

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

HEPTAGON LIMITED

(Registered Number 3034114)

28 September 1996



HEPTAGON LIMITED

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 28 SEPTEMBER 1996

OVERVIEW OF THE YEAR

The Company has completed its first period of trading following the acquisition of British Fuels Limited and its subsidiaries, together with British Fuels (Oils) Limited, on 22 November 1995.

The profit before taxation of £2.4 million represents a satisfactory trading period during which the Company has generally increased market share.

The Coal Division has performed strongly generating operating profits of £5.0 million. During the period, £1.7 million was invested in acquiring additional coal businesses which will help to improve profitability in future years.

The Oil Division consolidated its position in the independent distribution sector and generated respectable profits in a very difficult market.

The Gas Division established its brand position, trading as 'British Fuels - Gas', in the developing domestic gas market. The Division achieved its target penetration of customers in the recently deregulated market in the South West. The Division has also made very good progress in acquiring further customers in the South East market of Avon, Dorset, Kent and Sussex, which is scheduled to open in the first quarter of 1997.

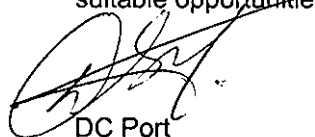
The operating result for the Gas Division was, however, severely affected by the steadily increasing wholesale purchase price of gas to satisfy fixed price industrial and commercial contracts. A provision of £1.0 million has been made in the accounts to cover the expected future exposure on these contracts.

Cash generation from operating activities during the period was excellent which, when combined with the sale of a major property in Scotland in October 1996, will enable the Company to repay a significant proportion of its term loan, well ahead of schedule.

FUTURE PROSPECTS

Future prospects for the Company are encouraging. The Coal and Oil Divisions are performing strongly and expected to make further progress in cash generation during 1997. The Gas Division, whilst still in its development phase, will continue to expand its customer base and further exploit deregulation in the industry.

The Company will continue its policy of acquiring 'tuck-in' businesses in both Coal and Oil as suitable opportunities arise to improve market share and to sustain profitability for future years.



DC Port
Executive Chairman

23 January 1997

HEPTAGON LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 28 SEPTEMBER 1996

The directors present their report and the Company's financial statements for the year ended 28 September 1996.

ACTIVITIES OF THE COMPANY AND ITS SUBSIDIARIES

Heptagon Limited is a holding company. Heptagon Limited acquired the entire issued share capital of British Fuels Limited, and its subsidiaries, and British Fuels (Oils) Limited on 22 November 1995 (together referred to as "British Fuels"). Information relating to the acquisition is given in note 19 to the accounts.

The principal activity of these subsidiary companies is the distribution of solid fuels, fuel oils and gas, mainly in the United Kingdom.

REVIEW OF BUSINESS ACTIVITIES

A review of the activities of the three business sectors which comprise the Group is given in the Chairman's statement on page 1.

RESULTS AND APPROPRIATIONS

The profit for the year after taxation was £2,276,000. A preference dividend of £116,000 was paid during the year and £47,000 has been appropriated in respect of a preference dividend due 1 January 1997. £1,075,000 has been appropriated in respect of the premium on redemption of the preference shares. Retained profits of £1,038,000 have been transferred to reserves.

The directors do not recommend the payment of a dividend to the ordinary shareholders.

DIRECTORS AND THEIR INTERESTS

Details of directors during the year and at the date of this report are set out below:

Executive directors

DC Port	(Executive Chairman)
MJ Bates	
MV Borkett	
JB Dudley	
DS Houliston	
PJ Chambers	(appointed 15 August 1996)
DJ Baker	(resigned 16 May 1996)

Non-executive directors

JP Moulton	(appointed 22 November 1995)
AT Wyles	(appointed 22 November 1995)

HEPTAGON LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 28 SEPTEMBER 1996 (Continued)

DIRECTORS AND THEIR INTERESTS (Continued)

The directors have the following interests in the shares of the Company, all of which are beneficial. The options shown arise under a deed of option signed between the executive directors and Apax Partners & Co Ventures Limited, further particulars of which appear in note 16.

	Ordinary 1p Shares at 28 September 1996	Options	Ordinary £1 Shares at 30 September 1995	Options
DC Port	460,000	169,118	1	-
MJ Bates	460,000	169,118	1	-
MV Borkett	460,000	169,118	1	-
JB Dudley	200,000	73,528	1	-
DS Houlston	460,000	169,118	1	-

PJ Chambers purchased 300,000 ordinary shares on 26 November 1996. Messrs JP Moulton and AT Wyles are directors of Apax Partners & Co Ventures Limited, a Venture Capital Organisation, which manages APAX UK V-B and APAX UK V-A, in which Messrs JP Moulton and AT Wyles have an interest and they represent that company on the board.

SUBSTANTIAL SHAREHOLDINGS

On 23 January 1997 the following organisations had substantial shareholdings in Heptagon Limited:

	Ordinary 1p Shares at 28 September 1996	10p Preference Shares at 28 September 1996
APAX UK V-B and APAX UK V-A (registered in the name of Apax Funds Nominees Limited)	5,000,000	9,500,000
Heptagon Trustees Limited	160,000	-

Neither Apax Funds Nominees Limited nor Heptagon Trustees Limited had a shareholding in Heptagon Limited at 30 September 1995.

HEPTAGON LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 28 SEPTEMBER 1996 (Continued)

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 the Group at the balance sheet date and of the profit or loss of the Group 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 accounts; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group 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 Group and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

DIRECTORS AND OFFICERS LIABILITY INSURANCE

Pursuant to section 310 (3) of the Companies Act 1985, the Company maintains insurance for the directors and officers of Heptagon Limited and its subsidiaries against the financial consequences of action, brought against them by outside parties for acts or omissions in the performance of their duties as directors or officers of the Company.

