

**Bernard Brogan Limited**

Directors' report and financial statements

Registered number 29521

31 May 2007

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## Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 May 2007

### Principal activities

The company is principally engaged in fuel oil distribution, fuel card agency and hardware supplies

### Business review and proposed dividend

The company has achieved another satisfactory result for the year to 31 May 2007, against a background of an increasingly challenging competitive environment. Despite a difficult winter period for the distribution division, caused by the unusually mild weather, the directors are happy to report continued growth in all areas of the business and the improved profitability of the company as a whole. Operating profit increased from £2.137 million in the previous year to £2.374 million due to the maturing of various younger divisions within the company and economies of scale as we continue to expand the scope of our operators. Profit before tax increased from £1.97 million to £2.16 million. Turnover was £206.8 million up 11.9% on the previous year due to a combination of continued organic growth and increasing world oil prices.

The directors have proposed a final ordinary dividend in respect of the current year of £2 per share. As required by FRS 21 Events after the Balance Sheet Date, this has not been included within creditors as it was not approved before the year end.

The principal risks and uncertainties affecting the business include the following:

- **Raw material availability and prices** the company monitors raw material sources and prices on a national basis in order to secure competitive supplies in a time of highly volatile oil supplies and markets.
- **Environmental risks** the company places considerable emphasis upon environmental compliance in each of its business and not only seeks to ensure ongoing compliance with relevant legislation but also strives to ensure that environmental best practice is incorporated into its key processes.
- **Environmental change** continuing volatility in the world oil markets and the threat of global warming create an environment of potential change in customer demand as alternative sources of fuel are developed. The company continues to monitor changes in these factors with a view to protecting the business and developing new areas of potential growth.
- **Debtors** the company maintains strong relationships with each of its key customers and has established credit control parameters. Appropriate credit terms are agreed with all customers and these are closely managed. In addition, the company maintains credit insurance whereby the majority of outstanding debts are credit insured.
- **The effect of legislation or other regulatory activities** the company monitors forthcoming and current legislation and their impact on the business regularly.
- **Pension funding risk** the company operates significant pension plans as detailed in note 25. The funding of the pension liabilities at 31 May 2007 was all by insurance policies. The company is subject to funding risks, principally poor performance of the equity investment and increased longevity of the members. Such risks could result in increased contributions by the company to the pension schemes.

Key financial performance indicators include the monitoring of the management of profitability and working capital

|                   | 2007 | 2006 | Measure                              |
|-------------------|------|------|--------------------------------------|
| <b>Financial</b>  |      |      |                                      |
| Return on capital | 36%  | 34%  | Profit before tax/net assets         |
| Current ratio     | 1.05 | 1.09 | Current assets/current liabilities   |
| Stock turnover    | 82   | 91   | Turnover/stock                       |
| Days debtors      | 32   | 34   | Trade debtors (net)/average turnover |

## **Directors' report** *(continued)*

### **Directors**

The directors who held office at the year end were as follows

CB Brogan  
AH Tait  
A Brogan  
W Taylor  
R Tomal

### **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

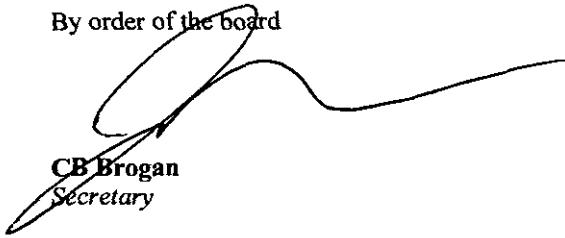
### **Disclosure of information to auditors**

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

### **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

12 September 2007

## **Statement of directors' responsibilities in respect of the Directors' Report and the financial statements**

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

The financial statements are required by law to 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 these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK 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 that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its 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**

191 West George Street  
Glasgow  
G2 2LJ  
United Kingdom

### **Independent auditors' report to the members of Bernard Brogan Limited**

We have audited the financial statements of Bernard Brogan Limited for the year ended 31 May 2007 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement, the Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 3.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

#### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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.

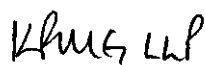
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity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

**Independent auditors' report to the members of Bernard Brogan Limited**  
*(continued)*

**Opinion**

In our opinion

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 May 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements



**KPMG LLP**  
*Chartered Accountants*  
*Registered Auditor*

13 September 2007

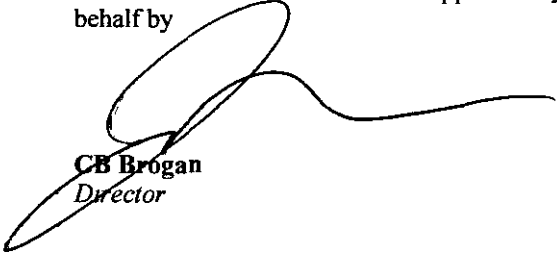
**Profit and loss account**  
*for the year ended 31 May 2007*

