | Trade investments £000 | Total £000 |
|------------------------------|--|------------------------------|---------------|
| Cost | | | |
| At beginning of year | 31,292 | - | 31,292 |
| Additions | - | 2 | 2 |
| | <hr/> | <hr/> | <hr/> |
| At end of year | 31,292 | 2 | 31,294 |
| | <hr/> | <hr/> | <hr/> |
| Provisions | | | |
| At beginning and end of year | 11,049 | - | 11,049 |
| | <hr/> | <hr/> | <hr/> |
| Net book value | | | |
| At 28 December 1997 | 20,243 | 2 | 20,245 |
| | <hr/> | <hr/> | <hr/> |
| At 29 December 1996 | 20,243 | - | 20,243 |
| | <hr/> | <hr/> | <hr/> |

The basis of the provision is to write down the investment in subsidiary undertakings to their underlying net asset value as disclosed in the latest statutory financial statements.

The principal subsidiary undertakings are shown below:

| Name | Principal activity | Class of share held | Country of incorporation | % of nominal value of issued shares held |
|------------------------------------|--|---------------------|--------------------------|--|
| Transfleet Truck Rentals Limited | Short term hire of commercial vehicles | Ordinary | Great Britain | 100 |
| Chart Hire Services (N.I.) Limited | Hire of commercial vehicles | Ordinary | Great Britain | 100 |
| Chart Services Limited | Holding company | Ordinary | Great Britain | 100 |
| Chadmore Assets PLC | Investment company | Ordinary | Great Britain | 100 |
| Transfleet Distribution Limited | Holding company | Ordinary | Great Britain | 100 |

The results and year end financial position of the above principal subsidiary undertakings are included in the group's consolidated financial statements.

On 25 April 1997 the company acquired 15% of the issued share capital of Primary Management (Aldershot) Limited.

Notes (continued)

11 Stocks

| | Group | | Company | |
|---|-------|------|---------|------|
| | 1997 | 1996 | 1997 | 1996 |
| | £000 | £000 | £000 | £000 |
| Vehicle spare parts, fuel and consumables | 439 | 484 | 424 | 475 |

12 Debtors

| | Group | | Company | |
|---|--------|--------|---------|--------|
| | 1997 | 1996 | 1997 | 1996 |
| | £000 | £000 | £000 | £000 |
| Amounts falling due within one year: | | | | |
| Trade debtors | 10,487 | 13,748 | 10,347 | 13,556 |
| Amounts owed by group undertakings | 849 | 567 | 38,606 | 37,577 |
| Other debtors | 1,728 | 1,419 | 1,725 | 1,395 |
| Corporation tax | 153 | 136 | 144 | 47 |
| Group relief | - | 382 | - | 933 |
| Net investments in finance leases | 1,145 | 1,975 | 1,145 | 1,699 |
| Prepayments and accrued income | 4,402 | 6,244 | 4,342 | 6,183 |
| | 18,764 | 24,471 | 56,309 | 61,390 |
| Amounts falling due after more than one year: | | | | |
| Net investments in finance leases | 3,274 | 1,383 | 3,274 | 1,288 |
| | 22,038 | 25,854 | 59,583 | 62,678 |

The cost of assets acquired during the year for the purpose of letting under finance leases in both the group and the company amounted to £3,137,000 (1996: £2,918,000). In addition the fair value of assets held for the purpose of letting under finance leases, acquired by the Company as a result of the transfer of the assets from BVS Watford Limited, amounted to £372,000.

