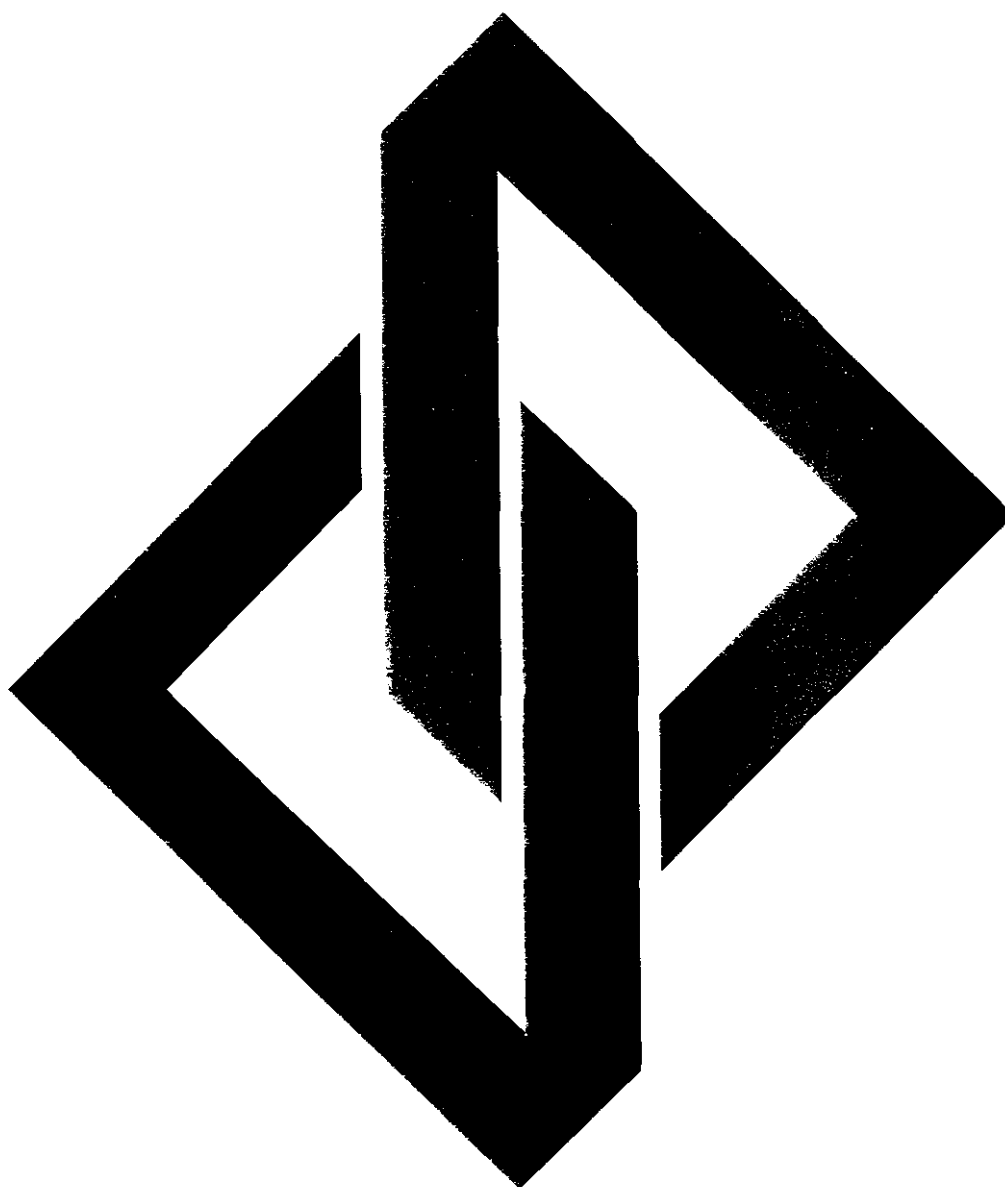


GOODE DURRANT PLC

REPORT AND ACCOUNTS 1999

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GOODE DURRANT PLC

Report and Accounts 1999

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GOODE DURRANT PLC

CHAIRMAN'S STATEMENT

The company is now focused exclusively on the light commercial vehicle hire business of Northgate which, operating under the brand name NORFLEX®, continues to be the premier company in its field.

Results

The group operating profit from continuing operations over the 12 months to 30th April 1999 was £39.5m (1998: £37.1m) on revenues of £229.5m (1998: £187.6m). Pre-tax profit from continuing operations was £27.5m (1998: £27m). Adjusted earnings per share at 31.4p (1998: 35.3p) reflect the anticipated dilutive effect of the sale of Ravenstock Tam and the higher weighted average number of shares in issue following the placing in September 1997, coupled with continuing pressure on margins. Net cash flow from operating activities was healthy at £126m (1998: £92m) and the balance sheet remains strong with gearing at 129%, well below industry norms. This compares with the half-year figure of 122%. The comparative figure for last year of 103% was distorted by the inflow of funds on the last day of the financial year from the sale of Ravenstock Tam.

Dividend

Your board is recommending a final dividend of 8.5p per share (1998: 8p per share) payable on 16th September 1999 to shareholders on the register at close of business on 23rd July 1999. This results in a total dividend for the year of 12.5p (1998: 11.75p), an increase of over 6%.

Operational review

In June 1998 the board of Goode Durrant approved a five year strategy for the company aimed at doubling its size whilst maintaining a conservative gearing limit relative to the industry. The ground work for the implementation of this strategy was laid in the year under review: a regional management structure was introduced and upgraded IT systems installed in preparation for a period of significant growth.

The improved demand which we began to see in July 1998 and to which I referred in my half-year review has continued. The fleet has accordingly grown by approximately 6,000 vehicles, or 28%, to in excess of 26,500 vehicles.

Utilisation levels averaged 90% over the year. Hire rates, which had remained broadly stable throughout the early part of the financial year, came under some pressure in the last quarter as competitors, many of whom are unable to compete on service, sought to retain business on hire rates alone. Whilst we remain cautious about the outlook for hire rates in the near term, we believe that the worst of the adjustment is now over and that we can look forward to a more stable hire rate environment.

The period was characterised by an industry-wide weakness in the used vehicle market, which resulted in increased vehicle holding costs during the year. The last few months have shown some limited improvement in this situation as the actions to which I have referred in previous reports have begun to take effect, namely, higher depreciation rates, extension of the average life of a rental vehicle and improved selling and management techniques within our used vehicle operations. We would expect, provided the overall level of the used vehicle market does not deteriorate significantly, that these actions will greatly reduce our losses on the sale of used vehicles during the course of this year.

Outlook

The demand for NORFLEX® continues to grow from all levels of industry and commerce as more and more organisations realise the benefits of outsourcing their transport needs.

The primary greenfield sites opened during the past six months in Sheffield, Belfast and the West Midlands have all developed in line with our expectations. The first of our smaller satellite sites, which will rent vehicles but use the service and administrative facilities of the primary sites, was opened in the first week of June and a further three primary greenfield sites and six greenfield satellite sites are expected to be opened before the end of the financial year, subject to planning approvals.

In recent years profits have been weighted towards the first half of the financial year. In view of the industry changes that have taken place in vehicle registration dates, profits are likely to be more evenly balanced or even have a slight bias to the second half of the financial year. Comparative profits for the full financial year will, of course, not be affected. We would ask shareholders to bear this in mind at the time of the announcement of our interim results.

We believe we have now put in place the structure necessary to allow us to implement our five year strategy for growth and we look forward with confidence to the years ahead.

Management

I have filled the role of chief executive of Goode Durrant plc since 1985. Over this time the company has been transformed from a financial conglomerate into a focused business concentrated on Northgate Motor Holdings Ltd, which we acquired in 1987 and which is now the premier commercial vehicle hire company in the UK.

We have spent the past 12 months preparing our management and systems to enable us to give effect to our five year strategy for growth. The executive incentive scheme which shareholders will be asked to approve at the Annual General Meeting on 14th September 1999, details of which are given on pages 36 to 37 in this Report, will be for the benefit of those executives who will implement this strategy and ensure the future development of your company. I urge shareholders to approve the plan.

I believe that proper recognition should be given in the management and board structure to those who have been and will continue to be crucial to the success of your company. It is for this reason that I have decided, with the agreement of the board, to stand down from my daily executive responsibilities, but remain as Chairman, immediately following the Annual General Meeting to be held on 14th September 1999.

At this point Alan Noble will become executive Deputy Chairman with Ron Williams continuing to be non-executive Deputy Chairman and Chairman of the Remuneration and Audit Committees. Steve Smith, currently Managing Director of Northgate Motor Holdings Ltd and a director of Goode Durrant, will be appointed Group Managing Director. Phil Moorhouse will continue in his role as Group Finance Director.

Today Goode Durrant and Northgate are effectively a single business with the Northgate name well established in the industry in which it operates. We shall therefore be proposing to shareholders at the Annual General Meeting that the name of the company be changed from Goode Durrant plc to Northgate plc.

I have enjoyed my time as chief executive of Goode Durrant and look forward to continuing to serve shareholders as Chairman. As I step down from my daily executive responsibilities, I am confident that the management of the group is in excellent hands.

Michael Waring



FINANCIAL HIGHLIGHTS – CONTINUING OPERATIONS

	12 months ended 30th April 1999	12 months ended 30th April 1998
 Turnover*	£229.5m	£187.6m
 Operating profit*	£39.5m	£37.1m
 Profit before tax*	£27.5m	£27.0m
 Adjusted earnings per share*	31.4p	32.1p[†]
 Dividends per share	12.5p	11.75p
 Net assets per share	221p	202p

* Excluding the results of the Ravenstock Tam division and exceptional items relating to the profit on sale of discontinued operations in the year ended 30th April 1998.

[†] Computed after excluding the profit attributable to equity shareholders of Ravenstock Tam disposed of on 30th April 1998.

DIRECTORS

Michael Waring (52) Appointed Executive Chairman in February 1996. Previously Chief Executive of the group since 1985.

Ronald Williams FCA* (65) Appointed a non-executive director and Deputy Chairman on 1st March 1996. Prior to his appointment he was for 8 years an executive director of Smiths Industries plc. He is also a non-executive director of Fairey Group plc.

Michael Baughan* (57) A non-executive director since 1987. He is a Managing Director of Lazard Brothers & Co., Limited whom he joined in 1966. He is also a director of Scapa Group plc and of Independent Insurance Group plc.

Phil Moorhouse FCCA (46) Appointed Group Finance Director on 1st February 1998 having been appointed to the board on 1st August 1997. Finance Director of Northgate Motor Holdings Limited since 1991. He previously held senior financial positions with a number of public companies.

Alan Noble (48) Appointed Group Managing Director on 1st March 1996 having been a member of the board since 1990. Executive Chairman of Northgate Motor Holdings Limited.

Stephen Smith ACA (42) Appointed to the board on 1st August 1997. Managing Director of Northgate Motor Holdings Limited since 1990. He qualified as a Chartered Accountant with Coopers & Lybrand and held a number of senior financial positions in industry prior to joining Northgate.

Christopher Spence* (62) A non-executive director since 1985. He is Chairman and Chief Executive of English Trust Company Limited and a non-executive director of a number of other listed companies. He was a member of the London Stock Exchange for 19 years before joining English Trust in 1978.

