

M P BURKE plc

DIRECTORS' REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2001

Company Registration No 01689416



M P BURKE plc

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2001

FINANCIAL STATEMENTS

The Directors have pleasure in submitting their annual report together with the financial statements of the company for the year ended 31 March 2001.

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 of the company 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; and
- 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 enable them to ensure that the financial statements 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.

PRINCIPAL ACTIVITIES

The principal activity of the company is utility contracting.

TRADING RESULTS AND FUTURE PROSPECTS

Turnover for the year was £49,269,000 (2000: £36,417,000). The profit before tax was £2,091,000 (2000 loss: £9,171,000).

The Directors recommend the payment of a dividend of £398,000 (2000: £Nil).

Trading results reflect the improvements achieved since last year. In the future, the Company will be focusing predominantly on work for companies within the Scottish and Southern Energy Group.

M P BURKE plc

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2001

DIRECTORS

The Directors who served during the year were as follows:

Chairman	D M Gauntlett
Managing Director	R A Stowell
Director	B L Tranter
Non-Executive Director	C W Hood (Appointed 1 January 2001)

COMPANY SECRETARY

N F Murphy

DIRECTORS' INTERESTS IN SHARES

As at 31 March 2001 and 31 March 2000 none of the Directors had any direct interest in the share capital of the company.

DIRECTORS' INTERESTS IN SCOTTISH & SOUTHERN ENERGY PLC

Details of Non-Executive Directors' interests are included, where appropriate, in the company within the group in which they hold a position as Executive Director.

The following Directors had interests in ordinary shares of Scottish & Southern Energy plc, the company's ultimate parent undertaking. The interests are beneficial unless stated otherwise.

	2001	2000
R A Stowell	4202	2897

The following Directors had options over ordinary shares in Scottish & Southern Energy plc, under that company's Sharesave Schemes:

	2001	2000
R A Stowell	418	418
B L Tranter	3,171	3,171

M P BURKE plc

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2001

EMPLOYEES

The policy of the company for the employment of disabled persons is to give them equal opportunities with other employees to train for and attain any position in the company having regard to the maintenance of a safe working environment and the constraints of their disabilities.

The company provides regular information to employees and promotes consultation with employees in order for them to have a better understanding of the issues facing the business.

SUPPLIER PAYMENT POLICY

The Company's policy, which is also applied by the Group, is to establish terms of payment with suppliers when agreeing the terms of each transaction, and to abide by the agreed terms.

Trade Creditors at 31 March 2001 were equivalent to 31 days (2000 : 43 days) purchases, based on the average daily amount invoiced by suppliers during the year.

AUDITORS

During the year, KPMG have continued as the Company's auditors and have indicated their willingness to continue as auditors.

This report was approved by the Board on 29 May 2001

Director

.....

Secretary

.....

M P BURKE plc

AUDITORS' REPORT

Report of the auditors to the members of M P Burke plc

We have audited the financial statements on pages 6 to 14.

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

KPMG Auditor

KPMG Audit Plc
Chartered Accountants
Registered Auditor

29 May 2001
.....

M P BURKE plc**PROFIT AND LOSS ACCOUNT****FOR THE YEAR ENDED 31 MARCH 2001**

	Notes	2001 £'000	2000 £'000
Turnover	1	49,269	36,417
Cost of sales		(41,670)	(31,005)
Gross profit		7,599	5,412
Administrative expenses - Exceptional		-	(4,261)
- Other		(5,554)	(10,070)
Operating profit/(loss)	2	2,045	(8,919)
Interest receivable	3	46	-
Interest payable and similar charges	4	-	(252)
Profit/(loss) on ordinary activities before taxation		2,091	(9,171)
Tax on profit/(loss) on ordinary activities	5	(898)	2,227
Profit/(loss) on ordinary activities after taxation		1,193	(6,944)
Dividends		(398)	-
Retained profit/(loss) for the year	15	795	(6,944)

All the above results derive from continuing activities.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There were no recognised gains or losses in either year other than the result for each year reported above.

There is no difference between the profit/(loss) for the year and the historical cost equivalent.

The accompanying notes are an integral part of this profit and loss account.

