

SC40891



I & H Brown Limited

Report and Financial Statements

29 August 2004

ERNST & YOUNG



Registered No: SC 040891

Directors

J H Brown (Chairman)
J S Brown (Managing Director)
R E Philpott
I Imrie
R M Brown
C M Richardson
D H Brown
R M Entwistle

Secretary

J S Brown

Auditors

Ernst & Young LLP
Citygate
St James' Boulevard
Newcastle upon Tyne
NE1 4JD

Bankers

The Royal Bank of Scotland PLC
Perth Chief Office
12 Dunkeld Road
Perth

Solicitors

J R Stevenson & Marshall
41 East Port
Dunfermline
Fife
KY12 7LG

Shepherd and Wedderburn
155 St Vincent Street
Glasgow
G2 5NR

Registered Office

Dunkeld Road
Perth
PH1 3YD

Directors' report

The directors present their report and financial statements for the year ended 29 August 2004.

Results and dividends

The group profit for the year attributable to members amounted to £1,563,380. The directors do not recommend the payment of a final ordinary dividend, making the total ordinary dividends of £300,000 for the year.

Principal activities and review of business developments

The principal activities of the group consist of Civil Engineering, Energy, Waste Disposal, Plant Hire, Farming and Estate Management, Property Development and a Travel Agency.

The directors are satisfied with the results of the year.

Future developments

The company aims for modest growth as and when opportunities arise.

Directors and their interests

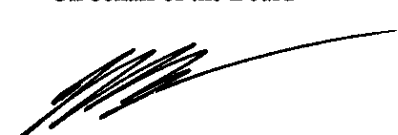
The directors of the company during the year and their interests in the share capital of the company were as follows:

	<i>At 29 August 2004 Ordinary shares</i>	<i>At 31 August 2003 Ordinary shares</i>
J H Brown	-	-
J H Brown Grandchildren's Trust	3,710	3,710
J S Brown	34,780	34,780
J S Brown Children's Trust	3,710	3,710
R E Philpott	-	-
I Imrie	-	2,000
R M Brown	10,000	10,000
C M Richardson (appointed 14 October 2004)	-	-
D H Brown	10,000	20,000
R M Entwistle	-	-
D Ramsay (resigned 18 March 2004)	-	-

Auditors

A resolution to re-appoint Ernst & Young LLP as the Company's auditor will be put to the forthcoming Annual General Meeting.

On behalf of the Board


 J S Brown
 Director

27 December 2004

Statement of directors' responsibilities in respect of the financial statements

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report

to the members of I & H Brown Limited

We have audited the company's financial statements for the year ended 29 August 2004 which comprise the Group Profit and Loss Account, Statement of Total Recognised Gains and Losses, Group Balance Sheet, Company Balance Sheet, Statement of Cash Flows, Reconciliation of Shareholders' Funds and the related notes 1 to 26. These financial statements have been prepared on the basis of 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 auditors' 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

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

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

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

Independent auditors' report

to the members of I & H Brown Limited (continued)

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 29 August 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP
Registered Auditor
Newcastle upon Tyne

27 December 2004

Group profit and loss account

For the year ended 29 August 2004

		52 weeks ended 29 August 2004	52 weeks ended 31 August 2003
	Notes	£	£
Turnover	2	28,752,371	24,366,285
Cost of sales		25,881,162	21,759,730
Gross profit		2,871,209	2,606,555
Administrative expenses		(1,714,250)	(1,186,428)
Other operating income	3	525,580	177,448
Operating profit	3	1,682,539	1,597,575
Profit on sale of land and buildings		615,502	-
Other income		9,861	11,223
Income from investments		56,628	227,536
Interest payable and similar charges	7	(132,917)	(154,487)
Bank interest receivable		39,743	44,737
Profit on ordinary activities before taxation		2,271,356	1,726,584
Tax on profit on ordinary activities	8	707,976	622,011
Profit for the financial year attributable to members of the parent company		1,563,380	1,104,573
Dividends			
Ordinary interim dividend paid on equity shares		300,000	225,391
Profit retained for the financial year		£1,263,380	£879,182

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There are no recognised gains or losses other than the profit attributable to the shareholders of the company of £1,563,380 in the year ended 29 August 2004 and the profit of £1,104,573 in the year ended 31 August 2003.

