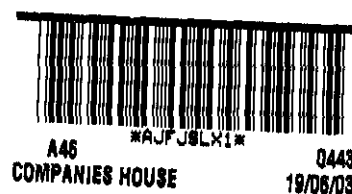


**JOHN HANLON AND COMPANY LIMITED**  
**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31ST AUGUST 2002**



**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 2002**

The directors present their report and financial statements for the year ended 31st August 2002.

**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 £161,779 (2001 - £122,680) 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 2002**

**Directors**

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

	<b>Number of shares</b>	
	<b>2002</b>	<b>2001</b>
J. F. Hanlon	60	60

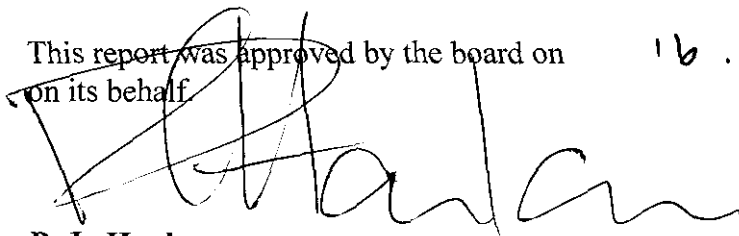
**Auditors**

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

16. June 2003.

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 2002 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: 16 June 2003.

BARBER & CO

**JOHN HANLON AND COMPANY LIMITED**

**PROFIT AND LOSS ACCOUNT**

**FOR THE YEAR ENDED 31ST AUGUST 2002**

	Notes	2002 £	2001 £ (Restated)
<b>TURNOVER</b>	2	3,173,783	2,765,530
Cost of sales		(2,484,494)	(2,237,541)
		<hr/>	<hr/>
<b>GROSS PROFIT</b>		689,289	527,989
Administration expenses		(209,045)	(192,339)
		<hr/>	<hr/>
<b>OPERATING PROFIT</b>	3	480,244	335,650
Profit on disposal of tangible fixed assets		42,618	24,595
		<hr/>	<hr/>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST</b>		522,862	360,245
Interest receivable		-	-
Interest payable		(319,359)	(205,768)
		<hr/>	<hr/>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		203,503	154,477
<b>TAXATION ON PROFIT ON ORDINARY ACTIVITIES</b>	5	(41,724)	(31,797)
		<hr/>	<hr/>
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>	14	161,779	122,680
		<hr/> <hr/>	<hr/> <hr/>

There were no recognised gains and losses for 2002 or 2001 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 2002**

	Notes	2002	2001 (restated)
		£	£
<b>FIXED ASSETS</b>			
Tangible assets	6	4,923,823	4,129,700
<b>CURRENT ASSETS</b>			
Stocks	7	412,627	228,444
Debtors	8	723,698	654,466
Cash at bank and in hand		48,093	233,404
		<u>1,184,418</u>	<u>1,116,314</u>
<b>CREDITORS:</b> Amounts falling due within one year	9	(1,848,002)	(2,286,379)
<b>NET CURRENT ASSETS</b>		<u>(663,584)</u>	<u>(1,170,065)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>4,260,239</u>	<u>2,959,635</u>
<b>CREDITORS:</b> Amounts falling due after more than one year	10	(3,106,867)	(2,009,766)
<b>PROVISION FOR LIABILITIES AND CHARGES</b>			
- Deferred taxation		(144,136)	(102,412)
<b>NET ASSETS</b>		<u><u>£1,009,236</u></u>	<u><u>£847,457</u></u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	12	100	100
Revaluation Reserve	13	423,256	429,061
Profit and loss account	14	585,880	418,296
<b>SHAREHOLDERS' FUNDS</b>	15	<u><u>£1,009,236</u></u>	<u><u>£847,457</u></u>
<b>Represented by:</b>			
Equity interests		<u><u>£1,009,236</u></u>	<u><u>£847,457</u></u>

The financial statements were approved by the board on 16 June 2003. 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 2002**

