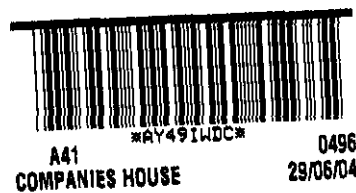


JOHN HANLON AND COMPANY LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST AUGUST 2003



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 Howardsgate Centre
Welwyn Garden City
Herts
AL8 6ER

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 2003

The directors present their report and financial statements for the year ended 31st August 2003.

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 enable them 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 £124,448 (2002 - £161,779) 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 2003

Directors

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

	Number of shares	
	2003	2002
J. F. Hanlon	60	60

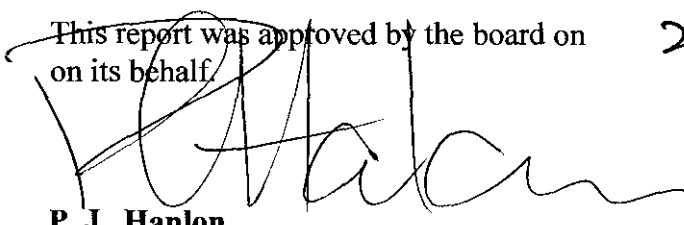
Auditors

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
on its behalf

25 June 2004

and signed


P. J. Hanlon
Secretary

AUDITORS' REPORT TO THE SHAREHOLDERS OF

JOHN HANLON AND COMPANY LIMITED

We have audited the financial statements on pages 4 to 6 which have been prepared under the historical cost convention, as modified by the revaluation of freehold property, and the accounting policies set out on pages 7 to 15.

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 to report our opinion to you.

Basis of opinion

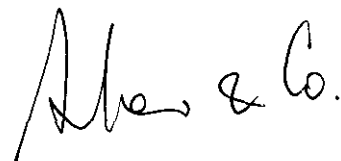
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements 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 August 2003 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: 28th June 2004

BARBER & CO

JOHN HANLON AND COMPANY LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31ST AUGUST 2003

	Notes	2003 £	2002 £
TURNOVER	2	3,634,909	3,173,783
Cost of sales		(2,843,718)	(2,484,494)
		<hr/>	<hr/>
GROSS PROFIT		791,191	689,289
Administration expenses		(253,855)	(209,045)
		<hr/>	<hr/>
OPERATING PROFIT	3	537,336	480,244
Loss/profit on disposal of tangible fixed assets		(72)	42,618
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST		537,264	522,862
Interest receivable		-	-
Interest payable		(381,876)	(319,359)
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		155,388	203,503
TAXATION ON PROFIT ON ORDINARY ACTIVITIES	5	(30,940)	(41,724)
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	14	124,448	161,779
		<hr/> <hr/>	<hr/> <hr/>

There were no recognised gains and losses for 2003 or 2002 other than those included in the profit and loss account.

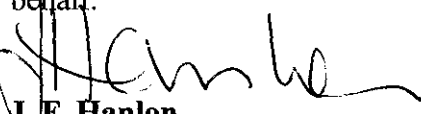
The notes on pages 7 to 15 form part of these financial statements.

JOHN HANLON AND COMPANY LIMITED

BALANCE SHEET AS AT 31ST AUGUST 2003

	Notes	2003	2002
		£	£
FIXED ASSETS			
Tangible assets	6	6,558,574	4,923,823
CURRENT ASSETS			
Stocks	7	316,190	412,627
Debtors	8	957,588	723,698
Cash at bank and in hand		-	48,093
		<u>1,273,778</u>	<u>1,184,418</u>
CREDITORS: Amounts falling due within one year	9	(2,405,650)	(1,848,002)
NET CURRENT LIABILITIES		<u>(1,131,872)</u>	<u>(663,584)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>5,426,702</u>	<u>4,260,239</u>
CREDITORS: Amounts falling due after more than one year	10	(4,117,942)	(3,106,867)
PROVISION FOR LIABILITIES AND CHARGES			
- Deferred taxation	11	(175,076)	(144,136)
NET ASSETS		<u>£1,133,684</u>	<u>£1,009,236</u>
CAPITAL AND RESERVES			
Called up share capital	12	100	100
Revaluation Reserve	13	421,321	423,256
Profit and loss account	14	712,263	585,880
SHAREHOLDERS' FUNDS	15	<u>£1,133,684</u>	<u>£1,009,236</u>
Represented by:			
Equity interests		<u>£1,133,684</u>	<u>£1,009,236</u>

