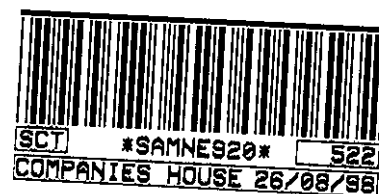


Bernard Brogan Limited

Directors' report and financial statements

31 May 1998

Registered number 29521



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 1998.

Principal activities

The company is principally engaged in fuel distribution, access platform hire, ironmongery supplies and industrial fabrication. The company ceased its haulage contracting operations during the current year.

Business review

The profit for the year after taxation amounted to £281,850 (1997: £88,360). A dividend of £42,000 is proposed (1997: £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>	1998	1997 or date of appointment
Edward Brogan	<i>1</i>	1,125	1,125
James Brogan	<i>1</i>	125	1,125
CB Brogan	<i>1</i>	8,469	7,969
AH Tait		4,469	4,469
C Mauchline (Resigned as director on 8 September 1997)		Nil	Nil
W Taylor		Nil	Nil
F Lemka (Resigned as director on 8 September 1997)		Nil	Nil
A Brogan (Appointed as director on 8 September 1997)		5,662	Nil

Note 1: In addition to their shareholdings these directors had a non beneficial interest at 31 May 1998 in 4,594 ordinary shares (1997: 4,594) 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.

Year 2000

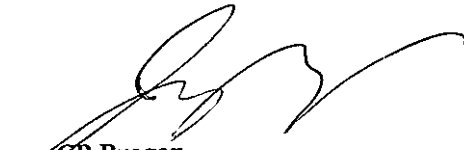
The Directors have undertaken a review of the likely impact of the year 2000 on the company's computer systems and business. Where necessary, appropriate work is in hand to upgrade systems.

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

18 August 1998

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 1998 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

20 August 1998

Profit and loss account
for the year ended 31 May 1998

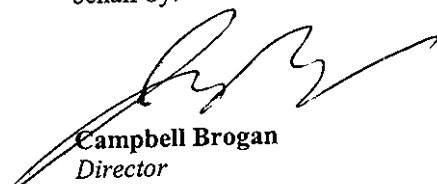
	Note	1998 £	1997 £
Turnover	2	26,363,225	24,078,626
Cost of sales		<u>(24,957,965)</u>	<u>(22,931,532)</u>
Gross profit		1,405,260	1,147,094
Administrative expenses		(928,221)	(1,002,964)
Other operating income		<u>60,857</u>	<u>73,082</u>
Operating profit		537,896	217,212
Interest payable	4	<u>(129,633)</u>	<u>(114,569)</u>
Profit on ordinary activities before taxation	2-3	408,263	102,643
Taxation on ordinary activities	6	<u>(126,413)</u>	<u>(14,283)</u>
Profit on ordinary activities after taxation		281,850	88,360
Dividend payable		<u>(42,000)</u>	<u>(10,080)</u>
Retained profit for the financial year		239,850	78,280
Profit and loss account brought forward		<u>1,683,627</u>	<u>1,605,347</u>
Profit and loss account carried forward		<u>1,923,477</u>	<u>1,683,627</u>

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

Balance sheet
at 31 May 1998

	Note	1998	1997
		£	£
Fixed assets			
Tangible assets	7	2,465,166	2,312,146
Investment	8	<u>10,868</u>	<u>10,868</u>
		2,476,034	2,323,014
Current assets			
Stocks	9	553,548	459,834
Debtors	10	3,737,580	3,473,602
Cash in hand		<u>1,420</u>	<u>1,420</u>
		4,292,548	3,934,856
Creditors: amounts falling due within one year	11	<u>(4,508,779)</u>	<u>(4,126,763)</u>
Net current liabilities		<u>(216,231)</u>	<u>(191,907)</u>
Total assets less current liabilities		2,259,803	2,131,107
Creditors: amounts falling due after more than one year	11	(160,193)	(280,195)
Provision for liabilities and charges			
Deferred taxation	12	<u>(92,133)</u>	<u>(83,285)</u>
Net assets		<u>2,007,477</u>	<u>1,767,627</u>
Capital and reserves			
Called up equity share capital	13	84,000	84,000
Profit and loss account		<u>1,923,477</u>	<u>1,683,627</u>
Equity shareholders' funds		<u>2,007,477</u>	<u>1,767,627</u>

These financial statements were approved by the board of directors on 18 August 1998 and were signed on its behalf by:


Campbell Brogan
Director

Cash flow statement
for the year ended 31 May 1998

	<i>Note</i>	1998	1997
		£	£
Net cash inflow from operating activities	15	1,092,400	734,597
Returns on investments and servicing of finance			
Interest paid		(102,216)	(84,456)
Interest element of finance lease rental payments		<u>(15,896)</u>	<u>(30,113)</u>
		(118,112)	(114,569)
Taxation		(47,795)	(6,374)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(835,417)	(518,180)
Disposal of tangible fixed assets		<u>134,646</u>	<u>64,950</u>
Net cash outflow from investing activities		(700,771)	(453,230)
Equity dividends paid		(10,080)	(10,080)
Financing			
Capital element of finance lease rental payments		<u>(69,603)</u>	<u>(153,354)</u>
Net cash outflow from financing		<u>(69,603)</u>	<u>(153,354)</u>
Increase/(decrease) in cash	16	<u>146,039</u>	<u>(3,010)</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.

