

Bernard Brogan Limited

Directors' report and financial statements

Registered number 29521

31 May 2008

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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 May 2008

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 2008, against a background of highly volatile world oil prices throughout the period. 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 profits increased from £2 374 million in the previous year to £3 369 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 operations throughout the UK. Profit before tax increased from £2 16 million to £3 06 million and turnover was up to £289 million, due to a combination of 18% volume growth and continuing increases in world oil prices.

The directors have proposed a final ordinary dividend in respect of the current year of £3 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 26. The funding of the pension liabilities at 31 May 2008 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

	2008	2007	Measure
Financial			
Return on capital	35%	32%	Profit before tax/net assets
Current ratio	1.08	1.05	Current assets/current liabilities
Stock turnover	97	82	Turnover/stock
Days debtors	31	32	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

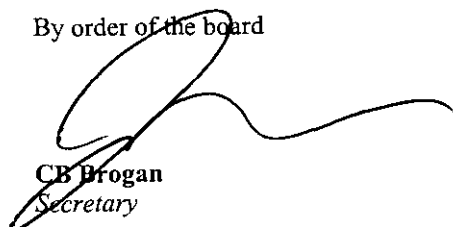
Disclosure of information to auditors

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

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be re appointed and KPMG LLP will therefore continue in office

By order of the board



CB Brogan
Secretary

Nethan Street
Motherwell
ML1 3TF

19 September 2008

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 2008 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.

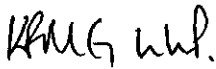
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity 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 2008 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

19 September 2008

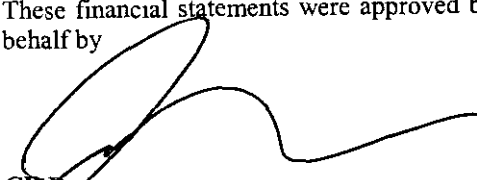
Profit and loss account
for the year ended 31 May 2008

	<i>Note</i>	2008 £000	2007 £000
Turnover	<i>1</i>	289,243	206,780
Cost of sales		(280,665)	(200,278)
Gross profit		8,578	6,502
Administrative expenses		(5,209)	(4,178)
Other operating income			50
Operating profit		3,369	2,374
Interest receivable	<i>5</i>	37	26
Interest payable	<i>6</i>	(381)	(206)
Other finance income/(charges)	<i>7</i>	33	(34)
Profit on ordinary activities before taxation	<i>2</i>	3,058	2,160
Taxation on ordinary activities	<i>8</i>	(862)	(745)
Profit on ordinary activities after taxation and for the financial year		2,196	1,415

Balance sheet
at 31 May 2008

	Note	2008		2007 (restated – note 1)	
		£000	£000	£000	£000
Fixed assets					
Tangible assets	10		7,478		7,622
Investments	11		11		11
Goodwill	12		20		
			<u>7,509</u>		<u>7,633</u>
Current assets					
Stocks	13	2,981		2,514	
Debtors	14	30,817		22,188	
Cash at bank and in hand		4,138		3	
		<u>37,936</u>		<u>24,705</u>	
Creditors amounts falling due within one year	15	<u>(35,004)</u>		<u>(23,470)</u>	
Net current assets			<u>2,932</u>		<u>1,235</u>
Total assets less current liabilities			<u>10,441</u>		<u>8,868</u>
Creditors amounts falling due after more than one year	15		(1,588)		(2,098)
Provision for liabilities and charges	17		(437)		(447)
Net pension asset	26		295		461
Net assets			<u>8,711</u>		<u>6,784</u>
Capital and reserves					
Called up equity share capital	18		92		87
Share premium	19		355		187
Capital redemption reserve			5		5
Own shares held	20		(1,277)		(1,177)
Profit and loss account			9,536		7,682
Shareholders' funds	21		<u>8,711</u>		<u>6,784</u>

These financial statements were approved by the board of directors on 19 September 2008 and were signed on its behalf by


