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EUROWAY VEHICLE CONTRACTS LIMITED
CN 02881721

REPORT AND FINANCIAL STATEMENTS
31st DECEMBER, 2002



PEARCE AITCHISON

CHARTERED ACCOUNTANTS

EUROWAY VEHICLE CONTRACTS LIMITED
DIRECTORS' REPORT

The directors submit their report and financial statements for the year ended 31st December, 2002.

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, 2002 and their interests in the share capital of the company were as follows:

	AT 31st DECEMBER, 2002 ORDINARY SHARES	AT 31st DECEMBER, 2001 ORDINARY SHARES
A. J. Lochhead	350	350
M. A. Lochhead	350	350

FUTURE DEVELOPMENTS

The directors consider that the year 2003 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 Lochhead

Secretary

8TH AUGUST, 2003.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF EUROWAY VEHICLE CONTRACTS LIMITED

We have audited the financial statements on pages 4 to 11 which have been prepared under the historical cost convention and the accounting policies set out on page 7.

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

As described on page 1, the company's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatement within it.

BASIS OF OPINION

We conducted our audit in accordance with United Kingdom 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, 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act, 1985.

Pearce Aitchison
Chartered Accountants
Registered Auditors

Leighton Buzzard

8TH AUGUST 2003

EUROWAY VEHICLE CONTRACTS LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31st DECEMBER, 2002

	NOTES		2002		2001
TURNOVER	2		4,315,936		4,274,641
Cost of sales	4		3,631,254		3,604,223
GROSS PROFIT			684,682		670,418
Administrative expenses			477,300		452,275
OPERATING PROFIT	3		207,382		218,143
Interest receivable		28		7	
Interest payable	7	33,504		21,548	
			33,476		21,541
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION			173,906		196,602
Taxation	8		38,415		47,493
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION			135,491		149,109
Retained profit brought forward			980,259		831,150
RETAINED PROFIT CARRIED FORWARD			**£ 1,115,750**		**£ 980,259**

The only recognised gain for the year is the profit for the year of £135,491 (2001 - £149,109).

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, 2002

	NOTES	2002		2001	
FIXED ASSETS					
Tangible assets	9		7,573,045		7,531,779
CURRENT ASSETS					
Debtors	10	463,055		282,936	
Cash at bank		3,820		3,279	
		466,875		286,215	
CREDITORS					
Amounts falling due within one year	11	3,899,856		3,344,766	
NET CURRENT LIABILITIES			(3,432,981)		(3,058,551)
TOTAL ASSETS LESS CURRENT LIABILITIES			4,140,064		4,473,228
CREDITORS					
Amounts falling due after more than one year	12		2,712,461		3,328,713
			1,427,603		1,144,515
PROVISION FOR LIABILITIES AND CHARGES					
Deferred taxation	13		110,853		163,256
			£ 1,316,750		**£ 981,259**
CAPITAL AND RESERVES					
Called up share capital	14		1,204		1,000
Share premium	14		199,796		-
Profit and loss account			1,115,750		980,259
Shareholders funds			**£ 1,316,750**		**£ 981,259**

The financial statements were approved by the Board on 8th August, 2003.

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, 2002

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

	2002	2001
Operating profit	207,382	218,143
Depreciation charges	1,648,597	1,400,875
Loss/(profit) on sale of fixed assets	29,647	(10,463)
(Increase)/decrease in debtors	(180,119)	177,699
Increase in creditors	199,191	222,535
Net cash inflow from operating activities	**£ 1,904,698**	**£ 2,008,789**
Net cash inflow from operating activities	1,904,698	2,008,789
Share issue	200,000	-
Interest received	28	7
Interest paid	(33,504)	(21,548)
Payments to acquire tangible fixed assets	(2,101,231)	(4,066,606)
Receipts from sales of tangible fixed assets	381,721	473,268
Tax paid	(46,892)	(44,080)
Increase/(decrease) in cash in the year	**£ 304,820**	**£ (1,650,170)**

Reconciliation of net cash flow to movement in net debt

Increase/(decrease) in cash in the year	304,820	(1,650,170)
Change in net debt		
Net debt at 1st January, 2002	(5,823,500)	(4,173,330)
Net debt at 31st December, 2002	**£ (5,518,680)**	**£ (5,823,500)**

Note to the cashflow statement:

Analysis of changes in net debt

	AT 31st DECEMBER, 2002	CASHFLOWS	AT 1st JANUARY, 2002
Cash in hand, at bank	3,820	541	3,279
Overdrafts	(693,511)	(350,731)	(342,780)
Hire purchase and finance leases			
Debt due within 1 year	(2,298,064)	166,338	(2,464,402)
Debt due after 1 year	(2,530,925)	488,672	(3,019,597)
TOTAL	**£ (5,518,680)**	**£ 304,820**	**£ (5,823,500)**

EUROWAY VEHICLE CONTRACTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
AT 31st DECEMBER, 2002

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, 2002 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, 2002 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 timing differences.

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 incurred.

EUROWAY VEHICLE CONTRACTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
AT 31st DECEMBER, 2002

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.