FIXED ASSETS

The changes in the fixed assets of the Group and the investments of the Group and Company during the year are summarised in notes 9 and 10 respectively.

HEPTAGON LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 28 SEPTEMBER 1996 (Continued)

EMPLOYEES

The Group's policy is to give disabled people full and fair consideration for all job vacancies for which they offer themselves as suitable applicants, having regard to their particular aptitudes and abilities. Training and career development opportunities are available to all employees and any employee who develops a disability during employment with the Group is given the chance of retraining wherever practicable.

The Group has a strong commitment to safety in its operations. Special purpose safety training is provided to employees according to the needs of their work.

Matters affecting employees' interests are discussed with trade unions where they represent employees. In-house newspapers are distributed throughout the Group on a regular basis and include articles on individual Divisional developments as well as items of local interest.

CHARITABLE CONTRIBUTIONS

During the year the company made various charitable contributions amounting to £3,000.

POST BALANCE SHEET EVENTS

On 18 October 1996, the Group sold one of its freehold sites for £3,384,000. Proceeds of £1,000,000 have been received to date and the balance of £2,384,000, which is the subject of a bank guarantee, is due for payment in March 1997. The profit arising from the disposal is estimated to be £3,349,000.

PAYMENT TERMS TO SUPPLIERS

The practice of the Group is to normally make payments to creditors in accordance with their terms of trade for the provision of goods and services unless otherwise agreed.

AUDITORS

Price Waterhouse have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the forthcoming Annual General Meeting.

By Order of the Board



LF Seddon
Secretary

23 January 1997

Registered Office
Cawood House
Otley Road
Harrogate
HG3 1RF

Price Waterhouse



AUDITORS' REPORT TO THE MEMBERS OF HEPTAGON LIMITED

We have audited the financial statements on pages 7 to 30 which have been prepared under the historical cost convention and the accounting policies set out on pages 11 and 12.

Respective responsibilities of directors and auditors

As described on page 4, 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 affairs of the Company and the Group at 28 September 1996 and of the profit and cash flow of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PRICE WATERHOUSE

Chartered Accountants
and Registered Auditors

23 January 1997

HEPTAGON LIMITED

GROUP PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 28 SEPTEMBER 1996

	Notes	1996 £'000	1995 £'000
TURNOVER	2	332,550	-
Cost of sales		<u>(284,514)</u>	<u>-</u>
GROSS PROFIT		48,036	-
Distribution and selling costs		(23,996)	-
Administrative expenses		<u>(19,995)</u>	<u>-</u>
OPERATING PROFIT	2,3	4,045	-
Income from interest in associated undertakings		191	-
Net interest payable and similar charges	6	<u>(1,874)</u>	<u>-</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		2,362	-
Taxation	7	<u>(86)</u>	<u>-</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		2,276	-
Dividends - Paid	8	(116)	-
- Appropriation in respect of non-equity shares	8,18	<u>(1,122)</u>	<u>-</u>
RETAINED PROFIT FOR THE YEAR	18	1,038	-
		<u><u> </u></u>	<u><u> </u></u>

The Group commenced trading on 22 November 1995 when it acquired the entire share capital of British Fuels.

Movements on reserves are set out in note 18.

The appropriation in respect of non-equity shares represents an accrued preference dividend of £47,000 and a proportion of the premium ultimately payable on the redemption of the preference shares.

HEPTAGON LIMITED

GROUP AND COMPANY BALANCE SHEETS - 28 SEPTEMBER 1996

	Notes	Group 1996 £'000	Group 1995 £'000	Company 1996 £'000	Company 1995 £'000
FIXED ASSETS					
Tangible assets	9	11,618	-	-	-
Investments	10	<u>268</u>	-	<u>40,187</u>	-
		<u>11,886</u>	-	<u>40,187</u>	-
CURRENT ASSETS					
Stocks	11	22,118	-	-	-
Debtors	12	47,070	70	1,406	70
Cash at bank and in hand		<u>236</u>	-	-	-
		69,424	70	1,406	70
CREDITORS (amounts falling due within one year)	13	<u>(53,418)</u>	<u>(70)</u>	<u>(17,715)</u>	<u>(70)</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>16,006</u>	-	<u>(16,309)</u>	-
TOTAL ASSETS LESS CURRENT LIABILITIES		27,892	-	23,878	-
CREDITORS (amounts falling due after more than one year)	14	(12,250)	-	(12,250)	-
PROVISIONS FOR LIABILITIES AND CHARGES	15	<u>(5,184)</u>	-	-	-
		<u>10,458</u>	-	<u>11,628</u>	-
CAPITAL AND RESERVES					
Called up share capital	16	1,025	-	1,025	-
Share premium account	17	8,981	-	8,981	-
Profit and loss account	18	<u>452</u>	-	<u>1,622</u>	-
SHAREHOLDERS' FUNDS		<u>10,458</u>	-	<u>11,628</u>	-
Analysis of shareholders' funds:					
Equity interests		64	-	1,234	-
Non-equity interests		<u>10,394</u>	-	<u>10,394</u>	-
		<u>10,458</u>	-	<u>11,628</u>	-
DC Port					

