

Bernard Brogan Limited

**Directors' report and financial
statements**

Registered number 29521

31 May 2004



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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 May 2004.

Principal activities

The company is principally engaged in fuel distribution, fuel card agency and ironmongery supplies.

Business review and proposed dividend

The profit for the year after taxation amounted to £511,000 (2003: £478,000). A dividend of £81,000 is proposed (2003: £65,000) leaving the balance to be transferred to reserves.

Directors and directors' interests

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

	Note	2004	2003
CB Brogan	1	8,469	8,469
AH Tait		5,669	5,269
A Brogan		6,562	6,262
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 2004 in ordinary shares of nil (2003: 1,313) held by a trust of which they are trustees.

As at 31 May 2004 AH Tait and A Brogan had options over 2,800 and 1,907 shares respectively.

On 10 June 2003, James Brogan retired as a director.

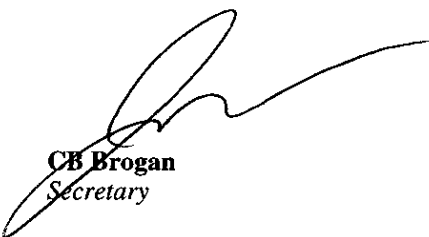
Market value of freehold properties

In the opinion of the directors the company's freehold properties have a market value in excess of book value.

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

2nd September 2004

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 year. 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 18.

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 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

6 September 2004

Profit and loss account
for the year ended 31 May 2004

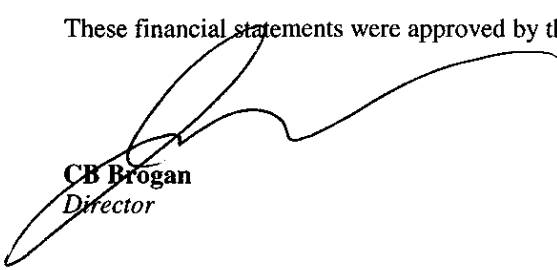
	<i>Note</i>	2004 £000	2003 £000
Turnover	<i>1</i>	100,564	78,220
Cost of sales		(97,257)	(75,787)
Gross profit		3,307	2,433
Administrative expenses		(2,654)	(1,776)
Other operating income		80	76
Operating profit		733	733
Profit on sale of operation (see note 2)		200	-
Interest receivable	<i>5</i>	5	12
Interest payable	<i>6</i>	(126)	(100)
Profit on ordinary activities before taxation	<i>2</i>	812	645
Taxation on ordinary activities	<i>7</i>	(301)	(167)
Profit on ordinary activities after taxation and for the financial year		511	478
Dividend payable	<i>8</i>	(81)	(65)
Retained profit for the year		430	413
Profit and loss account brought forward		3,307	2,894
Profit and loss account carried forward		3,737	3,307

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

Balance sheet
at 31 May 2004

	<i>Note</i>	2004		2003
		£000	£000	£000
Fixed assets				
Tangible assets	9	4,891		4,815
Investments	10	11		11
		<u>4,902</u>		<u>4,826</u>
Current assets				
Stocks	11	1,622		1,097
Debtors	12	9,740		8,603
Cash at bank and in hand		1,612		886
		<u>12,974</u>		<u>10,586</u>
Creditors: amounts falling due within one year	13	<u>(12,645)</u>		<u>(10,403)</u>
Net current assets		<u>329</u>		<u>183</u>
Total assets less current liabilities		<u>5,231</u>		<u>5,009</u>
Creditors: amounts falling due after more than one year	13	(1,181)		(1,447)
Provision for liabilities and charges	15	(220)		(140)
Net assets		<u>3,830</u>		<u>3,422</u>
Capital and reserves				
Called up equity share capital	16	81		80
Share premium	17	44		30
Capital redemption reserve		5		5
Own shares held		(37)		-
Profit and loss account		3,737		3,307
Shareholders' funds - equity		<u>3,830</u>		<u>3,422</u>

These financial statements were approved by the board of directors on 2/9/04 and were signed on its behalf by:


CB Brogan
Director

Cash flow statement
for the year ended 31 May 2004

	<i>Note</i>	2004	2003
		£000	£000
Net cash inflow from operating activities	<i>19</i>	2,249	2,139
Returns on investments and servicing of finance			
Interest paid (net)		(63)	(39)
Interest element of finance lease rental payments		(58)	(44)
Net cash outflow from returns on investments and servicing of finance		(121)	(83)
Taxation		(155)	(201)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(1,000)	(1,354)
Disposal of tangible fixed assets		243	105
Purchase of shares by Employee Benefit Trust		(37)	
Net cash outflow from investing activities		(794)	(1,249)
Equity dividends paid		(65)	(61)
Net cash inflow before financing		1,114	545
Financing			
Capital element of finance lease rental payments		(340)	(283)
Long term loan			
Loan repayments		(100)	(100)
Issue of ordinary shares		15	16
Net cash outflow from financing		(425)	(367)
Increase in cash balances	<i>20</i>	689	178

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. During the year, the company revised the useful lives of its fixed assets and the revised depreciation rates are noted below:

	<u>As previously stated</u>	<u>Revised policy</u>
Buildings	- 2% reducing balance	2% reducing balance
Plant	- 25% reducing balance	20% straight line
Vehicles	- 25% reducing balance	20% reducing balance
Furniture	- 15% reducing balance	20% straight line
Oil Tanks	- 10% reducing balance	10% straight line

The effect of the change in useful life on the current year results amounts to a reduction in the depreciation charge of £126,000.

