

Bernard Brogan Limited

Directors' report and financial statements

31 May 1997

Registered number 29521

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Directors' report and financial statements

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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 May 1997.

Principal activities

The company is principally engaged in fuel distribution, haulage contracting, access platform hire, ironmongery supplies and industrial fabrication.

Business review

The profit for the year after taxation amounted to £88,360 (1996: £38,969). A dividend of £10,080 is proposed (1996: £10,080).

Directors and directors' interests

The directors who held office during the year and their interests in the ordinary share capital of the company were as follows :

	<i>Note</i>	1997	1996 or date of appointment
Edward Brogan	<i>1</i>	1,125	1,125
James Brogan	<i>1</i>	1,125	1,125
John Brogan (Resigned as director on 11 September 1996)	<i>1</i>	1,125	1,125
CB Brogan	<i>1</i>	7,969	7,969
AH Tait		4,469	4,469
C Mauchline		Nil	Nil
W Taylor		Nil	Nil
F Lemka		Nil	Nil

Note 1: In addition to their shareholdings these directors had a non beneficial interest at 31 May 1997 in 4,594 ordinary shares (1996: 5,906) held by a trust of which they are trustees.

Fixed assets

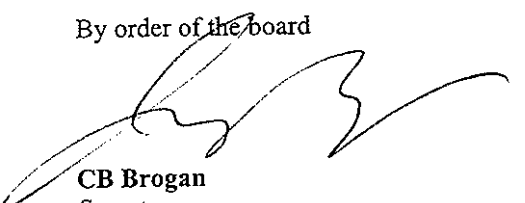
In the opinion of the directors the company's freehold properties have a market value in excess of book value.

Directors' report

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the Annual General Meeting.

By order of the board



CB Brogan
Secretary

Nethan Street
Motherwell
ML1 3TF

28 August 1997

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



24 Blythswood Square
Glasgow
G2 4QS
United Kingdom

Report of the auditors to the members of Bernard Brogan Limited

We have audited the financial statements on pages 5 to 16.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 May 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG
Chartered Accountants
Registered Auditors

4 September 1997

Profit and loss account
for the year ended 31 May 1997

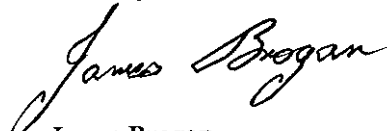
	Note	1997 £	1996 £
Turnover	2	24,078,626	21,362,250
Cost of sales		<u>(22,931,532)</u>	<u>(20,351,183)</u>
Gross profit		1,147,094	1,011,067
Administrative expenses		<u>(1,002,964)</u>	<u>(905,213)</u>
Other operating income		73,082	56,036
Operating profit		217,212	161,890
Interest payable	4	<u>(114,569)</u>	<u>(110,812)</u>
Profit on ordinary activities before taxation	2-3	102,643	51,078
Taxation on ordinary activities	6	<u>(14,283)</u>	<u>(12,109)</u>
Profit on ordinary activities after taxation		88,360	38,969
Dividend payable		<u>(10,080)</u>	<u>(10,080)</u>
Retained profit for the financial year		78,280	28,889
Profit and loss account brought forward		<u>1,605,347</u>	<u>1,576,458</u>
Profit and loss account carried forward		<u>1,683,627</u>	<u>1,605,347</u>

There have been no recognised gains or losses other than the profit for the financial year.

Balance sheet
at 31 May 1997

	Note	1997	1996
		£	£
Fixed assets			
Tangible assets	7	2,312,146	2,180,331
Investment	8	10,868	10,868
		<u>2,323,014</u>	<u>2,191,199</u>
Current assets			
Stocks	9	459,834	486,972
Debtors	10	3,473,602	3,127,712
Cash in hand		1,420	1,350
		<u>3,934,856</u>	<u>3,616,034</u>
Creditors: amounts falling due within one year	11	<u>(4,126,763)</u>	<u>(3,695,313)</u>
Net current liabilities		<u>(191,907)</u>	<u>(79,279)</u>
Total assets less current liabilities		<u>2,131,107</u>	<u>2,111,920</u>
Creditors: amounts falling due after more than one year	11	(280,195)	(307,975)
Provision for liabilities and charges			
Deferred taxation	12	<u>(83,285)</u>	<u>(114,598)</u>
Net assets		<u>1,767,627</u>	<u>1,689,347</u>
Capital and reserves			
Called up equity share capital	13	84,000	84,000
Profit and loss account		<u>1,683,627</u>	<u>1,605,347</u>
Equity shareholders' funds		<u>1,767,627</u>	<u>1,689,347</u>

These financial statements were approved by the board of directors on 28 August 1997 and were signed on its behalf by:


James Brogan
Director

Cash flow statement
for the year ended 31 May 1996

	Note	1997	1996
		£	£
Net cash inflow from operating activities	15	734,597	819,602
Returns on investments and servicing of finance			
Interest paid		(84,456)	(82,212)
Interest element of finance lease rental payments		<u>(30,113)</u>	<u>(28,600)</u>
		(114,569)	(110,812)
Taxation		(6,374)	(7,271)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(679,833)	(735,880)
Disposal of tangible fixed assets		64,950	44,025
Purchase of fixed asset investment		<u>-</u>	<u>(8,370)</u>
Net cash outflow from investing activities		(614,883)	(700,225)
Equity dividends paid		(10,080)	-
Financing			
Capital element of finance lease rental payments		(153,354)	(124,973)
New finance leases		<u>161,653</u>	<u>173,718</u>
Net cash inflow from financing		<u>8,299</u>	<u>48,745</u>
(Decrease)/increase in cash	16	<u>(3,010)</u>	<u>50,039</u>

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Certain prior year amounts in the profit and loss account have been reclassified to conform with the current years presentation. There is no impact on profit for the financial year or the prior year.

Turnover

Turnover is the total amount receivable by the company in the ordinary course of business with outside customers for services provided and goods supplied as a principal, excluding VAT and trade discounts.

Depreciation

Depreciation is provided by the company to write off the cost less the estimated residual value of tangible fixed assets over their estimated useful lives. Depreciation is calculated on the reducing balance method, with the exception of computer equipment included within plant which is written off over 4 years.

The rates applicable are:

Buildings	-	2%
Plant	-	25%
Vehicles	-	25%
Furniture	-	15%
Oil Tanks	-	10%

Stocks

Stocks are stated at the lower of cost and net realisable value.

Deferred tax

Deferred tax is the corporation tax attributable to timing differences between profits or losses as computed for tax purposes and results as stated in the financial statements. Deferred tax is provided to the extent that it is probable that a liability will crystallise. Deferred tax is calculated at the rates at which it is estimated that corporation tax will be paid when the timing differences reverse.

Pension costs

The company's pension costs are charged to the profit and loss account so as to spread the cost of pensions evenly over the estimated average service lives of the employees who are members of the company's pension scheme.

Leasing

Assets held under finance leases are recorded at cost, with an equivalent liability shown within creditors due within or after one year as appropriate. Each asset is depreciated over the shorter of the lease period and the asset's useful economic life. The interest element represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease.

Rental payments due under operating lease arrangements are charged to the profit and loss account in the period to which they relate.

Notes (continued)

2 Turnover and profit on ordinary activities before taxation

Turnover represents sales of goods and services by the company within the UK.

The following is an analysis of turnover and profit before tax by activity:

	Turnover		Profit before tax	
	1997 £	1996 £	1997 £	1996 £
Fuel distribution	22,749,877	19,733,069	575,700	486,845
Haulage contracting	779,828	815,087	(12,870)	(16,569)
Access platform hire	1,158,848	891,619	244,565	194,474
Ironmongery supplies	690,729	767,566	38,219	79,149
Industrial fabrication	107,167	118,545	(745)	923
Motor engineering	-	3,905	-	(10,713)
	<u>25,486,449</u>	<u>22,329,791</u>	<u>844,869</u>	<u>734,109</u>
Trading between activities	(1,407,823)	(967,541)	-	-
Overheads	-	-	(687,226)	(683,031)
Goodwill write off	-	-	(55,000)	-
	<u>24,078,626</u>	<u>21,362,250</u>	<u>102,643</u>	<u>51,078</u>

3 Profit on ordinary activities before taxation

	1997 £	1996 £
<i>Profit on ordinary activities before taxation is stated after charging</i>		
Auditors' remuneration	15,810	15,358
Payments to auditors for other services	3,931	4,350
Depreciation - owned assets	396,614	315,949
- finance leases	121,248	118,393
Staff costs	1,640,288	1,560,436
Hire of plant and machinery under operating leases	51,982	43,636
Goodwill write off	55,000	-

During the year, the company purchased the business and assets of a fuel distributor in Forfar. The goodwill arising on this purchase has been written off to the profit and loss account in the current year. This acquisition is not material and its results have therefore not been separately disclosed in the profit and loss account.

The total amount charged to revenue for the hire of plant and machinery amounted to £203,343 (1996: £190,629). This comprises rentals payable under operating leases as well as depreciation on plant and machinery held under finance leases together with the related finance charges.