Group balance sheet

At 29 August 2004

	Notes	29 August 2004 £	31 August 2003 £
Fixed assets			
Intangible assets	9	472,751	-
Tangible assets	10	20,416,443	21,708,436
		<u>20,889,194</u>	<u>21,708,436</u>
Current assets			
Stocks	12	2,772,291	3,137,780
Debtors	13	6,553,995	6,303,768
Investments	11	190,134	270,885
Cast at bank and in hand	14	2,664,906	159,663
		<u>12,181,326</u>	<u>9,872,096</u>
Creditors: amounts falling due within one year	15	10,079,988	8,680,326
		<u>2,101,338</u>	<u>1,191,770</u>
Net current assets			
		<u>22,990,532</u>	<u>22,900,206</u>
Total assets less current liabilities			
Creditors: amounts falling due after more than one year	16	673,438	1,576,000
Provisions for liabilities and charges	19	6,028,699	6,149,191
		<u>6,702,137</u>	<u>7,725,191</u>
		<u>£16,288,395</u>	<u>£15,175,015</u>
Capital and reserves			
Called up share capital	21	72,200	74,200
Share premium account	22	147,349	147,349
Revaluation reserve	22	1,087,743	1,368,743
Capital reserve on consolidation	22	35,937	33,937
Profit and loss account	22	14,945,166	13,550,786
Equity shareholders' funds	22	<u>£16,288,395</u>	<u>£15,175,015</u>


J S Brown – Director

27 December 2004

**Company balance sheet**

At 29 August 2004

	Notes	29 August 2004 £	31 August 2003 £
Fixed assets			
Intangible assets	9	472,751	-
Tangible assets	10	19,614,395	20,924,965
Investment in subsidiaries	11	150,201	150,001
		<u>20,237,347</u>	<u>21,074,966</u>
Current assets			
Stocks	12	2,772,291	3,137,780
Debtors	13	7,310,375	7,061,003
Investments	11	190,134	270,885
Cash at bank and in hand		2,458,214	10,077
		<u>12,731,014</u>	<u>10,479,745</u>
Creditors: amounts falling due within one year	15	10,105,833	8,773,310
Net current assets		<u>2,625,181</u>	<u>1,706,435</u>
Total assets less current liabilities		<u>22,862,528</u>	<u>22,781,401</u>
Creditors: amounts falling due after more than one year	16	673,438	1,576,000
Provisions for liabilities and charges	19	6,028,447	6,149,191
		<u>6,701,885</u>	<u>7,725,191</u>
		<u>£16,160,643</u>	<u>£15,056,210</u>
Capital and reserves			
Called up share capital	21	72,200	74,200
Share premium account	22	147,349	147,349
Revaluation reserve	22	1,087,743	1,368,743
Capital redemption reserve	22	2,000	-
Profit and loss account	22	14,851,351	13,465,918
Equity shareholders' funds	22	<u>£16,160,643</u>	<u>£15,056,210</u>