Notes (continued)

13 Creditors: amounts falling due within one year

| | Group | | Company | |
|--|---------------|---------------|----------------|----------------|
| | 1997 | 1996 | 1997 | 1996 |
| | £000 | £000 | £000 | £000 |
| Bank overdraft | 2,164 | 1,850 | 2,164 | 1,747 |
| Trade creditors | 6,563 | 4,803 | 6,502 | 4,747 |
| Amounts owed to group undertakings | | | | |
| Loans | 38,000 | 49,500 | 38,000 | 49,500 |
| Other | 7,864 | 9,385 | 40,804 | 33,304 |
| Other creditors | 5,915 | 2,976 | 5,897 | 2,940 |
| Group relief | 1,473 | - | 1,473 | - |
| Corporation tax | 612 | - | - | - |
| Other taxes and social security | 2,690 | 2,724 | 2,650 | 2,721 |
| Obligations under finance lease and hire purchase agreements | 1,368 | 2,476 | 814 | 2,095 |
| Accruals and deferred income | 16,211 | 17,373 | 15,932 | 17,207 |
| | <u>82,860</u> | <u>91,087</u> | <u>114,236</u> | <u>114,261</u> |

14 Creditors: amounts falling due after more than one year

| | Group | | Company | |
|--|---------------|---------------|----------------|---------------|
| | 1997 | 1996 | 1997 | 1996 |
| | £000 | £000 | £000 | £000 |
| Amounts owed to group undertakings: | | | | |
| Loans | 55,500 | 73,500 | 55,500 | 73,500 |
| Obligations under finance lease and similar hire purchase agreements | 1,589 | 2,192 | 325 | 1,102 |
| | <u>57,089</u> | <u>75,692</u> | <u>55,825</u> | <u>74,602</u> |

The loans from group undertakings for the group and company comprise loans repayable within five years.

Notes (continued)

15 Provisions for liabilities and charges

| | Group £000 | Company £000 |
|--|---------------|-----------------|
| Deferred tax | | |
| At beginning of year | 12,383 | 7,840 |
| Business acquisition | - | 195 |
| Business disposal | - | (190) |
| Transferred (to)/from profit and loss account (note 8) | (1,582) | 215 |
| At end of year | 10,801 | 8,060 |

The balance provided at 31% (1996: 33%) comprises:

| | Group | | Company | |
|--------------------------------|---------------|---------------|--------------|--------------|
| | 1997 £000 | 1996 £000 | 1997 £000 | 1996 £000 |
| Accelerated capital allowances | 11,364 | 12,755 | 8,609 | 8,161 |
| Other timing differences | (563) | (330) | (549) | (321) |
| Unrelieved tax losses | - | (42) | - | - |
| | 10,801 | 12,383 | 8,060 | 7,840 |

The amounts of unprovided deferred taxation at
 31% (1996: 33%) are as follows:

| | | | | |
|--------------------------------|-------|-------|-------|-------|
| Accelerated capital allowances | 4,629 | 5,244 | 3,454 | 5,245 |
|--------------------------------|-------|-------|-------|-------|

16 Called up share capital

| | 1997 £000 | 1996 £000 |
|--|---------------|---------------|
| Authorised, allotted, issued and fully paid: | | |
| Equity: 34,908,300 (1996: 46,550,300) ordinary shares of £1 each | 34,908 | 46,550 |

On 23 December 1997 the company received approval from the courts for the cancellation of 11,642,000 ordinary shares of £1 each and the reduction in the authorised and issued share capital from £46,550,300 to £34,908,300. The credit arising was transferred to the company's profit and loss account reserve to eliminate the accumulated deficit on that reserve following which the net credit balance was transferred to a non distributable capital reserve.

Notes (continued)

17 Profit and loss account

| | Group £000 | Company £000 |
|--|---------------|-----------------|
| Deficit at beginning of year | (10,723) | (11,812) |
| Retained profit for the financial year | 2,314 | 623 |
| Reduction in share capital (note 16) | 11,642 | 11,642 |
| Transfer to capital reserve (note 18) | (453) | (453) |
| | <hr/> | <hr/> |
| Surplus at the end of the year | 2,780 | - |
| | <hr/> <hr/> | <hr/> <hr/> |

