

Bernard Brogan Limited

**Directors' report and financial
statements**

Registered number 29521

31 May 2003



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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 May 2003.

Principal activities

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

Business review and proposed dividend

The profit for the year after taxation amounted to £478,000 (2002: £391,000). A dividend of £65,000 is proposed (2002: £61,000) leaving the balance to be transferred to reserves.

Directors and directors' interests

The directors who held office during the year and their interests in the ordinary share capital of the company were as follows :

	Note	2003	2002
James Brogan (retired 10 June 2003)	1	125	125
CB Brogan	1	8,469	8,469
AH Tait		5,269	4,869
A Brogan		6,262	5,962
W Taylor		Nil	Nil
R Tomal (appointed 1 August 2003)		Nil	Nil

Note 1: In addition to their shareholdings these directors had a non beneficial interest at 31 May 2003 in 1,313 ordinary shares (2002: 2,625) held by a trust of which they are trustees.

As at 31 May 2002 AH Tait and A Brogan have options over 3,200 and 2,207 shares respectively.

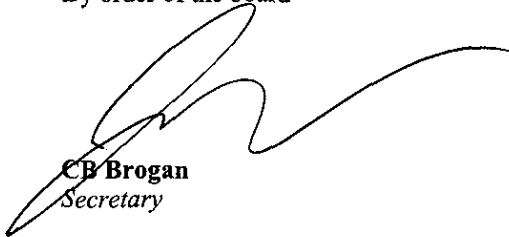
Market value of freehold properties

In the opinion of the directors the company's freehold properties have a market value in excess of book value. However, without independent valuations being carried out it is impracticable to quantify the difference.

Auditors

In accordance with Section 384 of the Companies Act 1985 a resolution for the reappointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



CB Brogan
Secretary

Nethan Street
Motherwell
ML1 3TF

18 September 2003

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 LLP
24 Blythswood Square
Glasgow
G2 4QS
United Kingdom

Report of the independent auditors to the members of Bernard Brogan Limited

We have audited the financial statements on pages 4 to 19.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 May 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in dark ink, appearing to read 'KPMG LLP'.

KPMG LLP
Chartered Accountants
Registered Auditor

22 September 2003

Profit and loss account
for the year ended 31 May 2003

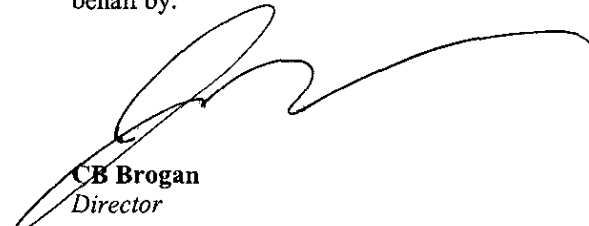
	<i>Note</i>	2003 £000	2002 £000
Turnover	<i>1</i>	78,220	62,004
Cost of sales		(75,787)	(59,475)
Gross profit		2,433	2,529
Administrative expenses		(1,776)	(1,855)
Other operating income		76	77
Operating profit		733	751
Interest receivable	<i>5</i>	12	-
Interest payable	<i>6</i>	(100)	(138)
Profit on ordinary activities before taxation	<i>2</i>	645	613
Taxation on ordinary activities	<i>7</i>	(167)	(222)
Profit on ordinary activities after taxation and for the financial year		478	391
Dividend payable	<i>8</i>	(65)	(61)
Retained profit for the year		413	330
Profit and loss account brought forward		2,894	2,564
Profit and loss account carried forward		3,307	2,894