J S Brown – Director

27 December 2004

Statement of cash flows

For the year ended 29 August 2004

	Notes	2004 £	2003 £
Net cash inflow from operating activities	3(b)	5,814,607	1,823,219
Returns on investments and servicing of finance			
Interest paid		(50,261)	(38,635)
Interest element of finance lease rental payments		(78,165)	(113,176)
Interest received		39,743	44,737
Dividends received and other investment income		7,720	19,502
Net cash outflow from returns on investments and servicing of finance		(80,963)	(87,572)
Taxation			
Corporation tax paid		(675,004)	(488,025)
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(1,519,398)	(1,671,067)
Receipts from sales of tangible fixed assets		2,974,201	460,778
Net cash inflow/(outflow) from capital expenditure		1,454,803	(1,210,289)
Acquisitions and disposals			
Acquisition of trade and assets of unincorporated business	11c	(1,545,671)	-
Equity dividends paid		(300,000)	(225,391)
Cash inflow/(outflow) before use of liquid resources and financing		4,667,772	(188,058)
Management of liquid resources			
Purchase of investments held as liquid resources		(59,168)	(822,746)
Disposal of investments held as liquid resources		192,108	1,418,933
Net cash inflow from management of liquid resources		132,940	596,187
Financing			
Repurchase of own shares		(150,000)	-
Repayments of capital element of finance lease rentals	14	(1,767,826)	(1,919,865)
Net movement in long term borrowings	18	(50,000)	(50,000)
Net cash outflow from financing		(1,967,826)	(1,969,865)
Increase/(decrease) in cash	14	£2,832,886	£(1,561,736)
Reconciliation of net cash flow to movement in net debt			
Increase/(decrease) in cash in the year		2,832,886	(1,561,736)
Cash outflow from decrease in debt and lease financing		1,817,826	1,969,865
Net movement of liquid resources		(80,751)	(325,128)
Change in net debt resulting from cash flows		4,569,961	83,001
New finance leases, hire purchase contracts and loans		(1,583,020)	(811,000)
Movement in net funds/(debt) in the year		2,986,941	(727,999)
Net debt at 31 August		(2,605,268)	(1,877,269)
Net funds/(debt) at 29 August	14	£381,673	£(2,605,268)

Notes to the financial statements

at 29 August 2004

1. Accounting policies

Accounting convention

The financial statements are prepared under the historical cost convention modified to include the revaluation of certain land and buildings and are prepared in accordance with applicable accounting standards.

Period of financial statements

These financial statements cover a 12 month period from 31 August 2003 to 29 August 2004. The normal accounting year comprises 52 weeks ending on the Sunday nearest 31 August. Periodically a 53 week period is necessary to realign the accounting year with the calendar.

Basis of consolidation

The group financial statements consolidate the financial statements of the company and its subsidiary undertakings for the year ended 29 August 2004. The company has taken advantage of the exemption conferred by s230 of the Companies Act 1985 and has presented no profit and loss account. The company's profit for the year attributable to the shareholders is £1,554,433 (2003: £1,094,048).

Investment properties

In accordance with SSAP 19, investment properties are revalued annually and any material aggregate surplus or deficit is transferred to revaluation reserve except for provisions for permanent diminution in value of investment properties which are charged to the profit and loss account. Investment properties are included at open market valuation gross of purchaser costs.

The Companies Act 1985 requires all properties to be depreciated. However, this requirement conflicts with the generally accepted accounting principle set out in SSAP 19. The directors consider that, because these properties are not held for consumption, but for their investment potential, to depreciate them would not give a true and fair view, and that it is necessary to adopt SSAP 19 in order to give a true and fair view.

If this departure from the Act had not been made, the profit for the financial year would have been reduced by depreciation. However, the amount of depreciation cannot reasonably be quantified because depreciation is only one of many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

Investments

Fixed asset investments are stated at cost unless, in the opinion of the directors, there has been an impairment, in which case an appropriate adjustment is made.

Listed current investments are stated at the lower of cost or market value, and other current asset investments are stated at the lower of cost and estimated net realisable value.

Goodwill

Goodwill is the difference between the cost of an acquired asset and the aggregate of the fair value of that asset.

Positive goodwill is capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over its estimated useful economic life. It is reviewed for impairment at the end of the first full financial year following the acquisition and other periods of events or changes in circumstances indicate that the carrying value may not be recoverable.

