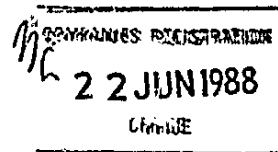


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PENNANT PLANT LIMITED

REPORT OF THE DIRECTORS AND ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 1987



PERMANENT 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 1987.

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 1988.

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 £31,863.

DIRECTORS

The directors of the company during the year were:

KM Miller
R Taylor

Neither 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.

SHARE CAPITAL

Changes in the share capital of the company are shown at Note 12 to the accounts.

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
25 May 1988

33-34 Charlotte Square
Edinburgh EH2 4HF

REPORT OF THE AUDITORS TO THE MEMBERS OF
PENNANT PLANT LIMITED

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

In our opinion the accounts give a true and fair view of the state of the company's affairs at 31 December 1987 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

PEAT MARWICK McLINTOCK

Chartered Accountants

25 May 1988

PROFIT AND LOSS ACCOUNTfor the year ended 31 December 1987

	<u>Notes</u>	<u>1987</u> £	<u>1986</u> £
Turnover	2	3,569,196	3,427,503
Change in short-term work in progress		96,159	-
Other operating income		200,052	272,440
		<u>3,865,407</u>	<u>3,699,943</u>
Raw materials and consumables		(917,927)	(929,856)
Other external charges		(404,158)	(363,657)
Staff costs	4	(976,617)	(928,940)
Depreciation		(1,031,345)	(994,981)
Other operating charges		(227,679)	(208,654)
Interest receivable		6,340	6,982
Interest payable and similar charges	5	(186,570)	(109,175)
		<u>3,737,956</u>	<u>3,528,281</u>
Profit on ordinary activities before taxation	3	127,451	171,662
Tax on profit on ordinary activities	6	45,229	95,654
Profit on ordinary activities after taxation		<u>82,222</u>	<u>76,008</u>
Proposed dividend		31,863	-
Profit for the year retained	13	<u>50,359</u> =====	<u>76,008</u> =====

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

FERNANT PLANT LIMITED

A.

BALANCE SHEETat 31 December 1987

	<u>Notes</u>	<u>1987</u> <u>£</u>	<u>1986</u> <u>£</u>
FIXED ASSETS			
Tangible assets:			
Plant, equipment and vehicles	7	2,915,284	2,386,580
CURRENT ASSETS			
Stocks	8	77,732	12,922
Debtors	9	784,123	502,811
Cash in hand		435	575
		862,290	516,308
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	10	(2,657,161)	(1,801,834)
NET CURRENT LIABILITIES		(1,794,871)	(1,285,526)
TOTAL ASSETS LESS CURRENT LIABILITIES		1,120,413	1,101,054
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred taxation	11	(183,000)	(214,000)
NET ASSETS		937,413	887,054
CAPITAL AND RESERVES			
Called up share capital	12	100,000	10,000
Profit and loss account	13	837,413	877,054
		937,413	887,054

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

Keith L. Miller

Director

R. Taylor

Director

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

for the year ended 31 December 1987

	<u>1987</u> £	<u>1986</u> £
SOURCE OF FUNDS		
Profit on ordinary activities before taxation	127,451	171,662
Adjustments for items not involving the movement of funds:		
Depreciation	1,031,345	994,981
Gain on sale of fixed assets	(200,052)	(272,440)
	<u>958,744</u>	<u>894,203</u>
Funds generated from operations		
FUNDS FROM OTHER SOURCES		
Proceeds of sale of tangible fixed assets	471,810	605,363
	<u>1,430,554</u>	<u>1,499,566</u>
APPLICATION OF FUNDS		
Corporation tax paid	144,000	10,600
Amount paid for group relief	-	452,343
Purchase of tangible fixed assets	1,831,807	1,617,481
Decrease in creditors falling due after more than one year	-	220,784
	<u>1,975,807</u>	<u>2,301,208</u>
	<u>(545,253)</u>	<u>(801,642)</u>
INCREASE(DECREASE) IN WORKING CAPITAL		
Stocks	64,810	9,303
Debtors	249,265	(260,157)
Creditors falling due within one year	(97,171)	404,489
	<u>216,904</u>	<u>153,635</u>
	<u>(762,157)</u>	<u>(955,277)</u>
MOVEMENT IN NET LIQUID FUNDS		
Increase in bank overdraft	(762,017)	(955,505)
(Decrease)increase in cash at bank and in hand	(140)	228
	<u>(762,157)</u>	<u>(955,277)</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) Deferred taxation:

Deferred taxation is provided at appropriate projected rates of taxation in respect of timing differences if liability is likely to arise from reversal of such timing differences in the foreseeable future.

(e) Leased assets:

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

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.

FERNANT PLANT LIMITED

7.

