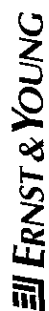


71949.

Regency Oils Limited

Report and Accounts

31 May 2000

 ERNST & YOUNG



SCT SI7P6YZ9 1153
COMPANIES HOUSE 16/03/01

Regency Oils Limited

Registered No. 71949

DIRECTORS

R S Milne
R S Milne, Jnr

SECRETARY

M Bruce

AUDITORS

Ernst & Young
Moray House
16 Bank Street
Inverness
IV1 1QY

BANKERS

Royal Bank of Scotland plc
10 Marischal Street
Peterhead

SOLICITORS

Paul & Williamsons
6 Union Row
Aberdeen
AB9 8DQ

REGISTERED OFFICE

15 Marine Place
Buckie
AB56 1UT

 **ERNST & YOUNG**

Regency Oils Limited

DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31 May 2000.

PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS DEVELOPMENTS

The principal activities of the company are oil and fuel distribution, investment dealing and property.

The company has had a satisfactory year recording a profit after tax of £1,610. This amount will be transferred to reserves.

DIRECTORS' INTERESTS

According to the register maintained as required under the Companies Act 1985, the directors' interests in the ordinary share capital of the company were as follows:

31 May 2000 1 June 1999

R S Milne	100,000	150,000
R S Milne, Jnr	50,000	-

DIRECTORS' RESPONSIBILITIES FOR THE ACCOUNTS

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the accounts 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 accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS

A resolution to reappoint Ernst & Young as auditors will be put to the members at the Annual General Meeting.

On behalf of the board

Director



23/2/2001

REPORT OF THE AUDITORS to the members of Regency Oils Limited

We have audited the accounts on pages 4 to 14, which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and on the basis of the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of accounts in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

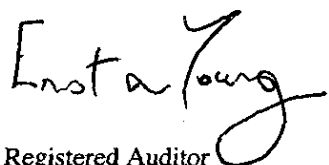
Basis of opinion

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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 31 May 2000 and of its profit for the period then ended and have been properly prepared in accordance with the provisions of the Companies Act 1985.



Registered Auditor
Inverness

7/3/2001

Regency Oils Limited

PROFIT AND LOSS ACCOUNT for the year ended 31 May 2000

	Notes	2000 £	1999 £
TURNOVER	2	7,266,869	6,153,318
Cost of sales		6,714,603	5,560,522
Gross profit		552,266	592,796
Distribution costs		139,517	144,703
Administrative expenses		406,853	393,766
		546,370	538,469
OPERATING PROFIT	3	5,896	54,327
Profit on disposal of tangible fixed assets		1,246	-
		7,142	54,327
Income from investments		36,579	27,362
Interest payable and similar charges	5	(29,120)	(41,171)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		14,601	40,518
Taxation	6	12,991	4,431
PROFIT RETAINED FOR THE FINANCIAL YEAR	15	£1,610	£36,087
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES			

There were no recognised gains or losses other than the profit attributable to shareholders of £1,610 (1999 – profit £36,087).

Note of historical cost profits and losses:

	2000 £	1999 £
Reported profit on ordinary activities before taxation	14,601	40,518
Difference between a historical cost depreciation charge and the actual charge calculated on the revalued amount	3,004	3,004
	17,605	43,522
Historical cost profit for the year retained after taxation	£4,614	£39,091

Regency Oils Limited

BALANCE SHEET

as at 31 May 2000

	Notes	2000 £	1999 £
FIXED ASSETS			
Tangible assets	7	944,991	958,225
CURRENT ASSETS			
Stocks	8	106,679	99,739
Investments	9	51,813	18,292
Debtors	10	552,440	435,770
Cash at bank and in hand		300	270
		<u>711,232</u>	<u>554,071</u>
CREDITORS - amount falling due within one year	11	<u>1,333,937</u>	<u>1,193,820</u>
NET CURRENT (LIABILITIES)		<u>(622,705)</u>	<u>(639,749)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>322,286</u>	<u>318,476</u>
CREDITORS - amount falling due after more than one year			
Obligations under finance leases and hire purchase contracts	12	20,636	26,436
PROVISION FOR LIABILITIES AND CHARGES	13	15,000	7,000
		<u>£286,650</u>	<u>£285,040</u>
CAPITAL AND RESERVES			
Called-up share capital	14/15	150,000	150,000
Revaluation reserve	15	109,350	112,354
Profit and loss account	15	27,300	22,686
		<u>£286,650</u>	<u>£285,040</u>
TOTAL EQUITY SHAREHOLDERS' FUNDS		<u>£286,650</u>	<u>£285,040</u>



