Pennant Plant Limited

Directors' report and accounts

31 December 1997

Registered number SC48123

Report of the directors

The directors present their report and the audited accounts for the year ended 31 December 1997.

Principal activity

The main activities of the company are plant hire and contracting.

Results and dividend

The results for the year are set out in the profit and loss account on page 4. The directors do not recommend the payment of a dividend and propose that the profit for the year of £403,050 *(1996 - £26,342)* be transferred to reserves.

Directors and directors' interests

The directors who served during the year were:

KM Miller
JWL Hadden
RA Clarke

JWL Hadden resigned on 1 January 1998. None of the directors had any interests in the shares of the company during the year and JWL Hadden and RA Clarke did not have any interest in the share capital of other group undertakings.

The interests of KM Miller in the shares of The Miller Group Limited, the parent company, are dealt with in the accounts of that company.

Auditors

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

By order of the board

Alan Miller

AT Miller
Secretary
Edinburgh

14 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.

KPMG

Saltire Court
20 Castle Terrace
Edinburgh EH1 2EG

Report of the auditors to the members of Pennant Plant Limited

We have audited the accounts on pages 4 to 11.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of 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 the company's affairs at 31 December 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG

KPMG
Chartered Accountants
Registered Auditors

14 August 1998

Profit and loss account

for the year ended 31 December 1997

	Notes	**1997** **£**	1996 £
Turnover	*2*	**7,321,333**	8,290,562
Cost of sales		**(5,663,882)**	(7,014,723)
Gross profit		**1,657,451**	1,257,839
Administrative expenses		**(830,174)**	(810,830)
Operating profit	*3*	**827,277**	465,009
Interest payable and similar charges	*7*	**(424,227)**	(438,667)
Profit before taxation		**403,050**	26,342
Taxation	*8*	**-**	-
Profit for the financial year		**403,050**	26,342
Profit/(loss) brought forward		**2,260,833**	(8,535)
Loan waiver		**-**	2,243,026
Profit carried forward		**2,663,883**	2,260,833

Other than the profit for the year there were no other recognised gains or losses.

Balance sheet
at 31 December 1997

	Notes	1997 £	1996 £
Fixed assets			
Tangible assets	*9*	**5,571,936**	5,360,968
Current assets			
Debtors	*10*	**1,363,202**	711,862
Cash in hand		**618**	558
		1,363,820	712,420
Creditors: amounts falling due within one year	*11*	**(3,892,953)**	(3,188,363)
Net current liabilities		**(2,529,133)**	(2,475,943)
Total assets less current liabilities		**3,042,803**	2,885,025
Creditors: amounts falling due after more than one year	*12*	**(278,920)**	(524,192)
Net assets		**2,763,883**	2,360,833
Capital and reserves			
Called up share capital	*13*	**100,000**	100,000
Profit and loss account		**2,663,883**	2,260,833
Equity shareholders' funds		**2,763,883**	2,360,833

These accounts were approved by the board of directors on 14 August 1998 and were signed on its behalf by:

Keith M. Miller

KM Miller
Director

Notes

1 Accounting policies

Basis of accounting

The accounts are prepared under the historical cost basis and in accordance with applicable Accounting Standards.

The company is exempt from the requirement of Financial Reporting Standard 1 (revised), to prepare a cash flow statement, as it is a wholly owned subsidiary undertaking of The Miller Group Limited and its cash flows are included within the consolidated cash flow statement of that company.

As the company is a wholly owned subsidiary of The Miller Group Limited, the company has taken advantage of the exemption contained in FRS8 and has therefore not disclosed transactions or balances with entities which form part of the group. The consolidated financial statements of The Miller Group Limited, within which this company is included, can be obtained from the address given in note 16.

Turnover

Turnover comprises invoiced sales and in the case of long-term contracts, the value of work done during the year.

Long term contracts

Profits in respect of long-term contracts are included where the contract outcome can be foreseen with reasonable certainty and are determined by reference to the valuation of work done less related costs of production. Provision is made for all foreseeable contract losses. Amounts recoverable on contracts are included in debtors and represent turnover recognised in excess of payments to account.

Depreciation

Depreciation of plant, equipment and vehicles is provided on the straight-line method over the estimated useful lives of the assets concerned. The main annual rates in use are as follows:

Heavy plant	12.5% - 33%
Coaling equipment	12.5% - 20%
Cars, vans and miscellaneous	25%
Lorries and office equipment	20%
Furniture and fittings	10%

Leasehold improvements are amortised on a straight-line basis over the shorter of the outstanding lease period and the estimated useful lives of the assets concerned.

Notes *(continued)*

1 Accounting policies (continued)

Leasing

Assets acquired under finance leases are included in tangible fixed assets at the outright purchase price equivalent. Depreciation is provided at rates designed to write off this amount using the straight-line method over the shorter of the estimated useful lives or the period of the leases. The capital element of future rentals is treated as a liability and the interest element is charged to the profit and loss account over the period of the lease in proportion to the balances outstanding.

Expenditure on operating leases is charged to the profit and loss account on a straight-line basis over the lease period.