The financial statements were approved by the board on 25 June 2004 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 2003

	2003 £	2002 £
NET CASH INFLOW FROM OPERATING ACTIVITIES	1,722,809	1,026,514
Interest paid	(381,876)	(319,359)
RETURNS ON INVESTMENT AND SERVICING OF FINANCE	(381,876)	(319,359)
CORPORATION TAX PAID	-	-
Purchase of tangible fixed assets	(150,633)	(91,131)
Proceeds from sale of tangible fixed assets	173,829	274,431
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	23,196	183,300
NET CASH INFLOW BEFORE MANAGEMENT OF LIQUID RESOURCES AND FINANCING	1,364,129	890,455
INCREASE/(DECREASE) IN BORROWINGS	57,816	(13,018)
CAPITAL ELEMENT OF FINANCE LEASE RENTALS	(1,470,038)	(1,062,748)
FINANCING	(1,412,222)	(1,075,766)
DECREASE IN CASH	(48,093)	(185,311)

JOHN HANLON AND COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST AUGUST 2003

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.

The financial statements adopt FRS 19 concerning deferred taxation and accordingly the comparative figures are restated to reflect the revised accounting policy.

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.

JOHN HANLON AND COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS CONT/D.

FOR THE YEAR ENDED 31ST AUGUST 2003

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.

1.5 Operating leases

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to profit and loss account as incurred.

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 2003 2% of the company's turnover was to markets outside the United Kingdom (2002 - 3.5%).

JOHN HANLON AND COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS CONT/D.

FOR THE YEAR ENDED 31ST AUGUST 2003

3. OPERATING PROFIT

	2003 £	2002 £
The operating profit is stated after charging/(crediting):		
Operating lease rentals receivable	2,916,336	2,068,278
Depreciation of tangible fixed assets		
- owned by the company	36,123	14,972
- held under finance leases and hire purchase agreements	1,211,479	900,294
Auditors' remuneration	15,225	13,225
	=====	=====

4. INTEREST PAYABLE

Included in interest payable is interest on finance leases and hire purchase contracts of £357,076 (2002 - £295,137).

5. TAXATION

	2003 £	2002 £
Corporation tax @ 19% on the profit for the year	-	-
Deferred taxation (note 11)	30,940	41,724
	=====	=====

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

JOHN HANLON AND COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS CONT/D.

FOR THE YEAR ENDED 31ST AUGUST 2003

6. TANGIBLE FIXED ASSETS

	Freehold Property £	Motor Vehicles £	Plant & Machinery £	Hire Fleet £	Office Equipment £	Total £
COST OR VALUATION						
At 1.9.02	665,217	131,579	10,750	5,565,956	18,548	6,392,050
Additions	109,240	48,064	-	2,898,500	450	3,056,254
Disposals	-	(50,734)	-	(378,421)	-	(429,155)
At 31.8.03	774,457	128,909	10,750	8,086,035	18,998	9,019,149
DEPRECIATION						
At 1.9.02	9,000	54,791	7,316	1,382,212	14,908	1,468,227
Charge for year	3,000	28,167	550	1,214,831	1,054	1,247,602
Disposals	-	(38,278)	-	(216,976)	-	(255,254)
At 31.8.03	12,000	44,680	7,866	2,380,067	15,962	2,460,575
NET BOOK VALUE						
At 31.8.03	762,457	84,229	2,884	5,705,968	3,036	6,558,574
NET BOOK VALUE						
At 31.8.02	656,217	76,788	3,434	4,183,744	3,640	4,923,823

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 2003 is £345,396 (2002 - £236,156).

The net book value of fixed assets held under finance leases was £5,762,804 (2002 - £4,232,216) comprising hire fleet of £5,678,575 (2002 - £4,155,876) and motor vehicles of £84,229 (2002 - £76,340).

JOHN HANLON AND COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS CONT/D.

FOR THE YEAR ENDED 31ST AUGUST 2003

7. STOCKS

	2003 £	2002 £
Stocks for resale	316,190	412,627
	<u>316,190</u>	<u>412,627</u>

8. DEBTORS

	2003 £	2002 £
Trade debtors	677,095	512,533
Other debtors	230,365	195,730
Tax and Social Security	44,971	-
Prepayments	5,157	15,435
	<u>957,588</u>	<u>723,698</u>

9. CREDITORS

	2003 £	2002 £
Amounts falling due within one year:		
Bank loan (secured - see note 10)	84,035	15,076
Trade creditors	421,472	253,947
Other creditors	223,370	271,151
Finance leases and hire purchase contracts (see note 10)	1,661,223	1,247,858
Accruals	15,550	59,970
	<u>2,405,650</u>	<u>1,848,002</u>

JOHN HANLON AND COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS CONT/D.

