EUROWAY VEHICLE CONTRACTS LIMITED
CN 02881721

REPORT AND FINANCIAL STATEMENTS
31st DECEMBER, 2000



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PEARCE AITCHISON

CHARTERED ACCOUNTANTS

EUROWAY VEHICLE CONTRACTS LIMITED
DIRECTORS' REPORT

The directors submit their report and financial statements for the year ended 31st December, 2000.

DIRECTORS' RESPONSIBILITIES

Company law requires us, as 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, of the company for that period. In preparing those financial statements we are required to:

- select suitable accounting policies and then apply them consistently.
- make judgements and estimates that are reasonable and prudent.
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the company will continue in business.

We are responsible for keeping proper accounting records which disclose, with reasonable accuracy, at any time, the financial position of the company and enable us to ensure that the financial statements comply with the Companies Act, 1985. We are also responsible for safe guarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

REVIEW OF THE BUSINESS

The company's principal activity during the year was contract hiring of commercial vehicles and trailers.

The directors report that all obligations in respect of hiring assets held under finance leases, hire purchase contracts and operating leases have corresponding agreements in place with the company's customers of no less duration.

Although in accordance with generally accepted accounting practice, all obligations in respect of hiring assets are reported in the accounts. Future revenues due from the company's customers under contractual agreements are not.

DIRECTORS AND THEIR INTERESTS

The directors at 31st December, 2000 and their interests in the share capital of the company were as follows:

	AT 31st DECEMBER, 2000 ORDINARY SHARES	AT 31st DECEMBER, 1999 ORDINARY SHARES
A. J. Lochhead	350	350
M. A. Lochhead	350	350

FUTURE DEVELOPMENTS

The directors consider that the year 2001 will be another good trading year for the company.

RESULTS AND DIVIDENDS

The results of the years trading and financial position of the company are shown in the annexed financial statements. No dividend is recommended.

EUROWAY VEHICLE CONTRACTS LIMITED
DIRECTORS' REPORT
(Continued)

AUDITORS

The auditors, Pearce Aitchison have indicated their willingness to accept re-appointment under Section 385(2) of the Companies Act, 1985.

ON BEHALF OF THE BOARD

M A Lockhead

Secretary

28TH MARCH, 2001.

REPORT OF THE AUDITORS TO THE MEMBERS OF EUROWAY VEHICLE CONTRACTS LIMITED

We have audited the financial statements on pages 4 to 10 which have been prepared under the historical cost convention and the accounting policies set out on page 7.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 1, the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and report our opinion to you.

BASIS OF 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 at 31st December, 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act, 1985.

Pearce Aitchison

Pearce Aitchison
Chartered Accountants
Registered Auditors

Leighton Buzzard

28TH MARCH 2001

EUROWAY VEHICLE CONTRACTS LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31st DECEMBER, 2000

	NOTES		2000		1999
TURNOVER	2		3,419,162		2,862,385
Cost of sales	4		2,813,508		2,355,795
GROSS PROFIT			605,654		506,590
Administrative expenses			376,725		295,546
OPERATING PROFIT	3		228,929		211,044
Interest receivable		17		833	
Interest payable	7	10,566		4,879	
			10,549		4,046
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION			218,380		206,998
Taxation	8		53,550		62,403
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION			164,830		144,595
Retained profit brought forward			666,320		521,725
RETAINED PROFIT CARRIED FORWARD			**£ 831,150**		**£ 666,320**

The only recognised gain for the year is the profit for the year of £164,830 (1999 - £144,595).

There were no acquisitions and no discontinued operations in the year.

The annexed notes form part of these financial statements.

EUROWAY VEHICLE CONTRACTS LIMITED
BALANCE SHEET 31st DECEMBER, 2000

	NOTES		2000		1999
FIXED ASSETS					
Tangible assets	9		5,328,853		3,626,425
CURRENT ASSETS					
Debtors	10	460,635		339,398	
Cash at bank		3,552		1,325	
		464,187		340,723	
CREDITORS					
Amounts falling due within one year	11	2,442,267		1,509,414	
NET CURRENT LIABILITIES			(1,978,080)		(1,168,691)
TOTAL ASSETS LESS CURRENT LIABILITIES			3,350,773		2,457,734
CREDITORS					
Amounts falling due after more than one year	12		2,355,968		1,637,229
			994,805		820,505
PROVISION FOR LIABILITIES AND CHARGES					
Deferred taxation	13		162,655		153,185
			£ 832,150		**£ 667,320**
CAPITAL AND RESERVES					
Called up share capital	14		1,000		1,000
Profit and loss account			831,150		666,320
Shareholders funds			**£ 832,150**		**£ 667,320**

The financial statements were approved by the Board on 28TH MARCH, 2001.