|                                                                                | <i>Note</i> | <b>2007</b>      | <b>2006</b><br>(Restated<br>– note 1) |
|--------------------------------------------------------------------------------|-------------|------------------|---------------------------------------|
|                                                                                |             | <b>£000</b>      | <b>£000</b>                           |
| <b>Turnover</b>                                                                | <i>1</i>    | <b>206,780</b>   | <b>184,823</b>                        |
| Cost of sales                                                                  |             | <b>(200,278)</b> | <b>(178,946)</b>                      |
| <b>Gross profit</b>                                                            |             | <b>6,502</b>     | <b>5,877</b>                          |
| Administrative expenses                                                        |             | <b>(4,178)</b>   | <b>(3,789)</b>                        |
| Other operating income                                                         |             | <b>50</b>        | <b>49</b>                             |
| <b>Operating profit</b>                                                        |             | <b>2,374</b>     | <b>2,137</b>                          |
| Interest receivable                                                            | <i>5</i>    | <b>26</b>        | <b>16</b>                             |
| Interest payable                                                               | <i>6</i>    | <b>(206)</b>     | <b>(137)</b>                          |
| Other finance charges                                                          | <i>7</i>    | <b>(34)</b>      | <b>(46)</b>                           |
| <b>Profit on ordinary activities before taxation</b>                           | <i>2</i>    | <b>2,160</b>     | <b>1,970</b>                          |
| Taxation on ordinary activities                                                | <i>8</i>    | <b>(745)</b>     | <b>(728)</b>                          |
| <b>Profit on ordinary activities after taxation and for the financial year</b> |             | <b>1,415</b>     | <b>1,242</b>                          |

**Balance sheet**  
*at 31 May 2007*

|                                                                | <i>Note</i> | <b>2007</b> | <b>2006</b> |
|----------------------------------------------------------------|-------------|-------------|-------------|
|                                                                |             | <b>£000</b> | <b>£000</b> |
| <b>Fixed assets</b>                                            |             |             |             |
| Tangible assets                                                | 10          | 7,622       | 6,860       |
| Investments                                                    | 11          | 11          | 11          |
|                                                                |             | <hr/>       | <hr/>       |
|                                                                |             | 7,633       | 6,871       |
| <b>Current assets</b>                                          |             |             |             |
| Stocks                                                         | 12          | 2,514       | 2,027       |
| Debtors                                                        | 13          | 22,188      | 19,614      |
| Cash at bank and in hand                                       |             | 3           | 2,326       |
|                                                                |             | <hr/>       | <hr/>       |
|                                                                |             | 24,705      | 23,967      |
| <b>Creditors: amounts falling due within one year</b>          | 14          | (23,470)    | (21,969)    |
|                                                                |             | <hr/>       | <hr/>       |
| <b>Net current assets</b>                                      |             | 1,235       | 1,998       |
|                                                                |             | <hr/>       | <hr/>       |
| <b>Total assets less current liabilities</b>                   |             | 8,868       | 8,869       |
| <b>Creditors: amounts falling due after more than one year</b> | 14          | (2,098)     | (2,357)     |
| <b>Net pension liability</b>                                   | 25          | (295)       | (356)       |
| <b>Provision for liabilities and charges</b>                   | 16          | (447)       | (372)       |
|                                                                |             | <hr/>       | <hr/>       |
| <b>Net assets</b>                                              |             | 6,028       | 5,784       |
|                                                                |             | <hr/>       | <hr/>       |
| <b>Capital and reserves</b>                                    |             |             |             |
| Called up equity share capital                                 | 17          | 87          | 85          |
| Share premium                                                  | 18          | 187         | 143         |
| Capital redemption reserve                                     |             | 5           | 5           |
| Own shares held                                                | 19          | (1,177)     |             |
| Profit and loss account                                        |             | 6,926       | 5,551       |
|                                                                |             | <hr/>       | <hr/>       |
| <b>Shareholders' funds</b>                                     | 20          | 6,028       | 5,784       |
|                                                                |             | <hr/>       | <hr/>       |

These financial statements were approved by the board of directors on 12 September 2007 and were signed on its behalf by

  
CB Brogan  
Director

**Cash flow statement**  
*for the year ended 31 May 2007*

|                                                                              | <i>Note</i> | <b>2007</b>    | <b>2006</b>  |
|------------------------------------------------------------------------------|-------------|----------------|--------------|
|                                                                              |             | <b>£000</b>    | <b>£000</b>  |
| <b>Net cash inflow from operating activities</b>                             | <b>21</b>   | <b>194</b>     | <b>3,302</b> |
| <b>Returns on investments and servicing of finance</b>                       |             |                |              |
| Interest paid (net)                                                          |             | (27)           | (40)         |
| Interest element of finance lease rental payments                            |             | (153)          | (89)         |
| <b>Net cash outflow from returns on investments and servicing of finance</b> |             | <b>(180)</b>   | <b>(129)</b> |
| <b>Taxation</b>                                                              |             | <b>(976)</b>   | <b>(311)</b> |
| <b>Capital expenditure and financial investment</b>                          |             |                |              |
| Purchase of tangible fixed assets                                            |             | (1,356)        | (958)        |
| Disposal of tangible fixed assets                                            |             | 239            | 346          |
| Purchase of shares by Employee Benefit Trust                                 |             | (1,186)        | (142)        |
| Sale of shares by Employee Benefit Trust                                     |             | 9              | 243          |
| <b>Net cash outflow from investing activities</b>                            |             | <b>(2,294)</b> | <b>(511)</b> |
| <b>Equity dividends paid</b>                                                 |             | <b>(173)</b>   | <b>(113)</b> |
| <b>Net cash (outflow)/inflow before financing</b>                            |             | <b>(3,429)</b> | <b>2,238</b> |
| <b>Financing</b>                                                             |             |                |              |
| Capital element of finance lease rental payments                             |             | (893)          | (339)        |
| Loan repayments                                                              |             | (100)          | (100)        |
| Issue of ordinary shares                                                     |             | 46             |              |
| Issue of shares classed as liabilities                                       |             | 724            |              |
| <b>Net cash outflow from financing</b>                                       |             | <b>(223)</b>   | <b>(439)</b> |
| <b>(Decrease)/increase in cash balances</b>                                  | <b>22</b>   | <b>(3,652)</b> | <b>1,799</b> |