* Member of the Remuneration and Audit Committees



GOODE DURRANT PLC

NORTHGATE
MOTOR HOLDINGS LIMITED

WHAT WE DO



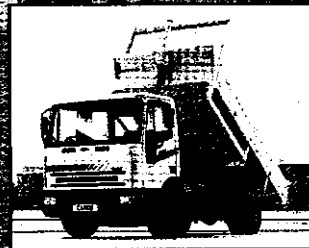
TRANSITS



BOX VANS & TIPPERS



GMV



Northgate Motor Holdings Limited is a leading UK business. The company is a separate limited liability company managing different types of vehicles in the market.



NORFLEX STOPS YOUR VEHICLES KILLING YOUR PROFITS



You may be surprised to read that you can make your business more flexible by changing the way you acquire your vehicles. A flexible business helps you secure profits because it allows you to react to market trends, seize opportunities, retreat from threats and outflank your competition. NORFLEX is a flexible way to get all your commercial vehicles without the pitfalls of outdated methods of vehicle acquisition.

Contract hire, fleet management and purchase increase your risk, by tying you into the vehicles and penalising you for any changes. They all put your profits under pressure. NORFLEX is a flexible option which allows you to get the commercial vehicles you need, at no risk. Finding out more could save you thousands. NORFLEX is only available through Northgate Motor Holdings' 31 locations operating over 27,000 vehicles.

PURCHASE	FLEET MANAGEMENT	CONTRACT HIRE	NORFLEX
Risk factors • Changes in the circumstances of the business and the economy • Risk of volatility of residual values • Problems with funding the fleet • Management time spent on managing the fleet • Risk of fluctuating maintenance costs	Risk factors • Changes in the circumstances of the business and the economy • Risk of volatility of residual values • Problems with funding the fleet	Risk factors • Changes in the circumstances of the business and the economy • Mileage penalty • Termination costs	Risk factors • NO RISK



FLEXIBLE FLEET HIRE

For a free information pack about vehicle acquisition and NORFLEX ring 0800 52 52 36.

or send your name and address to: NORFLEX, FREEPOST NEA2529, Dept AR, Darlington, DL1 1ZA, or email: norflex@btconnect.com, or point your browser to www.norflex.co.uk



REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements for the year ended 30th April 1999.

Results

The net profit for the year after taxation was £18,961,000. An interim dividend of 4.0p per share was paid on the ordinary shares on 12th February 1999.

The directors recommend a final ordinary dividend of 8.5p per share making a total for the year of 12.5p per share. The final dividend, if approved, will be paid on 16th September 1999 to shareholders on the register on 23rd July 1999. Ordinary and preference dividends paid and recommended for payment in respect of the year total £7,561,000.

Principal activities

Goode Durrant plc is an investment holding company. The group's activities are reported on in the Chairman's Statement on page 2.

Close company status

So far as the directors are aware the close company provisions of the Income and Corporation Taxes Act 1988 do not apply to the company.

Interests in shares

The following interests of 3% or more in the issued ordinary share capital of the company appear in the register required to be maintained under the provisions of Section 211 of the Companies Act 1985:-

	<i>No. of shares</i>
Prudential Corporation	3,025,678 (5.0%)
Halifax plc	2,432,206 (4.0%)
Lazard Asset Management	2,374,131 (3.9%)
Zatto Group S.A.	2,009,881 (3.3%)
Norwich Union Group	1,865,300 (3.1%)
Mercury Institutional Trust	1,842,400 (3.0%)
Legal & General	1,818,921 (3.0%)

Directors

The names of the present directors, all of whom served throughout the year, are listed on page 3. Mr. A. T. Noble and Mr. R. Williams are the directors retiring by rotation in accordance with the Articles of Association and both are eligible for re-election.

The termination provisions in respect of executive directors' contracts are set out in the Remuneration Report on page 8. Mr. Williams does not have a contract of service with the company.

The following are the interests of the directors in the share capital of the company as shown in the register required to be maintained under Section 325 of the Companies Act 1985. All interests are beneficial unless otherwise stated.

	Ordinary shares	
	1.5.98	30.4.99
M. C. Baughan	70,000	70,000
P. J. Moorhouse	4,000	1,000
A. T. Noble	899,508	899,508
S. J. Smith	59,000	41,500
C. J. Spence	2,000	2,000
F. M. Waring	4,400,100*	2,800,100*
R. Williams	5,000	5,000

*100 shares are held beneficially. The interest of Mr. Waring in the remainder relates to the interest of Zatto Group S.A. in 2,009,881 shares and of Visco Establishment in 790,119 shares, both companies ultimately controlled by Waring family trusts, of certain of which Mr. Waring and his family are discretionary beneficiaries.

No director has an interest in the preference shares of the company.

No changes in the above interests have occurred between 30th April 1999 and the date of this report.

Details of options held by the directors under the company's share option scheme and Long Term Incentive Plan are given in the Remuneration Report on pages 9 and 10.

Donations

The group made charitable donations of £28,000. No political donations were made.

Payment of suppliers

The group's policy is to pay suppliers within normal trading terms agreed with that supplier. The policy is made known to the staff who handle payments to suppliers. At 30th April 1999 the group's creditor days were 45.



Report of the Directors

continued

Year 2000

As reported last year, a review of the Year 2000 issues had commenced covering the business systems within the group including contact with key suppliers and customers. During the period, substantially all IT hardware and software applications have been upgraded as part of the ongoing development of the business. These are Year 2000 compliant. There is an ongoing programme of testing and review to be completed by September 1999. Contact with suppliers and customers has continued, to confirm that adequate steps on compliance have been taken. This process will continue to ensure the satisfactory on time completion of the compliance programme.

The directors would confirm their view that the costs to date specifically associated with Year 2000 have not been material nor will the remaining costs associated with the completion of the programme.

Change of name

In recognition of the fact that the company's business is now focused solely on the commercial vehicle hire business of Northgate Motor Holdings Ltd, a special resolution will be proposed to change the name of the company to Northgate plc.

Executive incentive scheme

As referred to in the Chairman's Statement it is proposed that a new incentive scheme for executive directors and selected senior executives in the group be introduced. Accordingly a resolution seeking shareholders' approval of the Goode Durrant Executive Incentive Scheme ('the Scheme') will be proposed at the Annual General Meeting. A summary of the main provisions of the Scheme is set out on pages 36 and 37.

Power to allot shares

A special resolution, pursuant to Section 95 of the Companies Act 1985, will be proposed to renew the authority of the directors to allot ordinary shares for cash other than to existing shareholders on a proportionate basis. This authority will be limited to an aggregate nominal amount of £150,000 representing approximately 5% of the current issued ordinary share capital and will expire not later than 15 months after the date on which the resolution is passed.

Authority for the company to purchase its own shares

The directors propose to renew the general authority of the company to make market purchases of its own shares up to a total of 6,000,000 ordinary shares (representing approximately 10% of the issued ordinary share capital) and within the price constraints set out in the special resolution to be proposed at the Annual General Meeting.

There is no present intention to make any purchase of own shares, and if granted, the authority would only be exercised if to do so would result in an improvement in earnings per share for remaining shareholders.

Auditors

A resolution for the re-appointment of Deloitte & Touche as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the Board
D. Henderson
Secretary

7th July 1999



REPORT ON REMUNERATION

The Remuneration Committee, which is comprised of the three non-executive directors and chaired by Ron Williams, who is Deputy Chairman of the board, is responsible for making recommendations to the board on the remuneration packages and terms and conditions of employment of the executive directors of the company and of other senior executives in the group. The Committee also reviews remuneration policy generally throughout the group. The Committee consults with the Executive Chairman who may be invited to attend meetings. The Company Secretary is secretary to the Committee.

Remuneration policy

The Committee aims to ensure that executive directors are fairly and competitively rewarded for their individual contributions by means of basic salary, benefits in kind and pension benefits. High levels of performance are recognised by discretionary bonuses (which will not normally exceed 30% of basic salary), and the motivation to achieve the maximum benefit for shareholders in the future is provided by the allocation of share options. Only basic salary is pensionable.

Basic salaries are reviewed annually taking into account the performance of the individual, changes in responsibilities and market trends.

Service contracts

The executive directors have rolling service contracts which may be terminated by 12 months notice on either side except following a change of control of the company when the period of notice required to be given by the company becomes 24 months.

Non-executive directors

The remuneration of the non-executive directors is determined by the board as a whole, within the overall limit set by the Articles of Association.

Non-executive directors are not eligible for performance related payments nor may they participate in the company's share option or pension schemes.

Non-executive directors do not have contracts of service with the company and their appointments are terminable without notice.

Pension Schemes

Throughout the year all pension arrangements operating throughout the group were of the defined contribution type.

Emoluments

	Salary/ fees £000	Bonus £000	Cost of benefits £000	1999 total £000	1998 total £000	1999 Pension contributions £000	1998 Pension contributions £000
Non-executive directors							
M. C. Baughan	21	—	—	21	20	—	—
C. J. Spence	21	—	—	21	20	—	—
R. Williams	26	—	—	26	25	—	—
Executive directors							
P. J. Moorhouse	105	25	21	151	103†	12	6†
A. T. Noble	142	25	18	185	225	16	15
S. J. Smith	102	25	22	149	125†	11	6†
D. S. Thompson	—	—	—	—	195#	—	11#
F. M. Waring	160	—	10	170	248	22	22
Total emoluments excluding pension contributions	577	75	71	723	961		
Total pension contributions						61	60

£7,675 was paid to a third party for the services of a director (1998 – £6,925).

† Remuneration for the period from date of appointment on 1st August 1997.

Remuneration for the period to date of resignation on 1st February 1998.



Report on Remuneration

continued

Share option scheme

The Goode Durrant Share Option Scheme ("the Scheme"), which has been approved by the Board of the Inland Revenue, was established in 1986. Since then options have been granted to employees in all parts of the group and at all levels of the management structure and at 30th April 1999 options over 395,000 ordinary

shares were outstanding exercisable at various dates between 1997 and 2006. (See note 19 on page 30.)

No further options may be granted under the Scheme.

The executive directors held the following options granted under the Scheme:

	At 1.5.98	Exercised	At 30.4.99	Exercise price (p)	Normally exercisable between	
P. J. Moorhouse	20,000	—	20,000	174.5	1997	2004
	25,000	—	25,000	218.5	1998	2005
	20,000	—	20,000	280.5	1999	2006
	65,000	—	65,000			
A. T. Noble	15,000	15,000*	—	69.5	1995	2002
	50,000	50,000*	—	174.5	1997	2004
	75,000	75,000*	—	218.5	1998	2005
	52,500	—	52,500	280.5	1999	2006
	192,500	140,000	52,500			
S. J. Smith	30,000	—	30,000	218.5	1998	2005
	25,000	—	25,000	280.5	1999	2006
	55,000	—	55,000			
F. M. Waring	100,000	—	100,000	218.5	1998	2005
	52,500	—	52,500	280.5	1999	2006
	152,500	—	152,500			
Total	465,000	140,000	325,000			

*These options were exercised as to:

15,000 on 7th May 1998 (market price 583p),
10,000 on 13th May 1998 (market price 575p),
50,000 on 9th April 1999 (market price 442½p),
65,000 on 22nd April 1999 (market price 458p).

The total gross gain on exercise was therefore £402,350.

No options were granted or lapsed during the year.

The mid-market price of the ordinary shares at 30th April 1999 was 480p (30th April 1998 – 596p) and the range during the year was 235p to 597p.