Notes to the financial statements

at 29 August 2004

1. Accounting policies (continued)

Depreciation

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset over its expected useful life as follows:

Freehold buildings	50 years
Plant and machinery	3-5 years
Motor vehicles	5 years

Freehold open cast coal sites are depreciated and the annual depreciation charge is calculated based on the quantity of coal extracted in the year. The calculation is devised to write down the value of the land to agricultural values once the total estimated workable coal reserves are extracted.

Any premium paid over and above agricultural value for land and associated buildings with mineral extraction or wind farming potential, is written off where the necessary consents to exploit this potential have not been secured.

Stocks

Stocks are stated at the lower of cost incurred in bringing each product to its present location and condition, and net realisable value as follows:

Raw materials, consumables and goods for resale	- purchase cost on a first-in, first-out basis
Work in progress	- cost

Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal.

Leasing and hire purchase commitments

Assets held under finance leases and hire purchase contracts, which are those where substantially all the risks and rewards of ownership of the asset have passed to the company, are capitalised in the balance sheet and are depreciated over their useful lives.

The interest element of the rental obligations is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Rentals paid under operating leases are charged to income on a straight line basis over the lease term.

Deferred taxation

Deferred taxation is provided using the liability method on all timing differences to the extent that they are expected to reverse in the future without being replaced, calculated at the rate at which it is anticipated the timing differences will reverse.

Pensions

The group operates two defined contribution pension schemes. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the schemes.

Restoration and aftercare provisions

Provision is made for the restoration and aftercare of opencast sites and tips at current price levels.

Long-term contracts

Profit on long-term contracts is taken as the work is carried out if the final outcome can be assessed with reasonable certainty. The profit included is calculated on a prudent basis to reflect the proportion of the work carried out at the year end, by recording turnover and related costs as contract activity progresses. Full provision is made for losses on all contracts in the year in which they are first foreseen.

In respect of speculative house building, profit is recognised on the sale of houses when the sales have been legally completed and after allocating total foreseen construction and site development costs to each unit.

Notes to the financial statements

at 29 August 2004

2. Turnover and segmental analysis

Turnover comprises the invoiced value of goods and services supplied by the group exclusive of VAT and intra-group transactions. In respect of long term contracts turnover comprises the sales value of work done in the year. All turnover arises from activities in the United Kingdom.

The amount of group turnover attributable to each of the classes of continuing activity of the group is as follows:

	<i>Turnover</i>	
	<i>2004</i>	<i>2003</i>
	<i>£</i>	<i>£</i>
Plant hire, civil engineering and waste disposal	17,900,057	15,004,167
Travel agency commission	54,208	56,198
Coal mining	5,907,667	7,794,030
Farming and estate management	770,410	815,534
Property development	4,032,862	696,356
Windfarming	87,167	-
	<u>£28,752,371</u>	<u>£24,366,285</u>

3. Operating profit

(a) This is stated after charging/(crediting):

	<i>2004</i>	<i>2003</i>
	<i>£</i>	<i>£</i>
Profit on disposal of plant and machinery	(525,580)	(177,448)
Depreciation of owned tangible fixed assets	2,021,237	1,937,451
Depreciation of assets held under finance leases and hire purchase contracts	1,015,202	755,960
Amortisation of goodwill	6,848	-
Auditors' remuneration	19,000	16,500
	<u></u>	<u></u>

(b) Reconciliation of operating profit to net cash inflow from operating activities

	<i>2004</i>	<i>2003</i>
	<i>£</i>	<i>£</i>
Operating profit	1,682,539	1,597,575
Other income	9,861	11,223
Depreciation	3,036,439	2,693,411
Amortisation	6,848	-
Decrease in provision against current asset investments	(3,282)	(63,025)
Profit on disposal of tangible fixed assets	(525,580)	(177,448)
Decrease/(increase) in debtors	255,844	(1,809,326)
Decrease/(increase) in stocks and work in progress	365,489	(2,951,763)
Increase in creditors	1,161,193	2,057,871
(Decrease)/increase in provisions	(174,744)	464,701
	<u>£5,814,607</u>	<u>£1,823,219</u>

(c) During the year certain categories of central costs have been reclassified from cost of sales to administration expenses. The prior year comparatives have been adjusted accordingly.