**Statement of total recognised gains and losses**  
*for the year ended 31 May 2007*

|                                                                                     | 2007<br>£000 | 2006<br>(Restated note 1)<br>£000 |
|-------------------------------------------------------------------------------------|--------------|-----------------------------------|
| <b>Profit for the financial year</b>                                                | <b>1,415</b> | <b>1,242</b>                      |
| Actuarial gain recognised in the pension scheme                                     | 190          | 417                               |
| Tax movement relating to the actuarial gain                                         | (57)         | (126)                             |
| Movement in ESOP trust                                                              | (1,177)      | 12                                |
| Credit in relation to share based payments                                          |              | 174                               |
| New share capital providers                                                         | 46           |                                   |
| Dividends paid                                                                      | (173)        |                                   |
| <b>Total recognised gains and losses relating to the financial year</b>             | <b>244</b>   | <b>1,719</b>                      |
| Prior year adjustment                                                               |              | (570)                             |
| <b>Total recognised gains and losses recognised since last financial statements</b> | <b>244</b>   | <b>1,149</b>                      |

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

The following accounting policies have, with the exception of the following, been applied consistently in dealing with items which are considered material in relation to the company's financial statements. The company has adopted FRS 20. Share Based Payments apply to the financial statements for the first time this year. The company applied the provisions of this standard and the comparative figures have been restated accordingly. The policy in relation to share based payments is set out below.

The impact of the change in accounting policy has been to recognise a charge of £174,000 in the 2006 profit and loss account, with a corresponding credit to reserves in 2006. There is no impact on the 2007 results.

#### ***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.

|           |                      |
|-----------|----------------------|
| Buildings | 2% reducing balance  |
| Plant     | 20% straight line    |
| Vehicles  | 20% reducing balance |
| Furniture | 20% straight line    |
| Oil Tanks | 10% straight line    |

#### ***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 operates a defined benefit scheme which requires contributions to be made to a separately administered fund. 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.

#### ***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.

## Notes (continued)

### 1 Accounting policies (continued)

#### Share based payments

The share option programme allows employees to acquire shares of the Company. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using an option pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting.

#### Classification of financial instruments issued by the Company

Following the adoption of FRS 25, financial instruments issued by the Company are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions:

- a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company, and
- b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges. Finance payments associated with financial instruments that are classified as part of shareholders' funds (see dividends policy), are dealt with as appropriations in the reconciliation of movements in shareholders' funds.

### 2 Profit on ordinary activities before taxation

|                                                                                           | 2007<br>£000 | 2006<br>£000 |
|-------------------------------------------------------------------------------------------|--------------|--------------|
| <i>Profit on ordinary activities before taxation is stated after charging/(crediting)</i> |              |              |
| Auditors' remuneration    audit                                                           | 22           | 19           |
| other services                                                                            | 2            | 7            |
| Depreciation    owned assets                                                              | 563          | 557          |
| finance leases                                                                            | 657          | 446          |
| Loss/(profit) on sale of fixed assets                                                     | 6            | (34)         |
| Hire of plant and machinery and vehicles under operating leases                           | 89           | 87           |
| Operating lease rentals received                                                          | (7)          | (108)        |

## Notes (continued)

### 3 Remuneration of directors

Remuneration in respect of directors was as follows

|                                                      | 2007       | 2006<br>(restated<br>– note 1) |
|------------------------------------------------------|------------|--------------------------------|
|                                                      | £000       | £000                           |
| Emoluments (including benefits in kind)              | 738        | 576                            |
| Amounts receivable under long term incentive schemes |            | 174                            |
| Pension costs                                        | 122        | 107                            |
|                                                      | <u>860</u> | <u>857</u>                     |

The emoluments and amounts receivable under long term incentive schemes, excluding pension contributions, of the highest paid director were £213,939 (2006 £208,010). The annual pension accruing to the highest paid director under a defined benefit pension scheme was £27,990 (2006 £25,039).

|                                                                             | Number of directors<br>2007 | 2006 |
|-----------------------------------------------------------------------------|-----------------------------|------|
| Retirement benefits are accruing to the following number of directors under |                             |      |
| Money purchase schemes                                                      | 2                           | 2    |
| Defined benefit schemes                                                     | 3                           | 3    |