Long term incentive plan

In 1996 a Long Term Incentive Plan ("the Plan") was introduced for executive directors and senior management within the group. The Plan is administered by the trustees of an employee trust ("the Trust"), who, in consultation with the Committee, may award options under the Plan during the 6 week periods following the

announcement of the company's interim and final results.

It is the company's policy on the granting of awards of share options under the Plan that they be phased over a period of time rather than made in one large block. Accordingly awards are normally made each year.



Report on Remuneration

continued

An award under the Plan consists of a right to acquire shares for a nominal price which, in normal circumstances, can be exercised, subject to performance criteria being satisfied, between 3 and 6 years following the date of grant.

A condition of the grant of an option is that any shares acquired on exercise will be held on behalf of the employee by the trustees for a further period of 2 years, during which time the employee will be entitled to all the benefits of share ownership but may not dispose of the shares (other than sufficient to meet any income tax liability arising on exercise).

The performance criteria considered by the board to be the most appropriate at the present time is a comparison of the growth in the company's total shareholder return ("TSR") with that of other companies included in the James Capel Trixie Index ("the Index") over the period of 3 years following the date of grant.

When granted, an option is expressed in terms of a standard number of shares. The number of shares which ultimately will be vested in the employees on exercise will depend on the company's TSR performance relative to the Index and, provided the company's performance is above the median, can range from a fraction of $\frac{1}{2}$ to a multiple of 2. If performance is below the median, options cannot be exercised.

The trustees may change the performance criteria which apply to awards made in the future if it is felt appropriate to do so provided that any such criteria shall not, in the opinion of the Committee, be materially less difficult to satisfy than that referred to above.

The maximum value of an award on any one occasion to any individual may not exceed 25% of his basic annual salary at that time and the aggregate value (in each case taking the value at the time of grant) of all awards subsisting under the Plan at any one time may not exceed his basic annual salary.

The company will fund the Trust to enable it to acquire shares in the company to be applied on the exercise of options under the Plan. At 30th April 1999 the Trust held 245,000 5p ordinary shares of the company, purchased in the market (see note 12 on page 25) against the award of options granted.

The executive directors hold the following options granted under the Plan. The exercise price is £1 per award.

	At 1.5.98	Granted	At 30.4.99	Normally exercisable between	
P. J. Moorhouse	4,000	—	4,000	1999	2002
	4,000	—	4,000	2000	2003
	4,200	—	4,200	2001	2004
	—	5,000	5,000	2001	2004
	12,200	5,000	17,200		
A. T. Noble	9,000	—	9,000	1999	2002
	8,000	—	8,000	2000	2003
	6,800	—	6,800	2001	2004
	—	7,000	7,000	2001	2004
	23,800	7,000	30,800		
S. J. Smith	5,000	—	5,000	1999	2002
	5,000	—	5,000	2000	2003
	4,400	—	4,400	2001	2004
	—	4,500	4,500	2001	2004
	14,400	4,500	18,900		
F. M. Waring	9,000	—	9,000	1999	2002
	9,000	—	9,000	2000	2003
	7,700	—	7,700	2001	2004
	—	8,000	8,000	2001	2004
	25,700	8,000	33,700		
Total	76,100	24,500	100,600		

No options were exercised or lapsed during the year.

Executive incentive scheme

The proposed new executive incentive scheme referred to in the Chairman's Statement on page 2 has been designed to motivate those key executives in Northgate who are most able to influence the successful implementation of our five year plan for growth, with a target of doubling earnings per share over that period.

It is intended that, if the new scheme is approved by shareholders at the AGM in September, the 40 most senior executives, including executive directors (but not the Chairman), would then be granted options over shares worth between approximately two and five times the aggregate of their basic salary and the maximum bonus provided in their respective contracts of employment. Sufficient headroom would be retained to allow additional grants to be made in the future to new executives or to reflect promotions as the business grows. No further options under the Plan would be granted to any director of the company or of the main operating subsidiary, Northgate Motor Holdings Limited, at any time whilst they continued to hold unexercised options under the new scheme.

The company intends to seek the approval of shareholders for the establishment of a new Inland Revenue approved all employee share scheme in the year 2000 once the Government's intentions with regard to such schemes have been clarified.

Ron Williams
Chairman, Remuneration Committee
7th July 1999



CORPORATE GOVERNANCE

The London Stock Exchange has incorporated into the Listing Rules the Combined Code ("the Code"), published in June 1998, which sets out Principles of Good Corporate Governance and contains a Code of Best Practice. The Code is derived by the Hampel Committee on Corporate Governance from the Committee's Final Report and from the earlier Cadbury and Greenbury Reports.

The provisions of the Code applicable to listed companies are divided into four parts, as set out below:-

DIRECTORS

The business of the company is managed by the Board of Directors, currently comprising four executive and three non-executive directors, details of whom are set out on page 3.

All the non-executive directors are considered to be independent in the sense outlined in the Code and Mr Williams, as Deputy Chairman, is considered to be the senior such director.

The offices and responsibilities of the Chairman and Managing Director are separate. Changes to the board structure and to the responsibilities of certain directors are planned to take effect later this year: these are referred to in the Chairman's Statement on page 2.

The board meets regularly, normally monthly, to review trading results and has responsibility for, inter alia, overall group strategy, financial reporting to and relationships with shareholders, dividend policy, acquisitions and disposals, major capital expenditure and financing and treasury policy.

The Chairman ensures that all directors are properly briefed to enable them to discharge their duties. In particular, detailed management accounts are prepared and copies sent to all board members every month and, in advance of each board meeting, appropriate documentation on all items to be discussed is circulated.

The company's Articles of Association provide that at each annual general meeting of the company, one third (or the number nearest to but not exceeding one third) of the directors shall retire from office. Those to retire in each year are those who have been longest in office since their appointment or re-appointment. (Any director appointed by the Board during the year is obliged to seek re-election at the next following annual general meeting and is not included when determining the one third to retire by rotation.) It is therefore possible for a director to serve four years before seeking re-

appointment by shareholders. The company intends to amend its Articles to comply with the Code requirement that all directors be subject to re-election at intervals of no more than three years the next time it makes other changes to its Articles of Association. No current director has, or will have after the forthcoming annual general meeting, served more than three years without being re-elected by shareholders. Until the Articles are amended, the company will in any event comply with the Code by ensuring that no director serves more than three years without seeking re-election.

In terms of the Code requirement to establish a nominations committee, the Board considers that it is a small board and therefore does not need to establish such a committee. The appointment of new directors is regarded as a matter for the board as a whole.

DIRECTORS' REMUNERATION

The company's policy on remuneration and details of the remuneration of each director are given in the Remuneration Report on pages 8 to 10.

RELATIONS WITH SHAREHOLDERS

Throughout the year the company maintains a regular dialogue with institutional investors and brokers' analysts, providing them with such information on the company's progress and future plans as is permitted within the guidelines of the Listing Rules. In particular, twice a year, at the time of announcing the company's interim and full year results, they are invited to briefings given by the Chairman, Managing Director and Finance Director.

All shareholders are given the opportunity to raise matters for discussion at the AGM, of which more than the recommended minimum 20 working days notice is given. In recent years the company has adopted the practice of issuing a brief statement at the AGM, which is simultaneously released to the London Stock Exchange, on current trading conditions.

In compliance with the requirement in the Code, the company will, at this year's AGM, and at all future general meetings of the company, advise shareholders of the numbers of proxy votes lodged on each resolution, after the resolution has been dealt with on a show of hands.

ACCOUNTABILITY AND AUDIT

An assessment of the company's position and prospects is included in the Chairman's Statement on page 2.



CORPORATE GOVERNANCE

continued

Internal control

Provision D2.1 of the Code requires the directors to conduct an annual review of the effectiveness of the group's system of internal controls. However, in the absence of the relevant guidance for directors (expected to be published by the ICAEW later this year) and as permitted by the London Stock Exchange, the Board has reviewed the company's internal financial controls in accordance with the existing guidance for directors issued by the Rutteman Working Group in December 1994.

The directors are responsible for the group's system of internal financial control which aims to safeguard group assets, ensure proper accounting records are maintained and that the financial information used within the business and for publication is reliable. Although no system of internal financial control can provide absolute assurance against material misstatement or loss, the group's system is designed to provide the directors with reasonable assurance that, should any problems occur, these are identified on a timely basis and dealt with appropriately. The key features of the group's system of internal financial control, which was in place throughout the period covered by the financial statements, are described below:

Control environment

The group has a clearly defined organisational structure within which individual responsibilities of line and financial management for the maintenance of strong internal financial controls and the production of accurate and timely financial management information are identified and can be monitored. Where appropriate, the businesses are required to comply with the procedures set out in written manuals.

Identification of risks

The board and the group's management have a clearly defined responsibility for identifying the major business risks facing the group and for developing systems to mitigate and manage those risks. The control of key financial risks is reviewed by the board and the group's management at their monthly meetings.

Information and communication

The group has a comprehensive system for reporting financial results to the board. Each operating unit prepares monthly accounts with a comparison against budget and previous year, with regular review by management of

variances from targeted performance levels. Towards the end of each financial year the operating units prepare detailed budgets for the following year which are reviewed by the board before being adopted formally. Full year forecasts are updated regularly during the year.

Control procedures

The board and the group's management have adopted a schedule of matters which are required to be brought to it for decisions, thus ensuring that it maintains full and effective control over appropriate strategic, financial, organisational and compliance issues. Measures taken include clearly defined procedures for capital expenditure appraisal and authorisation, physical controls, segregation of duties and routine and ad hoc checks.

Monitoring

The board has delegated to executive management implementation of the system of internal financial control. The board, including the Audit Committee, receives reports on the system of control from the external auditors and from management. An independent internal audit function reports bi-annually to the Audit Committee primarily on the key areas of risk within the business.

The directors confirm that they have reviewed the effectiveness of the system of internal financial control for the period covered by these financial statements.

Audit

The Audit Committee, which is comprised of the three non-executive directors and chaired by Ron Williams, who is Deputy Chairman of the board, has written terms of reference setting out its duties. These include matters relating to the appointment and fees of the external auditors and review of the annual and interim statements, of the group's internal controls and of the nature, scope and results of the internal audit programme.

Both the external auditors and the internal audit manager have direct access to members of the Committee and can meet with the Committee without the company's management being present.

Compliance

The Board considers that the company was in compliance with the provisions of the Code applicable to listed companies throughout the financial year.



DIRECTORS' RESPONSIBILITIES IN RELATION TO THE PREPARATION OF THE ACCOUNTS

The following statement, which should be read in conjunction with the statement of auditors' responsibilities set out below, is made with a view to distinguishing for shareholders the respective responsibilities of the directors and auditors in relation to the accounts.

The directors are required by the Companies Act 1985 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the group as at the end of the financial year and of the profit or loss for that period.

The directors consider that in preparing the financial statements, the company has used appropriate accounting policies, consistently applied and supported by reasonable and

prudent judgements and estimates and that all accounting standards which they consider to be applicable have been followed.

The directors are responsible for ensuring that the company keeps adequate accounting records and for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Going concern

The accounts have been prepared on a going concern basis as the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future.

REPORT OF THE AUDITORS

Auditors' report to the members of Goode Durrant plc

We have audited the financial statements on pages 14 to 33, which have been prepared under the accounting policies set out on page 19.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report, including as described above the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board, the Listing Rules of the London Stock Exchange and by our profession's ethical guidance.

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 or the Listing Rules regarding directors' remuneration and transactions with the company and other members of the group is not disclosed.

