Pennant Vehicle Leasing Limited
(formerly Pennant Plant Limited)

Directors' Report and Financial Statements

31 December 2002
Registered number SC48123

Directors' Report and Financial Statements

Contents

Directors' Report

The Directors present their report and the audited accounts for the year ended 31 December 2002.

Principal Activity

The main activities of the company during the period were plant hire, contracting and vehicle leasing. Post year end, the plant hire and contracting operations were sold resulting in the company being solely focused on vehicle leasing.

Results and Dividend

The results for the year are set out in the Profit and Loss Account on page 4. An interim dividend of £1.25 per share was paid during the year (2001: £nil).

Directors and Directors' Interests

The Directors who served during the year were:

Keith M Miller
Alan T Miller

None of the Directors had any interests in the shares of the company during the year. The interests of K M Miller in the shares of The Miller Group Limited, the parent company, are dealt with in the accounts of that company.

Auditors

Our Auditors KPMG transferred their business to a limited liability partnership, KPMG LLP on 3 May 2002. Accordingly KPMG resigned as auditors and the Directors thereupon appointed KPMG LLP to fill the vacancy arising. In accordance with section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the Board

Alan Miller

Alan T Miller
Secretary

16 October 2003

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.

Independent Auditors' Report to the Members of Pennant Vehicle Leasing Limited

We have audited the financial statements on pages 4 to 12.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditors

The Directors are responsible for preparing the Directors' Report and, as described on page 2, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions with the company is not disclosed.

Basis of Audit 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 31 December 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

17 October 2003

Profit and Loss Account
for the year ended 31 December 2002

	Notes	2002 £	2001 £
Turnover	2	**10,488,312**	11,448,837
Cost of sales		**(9,131,307)**	(9,916,955)
Gross profit		**1,357,005**	1,531,882
Administrative expenses		**(1,070,478)**	(961,435)
Operating profit	3	**286,527**	570,447
Net interest receivable	6	**123,858**	134,872
Profit before taxation		**410,385**	705,319
Taxation	7	**12,000**	-
Profit for the financial year		**422,385**	705,319
Dividend paid		**(500,000)**	-
Transferred (from)/to reserves		**(77,615)**	705,319
Profit brought forward		**5,259,700**	4,554,381
Profit carried forward		**5,182,085**	5,259,700

Other than the profit for the year there were no other recognised gains or losses.

Balance Sheet
at 31 December 2002

	Notes	**2002**	2001
		£	£
Fixed assets			
Tangible assets	*8*	**1,442,877**	1,968,630
Current assets			
Debtors	*9*	**1,930,670**	2,099,092
Cash in hand and at bank		**3,676,722**	3,661,371
		5,607,392	5,760,463
Creditors: amounts falling due within one year	*11*	**(779,131)**	(1,243,954)
Net current assets		**4,828,261**	4,516,509
Total assets less current liabilities		**6,271,138**	6,485,139
Creditors: amounts falling due after more than one year	*12*	**(989,053)**	(1,125,439)
Net assets		**5,282,085**	5,359,700
Capital and reserves			
Called up share capital	*13*	**100,000**	100,000
Profit and loss account		**5,182,085**	5,259,700
Equity shareholders' funds	*14*	**5,282,085**	5,359,700

These accounts were approved by the Board of Directors on 16 October 2003 and were signed on its behalf by:

Keith M. Miller

Keith M Miller
Director

Notes

(forming part of the financial statements)

1. Accounting Policies

Basis of Accounting

The accounts are prepared under the historical cost basis and in accordance with applicable Accounting Standards.

The company is exempt from the requirement of Financial Reporting Standard 1 (revised), to prepare a cash flow statement, as it is a wholly owned subsidiary undertaking of The Miller Group Limited and its cash flows are included within the consolidated cash flow statement of that company.

As the company is a wholly owned subsidiary of The Miller Group Limited, the company has taken advantage of the exemption contained in FRS8 and has therefore not disclosed transactions or balances with entities which form part of the group. The consolidated financial statements of The Miller Group Limited, within which this company is included, can be obtained from the address given in note 17.

Turnover

Turnover comprises invoiced sales and in the case of long-term contracts, the value of work done during the year.

Long Term Contracts

Profits in respect of long-term contracts are included where the contract outcome can be foreseen with reasonable certainty and are determined by reference to the valuation of work done less related costs of production. Provision is made for all foreseeable contract losses. Amounts recoverable on contracts are included in debtors and represent turnover recognised in excess of payments to account.

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%

Leasehold improvements are amortised on a straight-line basis over the shorter of the outstanding lease period and the estimated useful lives of the assets concerned.

Notes *(continued)*

1. Accounting Policies *(continued)*

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.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred or accelerated because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised, without discounting in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Pensions

Certain employees are members of The Miller Group Limited pension scheme. Details of this scheme are disclosed in its accounts.

2. Turnover

Turnover, all of which is generated in the United Kingdom, comprises:

	2002	2001
	£	£
Hire of plant and vehicles	**8,082,365**	8,931,606
Contracting	**2,365,947**	2,517,231
	10,448,312	11,448,837

3. Operating Profit

	2002	2001
	£	£
This is stated after charging/(crediting) the following:		
Depreciation - owned assets	**388,898**	468,607
- assets held under finance leases	**233,097**	362,747
Operating lease rentals:		
- hire of plant and equipment	**2,585,798**	2,259,391
- other	**65,000**	66,361
Auditors' remuneration - audit fees	**4,000**	4,000
- other fees	**2,500**	790
Gain on disposal of fixed assets	**(150,092)**	(228,218)

Notes *(continued)*

4. Remuneration of Directors

	2002	2001
	£	£
Directors' emoluments	**66,700**	72,227

Retirement benefits are accruing one director (2001:one) under defined benefit pension schemes.