Directors' rights to subscribe for shares in or debentures of the company and its subsidiaries are indicated below

|           | At start<br>of year | Number of options<br>At end<br>of year | Exercise<br>price<br>£ |
|-----------|---------------------|----------------------------------------|------------------------|
| CB Brogan | 3,663               | 3,100                                  | 32                     |
| AH Tart   | 3,663               | 3,100                                  | 32                     |
| A Brogan  | 3,663               | 3,100                                  | 32                     |

### 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<br>2007 | 2006       |
|------------------------------------|-----------------------------|------------|
| Directors and administrative staff | 145                         | 129        |
| Distribution                       | 99                          | 89         |
|                                    | <u>244</u>                  | <u>218</u> |

**Notes (continued)**

**4 Staff numbers and costs (continued)**

The aggregate payroll costs of these persons were as follows

|                                        | 2007         | 2006<br>(Restated<br>– note 1) |
|----------------------------------------|--------------|--------------------------------|
|                                        | £000         | £000                           |
| Wages and salaries                     | 5,407        | 4,498                          |
| Share based payments (see note 26)     |              | 174                            |
| Social security                        | 528          | 423                            |
| Pension costs                          | 103          | 42                             |
| Defined benefit – current service cost | 117          | 107                            |
|                                        | <u>6,155</u> | <u>5,244</u>                   |

**5 Interest receivable**

|                  | 2007      | 2006      |
|------------------|-----------|-----------|
|                  | £000      | £000      |
| On bank balances | <u>26</u> | <u>16</u> |

**6 Interest payable**

|                            | 2007       | 2006       |
|----------------------------|------------|------------|
|                            | £000       | £000       |
| On bank loan and overdraft | 53         | 48         |
| On finance leases          | 153        | 89         |
|                            | <u>206</u> | <u>137</u> |

**7 Other finance charges**

|                                          | 2007      | 2006      |
|------------------------------------------|-----------|-----------|
|                                          | £000      | £000      |
| Interest on pension scheme liabilities   | 107       | 115       |
| Expected return on pension scheme assets | (73)      | (69)      |
|                                          | <u>34</u> | <u>46</u> |

**Notes (continued)**

**8 Tax on profit on ordinary activities**

Analysis of charge in period

|                                             | 2007  |            | 2006  |            |
|---------------------------------------------|-------|------------|-------|------------|
|                                             | £000  | £000       | £000  | £000       |
| <i>UK corporation tax</i>                   |       |            |       |            |
| Corporation tax on profit for the year      |       | 706        |       | 671        |
| Adjustments in respect of prior periods     |       | (5)        |       | (6)        |
|                                             |       | <hr/>      |       | <hr/>      |
| Total corporation tax charge                |       | 701        |       | 665        |
| <i>Deferred tax</i>                         |       |            |       |            |
| Charge/(credit) for the year                | 13    |            | (21)  |            |
| Adjustment in respect of prior periods      | 62    |            | 117   |            |
|                                             | <hr/> |            | <hr/> |            |
| Movement in deferred tax provision          |       | 75         |       | 96         |
| Deferred tax in relation to pensions        |       | (31)       |       | (33)       |
|                                             |       | <hr/>      |       | <hr/>      |
| Total deferred tax charge                   |       | 44         |       | 63         |
|                                             |       | <hr/>      |       | <hr/>      |
| <b>Tax on profit on ordinary activities</b> |       | <b>745</b> |       | <b>728</b> |
|                                             |       | <hr/>      |       | <hr/>      |

The current tax charge for the period is higher (2006 higher) than the standard rate of corporation in the UK (30% 2006 30%) The differences are explained below

|                                                                                                             | 2007  | 2006<br>(restated<br>– note 1) |
|-------------------------------------------------------------------------------------------------------------|-------|--------------------------------|
|                                                                                                             | £000  | £000                           |
| <i>Current tax reconciliation</i>                                                                           |       |                                |
| Profit on ordinary activities before tax                                                                    | 2,160 | 1,970                          |
|                                                                                                             | <hr/> | <hr/>                          |
| Profit on ordinary activities multiplied by standard rate of corporation tax<br>in the UK of 30% (2006 30%) | 648   | 591                            |
| Expenses not deductible for tax purposes                                                                    | 42    | 58                             |
| Deferred tax (charge)/credit for the year                                                                   | (13)  | 21                             |
| Adjustments to tax charge in respect of previous periods                                                    | (5)   | (6)                            |
| Ineligible depreciation and other items                                                                     | (2)   | 1                              |
| Deferred tax in relation to pension                                                                         | 31    |                                |
|                                                                                                             | <hr/> | <hr/>                          |
| Total corporation tax charge                                                                                | 701   | 665                            |
|                                                                                                             | <hr/> | <hr/>                          |

## Notes (continued)

### 9 Dividend on ordinary shares

|           | 2007<br>£000 | 2006<br>£000 |
|-----------|--------------|--------------|
| Dividends | 173          | 113          |

The directors have proposed a final dividend of £145,108 (2006 £170,988) (£2 per share) in respect of the current financial year. This has not been included in creditors as it was not approved before the year end.

Under FRS 21 Events after the Balance Sheet Date, final dividends payable are recognised only in the period in which they are declared in annual general meeting and therefore become a liability, previously dividends were accrued for when proposed.

