

**Lex Transfleet Limited and subsidiary
undertakings**

**Directors' report and consolidated
financial statements**

Registered number 46710

28 December 2003



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Directors and Secretary

Directors

AH Hobart
RD Brodie
EAM Flint
PE Lord
DM Smith
SA Bowles (appointed 7 May 2003)
PW Hewitt (resigned 28 March 2003)

Secretary

A Taylor

Directors' report

The directors have pleasure in submitting their annual report, together with the audited financial statements of the group for the 52 weeks ended 28 December 2003.

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 loss on ordinary activities before taxation was £660,000 (2002: *profit of £4,840,000*) on which there was a taxation credit of £132,000 (2002: *charge of £1,453,000*). The directors resolved to pay an interim dividend of £1,300,000 during the year (2002: *£3,000,000*) but do not recommend the payment of a final dividend (2002: *£Nil*).

During the year, the directors commissioned a strategic business review on the Managed Services division to establish if this business was viable in the current economic climate. Following this study, the directors decided to terminate the business sector and on 3 October 2003, the process of contacting and advising customers commenced. This process is ongoing and the anticipated costs of withdrawal have been fully provided in these financial statements.

The business, through continued organic growth, has increased the size of the commercial vehicle fleet under its control. The directors will continue to develop the business in keeping with the brand values of Independence, Expertise and Service as a Fleet Support Services company to business customers.

Directors and directors' interests

The directors who held office during the period are shown on page 1.

None of the persons who were directors at 28 December 2003 had any interests in the shares of the company, its subsidiary undertakings or its joint ventures.

Fixed assets

The company's freehold and long leasehold properties were last valued in December 1994 at open market value 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 period amounted to £4,000 (2002: *£5,200*).

Payment to suppliers

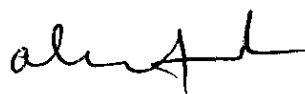
The company is responsible for agreeing the terms and conditions under which business transactions with suppliers are conducted. It is company policy that payments to suppliers are made in accordance with these terms, provided that the supplier is also complying with all the relevant terms and conditions. It is the company's policy not to formally follow any code or standard on payment practice. The number of days billing outstanding at the end of the financial period is 10 days (2002: *11 days*).

Directors' report *(continued)*

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditors to the company is to be proposed at the forthcoming Annual General Meeting.

Approved by the Board and signed on its behalf by:



A Taylor
Secretary

Lombard House
Minerva Way
Glasgow
G3 8AY

26 February 2004

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period 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 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; and
- prepare the financial statements on a 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
United Kingdom

Independent auditors' report to the members of Lex Transfleet Limited

We have audited the financial statements on pages 6 to 27.

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 4, 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 group 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 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 2003 and of the loss of the group for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

26 February 2004

Consolidated profit and loss account
for the 52 weeks ended 28 December 2003

	Note	2003			2002		
		Continuing £000	Discontinued £000	Total £000	Continuing £000	Discontinued £000	Total £000
Turnover: Group and share of joint venture		177,427	34,070	211,497	149,939	40,945	190,884
Less share of joint venture		(23,032)	-	(23,032)	(15,795)	-	(15,795)
Group turnover	2	154,395	34,070	188,465	134,144	40,945	175,089
Depreciation of tangible fixed assets	10	(28,034)	(2,354)	(30,388)	(28,940)	(3,204)	(32,144)
Other operating income		392	-	392	620	-	620
Other operating charges		(116,079)	(32,315)	(148,394)	(94,417)	(38,098)	(132,515)
Group operating profit/(loss)	5	10,674	(599)	10,075	11,407	(357)	11,050
Loss on the termination of an operation	6	-	(4,995)	(4,995)	-	-	-
Profit/(loss) on ordinary activities before interest and joint venture income		10,674	(5,594)	5,080	11,407	(357)	11,050
Share of operating profit of joint venture companies				18			-
Profit on the disposal of subsidiary undertakings				-			221
Interest receivable and similar income	7			113			107
Interest payable and similar charges	8			(5,871)			(6,538)
(Loss)/profit on ordinary activities before taxation				(660)			4,840
Tax credit/(charge) on loss/profit on ordinary activities	9			132			(1,453)
(Loss)/profit for the financial period				(528)			3,387
Dividends paid and proposed on equity shares				(1,300)			(3,000)
Retained (loss)/profit transferred to reserves	19			(1,828)			387

The notes on page 10 to 27 form part of these financial statements.