) Directors
)

21/2/2001

Regency Oils Limited

STATEMENT OF CASH FLOWS for the year ended 31 May 2000

	Notes	2000 £	1999 £
NET CASH INFLOW FROM OPERATING ACTIVITIES	16(a)	(34,314)	139,948
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	16(b)	7,459	(13,809)
TAXATION	16(b)	(8,591)	(7,409)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	16(b)	(52,271)	(29,250)
FINANCING	16(b)	(8,234)	(6,821)
(DECREASE)/INCREASE IN CASH		<u>£(95,951)</u>	<u>£82,659</u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2000 £	1999 £
(Decrease)/increase in cash	(95,951)	82,659
Cash used to repay capital element of finance lease and hire purchase payments	28,532	22,644
Change in net debt resulting from cash flows	(67,419)	105,303
New finance leases and hire purchase contracts	(22,000)	(20,993)
Loans repaid	1,702	5,170
MOVEMENT IN NET DEBT	<u>(87,717)</u>	<u>89,480</u>
NET DEBT AT 1 JUNE	16(c) (287,827)	(377,307)
NET DEBT AT 31 MAY	16(c) <u>£(375,544)</u>	<u>£(287,827)</u>

Regency Oils Limited

NOTES TO THE ACCOUNTS at 31 May 2000

1. ACCOUNTING POLICIES

Accounting convention

The accounts are prepared under the historical cost convention, modified to include the revaluation of heritable properties.

Depreciation

Depreciation is provided on all tangible fixed assets, other than land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset evenly over its expected useful life, as follows:

Heritable property	-	50 years straight line
Plant and machinery	-	15% straight line and 5% reducing balance
Fixtures and fittings	-	15% straight line
Motor vehicles	-	10-25% reducing balance

Investments

Current asset investments are carried in the balance sheet at the lower of cost or market value.

Leasing and hire purchase commitments

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives.

The corresponding lease or hire purchase obligation is capitalised in the balance sheet as a liability. The interest element of the rental obligations is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Deferred taxation

Deferred taxation is provided using the liability method on all timing differences which are expected to reverse in the future without being replaced, calculated at the rate at which it is anticipated the timing differences will reverse.

2. TURNOVER

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties.

3. OPERATING PROFIT is stated after charging:

	2000 £	1999 £
Depreciation of owned fixed assets	21,277	26,287
Depreciation of assets held under finance leases and hire purchase contracts	11,953	9,384
Total depreciation	33,230	35,671
Directors' remuneration	34,646	39,947
Auditors' remuneration	3,000	2,700

Regency Oils Limited

NOTES TO THE ACCOUNTS at 31 May 2000

4. STAFF COSTS

	2000 £	1999 £
Wages and salaries	230,356	223,221
Social security costs	17,277	16,299
	<u>£247,633</u>	<u>£239,520</u>

The monthly average number of employees during the year was as follows:

	No.	No.
Administration	6	6
Other	19	19
	<u>25</u>	<u>25</u>

5. INTEREST PAYABLE AND SIMILAR CHARGES

	2000 £	1999 £
Bank loans and overdrafts	19,325	31,717
Other loans	4,806	5,046
Finance charges payable under finance leases and hire purchase contracts	4,989	4,408
	<u>£29,120</u>	<u>£41,171</u>

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2000 £	1999 £
UK corporation tax	5,400	9,000
Deferred taxation	8,000	1,123
Overprovision in previous years	(409)	(5,692)
	<u>£12,991</u>	<u>£4,431</u>