### 10 Tangible fixed assets

|                       | Freehold<br>properties<br>£000 | Plant<br>£000 | Vehicles<br>£000 | Furniture<br>£000 | Oil tanks<br>£000 | Total<br>£000 |
|-----------------------|--------------------------------|---------------|------------------|-------------------|-------------------|---------------|
| <i>Cost</i>           |                                |               |                  |                   |                   |               |
| At beginning of year  | 1,545                          | 903           | 7,534            | 241               | 1,014             | 11,237        |
| Additions             | 755                            | 92            | 1,269            | 18                | 93                | 2,227         |
| Disposals             |                                | (14)          | (777)            |                   |                   | (791)         |
| At end of year        | 2,300                          | 981           | 8,026            | 259               | 1,107             | 12,673        |
| <i>Depreciation</i>   |                                |               |                  |                   |                   |               |
| At beginning of year  | 242                            | 472           | 3,056            | 176               | 431               | 4,377         |
| Charge for the year   | 20                             | 140           | 936              | 28                | 96                | 1,220         |
| Disposals             |                                | (2)           | (544)            |                   |                   | (546)         |
| At end of year        | 262                            | 610           | 3,448            | 204               | 527               | 5,051         |
| <i>Net book value</i> |                                |               |                  |                   |                   |               |
| At 31 May 2007        | 2,038                          | 371           | 4,578            | 55                | 580               | 7,622         |
| At 31 May 2006        | 1,303                          | 431           | 4,478            | 65                | 583               | 6,860         |

Vehicles include assets held under finance leases which had a net book value of £3,346,854 at 31 May 2007 (2006 £3,159,844).

## Notes (continued)

### 11 Fixed asset investment

|                                      | 2007<br>£000 | 2006<br>£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.

### 12 Stocks

|                                     | 2007<br>£000 | 2006<br>£000 |
|-------------------------------------|--------------|--------------|
| Finished goods and goods for resale | 2,514        | 2,027        |

### 13 Debtors

|               | 2007<br>£000  | 2006<br>£000  |
|---------------|---------------|---------------|
| Trade debtors | 21,054        | 18,876        |
| VAT           | 480           | 545           |
| Prepayments   | 654           | 193           |
|               | <u>22,188</u> | <u>19,614</u> |

#### Related party transactions

During the year, loans were made to three of the directors to allow them to purchase company vehicles. The maximum amount and the balance outstanding at the year end are as follows:

C Brogan £28,767 and £25,081, A Brogan £52,298 and £48,715 and A Tait £39,000 and £35,090

### 14 Creditors

|                                        | Due within<br>one year<br>£000 | 2007<br>Due after<br>one year<br>£000 | Due within<br>one year<br>£000 | 2006<br>Due after<br>one year<br>£000 |
|----------------------------------------|--------------------------------|---------------------------------------|--------------------------------|---------------------------------------|
| Shares classification liabilities      | 724                            |                                       |                                |                                       |
| Bank overdraft                         | 1,329                          |                                       |                                |                                       |
| Bank loan (secured)                    | 100                            | 183                                   | 100                            | 283                                   |
| Trade creditors                        | 18,030                         |                                       | 19,443                         |                                       |
| Amounts owed to subsidiary undertaking |                                | 3                                     |                                | 3                                     |
| Corporation tax                        | 396                            |                                       | 671                            |                                       |
| Social security and other taxes        | 187                            |                                       | 166                            |                                       |
| Accruals and deferred income           | 1,846                          | 2                                     | 860                            | 10                                    |
| Obligations under finance leases       | 858                            | 1,910                                 | 729                            | 2,061                                 |
|                                        | <u>23,470</u>                  | <u>2,098</u>                          | <u>21,969</u>                  | <u>2,357</u>                          |

## Notes (continued)

### 14 Creditors (continued)

The bank loan is payable as follows

|                           | 2007<br>£000 | 2006<br>£000 |
|---------------------------|--------------|--------------|
| Within one year           | 100          | 100          |
| Between one and two years | 183          | 283          |
|                           | <u>283</u>   | <u>383</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 1.5% 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 two major trade creditors. The aggregate balance due within one year at 31 May 2007 was £6,913,580 (2006 £7,682,276).

### 15 The maturity of obligations under finance leases is as follows

|                              | 2007<br>£000 | 2006<br>£000 |
|------------------------------|--------------|--------------|
| Within one year              | 858          | 729          |
| In the second to fifth years | 1,910        | 2,061        |
|                              | <u>2,768</u> | <u>2,790</u> |

### 16 Provisions for liabilities and charges

#### Deferred taxation

Deferred taxation fully provided in the financial statements at 30% (2006 30%) is set out below

|                                       | 2007<br>£000 | 2006<br>£000 |
|---------------------------------------|--------------|--------------|
| Accelerated capital allowances        | 450          | 396          |
| Other timing differences              | (3)          | (24)         |
|                                       | <u>447</u>   | <u>372</u>   |
| Opening provision                     | 372          | 276          |
| Transfer from profit and loss account | 75           | 96           |
|                                       | <u>447</u>   | <u>372</u>   |
| Closing provision                     | 447          | 372          |