The movement on reserves is detailed in note 19 on page 22 of these financial statements.

The company had no recognised gains or losses in the period or preceding period other than the result for that period.

There are no significant acquisitions in either period.

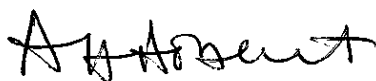
The joint venture did not have any interest receivable or payable in either period.

Consolidated balance sheet
at 28 December 2003

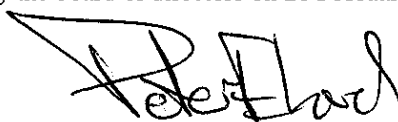
	Note	2003 £000	2002 £000
Fixed assets			
Tangible assets	10	146,781	153,452
Investments in participating interests:			
Share of gross assets	12	3,415	4,420
Share of gross liabilities	12	(3,391)	(4,403)
		24	17
Other investments	12	2	2
		26	19
		146,807	153,471
Current assets			
Stocks	13	215	214
Debtors: Amounts falling due within one year	14	32,456	34,653
Debtors: Amounts falling due after more than one year	14	7,600	7,493
Cash at bank and in hand		9	120
		40,280	42,480
Creditors: amounts falling due within one year	15	(75,544)	(94,969)
Net current liabilities			
Payable within one year		(42,864)	(59,982)
Due after more than one year		7,600	7,493
		(35,264)	(52,489)
Total assets less current liabilities		111,543	100,982
Creditors: amounts falling due after more than one year	16	(77,500)	(66,500)
Provisions for liabilities and charges	17	(14,875)	(13,486)
Net assets		19,168	20,996
Capital and reserves			
Called up share capital	18	19,908	19,908
Profit and loss account	19	(740)	1,088
Equity shareholders' funds		19,168	20,996

The notes on pages 10 to 27 form part of these financial statements.

These financial statements were approved by the board of directors on 26 February 2004 and signed on its behalf by:



AH Hobart
Director



PE Lord
Director

Company balance sheet
at 28 December 2003

	Note	2003 £000	2002 £000
Fixed assets			
Tangible assets	10	144,483	148,822
Investments	12	20,081	20,081
		<u>164,564</u>	<u>168,903</u>
Current assets			
Stocks	13	215	214
Debtors: Amounts falling due within one year	14	34,426	38,149
Debtors: Amounts falling due after more than one year	14	7,600	7,493
Cash at bank and in hand		9	120
		<u>42,250</u>	<u>45,976</u>
Creditors: amounts falling due within one year	15	<u>(96,011)</u>	<u>(114,962)</u>
Net current liabilities			
Payable within one year		(61,361)	(76,479)
Due after more than one year		7,600	7,493
		<u>(53,761)</u>	<u>(68,986)</u>
Total assets less current liabilities		<u>110,803</u>	<u>99,917</u>
Creditors: amounts falling due after more than one year	16	(77,500)	(66,500)
Provisions for liabilities and charges	17	(14,548)	(12,827)
Net assets		<u>18,755</u>	<u>20,590</u>
Capital and reserves			
Called up share capital	18	19,908	19,908
Profit and loss account	19	(1,153)	682
Equity shareholders' funds		<u>18,755</u>	<u>20,590</u>

The notes on pages 10 to 27 form part of these financial statements.

These financial statements were approved by the board of directors on 26 February 2004 and signed on its behalf by:



AH Hobart
Director



PE Lord
Director

Consolidated cash flow statement
for the 52 weeks ended 28 December 2003

	Note	2003		2002	
		£000	£000	£000	£000
Net cash inflow from operating activities	21		35,085		48,015
Returns on investments and servicing of finance					
Interest received		113		107	
Interest paid on bank loans		(7,248)		(6,551)	
Net cash outflow for returns on investments and servicing of finance			(7,135)		(6,444)
Taxation					
UK corporation tax (paid)/received		(2,575)		58	
Net cash (outflow)/inflow for taxation			(2,575)		58
Capital expenditure					
Purchase of tangible fixed assets		(38,432)		(43,222)	
Sale of tangible fixed assets		9,977		10,131	
Net cash outflow for capital expenditure			(28,455)		(33,091)
Acquisitions and disposals					
Sale of subsidiary undertakings		-		578	
Net cash inflow for acquisitions and disposals			-		578
Equity dividends paid			(1,300)		(6,000)
Cash (outflow)/inflow before the use of liquid resources and financing			(4,380)		3,116
Financing					
Loans taken out during the period		29,000		15,000	
Repayment of loans		(26,000)		(17,000)	
Capital element of finance lease repayments		-		(7)	
Net cash inflow/(outflow) from financing			3,000		(2,007)
(Decrease)/increase in cash for the period	22		(1,380)		1,109

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 financial statements of the group and the company.

Basis of preparation

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

The company has complied with the Statement of Recommended Practice on Accounting Issues in the Asset Finance and Leasing Industry, issued by the Finance & Leasing Association.

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

The principal risks of the company are:

(i) Residual value risk

Residual value risk arises in relation to a leasing transaction to the extent that the actual value of the leased asset at the end of the lease term (the residual value) recovered through disposing of or re-letting the asset at the end of the lease term, could be different to that projected at the time that the lease inception. The company policy is to reduce their residual value risk by securing "guaranteed buy back" agreements with the manufacturers of their fleet wherever possible. Where this is not possible, residual value exposure is regularly monitored by the business through reviewing the recoverability of the residual value projected at lease inception. Provision is made in accordance with Financial Reporting Standard No 11 to the extent that the carrying value of assets is impaired through residual values not being fully recoverable.

(ii) Maintenance risk

The company provides maintenance in consideration for contracted rentals from the leasee during the lease term. Where the company bears the risk that related costs will be different to those initially anticipated, the company monitors projected maintenance activities and related costs through the useful economic life of the assets, enabling any risk to be minimised.

Basis of consolidation

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

Goodwill

Goodwill is the excess of the purchase consideration over the fair value of the separable net assets of businesses and subsidiary undertakings acquired.

In accordance with Financial Reporting Standard No 10, goodwill arising on acquisitions after the introduction of Financial Reporting Standard 10 in December 1998 is capitalised and amortised over the years in which the group expects to derive direct economic benefit.

Goodwill written off directly to reserves as a matter of accounting policy in previous accounting periods has not been reinstated.

The profit or loss on the sale or closure of a previously acquired business is calculated after charging the amount of any related goodwill not previously written off through the profit and loss account, including amounts previously taken directly to reserves.

Stock

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

Notes (continued)

1 Principal accounting policies (continued)

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 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

The group's policy is to comply with Financial Reporting Standard No 19: Deferred taxation.

Finance and operating leases receivable

Assets made available to third parties under finance leases are treated as amounts receivable and are disclosed in debtors. Assets held for operating leases are capitalised and held as fixed assets.

Net income from finance leases is credited to the profit and loss account in proportion to the funds invested. Credit is taken for income from operating leases in equal instalments over the life of the contract commencing at the time of delivery.

Leased assets

The fair value of assets acquired under the 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.

Investments in subsidiary and joint venture undertakings

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

Pensions

RAC 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 RAC plc.

Notes (continued)

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 period, all of which arises in the United Kingdom. The analysis of turnover is as follows:

	2003 £000	2002 £000
Operating leases	131,667	122,199
Finance leases	3,017	3,348
Associated services	53,781	49,542
	<u>188,465</u>	<u>175,089</u>

3 Staff costs

	2003 Number	2002 Number
Directors	<u>6</u>	<u>6</u>

All staff, excluding certain directors, are employees of RAC plc, the costs being recharged to this company by management charge.