EXECUTIVE CHAIRMAN
APPROVED BY THE BOARD
ON 23 JANUARY 1997

HEPTAGON LIMITED

GROUP STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 28 SEPTEMBER 1996

	<u>Notes</u>	<u>1996</u> £'000	<u>1995</u> £'000
CASH FLOW FROM OPERATING ACTIVITIES	26	<u>3,155</u>	—
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		56	-
Interest paid		(1,757)	-
Preference dividend paid		<u>(116)</u>	—
Net cash outflow for returns on investments and servicing of finance		<u>(1,817)</u>	—
TAXATION		<u>(25)</u>	—
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Purchase of tangible fixed assets		(1,820)	-
Sales of plant and machinery		<u>464</u>	—
Net cash outflow for capital expenditure and financial investment		<u>(1,356)</u>	—
ACQUISITIONS AND DISPOSALS			
Purchase of subsidiary undertakings		(39,000)	-
Other acquisitions		(1,708)	-
Net cash acquired with subsidiaries		2,679	-
Expenses relating to the purchase of subsidiary undertaking		<u>(1,187)</u>	—
Net cash outflow for acquisitions and disposals		<u>(39,216)</u>	-
CASH OUTFLOW BEFORE USE OF LIQUID RESOURCES AND FINANCING		<u>(39,259)</u>	-
FINANCING			
Issue of shares	27	10,006	-
Increase in debt	27	<u>20,496</u>	—
DECREASE IN CASH IN THE YEAR		<u>(8,757)</u>	-

HEPTAGON LIMITED

OTHER PRIMARY STATEMENTS FOR THE YEAR ENDED 28 SEPTEMBER 1996

RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	<u>1996</u>	<u>Group</u> <u>1995</u>
	£'000	£'000
Profit for the year attributable to the shareholders	2,276	-
Preference share dividends	(116)	-
Goodwill on acquisitions	(1,708)	-
New share capital issued	<u>10,006</u>	<u>-</u>
Net addition to shareholders' funds	10,458	-
Opening shareholders' funds	<u>-</u>	<u>-</u>
Closing shareholders' funds	<u>10,458</u>	<u>-</u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There were no recognised gains and losses other than those included in the profit and loss account.

NOTE OF HISTORICAL COST PROFIT AND LOSS

There was no difference between the result as disclosed in the profit and loss account and the result on an historical cost basis.

HEPTAGON LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 28 SEPTEMBER 1996

1 ACCOUNTING POLICIES

(1) Basis of preparation

The financial statements have been prepared on the historical cost convention, in accordance with applicable accounting standards.

(2) Consolidation

The Group financial statements consolidate the accounts of Heptagon Limited and its subsidiary undertakings.

In the consolidated balance sheet, the investments in associated undertakings are stated at cost less goodwill written off plus an appropriate share of post acquisition reserves attributable to the Group. An associated undertaking is an undertaking in which the Group has a participating interest and exercises a significant influence over operating and financial policy but which is not a subsidiary undertaking.

The results of subsidiaries or businesses acquired during the year have been reflected in the profit and loss account from the date from which control passes.

Goodwill arising on the acquisition of subsidiaries and associated undertakings is written off directly against reserves in the year of acquisition. Where a subsequent disposal occurs any goodwill previously written off directly against reserves is written back through the profit and loss account in the year in which the disposal occurs.

(3) Turnover

Turnover represents the invoiced value of goods sold and services provided exclusive of value added tax.

(4) Depreciation

The cost of tangible fixed assets, other than freehold land, is depreciated at rates calculated to write off the cost of each asset evenly over its expected useful life commencing from the time it becomes operational. The depreciation rates used are as follows:

Freehold and long leasehold buildings	2%
Short leasehold buildings	Over life of lease
Plant and equipment	5% - 10%
Fixtures and fittings	10% - 20%
Motor vehicles	14% - 25%

HEPTAGON LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 28 SEPTEMBER 1996 (Continued)

1 ACCOUNTING POLICIES (Continued)

(5) Stocks

Stocks are stated at the lower of cost and net realisable value. Cost comprises all expenditure incurred in the normal course of business in bringing the stock to its location and condition at the balance sheet date. Profits arising on intra-group sales are eliminated in so far as the product remains in group stock at the balance sheet date.

(6) Deferred taxation

No provision is made for deferred tax arising from the allocation of income, expenditure and depreciation to different years for taxation purposes from those used for accounting purposes, unless there is a reasonable probability that a liability will arise in the foreseeable future. Deferred tax assets are only recognised to the extent that a recovery can be foreseen with reasonable certainty, without replacement by equivalent debit balances.

(7) Foreign currencies

Assets and liabilities denominated in foreign currencies are translated into sterling at the exchange rates ruling at the balance sheet date. Differences arising on the translation of foreign currencies are dealt with in the profit and loss account.

(8) Leased assets

Tangible assets held under finance leases are capitalised and depreciated over their expected useful lives. Finance lease obligations are included in creditors and finance charges are allocated over the primary period of the lease in proportion to the capital element outstanding.

Lease rentals in respect of assets held under operating leases are charged to the profit and loss account in the year in which they fall due.

(9) Fixed asset investments

Fixed asset investments are held at cost less provisions for permanent diminution in value.

(10) Pensions

The Group operates a defined benefit final salary scheme covering the majority of its employees. Payments made to the scheme and charged against profits are calculated in accordance with actuarial advice in order to spread the costs evenly over the average service lives of employees.

HEPTAGON LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 28 SEPTEMBER 1996 (Continued)

2 TURNOVER AND SEGMENTAL ANALYSIS

All turnover arises from the acquisition of British Fuels and reflects continuing activities.