## Notes (continued)

### 17 Share capital

|                                                            | 2007<br>£000 | 2006<br>£000 |
|------------------------------------------------------------|--------------|--------------|
| <b>Authorised</b>                                          |              |              |
| 100,000 ordinary shares of £1 each                         | 100          | 100          |
| 17,073 cumulative redeemable preference shares of £82 each | 1,400        |              |
|                                                            | <hr/> 1,500  | <hr/> 100    |
| <b>Allotted, called up and fully paid</b>                  |              |              |
| Ordinary shares of £1 each                                 | 87           | 85           |
| 8,829 cumulative redeemable preference shares of £82 each  | 724          |              |
|                                                            | <hr/> 811    | <hr/> 85     |
| Shares classified as liabilities                           | 724          |              |
| Shares classified in shareholders' funds                   | 87           | 85           |
|                                                            | <hr/> 811    | <hr/> 85     |

During the year the Company issued 1,410 £1 ordinary shares for a consideration of £32 each, settled in cash

During the year the Company issued 8,829 £82 preference shares, settled in cash. The preference shares are redeemable at any time at the option of the shareholder.

Dividends are payable on these preference shares and are calculated at a rate of £5 per share, index linked annually to the retail price index.

The following options to subscribe for shares in group companies exist:

|                 | Class of share | Number of<br>options | Amount of<br>shares | Exercise<br>period | Exercise<br>price |
|-----------------|----------------|----------------------|---------------------|--------------------|-------------------|
| EMI Scheme      | Ordinary       | 9,300                |                     | 1 year             | £32               |
| Option scheme 2 | Ordinary       |                      |                     |                    |                   |

### 18 Share premium account

|                            | 2007<br>£000 | 2006<br>£000 |
|----------------------------|--------------|--------------|
| At start of year           | 143          | 143          |
| Premium on issue of shares | 44           |              |
|                            | <hr/> 187    | <hr/> 143    |
| At 31 May 2007             |              |              |

## Notes (continued)

### 19 Own shares held

|                                             | 2007<br>£000 | 2006<br>£000 |
|---------------------------------------------|--------------|--------------|
| At beginning of year                        |              | (89)         |
| Shares acquired in year                     | (1,186)      | (142)        |
| Shares sold in the year                     | 9            | 243          |
| Gain transferred to profit and loss reserve |              | (12)         |
|                                             | <hr/>        | <hr/>        |
| At end of year                              | (1,177)      |              |
|                                             | <hr/>        | <hr/>        |

Dividends have been waived in respect of own shares held

### 20 Reconciliation of movement in shareholders funds

|                                                        | Share<br>capital<br>£000 | Share<br>premium<br>£000 | Capital<br>redemption<br>reserve<br>£000 | Own<br>Shares<br>held<br>£000 | Profit<br>and<br>loss<br>£000 | Total<br>£000 |
|--------------------------------------------------------|--------------------------|--------------------------|------------------------------------------|-------------------------------|-------------------------------|---------------|
| At 1 June 2006                                         | 85                       | 143                      | 5                                        |                               | 5,551                         | 5,784         |
| Profit for the financial year                          |                          |                          |                                          |                               | 1,415                         | 1,415         |
| Dividend (note 9)                                      |                          |                          |                                          |                               | (173)                         | (173)         |
| Actuarial gain in the year                             |                          |                          |                                          |                               | 190                           | 190           |
| Tax movement in relation to the<br>actuarial gain      |                          |                          |                                          |                               | (57)                          | (57)          |
| Own shares purchased by employee<br>benefit trust      |                          |                          |                                          | (1,186)                       |                               | (1,186)       |
| Own shares sold by employee benefit<br>trust           |                          |                          |                                          | 9                             |                               | 9             |
| Share issue                                            | 2                        | 44                       |                                          |                               |                               | 46            |
|                                                        | <hr/>                    | <hr/>                    | <hr/>                                    | <hr/>                         | <hr/>                         | <hr/>         |
| <b>Balance at 31 May 2007</b>                          | <b>87</b>                | <b>187</b>               | <b>5</b>                                 | <b>(1,177)</b>                | <b>6,926</b>                  | <b>6,028</b>  |
|                                                        | <hr/>                    | <hr/>                    | <hr/>                                    | <hr/>                         | <hr/>                         | <hr/>         |
| Profit and loss account – excluding<br>pension deficit |                          |                          |                                          |                               | 7,221                         |               |
| Pension deficit                                        |                          |                          |                                          |                               | (295)                         |               |
|                                                        |                          |                          |                                          |                               | <hr/>                         |               |
| <b>Total profit and loss account</b>                   |                          |                          |                                          |                               | <b>6,926</b>                  |               |
|                                                        |                          |                          |                                          |                               | <hr/>                         |               |

## Notes (continued)

### 21 Reconciliation of operating profit to net cash inflow from operating activities

|                                                | 2007    | 2006<br>(Restated<br>– note 1) |
|------------------------------------------------|---------|--------------------------------|
|                                                | £000    | £000                           |
| Operating profit                               | 2,374   | 2,137                          |
| Depreciation charged                           | 1,220   | 1,003                          |
| Loss/(profit) on sale of tangible fixed assets | 6       | (34)                           |
| Decrease in stocks                             | (487)   | (262)                          |
| (Increase) in debtors                          | (2,574) | (4,968)                        |
| Increase/(decrease) in creditors               | (376)   | 5,188                          |
| Pension scheme contributions                   | 31      | 64                             |
| Charge in relation to share based payments     |         | 174                            |
| Net cash inflow from operating activities      | 194     | 3,302                          |