Notes (continued)

4 Interest payable

	1997 £	1996 £
On bank overdraft wholly repayable within five years	84,456	82,212
On finance leases	30,113	28,600
	<u>114,569</u>	<u>110,812</u>

5 Directors and employees

The average number of employees of the company during the year and their aggregate emoluments are shown below:

	1997 £	1996 £
Wages and salaries	1,465,708	1,397,481
Social security	136,254	132,771
Pension costs	38,326	30,184
	<u>1,640,288</u>	<u>1,560,436</u>

Average number of employees during the year, analysed by category, was

	1997	1996
Directors and administrative staff	29	27
Clerical and distribution	72	69
	<u>101</u>	<u>96</u>

Remuneration in respect of directors is as follows:

	1997 £	1996 £
Emoluments (including benefits in kind)	204,204	297,253
Pension costs	16,474	16,560
	<u>220,678</u>	<u>313,813</u>

The emoluments, excluding pension contributions, of the highest paid director were £45,012 (1996: £81,520). He is a member of a defined benefits scheme, under which the accrued pension to which he would be entitled from normal retirement date if he were to retire at the year end, was £14,931 per annum, and his accrued lump sum was £6,938.

Retirement benefits are accruing to the following number of directors under:

	Number of directors 1997	1996
Money purchase schemes	2	-
Defined benefit schemes	2	5
	<u>2</u>	<u>5</u>

Notes (continued)

6 Tax on profit on ordinary activities

	1997 £	1996 £
UK corporation tax (charge) at 24% (1996: 25%)	(45,972)	(4,104)
Deferred tax credit	4,364	(12,675)
Prior year - Corporation tax overprovision	376	-
- Deferred tax (charge)/credit	14,711	(209)
Movement in deferred tax due to change in taxation rate	12,238	4,879
	<u>(14,283)</u>	<u>(12,109)</u>

7 Tangible fixed assets

	Freehold properties £	Plant £	Vehicles £	Furniture £	Oil tanks £	Total £
Cost						
At beginning of year	569,299	307,950	3,198,035	77,083	114,702	4,267,069
Additions	-	115,805	538,173	3,443	22,412	679,833
Disposals	-	-	(242,178)	-	-	(242,178)
At end of year	<u>569,299</u>	<u>423,755</u>	<u>3,494,030</u>	<u>80,526</u>	<u>137,114</u>	<u>4,704,724</u>
Depreciation						
At beginning of year	83,688	113,974	1,781,189	58,541	49,346	2,086,738
Charge for the year	9,712	72,690	424,723	2,990	7,747	517,862
Disposals	-	-	(212,022)	-	-	(212,022)
At end of year	<u>93,400</u>	<u>186,664</u>	<u>1,993,890</u>	<u>61,531</u>	<u>57,093</u>	<u>2,392,578</u>
Net book value						
At 31 May 1997	<u>475,899</u>	<u>237,091</u>	<u>1,500,140</u>	<u>18,995</u>	<u>80,021</u>	<u>2,312,146</u>
At 31 May 1996	<u>485,611</u>	<u>193,976</u>	<u>1,416,846</u>	<u>18,542</u>	<u>65,356</u>	<u>2,180,331</u>

Vehicles include assets held under finance leases which had a net book value of £390,670 at 31 May 1997 (1996: £350,265).

Notes (continued)

8	Fixed asset investment	1997 £	1996 £
	Investment in subsidiary undertaking	2,498	2,498
	Other loans	<u>8,370</u>	<u>8,370</u>
		<u>10,868</u>	<u>10,868</u>

Lemka Fabrications Limited is a wholly owned subsidiary undertaking of Bernard Brogan Limited and as the company did not trade during the year consolidated financial statements have not been prepared.

9	Stocks	1997 £	1996 £
	Finished goods and goods for resale	<u>459,834</u>	<u>486,972</u>

10	Debtors	1997 £	1996 £
	<i>All falling due within one year</i>		
	Trade debtors	3,366,976	2,962,768
	VAT	-	24,450
	Prepayments	<u>106,626</u>	<u>140,494</u>
		<u>3,473,602</u>	<u>3,127,712</u>

Notes (continued)

11	Creditors	1997		1996	
		Due within one year £	Due after one year £	Due within one year £	Due after one year £
	Bank overdraft	811,877	-	808,797	-
	Trade creditors	2,980,571	100,678	2,685,012	103,422
	Amounts owed to subsidiary undertaking	-	2,567	-	2,567
	Other creditors including taxation and social security:				
	Social security and other taxes	105,335	-	42,612	-
	Other creditors	212	-	110	-
	Accruals and deferred income	66,470	-	29,819	-
	Obligations under finance leases	149,698	176,950	116,363	201,986
	Dividend payable	10,080	-	10,080	-
	Advanced corporation tax	2,520	-	2,520	-
		<u>4,126,763</u>	<u>280,195</u>	<u>3,695,313</u>	<u>307,975</u>

The bank overdraft is secured by a standard security over properties owned by the company together with a bond and floating charge over the whole assets of the company.