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	
	1998 £	1997 £	1998 £	1997 £
Fuel distribution	26,417,639	22,749,877	874,825	575,700
Haulage contracting	226,638	779,828	(35,532)	(12,870)
Access platform hire	1,130,043	1,158,848	232,802	244,565
Ironmongery supplies	892,556	690,729	54,235	38,219
Industrial fabrication	208,854	107,167	1,315	(745)
	<u>28,875,730</u>	<u>25,486,449</u>	<u>1,127,645</u>	<u>844,869</u>
Trading between activities	(2,512,505)	(1,407,823)	-	-
Overheads	-	-	(719,382)	(687,226)
Goodwill write off	-	-	-	(55,000)
	<u>26,363,225</u>	<u>24,078,626</u>	<u>408,263</u>	<u>102,643</u>

3 Profit on ordinary activities before taxation

	1998 £	1997 £
<i>Profit on ordinary activities before taxation is stated after charging</i>		
Auditors' remuneration	15,845	15,810
Payments to auditors for other services	1,500	3,931
Depreciation - owned assets	458,267	396,614
Depreciation - finance leases	55,571	121,248
Staff costs	1,639,833	1,640,288
Hire of plant and machinery under operating leases	46,207	51,982
Goodwill write off	-	55,000

The total amount charged to revenue for the hire of plant and machinery amounted to £129,195 (1997: £203,343). 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

	1998 £	1997 £
On bank overdraft wholly repayable within five years	102,216	84,456
On finance leases	<u>27,417</u>	<u>30,113</u>
	<u>129,633</u>	<u>114,569</u>

5 Directors and employees

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

	1998 £	1997 £
Wages and salaries	1,639,833	1,465,708
Social security	148,860	136,254
Pension costs	<u>28,590</u>	<u>38,326</u>
	<u>1,817,283</u>	<u>1,640,288</u>

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

	1998	1997
Directors and administrative staff	30	29
Distribution	<u>75</u>	<u>72</u>
	<u>105</u>	<u>101</u>

Remuneration in respect of directors is as follows:

	1998 £	1997 £
Emoluments (including benefits in kind)	207,700	204,204
Pension costs	16,845	16,474
Ex-gratia retirement payments	<u>20,000</u>	<u>-</u>
	<u>244,545</u>	<u>220,678</u>

The emoluments, excluding pension contributions, of the highest paid director were £49,342 (1997: £45,012). 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 £18,447 per annum, and his accrued lump sum was £9,000.

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

	Number of directors 1998	1997
Money purchase schemes	1	2
Defined benefit schemes	<u>3</u>	<u>2</u>

Notes (continued)

6 Tax on profit on ordinary activities

	1998 £	1997 £
UK corporation tax (charge) at 24.85% (1997: 24%)	(107,762)	(45,972)
Deferred tax (charge)/credit	(3,384)	4,364
Prior year - Corporation tax (under)/overprovision	(1,823)	376
- Deferred tax credit	2,287	14,711
Movement in deferred tax due to change in taxation rate	(15,731)	12,238
	<u>(126,413)</u>	<u>(14,283)</u>

7 Tangible fixed assets

	Freehold properties £	Plant £	Vehicles £	Furniture £	Oil tanks £	Total £
Cost						
At beginning of year	569,299	423,755	3,494,030	80,526	137,114	4,704,724
Additions	73,624	118,003	733,017	5,362	23,969	953,975
Disposals	-	-	(804,994)	-	-	(804,994)
At end of year	<u>642,923</u>	<u>541,758</u>	<u>3,422,053</u>	<u>85,888</u>	<u>161,083</u>	<u>4,853,705</u>
Depreciation						
At beginning of year	93,400	186,664	1,993,890	61,531	57,093	2,392,578
Charge for the year	10,560	87,763	402,874	3,440	9,201	513,838
Disposals	-	-	(517,877)	-	-	(517,877)
At end of year	<u>103,960</u>	<u>274,427</u>	<u>1,878,887</u>	<u>64,971</u>	<u>66,294</u>	<u>2,388,539</u>
Net book value						
At 31 May 1998	<u>538,963</u>	<u>267,331</u>	<u>1,543,166</u>	<u>20,917</u>	<u>94,789</u>	<u>2,465,166</u>
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>

Vehicles include assets held under finance leases which had a net book value of £222,058 at 31 May 1998 (1997: £390,670).

