

JOHN HANLON AND COMPANY LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST AUGUST 2004



JOHN HANLON AND COMPANY LIMITED

COMPANY INFORMATION

DIRECTORS: J. F. Hanlon

SECRETARY: P. J. Hanlon

COMPANY NUMBER: 1311902

REGISTERED OFFICE: Highlands Farm
Campton
Shefford
Beds
SG17 5NZ

BANKERS: Barclays Bank plc
12 - 12a Howards Centre
Welwyn Garden City
Herts
AL8 6HA

AUDITORS: Barber & Co
Chartered Accountants
and Registered Auditors
The Grange
3 Codicote Road
Welwyn
Herts
AL6 9LY

JOHN HANLON AND COMPANY LIMITED

CONTENTS

- 1-2. DIRECTORS' REPORT

- 3. AUDITORS' REPORT

- 4. PROFIT AND LOSS ACCOUNT

- 5. BALANCE SHEET

- 6. CASH FLOW STATEMENT

- 7-15. NOTES TO THE FINANCIAL STATEMENTS

The following pages do not form part of the statutory accounts:

- 16. DETAILED PROFIT AND LOSS ACCOUNT

- 17-18. SCHEDULES TO THE DETAILED PROFIT AND LOSS ACCOUNT

JOHN HANLON AND COMPANY LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31ST AUGUST 2004

The directors present their report and financial statements for the year ended 31st August 2004.

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 of the company 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;
- 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 ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Principal activity

The company's principal activity continues to be that of the sale, hire and service of heavy equipment.

Review of the business and future prospects

The company has continued to increase the size of its hire fleet and this is now the major source of income providing customers with quality service backed rentals to a large cross-section of industries.

The company is confident as to the continuing growth of its business.

Results and dividends

The company made a profit of £88,567 (2004 - £124,448) after tax, as detailed on page 4. The director does not recommend the payment of a dividend.

JOHN HANLON AND COMPANY LIMITED

DIRECTORS' REPORT CONTINUED

FOR THE YEAR ENDED 31ST AUGUST 2004

Directors

The directors who served during the year and their beneficial interests in the company's issued ordinary share capital were:

	Number of shares	
	2004	2004
J. F. Hanlon	60	60

Auditors

The auditors, Barber & Co., will be proposed for reappointment in accordance with Section 385 of the Companies Act 1985.

This report was approved by the board on 24 June 2005
on its behalf.

and signed

P. J. Hanlon
Secretary

JOHN HANLON & COMPANY LIMITED
INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the financial statements of John Hanlon & Company Limited for the year ended 31st August 2004 which comprise the profit and loss account, balance sheet, cash flow statement and related notes.

These financial statements have been prepared under the historical cost convention modified to include the revaluation of freehold property and the accounting policies set out therein.

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 auditors' 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 in the Statement of Director's Responsibilities the company's director is responsible for the preparation of the 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 Director's 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 director's remuneration and transactions with the company is not disclosed.

We read the Director's Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistency. Our responsibilities do not extend to any other information.

Basis of audit 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 director 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.

Basis of audit opinion continued

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 31st August 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Barber & Co
Chartered Accountants and Registered Auditors
The Grange
3 Codicote Road
Welwyn
Herts
AL6 9LY



Date: 24 June 2005

JOHN HANLON AND COMPANY LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31ST AUGUST 2004

	Notes	2004 £	2003 £
TURNOVER	2	3,997,776	3,634,909
Cost of sales		(3,186,827)	(2,843,718)
GROSS PROFIT		810,949	791,191
Administration expenses		(290,692)	(253,927)
OPERATING PROFIT	3	520,257	537,264
Interest payable		(406,729)	(381,876)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		113,528	155,388
TAXATION ON PROFIT ON ORDINARY ACTIVITIES	5	(24,961)	(30,940)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	15	88,567	124,448

There were no recognised gains and losses for 2004 or 2003 other than those included in the profit and loss account.

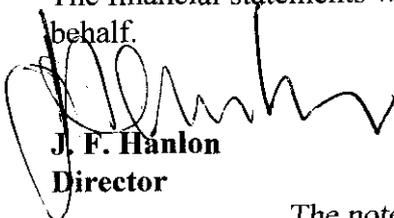
The notes on pages 7 to 15 form part of these financial statements.