NOTES TO THE ACCOUNTS

3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	<u>1987</u> £	<u>1986</u> £
This is stated after charging the following:		
Depreciation of tangible fixed assets	1,031,345	994,981
Operating lease rentals:		
Hire of plant and equipment	44,666	56,030
Other	33,991	33,600
Hire of plant ~ finance leases	359,492	297,221
Auditors' remuneration	3,000	2,730
	=====	=====
Directors' remuneration:		
Fees	200	-
	=====	=====
Chairman's emoluments	100	-
Other director	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>1987</u> Number	<u>1986</u> Number
Operators	63	67
Administration	20	12
	==	==
	83	79
	==	==

The aggregate payroll costs of these persons were as follows:

	£	£
Wages and salaries	886,643	843,159
Social security costs	77,091	72,914
Other pension costs	12,883	12,867
	=====	=====
	976,617	928,940
	=====	=====

5. INTEREST PAYABLE AND SIMILAR CHARGES

Bank overdraft interest	173,436	84,802
Hire purchase charges	13,134	24,373
	=====	=====
	186,570	109,175
	=====	=====

PENNIANT PLANT LIMITED

8.

NOTES TO THE ACCOUNTS

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	<u>1987</u> £	<u>1986</u> £
Current year:		
Corporation tax at 35% (1986, 36.25%)	76,533	112,007
Transfer from deferred taxation	(31,000)	(47,000)
	<u>45,533</u>	<u>65,007</u>
Adjustments for previous years:		
Corporation tax	(304)	19,923
Amount payable for group relief	-	10,726
	<u>45,229</u> =====	<u>95,654</u> =====

7. PLANT, EQUIPMENT AND VEHICLES

	£
Cost:	
At 1 January 1987	5,443,354
Additions at cost	1,831,807
Disposals	(1,261,077)
	<u>6,014,084</u>
At 31 December 1987	
Depreciation:	
At 1 January 1987	3,056,774
Charge for year	1,031,345
On disposals	(969,719)
	<u>3,098,800</u>
At 31 December 1987	
Net book value:	
At 31 December 1987	<u>2,915,284</u> =====
At 31 December 1986	<u>2,386,580</u> =====

8. STOCKS

	<u>1987</u> £	<u>1986</u> £
Consumables	3,954	12,922
Short-term contract work in progress after progress payments	73,778	-
	<u>77,732</u> =====	<u>12,922</u> =====

PENNANT PLANT LIMITED

9.

NOTES TO THE ACCOUNTS

9. DEBTORS

	<u>1987</u> £	<u>1986</u> £
Trade debtors	362,011	320,346
Corporation tax recoverable	32,290	-
Amounts owed by fellow subsidiary companies	278,445	115,545
Prepayments and accrued income	111,377	66,920
	<u>784,123</u>	<u>502,811</u>

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

Bank overdraft	1,985,740	1,223,723
Trade creditors	152,297	81,610
Amount owed to holding company	296,262	175,115
Corporation tax	89,456	124,937
Other taxes	17,511	14,918
Amounts owed under hire purchase agreements	55,986	163,079
Accruals and deferred income	28,046	18,452
Proposed dividend	31,863	-
	<u>2,657,161</u>	<u>1,801,834</u>

11. PROVISIONS FOR LIABILITIES AND CHARGES

The amount provided for deferred taxation and the full potential liability, calculated at appropriate rates of taxation, is £183,000 (1986, £214,000) and relates to accelerated capital allowances.

12. SHARE CAPITAL

	<u>1987</u> £	<u>1986</u> £
Authorised, allotted, called up and fully paid: 400,000 Ordinary shares of 25p each (1986, 40,000)	100,000	10,000

On 15 June 1987 the authorised share capital of the company was increased from £10,000 to £100,000 divided into 400,000 ordinary shares of 25p each. Thereafter, 360,000 ordinary shares of 25p each were issued to existing shareholders as fully paid by means of capitalisation of £90,000 from the balance at credit of profit and loss account (see note 13).

13. PROFIT AND LOSS ACCOUNT

	£
At beginning of year	877,054
Profit for the year retained	50,359
Amount utilised in paying up bonus issue of 360,000 ordinary shares of 25p each	(90,000)
At end of year	<u>837,413</u>

NOTES TO THE ACCOUNTS

14. CONTINGENT LIABILITIES

There are contingent liabilities in respect of inter-group guarantees of bank borrowings. At 31 December 1987 the relevant borrowings amounted to £11,905,484 (1986, £5,420,972).

15. LEASE COMMITMENTS

The amounts outstanding at 31 December 1987 payable to third parties in respect of future rentals under finance leases of plant and equipment, including amounts owed under hire purchase agreements, are as follows:-

	<u>1987</u> £	<u>1986</u> £
Amounts payable within one year	425,959	314,123
Amounts payable between two and five years	573,960	524,820
	<u>999,919</u>	<u>838,943</u>
<u>Less:</u> Finance charges relating to future periods	(161,959)	(127,565)
	<u>837,960</u> =====	<u>711,378</u> =====

The company has a commitment under an operating lease in respect of land and buildings to make payments totalling £38,750 (1986, £33,600) in the year to 31 December 1988.

16. APPROVAL OF ACCOUNTS

These accounts were approved by the Board of Directors on 25 May 1988.

17. HOLDING COMPANY

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