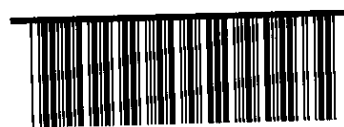


Bernard Brogan Limited

**Directors' report and financial
statements**

Registered number 29521

31 May 2001



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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 May 2001.

Principal activities

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

Business review and proposed dividend

The profit for the year after taxation amounted to £349,000 (2000: £277,000). A dividend of £51,000 is proposed (2000: £38,000) leaving the balance to be transferred to reserves. During the year 5,313 ordinary shares of £1 were purchased and cancelled for a consideration of £117,000.

During the year the company purchased the assets of James Milne and Sons (Fuels) Limited.

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>	2001	2000
James Brogan	<i>1</i>	125	125
CB Brogan	<i>1</i>	8,469	8,469
AH Tait		4,469	4,469
A Brogan		5,662	5,662
W Taylor		Nil	Nil

Note 1: In addition to their shareholdings these directors had a non beneficial interest at 31 May 2001 in 2,625 ordinary shares (2000: 2,625) held by a trust of which they are trustees.

Market value of freehold properties

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

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

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 4 to 15.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 2, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board 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. 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 regarding directors' remuneration and transactions with the company is not disclosed.

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 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 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in dark ink, appearing to be 'KPMG' or a similar stylized mark.

KPMG
Chartered Accountants
Registered Auditors

21 August 2001

Profit and loss account
for the year ended 31 May 2001

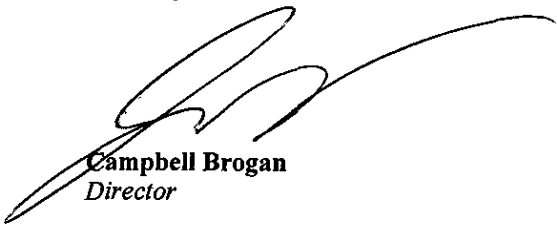
	<i>Note</i>	2001 £000	2000 £000
Turnover	<i>1</i>	64,374	50,422
Cost of sales		(62,180)	(48,438)
Gross profit		2,194	1,984
Administrative expenses		(1,601)	(1,475)
Other operating income		83	75
Operating profit		676	584
Interest payable	<i>5</i>	(163)	(203)
Profit on ordinary activities before taxation	<i>2</i>	513	381
Taxation on ordinary activities	<i>6</i>	(164)	(104)
Profit on ordinary activities after taxation		349	277
Dividend payable	<i>7</i>	(51)	(38)
Retained profit for the financial year		298	239
Profit and loss account brought forward		2,383	2,144
Purchase of ordinary shares		(117)	-
Profit and loss account carried forward		2,564	2,383

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

Balance sheet
at 31 May 2001

	<i>Note</i>	2001 £000	2000 £000
Fixed assets			
Intangible assets	8	115	129
Tangible assets	9	3,207	3,376
Investments	10	11	11
		<u>3,333</u>	<u>3,516</u>
Current assets			
Stocks	11	1,063	807
Debtors	12	7,350	6,855
Cash in hand		745	2
		<u>9,158</u>	<u>7,664</u>
Creditors: amounts falling due within one year	13	<u>(8,494)</u>	<u>(7,238)</u>
Net current assets		<u>664</u>	<u>426</u>
Total assets less current liabilities		<u>3,997</u>	<u>3,942</u>
Creditors: amounts falling due after more than one year	13	<u>(1,232)</u>	<u>(1,354)</u>
Provision for liabilities and charges	14	<u>(117)</u>	<u>(121)</u>
Net assets		<u>2,648</u>	<u>2,467</u>
Capital and reserves			
Called up equity share capital	15	79	84
Capital redemption reserve		5	-
Profit and loss account		2,564	2,383
		<u>2,648</u>	<u>2,467</u>
Shareholders' funds - equity		<u>2,648</u>	<u>2,467</u>

These financial statements were approved by the board of directors on 17 AUGUST 2001 and were signed on its behalf by:


Campbell Brogan
Director

Cash flow statement
for the year ended 31 May 2001

	<i>Note</i>	2001	2000
		£000	£000
Net cash inflow from operating activities	17	2,554	785
Returns on investments and servicing of finance			
Interest paid		(128)	(159)
Interest element of finance lease rental payments		(43)	(44)
		(171)	(203)
Taxation		(80)	(65)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(481)	(721)
Disposal of tangible fixed assets		163	82
Net cash outflow from investing activities		(318)	(639)
Acquisitions and disposals			
Purchases of businesses		-	(24)
Equity dividends paid		(38)	(30)
Net cash inflow/(outflow) before financing		1,947	(176)
Financing			
Capital element of finance lease rental payments		(191)	(161)
Long term loan		-	1,000
Loan repayments		(100)	(17)
Purchase of ordinary shares		(117)	-
Net cash (outflow)/inflow from financing		(408)	822
Increase in cash	18	1,539	646

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.