### 22 Reconciliation of net cash flow to movements in net (debt)/funds

|                                         | 2007             | 2006             |
|-----------------------------------------|------------------|------------------|
|                                         | £000             | £000             |
| (Decrease)/increase in cash             | (3,652)          | 1,799            |
| Finance lease rental payments           | 893              | 339              |
| Term loan repayments                    | 100              | 100              |
| New finance leases                      | (2,659)<br>(871) | 2,238<br>(1,779) |
| Movement in net debt                    | (3,530)          | 459              |
| Net (debt) at the beginning of the year | (847)            | (1,306)          |
| Net (debt)/funds at the end of the year | (4,377)          | (847)            |

### 23 Analysis of changes in net debt

|                          | At 1 June<br>2006 | Cash<br>flow | Other<br>non cash<br>movements | At 31 May<br>2007 |
|--------------------------|-------------------|--------------|--------------------------------|-------------------|
|                          | £000              | £000         | £000                           | £000              |
| Cash at bank and in hand | 2,326             | (2,323)      |                                | 3                 |
| Overdraft                |                   | (1,329)      |                                | (1,329)           |
| Loans < 1 year           | 2,326             | (3,652)      |                                | (1,326)           |
| Loans > 1 year           | (100)             | 100          | (100)                          | (100)             |
| Finance leases           | (283)             |              | 100                            | (183)             |
|                          | (2,790)           | 893          | (871)                          | (2,768)           |
|                          | (847)             | (2,659)      | (871)                          | (4,377)           |

## Notes (continued)

### 24 Commitments

(i) Capital commitments at 31 May 2007 for which no provision has been made were as follows

|            | 2007<br>£000 | 2006<br>£000 |
|------------|--------------|--------------|
| Contracted | <u>518</u>   | <u>962</u>   |

(ii) Operating leases

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

|                               | 2007<br>£000 | 2006<br>£000 |
|-------------------------------|--------------|--------------|
| Operating leases which expire |              |              |
| Within one year               | 12           |              |
| In two to five years          | <u>179</u>   | <u>72</u>    |

### 25 Pension costs

#### *Defined contribution scheme*

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 3-4% and 2% of earnings for staff.

The pension charge for the year for this scheme was £48,200 (2006 £42,000).

Accrued pension contributions at 31 May 2007 amounted to £19,962 (2006 £10,739).

#### *Defined benefit scheme*

The company also 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 2005. 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 5.5% per annum and that salary increases would average 2.75% per annum.

The most recent actuarial valuation showed that the value of the scheme's assets was £2.4 million and that the actuarial value of those assets represented 151% 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.

## Notes (continued)

### 25 Pension scheme (continued)

For the purposes of the accounting disclosure requirements of FRS 17, the latest actuarial valuation carried out on 1 December 2005 was updated to 31 May 2004 and 2007 by a qualified independent actuary. The principal assumptions were as follows:

|                                             | 2007 | 2006 | 2005 | 2004  |
|---------------------------------------------|------|------|------|-------|
| Rate of increase in salaries                | 3.3% | 3.2% | 3.8% | 4.25% |
| Discount rate applied to scheme liabilities | 5.6% | 5.2% | 5.2% | 5.75% |
| Inflation assumption                        | 3.3% | 3.2% | 2.8% | 3.25% |
| Revaluation rate for deferred pensioners    | 3.3% | 3.2% | 2.8% | 3.25% |

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<br>expected rate<br>of return at<br>31 May 2007 | Value at<br>31 May<br>2007<br>£000 | Long term<br>expected rate<br>of return at<br>31 May 2006 | Value at<br>31 May<br>2006<br>£000 | Long term<br>expected rate<br>of return at<br>31 May 2005 | Value at<br>31 May<br>2005<br>£000 |
|-------------------------------------|-----------------------------------------------------------|------------------------------------|-----------------------------------------------------------|------------------------------------|-----------------------------------------------------------|------------------------------------|
| Insurance policies                  | 5.0%                                                      | 1,527                              | 5.0%                                                      | 1,436                              | 5.0%                                                      | 1,356                              |
| Total market value of assets        |                                                           | 1,527                              |                                                           | 1,436                              |                                                           | 1,356                              |
| Present value of scheme liabilities |                                                           | (1,948)                            |                                                           | (1,944)                            |                                                           | (2,171)                            |
| Deficit in the scheme               |                                                           | (421)                              |                                                           | (508)                              |                                                           | (815)                              |
| Related deferred tax asset          |                                                           | 126                                |                                                           | 152                                |                                                           | 245                                |
| Net pension deficit                 |                                                           | (295)                              |                                                           | (356)                              |                                                           | (570)                              |

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)

### 25 Pension scheme (continued)

#### Movement in deficit during the year

|                                        | 2007<br>£000 | 2006<br>£000 |
|----------------------------------------|--------------|--------------|
| Deficit in scheme at beginning of year | (508)        | (815)        |
| Current service cost                   | (117)        | (107)        |
| Net finance costs                      | (34)         | (46)         |
| Actuarial gain                         | 190          | 417          |
| Contributions                          | 48           | 43           |
|                                        | <hr/>        | <hr/>        |
| Deficit in the scheme at end of year   | (421)        | (508)        |
|                                        | <hr/>        | <hr/>        |