CB Brogan
Director

Cash flow statement
for the year ended 31 May 2008

	Note	2008 £000	2007 £000	£000
Net cash inflow from operating activities	22		7,139	194
Returns on investments and servicing of finance				
Interest paid (net)		(162)	(27)	
Interest element of finance lease rental payments		(142)	(153)	
		_____	_____	
Net cash outflow from returns on investments and servicing of finance			(304)	(180)
Taxation			(873)	(976)
Capital expenditure and financial investment				
Purchase of tangible fixed assets		(733)	(1,356)	
Disposal of tangible fixed assets		41	239	
Purchase of intangible assets		(25)		
Purchase of shares by Employee Benefit Trust		(100)	(1,186)	
Sale of shares by Employee Benefit Trust			9	
		_____	_____	
Net cash outflow from investing activities			(817)	(2,294)
Equity dividends paid			(149)	(173)
			_____	_____
Net cash inflow/(outflow) before financing			4,996	(3,429)
Financing				
Capital element of finance lease rental payments		(890)	(893)	
Loan repayments		(100)	(100)	
Issue of ordinary shares		173	46	
Issue of shares classed as liabilities		19	724	
		_____	_____	
Net cash outflow from financing			(798)	(223)
			_____	_____
Increase/(decrease) in cash balances	23		4,198	(3,652)
			=====	=====

Statement of total recognised gains and losses
for the year ended 31 May 2008

	2008	2007 (restated – note 1)
	£000	£000
Profit for the financial year	2,196	1,415
Actuarial (loss)/gain recognised in the pension scheme	(253)	1,269
Tax movement relating to the actuarial gain	60	(381)
Total recognised gains and losses relating to the financial year	2,003	2,303
Prior year adjustment (as explained in note 1)	756	
Total recognised gains and losses recognised since last financial statements	2,759	

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 amendment to FRS 17 'Retirement benefits' has been adopted in these financial statements for the first time and the disclosures it requires have been presented for both the current and comparative period. The amendment to FRS 17 also requires that quoted securities are valued at their current bid price rather than their mid market value. The impact of the change has been to restate the pension asset from a liability of £295,000 at 31 May 2007 to an asset of £461,000 at that date, with a corresponding increase in the profit and loss account reserve of £756,000

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 28% 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

	2008 £000	2007 £000
<i>Profit on ordinary activities before taxation is stated after charging/(crediting)</i>		
Auditors' remuneration: audit of these financial statements	20	22
other services	2	2
Depreciation: owned assets	551	563
finance leases	678	657
Amortisation of goodwill	5	
(Profit)/loss on sale of fixed assets	(7)	6
Hire of plant and machinery and vehicles under operating leases	132	89
Operating lease rentals received		(7)

Notes (continued)

3 Remuneration of directors

Remuneration in respect of directors was as follows

	2008 £000	2007 £000
Emoluments (including benefits in kind)	1,016	738
Pension costs	122	122
	<u>1,138</u>	<u>860</u>

The emoluments and amounts receivable under long term incentive schemes, excluding pension contributions, of the highest paid director were £307,264 (2007 £213,939). The annual pension accruing to the highest paid director under a defined benefit pension scheme was £35,508 (2007 £27,990).

	Number of directors 2008	2007
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 of year	Number of options At end of year	Exercise price £
CB Brogan	3,100	1,850	32
AH Tait	3,100	1,535	32
A Brogan	3,100	475	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 2008	2007
Directors and administrative staff	154	145
Distribution	100	99
	<u>254</u>	<u>244</u>

Notes (continued)

4 Staff numbers and costs (continued)

The aggregate payroll costs of these persons were as follows

	2008 £000	2007 £000
Wages and salaries	6,756	5,407
Social security	694	528
Pension costs	78	55
Defined benefit – current service cost	114	117
	<u>7,642</u>	<u>6,107</u>

5 Interest receivable

	2008 £000	2007 £000
On bank balances	37	26
	<u>37</u>	<u>26</u>

6 Interest payable

	2008 £000	2007 £000
On bank loan and overdraft	199	53
On finance leases	142	153
On shares classified as liabilities	40	
	<u>381</u>	<u>206</u>

7 Other finance (income)/charges

	2008 £000	2007 £000
Interest on pension scheme liabilities	114	107
Expected return on pension scheme assets	(147)	(73)
	<u>(33)</u>	<u>34</u>