**Notes to the financial statements**

at 29 August 2004

4. Staff costs

	2004	2003
	£	£
Wages and salaries	5,207,580	4,928,097
Social security costs	493,972	462,843
Other pension costs	1,133,598	172,654
	<u>£6,835,150</u>	<u>£5,563,594</u>

5. Directors' remuneration

	2004	2003
Emoluments	<u>£369,877</u>	<u>£692,901</u>
Contributions paid to money purchase schemes	<u>£881,568</u>	<u>£60,490</u>

The amounts in respect of the highest paid director are as follows:

	2004	2003
Emoluments	<u>£71,852</u>	<u>£260,229</u>
Company contributions paid to money purchase pension schemes	<u>£592,105</u>	<u>£31,000</u>

The number of directors to whom retirement benefits are accruing in respect of qualifying services under:

	2004	2003
	No.	No.
Money purchase schemes	<u>5</u>	<u>5</u>

6. Staff numbers

The average number of persons employed by the group, including directors, during the year was as follows:

	2004	2003
	No.	No.
Management and administration	46	45
Drivers and operators	142	141
	<u>188</u>	<u>186</u>

Notes to the financial statements

at 29 August 2004

7. Interest payable and similar charges

	2004 £	2003 £
Bank interest	54,752	42,689
Finance charges payable under finance leases and hire purchase contracts	78,165	111,798
	<u>£132,917</u>	<u>£154,487</u>

8. Taxation on profit on ordinary activities

(a) The taxation charge is made up as follows:

	2004 £	2003 £
<i>Current tax:</i>		
Based on the profit for the year:		
UK corporation tax	600,168	602,447
Tax underprovided in previous years	53,556	9,564
Total current tax (note 5(b))	<u>654,420</u>	<u>612,447</u>
<i>Deferred tax:</i>		
Deferred taxation (note 20)	54,252	10,000
Tax on profit on ordinary activities	<u>£707,976</u>	<u>£622,011</u>

(b) Factors affecting the current tax charge

The tax assessed on the profit on ordinary activities for the period is lower than the standard rate of corporation tax in the UK of 30%. The differences are reconciled below:

	2004 £	2003 £
Profit on ordinary activities before taxation	2,271,356	1,726,584
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%	681,407	517,975
Depreciation in excess of capital allowances	31,875	50,095
(Income not taxable) / expenses not deductible for tax purposes	(128,623)	91,199
Indexation on gains	71,631	-
Profits chargeable at 19%/20%	(1,378)	(1,406)
Other timing differences	(54,744)	(55,416)
Total current tax	<u>£600,168</u>	<u>£602,447</u>

Notes to the financial statements

at 29 August 2004

9. Intangible fixed assets

Group and company

	<i>Goodwill</i>
	<i>£</i>
Cost:	
At 31 August 2003	-
Additions	479,599
At 29 August 2004	479,599
Amortisation:	
At 31 August 2003	-
Provided during the year	6,848
At 29 August 2004	6,848
Net book value:	
At 29 August 2004	£472,751
At 31 August 2003	£ -

Goodwill is being written off in equal instalments over 35 months.