	2002 £	2001 £
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	1,026,514	952,990
Interest paid	319,359	205,768
<b>RETURNS ON INVESTMENT AND SERVICING OF FINANCE</b>	319,359	205,768
<b>CORPORATION TAX PAID</b>	-	-
Purchase of tangible fixed assets	91,131	140,121
Proceeds from sale of tangible fixed assets	(274,431)	(213,914)
<b>CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT</b>	(183,300)	(73,793)
<b>NET CASH INFLOW BEFORE MANAGEMENT OF LIQUID RESOURCES AND FINANCING</b>	890,455	821,015
<b>(DECREASE) IN BORROWINGS</b>	(13,018)	(7,946)
<b>CAPITAL ELEMENT OF FINANCE LEASE RENTALS</b>	(1,062,748)	(588,822)
<b>FINANCING</b>	(1,075,766)	596,768
<b>(DECREASE)/INCREASE IN CASH</b>	(185,311)	224,247

**JOHN HANLON AND COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31ST AUGUST 2002**

**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	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 2002**

**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 2002 3.5% of the company's turnover was to markets outside the United Kingdom (2001 - 4%).

**JOHN HANLON AND COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS CONT/D.**

**FOR THE YEAR ENDED 31ST AUGUST 2002**

**3. OPERATING PROFIT**

	2002 £	2001 £
The operating profit is stated after charging/(crediting):		
Operating lease rentals receivable	2,068,278	1,521,410
Depreciation of tangible fixed assets		
- owned by the company	14,972	63,442
- held under finance leases and hire purchase agreements	900,294	480,031
Auditors' remuneration	13,225	11,225
	=====	=====

**4. INTEREST PAYABLE**

Included in interest payable is interest on finance leases and hire purchase contracts of £295,137 (2001 - £178,663).

**5. TAXATION**

	2002 £	2001 £
Corporation tax @ 20% on the profit for the year	-	-
Deferred taxation (note 11)	41,724	31,797
	£41,724	£31,797
	=====	=====

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 2002**

**6. TANGIBLE FIXED ASSETS**

	Freehold Property £	Motor Vehicles £	Plant & Machinery £	Hire Fleet £	Office Equipment £	Total £
<b>COST OR VALUATION</b>						
At 1.9.01	665,217	118,564	8,000	4,107,484	18,548	4,917,813
Additions	-	55,595	2,750	1,882,857	-	1,941,202
Disposals	-	(42,580)	-	(424,385)	-	(466,965)
At 31.8.02	665,217	131,579	10,750	5,565,956	18,548	6,392,050
<b>DEPRECIATION</b>						
At 1.9.01	6,000	52,805	7,099	708,769	13,440	788,113
Charge for year	3,000	26,005	217	884,576	1,468	915,266
Disposals	-	(24,019)	-	(211,133)	-	(235,152)
At 31.8.02	9,000	54,791	7,316	1,382,212	14,908	1,468,227
<b>NET BOOK VALUE</b>						
At 31.8.02	£656,217	£76,788	£3,434	£4,183,744	£3,640	£4,923,823
<b>NET BOOK VALUE</b>						
At 31.8.01	£659,217	£65,759	£901	£3,398,715	£5,108	£4,129,700

Freehold property was revalued at 31st December 1987 to an amount which, in the opinion of the directors represented open market value. The historical cost of the freehold property at 31st August 2002 is £236,156 (2001 - £236,156).

The net book value of fixed assets held under finance leases was £4,232,216 (2001 - £2,645,359) comprising hire fleet of £4,155,876 (2001 - £2,584,700) and motor vehicles of £76,340 (2001 - £60,659).