The cumulative amount of goodwill deducted from the group's and company's reserves attributable to subsidiary undertakings and businesses acquired and not subsequently sold is as follows:

| | Group £000 | Company £000 |
|-------------------------------------|---------------|-----------------|
| Goodwill written off in respect of: | | |
| Acquisition of trade and assets | 1,820 | 1,820 |
| Acquisition of companies | 29,813 | 15,289 |
| | <hr/> | <hr/> |
| | 31,633 | 17,109 |
| | <hr/> <hr/> | <hr/> <hr/> |

18 Other reserves

| | Capital reserve Group £000 | Capital reserve Company £000 |
|--|----------------------------------|------------------------------------|
| At beginning of year | 49 | - |
| Transfer from profit and loss account following reduction in share capital (note 17) | 453 | 453 |
| | <hr/> | <hr/> |
| At end of year | 502 | 453 |
| | <hr/> <hr/> | <hr/> <hr/> |

Notes (continued)

19 Reconciliation of movements in shareholders' funds

| | 1997 £000 | 1996 £000 |
|---|--------------|--------------|
| Group | | |
| Profit attributable to the group | 2,314 | 654 |
| Goodwill arising on acquisitions | - | (1,020) |
| Provision for permanent diminution in value of goodwill | - | 365 |
| Capital reserve created on acquisition of minority | - | 49 |
| | <hr/> | <hr/> |
| Net increase in shareholders' funds | 2,314 | 48 |
| Opening shareholders' funds | 35,876 | 35,828 |
| | <hr/> | <hr/> |
| Closing shareholders' funds | 38,190 | 35,876 |
| | <hr/> | <hr/> |
| Company | | |
| Profit/(loss) attributable to members of the company | 623 | (956) |
| | <hr/> | <hr/> |
| Net increase/(decrease) in shareholders' funds | 623 | (956) |
| Opening shareholders' funds | 34,738 | 35,694 |
| | <hr/> | <hr/> |
| Closing shareholders' funds | 35,361 | 34,738 |
| | <hr/> | <hr/> |

20 Reconciliation of operating profit to net cash inflow from operating activities

| | 1997 £000 | 1996 £000 |
|---|--------------|--------------|
| Operating profit | 11,885 | 11,596 |
| Depreciation | 39,581 | 39,231 |
| Profit on disposal of tangible fixed assets | (229) | (74) |
| Permanent diminution in value of goodwill | - | 365 |
| Decrease in stocks | 45 | 123 |
| Decrease in debtors | 4,760 | 849 |
| (Decrease)/increase in creditors | (1,470) | 2,842 |
| | <hr/> | <hr/> |
| Net cash inflow from operating activities | 54,572 | 54,932 |
| | <hr/> | <hr/> |

Notes (continued)

21 Analysis of net debt

| | As at 28 December 1997 £000 | Cash flow £000 | As at 29 December 1996 £000 |
|---|-----------------------------------|-------------------|-----------------------------------|
| Cash at bank and in hand | 79 | 20 | 59 |
| Overdrafts | (2,164) | (314) | (1,850) |
| | <u>(2,085)</u> | <u>(294)</u> | <u>(1,791)</u> |
| Loans due in one year | (38,000) | 11,500 | (49,500) |
| Loans due after one year | (55,500) | 18,000 | (73,500) |
| Finance lease and hire purchase obligations | (2,957) | 1,711 | (4,668) |
| | <u>(96,457)</u> | <u>31,211</u> | <u>(127,668)</u> |
| | <u>(98,542)</u> | <u>30,917</u> | <u>(129,459)</u> |

22 Reconciliation of net cash flow to movement in net debt

| | 1997 £000 | 1996 £000 |
|---|------------------|------------------|
| (Decrease)/increase in cash in the period | (294) | 247 |
| Cash outflow from loan and finance lease repayments | 51,211 | 59,071 |
| Cash inflow from new loans in the year | (20,000) | (52,500) |
| Finance leases acquired on business acquisitions | - | (5,758) |
| | <u>30,917</u> | <u>1,060</u> |
| Movement in period | <u>(129,459)</u> | <u>(130,519)</u> |
| Opening net debt | | |
| Closing net debt | <u>(98,542)</u> | <u>(129,459)</u> |