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 as required by FRS 19: Deferred tax.

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. The company also operates a defined contribution scheme: the amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

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. Operating lease receipts are credited to the profit and loss account on a straight line basis over the period of the lease.

2 Profit on ordinary activities before taxation

	2004 £000	2003 £000
<i>Profit on ordinary activities before taxation is stated after charging/(crediting):</i>		
Auditors' remuneration - audit	18	18
- other services	19	2
Depreciation - owned assets	553	555
- finance leases	293	202
Loss/(profit) on sale of fixed assets	21	(23)
Hire of plant and machinery and vehicles under operating leases	63	63
Operating lease rentals received	(43)	-

During the year, the company sold its access platform hire division resulting in a profit on sale of this operation of £200,000.

3 Remuneration of directors

Remuneration in respect of directors was as follows:-

	2004 £000	2003 £000
Emoluments (including benefits in kind)	450	339
Pension costs	24	3
	<u>474</u>	<u>342</u>

The emoluments, excluding pension contributions, of the highest paid director were £122,877 (2003: £101,183).

	Number of directors 2004	2003
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	2	2
Defined benefit schemes	3	3
	<u>5</u>	<u>5</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	
	2004	2003
Directors and administrative staff	98	90
Distribution	95	86
	193	176

The aggregate payroll costs of these persons were as follows:

	2004 £000	2003 £000
Wages and salaries	3,711	3,212
Social security	360	291
Pension costs	56	31
	4,127	3,534

5 Interest receivable

	2004 £000	2003 £000
On bank balances	5	12

6 Interest payable

	2004 £000	2003 £000
On bank loan and overdraft	68	56
On finance leases	58	44
	126	100

Notes (continued)

7 Tax on profit on ordinary activities

Analysis of charge in period

	2004	2003
£000	£000	£000
<i>UK corporation tax</i>		
Corporation tax on profit for the period at 27% (2003: 26%)	221	158
Adjustments in respect of prior periods	-	(20)
Total corporation tax charge	221	138
<i>Deferred tax</i>		
Charge for the year	46	22
Adjustment in respect of prior periods	11	17
Movement in deferred tax due to change in tax rate	23	(10)
Total deferred tax charge	80	29
Tax on profit on ordinary activities	301	167

The current tax charge for the period is lower (2003: lower) than the standard rate of corporation in the UK (30%: 2003: 30%). The differences are explained below.

	2004	2003
£000	£000	£000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	812	645
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2003: 30%)	243	193
Expenses not deductible for tax purposes	15	5
Deferred tax charge for the year	(46)	(22)
Impact of marginal relief	(19)	(25)
Adjustments to tax charge in respect of previous periods	-	(20)
Ineligible depreciation and other items	28	7
Total corporation tax charge	221	138

Notes (continued)

8 Dividend on ordinary shares

	2004 £000	2003 £000
Proposed dividend of 102p per share (2003: 81p per share)	81	65

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	1,362	419	5,863	181	593	8,418
Additions	21	168	751	29	217	1,186
Disposals	-	(18)	(502)	(12)	-	(532)
At end of year	1,383	569	6,112	198	810	9,072
<i>Depreciation</i>						
At beginning of year	175	202	2,936	105	185	3,603
Charge for the year	25	83	640	24	74	846
Disposals	-	(14)	(247)	(7)	-	(268)
At end of year	200	271	3,329	122	259	4,181
<i>Net book value</i>						
At 31 May 2004	1,183	298	2,783	76	551	4,891
At 31 May 2003	1,187	217	2,927	76	408	4,815

Vehicles include assets held under finance leases which had a net book value of £1,172,000 at 31 May 2004 (2003: £1,279,000).

Notes (continued)

10 Fixed asset investment

	2004 £000	2003 £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

	2004 £000	2003 £000
Finished goods and goods for resale	<u>1,622</u>	<u>1,097</u>

12 Debtors

	2004 £000	2003 £000
Trade debtors	9,159	8,267
VAT	469	214
Prepayments	112	122
	<u>9,740</u>	<u>8,603</u>

13 Creditors

	2004		2003	
	Due within one year £000	Due after one year £000	Due within one year £000	Due after one year £000
Bank overdraft	37	-	-	-
Bank loan (secured)	100	483	100	583
Trade creditors	11,503	-	9,556	-
Amounts owed to subsidiary undertaking	-	3	-	3
Corporation tax	224	-	158	-
Social security and other taxes	118	-	104	-
Accruals and deferred income	278	43	107	64
Obligations under finance leases	304	652	313	797
Dividend payable	81	-	65	-
	<u>12,645</u>	<u>1,181</u>	<u>10,403</u>	<u>1,447</u>

Notes (continued)

Creditors (continued)

The bank loan is payable as follows:

	2004 £000	2003 £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	83	183
	<u>583</u>	<u>683</u>

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 2004 was £3,318,999 (2003: £4,427,000).