**JOHN HANLON AND COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS CONT/D.**

**FOR THE YEAR ENDED 31ST AUGUST 2002**

**7. STOCKS**

	2002 £	2001 £
Stocks for resale	412,627	228,444
	<u>£412,627</u>	<u>£228,444</u>

**8. DEBTORS**

	2002 £	2001 £
Trade debtors	512,533	432,183
Other debtors	195,730	154,544
Tax and Social Security	-	58,007
Prepayments	15,435	9,732
	<u>£723,698</u>	<u>£654,466</u>

**9. CREDITORS**

	2002 £	2001 £
Amounts falling due within one year:		
Bank loan (secured - see note 10)	15,076	10,692
Trade creditors	253,947	1,245,372
Other creditors	271,151	149,335
Finance leases and hire purchase contracts (see note 10)	1,247,858	860,575
Accruals	59,970	20,405
	<u>£1,848,002</u>	<u>£2,286,379</u>

**JOHN HANLON AND COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS CONT/D.**

**FOR THE YEAR ENDED 31ST AUGUST 2002**

**10. CREDITORS**

	2002 £	2001 £
Amounts falling due after more than one year:		
Bank loan	252,896	270,298
Finance leases and hire purchase contracts	2,853,971	1,739,468
	<u>£3,106,867</u>	<u>£2,009,766</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.

	2002 £	2001 £
Deferred taxation	<u>£41,724</u>	<u>£31,797</u>

The accumulated provision comprises deferred tax liabilities applicable:

- Prior to 31st August 2002	70,615
- Year ended 31st August 2001	31,797
- Year ended 31st August 2002	41,724
	<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 2002 the amount payable would have been £38,452 (2001 - £42,610).

**JOHN HANLON AND COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS CONT/D.**

**FOR THE YEAR ENDED 31ST AUGUST 2002**

**12. CALLED UP SHARE CAPITAL**

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

**13. REVALUATION RESERVE**

	2002 £	2001 £
Unrealised surplus on property revaluation		
At 1st September 2001	429,061	429,061
Transfer to profit and loss account	(5,805)	-
	=====	=====
At 31st August 2002	£423,256	£429,061

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

**14. PROFIT AND LOSS ACCOUNT**

	2002 £
At 1st September 2001	
- as previously reported	520,708
FRS 19 adjustment re: deferred tax	(102,412)
	=====
	418,296
Transfer from revaluation reserve	5,805
Profit for the year	161,779
	=====
At 31st August 2002	585,880



**JOHN HANLON AND COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS CONT/D.**

**FOR THE YEAR ENDED 31ST AUGUST 2002**

**15. MOVEMENT ON SHAREHOLDERS' FUNDS**

	2002 £	2001 £
(2001 - restated)		
Profit for the year	161,779	122,680
Opening shareholders' funds	847,457	724,777
Closing shareholders funds	<u>£1,009,236</u>	<u>£847,457</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 £601,750. At 31st August 2002 £163,743 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 2002 £217,324 was due to Pendring Limited and its subsidiary.

**17. CAPITAL COMMITMENTS**

There were no capital commitments either contracted or authorised at 31st August 2002 (2001 - £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 2002**

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

	2002 £	2001 £
Operating profit	480,244	335,650
Depreciation charge	915,266	543,473
Increase in debtors	(69,232)	(210,222)
(Decrease) in creditors	(115,581)	(403,832)
(Increase)/decrease in stocks	(184,183)	687,921
	<u>1,026,514</u>	<u>952,990</u>

**20. ANALYSIS OF CHANGES IN NET DEBT**

	£	£
(Decrease)/increase in cash	(185,311)	224,247
Decrease in net borrowings	13,018	7,946
Capital element of finance lease rentals	1,062,748	588,822
New finance leases	(2,564,534)	(1,643,121)
Total movement	<u>(1,674,079)</u>	<u>(822,106)</u>
Net borrowings at beginning of period	(2,647,629)	(1,825,523)
Net borrowings at end of period	<u>(4,321,708)</u>	<u>(2,647,629)</u>

**21. ANALYSIS OF NET DEBT**

	At 1st Sept <u>2001</u>	<u>Cash flow</u>	Other non- <u>cash changes</u>	At 31st Aug <u>2002</u>
Cash at bank and in hand	233,404	(185,311)	-	48,093
Loans due after one year	(270,298)	13,018	4,384	(252,896)
Loans due within one year	(10,692)	-	(4,384)	(15,076)
Finance leases	(2,600,043)	1,062,748	(2,564,534)	(4,101,829)
	<u>(2,647,629)</u>	<u>890,455</u>	<u>(2,564,534)</u>	<u>(4,321,708)</u>