(1) Analysis by business sector

	<u>Turnover</u>		<u>Operating Profit</u>		<u>Net assets</u>	
	<u>1996</u>	<u>1995</u>	<u>1996</u>	<u>1995</u>	<u>1996</u>	<u>1995</u>
	£'000	£'000	£'000	£'000	£'000	£'000
Coal	159,657	-	4,999	-	37,875	-
Oil	164,316	-	873	-	2,342	-
Gas	<u>8,577</u>	-	<u>(1,827)</u>	-	<u>(1,200)</u>	-
	332,550	-	4,045	-	39,017	-
	=====	=====				
Heptagon Limited			-	-	(28,559)	-
			4,045	-	10,458	-
			=====	=====	=====	=====

Central costs are allocated to the operating Divisions.

(2) Analysis by geographic sector

All of the turnover originates from the United Kingdom and substantially all sales are made in the United Kingdom.

3 OPERATING PROFIT

	<u>1996</u>	<u>1995</u>
	£'000	£'000
Operating profit is stated after charging/(crediting):		
Auditors - audit services	129	-
- other services	22	-
Depreciation - owned assets	1,670	-
Operating lease rentals - land and buildings	1,360	-
- other	970	-
Provision for onerous gas contracts	1,000	-
Profit on sale of fixed assets	(219)	-
Rental income	(132)	-
	=====	=====

In addition to the above fees payable to auditors, Price Waterhouse received fees of £744,000 in relation to non-audit services associated with the acquisition and financing of British Fuels.

HEPTAGON LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 28 SEPTEMBER 1996 (Continued)

4 STAFF COSTS

	<u>1996</u> £'000	<u>1995</u> £'000
Employee costs comprise:		
Wages and salaries	14,295	-
Social security costs	1,089	-
Other pension costs	<u>1,397</u>	<u>-</u>
	16,781	-
	<u><u> </u></u>	<u><u> </u></u>
	<u>1996</u> Number	<u>1995</u> Number
Average number of employees:		
Coal	1,018	-
Oil	281	-
Gas	23	-
Head office	<u>51</u>	<u>-</u>
	1,373	-
	<u><u> </u></u>	<u><u> </u></u>

HEPTAGON LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 28 SEPTEMBER 1996 (Continued)

5 DIRECTORS' EMOLUMENTS

Directors' emoluments included above comprise:

	<u>1996</u>	<u>1995</u>
	£'000	£'000
Fees	17	-
Salaries	382	-
Benefits	28	-
Compensation for loss of office	<u>134</u>	<u>-</u>
	561	-
Pension contributions	<u>72</u>	<u>-</u>
	633	-
	<u>=====</u>	<u>=====</u>

The above emoluments (excluding pension contributions) include amounts paid to:

	£'000	£'000
Chairman and highest paid director	130	-
	<u>=====</u>	<u>=====</u>

Fees comprise payments to Apax Partners & Co Ventures Limited for the services of Messrs JP Moulton and AT Wyles.

The number of directors whose emoluments, excluding pension contributions, fell in each £5,000 band was as follows:

	<u>1996</u>	<u>1995</u>
£10,001 - £15,000	1	-
£35,001 - £40,000	2	-
£40,001 - £45,000	-	-
£45,001 - £50,000	-	-
£50,001 - £55,000	-	-
£60,001 - £65,000	1	-
£65,001 - £70,000	1	-
£70,001 - £75,000	1	-
£95,001 - £100,000	-	-
£125,001 - £130,000	1	-

HEPTAGON LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 28 SEPTEMBER 1996 (Continued)

6 NET INTEREST PAYABLE AND SIMILAR CHARGES

	<u>1996</u> £'000	<u>1995</u> £'000
Interest on bank loans and overdrafts repayable within 5 years	828	-
Interest on bank loans repayable after 5 years	708	-
Amortisation of debt issue costs	281	-
Amortisation of interest rate cap fees	<u>113</u>	<u>-</u>
	1,930	-
Less bank interest receivable	<u>(56)</u>	<u>-</u>
	<u>1,874</u>	<u>-</u>

7 TAXATION

The taxation charge for the current year comprises:

	<u>1996</u> £'000	<u>1995</u> £'000
Corporation tax at 33% on profits of associated undertakings	35	-
Overseas tax	<u>51</u>	<u>-</u>
	86	-
	<u>86</u>	<u>-</u>

The current year tax charge has benefited by the utilisation of losses from prior accounting years.

The potential deferred tax asset is as follows:

	<u>1996</u> £'000	<u>1995</u> £'000
Excess of depreciation over capital allowances	1,971	-
Other timing differences	<u>1,978</u>	<u>-</u>
	3,949	-
Unutilised losses	<u>1,767</u>	<u>-</u>
	5,716	-
	<u>5,716</u>	<u>-</u>

HEPTAGON LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 28 SEPTEMBER 1996 (Continued)

8 DIVIDENDS

	<u>1996</u> £'000	<u>1995</u> £'000
Preference dividends:		
Paid	116	-
Appropriation of accrued dividend	47	-
Appropriation of premium on redemption	<u>1,075</u>	<u>-</u>
	1,238	-
	<u>=====</u>	<u>=====</u>