Notes (continued)

8 Tax on profit on ordinary activities

Analysis of charge in period

	2008 £000	£000	2007 £000	£000
<i>UK corporation tax</i>				
Corporation tax on profit for the year		888		706
Adjustments in respect of prior periods		5		(5)
Total corporation tax charge		893		701
<i>Deferred tax</i>				
Charge for the year	22		13	
Adjustment in respect of prior periods	(32)		62	
Movement in deferred tax provision		(10)		75
Deferred tax in relation to pensions		(21)		(31)
Total deferred tax charge		(31)		44
Tax on profit on ordinary activities		862		745

The current tax charge for the period is lower (2007 higher) than the standard rate of corporation in the UK (30% 2007 30%) The differences are explained below

	2008 £000	2007 £000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	3,058	2,160
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2007 30%)	917	648
Expenses not deductible for tax purposes	(49)	42
Deferred tax charge for the year	(22)	(13)
Adjustments to tax charge in respect of previous periods	5	(5)
Ineligible depreciation and other items		(2)
Deferred tax in relation to pension	21	31
Other	21	
Total corporation tax charge	893	701

Notes (continued)

9 Dividend on ordinary shares

	2008 £000	2007 £000
Dividends	<u>149</u>	<u>173</u>

The directors have proposed a final dividend of £230,277 (£3 per ordinary share) (2007 £145,108 (£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 properties £000	Plant £000	Vehicles £000	Furniture £000	Oil tanks £000	Total £000
<i>Cost</i>						
At beginning of year	2,300	981	8,026	259	1,107	12,673
Additions	484	43	496	8	102	1,133
Disposals			(180)			(180)
At end of year	<u>2,784</u>	<u>1,024</u>	<u>8,342</u>	<u>267</u>	<u>1,209</u>	<u>13,626</u>
<i>Depreciation</i>						
At beginning of year	262	610	3,448	204	527	5,051
Charge for the year	33	138	929	22	107	1,229
Disposals			(132)			(132)
At end of year	<u>295</u>	<u>748</u>	<u>4,245</u>	<u>226</u>	<u>634</u>	<u>6,148</u>
<i>Net book value</i>						
At 31 May 2008	<u>2,489</u>	<u>276</u>	<u>4,097</u>	<u>41</u>	<u>575</u>	<u>7,478</u>
At 31 May 2007	<u>2,038</u>	<u>371</u>	<u>4,578</u>	<u>55</u>	<u>580</u>	<u>7,622</u>

Vehicles include assets held under finance leases which had a net book value of £3,068,397 at 31 May 2008 (2007 £3,346,854).

Notes (continued)

11 Fixed asset investment

	2008 £000	2007 £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 Goodwill

	2008 £000
Purchase of goodwill of company in year	25
Amortisation in year	(5)
	<u>20</u>
Value at 31 May 2008	<u>20</u>

During the year, the company purchased the order book of a competitor, this is being amortised over 5 years, the estimated useful life of the order book acquired.

13 Stocks

	2008 £000	2007 £000
Finished goods and goods for resale	2,981	2,514

14 Debtors

	2008 £000	2007 £000
Trade debtors	28,903	21,054
VAT	1,503	480
Prepayments	411	654
	<u>30,817</u>	<u>22,188</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	£47,885 and £39,501 (2007 £28,767 and £25,081)
A Brogan	£69,070 and £64,751 (2007 £52,298 and £48,715)
A Tait	£52,947 and £48,250 (2007 £39,000 and £35,090)

Notes (continued)

15 Creditors

	2008		2007	
	Due within one year £000	Due after one year £000	Due within one year £000	Due after one year £000
Shares classification liabilities	743		724	
Bank overdraft	1,266		1,329	
Bank loan (secured)	100	83	100	183
Trade creditors	30,147		18,030	
Amounts owed to subsidiary undertaking		3		3
Corporation tax	416	-	396	
Social security and other taxes	250		187	
Accruals and deferred income	1,267	39	1,846	2
Obligations under finance leases	815	1,463	858	1,910
	<u>35,004</u>	<u>1,588</u>	<u>23,470</u>	<u>2,098</u>

The bank loan is payable as follows

	2008 £000	2007 £000
Within one year	100	100
Between one and two years	83	183
	<u>183</u>	<u>283</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 2008 was £13,119,417 (2007 £6,913,580).

