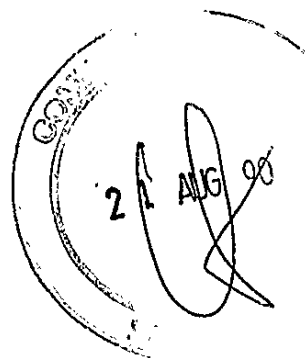


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PENNANT PLANT LIMITED

REPORT OF THE DIRECTORS AND ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 1989



PENNANT PLANT LIMITEDREPORT OF THE DIRECTORS

The directors have pleasure in presenting their report together with the accounts of the company for the year ended 31 December 1989.

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 1990.

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 £66,566.

DIRECTORS

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

The other directors of the company during the year were:

KM Miller
JWL Hadden (appointed 1 July 1989)
GRC Scott (appointed 27 February 1989)

None of the directors had any interests in the shares of the company during the year. The interests of Mr KM Miller and Mr GRC Scott in shares of The Miller Group Limited, the holding company, are shown in the accounts of that company.

AUDITORS

On 1 January 1990 our auditors changed the name under which they practise to KPMG Peat Marwick McLintock, and accordingly have signed their report in their new name. In accordance with Section 385 of the Companies Act 1985, a resolution for the reappointment of KPMG Peat Marwick McLintock as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By Order of the Board

Alan Miles

Secretary

Edinburgh
1 May 1990



Peat Marwick McLintock

33-34 Charlotte Square
Edinburgh EH2 4HF

2.

REPORT OF THE AUDITORS TO THE MEMBERS OF
PENNANT PLANT LIMITED

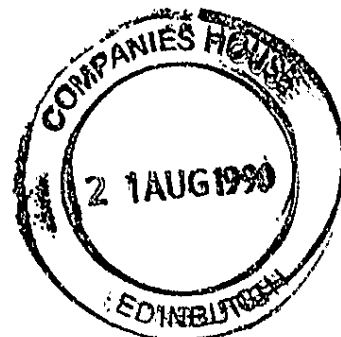
We have audited the accounts on pages 3 to 10 in accordance with Auditing Standards.

In our opinion the accounts give a true and fair view of the state of the company's affairs at 31 December 1989 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.

Peat Marwick McLintock

Chartered Accountants

1 May 1990



PENNANT PLANT LIMITED

3.

PROFIT AND LOSS ACCOUNT

for the year ended 31 December 1989

	<u>Notes</u>	<u>1989</u> £	<u>1988</u> £
Turnover	2	4,756,866	4,414,701
Cost of sales		(4,053,632)	3,636,299
Gross profit		703,234	778,402
Administrative expenses		(479,699)	(462,863)
Other operating income		493,889	139,154
Interest receivable		1,655	4,247
Interest payable	5	(452,883)	(292,739)
Profit on ordinary activities before taxation	3	266,196	166,201
Tax on profit on ordinary activities	6	(74,188)	(59,714)
Profit on ordinary activities after taxation		192,008	106,487
Proposed dividend		66,566	40,500
Profit for the year retained		125,442	65,987
Retained profit brought forward		893,692	837,413
Prior year adjustment		-	(9,708)
Retained profit carried forward		<u>1,019,134</u>	<u>893,692</u>

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

PENNANT PLANT LIMITED

4.

BALANCE SHEET

at 31 December 1989

	<u>Notes</u>	<u>1989</u> £	<u>1988</u> £
FIXED ASSETS			
Tangible assets:			
Plant, equipment and vehicles	7	5,038,077	4,302,025
CURRENT ASSETS			
Stocks	8	75,951	90,244
Debtors	9	389,273	664,377
Cash in hand		560	398
		465,784	755,019
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	10	(3,915,679)	(3,395,262)
NET CURRENT LIABILITIES		(3,449,895)	(2,640,243)
TOTAL ASSETS LESS CURRENT LIABILITIES		1,588,182	1,661,782
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR			
Obligations under finance leases		(244,148)	(506,790)
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred taxation	11	(224,900)	(161,300)
NET ASSETS		<u>1,119,134</u>	<u>993,692</u>
CAPITAL AND RESERVES			
Called up share capital	12	100,000	100,000
Profit and loss account		1,019,134	893,692
		<u>1,119,134</u>	<u>993,692</u>