9 TANGIBLE FIXED ASSETS

Group

	<u>Freehold land and buildings</u> £'000	<u>Long leasehold land and buildings</u> £'000	<u>Short leasehold land and buildings</u> £'000	<u>Plant, fixtures and fittings</u> £'000	<u>Motor vehicle</u> £'000	<u>Total</u> £'000
<u>Cost</u>						
On acquisition of British Fuels	6,113	1,141	1,736	20,282	9,200	38,472
Additions	83	-	91	1,609	339	2,122
Disposals	<u>(322)</u>	<u>(1)</u>	<u>(36)</u>	<u>(2,012)</u>	<u>(714)</u>	<u>(3,085)</u>
At 28 September 1996	<u>5,874</u>	<u>1,140</u>	<u>1,791</u>	<u>19,879</u>	<u>8,825</u>	<u>37,509</u>
	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>
<u>Depreciation</u>						
On acquisition of British Fuels	1,079	318	711	12,524	5,545	20,177
Fair value adjustment	442	383	391	4,805	863	6,884
Charge for the year	82	3	30	771	784	1,670
Disposals	<u>(251)</u>	<u>(4)</u>	<u>(28)</u>	<u>(1,862)</u>	<u>(695)</u>	<u>(2,840)</u>
At 28 September 1996	<u>1,352</u>	<u>700</u>	<u>1,104</u>	<u>16,238</u>	<u>6,497</u>	<u>25,891</u>
	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>
<u>Net book amount</u>						
At 28 September 1996	<u>4,522</u>	<u>440</u>	<u>687</u>	<u>3,641</u>	<u>2,328</u>	<u>11,618</u>
	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>

HEPTAGON LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 28 SEPTEMBER 1996 (Continued)

9 TANGIBLE FIXED ASSETS (Continued)

Future capital expenditure not provided in the financial statements:

	<u>Group</u>		<u>Company</u>	
	<u>1996</u>	<u>1995</u>	<u>1996</u>	<u>1995</u>
	£'000	£'000	£'000	£'000
Contracted for but not provided	=	=	=	=
Authorised but not contracted for	<u>390</u>	=	=	=

10 FIXED ASSET INVESTMENTS

Group

	<u>Investments in associated undertakings</u>	<u>Other investments</u>	<u>Total</u>
	£'000	£'000	£'000
On acquisition of British Fuels	416	155	571
Associated undertakings:			
- share of profits before taxation	191	-	191
- share of taxation	(35)	-	(35)
- dividends received	(235)	-	(235)
- goodwill	(30)	-	(30)
- loan	47	-	47
- management fees received	(200)	-	(200)
Investment written off	-	(41)	(41)
At 28 September 1996	<u>154</u>	<u>114</u>	<u>268</u>

These investments comprise:

Associated Undertakings

<u>Name</u>	<u>Holding</u>	<u>%</u>	<u>Country of operation</u>	<u>Business</u>
Herefordshire Fuels Limited	Ordinary £1 shares	50	United Kingdom	Distribution of solid fuel oils and gas
Cawood Hargreaves Limited	Ordinary £1 shares	50	United Kingdom	Canal transport of solid fuels

HEPTAGON LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 28 SEPTEMBER 1996 (Continued)

10 FIXED ASSET INVESTMENTS (Continued)

The results for the associated undertaking Cawood Hargreaves Limited, included in the Group's results for the year to 28 September 1996 are based on draft accounts for the year to 31 March 1996 and the management accounts for the subsequent 6 months to 28 September 1996.

The results for the associated undertaking, Herefordshire Fuels Limited, included in the Group's results are based on draft accounts for the year to 30 March 1996 and the management accounts for the subsequent 6 months to 28 September 1996.

Other investments

<u>Name</u>	<u>Country of operation</u>	<u>Holding</u>	<u>%</u>
Charbon et Fuels SA	France	Ordinary FFr 50 shares	10
Guernsey Stevedores Limited	Guernsey	Ordinary £1 shares	15

Company

	<u>Subsidiaries</u> £'000
At 1 October 1995	-
On acquisition of British Fuels	<u>40,187</u>
At 28 September 1996	<u>40,187</u>

The Company's subsidiaries are:

<u>Name</u>	<u>Nominal value</u>	<u>Holding</u>	<u>%</u>	<u>Country of operation</u>	<u>Business</u>
British Fuels Limited	31,160,000	Ordinary £1 shares	100	United Kingdom	Distribution of solid fuels
	10,000	Deferred Ordinary £1 shares	100		
British Fuels (Oils) Limited	5,379,283	Ordinary £1 shares	100	United Kingdom	Distribution of fuel oils and gas
Walter H Feltham & Sons Limited	14,002	Ordinary £1 shares	100	United Kingdom	Manufacture of bags and wraps
Ernest J Henry Limited	10,000	Ordinary £1 shares	100	Guernsey	Importation and distribution of coal
Jersey Coal Distributors Limited	225,000	Ordinary £1 shares	100	Jersey	Importation and distribution of coal

HEPTAGON LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 28 SEPTEMBER 1996 (Continued)

11 STOCKS

	<u>Group</u>		<u>Company</u>	
	<u>1996</u>	<u>1995</u>	<u>1996</u>	<u>1995</u>
	£'000	£'000	£'000	£'000
Raw materials and consumables	146	-	-	-
Work in progress	42	-	-	-
Finished goods	<u>21,930</u>	<u>-</u>	<u>-</u>	<u>-</u>
	22,118	-	-	-
	<u><u> </u></u>	<u><u> </u></u>	<u><u> </u></u>	<u><u> </u></u>

12 DEBTORS

	<u>Group</u>		<u>Company</u>	
	<u>1996</u>	<u>1995</u>	<u>1996</u>	<u>1995</u>
	£'000	£'000	£'000	£'000
Amounts falling due within one year				
Trade debtors	41,675	-	-	-
Other debtors	1,156	70	491	70
Prepayments and accrued income	2,467	-	-	-
Other taxes	<u>857</u>	<u>-</u>	<u>-</u>	<u>-</u>
	46,155	70	491	70
Amounts falling due after more than one year				
Interest rate cap fees prepayment	234	-	234	-
Debt costs prepayment	<u>681</u>	<u>-</u>	<u>681</u>	<u>-</u>
	<u>915</u>	<u>-</u>	<u>915</u>	<u>-</u>
	47,070	70	1,406	70
	<u><u> </u></u>	<u><u> </u></u>	<u><u> </u></u>	<u><u> </u></u>