10. Tangible fixed assets

	<i>Investment property</i>	<i>Freehold land and buildings</i>	<i>Motor vehicles</i>	<i>Plant & machinery</i>	<i>Total</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
<i>Group</i>					
Cost or valuation:					
At 31 August 2003	1,196,000	12,204,900	2,108,161	17,876,739	33,385,800
Additions	-	406,999	278,724	2,891,842	3,577,565
Disposals	-	(1,716,040)	(174,000)	(2,336,449)	(4,226,489)
At 29 August 2004	1,196,000	10,895,859	2,212,885	18,432,132	32,736,876
Depreciation:					
At 31 August 2003	-	1,517,480	1,120,398	9,039,486	11,677,364
Provided during the year	-	88,749	318,809	2,628,881	3,036,439
Disposals	-	(256,280)	(136,760)	(2,000,330)	(2,393,370)
At 29 August 2004	-	1,349,949	1,302,447	9,668,037	12,320,433
Net book value:					
At 29 August 2004	£1,196,000	£9,545,910	£910,438	£8,764,095	£20,416,443
At 31 August 2003	£1,196,000	£10,687,420	£987,763	£8,837,253	£21,708,436

Notes to the financial statements

at 29 August 2004

10. Tangible fixed assets (continued)

<i>Company</i>	<i>Investment property £</i>	<i>Freehold land and buildings £</i>	<i>Motor vehicles £</i>	<i>Plant & machinery £</i>	<i>Total £</i>
Cost or valuation:					
At 31 August 2003	1,196,000	11,421,804	2,108,161	17,874,235	32,600,200
Additions	-	406,999	278,724	2,869,147	3,554,870
Disposals	-	(1,716,040)	(174,000)	(2,336,449)	(4,226,489)
At 29 August 2004	1,196,000	10,112,763	2,212,885	18,406,933	31,928,581
Depreciation:					
At 31 August 2003	-	1,517,480	1,120,398	9,037,357	11,675,235
Provided during the year	-	88,749	318,809	2,624,763	3,032,321
Disposals	-	(256,280)	(136,760)	(2,000,330)	(2,393,370)
At 29 August 2004	-	1,349,949	1,302,447	9,661,790	12,314,186
Net book value:					
At 29 August 2004	£1,196,000	£8,762,814	£910,438	£8,745,143	£19,614,395
At 31 August 2003	£1,196,000	£9,904,324	£987,763	£8,836,878	£20,924,965

The net book value of plant and machinery and motor vehicles above includes an amount of £3,749,332 (2003: £3,020,906) in respect of assets held under finance leases and hire purchase contracts.

The revaluation of freehold farm land and buildings at 30 August 1996 was undertaken by the directors and incorporated in the financial statements to reflect the appreciation in the value of land in Scotland in previous years.

The historical cost of freehold land and buildings included at valuation is as follows:

	<i>Group £</i>	<i>Company £</i>
At 29 August 2004	£9,127,526	£9,109,526
At 31 August 2003	£9,968,036	£9,950,036



Notes to the financial statements

at 29 August 2004

11. Investments

Company

(a) Fixed asset investments:

	<i>Subsidiary undertakings £</i>
Cost:	
At 31 August 2003	233,282
Additions	200
At 29 August 2004	<u>£233,482</u>
Amounts provided for/written off: 31 August 2003 and 29 August 2004	<u>£83,281</u>
Net book value:	
At 29 August 2004	<u>£150,201</u>
At 31 August 2003	<u>£150,001</u>

Details of the investments in which the company holds 20% or more of the nominal value of any class of share capital are as follows:

<i>Name of company</i>	<i>Country of incorporation or registration</i>	<i>Nature of business</i>	<i>Proportion of ordinary shares held</i>
I & H Brown Travel Limited	Scotland	Travel Agency	100%
I & H Brown (Kirkton) Limited	Scotland	Farming	100%
Tighmor Developments Limited	Scotland	Dormant	100%
I & H Brown Toddleburn Limited	Scotland	Dormant	100%
I & H Brown Calliachar Limited	Scotland	Dormant	100%

Notes to the financial statements

at 29 August 2004

11. Investments (continued)

(b) Current asset investments:

Group and company

	<i>Listed on the London Stock Exchange</i>	<i>Unlisted</i>	<i>Total</i>
	£	£	£
Cost:			
At 31 August 2003	242,202	52,523	294,725
Additions	59,168	-	59,168
Disposals	(145,241)	-	(145,241)
At 29 August 2004	156,129	52,523	208,652
Amounts provided for/written off:			
At 31 August 2003	23,840	-	23,840
Provided during the year	457	-	457
Written back during the year	(3,739)	-	(3,739)
Disposals	(2,040)	-	(2,040)
At 29 August 2004	18,518	-	18,518
Net book value:			
At 29 August 2004	£137,611	£52,523	£190,134
At 31 August 2003	£218,362	£52,523	£270,885

The market value of listed investments at 29 August 2004 was £138,660 (2003: £234,250).