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

K.M.S. Keith M. Siller Director

J.H. J.H. Haselton Director

PENNANT PLANT LIMITEDSTATEMENT OF SOURCE AND APPLICATION OF FUNDSfor the year ended 31 December 1989

	<u>1989</u> £	<u>1988</u> £
SOURCE OF FUNDS		
Profit on ordinary activities before taxation	266,196	166,201
Adjustments for items not involving the movement of funds:		
Depreciation	1,686,229	1,472,015
Gain on sale of tangible fixed assets	(493,889)	(139,154)
	<hr/>	<hr/>
Funds generated from operations	1,458,536	1,499,062
FUNDS FROM OTHER SOURCES		
Proceeds of sale of tangible fixed assets	1,272,181	512,130
	<hr/>	<hr/>
	<u>2,730,717</u>	<u>2,011,192</u>
APPLICATION OF FUNDS		
Corporation tax paid less recovered	103,306	25,241
Dividend paid	40,500	31,863
Acquisition of tangible fixed assets	3,200,573	2,329,755
Decrease in creditors falling due after more than one year	262,642	40,748
	<hr/>	<hr/>
	<u>3,607,021</u>	<u>2,427,607</u>
DECREASE IN WORKING CAPITAL	<u>(876,304)</u>	<u>(416,415)</u>
COMPONENTS OF DECREASE IN WORKING CAPITAL		
Stocks	(14,293)	12,512
Debtors	(254,720)	(52,111)
Creditors falling due within one year	109,182	39,448
	<hr/>	<hr/>
	<u>(159,831)</u>	<u>(151)</u>
Movement in net liquid funds:		
Increase in bank overdraft	(716,635)	(416,227)
Decrease in cash at bank and in hand	162	(37)
	<hr/>	<hr/>
	<u>(716,473)</u>	<u>(416,264)</u>
	<u>(876,304)</u>	<u>(416,415)</u>

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

(a) Format of accounts:

Format 1 has been adopted this year for the profit and loss account because the directors consider this will facilitate comparisons with other similar companies. The previous year's figures have been restated on the same basis.

(b) Basis of accounting:

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

(c) Stock and work in progress:

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

(d) 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%

(e) 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 lease in proportion to the balances outstanding.

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

(f) 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.

NOTES TO THE ACCOUNTS

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.

3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	<u>1989</u> £	<u>1988</u> £
This is stated after charging(crediting) the following:		
Gain on sale of tangible fixed assets	(493,889)	(139,154)
Depreciation:		
Assets held under finance leases	315,083	323,455
Other assets	1,371,146	1,148,560
Operating lease rentals:		
Hire of plant and equipment	27,435	38,803
Other	35,554	33,991
Auditors' remuneration	<u>3,750</u>	<u>3,100</u>
Directors' remuneration:		
Fees	200	100
Other emoluments	22,521	-
	<u>22,721</u>	<u>100</u>
Chairman's emoluments	<u>100</u>	<u>100</u>
Highest paid director	<u>20,746</u>	-
Other directors	<u>-</u>	<u>-</u>

4. STAFF NUMBERS AND COSTS

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

	<u>1989</u> Number	<u>1988</u> Number
Operators	54	68
Administration	18	21
	<u>72</u>	<u>89</u>

The aggregate payroll costs of these persons were as follows:

	£	£
Wages and salaries	876,646	1,061,779
Social security costs	74,732	91,201
Other pension costs	22,907	16,301
	<u>974,285</u>	<u>1,169,281</u>

PENNANT PLANT LIMITEDNOTES TO THE ACCOUNTS

5. INTEREST PAYABLE AND SIMILAR CHARGES

	<u>1989</u> £	<u>1988</u> £
Bank overdraft interest	388,189	220,965
Hire purchase charges	-	3,480
Finance charges on leased assets	64,694	68,294
	<u>452,883</u>	<u>292,739</u>