HEPTAGON LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 28 SEPTEMBER 1996 (Continued)

13 CREDITORS (amounts falling due within one year)

	Group		Company	
	<u>1996</u>	<u>1995</u>	<u>1996</u>	<u>1995</u>
	£'000	£'000	£'000	£'000
Bank loans:				
- revolving credit	8,000	-	8,000	-
- term loan (note 14)	1,500	-	1,500	-
Bank overdraft	8,993	70	623	70
Trade creditors	27,871	-	-	-
Amounts owed to subsidiary undertakings	-	-	7,342	-
Other creditors	2,251	-	-	-
Corporation tax	75	-	-	-
Other taxes and social security	439	-	-	-
Accruals and deferred income	<u>4,289</u>	<u>-</u>	<u>250</u>	<u>-</u>
	<u>53,418</u>	<u>70</u>	<u>17,715</u>	<u>70</u>

The bank loans and overdraft are secured by a fixed and floating charge over all present and future assets of the Group. Interest on the revolving credit is calculated at LIBOR plus 2 % plus associated costs.

14 CREDITORS (amounts falling due after more than one year)

	Group		Company	
	<u>1996</u>	<u>1995</u>	<u>1996</u>	<u>1995</u>
	£'000	£'000	£'000	£'000
Variable rate secured				
subordinated loan note	3,750	-	3,750	-
Bank loan - term loan	<u>8,500</u>	<u>-</u>	<u>8,500</u>	<u>-</u>
	<u>12,250</u>	<u>-</u>	<u>12,250</u>	<u>-</u>
Repayable:				
Due between one and two years	1,500	-	1,500	-
Due between two and five years	8,750	-	8,750	-
Due after more than five years	<u>2,000</u>	<u>-</u>	<u>2,000</u>	<u>-</u>
	<u>12,250</u>	<u>-</u>	<u>12,250</u>	<u>-</u>

The Registered Holder of the entire principal amount of the Variable Rate Secured Subordinated Loan Note is British Fuels Distributors Limited. The Loan Note is repayable in October 1998 provided certain performance criteria are met. Interest is only payable from October 1998 on amounts not repaid at that time at 4% above the base rate of National Westminster Bank Plc.

The bank term loan is secured by a fixed and floating charge over all present and future assets of the Group. Interest on the bank loan is calculated at LIBOR plus 2 per cent plus associated costs.

HEPTAGON LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 28 SEPTEMBER 1996 (Continued)

14 CREDITORS (amounts falling due after more than one year) (Continued)

On 22 November 1995, the Group entered into an interest rate cap agreement, expiring 5 April 1999, which limits the LIBOR rate of interest payable to 6.845 per cent on £22 million of borrowings comprising bank loans and overdraft. Fees associated with this arrangement amounted to £500,000 of which £113,000 has been amortised through the profit and loss account and the balance of £387,000 is included within debtors, with £234,000 being classified as due after more than one year.

Debt issue costs associated with the acquisition of British Fuels amounted to £1,254,000 of which £281,000 has been amortised through the profit and loss account and the balance of £973,000 is included within debtors, with £681,000 being classified as due after more than one year.

15 PROVISIONS FOR LIABILITIES AND CHARGES

Group

	<u>Dilapidation provision</u> £'000	<u>Onerous contracts</u> £'000	<u>Environmental provision</u> £'000	<u>Other provisions</u> £'000	<u>Total</u> £'000
At 1 October 1995	-	-	-	-	-
On acquisition of British Fuels	100	-	-	-	100
Fair value provisions	2,073	1,348	500	1,640	5,561
Arising during the year	20	1,055	-	50	1,125
Utilised during the year	<u>(89)</u>	<u>(281)</u>	<u>(10)</u>	<u>(1,222)</u>	<u>(1,602)</u>
At 28 September 1996	<u>2,104</u>	<u>2,122</u>	<u>490</u>	<u>468</u>	<u>5,184</u>

16 CALLED UP SHARE CAPITAL

	<u>1996</u>		<u>1995</u>	
	<u>Authorised and issued Number</u>	<u>Authorised and issued £</u>	<u>Authorised and issued Number</u>	<u>Issued £</u>
Ordinary Shares of 1p	7,500,000	75,000	6	6
Redeemable Cumulative Preference Shares of 10p	9,500,000	<u>950,000</u>	-	-
		<u>1,025,000</u>		<u>6</u>

On 17 November 1995 the Ordinary £1 Shares were converted to Ordinary 1p Shares; the authorised share capital was increased to £1,025,000 by the creation of 7,490,000 Ordinary Shares of 1p each and 9,500,000 Redeemable Cumulative Preference Shares of 10p each and an additional 2,499,400 fully paid Ordinary Shares of 1p each were allotted and issued.

On 22 November 5,000,000 Ordinary Shares of 1p each and 9,500,000 Redeemable Cumulative Preference Shares of 10p each were allotted and issued.

HEPTAGON LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 28 SEPTEMBER 1996 (Continued)

16 CALLED UP SHARE CAPITAL (Continued)

Preference shares

The rights attaching to the preference shares are summarised below:

Dividends

The Preference Shareholders have the right to a fixed cumulative preferential dividend of 2% per annum accruing on the aggregate of the nominal amount plus premium paid on each preference share from the date of issue to the date of redemption (the "Annual Dividend").

The Annual Dividend accrues from day to day and is paid half-yearly every 1 January and 1 July. Any unpaid Annual Dividend shall be carried forward and paid with interest in priority to any Annual Dividend payable on any later date.