16 Obligations under finance leases

The maturity of obligations under finance leases is as follows

	2008 £000	2007 £000
Within one year	815	858
In the second to fifth years	1,463	1,910
	<u>2,278</u>	<u>2,768</u>

Notes (continued)

17 Provisions for liabilities and charges

Deferred taxation

Deferred taxation fully provided in the financial statements at 28% (2007 30%) is set out below

	2008 £000	2007 £000
Accelerated capital allowances	450	450
Other timing differences	(13)	(3)
	<u>437</u>	<u>447</u>
Opening provision	447	372
Transfer from profit and loss account	(10)	75
	<u>437</u>	<u>447</u>
Closing provision	<u>437</u>	<u>447</u>

18 Share capital

	2008 £000	2007 £000
Authorised		
100,000 ordinary shares of £1 each	100	100
17,073 cumulative redeemable preference shares of £82 each	1,400	1,400
	<u>1,500</u>	<u>1,500</u>
Allotted, called up and fully paid		
Ordinary shares of £1 each	92	87
9,070 (2007 8,835) cumulative redeemable preference shares of £82 each	744	724
	<u>836</u>	<u>811</u>
Shares classified as liabilities	744	724
Shares classified in shareholders' funds	92	87
	<u>836</u>	<u>811</u>

During the year the Company issued 5,440 £1 ordinary shares for a consideration of £32 each, settled in cash

During the year the Company issued 235 £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

Notes (continued)

18 Share capital (continued)

The following options to subscribe for shares in group companies exist

	Class of share	Number of options	Amount of shares	Exercise period	Exercise price
EMI Scheme	Ordinary	3,860		1 year	£32
Option scheme 2	Ordinary				

19 Share premium account

	2008 £000	2007 £000
At start of year	187	143
Premium on issue of shares	168	44
At 31 May 2008	355	187

20 Own shares held

	2008 £000	2007 £000
At beginning of year	(1,177)	
Shares acquired in year	(100)	(1,186)
Shares sold in the year		9
At end of year	(1,277)	(1,177)

Dividends have been waived in respect of own shares held

Notes (continued)

21 Reconciliation of movement in shareholders funds

	Share capital £000	Share premium £000	Capital redemption reserve £000	Own Shares held £000	Profit and loss £000	Total £000
At 1 June 2007 as previously stated	87	187	5	(1,177)	6,926	6,028
Prior year adjustment (note 1)					756	756
As at 1 June 2007 as restated	87	187	5	(1,177)	7,682	6,784
Profit for the financial year					2,196	2,196
Dividend (note 9)					(149)	(149)
Actuarial loss in the year					(253)	(253)
Tax movement in relation to the actuarial gain					60	60
Own shares purchased by employee benefit trust				(100)		(100)
Share issue	5	168				173
Balance at 31 May 2008	92	355	5	(1,277)	9,536	8,711
Profit and loss account – excluding pension surplus					9,241	
Pension surplus					295	
Total profit and loss account					9,536	

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

	2008 £000	2007 £000
Operating profit	3,369	2,374
Depreciation and amortisation charged	1,234	1,220
Loss on sale of tangible fixed assets	7	6
(Increase) in stocks	(467)	(487)
(Increase) in debtors	(8,629)	(2,574)
Increase/(decrease) in creditors	11,598	(376)
Pension scheme contributions	27	31
Net cash inflow from operating activities	7,139	194

Notes (continued)

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

	2008 £000	2007 £000
Increase/(decrease) in cash	4,198	(3,652)
Finance lease rental payments	890	893
Term loan repayments	100	100
New finance leases	5,188 (400)	(2,659) (871)
Movement in net debt	4,788	(3,530)
Net (debt) at the beginning of the year	(4,377)	(847)
Net funds/(debt) at the end of the year	411	(4,377)