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

Balance sheet
at 31 May 2003

	<i>Note</i>	2003 £000	2002 £000
Fixed assets			
Tangible assets	9	4,815	3,603
Investments	10	11	11
		<u>4,826</u>	<u>3,614</u>
Current assets			
Stocks	11	1,097	1,001
Debtors	12	8,603	7,416
Cash at bank and in hand		886	708
		<u>10,586</u>	<u>9,125</u>
Creditors: amounts falling due within one year	13	<u>(10,403)</u>	<u>(8,419)</u>
Net current assets		<u>183</u>	<u>706</u>
Total assets less current liabilities		<u>5,009</u>	<u>4,320</u>
Creditors: amounts falling due after more than one year	13	<u>(1,447)</u>	<u>(1,216)</u>
Provision for liabilities and charges	14	<u>(140)</u>	<u>(111)</u>
Net assets		<u>3,422</u>	<u>2,993</u>
Capital and reserves			
Called up equity share capital	15	80	79
Share premium	16	30	15
Capital redemption reserve		5	5
Profit and loss account		3,307	2,894
Shareholders' funds - equity		<u>3,422</u>	<u>2,993</u>

These financial statements were approved by the board of directors on 18 September 2003 and were signed on its behalf by:


CB Brogan
Director

Cash flow statement
for the year ended 31 May 2003

	<i>Note</i>	2003	2002
		£000	£000
Net cash inflow from operating activities	<i>18</i>	2,139	1,392
Returns on investments and servicing of finance			
Interest paid		(39)	(93)
Interest element of finance lease rental payments		(44)	(44)
Net cash outflow from returns on investments and servicing of finance		(83)	(137)
Taxation		(201)	(160)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(1,354)	(1,232)
Disposal of tangible fixed assets		105	453
Net cash outflow from investing activities		(1,249)	(779)
Equity dividends paid		(61)	(51)
Net cash inflow before financing		545	265
Financing			
Capital element of finance lease rental payments		(283)	(217)
Long term loan			
Loan repayments		(100)	(100)
Purchase of ordinary shares		-	-
Issue of ordinary shares		16	15
Net cash outflow from financing		(367)	(302)
Increase/(decrease) in cash	<i>19</i>	178	(37)

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of accounting

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

Turnover

Turnover is the total amount receivable by the company in the ordinary course of business with outside customers for services provided and goods supplied as a principal, excluding VAT and trade discounts.

Goodwill

Goodwill arising from the acquisition of subsidiary undertakings is calculated as the difference between the price paid for the acquisition and the net book value of the assets acquired at the date of acquisition. Goodwill is amortised over its estimated useful economic life.

Depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets over their estimated useful lives. Depreciation is calculated on the reducing balance method, with the exception of computer equipment included within plant which is written off over 4 years.

The rates applicable are:

Buildings	-	2% per annum
Plant	-	25% per annum
Vehicles	-	25% per annum
Furniture	-	15% per annum
Oil Tanks	-	10% per annum

Stocks

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

Deferred tax

Provision is made without discounting at 30% for taxation deferred by the excess of capital allowances over depreciation and other timing differences.

Pension costs

The company's pension costs are charged to the profit and loss account so as to spread the cost of pensions evenly over the estimated average service lives of the employees who are members of the company's defined benefit pension scheme.

Notes (continued)

Accounting policies (continued)

Leasing

Assets held under finance leases are recorded at cost, with an equivalent liability shown within creditors due within or after one year as appropriate. Each asset is depreciated over the shorter of the lease period and the asset's useful economic life. The interest element represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease.

Rental payments due under operating lease arrangements are charged to the profit and loss account in the period to which they relate.

2 Profit on ordinary activities before taxation

	2003 £000	2002 £000
<i>Profit on ordinary activities before taxation is stated after charging/(crediting):</i>		
Auditors' remuneration - audit	18	18
- other services	2	2
Amortisation of goodwill	-	115
Depreciation - owned assets	555	482
- finance leases	202	156
(Profit)/loss on sale of fixed assets	(23)	45
Hire of plant and machinery and vehicles under operating leases	63	31

3 Remuneration of directors

Remuneration in respect of directors was as follows:-

	2003 £000	2002 £000
Emoluments (including benefits in kind)	339	311
Pension costs	3	3
	<u>342</u>	<u>314</u>

The emoluments, excluding pension contributions, of the highest paid director were £101,183 (2002: £91,306).