Priority on winding up

On a return of capital on liquidation or otherwise, the assets of the Company available for distribution among the shareholders shall be applied in paying to the preference shareholders, in priority to any payment to the holders of any other class of shares:

- (1) the nominal amount and premium paid on each of their preference shares;
- (2) a premium equal to 13% per annum of the aggregate of the nominal amount and premium paid on each preference share calculated daily from the date of subscription of each share compounded annually; and
- (3) a sum equal to any accrued and/or unpaid Annual Dividend.

The preference shares do not confer any further right of participation in the profits or assets of the Company.

Redemption

The Company shall redeem the preference shares no later than 22 November 2002. The Company's Articles of Association allow early redemption by either the holders of the preference shares or the company in certain circumstances.

Voting

Preference shares do not have any voting rights other than in certain circumstances set out in the Company's Articles of Association, directly affecting the rights of preference shareholders.

HEPTAGON LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 28 SEPTEMBER 1996 (Continued)

16 CALLED UP SHARE CAPITAL (Continued)

Ordinary Shares

The Ordinary Shareholders are entitled to a Minimum Dividend of a cash sum equal to 5% of the consolidated net profit after tax for the relevant financial year, after provision of the preference shareholders' Annual Dividend or, if less, £2,000,000 (unless the consent of the holders of 50% or more by nominal value of Ordinary Shares held by employees agree to a larger dividend being paid).

The ordinary shareholders are not entitled to a Minimum Dividend if it is waived in writing by the holders of 75% or more of the Ordinary Shares in issue.

Options over Ordinary 1p Shares

APAX UK V-B and APAX UK V-A, beneficial owners of 5,000,000 Ordinary 1p Shares, granted an option on 22 November 1995 at a price of £1 to the executive directors of Heptagon Limited to purchase 750,000 Ordinary 1p Shares (being 10 per cent of the ordinary share capital) at a price of £2.67 per share. The option may be exercised by the service of notice by two-thirds of the grantees in the period from 22 November 1995 to 21 November 2002. The grantees interest in the number of options is subject to change should the ordinary 1p shareholdings of these directors alter, or amendments made to the nominated grantees.

17 SHARE PREMIUM ACCOUNT

	<u>1996</u> £'000	<u>1995</u> £'000
<u>Group and Company</u>		
Premium on issue of ordinary shares	675	-
Premium of issue of preference shares	8,550	-
Costs of issue of shares	<u>(244)</u>	<u>-</u>
	8,981	-
	<u> </u>	<u> </u>

HEPTAGON LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 28 SEPTEMBER 1996 (Continued)

18 PROFIT AND LOSS ACCOUNT

	<u>Group</u> <u>£'000</u>	<u>Company</u> <u>£'000</u>
At 1 October 1995	-	-
Retained profit for the year	1,038	500
Goodwill written off directly to reserves	(1,708)	-
Accrued preference dividend	47	47
Premium on preference shares	<u>1,075</u>	<u>1,075</u>
At 28 September 1996	<u>452</u>	<u>1,622</u>

Heptagon Limited has not presented its own profit and loss account as permitted by section 230(3) of The Companies Act 1985. The amount of the consolidated profit for the year dealt with in the accounts of Heptagon Limited is a profit of £500,000.

The cumulative amount of goodwill written off to reserves at 28 September 1996 was £1,708,000 (1995 £Nil).

The cumulative amount of premium on preference shares included in the profit and loss reserve at 28 September 1996 was £1,075,000 (1995 £Nil).

HEPTAGON LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 28 SEPTEMBER 1996 (Continued)

19 ACQUISITIONS

On 22 November 1995 the Company acquired, for a consideration of £39 million, 31,160,000 ordinary shares of £1 each and 10,000 deferred shares of £1 each in British Fuels Limited, being 100% of its nominal share capital, and 5,379,283 ordinary shares of £1 each in British Fuels (Oils) Limited, being 100% of its nominal share capital. Costs relating to the acquisitions amounted to £1,187,000.

Analysis of the acquisition of British Fuels

Net assets at date of acquisition:

	Note	Book value £'000	Adjustments £'000	Fair Value £'000
Tangible fixed assets	(1)	18,295	(6,884)	11,411
Investments	(2)	571	(41)	530
Stock	(3)	23,833	(844)	22,989
Debtors	(4)	51,472	(805)	50,667
Cash		2,679	-	2,679
Creditors	(5)	(40,944)	(7,145)	(48,089)
Net assets		55,906	(15,719)	40,187
		<u> </u>	<u> </u>	<u> </u>

Discharged by:

Consideration paid	39,000
Costs associated with the acquisition	<u>1,187</u>
	40,187
	<u> </u>

- (1) Write down of tangible fixed assets to realisable or recoverable value, including write-off of all coal depot groundworks.
- (2) Write off of a trade investment to reflect a permanent impairment in value.
- (3) Write down of stock to realisable value.
- (4) Additional provision against potentially uncollectable debtors.
- (5) Provisions established in respect of onerous contracts, environmental rectification work and dilapidations and other liabilities or commitments.

HEPTAGON LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 28 SEPTEMBER 1996 (Continued)

19 ACQUISITIONS (Continued)

The profit and loss accounts of British Fuels Limited and British Fuels (Oils) Limited for the eight months to 22 November 1995, the date of acquisition, which exclude the profitable winter period, are summarised below on the basis of those companies' accounting policies prior to acquisition. The comparatives show the results for British Fuels Limited for the twelve months to 25 March 1995. British Fuels Limited results for the year to 25 March 1995 include those of the Oil distribution business of British Fuels Limited. With effect from 25 March 1995 British Fuels (Oils) Limited acquired the trade and net assets of the Oil distribution business at book value.