We review whether the statement on page 12 reflects the compliance with those provisions of the Combined Code specified for our review by the Stock Exchange and we report if it does not. We are not required to form an opinion on the effectiveness of the corporate governance procedures or the group's internal controls.

We read the other information contained in the Annual Report, including the corporate governance statement, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent

misstatements or material inconsistencies with the financial statements.

Basis of audit 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 circumstances of the company and the group, 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 presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and of the group as at 30th April 1999 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche
Deloitte & Touche

Chartered Accountants and Registered Auditors

10-12 East Parade
Leeds
LS1 2AJ

7th July 1999



GOODE DURRANT PLC

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the 12 months ended 30th April 1999

	Notes	1999 £000	1998 £000
Turnover	1, 2	229,519	202,385
Operating profit	1, 2	39,516	40,131
Profit on sale of discontinued operations	3	—	2,000
		39,516	42,131
Net interest payable	5	(12,010)	(10,671)
Profit on ordinary activities before taxation		27,506	31,460
Tax on profit on ordinary activities	6	(8,545)	(8,919)
Profit for the financial year	7	18,961	22,541
Dividends	8	(7,561)	(7,066)
Profit transferred to reserves	21	11,400	15,475
 <i>Earnings per ordinary share – basic</i>	9	 31.4p	 <i>38.7p</i>
<i>Adjusted earnings per ordinary share</i>	9	31.4p	<i>35.3p</i>
<i>Diluted earnings per ordinary share – basic</i>	9	31.2p	<i>38.4p</i>
<i>Dividends per ordinary share</i>	8	12.5p	<i>11.75p</i>

All current year trading relates to continuing operations.



GOODE DURRANT PLC

CONSOLIDATED BALANCE SHEET

30th April 1999

	Notes	1999 £000	1998 £000
Fixed assets			
Tangible assets			
Vehicles for hire	10	286,670	222,614
Other fixed assets	11	8,620	7,683
Investments	12	401	718
		<u>295,691</u>	<u>231,015</u>
Current assets			
Stocks	13	3,663	7,587
Debtors	14	41,315	41,414
Investments	15	15	20
Cash at bank and in hand		18,934	30,962
		<u>63,927</u>	<u>79,983</u>
Creditors: amounts falling due within one year			
- Borrowings	17	66,463	53,230
- Other	16	25,986	27,511
		<u>(28,522)</u>	<u>(758)</u>
Net current liabilities			
		<u>(28,522)</u>	<u>(758)</u>
Total assets less current liabilities		267,169	230,257
Creditors: amounts falling due after more than one year	17	125,287	102,942
Provisions for liabilities and charges	18	7,718	5,160
		<u>134,164</u>	<u>122,155</u>
Capital and reserves			
Called up share capital	19	3,530	3,516
Share premium account	20	44,902	44,307
Revaluation reserve	21	23	23
Merger reserve	21	4,721	4,721
Profit and loss account	21	80,988	69,588
		<u>134,164</u>	<u>122,155</u>
Shareholders' funds		134,164	122,155
Attributable to equity shareholders		133,664	121,655
Attributable to non-equity shareholders		500	500
		<u>134,164</u>	<u>122,155</u>

The accounts were approved by the board of directors on 7th July 1999.

F M Waring – Director
P J Moorhouse – Director



PARENT COMPANY BALANCE SHEET

30th April 1999

	Notes	1999 £000	1998 £000
Fixed assets			
Investments	12	69,911	37,911
Current assets			
Debtors	14	22,152	37,187
Cash at bank and in hand		17,521	29,394
		39,673	66,581
Creditors: amounts falling due within one year			
– Borrowings	17	342	314
– Other	16	10,106	8,625
Net current assets		29,225	57,642
Total assets less current liabilities		99,136	95,553
Provisions for liabilities and charges	18	82	123
		99,054	95,430
Capital and reserves			
Called up share capital	19	3,530	3,516
Share premium account	20	44,902	44,307
Merger reserve	21	417	417
Profit and loss account	21	50,205	47,190
Shareholders' funds		99,054	95,430
Attributable to equity shareholders		98,554	94,930
Attributable to non-equity shareholders		500	500
		99,054	95,430

The accounts were approved by the board of directors on 7th July 1999.

F M Waring – Director
P J Moorhouse – Director



GOODE DURRANT PLC

CONSOLIDATED CASH FLOW STATEMENT

for the 12 months ended 30th April 1999

	<i>Notes</i>	1999 £000	1998 £000
Cash inflow from operating activities	22	126,273	91,638
Returns on investments and servicing of finance	23	(11,551)	(9,920)
Taxation		(7,606)	(7,078)
Capital expenditure and financial investment	23		
Purchase of vehicles and equipment for hire		(138,448)	(87,792)
Sale of vehicles and equipment for hire		53,515	44,236
Other items, net		(1,894)	(4,376)
Net cash outflow from capital expenditure and financial investment		(86,827)	(47,932)
Acquisitions and disposals	23	—	(2,737)
Equity dividends paid		(7,214)	(5,965)
Cash inflow before use of liquid resources and financing		13,075	18,006
Management of liquid resources			
Cash withdrawn from deposit	23	153	10,650
Financing			
Issue of ordinary shares (net of expenses)		609	23,124
Increase in borrowings		21,546	7,218
Capital element of vehicle related hire purchase payments		(44,362)	(44,078)
Net cash outflow from financing		(22,207)	(13,736)
(Decrease)/increase in cash for the year		(8,979)	14,920

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	1999 £000	1998 £000
(Decrease)/increase in cash for the year	(8,979)	14,920
Financing		
Increase in borrowings	(21,546)	(7,218)
Capital element of vehicle related hire purchase payments	44,362	44,078
Cash withdrawn from deposit	(153)	(10,650)
Change in net debt resulting from cash flows	13,684	41,130
New hire purchase obligations	(61,290)	(64,583)
Movement in net debt for the year	(47,606)	(23,453)
Net debt at 1st May	(125,210)	(101,757)
Net debt at 30th April	(172,816)	(125,210)



GOODE DURRANT PLC

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the 12 months ended 30th April 1999

	1999 £000	1998 £000
Profit for the financial year	18,961	22,541
Total recognised gains and losses for the financial year	18,961	22,541

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

for the 12 months ended 30th April 1999

	1999 £000	1998 £000
Profit for the financial year	18,961	22,541
Dividends	(7,561)	(7,066)
	11,400	15,475
Issue of ordinary share capital (net of expenses)	609	23,124
Goodwill written off	—	(3,722)
Goodwill written back on disposals	—	6,581
Net increase in shareholders' funds	12,009	41,458
Opening shareholders' funds	122,155	80,697
Closing shareholders' funds	134,164	122,155



ACCOUNTING POLICIES

Basis of accounting

The financial statements are prepared in accordance with applicable accounting standards under the historical cost convention as modified by the revaluation of freehold and long leasehold properties.

Basis of consolidation

The consolidated financial statements comprise the accounts of the company and all subsidiary undertakings made up to 30th April. The results of subsidiary undertakings acquired are included from the date of acquisition. The excess of the purchase consideration of businesses and other assets acquired in prior years over the fair value of the net assets has been treated as purchased goodwill and written off against reserves as a matter of accounting policy.

This goodwill would be charged in the profit and loss account on subsequent disposal of the businesses to which it relates.

Tangible fixed assets: Depreciation

Freehold land is not depreciated. Other tangible fixed assets are depreciated over their estimated useful lives on a straight line basis which write off:

Freehold buildings	over 50 years
Leasehold property	over 50 years or over the term of the lease, whichever is the shorter
Plant, equipment and fittings	over 3 to 10 years
Vehicles for hire	over 3 to 5 years
Motor vehicles	over 3 years

The rate of depreciation on the bulk of light commercial vehicles was changed from 24% to 25% and on cars from 30% to 33% with effect from 1 May 1998. The new rate has had the effect on the current year's profit and loss account of increasing the depreciation charge by £2,849,000.

Investments

- (i) Current assets are stated at the lower of cost and net realisable value.
- (ii) Shares in group undertakings and other unlisted fixed asset investments are stated at cost less provision for impairment.

Long term incentive plan

The company's shares held by Goode Durrant (Jersey) Limited as trustees of the Goode Durrant Employees' Trust are included in the consolidated balance sheet as a fixed asset investment until such time as the interest in the shares is transferred unconditionally to the employees. The shares are held as a hedge against the group's obligations under the Long Term Incentive Plan and accordingly the shares purchased are recorded at cost. The cost of meeting these obligations is charged to the profit and loss account on a systematic basis over the period of service in respect of which options are granted.

Deferred taxation

Provision is made for deferred tax using the liability method to the extent that the directors consider that a liability could arise within the foreseeable future.

Stocks

Goods for resale and finished goods, land held for resale and work in progress are stated at the lower of cost and net realisable value.

Translation of foreign currencies

Assets, liabilities and trading results of overseas subsidiary undertakings are translated into sterling at the rates of exchange ruling at the balance sheet date. Exchange differences arising from the retranslation of opening foreign currency balances to the year end rates are treated as a movement in reserves. Other translation differences are dealt with in the profit and loss account.

Leasing

As lessee: Acquisitions of fixed assets funded through finance leases and hire purchase agreements are capitalised and depreciated in accordance with group policies or the lease term, whichever is the shorter. Future obligations under these leases and agreements are included in creditors. Interest costs payable are charged to the profit and loss account over the life of the lease so as to produce a constant rate of return on the outstanding balance. All other leases are operating leases and the payments made are charged to the profit and loss account evenly over the period of the lease. As lessor: Motor vehicles and equipment leased to customers under operating leases are included within fixed assets. Income from such leases is taken to the profit and loss account evenly over the period of the operating lease agreements.

Turnover

Turnover represents the amounts charged to customers for goods and services supplied excluding value added tax together with vehicle rebates received from vehicle manufacturers credited to the profit and loss account in the same period as the related vehicles are purchased.

Pensions

Since 1st April 1997 the group has operated only defined contribution type pension arrangements. Prior to that date the group operated pension schemes of both the defined contribution and defined benefit type. Contributions in respect of defined contribution arrangements are charged to the profit and loss account as they become payable by the group. Pension contributions paid to the defined benefit schemes and certain of the defined contribution schemes are held in trustee administered funds independent of the group's finances.

Financial instruments and their derivatives

Derivative instruments utilised by the group are interest rate caps and swaps. A derivative instrument is considered to be used for hedging purposes when it alters the risk profile of an existing underlying exposure of the group in line with the group's risk management policies.

Interest rate caps – The option premia are recognised on the group Balance Sheet as 'Prepayments and accrued income'. The option premia are taken to net interest payable spread evenly over the lifetime of the cap.

Interest rate swaps – Interest payments/receipts are accrued with net interest payable. They are not revalued to fair value or shown in the group Balance Sheet at the year end.

New accounting standards

The accounts have been prepared taking account of new Financial Reporting Standards issued during and applicable to the year. Disclosures in respect of derivatives and other financial instruments have been made in accordance with FRS 13 as stated in note 17. Earnings per share have been disclosed on a diluted basis in accordance with FRS 14 as stated in note 9. No other new accounting standards have affected the profits reported in the accounts.