4 Directors' remuneration

The emoluments of the directors, including pension contributions, paid by any company in respect of services provided to this company, were as follows:

	2003 £000	2002 £000
Salary payments (including benefits in kind)	160	189
Pension contributions	20	10
	<u>180</u>	<u>199</u>

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

	Number	Number
Defined benefit schemes	<u>3</u>	<u>3</u>

Notes (continued)

5 Group operating profit/(loss)

	2003 £000	2002 £000
<i>Group operating profit/(loss) is stated</i>		
<i>after charging/(crediting):</i>		
Auditors' remuneration for audit services:		
Company	61	47
Subsidiary undertakings	1	3
Operating leases:		
Hire of plant and machinery	13,359	11,977
Hire of buildings	1,297	1,653
Rent receivable from land and buildings	(392)	(620)
Loss on disposal of fixed assets	1,538	1,580
	<u> </u>	<u> </u>

Non-audit fees paid to the auditor and its associates amounted to £8,000 (2002: £Nil).

6 Loss on the termination of an operation

	2003 £000	2002 £000
Exceptional depreciation charge (note 10)	2,812	-
Loss on sale of fixed assets	194	-
Provisions for redundancy and reorganisation (note 17)	1,989	-
	<u> </u>	<u> </u>
	4,995	-
	<u> </u>	<u> </u>

On 3 October 2003 the directors decided to terminate the managed services business sector. The exceptional depreciation charge arose following an impairment review carried out in accordance with FRS 11 of the associated fixed assets held at 28 December 2003. A provision for redundancy and reorganisation has been created in accordance with FRS 12 to reflect the company's obligations at the balance sheet date.

7 Interest receivable and similar income

	2003 £000	2002 £000
On balances due by joint venture companies	86	105
On other loans wholly repayable within five years	27	2
	<u> </u>	<u> </u>
	113	107
	<u> </u>	<u> </u>

8 Interest payable and similar charges

	2003 £000	2002 £000
To Lombard North Central Plc	5,768	6,436
On other loans wholly repayable within five years	103	102
	<u> </u>	<u> </u>
	5,871	6,538
	<u> </u>	<u> </u>

Notes (continued)

9 Tax credit/(charge) on loss/profit on ordinary activities

	2003 £000	2002 £000
UK corporation tax based on the results for the period at 30% (2002: 30%)	(509)	(1,758)
Deferred taxation credit (note 17)	624	258
Share of tax charge of associates and joint ventures	(11)	(6)
	<hr/>	<hr/>
Current year's tax credit/(charge)	104	(1,506)
Adjustments in respect of prior years:		
UK corporation tax	139	69
Deferred taxation (note 17)	(111)	(16)
	<hr/>	<hr/>
	132	(1,453)
	<hr/>	<hr/>

Factors affecting tax charge for the period

The corporation tax assessed for the period is higher than standard rate of corporation tax in the UK of 30%. The differences between the standard rate of corporation tax in the UK and the tax charge assessed for the company are explained below:

	2003 £000	2002 £000
(Loss)/profit on ordinary activity before tax	(660)	4,840
	<hr/>	<hr/>
(Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2002: 30%)	(198)	1,452
Effects of:		
Amounts not deductible for tax purposes	83	114
Depreciation in excess of/(less than) capital allowances	629	(56)
Short term timing differences	(5)	314
Profit on sale of subsidiary undertaking covered by capital losses	-	(66)
	<hr/>	<hr/>
UK corporation tax charge based on the results for the period	509	1,758
	<hr/>	<hr/>

Notes (continued)

9 Tax credit/(charge) on loss/profit on ordinary activities (continued)

The current period's tax credit/(charge) can be analysed between ordinary activities, excluding exceptional items, and exceptional items as follows:

	2003 £000	2002 £000
Ordinary activities excluding exceptional items:		
UK corporation tax charge based on the results for the period of 30% (2002: 30%)	(1,016)	(1,758)
Deferred tax	(367)	258
Share of tax charge of associates and joint ventures	(11)	(6)
	<hr/>	<hr/>
	(1,394)	(1,506)
	<hr/>	<hr/>
Exceptional items (as set out in note 6)		
UK corporation tax credit at 30%	507	-
Deferred tax	991	-
	<hr/>	<hr/>
	1,498	-
	<hr/>	<hr/>
	104	(1,506)
	<hr/>	<hr/>

Notes (continued)