Basis of accounting

The financial statements are prepared on the historical cost basis of accounting. The accounts have been prepared in accordance with applicable UK accounting standards.

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.

Goodwill

Goodwill arising from the acquisition of subsidiary undertakings is calculated as the difference between the price paid for the acquisition, and the net book value of the assets acquired at the date of acquisition. Goodwill is amortised over a period of ten years, this being the estimated useful economic life.

Depreciation

Depreciation is provided 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% per annum
Plant	-	25% per annum
Vehicles	-	25% per annum
Furniture	-	15% per annum
Oil Tanks	-	10% per annum

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.

Notes (continued)

Accounting policies (continued)

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.

2 Profit on ordinary activities before taxation

	2001 £000	2000 £000
<i>Profit on ordinary activities before taxation is stated after charging/(crediting):</i>		
Auditors' remuneration - audit	17	17
- other services	10	7
Depreciation - owned assets	509	538
- finance leases	167	178
Loss/(profit) on sale of fixed assets	60	(36)
Hire of plant and machinery under operating leases	6	19

The total amount charged to revenue for the hire of plant and machinery amounted to £216,720 (2000: £243,800). 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.

3 Remuneration of directors

Remuneration in respect of directors was as follows:-

	2001 £000	2000 £000
Emoluments (including benefits in kind)	267	236
Pension costs	3	3
	<u>270</u>	<u>239</u>

The emoluments, excluding pension contributions, of the highest paid director were £79,025 (2000: £68,545).

	Number of directors 2001	2000
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	1	1
Defined benefit schemes	3	3

Notes (continued)

4 Staff numbers and costs

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

	Number of employees	
	2001	2000
Directors and administrative staff	53	46
Distribution	94	93
	<u>147</u>	<u>139</u>

The aggregate payroll costs of these persons were as follows:

	2001 £000	2000 £000
Wages and salaries	2,677	2,484
Social security	249	229
Pension costs	23	25
	<u>2,949</u>	<u>2,738</u>

5 Interest payable

	2001 £000	2000 £000
On bank overdraft wholly repayable within five years	120	159
On finance leases	43	44
	<u>163</u>	<u>203</u>

6 Tax on profit on ordinary activities

	2001 £000	2000 £000
UK corporation tax charge at 26% (2000: 22%)	(158)	(81)
Deferred tax charge	27	(8)
Prior year - Corporation tax over/(under) provision	1	(20)
- Deferred tax	(16)	1
Movement in deferred tax due to change in taxation rate	(18)	4
	<u>(164)</u>	<u>(104)</u>

Notes (continued)

7 Dividend on ordinary shares

	2001 £000	2000 £000
Proposed 65p per share (2000: 45p per share)	<u>51</u>	<u>38</u>

8 Intangible assets

	2001 £000	2000 £000
Goodwill arising from acquisition of William Laird Limited	<u>115</u>	<u>129</u>

On 1 April 1999 Bernard Brogan Limited acquired the entire share capital of William Laird Limited. The goodwill acquired is being written off over 10 years.

9 Tangible fixed assets

	Freehold properties £000	Plant £000	Vehicles £000	Furniture £000	Oil tanks £000	Total £000
<i>Cost</i>						
At beginning of year	778	646	4,664	109	348	6,545
Additions	3	50	640	21	16	730
Disposals	-	(330)	(198)	(1)	-	(529)
At end of year	<u>781</u>	<u>366</u>	<u>5,106</u>	<u>129</u>	<u>364</u>	<u>6,746</u>
<i>Depreciation</i>						
At beginning of year	128	339	2,522	79	101	3,169
Charge for the year	13	52	580	6	25	676
Disposals	-	(181)	(125)	-	-	(306)
At end of year	<u>141</u>	<u>210</u>	<u>2,977</u>	<u>85</u>	<u>126</u>	<u>3,539</u>
<i>Net book value</i>						
At 31 May 2001	<u>640</u>	<u>156</u>	<u>2,129</u>	<u>44</u>	<u>238</u>	<u>3,207</u>
At 31 May 2000	<u>650</u>	<u>307</u>	<u>2,142</u>	<u>30</u>	<u>247</u>	<u>3,376</u>

Vehicles include assets held under finance leases which had a net book value of £660,196 at 31 May 2001 (2000: £652,968).