Deferred taxation

Deferred taxation is provided using the liability method in respect of the taxation effect of timing differences if liabilities are likely to crystallise in the foreseeable future.

Pensions

The company participates in a group pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the group. Contributions to the scheme are charged to the profit and loss account so as to spread the costs of pensions over the employees' working lives with the group. This scheme was closed to new entrants on 1 October 1997.

2 Turnover

Turnover, all of which is generated in the United Kingdom, comprises:

	1997	1996
	£	£
Hire of plant and vehicles	**5,243,722**	5,433,640
Contracting	**2,077,611**	2,856,922
	7,321,333	8,290,562

3 Operating profit

	1997	1996
	£	£
This is stated after charging the following:		
Depreciation - owned assets	**2,409,420**	2,479,323
- assets held under finance leases	**212,867**	250,850
Operating lease rentals - hire of plant and equipment	**261,227**	173,176
- other	**49,623**	39,626
Auditors' remuneration - audit fees	**5,356**	5,200
- other fees	**3,400**	6,205

Notes *(continued)*

4 Remuneration of directors

Directors' emoluments	**61,029**	57,069

Retirement benefits are accruing to one director under a defined benefit pension scheme.

5 Staff numbers and costs

The average number of persons employed by the company, including directors, during the year was as follows:

	1997 Number	1996 Number
Operators	**45**	50
Administration	**21**	23
	66	73

The aggregate payroll costs of these persons were as follows:

	£	£
Wages and salaries	**1,111,919**	1,167,083
Social security costs	**86,661**	102,783
Other pension costs - defined benefit scheme	**40,435**	30,637
	1,239,015	1,300,503

6 The company participates in The Miller Group pension scheme a defined benefit pension scheme providing benefits based on final pensionable earnings. Contributions to the scheme are assessed in accordance with the advice of an independent qualified actuary, on the basis of triennial valuations, using the projected unit method and are based on pension costs across the group as a whole.

Further details of the most recent actuarial valuation and the main actuarial assumptions are disclosed in the accounts of The Miller Group Limited.

Notes *(continued)*

7 Interest payable and similar charges

	1997	1996
	£	£
Interest payable to group undertaking	**369,033**	378,891
Finance charges on leased assets	**55,194**	59,776
	424,227	438,667

8 Taxation

There is no liability to corporation tax because timing differences between the treatment of certain items for accounting and taxation purposes result in a taxable loss. This has been surrendered to a group company for nil consideration.

The company has a deferred tax asset which is not recognised in these accounts.

9 Tangible assets

	Leasehold improvements	Plant, equipment and vehicles Leased	Plant, equipment and vehicles Owned	Total
	£	£	£	£
Cost				
At 31 December 1996	64,300	1,381,499	10,038,352	11,484,151
Additions	-	71,300	3,208,440	3,279,740
Disposals	-	(710,500)	(2,960,644)	(3,671,144)
At 31 December 1997	**64,300**	**742,299**	**10,286,148**	**11,092,747**
Depreciation				
At 31 December 1996	6,430	612,785	5,503,968	6,123,183
Charge for the year	6,430	212,867	2,402,990	2,622,287
Disposals	-	(490,607)	(2,734,052)	(3,224,659)
At 31 December 1997	**12,860**	**335,045**	**5,172,906**	**5,520,811**
Net book value				
At 31 December 1997	**51,440**	**407,254**	**5,113,242**	**5,571,936**
At 31 December 1996	57,870	768,714	4,534,384	5,360,968

Notes *(continued)*

10 Debtors

	1997	1996
	£	£
Trade debtors	**520,121**	264,090
Amounts recoverable on contracts	**583,560**	200,880
Amount owed by parent company	**73,308**	58,728
Prepayments and accrued income	**186,213**	188,164
	1,363,202	711,862

11 Creditors: amounts falling due within one year

	1997	1996
Bank overdraft	**2,706,659**	2,421,868
Trade creditors	**694,654**	417,059
Other taxes	**113,444**	108,081
Obligations under finance leases	**304,549**	216,862
Accruals and deferred income	**73,647**	24,493
	3,892,953	3,188,363

12 Creditors: amounts due after more than one year

	1997	1996
Obligations under finance leases	**278,920**	524,192

13 Share capital

	1997	1996
Equity		
Authorised, allotted, called up and fully paid		
400,000 Ordinary shares of 25p each	**100,000**	100,000

Notes *(continued)*

14 Reconciliation of movements in shareholders' funds

	1997 £	1996 £
Profit for the financial year	**403,050**	26,342
Loan waiver	**-**	2,243,026
Net addition to shareholders' funds	**403,050**	2,269,368
Opening shareholders' funds	**2,360,833**	91,465
Closing shareholders' funds	**2,763,883**	2,360,833

15 Commitments

Capital commitments at the end of the financial year for which no provision has been made, are as follows:

	1997 £	1996 £
Contracted	**888,869**	-

16 Ultimate parent company

The company's ultimate parent company is The Miller Group Limited, which is registered in Scotland and incorporated in Great Britain. The accounts of The Miller Group Limited can be obtained from the Registrar of Companies, Companies House, 37 Castle Terrace, Edinburgh EH1 2EB.