NOTES ON THE ACCOUNTS

1 Segmental information

	1999			
	Turnover	Operating	Profit	Net
	£000	profit	on ordinary	operating
		£000	activities	assets
			before tax	£000
Vehicle hire	229,519	39,516	27,506	306,980
Continuing activities	229,519	39,516	27,506	306,980
By geographical location:				
United Kingdom	229,519	39,516	27,389	306,887
Overseas	—	—	117	93
	229,519	39,516	27,506	306,980

	1998			
	Turnover	Operating	Profit	Net
	£000	profit	on ordinary	operating
		£000	activities	assets
			before tax	£000
Vehicle hire	187,570	37,074	27,045	247,365
Continuing activities	187,570	37,074	27,045	247,365
Discontinued operations	14,815	3,057	2,415	—
Profit on sale of discontinued operations	—	—	2,000	—
	202,385	40,131	31,460	247,365
By geographical location:				
United Kingdom	202,385	40,131	31,365	247,237
Overseas	—	—	95	128
	202,385	40,131	31,460	247,365

	1999	1998
	£000	£000
Net operating assets	306,980	247,365
Less: net borrowings (note 17)	172,816	125,210
Net assets	134,164	122,155

All turnover in 1999 and 1998 relates to customers in the United Kingdom.

Interest payable and receivable in 1999 and 1998 are accounted for within the activity where the borrowings and funds reside.

Notes on the accounts

continued

2 Operating profit

	1999			1998		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
	£000	£000	£000	£000	£000	£000
Turnover	229,519	—	229,519	187,570	14,815	202,385
Cost of sales	(161,679)	—	(161,679)	(127,923)	(8,267)	(136,190)
Gross profit	67,840	—	67,840	59,647	6,548	66,195
Administrative expenses	(28,413)	—	(28,413)	(22,749)	(3,967)	(26,716)
Other operating income	89	—	89	176	476	652
Operating profit	39,516	—	39,516	37,074	3,057	40,131

Operating profit is stated after including:

Depreciation of owned tangible fixed assets

Depreciation of fixed assets held under

hire purchase agreements

Hire of plant and equipment

Hire of other assets

Auditors' remuneration

Fees paid to auditors for other services

Profit on sale of tangible fixed assets

Rentals receivable:

Other rental income – operating leases

1999	1998
£000	£000
44,037	38,008
39,913	29,316
66	115
1,866	984
115	140
43	164
554	438
122,138	119,843

3 Profit on sale of discontinued operations

	1999	1998
	£000	£000
Disposal of subsidiary undertaking	—	8,581
Less: goodwill written back to reserves	—	(6,581)
	—	2,000



Notes on the accounts

continued

4 Information regarding employees and directors	1999	1998
	number	number
The average number of persons employed by the group:		
Direct operations	665	696
Administration	217	279
	<u>882</u>	<u>975</u>
	£000	£000
The staff costs of these persons were as follows:		
Wages and salaries	16,077	16,094
Social security costs	1,471	1,452
Other pensions costs	545	526
	<u>18,093</u>	<u>18,072</u>

Disclosures on directors' remuneration, share options and long term incentive schemes required by the Companies Act 1985 and the disclosures specified by the London Stock Exchange are contained in the Remuneration Report on pages 8 to 10 under the headings of Emoluments, Share option scheme and Long term incentive plan and form part of these audited financial statements.

5 Interest	1999	1998
	£000	£000
Income from fixed asset investments	34	26
Interest receivable and similar income:		
Interest receivable on bank and other deposits	3,183	3,508
	<u>3,217</u>	<u>3,534</u>
Interest payable and similar charges:		
On bank loans, overdrafts and other loans		
repayable within 5 years	7,766	8,576
Finance charges related to hire purchase agreements	7,461	5,629
	<u>15,227</u>	<u>14,205</u>
Net interest payable	<u>(12,010)</u>	<u>(10,671)</u>
 6 Tax on profit on ordinary activities	 1999	 1998
	£000	£000
UK corporation tax at 31% (1998 - 31%)	7,440	8,474
Deferred tax	1,266	978
	<u>8,706</u>	<u>9,452</u>
Adjustment in respect of prior years:		
Corporation tax	(1,453)	(590)
Deferred tax	1,334	635
Decrease in opening balance of deferred tax		
arising from changes in anticipated rates of tax	(42)	(578)
	<u>8,545</u>	<u>8,919</u>

The tax charge for the year has been increased above the anticipated rate of 30.9% by 1.2% as a result of expenditure not deductible for corporation tax and reduced by 1.1% as a result of deferred tax rate adjustments and a capital gain covered by capital losses not reflected in brought forward deferred tax.

The prior year charge to corporation tax includes tax on exceptional items of £nil.

7 Profit of parent company

Of the profit attributable to shareholders, a profit of £10,576,000 (1998 - £21,418,000) has been dealt with in the accounts of the parent company. The company has taken advantage of the exemption contained in the Companies Act 1985 from presenting its own profit and loss account.



Notes on the accounts

continued

8 Dividends	1999	1998
	£000	£000
Equity dividend on ordinary shares:		
Interim paid 4.0p per share (1998 – 3.75p)	2,409	2,244
Final proposed 8.5p per share (1998 – 8.0p)	5,131	4,805
Total dividend 12.5p per share (1998 – 11.75p)	7,540	7,049
Non-equity dividend on preference shares	21	17
	7,561	7,066

9 Earnings per ordinary share

The calculation of basic earnings per ordinary share in respect of the year to 30th April 1999 is based on the profit attributable to equity shareholders of £18,940,000 (1998 – £22,524,000) and the weighted average of 60,374,894 (1998 – 58,142,704) ordinary shares in issue (excluding those shares held by an employee trust in connection with the Goode Durrant Long Term Incentive Plan).

Diluted basic earnings per ordinary share have been calculated on the basis of earnings described above and assume that 395,000 shares (1998 – 678,700) remaining exercisable under the Goode Durrant Share Option Scheme had been fully exercised at the commencement of the relevant period, such that the weighted average number of shares is 60,762,101 (1998 – 58,640,879) (including those shares held by the employee trust in connection with the Goode Durrant Long Term Incentive Plan).

Adjusted earnings per ordinary share is after adjusting for the profit on sale of discontinued operations and attributable tax.

	1999	1998
Earnings per ordinary share – basic	31.4p	38.7p
Profit on sale of discontinued operations net of tax (note 3)	—	(3.4p)
Adjusted earnings per ordinary share	31.4p	35.3p

10 Vehicles for hire

Group	£000
Cost:	
1st May 1998	300,131
Additions	200,106
Disposals	(113,763)
30th April 1999	386,474
Depreciation:	
1st May 1998	77,517
Charged to profit and loss account	82,704
Disposals	(60,417)
30th April 1999	99,804
Net book value:	
30th April 1999	286,670
30th April 1998	222,614

The net book value of the above vehicles which are held under hire purchase agreements amounts to £112,136,000 (1998 – £93,602,000).



Notes on the accounts

continued

11 Other fixed assets

	Land and buildings £000	Plant equipment & fittings £000	Motor vehicles £000	Total £000
Group				
Cost or valuation:				
1st May 1998	6,170	2,872	1,110	10,152
Additions	1,577	713	1,008	3,298
Disposals	(626)	(176)	(704)	(1,506)
30th April 1999	7,121	3,409	1,414	11,944
Depreciation:				
1st May 1998	640	1,499	330	2,469
Charged to profit and loss account	256	586	404	1,246
Disposals	(10)	(58)	(323)	(391)
30th April 1999	886	2,027	411	3,324
Net book value:				
30th April 1999	6,235	1,382	1,003	8,620
30th April 1998	5,530	1,373	780	7,683
Cost or valuation at 30th April 1999 is represented by:				
Valuation in 1992	795	—	—	795
Cost	6,326	3,409	1,414	11,149
	7,121	3,409	1,414	11,944
Land and buildings by category:		1999 £000	1998 £000	
Freehold		5,332	4,053	
Long leasehold (over 50 years)		—	616	
Short leasehold		903	861	
Net book value		6,235	5,530	

Certain of the above freehold properties were valued as at 30th April 1992 by Jones Lang Wootton, Chartered Surveyors, on the basis of open market value for existing use.

At 30th April 1999, under the historical cost convention, land and buildings would have been stated at £7,415,000 and related accumulated depreciation at £934,000.

The gross amount of depreciable assets included in land and buildings is £4,431,000.



Notes on the accounts

continued

12 Fixed asset investments

Group	Own shares £000	Unlisted investments £000	Total £000
Cost:			
1st May 1998	1,005	184	1,189
Additions	95	—	95
30th April 1999	1,100	184	1,284
Provisions:			
1st May 1998	447	24	471
Provisions	412	—	412
30th April 1999	859	24	883
Net book value:			
30th April 1999	241	160	401
30th April 1998	558	160	718

Own shares

At 30th April 1999, 245,000 ordinary shares in Goode Durrant plc with a market value of £1,176,000 were held by Goode Durrant (Jersey) Limited as a hedge against the group's obligation under the Long Term Incentive Plan ("the Plan"). All but a nominal dividend right in respect of these shares has been waived. Further details of the Plan are outlined in the Remuneration Report on pages 9 and 10.

Company	Shares in subsidiary undertakings £000	Loans to group undertakings £000	Total £000
Cost:			
1st May 1998	25,346	15,000	40,346
Additions	—	32,000	32,000
30th April 1999	25,346	47,000	72,346
Provisions:			
1st May 1998	2,435	—	2,435
30th April 1999	2,435	—	2,435
Net book value:			
30th April 1999	22,911	47,000	69,911
30th April 1998	22,911	15,000	37,911

At 30th April 1999 the company's principal subsidiary undertaking was Northgate Motor Holdings Limited (Northgate), whose business is commercial vehicle hire. Northgate is wholly and directly owned by the company, incorporated in Great Britain, registered in England and Wales and operates in the country of incorporation. A full list of the company's subsidiaries was included with the Annual Return filed with the Registrar of Companies.



Notes on the accounts

continued

13 Stocks

	Group	
	1999	1998
	£000	£000
Goods for resale and finished goods	3,653	7,502
Land held for resale	10	85
	<u>3,663</u>	<u>7,587</u>

14 Debtors

	Group		Company	
	1999	1998	1999	1998
	£000	£000	£000	£000
Amounts falling due within one year:				
Trade debtors	29,660	28,494	—	—
Amounts owed by subsidiary undertakings	—	—	20,049	33,572
Other debtors	3,876	3,658	—	—
Advance corporation tax recoverable	—	—	1,234	1,131
Prepayments and accrued income	6,147	5,839	780	982
	<u>39,683</u>	<u>37,991</u>	<u>22,063</u>	<u>35,685</u>
Amounts falling due after more than one year:				
Advance corporation tax recoverable	—	1,202	—	1,202
Prepayments and accrued income	1,632	2,221	89	300
	<u>1,632</u>	<u>3,423</u>	<u>89</u>	<u>1,502</u>
	<u>41,315</u>	<u>41,414</u>	<u>22,152</u>	<u>37,187</u>

15 Current asset investments

	Group	
	1999	1998
	£000	£000
Other investments	<u>15</u>	<u>20</u>

The excess of market value of current asset investments over the balance sheet amount is not material.