	Number of directors 2003	2002
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	1	1
Defined benefit schemes	3	3
	<u>4</u>	<u>4</u>

Notes (continued)

4 Staff numbers and costs

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

	Number of employees	
	2003	2002
Directors and administrative staff	90	60
Distribution	86	94
	176	154

The aggregate payroll costs of these persons were as follows:

	2003	2002
	£000	£000
Wages and salaries	3,212	2,911
Social security	291	263
Pension costs	31	28
	3,534	3,202

5 Interest receivable

	2003	2002
	£000	£000
On bank balances	12	-

6 Interest payable

	2003	2002
	£000	£000
On bank loan and overdraft	56	94
On finance leases	44	44
	100	138

Notes (continued)

7 Tax on profit on ordinary activities

Analysis of charge in period

	2003	2002
£000	£000	£000
<i>UK corporation tax</i>		
Corporation tax on profit for the period at 26% (2002: 28%)	158	221
Adjustments in respect of prior periods	(20)	2
Total corporation tax charge	138	223
<i>Deferred tax</i>		
Charge/(credit) for the year	22	(9)
Adjustment in respect of prior periods	17	10
Movement in deferred tax due to change in tax rate	(10)	(2)
Total deferred tax charge/(credit)	29	(1)
Tax on profit on ordinary activities	167	222

The current tax charge for the period is higher (2002: *higher*) than the standard rate of corporation in the UK (30%: 2002: 30%). The differences are explained below.

	2003	2002
	£000	£000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	645	613
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2002: 30%)	193	184
Goodwill written off in year	-	34
Expenses not deductible for tax purposes	5	6
Deferred tax (charge)/credit	(22)	9
Impact of marginal relief	(25)	(18)
Adjustments to tax charge in respect of previous periods	(20)	2
Ineligible depreciation and other items	7	6
Total corporation tax charge	138	223

Notes (continued)

8 Dividend on ordinary shares

	2003 £000	2002 £000
Proposed 81p per share (2002: 77p per share)	<u>65</u>	<u>61</u>

9 Tangible fixed assets

	Freehold properties £000	Plant £000	Vehicles £000	Furniture £000	Oil tanks £000	Total £000
<i>Cost</i>						
At beginning of year	994	289	4,883	156	428	6,750
Additions	368	130	1,363	25	165	2,051
Disposals	-	-	(383)	-	-	(383)
At end of year	<u>1,362</u>	<u>419</u>	<u>5,863</u>	<u>181</u>	<u>593</u>	<u>8,418</u>
<i>Depreciation</i>						
At beginning of year	155	138	2,611	93	150	3,147
Charge for the year	20	64	626	12	35	757
Disposals	-	-	(301)	-	-	(301)
At end of year	<u>175</u>	<u>202</u>	<u>2,936</u>	<u>105</u>	<u>185</u>	<u>3,603</u>
<i>Net book value</i>						
At 31 May 2003	<u>1,187</u>	<u>217</u>	<u>2,927</u>	<u>76</u>	<u>408</u>	<u>4,815</u>
At 31 May 2002	<u>839</u>	<u>151</u>	<u>2,272</u>	<u>63</u>	<u>278</u>	<u>3,603</u>

Vehicles include assets held under finance leases which had a net book value of £1,279,745 at 31 May 2003 (2002: £733,523).

Notes (continued)

10 Fixed asset investment

	2003 £000	2002 £000
Investment in subsidiary undertaking	3	3
Other loans	8	8
	<u>11</u>	<u>11</u>

The company owns 100% of the ordinary shares in all its subsidiary undertakings. None of the subsidiaries traded during the current or preceding year.

