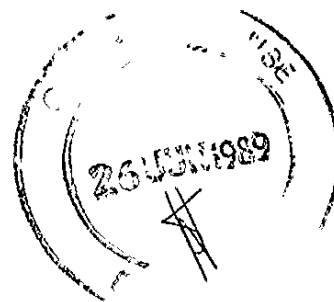


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PENNANT PLANT LIMITED

REPORT OF THE DIRECTORS AND ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 1988



PENNANT PLANT LIMITED

1.

REPORT OF THE DIRECTORS

The directors have pleasure in presenting their report together with the accounts of the company for the year ended 31 December 1988.

BUSINESS REVIEW AND FUTURE DEVELOPMENTS

The principal activity of the company is plant and vehicle hire. There has been no change in activity during the year and both the level of business and the year end financial position are considered satisfactory.

The directors are looking to maintain and develop both existing and new customers in 1989.

RESULTS AND DIVIDEND

The results for the year are set out in the profit and loss account on page 3.

The directors recommend payment of a dividend for the year of £40,500.

DIRECTORS

The sudden death of Mr Rowland Taylor, one of the directors, on 30 January 1989 is recorded with deep regret.

The directors of the company during the year were:

KM Miller

R Taylor

DB Pettigrew (appointed 3 February 1988; retired 31 December 1988)

None of the directors had any interests in the shares of the company during the year and Mr R Taylor had no interests in shares of group companies during the year. Mr KM Miller's interests in shares of The Miller Group Limited, the holding company, are shown in the accounts of that company.

Mr GRC Scott was appointed to the board on 27 February 1989.

AUDITORS

A resolution for the reappointment of Peat Marwick McLintock as auditors of the company will be proposed at the forthcoming Annual General Meeting.

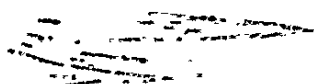
By Order of the Board

Alan Miller

Secretary

Edinburgh

10 April 1989



REPORT OF THE AUDITORS TO THE MEMBERS OF
PENNANT PLANT LIMITED

We have audited the accounts on pages 3 to 10 in accordance with Auditing Standards.

In our opinion the accounts give a true and fair view of the state of the company's affairs at 31 December 1988 and of its profit and source and application of funds for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Chartered Accountants

10 April 1989

PENMANT PLANT LIMITED

3.

PROFIT AND LOSS ACCOUNTfor the year ended 31 December 1988

	<u>Notes</u>	<u>1988</u> £	<u>1987</u> £
Turnover	2	4,414,701	3,569,196
Other operating income		139,154	200,052
		<u>4,553,855</u>	<u>3,769,248</u>
Raw materials and consumables		(962,591)	(782,630)
Other external charges		(469,546)	(179,963)
Staff costs	4	(1,169,281)	(976,617)
Depreciation		(1,472,015)	(1,295,192)
Other operating charges		(231,024)	(227,679)
Change in short-term work in progress		205,295	96,159
Interest receivable		4,247	6,340
Interest payable and similar charges	5	(292,739)	(244,797)
		<u>4,387,654</u>	<u>3,604,379</u>
Profit on ordinary activities before taxation	3	166,201	164,869
Tax on profit on ordinary activities	6	59,714	58,229
Profit on ordinary activities after taxation		<u>106,487</u>	<u>106,640</u>
Proposed dividend		40,500	31,863
Profit for the year retained		<u>65,987</u>	<u>74,777</u>
Statement of retained profits:			
Retained profit as previously reported		837,413	877,054
Prior year adjustment	13	(9,708)	(34,126)
		<u>827,705</u>	<u>842,928</u>
Retained profit for the year		65,987	74,777
Amount utilised in paying up bonus issue of shares		-	(90,000)
Retained profit carried forward		<u>893,692</u>	<u>827,705</u>

The notes on pages 6 to 10
form part of the accounts.

PENNANT PLANT LIMITED

4.

BALANCE SHEET

at 31 December 1988

	<u>Notes</u>	<u>1988</u> £	<u>1987</u> £
FIXED ASSETS			
Tangible assets:			
Plant, equipment and vehicles	7	4,302,025	3,817,261
CURRENT ASSETS			
Stocks	8	90,244	77,732
Debtors	9	664,377	728,394
Cash in hand		390	435
		755,019	806,561
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	10	(3,395,262)	(2,970,979)
NET CURRENT LIABILITIES		(2,640,243)	(2,164,418)
TOTAL ASSETS LESS CURRENT LIABILITIES		1,661,782	1,652,843
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR			
Obligations under finance leases		(506,790)	(547,538)
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred taxation	11	(161,300)	(177,600)
NET ASSETS		993,692	927,705
CAPITAL AND RESERVES			
Called up share capital	12	100,000	100,000
Profit and loss account		893,692	827,705
		993,692	927,705

The notes on pages 6 to 10
form part of the accounts.