Notes (continued)

10 Fixed asset investment

	2001 £000	2000 £000
Investment in subsidiary undertaking	3	3
Other loans	8	8
	<u>11</u>	<u>11</u>

11 Stocks

	2001 £000	2000 £000
Finished goods and goods for resale	<u>1,063</u>	<u>807</u>

12 Debtors

	2001 £000	2000 £000
Trade debtors	6,825	6,626
VAT	223	50
Prepayments	302	179
	<u>7,350</u>	<u>6,855</u>

13 Creditors

	2001		2000	
	Due within one year £000	Due after one year £000	Due within one year £000	Due after one year £000
Bank overdraft	-	-	796	-
Bank loan	100	783	100	883
Trade creditors	7,851	86	5,881	86
Amounts owed to subsidiary undertaking	-	3	-	3
Corporation tax	158	-	81	-
Social security and other taxes	83	-	82	-
Accruals and deferred income	74	-	89	-
Obligations under finance leases	177	360	171	382
Dividend payable	51	-	38	-
	<u>8,494</u>	<u>1,232</u>	<u>7,238</u>	<u>1,354</u>

Notes (continued)

Creditors (continued)

The bank overdraft and term loan are 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. The interest rate on the term loan is 2% over the bank's base rate and is to be repaid in equal monthly instalments over 10 years.

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 2001 was £5,446,264.

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

14 Provisions for liabilities and charges

Deferred taxation

Deferred taxation fully provided in the financial statements at 26% (2000: 22%) is set out below:

	2001 £000	2000 £000
Accelerated capital allowances	116	104
Other timing differences	(4)	1
	112	105
Opening provision	105	102
Transfer from profit and loss account	7	3
	112	105

Deferred consideration

	2001 £000	2000 £000
Purchase of William Laird Limited	5	16
	117	121

Notes (continued)

15 Share capital

	2001 £000	2000 £000
<i>Authorised</i>		
100,000 ordinary shares of £1 each	100	100
<i>Allotted, called up and fully paid</i>		
78,687 (2000: 84,000) ordinary shares of £1 each	79	84

On 30 October 2000 5,313 ordinary shares of £1 each were purchased and cancelled for a consideration of £117,000.

16 Reconciliation of movement in shareholders funds

	2001 £000	2000 £000
Opening shareholders funds	2,467	2,228
Buyback of ordinary shares	(117)	-
Profit for financial year	298	239
	2,648	2,467

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

	2001 £000	2000 £000
Operating profit	676	584
Depreciation charged	676	716
Goodwill amortisation	14	14
Loss(profit) on sale of tangible fixed assets	60	(36)
(Increase)/decrease in stocks	(256)	40
Increase in debtors	(495)	(1,133)
Increase in creditors	1,879	600
Net cash inflow from operating activities	2,554	785

Notes (continued)

18 Reconciliation of net cash flow to movements in net debt

	2001 £000	2000 £000
Increase in cash	1,539	646
Finance lease rental payments	191	161
Term loan repayments	100	17
	1,830	824
New finance leases	(175)	(208)
New term loan	-	(1,000)
Movement in net debt	1,655	(384)
Net debt at the beginning of the year	(2,330)	(1,946)
Net debt at the end of the year	(675)	(2,330)

19 Analysis of changes in net debt

	At 1 June 2000 £000	Cash flow £000	Other change £000	At 31 May 2001 £000
Cash in hand, at bank	2	743	-	745
Overdraft	(796)	796	-	-
	(794)	1,539	-	745
Loans < 1 year	(100)	100	(100)	(100)
Loans > 1 year	(883)	-	100	(783)
Lease commitments	(553)	191	(175)	(537)
	(2,330)	1,830	(175)	(675)

Notes (continued)

20 Commitments

- (i) Capital commitments at 31 May 2001, for which no provision has been made were as follows:

	2001 £000	2000 £000
Contracted	288	195

- (ii) Operating leases

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

	2001 £000	2000 £000
Operating leases which expire:		
In one year	2	3

21 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 1999. The assumptions which have the most significance are those relating to the rate of return on investments. 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 £1.3 million and that the actuarial value of those assets represented 162% 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 £23,148 (2000: £24,164).

Accrued pension contributions at 31 May 2001 amounted to £3,672 (2000: £3,449).