5. Staff Numbers and Costs

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

	2002	2001
	Number	Number
Operators	**45**	47
Administration	**21**	20
	66	67

The aggregate payroll costs of these persons were as follows:

	2002	2001
	£	£
Wages and salaries	**1,390,183**	1,388,994
Social security costs	**112,351**	114,939
Other pension costs	**88,067**	51,481
	1,590,601	1,555,414

6. Net Interest Receivable

	2002	2001
	£	£
Interest receivable from group undertaking	**198,727**	213,131
Finance charges on leased assets	**(74,869)**	(78,259)
	123,858	134,872

Notes *(continued)*

7. Taxation

Analysis of tax charge in the period

	2002	2001
	£	£
Deferred tax (see note 10)		
Origination/reversal of timing difference	**12,000**	-
	12,000	-

Factor reflecting the tax charge for the current year

The current tax charge for the year is lower (2001; lower) than the standard ate of corporation tax in the UK (30%, 2001: 30%). The differences are explained below.

	2002	2001
	£	£
Current tax reconciliation		
Profit on ordinary activities before tax	**410,385**	705,319
Current tax at 30%	**123,116**	211,596
Effects of:		
Capital allowance for the period in excess of depreciation	**(23,407)**	(57,101)
Expenses not deductible for tax purposes	**655**	67,144
Group relief for which no consideration is given	**(100,364)**	221,639
	-	-

All corporation tax liabilities are netted by way of group relief from a fellow subsidiary.

Notes *(continued)*

8. Tangible Assets

	Leasehold improvements	Plant, equipment and vehicles		
		Leased	Owned	Total
	£	£	£	£
Cost				
At 31 December 2001	64,300	1,481,599	2,662,842	4,208,741
Additions	-	-	195,230	195,230
Disposals	-	(205,500)	(598,357)	(803,857)
At 31 December 2002	**64,300**	**1,276,099**	**2,259,715**	**3,600,114**
Depreciation				
At 31 December 2001	38,580	828,211	1,373,320	2,240,111
Charge for the year	6,430	233,097	382,468	621,995
Disposals	-	(199,547)	(505,322)	(704,869)
At 31 December 2002	**45,010**	**861,761**	**1,250,466**	**2,157,237**
Net book value				
At 31 December 2002	**19,290**	**414,338**	**1,009,249**	**1,442,877**
At 31 December 2001	25,720	653,388	1,289,522	1,968,630

Tangible fixed assets include assets held under finance lease with a net book value of £414,338 (2001: £653,388)

9. Debtors

	2002	2001
	£	£
Trade debtors	**1,183,392**	1,241,230
Amounts recoverable on contracts	**263,089**	350,276
Amount owed by parent company	**271,372**	305,846
Prepayments and accrued income	**200,817**	201,740
Deferred tax asset	**12,000**	-
	1,930,670	2,099,092

10. Deferred tax

	£
At beginning of year	-
Credit to the profit and loss account for the year	12,000
At end of year	**12,000**

Notes *(continued)*

11. Creditors: amounts falling due within one year

	2002 £	2001 £
Trade creditors	**353,920**	663,550
Other taxes	**172,961**	157,363
Obligations under finance leases	**179,033**	343,779
Amounts owed to group undertakings	**16,500**	52,671
Accruals and deferred income	**56,717**	26,591
	779,131	1,243,954

12. Creditors: amounts falling due after more than one year

	2002 £	2001 £
Obligations under finance leases	**989,053**	1,125,439

The maturity of obligations under finance leases is as Follows:	2002 £	2001 £
Within one year	**179,033**	343,779
Two to five years	**989,053**	1,125,439
	1,168,086	1,469,218

13. Share Capital

	2002 £	2001 £
Equity		
Authorised, allotted, called up and fully paid		
400,000 Ordinary shares of 25p each	**100,000**	100,000

Notes *(continued)*

14. Reconciliation of Movements in Shareholders' Funds

	2002 £	2001 £
Profit for the financial year	**422,385**	705,319
Dividend	**(500,000)**	-
Net (reduction) / increase in shareholders' funds	**(77,615)**	705,319
Opening shareholders' funds	**5,359,700**	4,654,381
Closing shareholders' funds	**5,282,085**	5,359,700

15. Commitments

Annual commitments under non-cancellable operating leases are as follows:

	2002		2001	
	Land and Buildings	**Other**	Land and Buildings	Other
	£	**£**	£	£
Operating leases which expire:				
Within one year	**-**	**350,000**	-	416,000
In the second to fifth years inclusive	**-**	**818,000**	-	1,792,000
Over five years	**65,000**	**-**	65,000	-
	65,000	**1,168,000**	65,000	2,208,000

Notes *(continued)*

16. Pensions

The company participates in The Miller Group 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. This scheme was closed to new entrants on 1 October 1997.

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

The company participates in The Miller Group Limited Group Personal Pension Plan. The assets of the scheme are held separately from those of the Group in an independently administered fund. The amounts charged against profit represents the contributions payable to the scheme in respect of the accounting period.

17. Ultimate Parent Company

The company's ultimate parent company is The Miller Group Limited, which is registered in Scotland and incorporated in Great Britain. The accounts of The Miller Group Limited can be obtained from the Registrar of Companies, Companies House, 37 Castle Terrace, Edinburgh EH1 2EB.