JOHN HANLON AND COMPANY LIMITED

BALANCE SHEET AS AT 31ST AUGUST 2004

	Notes	2004	2003
		£	£
FIXED ASSETS			
Tangible assets	6	6,882,065	6,558,574
CURRENT ASSETS			
Stocks	7	321,388	316,190
Debtors	8	859,739	957,588
Cash at bank and in hand		-	-
		<u>1,181,127</u>	<u>1,273,778</u>
CREDITORS: Amounts falling due within one year	9	(2,526,728)	(2,405,650)
NET CURRENT LIABILITIES		<u>(1,345,601)</u>	<u>(1,131,872)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>5,536,464</u>	<u>5,426,702</u>
CREDITORS: Amounts falling due after more than one year	10	(4,114,176)	(4,117,942)
PROVISION FOR LIABILITIES AND CHARGES			
- Deferred taxation	12	(200,037)	(175,076)
NET ASSETS		<u>£1,222,251</u>	<u>£1,133,684</u>
CAPITAL AND RESERVES			
Called up share capital	13	100	100
Revaluation Reserve	14	419,386	421,321
Profit and loss account	15	802,765	712,263
SHAREHOLDERS' FUNDS	16	<u>£1,222,251</u>	<u>£1,133,684</u>
Represented by:			
Equity interests		<u>£1,222,251</u>	<u>£1,133,684</u>

The financial statements were approved by the board on 24 June 2005 and signed on its behalf.


J. F. Hanlon
Director

The notes on page 7 to 15 form part of these financial statements.

JOHN HANLON AND COMPANY LIMITED

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31ST AUGUST 2004

	Notes	2004 £	2003 £
NET CASH INFLOW FROM OPERATING ACTIVITIES	20	1,954,872	1,722,809
Interest paid		(406,729)	(381,876)
RETURNS ON INVESTMENT AND SERVICING OF FINANCE		(406,729)	(381,876)
CORPORATION TAX PAID		-	-
Purchase of tangible fixed assets		(272,982)	(150,633)
Proceeds from sale of tangible fixed assets		332,700	173,829
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT		59,718	23,196
NET CASH INFLOW BEFORE MANAGEMENT OF LIQUID RESOURCES AND FINANCING		1,607,861	1,364,129
INCREASE/(DECREASE) IN BORROWINGS	21	347,314	57,816
CAPITAL ELEMENT OF FINANCE LEASE RENTALS	21	(1,955,175)	(1,470,038)
FINANCING	22	(1,607,861)	(1,412,222)
DECREASE IN CASH	22	-	(48,093)

JOHN HANLON AND COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST AUGUST 2004

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

The financial statements are prepared under the historical cost convention modified to include the revaluation of freehold property and include the results of the company's operations which are described in the Directors' Report and all of which are continuing.

1.2 Turnover

Turnover comprises the invoiced value of goods and services supplied by the company, net of Value Added Tax and trade discounts.

1.3 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost or valuation less depreciation.

Depreciation is provided at rates calculated to write off the cost or valuation of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Freehold buildings	2%	per annum straight line basis
Motor vehicles	25%	per annum straight line basis
Plant and machinery	20%	per annum straight line basis
Hire fleet	15 - 20%	per annum straight line basis
Office equipment	20%	per annum straight line basis

No depreciation is provided on freehold land.

1.4 Leasing and hire purchase

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired under such contracts are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

JOHN HANLON AND COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS CONT/D.

FOR THE YEAR ENDED 31ST AUGUST 2004

1.5 Operating leases

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are credited to profit and loss account as turnover as and when such income arises.

1.6 Stocks

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads.

1.7 Deferred taxation

In accordance with FRS 19, deferred tax is provided on all liabilities where the transactions or events that give rise to an obligation to pay more tax in the future have occurred at the balance sheet date. Deferred tax assets are recognised to the extent that the Directors consider that it is more likely than not that they will be recovered. Deferred tax assets and liabilities have not been discounted.

2. TURNOVER

The whole of the turnover and profit before taxation is attributable to the one principal activity of the company, the sale, hire and service of heavy equipment.

In the year to 31st August 2004 4.9% of the company's turnover was to markets outside the United Kingdom (2003 - 2.0%).

3. OPERATING PROFIT

	2004	2003
	£	£
The operating profit is stated after charging/crediting:		
Operating lease rentals receivable	3,385,882	2,916,336
Depreciation of tangible fixed assets		
- owned by the company	104,102	36,123
- held under finance leases and hire purchase agreements	1,382,473	1,211,479
Auditors' remuneration	17,225	15,225
Profit/(loss) on sale of fixed assets	50,219	(72)
	=====	=====

JOHN HANLON AND COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS CONT'D.