10 Tangible fixed assets

Group

	Land and buildings			Equipment and vehicles	Hire fleet	Total
	Freehold £000	Long leasehold £000	Short leasehold £000	£000	£000	£000
Cost						
At beginning of period	5,903	1,067	973	5,869	242,622	256,434
Additions	-	-	486	797	36,903	38,186
Disposals	-	-	-	(306)	(39,521)	(39,827)
Transfers	-	-	-	245	(156)	89
At end of period	5,903	1,067	1,459	6,605	239,848	254,882
Depreciation						
At beginning of period	1,240	301	778	5,197	95,466	102,982
Charge for the period	92	22	54	386	29,834	30,388
Exceptional depreciation charge (note 6)	-	-	-	-	2,812	2,812
Disposals	-	-	-	(293)	(27,825)	(28,118)
Transfers	-	-	-	103	(66)	37
At end of period	1,332	323	832	5,393	100,221	108,101
Net book value						
At 28 December 2003	4,571	744	627	1,212	139,627	146,781
At 29 December 2002	4,663	766	195	672	147,156	153,452

Included in the hire fleet are assets held under finance leases and hire purchase agreements with a net book value of £Nil (2002: £14,000). The amount of depreciation on these assets allocated for the period was £2,000 (2002: £7,000).

The hire fleet is held for use under operating leases.

Included in the cost of land and buildings are depreciable assets of £6,387,000 (2002: £5,901,000).

	2003 £000	2002 £000
Capital commitments		
Capital expenditure contracted but not provided	Nil	Nil

Notes (continued)

10 Tangible fixed assets (continued)

Company

	Land and buildings			Equipment and vehicles	Hire fleet	Total
	Freehold £000	Long leasehold £000	Short leasehold £000	£000	£000	£000
Cost						
At beginning of period	5,903	1,067	973	5,869	229,104	242,916
Additions	-	-	486	797	36,894	38,177
Disposals	-	-	-	(306)	(35,344)	(35,650)
Transfers	-	-	-	245	(168)	77
At end of period	5,903	1,067	1,459	6,605	230,486	245,520
Depreciation						
At beginning of period	1,240	301	778	5,197	86,578	94,094
Charge for the period	92	22	54	386	28,369	28,923
Exceptional depreciation charge	-	-	-	-	2,812	2,812
Disposals	-	-	-	(293)	(24,521)	(24,814)
Transfers	-	-	-	103	(81)	22
At end of period	1,332	323	832	5,393	93,157	101,037
Net book value						
At 28 December 2003	4,571	744	627	1,212	137,329	144,483
At 29 December 2002	4,663	766	195	672	142,526	148,822

Included in the hire fleet are assets held under finance leases and hire purchase agreements with a net book value of £Nil (2002: £6,000). The amount of depreciation on these assets allocated for the period was £1,000 (2002: £4,000).

The hire fleet is held for use under operating leases.

Included in the cost of land and buildings are depreciable assets of £6,387,000 (2002: £5,901,000).

	2003 £000	2002 £000
Capital commitments		
Capital expenditure contracted but not provided	Nil	Nil

Notes (continued)

11 Residual values

Included in tangible fixed assets and leasing debtors are un-guaranteed residual values at the end of current lease terms, which will be recovered through sale or re-leasing in the following periods:

	2003		2002	
	Operating leases £000	Finance leases £000	Operating leases £000	Finance leases £000
Within one year	4,043	333	2,950	480
Between one and two years	3,077	192	2,127	511
Between two and five years	8,414	1,115	7,727	1,680
Greater than five years	3,452	19	2,952	135
	<u>18,986</u>	<u>1,659</u>	<u>15,756</u>	<u>2,806</u>

12 Investments

Group

	Participating interests Shares £000	Post- acquisition profits/(losses) £000	Trade investments £000	Total £000
<i>Cost and net book value</i>				
At beginning of period	25	(8)	2	19
Share of post-acquisition profit	-	7	-	7
At end of period	<u>25</u>	<u>(1)</u>	<u>2</u>	<u>26</u>

The group holds a 50% equity shareholding in Lex Defence (Whitefleet) Limited, a company incorporated in Great Britain. The remaining 50% is held by Lex Vehicle Leasing (Holdings) Limited.