Regency Oils Limited

NOTES TO THE ACCOUNTS at 31 May 2000

7. TANGIBLE FIXED ASSETS

	<i>Land and buildings</i>		<i>Fixtures and fittings</i>	<i>Plant and machinery</i>	<i>Motor vehicles</i>	<i>Total</i>
	<i>Owned</i>	<i>Leased</i>				
	£	£	£	£	£	£
Cost or valuation:						
1 June 1999	655,777	110,000	37,271	123,156	120,057	1,046,261
Additions	-	-	-	-	22,000	22,000
Disposals	-	-	-	-	(15,000)	(15,000)
At 31 May 2000	655,777	110,000	37,271	123,156	127,057	1,053,261
Depreciation:						
At 1 June 1999	37,811	2,640	5,747	16,911	24,927	88,036
Charge for period	9,368	1,380	2,748	5,892	13,842	33,230
Eliminated on disposals	-	-	-	-	(12,996)	(12,996)
At 31 May 2000	47,179	4,020	8,495	22,803	25,773	108,270
Net book value:						
At 31 May 2000	£608,598	£105,980	£28,776	£100,353	£101,284	£944,991
At 1 June 1999	£617,966	£107,360	£31,524	£106,245	£95,130	£958,225

The net book value of fixed assets above includes the following amounts in respect of assets held under finance leases and hire purchase contracts.

	<i>Fixtures and fittings</i>	<i>Plant and machinery</i>	<i>Motor vehicles</i>	<i>Total</i>
	£	£	£	£
Net book value at 1 June 1999	13,993	12,849	78,377	105,219
Additions	-	-	22,000	22,000
Depreciation	(2,099)	(642)	(9,212)	(11,953)
Net book value at 31 May 2000	£11,894	£12,207	£91,165	£115,266

Regency Oils Limited

NOTES TO THE ACCOUNTS at 31 May 2000

7. TANGIBLE FIXED ASSETS (continued)

The company's land and buildings were revalued by the directors at 31 May 1998 at market value on existing use basis. If they had not been revalued, these would have been included in the accounts as follows:

	2000 £	1999 £
Cost	577,282	577,282
Accumulated depreciation	72,620	64,876
Net book value	<u>£504,662</u>	<u>£512,406</u>

The transitional arrangements of FRS 15 Tangible Fixed Assets have been adopted and valuations have not been updated at 31 May 2000.

8. STOCKS

	2000	1999
Fuel	<u>£106,679</u>	<u>£99,739</u>

9. INVESTMENTS

	2000 £	1999 £
Listed on London Stock Exchange		
Cost:		
At 1 June 1999	27,363	26,859
Additions	33,521	504
Provisions against investment	(9,071)	(9,071)
At 31 May 2000	<u>£51,813</u>	<u>£18,292</u>
Listed investments - market value	<u>£49,327</u>	<u>£18,292</u>

Taxation on potential capital gain if sold at valuation - £Nil.

10. DEBTORS

	2000 £	1999 £
Trade debtors	496,110	385,002
Other debtors	22,917	24,134
Prepayments	33,413	26,634
	<u>£552,440</u>	<u>£435,770</u>

Regency Oils Limited

NOTES TO THE ACCOUNTS at 31 May 2000

11. CREDITORS - amounts falling due within one year

	2000	1999
	£	£
Bank overdraft	233,108	137,127
Obligations under finance leases and hire purchase contracts (note 12)	25,976	26,708
Trade creditors	949,479	889,677
Loans	96,124	97,826
Corporation tax	5,400	9,000
Other taxes and social security costs	4,449	4,301
Accruals	19,403	29,181
	<u>£1,333,937</u>	<u>£1,193,820</u>

The bank overdraft is secured by a bond and floating charge over all the assets of the company.

The bank also holds a standard security over the fixed assets other than a filling station in Ellon over which Texaco holds a standard security.

Texaco hold a first ranking bond and floating charge for £625,000 plus interest and charges in respect of book debts.

12. OBLIGATIONS UNDER FINANCE LEASES AND HIRE PURCHASE CONTRACTS

The maturity of these amounts is as follows:

	2000	1999
	£	£
Amounts payable:		
Within one year	30,580	31,527
In two to five years	24,129	30,877
	<u>54,709</u>	<u>62,204</u>
Less: finance charges allocated to future periods	8,097	9,260
	<u>£46,612</u>	<u>£53,144</u>

Finance leases and hire purchase contracts are analysed as follows:

Current obligations (note 11)	25,976	26,708
Non-current obligations	20,636	26,436
	<u>£46,612</u>	<u>£53,144</u>