FOR THE YEAR ENDED 31ST AUGUST 2004

4. **INTEREST PAYABLE**

Included in interest payable is interest on finance leases and hire purchase contracts of £375,526 (2004 - £357,076).

5. **TAXATION**

	2004 £	2003 £
Corporation tax on the profit for the year	-	-
Deferred taxation (note 12)	24,961	30,940
	<u>24,961</u>	<u>30,940</u>
	=====	=====

There is no corporation tax payable because of tax losses brought forward and the availability of capital allowances.

The tax assessed for the period is lower than the standard rate of UK taxation applicable to the company of 19% (2003 - 19.00%). The differences are explained below:-

Profit on ordinary activities before tax	113,528	155,388
	=====	=====
Profit on ordinary activities multiplied by standard rate of 19% (2003 - 19.00%)	21,570	29,524
Expenses not deductible for tax purposes	893	25
Capital allowances in excess of depreciation for period	(21,984)	(40,898)
Utilisation of / addition to tax losses	(479)	11,349
	<u>£ -</u>	<u>£ -</u>
	=====	=====

JOHN HANLON AND COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS CONT/D.

FOR THE YEAR ENDED 31ST AUGUST 2004

6. TANGIBLE FIXED ASSETS

	Freehold Property £	Motor Vehicles £	Plant & Machinery £	Hire Fleet £	Office Equipment £	Total £
COST OR VALUATION						
At 1.9.03	774,457	128,909	10,750	8,086,035	18,998	9,019,149
Additions	187,988	27,340	82,158	2,251,161	11,470	2,560,117
Disposals	-	-	-	(1,241,089)	-	(1,241,089)
At 31.8.04	962,445	156,249	92,908	9,096,107	30,468	10,338,177
DEPRECIATION						
At 1.9.03	12,000	44,680	7,866	2,380,067	15,962	2,460,575
Charge for year	3,000	33,296	7,418	1,441,118	1,743	1,486,575
Disposals	-	-	-	(491,038)	-	(491,038)
At 31.8.04	15,000	77,976	15,284	3,330,147	17,705	3,456,112
NET BOOK VALUE						
At 31.8.04	947,445	78,273	77,624	5,765,960	12,763	6,882,065
NET BOOK VALUE						
At 31.8.03	762,457	84,229	2,884	5,705,968	3,036	6,558,574

Freehold property was revalued at 31st December 1987 to an amount which, in the opinion of the directors represented open market value. Subsequent additions are at cost. The historical cost of the freehold property at 31st August 2004 is £533,384 (2003 - £345,396).

The net book value of fixed assets held under finance leases was £5,741,194 (2003 - £5,762,804) comprising hire fleet of £560,851 (2003 - £5,678,575), plant and machinery of £60,570 (2003 - £Nil) and motor vehicles of £77,773 (2003 - £84,229).

JOHN HANLON AND COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS CONT/D.

FOR THE YEAR ENDED 31ST AUGUST 2004

7. STOCKS		
	2004	2003
	£	£
Stocks for resale	169,989	155,556
Consumables and spares	151,399	160,634
	<u>321,388</u>	<u>316,190</u>
	=====	=====
8. DEBTORS		
	2004	2003
	£	£
Trade debtors	593,824	677,095
Other debtors	241,744	230,365
Tax and Social Security	24,171	44,971
Prepayments	-	5,157
	<u>859,739</u>	<u>957,588</u>
	=====	=====
9. CREDITORS		
	2004	2003
	£	£
Amounts falling due within one year:		
Bank loan and overdraft (secured - see note 10)	213,508	84,035
Trade creditors	343,576	421,472
Other creditors	200,224	223,370
Finance leases and hire purchase contracts (see note 10)	1,747,220	1,661,223
Accruals	22,200	15,550
	<u>2,526,728</u>	<u>2,405,650</u>
	=====	=====

JOHN HANLON AND COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS CONT/D.

FOR THE YEAR ENDED 31ST AUGUST 2004

10. **CREDITORS**

	2004	2003
	£	£
Amounts falling due after more than one year:		
Bank loan	459,594	241,753
Finance leases and hire purchase contracts	3,654,582	3,876,189
	<u>4,114,176</u>	<u>4,117,942</u>

The bank loan and the overdraft included in current liabilities are secured by a debenture over the assets of the company and a legal mortgage on the freehold property. The bank loan is repayable over 25 years to the year 2018 in quarterly instalments, and bears interest at 2.75% per annum over the LIBOR rate.