M P BURKE plc**BALANCE SHEET AT 31 MARCH 2001**

	Notes	2001	2000
		£'000	£'000
FIXED ASSETS			
Tangible assets	8	957	2,617
CURRENT ASSETS			
Stocks	9	2,836	3,673
Debtors	10,11	12,306	6,896
Cash at bank and in hand		1,641	648
		16,783	11,217
CREDITORS: amounts falling due within one year	12	(11,063)	(7,843)
Net current assets		5,720	3,374
Total assets less current liabilities		6,677	5,991
PROVISIONS FOR LIABILITIES AND CHARGES	13	(1,011)	(1,120)
Net assets		5,666	4,871
CAPITAL AND RESERVES			
Called-up share capital	14	75	75
Profit and loss account	15	5,591	4,796
Shareholders' funds (all equity)	16	5,666	4,871

These financial statements were approved by the Board on 29 May 2001 and were signed on its behalf by:

Director

Company Secretary

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

Accounting convention

A summary of the principal accounting policies, which have been applied throughout the current and preceding year, is set out below:

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

Turnover

Turnover comprises the value of work completed for third parties (excluding value added tax) in respect of contracts undertaken during the year. The Directors consider that the company operates in one segment, utility contracting. All turnover originates in the UK.

Recognition of profits on contracts

With the exception of contracts under £5,000 in value (for which profit is recognised on completion), profit is taken on contracts whilst the contract is in progress, having regard to a prudent estimate of profit based on costs incurred and valuations agreed with clients. Provision is made for all foreseeable losses.

Tangible assets and depreciation

Tangible assets are stated at cost less depreciation. Provision has been made for depreciation on the straight-line method at the following rates designed to write off the original cost of assets over their useful lives:

Building	40 years
Plant and machinery	1-6 years
Motor vehicles	1-6 years
Commercial vehicles	1-6 years
Office equipment	1-6 years

Stocks

Stocks are valued at the lower of cost and net realisable value.

Taxation

Corporation tax payable is provided on taxable profits at the current rate.

No provision is made for timing differences between the accounting and taxation treatment of certain items unless, in the opinion of the Directors, there is a reasonable probability of payment being made in the foreseeable future, in which case provision is made on the liability basis.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. ACCOUNTING POLICIES (continued)

Leases and hire purchase

Where the company has leased assets from third parties which transfer substantially all the risks and rewards of ownership to the company, the fair value of the asset has been capitalised with a corresponding liability recorded under creditors due within one year or after one year as appropriate. Finance charges on leases and hire purchase payments are treated as accruing over the rental period using the sum of digits method.

Operating Leases

Charges incurred under operating leases are charged to the profit and loss account in the period in which they arise.

Pension costs

The regular cost of providing retirement pensions for certain employees is charged to the profit and loss account over the employees' service lives.

Cash flow statement

The financial statements do not include a cash flow statement because the publicly available consolidated financial statements of the ultimate parent company Scottish & Southern Energy plc contain a cash flow statement prepared in accordance with Financial Reporting Standard Number 1 (revised).

2. OPERATING PROFIT/(LOSS)

This is stated after charging	2001	2000
	£'000	£'000
Depreciation on owned assets	1,988	5,105
Depreciation on assets held under finance lease	-	113
	1,988	5,218
Staff costs (Note 6)	16,353	15,751
Hire of plant and machinery	6,219	2,225
Auditor's remuneration		
-audit work	10	11

Included in administrative expenses is an amount of £Nil (2000 : £4,261,000) relating to exceptional integration and litigation costs. The tax credit relating to these exceptional items is £Nil (2000 : £310,000).

NOTES TO THE FINANCIAL STATEMENTS (continued)**3. INTEREST RECEIVABLE**

	2001 £'000	2000 £'000
Receivable from group undertakings	40	-
Other	6	-
	46	-

4. INTEREST PAYABLE AND SIMILAR CHARGES

Finance charges on leased assets	-	3
Other interest payable	-	249
	-	252

5. TAXATION

UK Corporation tax at 30%	732	(616)
Deferred tax (Note 11)	147	(1,035)
	879	(1,651)
Adjustment in respect of prior years:		
UK Corporation tax	19	(576)
Tax on profit/(loss) on ordinary activities	898	(2,227)

6. STAFF NUMBERS AND COSTS

The average monthly number of persons employed by the company during the year was:

	Number	Number
Administration	70	181
Industrial	642	554
	712	735

	£'000	£'000
The aggregate payroll costs were:		
Wages and salaries	14,820	14,340
Social security costs	1,337	1,298
Other pension costs	196	113
	16,353	15,751

NOTES TO THE FINANCIAL STATEMENTS (continued)**7. REMUNERATION OF DIRECTORS**

Directors' remuneration included in aggregate payroll costs in Note 6 above were as follows:

	2001 £'000	2000 £'000
Salaries and other emoluments	161	160
Pensions	7	20
Compensation for loss of office	-	30
	168	210

The numbers of Directors who were members of money purchase pension schemes was 1 (2000: 1). No contributions are made by the Company to defined benefit schemes.

The emoluments, excluding money purchase scheme pension contributions, of the highest paid Director were £80,000 (2000: £77,000). Money purchase pension contributions for the highest paid Director were £7,000 (2000: £12,000).