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

	2004 £000	2003 £000
Within one year	304	313
In the second to fifth years	652	797
	<u>956</u>	<u>1,110</u>

15 Provisions for liabilities and charges

Deferred taxation

Deferred taxation fully provided in the financial statements at 30% (2003: 26%) is set out below:

	2004 £000	2003 £000
Accelerated capital allowances	219	139
Other timing differences	1	1
	<u>220</u>	<u>140</u>
Opening provision	140	111
Transfer from profit and loss account	80	29
	<u>220</u>	<u>140</u>

Notes (continued)

16 Share capital

	2004 £000	2003 £000
<i>Authorised</i>		
100,000 ordinary shares of £1 each	100	100
<i>Allotted, called up and fully paid</i>		
80,787 (2003: 80,087) ordinary shares of £1 each	81	80

In May 2004 700 ordinary shares of £1 each were issued for a consideration of £15,400.

17 Share premium account

	2004 £000	2003 £000
At start of year	30	15
Premium on issue of shares	14	15
At 31 May 2004	44	30

18 Reconciliation of movement in shareholders funds

	2004 £000	2003 £000
Opening shareholders funds	3,422	2,993
Issue of share capital	15	16
Retained profit for financial year	430	413
Own shares purchased by Employee Benefit Trust	(37)	-
	3,830	3,422

Notes (continued)

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

	2004 £000	2003 £000
Operating profit	933	733
Depreciation charged	846	757
Loss/(profit) on sale of tangible fixed assets	21	(23)
Increase in stocks	(525)	(96)
Increase in debtors	(1,137)	(1,187)
Increase in creditors	2,111	1,955
Net cash inflow from operating activities	2,249	2,139

20 Reconciliation of net cash flow to movements in net debt

	2004 £000	2003 £000
Increase in cash	689	178
Finance lease rental payments	340	283
Term loan repayments	100	100
New finance leases	1,129 (186)	561 (697)
Movement in net debt	943	(136)
Net debt at the beginning of the year	(907)	(771)
Net debt at the end of the year	36	(907)

21 Analysis of changes in net debt

	At 1 June 2003 £000	Cash flow £000	Other non cash movements £000	At 31 May 2004 £000
Cash in hand, at bank	886	726	-	1,612
Overdraft	-	(37)	-	(37)
Loans < 1 year	886	689	-	1,575
Loans > 1 year	(100)	100	(100)	(100)
Finance leases	(583)	-	100	(483)
	(1,110)	340	(186)	(956)
	(907)	1,129	(186)	36

Notes (continued)

22 Commitments

(i) Capital commitments at 31 May 2004 for which no provision has been made were as follows:

	2004 £000	2003 £000
Contracted	240	263

(ii) Operating leases

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

	2004 £000	2003 £000
Operating leases which expire: In two to five years	63	63

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. Employer contribution recommenced on 1 December 2003 at 12%. The total charge was £18,000.

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.

The pension charge for the year was £38,000 (2003: £31,188.)

Accrued pension contributions at 31 May 2004 amounted to £6,019 (2003: £4,974).

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.

	2004	2003	2002
Rate of increase in salaries	4.25%	3.5%	4.5%
Discount rate applied to scheme liabilities	5.75%	5.0%	6.0%
Inflation assumption	3.25%	2.5%	2.5%
Revaluation rate for deferred pensioners	3.25%	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 2004	Value at 31 May 2004 £000	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	5.5%	1,367	6%	1,426	7%	1,510
Total market value of assets		1,367		1,426		1,510
Present value of scheme liabilities		(1,750)		(1,469)		(1,359)
(Deficit)/surplus in the scheme		(383)		(43)		151
Related deferred tax asset/liability		115		11		(42)
Net pension (deficit)/surplus		(268)		(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

	2004 £000	2003 £000
Surplus in scheme at beginning of year	164	151
Current service cost	(84)	(78)
Other finance income	10	19
Actuarial loss	(285)	(135)
Deficit in the scheme at end of year	(195)	(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

	2004 £000	2003 £000
Current service cost	84	78

Analysis of amounts included in other finance income/costs

	2004 £000	2003 £000
Expected return on pension scheme assets	86	103
Interest on pension scheme liabilities	(76)	(84)
	10	19

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

	2004 Percentage of period end scheme assets/liabilities	2004 £000
Actual return less expected return on scheme assets	12%	(164)
Experience gains and losses arising on scheme liabilities	3.8%	(66)
Changes in assumptions underlying the present value of scheme liabilities	3.1%	(55)
Actuarial gain loss recognised in statement of total recognised gains and losses		(285)

24. Related party transaction

During the financial year the Board of Directors approved the granting of a short term loan to CB Brogan for property 'bridging' purposes. The loan totalling £276,000 was repaid in full together with interest calculated at 5% per annum amounting to £834.