FOR THE YEAR ENDED 31ST AUGUST 2003

10. CREDITORS

	2003 £	2002 £
Amounts falling due after more than one year:		
Bank loan	241,753	252,896
Finance leases and hire purchase contracts	3,876,189	2,853,971
	<u>4,117,942</u>	<u>3,106,867</u>

The bank loan is 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 2016 in quarterly instalments, and bears interest at 2.75% per annum over the LIBOR rate.

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.

11. 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 losses carried forward.

	2003 £	2002 £
Deferred taxation	<u>175,076</u>	<u>144,136</u>

Provision 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 2003 the amount payable would have been £35,000 (2002 - £38,452).

JOHN HANLON AND COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS CONT/D.

FOR THE YEAR ENDED 31ST AUGUST 2003

12. **CALLED UP SHARE CAPITAL**

	£	£
Authorised - Ordinary shares of £1 each	10,000	10,000
	<u> </u>	<u> </u>
Issued - Ordinary shares of £1 each	100	100
	<u> </u>	<u> </u>

13. **REVALUATION RESERVE**

	2003 £	2002 £
Unrealised surplus on property revaluation		
At 1st September 2002	423,256	429,061
Transfer to profit and loss account	(1,935)	(5,805)
	<u> </u>	<u> </u>
At 31st August 2003	421,321	423,256
	<u> </u>	<u> </u>

The potential tax liability on a sale of property at the revalued amount is shown in note 11.

14. **PROFIT AND LOSS ACCOUNT**

	2003 £
At 1st September 2002	585,880
Transfer from revaluation reserve	1,935
Profit for the year	124,448
	<u> </u>
At 31st August 2003	712,263
	<u> </u>

JOHN HANLON AND COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS CONT/D.

FOR THE YEAR ENDED 31ST AUGUST 2003

15. MOVEMENT ON SHAREHOLDERS' FUNDS

	2003 £	2002 £
Profit for the year	124,448	161,779
Opening shareholders' funds	1,009,236	847,457
Closing shareholders funds	<u>1,133,684</u>	<u>1,009,236</u>

16. 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 £690,000. At 31st August 2003 £219,220 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 2003 £212,224 was due to Pendring Limited and its subsidiary.

17. CAPITAL COMMITMENTS

There were capital commitments authorised and contracted for at 31st August 2003 of £111,000. (2002 - £nil).

18. OPERATING LEASE COMMITMENTS

Ongoing lease commitments in relation to plant amount to £25,000 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 2003

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

	2003 £	2002 £
Operating profit	537,336	480,244
Depreciation charge	1,247,602	915,266
Increase in debtors	(233,890)	(69,232)
Increase/(decrease) in creditors	75,324	(115,581)
Decrease/(increase) in stocks	96,437	(184,183)
	<u>1,722,809</u>	<u>1,026,514</u>

20. ANALYSIS OF CHANGES IN NET DEBT

	£	£
Decrease in cash	(48,093)	(185,311)
(Increase)/decrease in net borrowings	(57,816)	13,018
Capital element of finance lease rentals	1,470,038	1,062,748
New finance leases	(2,905,621)	(2,564,534)
Total movement	<u>(1,541,492)</u>	<u>(1,674,079)</u>
Net borrowings at beginning of period	(4,321,708)	(2,647,629)
Net borrowings at end of period	<u>(5,863,200)</u>	<u>(4,321,708)</u>

21. ANALYSIS OF NET DEBT

	<u>At 1st Sept 2002</u>	<u>Cash flow</u>	<u>Other non- cash changes</u>	<u>At 31st Aug 2003</u>
Cash at bank and in hand	48,093	(48,093)	-	-
Loans due after one year	(252,896)	-	(11,143)	(241,753)
Loans due within one year	(15,076)	(57,816)	11,143	(84,035)
Finance leases	(4,101,829)	1,470,038	(2,905,621)	(5,537,412)
	<u>(4,321,708)</u>	<u>1,364,129</u>	<u>(2,905,621)</u>	<u>(5,863,200)</u>