Keith A. Miller Director

A.R. Scott Director

PENNANT PLANT LIMITED

5.

STATEMENT OF SOURCE AND APPLICATION OF FUNDSfor the year ended 31 December 1988

	<u>1988</u> £	<u>1987</u> £
SOURCE OF FUNDS		
Profit on ordinary activities before taxation	166,201	164,869
Adjustments for items not involving the movement of funds:		
Depreciation	1,472,015	1,295,192
Gain on sale of fixed assets	(139,154)	(200,052)
Funds generated from operations	1,499,062	1,260,009
FUNDS FROM OTHER SOURCES		
Proceeds of sale of tangible fixed assets	512,130	471,810
	<u>2,011,192</u>	<u>1,731,819</u>
APPLICATION OF FUNDS		
Corporation tax paid less recovered	25,241	144,000
Dividend paid	31,863	-
Acquisition of tangible fixed assets	2,329,755	2,111,807
Decrease in creditors falling due after more than one year	40,748	12,109
	<u>2,427,607</u>	<u>2,267,916</u>
	<u>(416,415)</u>	<u>(536,097)</u>
INCREASE(DECREASE) IN WORKING CAPITAL		
Stocks	12,512	64,810
Debtors	(52,111)	251,523
Creditors falling due within one year	39,448	(90,273)
	<u>(151)</u>	<u>226,060</u>
	<u>(416,264)</u>	<u>(762,157)</u>
MOVEMENT IN NET LIQUID FUNDS		
Increase in bank overdraft	(416,227)	(762,017)
Decrease in cash at bank and in hand	(37)	(140)
	<u>(416,264)</u>	<u>(762,157)</u>

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

(a) Basis of accounting:

All items are stated in the accounts under the historical cost accounting rules.

(b) ~~Stock and work~~ in progress:

Stock and work in progress are valued at the lower of cost and net realisable value.

(c) Depreciation:

Depreciation of plant, equipment and vehicles is provided on the straight-line method over the estimated useful lives of the assets concerned. The main annual rates in use are as follows:

Heavy plant	12.5% - 33%
Coaling equipment	12.5% - 20%
Cars, vans and miscellaneous	25%
Lorries and office equipment	20%
Furniture and fittings	10%

(d) Leasing:

Assets acquired under finance leases are included in tangible fixed assets at the outright purchase price equivalent. Depreciation is provided at rates designed to write off this amount using the straight-line method over the shorter of the estimated useful lives or the period of the leases. The capital element of future rentals is treated as a liability and the interest element is charged to the profit and loss account over the period of the leases in proportion to the balances outstanding. This change of accounting policy follows compliance with Statement of Standard Accounting Practice No 21, and corresponding amounts have been adjusted in order to restate 1987 amounts affected by this change on the same basis as in 1988.

Expenditure on operating leases is charged to the profit and loss account on a straight-line basis over the lease period.

(e) Deferred taxation:

Deferred taxation is provided using the liability method in respect of the taxation effect of timing differences if liabilities are likely to crystallise in the foreseeable future.

2. TURNOVER

This comprises invoiced sales during the year, excluding value added tax.

Turnover and profit on ordinary activities before taxation are attributable to one class of business, hire of plant and vehicles. Turnover relates entirely to sales in the United Kingdom.

NOTES TO THE ACCOUNTS

3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	<u>1988</u> £	<u>1987</u> £
This is stated after charging the following:		
Depreciation: Assets held under finance leases		
Assets held under finance leases	323,455	263,847
Other assets	1,148,560	1,031,345
Operating lease rentals:		
Hire of plant and equipment	38,803	44,666
Other	33,991	33,991
Auditors' remuneration	3,100	3,000
	=====	=====
Directors' remuneration:		
Fees	100	200
	=====	=====
Chairman's emoluments	100	100
Other directors	-	100
	=====	=====
	100	200
	=====	=====

4. STAFF NUMBERS AND COSTS

The average number of persons employed by the company, including directors, during the year was as follows:

	<u>1988</u> Number	<u>1987</u> Number
Operators	68	63
Administration	21	20
	==	==
	89	83
	==	==

The aggregate payroll costs of these persons were as follows:

	£	£
Wages and salaries	1,061,779	886,643
Social security costs	91,201	77,091
Other pension costs	16,301	12,883
	=====	=====
	1,169,281	976,617
	=====	=====

5. INTEREST PAYABLE AND SIMILAR CHARGES

Bank overdraft interest	220,965	173,436
Hire purchase charges	3,480	13,134
Finance charges on leased assets	68,294	58,227
	=====	=====
	292,739	244,797
	=====	=====

NOTES TO THE ACCOUNTS

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	<u>1988</u> £	<u>1987</u> £
Current year:		
Corporation tax at 35%	108,400	76,533
Transfer from deferred taxation	(48,700)	(18,000)
	<u>59,700</u>	<u>58,533</u>
Adjustments for previous years:		
Corporation tax	(52,309)	(304)
Amount payable for group relief	19,923	-
Transfer to deferred taxation	32,400	-
	<u>59,714</u>	<u>58,229</u>
	=====	=====

7. PLANT, EQUIPMENT AND VEHICLES

	<u>Leased</u> £	<u>Owned</u> £	<u>Total</u> £
Cost:			
At 1 January 1988	1,487,222	6,014,084	7,501,306
Additions at cost	394,000	1,935,755	2,329,755
Disposals	-	(1,173,711)	(1,173,711)
	<u>1,881,222</u>	<u>6,776,128</u>	<u>8,657,350</u>
Depreciation:			
At 1 January 1988	585,245	3,098,800	3,684,045
Charge for year	323,455	1,148,560	1,472,015
On disposals	-	(800,735)	(800,735)
	<u>908,700</u>	<u>3,446,625</u>	<u>4,355,325</u>
Net book value:			
At 31 December 1988	972,522	3,329,503	4,302,025
	=====	=====	=====
At 31 December 1987	901,977	2,915,284	3,817,261
	=====	=====	=====

8. STOCKS

	<u>1988</u> £	<u>1987</u> £
Consumables	2,671	3,954
Short-term contract work in progress after progress payments	87,573	73,778
	<u>90,244</u>	<u>77,732</u>
	=====	=====

NOTES TO THE ACCOUNTS

9. DEBTORS

	<u>1988</u> £	<u>1987</u> £
Trade debtors	400,187	362,011
Corporation tax recoverable	20,384	32,290
Amounts owed by fellow subsidiary companies	170,917	278,445
Prepayments and accrued income	72,889	55,648
	<u>664,377</u>	<u>728,394</u>
	=====	=====

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

Bank overdraft	2,401,967	1,985,740
Trade creditors	260,427	152,297
Amount owed to holding company	168,731	296,262
Corporation tax	108,400	89,456
Amount payable for group relief	19,923	-
Other taxes	17,758	17,511
Obligations under finance leases	330,748	313,818
Amounts owed under hire purchase agreements	-	55,986
Accruals and deferred income	46,808	28,046
Proposed dividend	40,500	31,863
	<u>3,395,262</u>	<u>2,970,979</u>
	=====	=====

11. PROVISIONS FOR LIABILITIES AND CHARGES

The amount provided for deferred taxation and the full potential liability at 35% is £161,300 (1987, £177,600) and relates to accelerated capital allowances.

12. SHARE CAPITAL

	<u>1988</u> £	<u>1987</u> £
Authorised, allotted, called up and fully paid: 400,000 <u>Ordinary</u> shares of 25p each	100,000	100,000
	=====	=====

13. PRIOR YEAR ADJUSTMENT

The prior year adjustment represents the effect of a change in accounting policy following the adoption of Statement of Standard Accounting Practice No 21 - Accounting for leases and hire purchase contracts.

In restating the results for the year to 31 December 1987, the charge for assets held under finance leases has been reduced by £37,418 (£24,418 after transfer of £13,000 from deferred taxation). The amount relating to prior years, £34,126 after taxation, has been charged against retained reserves at 1 January 1987.

NOTES TO THE ACCOUNTS

14. CONTINGENT LIABILITIES

There are contingent liabilities in respect of inter-group guarantees of bank borrowings. At 31 December 1988 the relevant borrowings amounted to £1,281,103 (1987, £11,905,484).

15. LEASE COMMITMENTS

The company has a commitment under an operating lease in respect of land and buildings to make payments totalling £33,991 (1987, £38,750) in the year to 31 December 1989.

16. APPROVAL OF ACCOUNTS

These accounts were approved by the Board of Directors on 10 April 1989.

17. HOLDING COMPANY

The company's ultimate holding company is The Miller Group Limited, which is incorporated in Scotland.