	British Fuels (Oils) Limited		British Fuels Limited
	26 March 1995 to 22 November 1995	26 March 1995 to 22 November 1995	Year to 25 March 1995
	£'000	£'000	£'000
Turnover	124,118	102,304	442,868
Operating (loss)/profit	(618)	(2,104)	11,089
Net interest receivable/(payable)	(129)	435	(170)
Income from associates	—	191	—
Operating (loss)/profit before taxation	(747)	(1,478)	10,919
Taxation	—	—	43
(Loss)/profit after taxation	(747)	(1,478)	10,962

Ernest J Henry Limited recorded a profit after taxation of £13,000 in the period from 26 March 1995 to 22 November 1995 and a profit after taxation of £155,000 in the year to 25 March 1995.

Walter H Feltham & Son Limited recorded a loss after taxation of £12,000 in the period from 26 March 1995 to 22 November 1995 and a loss of £89,000 in the year to 25 March 1995.

HEPTAGON LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 28 SEPTEMBER 1996 (Continued)

20 OPERATING LEASE COMMITMENTS

The Group has annual commitments under non-cancellable operating leases which expire as set out below:

	Group		
	Leases of land and buildings	Other	Total
	£'000	£'000	£'000
Within one year	572	255	827
Between one and five years	538	696	1,234
After five years	<u>634</u>	<u>31</u>	<u>665</u>
	1,744	982	2,726
	<u> </u>	<u> </u>	<u> </u>

The Company has no leasing commitments

21 OTHER COMMITMENTS

In the normal course of business the Group takes out forward purchase gas contacts to match existing sales commitments.

22 CONTINGENT LIABILITIES

The Company has guaranteed the borrowings of subsidiary undertakings which at 28 September 1996 amounted to £8,370,000 (1995: £Nil).

23 PENSIONS

The Group operates a defined benefit final salary scheme. The pension cost and funding are assessed in accordance with the advice of a qualified actuary. For the purpose of assessing funding and contributions under SSAP24 the main actuarial assumptions are that investments returns will exceed pay growth by 1.5% pa. The Scheme was valued by a qualified actuary on 31 December 1994, which revealed a surplus of £3.79 million. The market value of the scheme's assets at that date was £37.5 million and the level of funding was 111%. With the agreement of the Group the Trustees have used this surplus to improve benefits for all members by 10.5%.

24 RELATED PARTIES

MJ Bates and DC Port are Chairman and director respectively of Cawood Hargreaves Limited. During the period 22 November 1995 to 28 September 1996 the Group received from Cawood Hargreaves Limited £48,000 in respect of barge hire and £200,000 in respect of management fees.

During the period 22 November 1995 to 28 September 1996 the Group paid Apax Partners & Co Ventures Limited an arrangement fee of £100,000 and a management fee of £17,000.

HEPTAGON LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 28 SEPTEMBER 1996 (Continued)

25	RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT	£'000
	Decrease in cash in the year	(8,757)
	Cash inflow from increase in debt	<u>(21,750)</u>
	Movement in net debt in the year	(30,507)
	Net debt at 1 October 1995	—
	Net debt at 28 September 1996	<u>(30,507)</u>

26 RECONCILIATION OF OPERATING PROFIT TO OPERATING CASH FLOWS

	1996	1995
	£'000	£'000
Operating profit	4,045	-
Depreciation charges	1,670	-
Profit on disposal of fixed assets	(219)	-
Dividend from associated undertakings	235	-
Management fee from associated undertakings	<u>200</u>	-
Amounts received from associated undertakings	435	-
Decrease in stocks	871	-
Decrease in debtors	5,027	-
Decrease in creditors	<u>(8,674)</u>	-
	(2,776)	—
Net cash inflow from operating activities	<u>3,155</u>	—

HEPTAGON LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 28 SEPTEMBER 1996 (Continued)

27 FINANCING

	1996	1995
	£'000	£'000
Issue of ordinary share capital	750	-
Issue of preference share capital	9,500	-
Costs relating to issue of share capital	<u>(244)</u>	<u>-</u>
	10,006	
Debt due within a year:		
increase in short term borrowings	9,500	-
repayment of secured loan		
Debt due beyond a year:		
new secured loan repayable in instalments (see note 14)	<u>12,250</u>	<u>-</u>
Cash inflow from increase in debt	21,750	-
Expenses relating to arrangements of debt	<u>(1,254)</u>	<u>-</u>
	20,496	-
Net cash inflow from financing	<u>30,502</u>	<u>-</u>

28 ANALYSIS OF NET DEBT

	At 1 October 1995 £'000	Cash Flow £'000	Acquisition (excluding cash and overdrafts) £'000	At 28 September 1996 £'000
Cash at bank and in hand	-	236	-	236
Bank overdrafts	-	(8,993)	-	(8,993)
Debt due after 1 year	-	(12,250)	-	(12,250)
Debt due within 1 year	<u>-</u>	<u>(9,500)</u>	<u>-</u>	<u>(9,500)</u>
Total	-	(30,507)	-	(30,507)

29 POST BALANCE SHEET EVENTS

On 18 October 1996, the Group sold one of its freehold sites for £3,384,000. Proceeds of £1,000,000 have been received to date and the balance of £2,384,000, which is the subject of a bank guarantee, is due for payment in March 1997. The profit arising from the disposal is estimated to be £3,349,000.

30 ULTIMATE CONTROL

The Company considers that Apax Partners & Co Limited exercises ultimate control. This company is the parent undertaking of Apax Partners & Co Ventures Limited.