16 Other creditors

	Group		Company	
	1999	1998	1999	1998
	£000	£000	£000	£000
Amounts falling due within one year:				
Trade creditors	5,868	4,021	—	—
Amounts owed to subsidiary undertakings	—	—	4,484	2,338
Corporation tax	5,503	8,324	362	1,397
Social security and other taxes	2,442	2,643	—	—
Accruals and deferred income	7,042	7,718	129	85
Proposed dividends	5,131	4,805	5,131	4,805
	<u>25,986</u>	<u>27,511</u>	<u>10,106</u>	<u>8,625</u>



Notes on the accounts

continued

17 Borrowings

	Group		Company	
	1999	1998	1999	1998
	£000	£000	£000	£000
Amounts falling due within one year:				
Bank loans and overdrafts	369	378	342	314
Vehicle related bank loans and overdrafts	13,616	16,410	—	—
Vehicle related hire purchase	52,478	36,442	—	—
	<u>66,463</u>	<u>53,230</u>	<u>342</u>	<u>314</u>
Amounts falling due after more than one year:				
Bank loans and overdrafts	358	265	—	—
Vehicle related bank loans and overdrafts	81,649	60,289	—	—
Vehicle related hire purchase	43,280	42,388	—	—
	<u>125,287</u>	<u>102,942</u>	<u>—</u>	<u>—</u>
Total borrowings	<u>191,750</u>	<u>156,172</u>	<u>342</u>	<u>314</u>

Of the amounts falling due after more than one year, repayments fall due in the following periods:

Due within one to two years				
Bank loans and overdrafts	358	265	—	—
Vehicle related bank loans and overdrafts	—	—	—	—
Vehicle related hire purchase	28,854	28,259	—	—
	<u>29,212</u>	<u>28,524</u>	<u>—</u>	<u>—</u>
Due within two to five years				
Bank loans	—	—	—	—
Vehicle related bank loans and overdrafts	81,649	60,289	—	—
Vehicle related hire purchase	14,426	14,129	—	—
	<u>96,075</u>	<u>74,418</u>	<u>—</u>	<u>—</u>

Vehicle related bank loans and overdrafts of £95,265,000 (1998 – £76,699,000) and £358,000 (1998 – £265,000) of the bank loans and overdrafts is secured by fixed and floating charges over the assets of the subsidiary undertakings. Vehicle related hire purchase of £95,758,000 (1998 – £78,830,000) is secured by a fixed charge over the vehicles to which it relates.

Analysis of net debt

	At 1st May 1998 £000	Cash flow £000	Other non- cash changes £000	At 30th April 1999 £000
Cash in hand, at bank	29,399	(11,875)	—	17,524
Bank overdraft due within one year	(16,788)	2,896	(93)	(13,985)
	<u>12,611</u>	<u>(8,979)</u>	<u>(93)</u>	<u>3,539</u>
Cash in hand, short term deposits	1,563	(153)	—	1,410
Bank loans and overdrafts due after one year	(60,554)	(21,546)	93	(82,007)
Hire purchase obligations	(78,830)	44,362	(61,290)	(95,758)
	<u>(125,210)</u>	<u>13,684</u>	<u>(61,290)</u>	<u>(172,816)</u>



Notes on the accounts

continued

17 Borrowings (continued)

At 30th April 1999 the gearing of the group amounted to 129% (1998 – 103%) which is represented by net borrowings of £172,816,000 (1998 – £125,210,000) as a percentage of shareholders' funds of £134,164,000 (1998 – £122,155,000). Net borrowings comprise borrowings less cash at bank.

Borrowing facilities

At 30th April 1999, the group had undrawn committed borrowing facilities expiring as follows:

	£000
In one year or less	71,399
In more than two years	37,351
	108,750

The total amount permitted to be borrowed by the company and its subsidiaries in terms of the Articles of Association shall not exceed five times the aggregate of the issued share capital of the company and the group reserves, as defined in those Articles.

Financial instruments and their derivatives**Treasury policies and the management of risk**

The function of Group Treasury is to reduce or eliminate financial risk, to ensure sufficient liquidity is available to meet foreseeable requirements and to invest cash assets securely and profitably. Treasury operations manage the group's funding, liquidity and exposure to interest rate risks within a framework of policies and guidelines authorised by the board.

The group uses derivative instruments for risk management purposes only. Consistent with group policy, Group Treasury do not engage in speculative activity and it is policy to avoid using the more complex financial instruments.

The policy followed in managing credit risk permits only minimal exposures with banks and other institution meeting required standards as assessed normally by reference to the major credit agencies. Deals are authorised only with banks with which dealing mandates have been agreed and which maintain a Triple A rating. Individual aggregate credit exposures are limited accordingly.

Short term debtors and creditors have been excluded from the analysis below. At 30th April 1999 the group's total borrowings were £191,750,000 (1998 – £156,172,000). The increase reflects the growth in fleet numbers and funding thereof during the year. In all other respects the year end figures are consistent with the year as a whole.

Financing and interest rate risk

The group's policy is to finance operating subsidiaries by a combination of retained earnings, bank borrowing including medium-term loans and hire purchase finance.

Cash at bank and on deposit yield interest based principally on LIBOR rates applicable to periods of less than 3 months. The group's exposure to interest rate fluctuations on its borrowings and deposits is managed through the use of interest rate caps and swaps. These derivatives are also used to manage our desired mix of fixed and floating rate debt. The policy is to fix or cap a substantial element of the interest cost on outstanding debt. After taking into account the various interest rate swaps entered into by the group, the interest rate exposure of the net borrowings of the group as at 30th April 1999 was:

	Gross borrowings £000	Floating rate borrowings £000	Fixed rate borrowings £000	Fixed rate borrowings Weighted average interest rate at year end %	Fixed rate borrowings Weighted average time for which rate is fixed Years
At 30th April 1999					
UK Sterling	191,750	156,750	35,000	7.37	6.13
At 30th April 1998					
UK Sterling	156,172	121,172	35,000	7.37	7.13

The analysis of weighted average interest rates and weighted average years to maturity is on fixed rate borrowings and after adjustments for interest rate swaps. The floating rate borrowings bear interest at relevant national LIBOR equivalents.



Notes on the accounts

continued

17 Borrowings (continued)

The interest rate exposure is further protected by interest rate caps at 8% set out as follows:

Cap amount £m	Finish date
5	April 2000
5	June 2000
5	May 2002
5	June 2002
5	July 2003
5	April 2004
5	May 2004
5	December 2004
5	January 2005
<u>45</u>	

Fair values of financial instruments

The comparison of fair and book values of all the group's financial instruments as at 30th April 1999 is set out below. Market values have been used to determine fair values. Where market values are not available, fair values have been calculated by discounting cash flows at prevailing interest rates.

	Book value £000	Fair value £000
Cash at bank and in hand	13,434	13,434
Cash deposits on money markets at call	5,500	5,500
Debt	(191,750)	(191,750)
Net borrowings	(172,816)	(172,816)
Derivatives to manage interest rate	1,921	(3,145)
	<u>(170,895)</u>	<u>(175,961)</u>

At 30th June 1999, the fair value of the derivatives was £(1,485,000), an improvement of £1,660,000.

18 Provisions for liabilities and charges

	Group		Company	
	1999 £000	1998 £000	1999 £000	1998 £000
Deferred tax provided				
Accelerated capital allowances	7,749	5,172	—	—
Other timing differences	(31)	(12)	82	123
	<u>7,718</u>	<u>5,160</u>	<u>82</u>	<u>123</u>
Movement in deferred tax				
1st May 1998	5,160		123	
Charged/(credited)				
in profit and loss account	1,266		(37)	
Adjustments to prior year	1,334		—	
Decrease due to changes in anticipated rates of tax	(42)		(4)	
30th April 1999	<u>7,718</u>		<u>82</u>	

The full potential liability for deferred tax including the amount provided above is as follows:

Accelerated capital allowances	7,530	5,061	—	—
Other timing differences	(324)	(326)	82	123
	<u>7,206</u>	<u>4,735</u>	<u>82</u>	<u>123</u>



Notes on the accounts

continued

19 Called up share capital

	1999 £000	1998 £000
Authorised:		
73,000,000 ordinary shares of 5p each	3,650	3,650
1,300,000 5% cumulative preference shares of 50p each	650	650
	<u>4,300</u>	<u>4,300</u>
Allotted and fully paid:		
60,602,340 (1998 – 60,318,640) ordinary shares of 5p each	3,030	3,016
1,000,000 5% cumulative preference shares of 50p each	500	500
	<u>3,530</u>	<u>3,516</u>

During the year 283,700 ordinary shares with a nominal value of £14,185 were issued pursuant to the exercise of options under the share option scheme, for a cash consideration of £608,929.

The cumulative preference shares of 50p each (which, with the abolition of Advance Corporation Tax ('ACT') on 6th April 1999, reverted to the original gross coupon applying in 1973 when ACT was introduced of 5%) entitle the holder to receive a cumulative preferential dividend at the rate of 5% on the paid up capital and the right to a return of capital at either winding up or a repayment of capital. The preference shares do not entitle the holders to any further or other participation in the profits or assets of Goode Durrant plc. These shares have no voting rights other than in exceptional circumstances.

Options

At 30th April 1999 options outstanding for ordinary shares granted under the share option scheme were as follows:

Year of Grant	Number of Shares	Exercise Price	From	Exercisable To
1994	20,000	174.5p	February 1997	February 2004
1995	171,000	218.5p	January 1998	January 2005
1996	204,000	280.5p	January 1999	January 2006

20 Share premium account

	£000
1st May 1998	44,307
Premium on shares issued (net of expenses)	595
	<u>44,902</u>
30th April 1999	



Notes on the accounts

continued

21 Reserves

	Revaluation reserve £000	Merger reserve £000	Profit and loss account £000	Total reserves £000
Group				
1st May 1998	23	4,721	69,588	74,332
Profit transferred to reserves	—	—	11,400	11,400
30th April 1999	23	4,721	80,988	85,732
Company				
1st May 1998		417	47,190	47,607
Profit transferred to reserves		—	3,015	3,015
30th April 1999		417	50,205	50,622

The cumulative amount of goodwill written off to reserves is £13,195,000 (1998 – £13,195,000).

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

	1999 £000	1998 £000
Operating profit before exceptional items	39,516	40,131
Depreciation	83,950	67,324
Profit on sale of equipment and other fixed assets	(554)	(438)
Decrease/(increase) in stocks	3,924	(4,343)
Increase in debtors	(1,824)	(13,313)
Increase in creditors	844	1,841
Other non-cash items	417	436
Net cash inflow from operating activities	126,273	91,638

23 Analysis of cash flows for headings netted in the cash flow statement

	1999 £000	1998 £000
Returns on investments and servicing of finance		
Interest received	3,580	3,380
Interest paid	(7,664)	(7,938)
Interest paid on hire purchase agreements	(7,446)	(5,345)
Dividends paid – non-equity preference shares	(21)	(17)
	(11,551)	(9,920)
Capital expenditure and financial investment		
Purchase of vehicles and equipment for hire	(138,448)	(87,792)
Sale of vehicles and equipment for hire	53,515	44,236
Purchase of other fixed assets	(3,298)	(3,993)
Sale of other fixed assets	1,499	412
Purchase of investments – long term incentive plan	(95)	(795)
	(86,827)	(47,932)



Notes on the accounts

continued

23 Analysis of cash flows for headings netted in the cash flow statement (continued)

	1999 £000	1998 £000
Acquisitions and disposals		
Purchase of subsidiary undertakings (note 24)	—	(27,228)
Disposal of subsidiary undertakings (note 24)	—	24,491
	—	(2,737)

Liquid resources

Liquid resources comprise short term deposits of less than a year.

24 Acquisitions and disposals**(a) Acquisitions**

On 2nd September 1997 the commercial vehicle rental business of Transport Development Group was acquired for a cash consideration of £27,349,000 and has been accounted for using acquisition accounting.