Listed investments comprise ordinary shares in Scottish & Newcastle plc, Royal Bank of Scotland plc and Robert Wiseman plc.

(c) Acquisitions

On 5 July 2004 the company acquired a wind farming business. The fair value of the net assets acquired were as follows:

	<i>Fair value</i>
	£
Plant and machinery	560,000
Leases and contracts	1
Accrued income	506,071
Goodwill	479,599
	<u>£1,545,671</u>
Consideration	1,500,000
Cost of acquisition	45,671
	<u>£1,545,671</u>

Notes to the financial statements

at 29 August 2004

12. Stocks

Group and company

	2004 £	2003 £
Work in progress	2,597,947	2,932,164
Spares and fuels	25,021	30,234
Farm stock	149,323	175,382
	<u>£2,772,291</u>	<u>£3,137,780</u>

The difference between purchase price or production cost of stocks and their replacement cost is not material.

13. Debtors

	2004 £	Group 2003 £	2004 £	Company 2003 £
Trade debtors and amounts recoverable on contracts	4,925,360	4,362,442	4,924,599	4,362,335
Due from related companies	135,240	185,094	892,582	942,436
Other debtors	1,484,275	1,423,803	1,484,074	1,423,803
Prepayments and accrued income	9,120	332,429	9,120	332,429
	<u>£6,553,995</u>	<u>£6,303,768</u>	<u>£7,310,375</u>	<u>£7,061,003</u>

Included in trade debtors and amounts recoverable on contracts are retentions of £807,253 (2003: £477,313) which are due in more than one year.

14. Analysis of net debt

	At 31 August 2003 £	Cash flow £	Other non-cash changes £	At 29 August 2004 £
Cash	159,663	2,505,243	-	2,664,906
Overdraft (note 15)	(327,643)	327,643	-	-
	<u>(167,980)</u>	<u>2,832,886</u>	<u>-</u>	<u>2,664,906</u>
Liquid resources (note 11(b))	218,362	(80,751)	-	137,611
Finance lease obligations (note 17)	(2,205,650)	1,767,826	(1,583,020)	(2,020,844)
Loans	(450,000)	50,000	-	(400,000)
Total	<u>£(2,605,268)</u>	<u>£4,569,961</u>	<u>£(1,583,020)</u>	<u>£381,673</u>

Notes to the financial statements

at 29 August 2004

15. Creditors: amounts falling due within one year

	<i>Group</i>		<i>Company</i>	
	<i>2004</i>	<i>2003</i>	<i>2004</i>	<i>2003</i>
	£	£	£	£
Bank overdrafts (note 14)	-	327,643	-	327,643
Current instalment due on bank loan (note 18)	50,000	50,000	50,000	50,000
Trade creditors	3,096,981	2,687,695	3,069,630	2,668,744
Tax and Social Security	444,907	309,674	439,125	305,221
Accruals	4,535,527	3,999,217	4,534,077	3,997,467
Corporation tax	255,167	276,447	253,732	274,000
Obligations under finance leases and hire purchase agreements (note 17)	1,697,406	1,029,650	1,697,406	1,029,650
Amounts owed to subsidiary undertakings	-	-	61,863	120,585
	<u>£10,079,988</u>	<u>£8,680,326</u>	<u>£10,105,833</u>	<u>£8,773,310</u>

The bank overdraft is secured on certain of the company's freehold properties, a floating charge and an inter company guarantee by all members of the group.