ON BEHALF OF THE BOARD

.....)
) Directors
.....)

The annexed notes form part of these financial statements.

EUROWAY VEHICLE CONTRACTS LIMITED
CASHFLOW STATEMENT
FOR THE YEAR ENDED 31st DECEMBER, 2000

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

	2000	1999
Operating profit	228,929	211,044
Depreciation charges	899,757	632,089
Loss/(profit) on sale of fixed assets	9,285	(11,177)
Increase in debtors	(121,237)	(38,877)
Increase in creditors	61,609	83,633
Net cash inflow from operating activities	**£ 1,078,343**	**£ 876,712**
Net cash inflow from operating activities	1,078,343	876,712
Interest received	17	833
Interest paid	(10,566)	(4,879)
Payments to acquire tangible fixed assets	(2,733,373)	(1,109,210)
Receipts from sales of tangible fixed assets	121,903	159,632
Tax paid	(13,175)	(38,233)
(Decrease) in cash in the year	**£ (1,556,851)**	**£ (115,145)**

Reconciliation of net cash flow to movement in net debt

Decrease in cash in the year	(1,556,851)	(115,145)
Change in net debt		
Net debt at 1st January, 2000	(2,616,479)	(2,501,334)
Net debt at 31st December, 2000	**£ (4,173,330)**	**£ (2,616,479)**

Note to the cashflow statement:

Analysis of changes in net debt

	AT 31st DECEMBER, 2000	CASHFLOWS	AT 1st JANUARY, 2000
Cash in hand, at bank	3,552	2,227	1,325
Overdrafts	(295,674)	(169,037)	(126,637)
Hire purchase and finance leases			
Debt due within 1 year	(1,637,186)	(707,540)	(929,646)
Debt due after 1 year	(2,244,022)	(682,501)	(1,561,521)
TOTAL	**£ (4,173,330)**	**£ (1,556,851)**	**£ (2,616,479)**

EUROWAY VEHICLE CONTRACTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
AT 31st DECEMBER, 2000

COMPLIANCE WITH ACCOUNTING STANDARDS

The accounts have been prepared in accordance with applicable accounting standards. There were no material departures from those standards.

1. ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below and have been consistently applied within the same accounts.

Basis of preparation of financial statements

The financial statements are prepared under the historical cost convention.

The effects of events relating to the year ended 31st December, 2000 before the date of approval of the financial statements by the Board of Directors, have been included in the statements to the extent required to show a true and fair view of the state of affairs at 31st December, 2000 and of the results for the year ended on that date.

Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost of each asset, over its expected useful life, as follows:

Motor vehicles	-	over 4 years
Office equipment	-	over 6 to 7 years
Hiring fleet	-	over 6 to 7 years

Deferred taxation

Deferred taxation is provided on the liability method on all short term timing differences. Provision is also made for long term timing differences, except for those which are not expected to reverse in the future.

Leasing and hire purchase

Tangible fixed assets acquired under finance leases or hire purchase contracts are capitalised and depreciated in the same manner as other tangible fixed assets. The related obligations, net of future finance charges, are included in creditors.

Rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease.

Pension scheme

The company operates a defined contribution scheme. Contributions are charged to the profit and loss account when paid.

EUROWAY VEHICLE CONTRACTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
AT 31st DECEMBER, 2000

2. TURNOVER

The company's turnover represents the value, excluding value added tax, of goods and services supplied to customers during the year. The analysis of turnover by activity is as follows, it is all derived from the United Kingdom.

	2000	1999
Contract hiring of commercial vehicles:		
Operating leases	3,224,780	2,746,700
Spot hire	162,069	104,294
Management charges	30,000	3,200
Miscellaneous	2,313	8,191
	£ 3,419,162	**£ 2,862,385**

3. OPERATING PROFIT

This is stated after charging:		
Auditors' remuneration	3,000	2,500
Depreciation of owned assets	104,772	74,285
Depreciation of assets held under hire purchase and finance leases	794,985	557,804
Directors' remuneration	78,000	74,600
Operating lease rentals – hiring fleet	473,681	464,317
- land and buildings	18,000	17,947

4. COST OF SALES

Included in this category are:		
Finance lease and hire purchase charges	**£ 264,817**	**£ 208,665**

5. DIRECTORS' EMOLUMENTS

Emoluments, including benefits in kind	78,860	73,750
Company contributions to money purchase pension schemes	12,000	12,600
	£ 90,860	**£ 86,350**

6. STAFF COSTS

The average number of persons employed by the company, including directors, during the year was as follows:	No.	No.
Management and administration	**8**	**6**