As at 28 December 2003, the group's share of the net assets of the joint venture were as follows:

	2003 £000	2002 £000
Assets		
Intangible assets – set up costs	676	765
Tangible assets	2,739	3,655
	<u>3,415</u>	<u>4,420</u>
Liabilities	<u>(3,391)</u>	<u>(4,403)</u>
	<u>24</u>	<u>17</u>

The principal activity of Lex Defence (Whitefleet) Limited is the provision of contract management services to Lex Defence Management Limited specifically in relation to a ten year contract obtained by that company with the Ministry of Defence.

Notes (continued)

12 Investments (continued)

Company

	Shares in group undertakings £000	Shares in participating interests £000	Trade investments £000	Total £000
<i>Cost</i>				
At beginning of period and end of period	31,103	25	2	31,130
<i>Provisions</i>				
At beginning and end of period	11,049	-	-	11,049
<i>Net book value</i>				
At 28 December 2003	20,054	25	2	20,081
At 29 December 2002	20,054	25	2	20,081

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 effective holding in ordinary share capital
Transfleet Truck Rentals Limited	Short term 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

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

The company holds a 50% equity shareholding in Lex Defence (Whitefleet) Limited, a company incorporated in Great Britain. The remaining 50% is held by Lex Vehicle Leasing (Holdings) Limited.

The principal activity of Lex Defence (Whitefleet) Limited is the provision of contract management services to Lex Defence Management Limited specifically in relation to a ten year contract obtained by that company with the Ministry of Defence.

13 Stocks

	Group 2003 £000	2002 £000	Company 2003 £000	2002 £000
Vehicle spare parts, fuel and consumables	215	214	215	214

Notes (continued)

14 Debtors

	Group		Company	
	2003	2002	2003	2002
	£000	£000	£000	£000
Amounts falling due within one period:				
Trade debtors	19,708	22,938	19,708	22,938
Amounts owed by group undertakings	-	-	1,843	3,222
Amounts owed by joint venture undertakings	3,150	2,744	3,150	2,744
Dividend receivable from subsidiary undertakings	-	-	9	274
Other debtors	261	366	261	366
Corporation tax	774	-	892	-
Group relief	103	103	103	103
Net investments in finance leases	1,884	2,548	1,884	2,548
Prepayments and accrued income	6,576	5,954	6,576	5,954
	<u>32,456</u>	<u>34,653</u>	<u>34,426</u>	<u>38,149</u>
Amounts falling due after more than one year:				
Net investments in finance leases	7,600	7,493	7,600	7,493
	<u>40,056</u>	<u>42,146</u>	<u>42,026</u>	<u>45,642</u>

The cost of assets acquired during the period for the purpose of letting under finance leases in the group and the company amounted to £3,218,000 (2002: £4,408,000).

15 Creditors: amounts falling due within one year

	Group		Company	
	2003	2002	2003	2002
	£000	£000	£000	£000
Bank overdraft	1,269	-	1,269	-
Trade creditors	2,924	3,377	2,924	3,377
Amounts owed to group undertakings:				
Loans	18,000	26,000	18,000	26,000
Other	9,967	20,728	30,437	41,198
Other creditors	3,990	3,805	3,990	3,805
Corporation tax	-	1,431	-	957
Other taxes and social security	2,916	2,896	2,916	2,896
Accruals and deferred income	36,478	36,732	36,475	36,729
	<u>75,544</u>	<u>94,969</u>	<u>96,011</u>	<u>114,962</u>

Notes (continued)

16 Creditors: amounts falling due after more than one year

	Group		Company	
	2003	2002	2003	2002
	£000	£000	£000	£000
Amounts owed to group undertakings:				
Loans	77,500	66,500	77,500	66,500
	<u>77,500</u>	<u>66,500</u>	<u>77,500</u>	<u>66,500</u>
Loans are repayable as follows:				
Within one year	18,000	26,000	18,000	26,000
Between one and two years	25,000	13,000	25,000	13,000
Between two and five years	29,000	30,000	29,000	30,000
Over five years	23,500	23,500	23,500	23,500
	<u>95,500</u>	<u>92,500</u>	<u>95,500</u>	<u>92,500</u>

The group loans balance of £95.5 million relates to several fixed interest rate loans. The interest rates were fixed at the dates of inception and vary between 4.1% and 7.3%.