8. TANGIBLE FIXED ASSETS

	Short Leasehold Property £'000	Freehold buildings £'000	Plant and Machinery £'000	Motor vehicles £'000	Office Equipment £'000	Total £'000
Cost						
1 April 2000	1,636	159	9,974	6,512	1,317	19,598
Additions	-	-	32	3	-	35
Disposals	-	-	(1,187)	(1,344)	-	(2,531)
Group Transfers	-	-	212	304	32	548
31 March 2001	1,636	159	9,031	5,475	1,349	17,650
Depreciation						
1 April 2000	1,636	25	8,921	5,223	1,176	16,981
Charge for year	-	4	1,024	844	116	1,988
Disposal	-	-	(1,106)	(1,288)	-	(2,394)
Group Transfers	-	-	52	57	9	118
31 March 2001	1,636	29	8,891	4,836	1,301	16,693
Net book value						
31 March 2001	-	130	140	639	48	957
31 March 2000	-	134	1,053	1,289	141	2,617

Included above are assets held under hire purchase contracts and finance leases with a net book value of £Nil (2000: £5,000).

M P BURKE plc**NOTES TO THE FINANCIAL STATEMENTS (continued)**

	2001 £'000	2000 £'000
9. STOCKS		
Work in Progress	2,836	3,623
Sundry Stocks	-	50
	2,836	3,673

10. DEBTORS: amounts falling due within one year

Trade debtors	2,742	1,925
Amount owed by Group undertakings	9,031	2,640
Prepayments	392	209
Corporation Tax Recoverable	-	1,834
Deferred Tax (see Note 11)	141	288
	12,306	6,896

11. DEFERRED TAX ASSET

The movement in the year was:

1 April 2000	288	(747)
Transfer to profit and loss account	(147)	1,035
31 March 2001	141	288

Comprising:

Other timing differences	141	288
--------------------------	-----	-----

12. CREDITORS: amounts falling due within one year

Payments received on account	1,717	588
Trade Creditors	1,531	2,995
Amount owed to Group undertakings (incl Dividends)	616	907
Other creditors and accruals	4,908	2,438
Corporation Tax	732	-
Other taxes and social security	1,559	915
	11,063	7,843

M P BURKE plc**NOTES TO THE FINANCIAL STATEMENTS (continued)**

13. PROVISIONS FOR LIABILITIES AND CHARGES	2001 £'000	2000 £'000
Other Provisions – integration costs	1,011	1,120
<hr/>		
14. CALLED UP SHARE CAPITAL	Number	£'000
(1) Authorised £1 Ordinary shares 31 March 2000 and 31 March 2001	100,000	100
<hr/>		
(2) Allotted called up and fully paid £1 Ordinary shares 31 March 2000 and 31 March 2001	75,000	75
<hr/>		
15. PROFIT AND LOSS ACCOUNT	£'000	£'000
1 April 2000	4,796	11,740
Profit/(loss) for the year	795	(6,944)
<hr/>		
31 March 2001	5,591	4,796
<hr/>		
16. RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDERS' FUNDS	£'000	£'000
Profit/(loss) on ordinary activities after taxation	795	(6,944)
Opening equity shareholders' funds	4,871	11,815
<hr/>		
Closing equity shareholders' funds	5,666	4,871
<hr/>		
17. FINANCIAL COMMITMENTS		
Annual commitments under non-cancellable operating leases are as follows:-	£'000	£'000
Expiry date within one year	9	-
Expiry date between two and five years	136	300
<hr/>		
	145	300
<hr/>		

NOTES TO THE FINANCIAL STATEMENTS (continued)

18. CONTINGENT LIABILITIES

The company has outstanding indemnities in respect of performance bonds in the normal course of business.

19. PENSIONS

The company operates a defined contribution pension scheme for certain employees. The pension cost charge represents contributions payable by the company to the scheme and amounted to £196,000 (2000: £113,000).

20. ULTIMATE PARENT UNDERTAKING

The Directors regard Scottish & Southern Energy plc, a company incorporated in the United Kingdom, as the company's ultimate parent undertaking. Copies of the group accounts for the year ending 31 March 2001 may be obtained from :-

The Director of Corporate Communications
Scottish & Southern Energy plc
Inveralmond House
200 Dunkeld Road
PERTH
PH1 3AQ.

As a subsidiary undertaking of Scottish & Southern Energy plc the Company has taken advantage of the exemption in financial reporting standard No. 8 "Related Party Disclosures" not to disclose transactions with other members of the Group headed by Scottish & Southern Energy plc.

With effect from 3 April 2000, the company's immediate parent undertaking became Southern Electric Contracting Ltd, a company wholly incorporated in the United Kingdom and wholly owned by Scottish and Southern Energy plc.