	2000	1999
The aggregate payroll costs of these persons were as follows:		
Wages and salaries	200,828	130,272
Social security	22,056	14,077
Other pension costs	12,000	12,600
	£ 234,884	**£ 156,949**

7. INTEREST PAYABLE

Hire purchase charges	2,536	3,534
Bank overdrafts	8,030	1,345
	£ 10,566	**£ 4,879**

EUROWAY VEHICLE CONTRACTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
AT 31st DECEMBER, 2000

8. TAXATION

	2000	1999
Based on the profits for the year:		
Corporation tax 22.8% (20.2%)	44,080	13,175
Deferred taxation	9,470	49,228
	£ 53,550	**£ 62,403**

9. TANGIBLE FIXED ASSETS

	HIRING FLEET	MOTOR VEHICLES	OFFICE EQUIPMENT	TOTAL
Cost				
At 31st December, 1999	4,923,281	73,911	39,606	5,036,798
Additions	2,712,709	12,095	8,569	2,733,373
Disposals	(377,988)	(6,195)	(289)	(384,472)
At 31st December, 2000	7,258,002	79,811	47,886	7,385,699
Depreciation				
At 31st December, 1999	1,373,122	25,080	12,171	1,410,373
Charge for the year	867,351	22,499	9,907	899,757
Disposals	(248,478)	(4,517)	(289)	(253,284)
At 31st December, 2000	1,991,995	43,062	21,789	2,056,846
Net book amounts at:				
31st December, 2000	**£ 5,266,007**	**£ 36,749**	**£ 26,097**	**£ 5,328,853**
31st December, 1999	**£ 3,550,159**	**£ 48,831**	**£ 27,435**	**£ 3,626,425**

Included in the total net book value of tangible fixed assets held at 31st December, 2000 was £5,140,362 (1999 - £3,121,610) in respect of assets held under finance leases and hire purchase.

10. DEBTORS

	2000	1999
All receivable within one year:		
Trade debtors	338,561	175,453
Prepayments	122,074	154,637
Director's loan (A. J. Lochhead)	-	4,654
Director's loan (M. A. Lochhead)	-	4,654
	£ 460,635	**£ 339,398**

11. CREDITORS

Amounts falling due within one year:		
Bank overdraft (see below)	295,674	126,637
Obligations under finance leases and hire purchase	1,637,186	929,646
Trade creditors	246,535	266,709
Current corporation tax	44,080	13,175
Other taxes and social security costs	76,136	5,811
Deposits held	19,708	20,779
Accruals	62,948	16,657
Loan	60,000	130,000
	£ 2,442,267	**£ 1,509,414**

Bank borrowings are secured by a mortgage debenture.

EUROWAY VEHICLE CONTRACTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
AT 31st DECEMBER, 2000

12. CREDITORS

	2000	1999
Amounts falling due after more than one year:		
Obligations under finance leases and hire purchase	2,244,022	1,561,521
Deposits held	111,946	75,708
	£ 2,355,968	**£ 1,637,229**

All are repayable within 5 years.

13. DEFERRED TAXATION

Capital allowances in advance of depreciation	**£ 162,655**	**£ 153,185**

14. SHARE CAPITAL

	AUTHORISED		ALLOTTED, CALLED UP AND FULLY PAID	
	2000 No.	1999 No.	2000	1999
Ordinary shares of £1 each	**100,000**	**100,000**	**£ 1,000**	**£ 1,000**

15. LEASING COMMITMENTS

At 31st December, 2000 the company had annual commitments under non-cancellable operating leases as detailed below:

	2000		1999	
	Land and Buildings	Hiring Fleet	Land and Buildings	Hiring Fleet
Operating leases which expire:				
Within one year	-	71,088	-	28,613
Within two to five years	-	302,112	-	422,120
After more than five years	18,000	-	18,000	-
	£ 18,000	**£ 373,200**	**£ 18,000**	**£ 450,733**

16. PENSION COMMITMENTS

The company has a defined contribution scheme for the two directors. Premiums paid to this scheme during the year amounted to £12,000 (1999 - £12,600).

17. CONTROL RELATIONSHIPS

The company is under the control of the directors, Mr. and Mrs. Lochhead who own 70% of the issued shares.

18. PERSONAL GUARANTEES

Mr. and Mrs. Lochhead who are directors have guaranteed the bank overdraft and some hiring fleet lease obligations.

19. RELATED PARTIES

Euroway Vehicle Management Limited is a company wholly owned by the directors, Mr. and Mrs. Lochhead.

Trade debtors include £33,816 due from that company. Turnover includes £30,000 of management charges charged to that company and £51,446 of vehicle leasing charged to that company.