Regency Oils Limited

NOTES TO THE ACCOUNTS

at 31 May 2000

13. PROVISION FOR LIABILITIES AND CHARGES

The movements in the deferred tax provision during the period was:

	2000 £	1999 £
Provision brought forward	7,000	5,877
Increase in provision	8,000	1,123
	<u>£15,000</u>	<u>£7,000</u>

The provision for deferred taxation consists of the tax effect of timing differences in respect of:

	2000	1999
Excess of taxation allowances over depreciation on fixed assets	<u>£15,000</u>	<u>£7,000</u>

14. CALLED-UP SHARE CAPITAL

	Authorised 2000 and 1999	Allotted 2000 and 1999	Called up and fully paid 2000 and 1999
Ordinary shares of £1 each	<u>250,000</u>	<u>150,000</u>	<u>£150,000</u>

15. SHARE CAPITAL, MOVEMENT IN RESERVES AND RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS FUNDS

	Share Capital £	Profit & Loss Account £	Re- valuation Reserve £	Total Share- holders Funds £
Balance 31 May 1998	150,000	(16,405)	115,358	248,953
Profit attributable to shareholders	-	36,087	-	36,087
Transfer of excess depreciation on revaluation	-	3,004	(3,004)	-
Balance at 31 May 1999	<u>150,000</u>	<u>22,686</u>	<u>112,354</u>	<u>285,040</u>
Profit attributable to shareholders	-	1,610	-	1,610
Transfer of excess depreciation on revaluation	-	3,004	(3,004)	-
At 31 May 2000	<u>£150,000</u>	<u>£27,300</u>	<u>£109,350</u>	<u>£286,650</u>

Regency Oils Limited

NOTES TO THE ACCOUNTS

at 31 May 2000

16. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of operating profit to net cash inflow from operating activities

	2000	1999
	£	£
Operating profit	5,896	54,327
Depreciation	33,230	35,672
(Increase) in debtors	(116,670)	(42,274)
(Increase)/decrease in stocks	(6,940)	16,970
Increase in creditors	50,170	75,253
Net cash (outflow)/inflow from operating activities	£(34,314)	£139,948

(b) Analysis of cash flows for headings netted in the statement of cash flows

	2000	1999
	£	£
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
Investment income	36,579	27,362
Interest paid	(29,120)	(41,171)
	£7,459	£(13,809)

	2000	1999
	£	£
TAXATION		
Corporation tax paid	£(8,591)	(7,409)

	2000	1999
	£	£
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT		
Payment to acquire tangible fixed assets	(22,000)	(28,746)
Receipts from sales of tangible fixed assets	3,250	-
Payments to acquire fixed asset investments	(33,521)	(504)
	£(52,271)	£(29,250)

Regency Oils Limited

NOTES TO THE ACCOUNTS

at 31 May 2000

16. NOTES TO THE STATEMENT OF CASH FLOWS (continued)

(b) Analysis of cash flows for headings netted in the statement of cash flows

	2000 £	1999 £
FINANCING		
Repayments of capital element of finance leases and hire purchase contracts	(28,532)	(22,644)
Loan repayments	(1,702)	(5,170)
Hire purchase facilities taken over and new agreements	22,000	20,993
	<u>£(8,234)</u>	<u>£(6,821)</u>

(c) Analysis of changes in net debt

	At 1 May 1999 £	Cash flow £	Other changes £	At 31 May 2000 £
Cash at bank and in hand	270	30	-	300
Bank overdraft	(137,127)	(95,981)	-	(233,108)
Loans	(97,826)	-	1,702	(96,124)
Finance leases and hire purchase contracts	(53,144)	-	6,532	(46,612)
	<u>£(287,827)</u>	<u>£(95,951)</u>	<u>£8,234</u>	<u>£(375,544)</u>

17. OTHER FINANCIAL COMMITMENTS

At 31 May 2000 the company had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings 2000	1999
Operating leases which expire:		
In over five years	£6,250	£6,250

18. PARTICULARS OF TRANSACTION INVOLVING THE DIRECTOR

At 1 June 1999, the company owed R S Milne £97,826. An amount of £1,702 was repaid during the year, leaving £96,124 still owed. Interest charged on this loan at 5% included in accruals at 31 May 2000 amounted to £4,806.

19. CONTROLLING PARTY

The company is controlled by R S Milne.