	£000
Net assets acquired	27,349
Goodwill	3,843
Satisfied by cash paid	27,349
Reduction in consideration paid, adjusting goodwill and relating to an acquisition in prior year	(121)
In the opinion of the directors this amount is immaterial.	
Net cash outflow for purchase of subsidiary undertakings (note 23)	27,228

(b) Disposal of subsidiary undertaking

On 30th April 1998, the group sold the entire share capital of Ravenstock Tam (Holdings) Limited for a cash consideration of £10,449,000.

The profit arising from the disposal is as follows:

	£000	£000
Net assets disposed		1,868
Disposal proceeds	10,449	
Goodwill written back	(6,581)	
		3,868
Profit on disposal		2,000
Disposal proceeds		10,449
Release of group borrowings		6,247
Release of external borrowings		9,149
Total release of funds on disposal		25,845
Amounts included in debtors	(738)	
Transfer of property	(616)	
		(1,354)
Net cash inflow on disposal of subsidiary undertakings (note 23)		24,491



Notes on the accounts

continued

25 Contingent liabilities

Goode Durrant plc has guaranteed borrowings by subsidiary undertakings of £13,616,000 as at 30th April 1999 (1998 – £15,000,000).

Performance bonds given to local authorities in respect of the group's former housebuilding activities at 30th April 1999 amounted to £38,740 (1998 – £38,740).

26 Commitments**Capital expenditure commitments:**

Capital expenditure contracted for but not provided in the accounts is as follows:

	Group	
	1999	1998
	£000	£000
Contracted for but not provided in the financial statements	279	—

Financial commitments:

In the year to 30th April 2000 the group has commitments to make payments under operating leases as follows:

	Land and buildings	Other
	£000	£000
Leases expiring:		
within one year	52	447
two to five years	79	669
over five years	686	18
	817	1,134

27 Pensions

The total pension cost for the group was £545,000 (1998 – £526,000).

With effect from 1st April 1997 the former defined benefit schemes were merged and converted into a single defined contribution plan. After full provision for all liabilities arising on conversion, independent qualified actuaries estimated that a surplus of £500,000 was attributable to the company. This surplus was taken to the profit and loss account for the year ended 30th April 1997 as an exceptional credit to employment costs. The surplus is being used to fund the group's contributions under the new defined contribution plan as they fall due. Accordingly an amount of £272,000 (1998 – £396,000) has been included as a pensions prepayment in the balance sheet.

During the year ended 30th April 1999 the group only operated defined contribution schemes.



FIVE YEAR FINANCIAL SUMMARY

based on the consolidated financial statements for 12 months ended 30th April

Profit and loss account	1999	1998	1997	1996	1995
	£000	£000	£000	£000	£000
Turnover	229,519	202,385	139,029	104,922	83,272
Operating profit before exceptional items	39,516	40,131	31,182	24,836	18,772
Associated undertakings	—	—	174	202	546
Interest	(12,010)	(10,671)	(6,657)	(3,996)	(2,999)
Profit before exceptional items and taxation	27,506	29,460	24,699	21,042	16,319
Exceptional items	—	2,000	814	226	(2,139)
Profit before taxation	27,506	31,460	25,513	21,268	14,180
Tax	(8,545)	(8,919)	(8,339)	(6,961)	(4,253)
Profit for the financial year	18,961	22,541	17,174	14,307	9,927
Dividends	(7,561)	(7,066)	(5,480)	(4,681)	(3,904)
Retained profit	11,400	15,475	11,694	9,626	6,023
Earnings per ordinary share	31.4p	38.7p	31.6p	26.4p	18.4p
Adjustment for exceptional items	—	(3.4p)	(1.2p)	(0.4p)	2.7p
Adjusted earnings per ordinary share	31.4p	35.3p	30.4p	26.0p	21.1p
Dividends per ordinary share	12.5p	11.75p	10.0p	8.6p	7.2p
Balance sheet	1999	1998	1997	1996	1995
	£000	£000	£000	£000	£000
Assets employed					
Fixed assets	295,691	231,015	180,076	126,118	97,761
Net current (liabilities)/assets	(28,522)	(758)	(9,308)	18,769	19,754
Creditors (after one year) and provisions	(133,005)	(108,102)	(90,071)	(74,141)	(56,521)
	134,164	122,155	80,697	70,746	60,994
Financed by					
Share capital	3,530	3,516	3,222	3,210	3,202
Share premium account	44,902	44,307	21,477	21,261	21,079
Reserves	85,732	74,332	55,998	46,275	36,713
	134,164	122,155	80,697	70,746	60,994
Net asset value per ordinary share	221p	202p	147p	130p	112p



NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the one hundred and first Annual General Meeting of Goode Durrant plc will be held at Holborn Gate, 26 Southampton Buildings, London, WC2A 1PB at 11.30 am on 14th September 1999 for the following purposes:

1. To receive and adopt the directors' report and audited accounts of the company for the year ended 30th April 1999.
2. To declare a final dividend of 8.5p per ordinary share.
3. To re-appoint Deloitte & Touche as auditors of the company and to authorise the directors to fix their remuneration.
4. To re-elect Mr. A. T. Noble as a director.
5. To re-elect Mr. R. Williams as a director.

As special business to consider, and if thought fit, to pass the following resolutions which are to be proposed in the case of resolutions 6, 7 and 8 as Special Resolutions and in the case of resolution 9 as an Ordinary Resolution:

6. THAT the name of the Company be changed to Northgate plc.
7. THAT the directors be and they are hereby empowered pursuant to Section 95 of the Companies Act 1985 ("the Act"), to allot equity securities (within the meaning of Section 94 of the Act) for cash, pursuant to the existing authority given in accordance with Section 80 of the Act by a resolution passed at the Annual General Meeting of the company held on 6th September 1996 as if Section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to:
 - (a) the allotment of equity securities in connection with an offer of securities, open for acceptance for a period fixed by the directors, by way of rights to holders of ordinary shares and such other equity securities of the company as the directors may determine on the register on a fixed record date in proportion to their respective holdings of such securities or in accordance with the rights attached thereto (but subject to such exclusions or other arrangements as the directors may deem necessary or expedient to deal with fractional entitlements that would otherwise arise or with legal or practical problems under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory or otherwise howsoever);
 - (b) the allotment of equity securities in connection with any employees' share scheme approved by the members in general meeting; and
 - (c) the allotment (otherwise than pursuant to subparagraphs (a) and (b) above) of equity securities up to an aggregate nominal amount of £150,000.

and shall expire at the conclusion of the Annual General Meeting of the company to be held in 2000 or, if earlier, fifteen months after the passing of this resolution except that the company may before such expiry make offers or agreements which would or

might require equity securities to be allotted after such expiry and notwithstanding such expiry the directors may allot equity securities in pursuance of such offers or agreements.

8. THAT the company be generally and unconditionally authorised to make market purchases (as defined in Section 163, Companies Act 1985) of its ordinary shares of 5p each provided that:
 - (a) the company does not purchase under this authority more than 6,000,000 ordinary shares;
 - (b) the company does not pay less than 5p for each share;
 - (c) the company does not pay more for each share than 5% over the average of the middle market price of the ordinary shares according to the Daily Official List of the London Stock Exchange for the ten business days immediately preceding the date on which the company agrees to buy the shares concerned;
 - (d) this authority shall expire at the conclusion of the annual general meeting of the company to be held in 2000 unless such authority is renewed prior to such time; and
 - (e) the company may agree before the aforesaid authority terminates to purchase ordinary shares where the purchase will or may be executed (either wholly or in part) after the authority terminates. The company may complete such a purchase even though the authority has terminated.
9. THAT the incentive scheme of the Company to be known as the Goode Durrant Executive Incentive Scheme to be constituted by the Rules produced in draft to this meeting marked 'A' and for the purposes of identification signed by the Chairman thereof, the principal terms of which are described on pages 36 and 37 of the 1999 Report and Accounts, be and it is hereby approved and the directors be and they are hereby authorised to cause such Rules to be adopted in the form of such draft and to do all acts and things which they may consider necessary or expedient for implementing and giving effect to the same.

Dated 7th July 1999

By Order of the Board
D. Henderson
Secretary

Registered Office:
Northgate House
Darlington
Co. Durham DL1 1XA

NOTES

1. Only the holders of ordinary shares registered in the register of members of the company as at 6.00 pm on 12th September 1999 shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at that time. Changes to entries on the register of members after that time shall be disregarded in determining the right of any person to attend and vote at the meeting.
2. A member entitled to attend and vote is entitled to appoint one or more proxies to attend and (on a poll) vote instead of him. A proxy so appointed need not also be a member. A two-way proxy card for this purpose is enclosed.



Summary of the proposed Goode Durrant Executive Incentive Scheme ('the Executive Scheme')

1. General

There are two parts to the proposed scheme and the company intends to seek Inland Revenue approval of Part A - the 'Approved' part. There is also a part of the Executive Scheme which is not intended to be Inland Revenue approved. This part is to be used primarily to grant options to executives who have reached the £30,000 worth of outstanding options limit imposed on approved schemes by the Inland Revenue. Except to the extent required to obtain Inland Revenue approval and as explained in 7 below, the Approved and unapproved parts of the Executive Scheme are in all material respects identical.

Decisions relating to the operation of the Executive Scheme are the responsibility of the Board. It is, however, the Board's intention that, where appropriate, the operation of the Executive Scheme will be supervised by the Remuneration Committee, which consists entirely of non-executive directors.

2. Eligibility

Selected employees and executive directors of the company and its subsidiaries who (in the case of directors) are obliged to devote at least 25 hours a week to the business of the group and are not within 2 years of their contractual retirement ages, will be eligible to participate at the discretion of the Board. In respect of the grants of options to be made in 1999, no options will be granted to anyone within 5 years of their contractual retirement age.

3. Grant of options

Options (which may relate to new and/or existing shares) may be granted within six weeks following the approval of the Executive Scheme by shareholders or the date the Approved part of the Executive Scheme is approved by the Inland Revenue and thereafter following the announcement by the company of its results for any period and at other times in circumstances considered by the Board to be exceptional. No options may be granted later than 10 years after the approval of the Executive Scheme by shareholders.

Option grants will be made by Deed and accordingly no payment will be required for the grant of an option. Options are not transferable.

4. Individual participation

No option may be granted to an individual if, broadly, it would cause the total price payable for shares over which he holds options granted in the preceding 10 years under the Executive Scheme and all other executive share option schemes adopted by the company to exceed 8 times his/her annual earnings. Waived and exercised options will continue to count towards this limit.

Benefits under the Executive Scheme are not pensionable.

5. Acquisition price

The price per ordinary share payable upon exercise of an option will not be less than the higher of:

(a) the middle-market quotation of an ordinary share on the London Stock Exchange on the day preceding the Grant Date (or such other day as may be agreed with the Inland Revenue); and

(b) the nominal value of an ordinary share (unless the option is expressed to relate only to existing shares).

6. Limits on the issue of shares

No options may be granted under the Executive Scheme which would cause the number of shares issued or issuable under all employees' share options granted by the company during the preceding 10 years or issued during that period under any of the company's employee share schemes (other than an option scheme) to exceed 10 per cent of the company's issued ordinary share capital from time to time, nor if it would cause the number of shares issued or issuable pursuant to options granted during the 5 years before and 5 years after the date of approval of the Executive Scheme by shareholders under any executive share option scheme of the company to exceed 5% of the share capital. There are additional limits to ensure that the available shares are spread over the Executive Scheme's 10 year life.