Notes (continued)

23 Lease commitments

On 28 December 1997 annual commitments under non-cancellable operating leases were as set out below:

| Group and company | 1997 | | 1996 | |
|--------------------------------------|-------------------------------|---------------|-------------------------------|---------------|
| | Land and buildings £000 | Other £000 | Land and buildings £000 | Other £000 |
| Operating leases which expire: | | | | |
| Within one year | - | 111 | 140 | 74 |
| Between two and five years inclusive | 297 | 542 | 331 | 439 |
| Over five years | 912 | - | 1,224 | - |
| | <u>1,209</u> | <u>653</u> | <u>1,695</u> | <u>513</u> |

24 Contingent liabilities

Performance bonds amounting to £1,370,000 (1996: £1,000,000) have been given by the company and group in the normal course of business.

25 Profit dealt with in the financial statements of the company

Advantage has been taken of the exemption from the requirement to publish a separate profit and loss account for the company. A profit of £623,000 (1996: loss of £956,600) of the group results for the financial year has been dealt with in the financial statements of the company.

26 Related party transactions

Transactions with parent and fellow subsidiaries

During the year the company entered into material transactions in the ordinary course of business with its parent undertaking Lombard North Central PLC. The amount outstanding at 28 December 1997 under these arrangements is as follows:

| | |
|---|---------------|
| Loans with Lombard North Central PLC | £000 |
| Due within one year | 38,000 |
| Due after more than one year | 55,500 |
| Interest accrued at the end of the year | 3,184 |
| | <u>96,684</u> |
| Interest charged during the year | <u>8,697</u> |

Notes (continued)

26 Related party transactions (continued)

| | |
|---|-------|
| Finance lease agreements with Lombard North Central PLC | £000 |
| Due within one year | 680 |
| Due after more than one year | 1,281 |
| | <hr/> |
| | 1,961 |
| | <hr/> |

Transactions with National Westminster Bank Group Plc

Lombard North Central PLC is a wholly owned subsidiary of National Westminster Bank Plc.

The company had the following outstanding balances with National Westminster Bank Plc

| | |
|--|-------|
| | £000 |
| Bank balances due from National Westminster Bank Plc | 849 |
| | <hr/> |

Transactions with other Lombard subsidiaries

During the year, the company leased vehicles from Lex Vehicle Leasing Limited. The charges payable in respect of these transactions were £920,000 and the amount due to Lex Vehicle Leasing Limited at the year end amounted to £56,000.

During the year the company entered into a sale and hire back arrangement with Lex Vehicle Leasing Limited to the value of £1,407,000.

During the year the company also leased computer equipment from Lombard Network Services Limited. Rentals payable in respect of these transactions were £189,000.

Transactions with Lex Service PLC

Lex Service PLC has a 50% interest in the shares of the company. Transactions during the year and outstanding at the year end with this related party are as follows:

Employees

The employees of the company have contracts of employment with Lex Service PLC but the costs of employees are borne by the company.

Other services

Management and property services were provided to the company by Lex Service PLC. The charge made in respect of these services was £359,000.

Transactions with own subsidiaries

The company has taken advantage of the exemption in Financial Reporting Standard 8 not to disclose related party transactions with its own subsidiaries.

Transactions with directors and key managers

There were no material related party transactions with directors or key managers.

Notes *(continued)*

27 Parent undertaking

The immediate parent undertaking is Lombard North Central PLC, the ultimate parent undertaking being National Westminster Bank Plc.

Copies of the financial statements of Lombard North Central PLC can be obtained from:

The Secretary, Lombard North Central PLC, Lombard House, 3 Princess Way, Redhill, Surrey, RH1 1NP.

Copies of the financial statements of National Westminster Bank Plc can be obtained from:

The Secretary, National Westminster Bank Plc, 41 Lothbury, London, EC2P 2BP.