24 Analysis of changes in net debt

	At 1 June 2007 £000	Cash flow £000	Other non cash movements £000	At 31 May 2008 £000
Cash at bank and in hand	3	4,135		4,138
Overdraft	(1,329)	63		(1,266)
	(1,326)	4,198		2,872
Loans < 1 year	(100)	100	(100)	(100)
Loans > 1 year	(183)		100	(83)
Finance leases	(2,768)	890	(400)	(2,278)
	(4,377)	5,188	(400)	411

Notes (continued)

25 Commitments

(i) Capital commitments at 31 May 2008 for which no provision has been made were as follows

	2008 £000	2007 £000
Contracted	356	518

(ii) Operating leases

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

	2008 £000	2007 £000
Operating leases which expire		
Within one year		12
In two to five years	308	179

26 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 £78,000 (2007 £55,000).

Accrued pension contributions at 31 May 2008 amounted to £7,638 (2007 £13,712).

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)

26 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 by a qualified independent actuary. The principal assumptions were as follows:

	2008	2007	2006
Rate of increase in salaries	3.8%	3.3%	3.2%
Discount rate applied to scheme liabilities	6.5%	5.6%	5.2%
Inflation assumption	3.8%	3.3%	3.2%
Revaluation rate for deferred pensioners	3.8%	3.3%	3.2%

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 2008	Value at 31 May 2008	Long term expected rate of return at 31 May 2007	Value at 31 May 2007 (restated— note 1)
		£000		£000
Insurance policies	5.0%	2,210	5.0%	2,606
Total market value of assets		2,210		2,606
Present value of scheme liabilities		(1,811)		(1,948)
Surplus in the scheme		399		658
Related deferred tax (liability)		(104)		(197)
Net pension surplus		295		461

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)

26 Pension scheme (continued)

Movements in present value of defined benefit obligations

	2008 £000	2007 £000
At 1 May	1,948	1,944
Current service cost	114	117
Interest cost	114	107
Actuarial losses	(336)	(214)
Benefits paid	(29)	(6)
At 31 May	1,811	1,948

Movements in fair value of plan assets

	2008 £000	2007 £000
At 1 May	2,606	1,436
Expected return on plan assets	147	73
Actuarial (losses)/gains	(589)	1,055
Contributions by employer	75	48
Benefits paid	(29)	(6)
At 31 May	2,210	2,606

Analysis of other pension costs charged in arriving at operating profit

	2008 £000	2007 £000
Current service cost	114	117

Analysis of amounts included in other finance income/costs

	2008 £000	2007 £000
Expected return on pension scheme assets	147	73
Interest on pension scheme liabilities	(114)	(107)
	33	(34)

Notes (continued)

26 Pension scheme (continued)

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

	2008		2007 (restated – note 1)		2006	
	Percentage of period end scheme assets/liabilities	£000	Percentage of period end scheme assets/liabilities	£000	Percentage of period end scheme assets/liabilities	£000
Actual return less expected return on scheme assets	26.7%	(589)	40.4%	1,055	1.3%	(18)
Experience gains and losses arising on scheme liabilities	0.5%	(9)	0.1%	1	31.3%	608
Changes in assumptions underlying the present value of scheme liabilities	19%	345	10.9%	213	8.8%	(173)
Actuarial (loss)/gain recognised in statement of total recognised gains and losses		(253)		1,269		417

27 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 2006	3,100 each	None	June 2008
Equity settled award to CB Brogan, AH Tait and A Brogan granted on 30 May 2007	3,100 each	None	May 2009

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

	2008		2007	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
Outstanding at the beginning of the period	32	9,300	32	10,989
Exercised during the period	32	(5,440)	32	(1,689)
Outstanding at the end of the period	32	3,860	32	9,300
Exercisable at the end of the period	32	3,860	32	9,300

The weighted average share price at the date of exercise of share options exercised during the period was £82 (2007 £82)

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

Notes (continued)

27 Employee share schemes (continued)

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.

	2008	2007	2008	2007
	EMI Scheme	EMI Scheme	Scheme 2	Scheme 2
Weighted average share price	£82	£82	£82	£82
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)	1 year	2 years	1 year	2 years
Expected dividends				
Risk free interest rate (based on national government bonds)	4.75%	4.75%	4.5%	4.5%