Notes (continued)

8 Fixed asset investment

	1998 £	1997 £
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

	1998 £	1997 £
Finished goods and goods for resale	<u>553,548</u>	<u>459,834</u>

10 Debtors

	1998 £	1997 £
<i>All falling due within one year</i>		
Trade debtors	3,565,517	3,366,976
VAT	25,583	-
Prepayments	<u>146,480</u>	<u>106,626</u>
	<u>3,737,580</u>	<u>3,473,602</u>

Notes (continued)

11 Creditors	1998		1997	
	Due within one year £	Due after one year £	Due within one year £	Due after one year £
Bank overdraft	665,838	-	811,877	-
Trade creditors	3,539,597	-	2,980,571	100,678
Amounts owed to subsidiary undertaking	2,567	-	-	2,567
Mainstream corporation tax	105,242	-	43,076	-
Social security and other taxes	53,120	-	62,259	-
Other creditors	90	-	212	-
Accruals and deferred income	40,914	-	66,470	-
Obligations under finance leases	48,911	160,193	149,698	176,950
Dividend payable	42,000	-	10,080	-
Advanced corporation tax	10,500	-	2,520	-
	<u>4,508,779</u>	<u>160,193</u>	<u>4,126,763</u>	<u>280,195</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 1998 was £2,714,369.

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 24.85% (1997: 21%) is set out below:

	1998 £	1997 £
Accelerated capital allowances	104,384	88,881
Other timing differences	(1,751)	(3,076)
	<u>102,633</u>	<u>85,805</u>
Advance corporation tax recoverable	(10,500)	(2,520)
	<u>92,133</u>	<u>83,285</u>
Opening provision	83,285	114,598
Transfer to/ from profit and loss account	16,828	(31,313)
Movement in advance corporation tax recoverable	(7,980)	-
	<u>92,133</u>	<u>83,285</u>
Closing provision	<u>92,133</u>	<u>83,285</u>

Notes (continued)

13 Share capital

	1998 £	1997 £
<i>Authorised</i>		
100,000 ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>
<i>Allotted, called up and fully paid:</i>		
84,000 ordinary shares of £1 each	<u>84,000</u>	<u>84,000</u>

14 Reconciliation of movement in shareholders funds

	1998 £	1997 £
Opening shareholders funds	1,767,627	1,689,347
Profit for the financial year	<u>239,850</u>	<u>78,280</u>
	<u>2,007,477</u>	<u>1,767,627</u>

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

	1998 £	1997 £
Operating profit	537,896	217,212
Depreciation charged	513,838	517,862
Profit on sale of tangible fixed assets	(25,548)	(34,794)
Decrease/(increase) in stocks	(93,714)	27,138
Increase in debtors	(263,978)	(345,890)
Increase in creditors	<u>423,906</u>	<u>353,069</u>
Net cash inflow from operating activities	<u>1,092,400</u>	<u>734,597</u>

Notes (continued)

16 Reconciliation of net cash flow to movements in net debt

	1998 £	1997 £
Increase/(decrease) in cash	146,039	(3,010)
Finance lease rental payments	<u>69,603</u>	<u>153,354</u>
	215,642	150,344
New finance leases	(133,004)	(161,653)
Leases cancelled during the year	<u>180,945</u>	<u>-</u>
	263,583	(11,309)
Movement in net debt	<u>(1,137,105)</u>	<u>(1,125,796)</u>
Net debt at the beginning of the year		
	(873,522)	(1,137,105)
Net debt at the end of the year	<u><u>(873,522)</u></u>	<u><u>(1,137,105)</u></u>

17 Analysis of changes in net debt

	At 1 June 1997 £	Cash flow £	Other change £	At 31 May 1998 £
Cash in hand, at bank	(810,457)	146,039	-	(664,418)
Finance lease	<u>(326,648)</u>	<u>69,603</u>	<u>47,941</u>	<u>(209,104)</u>
	(1,137,105)	215,642	47,941	(873,522)

18 Commitments

(i) Capital commitments at 31 May 1998, for which no provision has been made were as follows:

	1998 £	1997 £
Contracted	<u>64,000</u>	<u>254,000</u>

(ii) Operating leases

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

	1998 £	1997 £
Operating leases which expire:		
In one year	2,205	14,459
In the second to fifth years inclusive	<u>31,446</u>	<u>19,378</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 1996. 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 (or 3% for members who left prior to 1 December 1991).

The most recent actuarial valuation showed that the value of the scheme's assets was £1,108,000 and that the actuarial value of those assets represented 220% 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. Only three directors remain in this scheme, with all other employees having transferred out into the money purchase scheme. No further contributions are being made either by the directors or the company.

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 £28,590 (1997: £38,326).

Prepaid pension contributions at 31 May 1998 amounted to £7,046 (1997: £14,649).