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

Current year:		
Corporation tax at 35%	15,221	108,400
Transfers to(from) deferred taxation	78,800	(48,700)
	<u>94,021</u>	<u>59,700</u>
Adjustments for previous years:		
Corporation tax	(4,633)	(52,309)
Amount payable for group relief	-	19,923
Transfer (from)to deferred taxation	(15,200)	32,400
	<u>74,188</u>	<u>59,714</u>

7. PLANT, EQUIPMENT AND VEHICLES

	<u>Leased</u> £	<u>Owned</u> £	<u>Total</u> £
Cost:			
At 1 January 1989	1,881,222	6,776,128	8,657,350
Additions at cost	202,988	2,910,918	3,113,906
Group transfers	-	139,807	139,807
Disposals	(684,980)	(1,978,903)	(2,663,883)
	<u>1,399,230</u>	<u>7,847,950</u>	<u>9,247,180</u>
At 31 December 1989			
Depreciation:			
At 1 January 1989	908,700	3,446,625	4,355,325
Charge for year	315,083	1,371,146	1,686,229
Group transfers	-	53,140	53,140
On disposals	(523,291)	(1,362,300)	(1,885,591)
	<u>700,492</u>	<u>3,508,611</u>	<u>4,209,103</u>
At 31 December 1989			
Net book value:			
At 31 December 1989	<u>698,738</u>	<u>4,339,339</u>	<u>5,038,077</u>
At 31 December 1988	<u>972,522</u>	<u>3,329,503</u>	<u>4,302,025</u>

PENNANT PLANT LIMITEDNOTES TO THE ACCOUNTS

8. STOCKS

	<u>1989</u> £	<u>1988</u> £
Consumables	2,138	2,671
Short-term contract work in progress after progress payments	73,813	87,573
	<u>75,951</u>	<u>90,244</u>

9. DEBTORS

Trade debtors	191,144	400,187
Corporation tax recoverable	-	20,384
Amounts owed by fellow subsidiary companies	107,959	170,917
Prepayments and accrued income	90,170	72,889
	<u>389,273</u>	<u>664,377</u>

10. CREDITORS: AMOUNTS FALLING DUE
WITHIN ONE YEAR

Bank overdraft	3,118,602	2,401,967
Trade creditors	295,410	260,427
Amount owed to holding company	97,109	168,731
Corporation tax	15,221	108,400
Amount payable for group relief	-	19,923
Other taxes	10,215	17,758
Obligations under finance leases	267,994	330,748
Accruals and deferred income	44,562	46,808
Proposed dividend	66,566	40,500
	<u>3,915,679</u>	<u>3,395,262</u>

11. DEFERRED TAXATION

The amount provided for deferred taxation and the full potential liability at 35% is £224,900 (1988, £161,300). Of the liability, £205,100 (1988, £161,300) relates to accelerated capital allowances and £19,800 (1988, nil) to other timing differences.

12. SHARE CAPITAL

	<u>1989</u> £	<u>1988</u> £
Authorised, allotted, called up and fully paid: 400,000 Ordinary shares of 25p each	<u>100,000</u>	<u>100,000</u>

PENNANT PLANT LIMITEDNOTES TO THE ACCOUNTS

13. CONTINGENT LIABILITIES

There are contingent liabilities in respect of inter-group guarantees of bank borrowings. At 31 December 1989 the relevant borrowings amounted to £nil (1988, £1,281,103).

14. LEASE COMMITMENTS

The company has a commitment under an operating lease in respect of land and buildings to make payments totalling £35,554 (1988, £33,991) in the year to 31 December 1990.

15. PENSIONS

The Company participates in The Miller Group Limited Pension Scheme, a defined benefit pension scheme providing benefits based on final pensionable earnings. Contributions to the scheme are assessed in accordance with the advice of an independent qualified actuary, on the basis of triennial valuations, using the projected unit method and are based on pension costs across the group as a whole.

Further details of the most recent actuarial valuation and the main actuarial assumptions are disclosed in the accounts of The Miller Group Limited.

16. APPROVAL OF ACCOUNTS

These accounts were approved by the Board of Directors on 1 May 1990.

17. HOLDING COMPANY

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