11. **FINANCE LEASES AND HIRE PURCHASE CONTRACTS**

Liabilities falling due are payable

	2004	2003
	£	£
- within one year	1,747,220	1,661,223
- after more than one year	3,654,582	3,876,189
	<u>5,401,802</u>	<u>5,537,412</u>

Finance leases and hire purchase contracts are secured by retention of title to the related assets and all fall due in less than 5 years.

12. **DEFERRED TAXATION**

Provision is made for deferred taxation in accordance with FRS 19. Accordingly provision is made in respect of accelerated capital allowances and other timing differences less trading tax.

JOHN HANLON AND COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS CONT/D.

FOR THE YEAR ENDED 31ST AUGUST 2004

12. **DEFERRED TAXATION - Continued**

	2004	2003
	£	£
Deferred taxation	200,037	175,076
	=====	=====

Provisin is not made for the corporation tax which would be payable if the company's property were sold at balance sheet value. At 31st August 2004 the amount payable would have been £30,000 (2003 - £35,000).

13. **CALLED UP SHARE CAPITAL**

	£	£
Authorised - Ordinary shares of £1 each	10,000	10,000
	=====	=====
Issued - Ordinary shares of £1 each	100	100
	=====	=====

14. **REVALUATION RESERVE**

	£	£
Unrealised surplus on property revaluation		
At 1st September 2004	421,321	423,256
Transfer to profit and loss account	(1,935)	(1,935)
	=====	=====
At 31st August 2004	419,386	421,321
	=====	=====

The potential tax liability on a sale of property at the revalued amount is shown in note 12.

15. **PROFIT AND LOSS ACCOUNT**

	£
At 1st September 2003	712,263
Transfer from revaluation reserve	1,935
Profit for the year	88,567
	=====
At 31st August 2004	802,765
	=====

JOHN HANLON AND COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS CONT/D.

FOR THE YEAR ENDED 31ST AUGUST 2004

16. MOVEMENT ON SHAREHOLDERS' FUNDS

	2004 £	2003 £
Profit for the year	88,567	124,448
Opening shareholders' funds	1,133,684	1,009,236
Closing shareholders funds	<u>1,222,251</u>	<u>1,133,684</u>

17. RELATED PARTY TRANSACTIONS

The director who served during the year is a partner in J. J. & B. Engineering, a partnership which provided services to the company for a value of £810,100. At 31st August 2004 £213,121 was due from the partnership to the company.

The director who served during the year is also a director of Pendring Limited and its subsidiary Cravefields Limited and is a controlling shareholder of Pendring Limited. At 31st August 2004 £200,224 was due to Pendring Limited and its subsidiary.

18. CAPITAL COMMITMENTS

There were capital commitments authorised at 31st August 2004 of £45,000 (2003 - authorised and contracted, £111,000).

19. OPERATING LEASE COMMITMENTS

Ongoing lease commitments in relation to plant amount to £8,400 per annum, none of which is for periods exceeding 5 years.

JOHN HANLON AND COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS CONT/D.

FOR THE YEAR ENDED 31ST AUGUST 2004

20. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2004	2003
	£	£
Operating profit	520,257	537,264
Depreciation charge	1,486,575	1,247,602
(Profit)/loss on sale of fixed assets	(50,219)	72
Decrease/(increase) in debtors	97,849	(233,890)
(Decrease)/increase in creditors	(94,392)	75,324
(Increase)/decrease in stocks	(5,198)	96,437
	<u>1,954,872</u>	<u>1,722,809</u>
	=====	=====

21. ANALYSIS OF CHANGES IN NET DEBT

	£	£
Decrease in cash	-	(48,093)
(Increase) in net borrowings	(347,314)	(57,816)
Capital element of finance lease rentals	1,955,175	1,470,038
New finance leases	(1,819,565)	(2,905,621)
	<u>(211,704)</u>	<u>(1,541,492)</u>
	-----	-----
Net borrowings at beginning of period	(5,863,200)	(4,321,708)
	<u>6,074,904</u>	<u>(5,863,200)</u>
	-----	-----

22. ANALYSIS OF NET DEBT

	At 1st Sept <u>2003</u>	<u>Cash flow</u>	<u>Other non- cash changes</u>	At 31st Aug <u>2004</u>
Cash at bank and in hand	-	-	-	-
Loans due after one year	(241,753)	(217,841)	-	(459,594)
Loans and overdraft due within one year	(84,035)	(129,473)	-	(213,508)
Finance leases	(5,537,412)	1,955,175	(1,819,565)	(5,401,802)
	<u>(5,863,200)</u>	<u>1,607,861</u>	<u>(1,819,565)</u>	<u>(6,074,904)</u>
	=====	=====	=====	=====