7. Exercise of options

An option will normally be exercisable between 4 and 10 years following its grant, but only if a specified performance condition has



Summary of the proposed Goode Durrant Executive Incentive Scheme ('the Executive Scheme') continued

been satisfied. This condition will be designed to ensure that options are only exercisable if there is a significant and sustained improvement in the performance of the company and will be disclosed in the company's annual report and accounts. The condition may be varied in certain circumstances following the grant of an option so as to achieve its original purpose.

It is intended that the performance condition attached to the grant of options in 1999 under the Executive Scheme will be that, for all the options to become exercisable, the company's normalised earnings per share growth over the 5 year period following their grant has exceeded 15% pa. These options will normally only first become exercisable in full on the seventh anniversary of their grant and will lapse if they do not meet the prescribed level of growth over the 5 years. However, they will become capable of earlier exercise in tranches of 20%, 25% and 25% on the 4th, 5th and 6th anniversaries of their grant if earnings per share growth has been at least 15% pa over the 2, 3 and 4 years following their grant respectively. Partial exercise of these options over a sliding scale will be permitted for growth in earnings per share of between 8% and 15% pa over these periods. Performance conditions attaching to future grants will, in the opinion of the Board, be equally demanding.

Options normally lapse on cessation of employment. Exercise of options is, however, permitted immediately following death, or in due course following cessation of employment by reason of injury, disability, redundancy or where the optionholder's employer ceases to be within the group or in other circumstances at the discretion of the Board in all such cases to the extent that the performance condition has already been satisfied. Inland Revenue approved options may also be exercised within the same limitations following retirement at normal retirement age.

Options may, at the discretion of the Board, be exercised in whole or in part (irrespective of the period for which the option has been held) in the event of an amalgamation, takeover, reconstruction or winding-up of the company.

In such circumstances, the Board will have regard to the extent to which the performance condition has been met and the time elapsed since the grant of the option.

8. Rights attaching to shares

Ordinary shares allotted under the Executive Scheme will rank *pari passu* with all other ordinary shares of the company for the time being in issue (except for rights arising by reference to a record date prior to their allotment).

9. Adjustment of options

In the event of any rights or capitalisation issue, sub-division, consolidation, reduction or other variation of share capital (or, in the case of unapproved options, on a demerger, payment of a capital dividend or other events similarly affecting options), adjustments considered to be appropriate may be made to the total number of shares subject to options and the price payable on the exercise of options. In the case of the Approved part of the Executive Scheme, any such adjustment must receive the prior approval of the Inland Revenue.

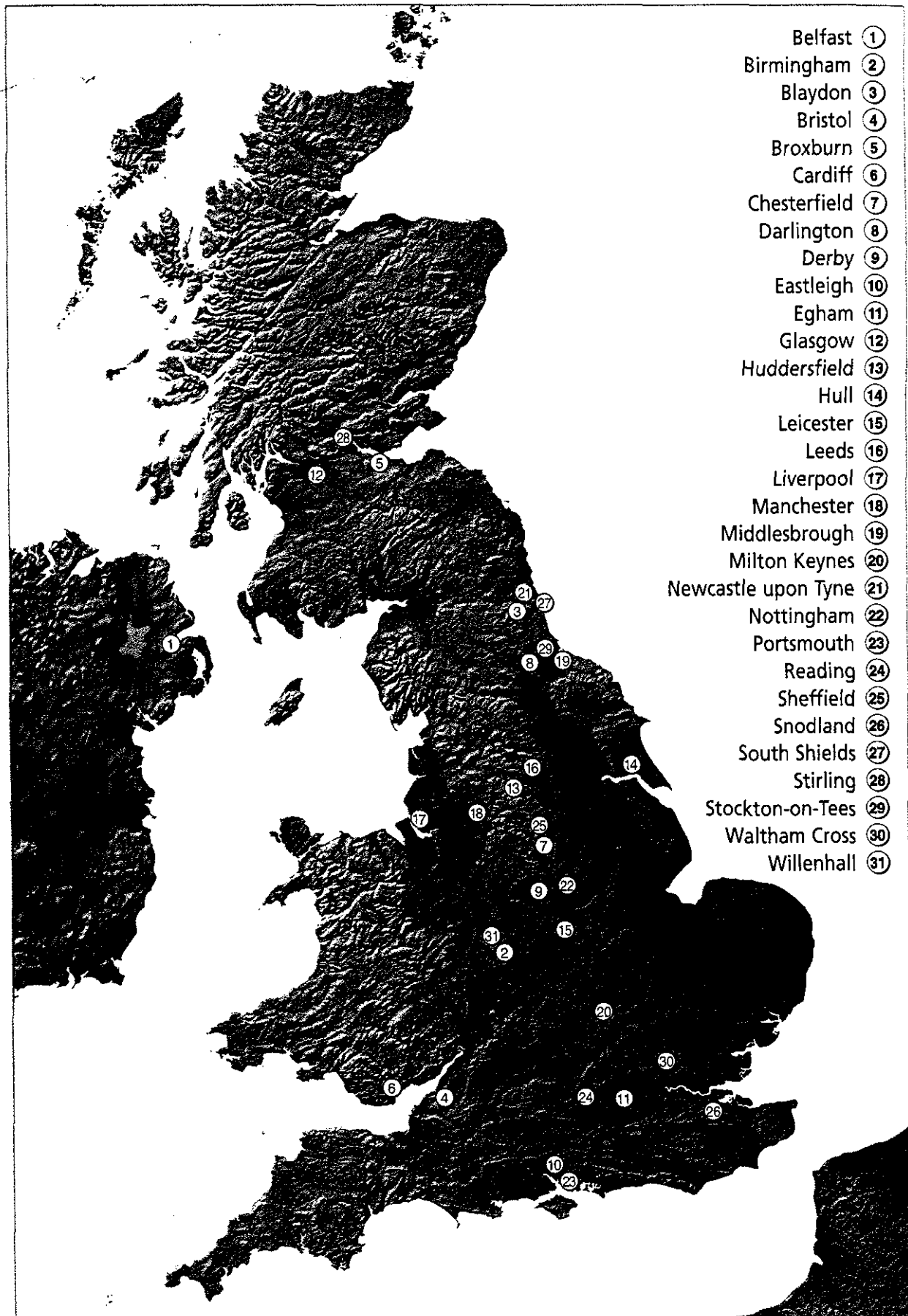
10. Alterations to the Scheme

The Board may at any time alter or add to the Executive Scheme in any respect, provided that the prior approval of shareholders is obtained for alterations or additions to the advantage of participants which affect the category of person eligible to participate, the limits on what allocations can be made and the circumstances in which options can be exercised or adjusted. The requirement to obtain the prior approval of shareholders will not, however, apply in relation to any alteration or addition which is minor in nature and is made to benefit the administration of the Executive Scheme, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control, or regulatory treatment for participants or the group.

The right is also reserved to make such amendments to the Executive Scheme as are considered appropriate, provided they do not conflict in any material respect with this summary of the Executive Scheme Rules.



NORTHGATE DEPOT LOCATIONS





GOODE DURRANT PLC

NORTHGATE DEPOT LOCATIONS



ACORN CAR & VAN HIRE
(CHESTERFIELD) LTD
Chesterfield
Tel: 01246 - 477644



ADRIAN TRUCK HIRE LTD
Reading
Tel: 0118 - 941 2041



ANCHOR SELF DRIVE LTD
Leeds
Tel: 0113 - 255 0441



AUTORENTALS
(CLEVELAND) LTD
Middlesbrough
Tel: 01642 - 469000



BEESTON VAN HIRE LTD
Nottingham
Tel: 0115 - 925 5088



BELFAST SELF DRIVE LTD
Belfast
Tel: 028 - 903 566 33



BRISTOL SELF DRIVE LTD
Bristol
Tel: 0117 - 953 0777



CALEDONIAN
SELF DRIVE LTD
Blaydon
Tel: 0191 - 499 0611



CARTRUX RENTAL LTD
Birmingham
Tel: 0121 - 753 3377



CYMRU SELF DRIVE LTD
Cardiff
Tel: 029 - 204 999 00



DELTA SELF DRIVE LTD
Egham
Tel: 01784 - 438899



DON VALLEY
SELF DRIVE LTD
Sheffield
Tel: 0114 - 243 5888



EAST MIDLANDS
VEHICLE HIRE LTD
Derby
Tel: 01332 - 292727
Leicester
Tel: 0116 - 246 0212



EMBER RENTAL LTD
Huddersfield
Tel: 01484 - 533516



LOTHIAN
SELF DRIVE LTD
Broxburn
Tel: 01506 - 858508



M&G SELF DRIVE LTD
Hull
Tel: 01482 - 575777



MAINCREST HIRE LTD
Liverpool
Tel: 0151 - 733 3201



MERIDIAN
SELF DRIVE LTD
Snodland
Tel: 01634 - 244400



NOBLE SELF DRIVE LTD
Darlington
Tel: 01325 - 461125



NORTHGATE
TRUCK RENTAL LTD
South Shields
Tel: 0191 - 455 1179



ORBITAL SELF DRIVE LTD
Waltham Cross
Tel: 01992 - 714545



SOLENT SELF DRIVE LTD
Portsmouth
Tel: 023 - 926 216 00



SPINELINK SELF DRIVE LTD
Willenhall
Tel: 0121 - 526 5353



STRATHCLYDE SELF DRIVE LTD
Glasgow
Tel: 0141 - 300 4500



SWIFT VEHICLE
RENTAL LTD
Stirling
Tel: 01786 - 471555



3 COUNTIES SELF DRIVE LTD
Milton Keynes
Tel: 01908 - 632100



TRANSLINE
VEHICLE HIRE LTD
Newcastle upon Tyne
Tel: 0191 - 261 0421



TRANSMORE VAN HIRE LTD
Stockton-on-Tees
Tel: 01642 - 603732



TRUKVAN RENTAL LTD
Manchester
Tel: 0161 - 832 2781



UK VEHICLE RENTAL LTD
Eastleigh
Tel: 023 - 806 413 33



INFORMATION FOR SHAREHOLDERS

Classification

Information concerning day to day movements in the price of the company's ordinary shares is available on Cityline (0891 123456) code 2722 and is displayed on page 51231 of SEAQ.

Market-makers

The following companies have informed the London Stock Exchange that they make a market in the company's shares:

Credit Suisse First Boston Equities Ltd.
Kleinwort Benson Securities Ltd.

Ex dividend date

The ex dividend date for the final dividend on the ordinary shares recommended for payment on 16th September 1999 is 19th July 1999.

Capital gains tax

The market value of the company's shares at 31st March 1982 for capital gains tax purposes following the change in the base date in the Finance Act 1988 is as follows:

5p ordinary	34.5p
5% preference	12.5p

Financial calendar

January	Announcement of interim results
February	Payment of interim dividend
July	Announcement of year-end results Report and accounts posted to shareholders
September	Annual general meeting Payment of final dividend

Secretary and registered office

D Henderson FCIS

Northgate House
Darlington
Co. Durham DL1 1XA

Tel: 01325 467558

Financial advisers

Lazard Brothers & Co., Limited

Registrars

IRG plc
Bourne House
34 Beckenham Road
Beckenham
Kent BR3 4TU

Tel: 0181-639 2000

Auditors

Deloitte & Touche
Chartered Accountants and Registered Auditors