11 Stocks

	2003 £000	2002 £000
Finished goods and goods for resale	<u>1,097</u>	<u>1,001</u>

12 Debtors

	2003 £000	2002 £000
Trade debtors	8,267	7,109
VAT	122	72
Prepayments	214	235
	<u>8,603</u>	<u>7,416</u>

13 Creditors

	2003		2002	
	Due within one year £000	Due after one year £000	Due within one year £000	Due after one year £000
Bank loan (secured)	100	583	100	683
Trade creditors	9,556	-	7,630	-
Amounts owed to subsidiary undertaking	-	3	-	3
Corporation tax	158	-	221	-
Social security and other taxes	104	-	89	-
Accruals and deferred income	107	64	88	64
Obligations under finance leases	313	797	230	466
Dividend payable	65	-	61	-
	<u>10,403</u>	<u>1,447</u>	<u>8,419</u>	<u>1,216</u>

Notes (continued)

Creditors (continued)

The bank loan is payable as follows:

	2003 £000	2002 £000
Within one year	100	100
Between one and two years	100	100
Between two and five years	300	300
In five years or more	183	283
	683	783

The bank overdraft and term loan are secured by a standard security over properties owned by the company together with a bond and floating charge over the whole assets of the company. The interest rate on the term loan is 2% over the bank's base rate and is to be repaid in equal monthly instalments over 10 years.

A further floating charge, subordinate to that of the bank, is held by a major trade creditor. The aggregate balance due within one year at 31 May 2003 was £4,427,000 (2002: £5,218,000).

14 The maturity of obligations under finance leases is as follows:

	2003 £000	2002 £000
Within one year	313	230
In the second to fifth years	797	466
	1,110	696

15 Provisions for liabilities and charges

Deferred taxation

Deferred taxation fully provided in the financial statements at 26% (2002: 28%) is set out below:

	2003 £000	2002 £000
Accelerated capital allowances	139	110
Other timing differences	1	1
	140	111
Opening provision	111	112
Transfer from/(to) profit and loss account	29	(1)
	140	111

Notes (continued)

16 Share capital

	2003 £000	2002 £000
<i>Authorised</i>		
100,000 ordinary shares of £1 each	100	100
<i>Allotted, called up and fully paid</i>		
80,087 (2002: 79,387) ordinary shares of £1 each	80	79

In May 2003 700 ordinary shares of £1 each were issued for a consideration of £15,400.

17 Share premium account

	2003 £000	2002 £000
At start of year	15	-
Premium on issue of shares	15	15
At 31 May	30	15

18 Reconciliation of movement in shareholders funds

	2003 £000	2002 £000
Opening shareholders funds	2,993	2,648
Issue of share capital	16	15
Retained profit for financial year	413	330
	3,422	2,993

Notes (continued)

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

	2003 £000	2002 £000
Operating profit	733	751
Depreciation charged	757	638
Goodwill amortisation	-	115
(Profit)/loss on sale of tangible fixed assets	(23)	45
(Increase)/ decrease/ in stocks	(96)	62
Increase in debtors	(1,187)	(66)
Increase /(decrease) in creditors	1,955	(153)
Net cash inflow from operating activities	2,139	1,392

20 Reconciliation of net cash flow to movements in net debt

	2003 £000	2002 £000
Increase/(decrease) in cash	178	(37)
Finance lease rental payments	283	217
Term loan repayments	100	100
New finance leases	561 (697)	280 (376)
Movement in net debt	(136)	(96)
Net debt at the beginning of the year	(771)	(675)
Net debt at the end of the year	(907)	(771)

21 Analysis of changes in net debt

	At 1 June 2002 £000	Cash flow £000	Other non cash movements £000	At 31 May 2003 £000
Cash in hand, at bank	708	178	-	886
Loans < 1 year	(100)	100	(100)	(100)
Loans > 1 year	(683)	-	100	(583)
Finance leases	(696)	283	(697)	(1,110)
	(771)	561	(697)	(907)

Notes (continued)

22 Commitments

- (i) Capital commitments at 31 May 2003 for which no provision has been made were as follows:

	2003 £000	2002 £000
Contracted	<u>263</u>	<u>-</u>

- (ii) Operating leases

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

	2003 £000	2002 £000
Operating leases which expire:		
In one year	-	-
In two to five years	<u>63</u>	<u>63</u>

23 Pension costs

The company operates a pension scheme providing benefits based on final pensionable salary. The assets of the scheme are held separately from those of the company, being invested with Scottish Mutual Assurance plc. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method modified by a 20 year control period. The most recent valuation was carried out with an effective date of 1 December 2002. The assumptions which have the most significance are those relating to the rate of return on investments. It was assumed that the investment returns would be 8% per annum and that salary increases would average 6% per annum and that pensions in excess of the guaranteed minimum pension (GMP) would increase at the rate of 5% per annum (or 3% for members who left prior to 1 December 1991).

The most recent actuarial valuation showed that the value of the scheme's assets was £1.4 million and that the actuarial value of those assets represented 155% of the benefits that had accrued to members. Only three directors remain in this scheme, with all other employees having transferred out into the money purchase scheme.

In addition the company operates a money purchase scheme. The assets of the scheme are held separately from those of the company, being invested with Scottish Mutual Assurance plc. The scheme commenced on 1 December 1996. The contributions of the company and employees are 2-4% and 2% of earnings for staff and 11.5% and 2% of earnings for directors respectively.

The pension charge for the year was £31,188 (2002: £27,458.)

Accrued pension contributions at 31 May 2003 amounted to £4,974 (2002: £342).

Notes (continued)

Pension scheme (continued)

Under the transitional requirements of FRS 17, the company is required to disclose further information on the assets and liabilities of the defined benefit scheme on an FRS 17 market value basis at the end of the accounting period. This information is set out below.

	2003	2002
Rate of increase in salaries	3.5%	4.5%
Discount rate applied to scheme liabilities	5.0%	6.0%
Inflation assumption	2.5%	2.5%
Revaluation rate for deferred pensioners	2.5%	3.0%

The assumptions used by the actuary are the best estimates chosen by the actuary from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

Scheme assets

The fair value of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and thus are inherently uncertain, were:

	Long term expected rate of return at 31 May 2003	Value at 31 May 2003 £000	Long term expected rate of return at 31 May 2002	Value at 31 May 2002 £000
Insurance policies	6%	1,426	7%	1,510
Total market value of assets		1,426		1,510
Present value of scheme liabilities		(1,469)		(1,359)
(Deficit)/surplus in the scheme		(43)		151
Related deferred tax asset/liability		11		(42)
Net pension deficit/surplus		(32)		109

The measurement bases required by FRS 17 are likely to give rise to significant fluctuations in the reported amounts of the defined benefit pension scheme's assets and liabilities from year to year, and do not necessarily give rise to a change in the contributions payable into the Scheme, which is recommended by the independent actuary based on the expected long term rate of return on the scheme's assets.

Notes (continued)

Pension scheme (continued)

Movement in surplus/deficit during the year

	2003 £000
Surplus in scheme at beginning of year	151
Current service cost	(78)
Other finance income	19
Actuarial loss	(135)
Deficit in the scheme at end of year	43

If FRS 17 had been fully adopted in these financial statements the pension costs for defined benefit schemes would have been:

Analysis of other pension costs charged in arriving at operating profit

	2003 £000
Current service cost	78

Analysis of amounts included in other finance income/costs

	2003 £000
Expected return on pension scheme assets	103
Interest on pension scheme liabilities	(84)
	19

Analysis of amount recognised in statement of total recognised gains and losses

	2003 Percentage of period end scheme assets/liabilities	2003 £000
Actual return less expected return on scheme assets	10.6%	(151)
Experience gains and losses arising on scheme liabilities	23.5%	344
Changes in assumptions underlying the present value of scheme liabilities	22.3%	(328)
Actuarial gain loss recognised in statement of total recognised gains and losses		(135)