#### Analysis of other pension costs charged in arriving at operating profit

|                      | 2007<br>£000 | 2006<br>£000 |
|----------------------|--------------|--------------|
| Current service cost | 117          | 107          |
|                      | <hr/>        | <hr/>        |

#### Analysis of amounts included in other finance income/costs

|                                          | 2007<br>£000 | 2006<br>£000 |
|------------------------------------------|--------------|--------------|
| Expected return on pension scheme assets | 73           | 69           |
| Interest on pension scheme liabilities   | (107)        | (115)        |
|                                          | <hr/>        | <hr/>        |
|                                          | (34)         | (46)         |
|                                          | <hr/>        | <hr/>        |

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

|                                                                                    | 2007<br>Percentage of<br>period end<br>scheme<br>assets/liabilities | £000  | 2006<br>Percentage of<br>period end<br>scheme<br>assets/liabilities | £000  | 2005<br>Percentage of<br>period end<br>scheme<br>assets/liabilities | £000  |
|------------------------------------------------------------------------------------|---------------------------------------------------------------------|-------|---------------------------------------------------------------------|-------|---------------------------------------------------------------------|-------|
| Actual return less expected return on scheme assets                                | 1.6%                                                                | (24)  | 1.3%                                                                | (18)  | 2.3%                                                                | (31)  |
| Experience gains and losses arising on scheme liabilities                          | 0.1%                                                                | 1     | 31.3%                                                               | 608   | 6.2%                                                                | (134) |
| Changes in assumptions underlying the present value of scheme liabilities          | 10.9%                                                               | 213   | 8.9%                                                                | (173) | 8.8%                                                                | (192) |
|                                                                                    |                                                                     | <hr/> |                                                                     | <hr/> |                                                                     | <hr/> |
| Actuarial gain/(loss) recognised in statement of total recognised gains and losses |                                                                     | 190   |                                                                     | 417   |                                                                     | (357) |
|                                                                                    |                                                                     | <hr/> |                                                                     | <hr/> |                                                                     | <hr/> |

## Notes (continued)

### 26 Employee share schemes

#### Share based payments

The terms and conditions of grants are as follows, whereby all options are settled by physical delivery of shares

| Grant date/ Employees entitled/ nature of scheme                                | Number of instruments | Vesting conditions | Contractual life of options |
|---------------------------------------------------------------------------------|-----------------------|--------------------|-----------------------------|
| Equity settled award to CB Brogan, AH Tait and A Brogan granted on 22 June 2005 | 3,100 each            | None               | June 2008                   |
| Equity settled award to CB Brogan, AH Tait and A Brogan granted on 30 May 2006  | 3,100 each            | None               | May 2009                    |

The number and weighted average exercise prices of share options in are as follows

|                                            | 2007<br>Weighted<br>average<br>exercise price | 2007<br>Number of<br>options | 2006<br>Weighted<br>average<br>exercise price | 2006<br>Number of<br>options |
|--------------------------------------------|-----------------------------------------------|------------------------------|-----------------------------------------------|------------------------------|
| Outstanding at the beginning of the period | 32                                            | 10,989                       |                                               |                              |
| Granted during the period                  |                                               |                              | 32                                            | 18,600                       |
| Exercised during the period                | 32                                            | (1,689)                      | 32                                            | (7,611)                      |
| Outstanding at the end of the period       | 32                                            | 9,300                        | 32                                            | 10,989                       |
| Exercisable at the end of the period       | 32                                            | 9,300                        | 32                                            | 10,989                       |

The weighted average share price at the date of exercise of share options exercised during the period was £82 (2006 £32)

The options outstanding at the year end have an exercise price of £32 and a weighted average contractual life of one year

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on a Black Scholes Pricing model

|                                                                                                     | 2007<br>EMI Scheme | 2006<br>EMI Scheme | 2007<br>Scheme 2 | 2006<br>Scheme 2 |
|-----------------------------------------------------------------------------------------------------|--------------------|--------------------|------------------|------------------|
| Fair value per share at measurement date                                                            |                    | £9 39              |                  | £9 29            |
| Weighted average share price                                                                        | £82                | £32                | £82              | £32              |
| Exercise price                                                                                      | 32                 | 32                 | 32               | 32               |
| Expected volatility (expressed as % used in the modelling under Black Scholes model)                | 35                 | 35                 | 35               | 35               |
| Option life (expressed as weighted average life used in the modelling under binomial lattice model) | 2 years            | 3 years            | 2 years          | 3 years          |
| Expected dividends                                                                                  |                    |                    |                  |                  |
| Risk free interest rate (based on national government bonds)                                        | 4.75%              | 4.75%              | 4.5%             | 4.5%             |

**Notes** *(continued)*

**26 Employee share schemes** *(continued)*

The total expenses recognised for the period arising from share based payments are as follows

|                                     | <b>2007</b>       | 2006              |
|-------------------------------------|-------------------|-------------------|
|                                     | <b>£000</b>       | £000              |
| Equity settled share based payments |                   | 174               |
|                                     | <u>          </u> | <u>          </u> |