A further floating charge, subordinate to that of the bank, is held by a major trade creditor. The aggregate balance due within one year at 31 May 1997 was £2,522,717.

The obligations under finance leases due after one year are due within two to five years.

12 Deferred taxation

Deferred taxation fully provided in the financial statements at 21% (1996: 24%) is set out below:

	1997 £	1996 £
Accelerated capital allowances	88,881	184,974
Other timing differences	(3,076)	(67,856)
	<u>85,805</u>	<u>117,118</u>
Advance corporation tax recoverable	(2,520)	(2,520)
	<u>83,285</u>	<u>114,598</u>
Opening provision	114,598	109,113
Transfer from profit and loss account	(31,313)	8,005
Movement in advance corporation tax recoverable	-	(2,520)
	<u>83,285</u>	<u>114,598</u>
Closing provision		

Notes (continued)

13	Share capital	1997 £	1996 £
	<i>Authorised</i>		
	100,000 ordinary shares of £1 each	100,000	100,000
	<i>Allotted, called up and fully paid:</i>		
	84,000 ordinary shares of £1 each	84,000	84,000
14	Reconciliation of movement in shareholders funds	1997 £	1996 £
	Opening shareholders funds	1,689,347	1,660,458
	Profit for the financial year	78,280	28,889
		1,767,627	1,689,347
15	Reconciliation of operating profit to net cash inflow from operating activities	1997 £	1996 £
	Operating profit	217,212	161,890
	Depreciation charged	517,862	434,342
	Profit on sale of tangible fixed assets	(34,794)	(3,404)
	Decrease/(increase) in stocks	27,138	(55,974)
	(Increase)/decrease in debtors	(345,890)	183,073
	Increase in creditors	353,069	99,675
	Net cash inflow from operating activities	734,597	819,602

Notes (continued)

16 Reconciliation of net cash flow to movements in net debt

	1997 £	1996 £
(Decrease)/increase in cash	(3,010)	50,039
Movement in finance leases	<u>153,354</u>	<u>124,973</u>
	150,344	175,012
New finance leases	<u>(161,653)</u>	<u>(173,718)</u>
	(11,309)	1,294
Movement in net debt	<u>(1,125,796)</u>	<u>(1,127,090)</u>
Net debt at the beginning of the year		
	<u>(1,137,105)</u>	<u>(1,125,796)</u>
Net debt at the end of the year		

17 Analysis of changes in net debt

	At 1 June 1996 £	Cash flow £	Other change £	At 31 May 1997 £
Cash in hand, at bank	(807,447)	(3,010)	-	(810,457)
Finance lease	<u>(318,349)</u>	<u>153,354</u>	<u>(161,653)</u>	<u>(326,648)</u>
	<u>(1,125,796)</u>	<u>150,344</u>	<u>(161,653)</u>	<u>(1,137,105)</u>

18 Commitments

- (i) Capital commitments at 31 May 1997, for which no provision has been made were as follows:

	1997 £	1996 £
Contracted	<u>254,000</u>	<u>183,000</u>

- (ii) Operating leases

At the end of the year the company had commitments under non-cancellable operating leases as follows:

	1997 £	1996 £
Operating leases which expire:		
In one year	14,459	15,781
In the second to fifth years inclusive	<u>19,378</u>	<u>15,090</u>

Notes (continued)

19 Pension costs

The company operates a pension scheme providing benefits based on final pensionable salary. The assets of the scheme are held separately from those of the company, being invested with Scottish Mutual Assurance plc. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method modified by a 20 year control period. The most recent valuation was carried out with an effective date of 1 December 1994. The assumptions which have the most significance are those relating to the rate of return on pensions. It was assumed that the investment returns would be 8.5% per annum and that salary increases would average 7% per annum and that pensions in excess of the guaranteed minimum pension (GMP) would increase at the rate of 5% per annum.

The most recent actuarial valuation showed that the value of the scheme's assets was £1,467,700 and that the actuarial value of those assets represented 125% of the benefits that had accrued to members, after allowing for revaluation at 7% per annum on benefits in excess of the GMP and statutory revaluation on the GMP. The contributions of the company and employees have been reduced to 6.2% and 2% of earnings for staff and 11.5% and 3% of earnings for directors respectively.

In addition the company operates a money purchase scheme. The assets of the scheme are held separately from those of the company, being invested with Scottish Mutual Assurance plc. The scheme commenced on 1 December 1996. The contributions of the company and employees are 2.4% and 2% of earnings for staff and 11.5% and 2% of earnings for directors respectively.

The pension charge for the year was £38,326 (1996: £30,184).

Prepaid pension contributions at 31 May 1997 amounted to £14,649 (1996: £35,614).