17 Provisions for liabilities and charges

Group

	Deferred tax	Other	Total
	£000	£000	£000
At beginning of period	13,486	-	13,486
Profit and loss account charge:			
Taxation (note 9)	(513)	-	(513)
Exceptional items (note 6)	-	1,989	1,989
Utilised in the period	-	(87)	(87)
At end of period	<u>12,973</u>	<u>1,902</u>	<u>14,875</u>

Other provisions are in respect of redundancy and reorganisation expenses associated with the termination of an operation as set out in note 6.

Company

	Deferred tax	Other	Total
	£000	£000	£000
At beginning of period	12,827	-	12,827
Profit and loss account	(181)	1,989	1,808
Utilised in the period	-	(87)	(87)
At end of period	<u>12,646</u>	<u>1,902</u>	<u>14,548</u>

Other provisions are in respect of redundancy and reorganisation expenses associated with the termination of an operation.

Notes (continued)

17 Provisions for liabilities and charges (continued)

Deferred tax

The balance provided at 30% (2002: 30%) comprises:

	Group		Company	
	2003	2002	2003	2002
	£000	£000	£000	£000
Accelerated capital allowances	13,546	14,176	13,219	13,517
Other timing differences	(573)	(690)	(573)	(690)
	<u>12,973</u>	<u>13,486</u>	<u>12,646</u>	<u>12,827</u>

There was no unprovided deferred tax liability at either period end.

18 Share capital

	2003	2002
	£000	£000
<i>Authorised:</i>		
Equity: 34,908,300 ordinary shares of £1 each	<u>34,908</u>	<u>34,908</u>
<i>Allotted, issued and fully paid:</i>		
Equity: 19,908,300 ordinary shares of £1 each	<u>19,908</u>	<u>19,908</u>

19 Profit and loss account

	Group	Company
	£000	£000
Surplus at 29 December 2002	1,088	682
Loss for the financial year	(1,828)	(1,835)
Deficit at 28 December 2003	<u>(740)</u>	<u>(1,153)</u>

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

	Group	Company
	£000	£000
Goodwill written off in respect of:		
Acquisition of trade and assets	1,820	1,820
Acquisition of companies	27,813	15,289
	<u>29,633</u>	<u>17,109</u>

Notes (continued)

20 Reconciliation of movements in equity shareholders' funds

Group

	2003 £000	2002 £000
Opening shareholders' funds	20,996	20,658
(Loss)/profit for the financial period	(528)	3,387
Dividends paid and proposed	(1,300)	(3,000)
Capital reserve transferred to the profit and loss account on the sale of Chart Hire Services (N.I.) Limited	-	(49)
Closing equity shareholders' funds	19,168	20,996

Company

	2003 £000	2002 £000
Opening shareholders' funds	20,590	20,033
(Loss)/profit for the financial period	(535)	3,557
Dividends paid and proposed	(1,300)	(3,000)
Closing equity shareholders' funds	18,755	20,590

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

	2003 £000	2002 £000
Operating profit	10,075	11,050
Depreciation	30,388	32,144
Loss on disposal of tangible fixed assets	1,538	1,580
(Increase)/decrease in stocks	(1)	103
Decrease/(increase) in debtors	2,864	(5,449)
(Decrease)/increase in creditors	(9,692)	8,587
Net cash inflow from operating activities before exceptional items	35,172	48,015
Cash outflow from exceptional items: Redundancy and reorganisation expenses incurred in the period (note 17)	(87)	-
Net cash inflow from operating activities	35,085	48,015

Notes (continued)

22 Analysis of net debt

	At 28 December 2003 £000	Non-cash movements £000	Cash flow £000	At 29 December 2002 £000
Cash at bank and in hand	9	-	(111)	120
Overdrafts	(1,269)	-	(1,269)	-
	<u>(1,260)</u>	<u>-</u>	<u>(1,380)</u>	<u>120</u>
Loans due in one year	(18,000)	(13,000)	21,000	(26,000)
Loans due after one year	(77,500)	13,000	(24,000)	(66,500)
	<u>(95,500)</u>	<u>-</u>	<u>(3,000)</u>	<u>(92,500)</u>
	<u>(96,760)</u>	<u>-</u>	<u>(4,380)</u>	<u>(92,380)</u>