	2002	2001
Contract hiring of commercial vehicles:		
Operating leases	4,192,142	3,961,392
Spot hire	103,817	267,549
Management charges	12,000	39,000
Miscellaneous	7,977	6,700
	£ 4,315,936	**£ 4,274,641**

3. OPERATING PROFIT

This is stated after charging:		
Auditors' remuneration	4,800	3,240
Depreciation of owned assets	148,316	63,235
Depreciation of assets held under hire purchase and finance leases	1,500,281	1,337,640
Directors' remuneration	86,873	86,775
Operating lease rentals – hiring fleet	243,094	405,613
- land and buildings	18,000	18,000

4. COST OF SALES

Included in this category are:		
Finance lease and hire purchase charges	**£ 447,196**	**£ 452,788**

5. DIRECTORS' EMOLUMENTS

Emoluments, including benefits in kind	95,913	93,070
Company contributions to money purchase pension schemes	12,000	12,000
	£ 107,913	**£ 105,070**

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	**12**	**10**

	2002	2001
The aggregate payroll costs of these persons were as follows:		
Wages and salaries	267,274	246,040
Social security	29,143	27,558
Other pension costs	19,438	13,302
	£ 315,855	**£ 286,900**

7. INTEREST PAYABLE

Hire purchase charges	2,364	2,784
Bank overdrafts	16,758	9,886
Other interest	14,382	8,878
	£ 33,504	**£ 21,548**

EUROWAY VEHICLE CONTRACTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
AT 31st DECEMBER, 2002

8. TAXATION

	2002	2001
Based on the profits for the year:		
Corporation tax (see below)	90,818	46,892
Deferred taxation (note 13)	(52,403)	601
	£ 38,415	**£ 47,493**
Factors affecting tax charge		
Profit on ordinary activities before tax	173,906	196,602
Standard rate of corporation tax in the UK of 30%	52,172	58,981
Expenses not deductible for tax purposes	2,113	2,167
Depreciation in excess of capital allowances	47,568	(555)
Small company marginal relief	(11,035)	(13,701)
Corporation tax charge	**£ 90,818**	**£ 46,892**

9. TANGIBLE FIXED ASSETS

	HIRING FLEET	MOTOR VEHICLES	OFFICE EQUIPMENT	TOTAL
Cost				
At 31st December, 2001	10,133,753	97,787	59,197	10,290,737
Additions	2,094,293	-	6,938	2,101,231
Disposals	(1,034,189)	(15,094)	-	(1,049,283)
At 31st December, 2002	11,193,857	82,693	66,135	11,342,685
Depreciation				
At 31st December, 2001	2,677,548	48,388	33,022	2,758,958
Charge for the year	1,617,320	18,513	12,764	1,648,597
Disposals	(626,600)	(11,315)	-	(637,915)
At 31st December, 2002	3,668,268	55,586	45,786	3,769,640
Net book amounts at:				
31st December, 2002	**£ 7,525,589**	**£ 27,107**	**£ 20,349**	**£ 7,573,045**
31st December, 2001	**£ 7,456,205**	**£ 49,399**	**£ 26,175**	**£ 7,531,779**

Included in the total net book value of tangible fixed assets held at 31st December, 2002 was £7,172,057 (2001 - £7,223,602) in respect of assets held under finance leases and hire purchase.

10. DEBTORS

	2002	2001
All receivable within one year:		
Trade debtors	357,491	149,306
Prepayments	105,564	133,630
	£ 463,055	**£ 282,936**

EUROWAY VEHICLE CONTRACTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
AT 31st DECEMBER, 2002

11. CREDITORS

	2002	2001
Amounts falling due within one year:		
Bank overdraft (see below)	693,511	342,780
Obligations under finance leases and hire purchase	2,298,064	2,464,402
Trade creditors	548,032	293,625
Current corporation tax	90,818	46,892
Other taxes and social security costs	42,301	51,401
Deposits held	26,442	28,715
Accruals	50,871	66,951
Loan	49,817	50,000
Director's loan (M. A. Lochhead)	100,000	-
	£ 3,899,856	**£ 3,344,766**

Bank borrowings are secured by a mortgage debenture.

12. CREDITORS

Amounts falling due after more than one year:		
Obligations under finance leases and hire purchase	2,530,925	3,019,597
Deposits held	129,536	109,116
Loan (Euroway Vehicle Management Ltd)	52,000	200,000
	£ 2,712,461	**£ 3,328,713**

13. DEFERRED TAXATION

Capital allowances in advance of depreciation	**£ 110,853**	**£ 163,256**

14. SHARE CAPITAL

	AUTHORISED		ALLOTTED, CALLED UP AND FULLY PAID	
	2002 No.	2001 No.	2002	2001
Ordinary shares of £1 each	**100,000**	**100,000**	**£ 1,204**	**£ 1,000**

During the year, 204 Ordinary Shares of £1 each were issued for £200,000. The consideration being the release of a loan account from Euroway Vehicle Management Limited (Note 19). The share premium is therefore £199,796.

15. LEASING COMMITMENTS

At 31st December, 2002 the company had annual commitments under non-cancellable operating leases as detailed below:

	2002		2001	
	LAND & BUILDINGS	HIRING FLEET	LAND AND BUILDINGS	HIRING FLEET
Operating leases which expire:				
Within one year	-	59,825	-	42,805
Within 2 to 5 years	-	-	-	159,491
After more than 5 years	18,000	-	18,000	-
	£ 18,000	**£ 59,825**	**£ 18,000**	**£ 202,296**

EUROWAY VEHICLE CONTRACTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
AT 31st DECEMBER, 2002

16. PENSION COMMITMENTS

The company has a defined contribution scheme for the two directors and employees. Premiums paid to this scheme during the year amounted to £19,438 (2001 - £13,302).

17. CONTROL RELATIONSHIPS

The company is under the control of the directors, Mr. and Mrs. Lochhead who own 58.14% of the issued shares and control 16.94% 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.

During the year, there were the following transactions with Euroway Vehicle Management Limited and balances outstanding at the year end:

Trade debtors include	135,597
Trade creditors include	1,512
Turnover includes management charges	12,000
Turnover includes vehicle rentals	73,928
Cost of sales includes vehicle repairs	38,727
Loan (Note 12)	52,000
Interest payable on loan	14,382

In addition, the company has guaranteed the bank overdraft of Euroway Vehicle Management Limited to the extent of £nil at 31st December, 2002.