23 Reconciliation of net cash flow to movement in net debt

	2003 £000	2002 £000
(Decrease)/increase in cash in the period	(1,380)	1,109
Cash outflow from loan and finance lease repayments	26,000	17,007
Cash inflow from new loans and hire purchase agreements in the period	(29,000)	(15,000)
Cash, finance lease and hire purchase obligations sold with subsidiary undertaking	-	2,460
	<u>(4,380)</u>	<u>5,576</u>
Movement in the period	(4,380)	5,576
Opening net debt	(92,380)	(97,956)
	<u>(96,760)</u>	<u>(92,380)</u>

Notes (continued)

24 Lease commitments

On 28 December 2003 annual commitments under non-cancellable operating leases were as set out below:

Group

	2003		2002	
	Land and buildings	Other	Land and buildings	Other
	£000	£000	£000	£000
Operating leases which expire:				
Within one year	373	3,442	174	552
Between two and five years inclusive	298	7,887	239	8,661
Over five years	713	-	713	-
	<u>1,384</u>	<u>11,329</u>	<u>1,126</u>	<u>9,213</u>

Company

Operating leases which expire:				
Within one year	373	344	174	529
Between two and five years inclusive	298	721	239	1,048
Over five years	713	-	713	-
	<u>1,384</u>	<u>1,065</u>	<u>1,126</u>	<u>1,577</u>

25 Contingent liabilities

Performance bonds amounting to £3,544,815 (2002: £399,518) have been given by the company and group in the normal course of business.

26 Profit dealt with in the financial statements of the company

As permitted by Section 230 of the Companies Act 1985 advantage has been taken of the exemption from the requirement to publish a separate profit and loss account for the company. A loss of £535,000 (2002: profit £3,557,000) of the group results for the financial period has been dealt with in the financial statements of the company.

Notes (continued)

27 Related party transactions

Transactions with parent and fellow subsidiaries

During the period the company entered into material transactions in the ordinary course of business with Lombard North Central PLC, a company that owns 50% of the share capital of Lex Transfleet Limited. The amount outstanding at 28 December 2003 under these arrangements is as follows:

	2003 £000	2002 £000
Loan and current accounts with Lombard North Central PLC		
Due within one year	27,967	20,728
Due after more than one year	77,500	66,500
Interest accrued at the end of the period	2,545	3,922
	<hr/>	<hr/>
	108,012	91,150
	<hr/>	<hr/>
Interest charged during the period	5,768	6,436
	<hr/>	<hr/>

Transactions with RAC plc

RAC plc has a 50% interest in the shares of the company. Transactions during the period and the balance outstanding at the period end with this related party are as follows:

Employees

All employees, excluding certain directors, of the company have contracts of employment with RAC plc. The cost of employees recharged by RAC Plc to the company during the year amounted to £43 million (2002: £33.2 million).

Other services

Management and property services were provided to the company by RAC plc. The charge made in respect of these services was £525,000 (2002: £472,000).

The total outstanding balance owed to RAC plc at 28 December 2003 was £875,000 (2002: £Nil).

Transactions with joint venture company

The company owns 50% of Lex Defence (Whitefleet) Ltd. Transactions during the period and the balance outstanding at the period end with this related party are as follows:

	2003 £000	2002 £000
Sales re vehicle rental	3,314	100
Balance outstanding due to Lex Transfleet re vehicle rentals	732	-
Balance outstanding due to Lex Transfleet Limited for the provision of cashflow facility	2,229	2,744
	<hr/>	<hr/>

Notes *(continued)*

27 Related party transactions *(continued)*

Transactions with Lex Transfleet Limited subsidiaries

The company has taken advantage of the exemptions 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.

28 Shareholder information

Copies of the financial statements of Lombard North Central PLC can be obtained from The Secretary, Lombard North Central PLC, 3 Princess Way, Redhill, Surrey RH1 1NP.

Copies of the financial statements of RAC plc can be obtained from The Secretary, RAC plc, 17 Connaught Place, London W2 2EL.