16. Creditors: amounts falling due after more than one year

Group and company

	<i>2004</i>	<i>2003</i>
	£	£
Obligations under finance leases and hire purchase contracts (note 17)	323,438	1,176,000
Loans (note 18)	350,000	400,000
	<u>£673,438</u>	<u>£1,576,000</u>

17. Obligations under finance leases and hire purchase agreements

The maturity of these amounts is as follows:

Group and company

	<i>2004</i>	<i>2003</i>
	£	£
Amount payable:		
within one year	1,745,759	1,029,650
between two and five years	356,640	1,176,000
	<u>2,102,399</u>	<u>2,205,650</u>
Less: finance charges allocated to future periods	(81,555)	-
	<u>£2,020,844</u>	<u>£2,205,650</u>

Several finance lease and hire purchase contracts at 29 August 2004 attract variable interest which is payable separately on the balance of capital outstanding. As such the amounts payable at 29 August 2004 on such contracts do not include a liability for finance charges.

Notes to the financial statements

at 29 August 2004

17. Obligations under finance leases and hire purchase agreements (continued)

Finance leases and hire purchase contracts are analysed as follows:

	2004 £	2003 £
Current obligations (note 15)	1,697,406	1,029,650
Non-current obligations (note 16)	323,438	1,176,000
	<u>£2,020,844</u>	<u>£2,205,650</u>

18. Loans

Group and company

	2004 £	2003 £
Amounts falling due:		
in one year or less or on demand	50,000	50,000
in more than one year but not more than two years	50,000	50,000
in more than two years but not more than five years	150,000	150,000
in more than five years	150,000	200,000
	<u>400,000</u>	<u>450,000</u>
Less: included in creditors: amounts falling due within one year	50,000	50,000
	<u>£350,000</u>	<u>£400,000</u>

Details of loans not wholly repayable within five years are as follows:

	2004 £	2003 £
£500,000 mortgage at LIBOR plus 1% per annum, repayable in annual instalments of £50,000 which commenced on 2 October 2002	400,000	450,000
Less: included in creditors: amounts falling due within one year	50,000	50,000
	<u>£350,000</u>	<u>£400,000</u>

The loan is secured by a fixed charge on the freehold investment property.

Notes to the financial statements

at 29 August 2004

19. Provisions for liabilities and charges

Group and company

	<i>Group</i>		<i>Company</i>	
	<i>2004</i>	<i>2003</i>	<i>2004</i>	<i>2003</i>
	£	£	£	£
Deferred taxation (note 20)	1,022,252	968,000	1,022,000	968,000
Restoration and aftercare provisions	5,006,447	5,181,191	5,006,447	5,181,191
	<u>£6,028,699</u>	<u>£6,149,191</u>	<u>£6,028,447</u>	<u>£6,149,191</u>

The movement in the year in provisions for liabilities and charges can be summarised as follows:

	<i>Group</i>	<i>Company</i>
	£	£
At 31 August 2003	6,149,191	6,149,191
Increase in deferred tax position (note 20)	54,252	54,000
Decrease in restoration and aftercare provisions	(174,744)	(174,744)
At 29 August 2004	<u>£6,028,699</u>	<u>£6,028,447</u>

20. Deferred taxation

	<i>2004</i>	<i>2003</i>
	£	£
At 31 August 2003	968,000	958,000
Charge for the year (note 8)	54,252	10,000
At 29 August 2004	<u>£1,022,252</u>	<u>£968,000</u>

Deferred taxation provided in the financial statements is made up as follows:

Group and Company

	<i>2004</i>	<i>2003</i>
	£	£
Capital allowances in advance of depreciation	1,099,252	961,000
Short term timing differences	(77,000)	7,000
	<u>£1,022,252</u>	<u>£968,000</u>

Deferred tax has not been provided on the revalued land and buildings as in the opinion of the directors, the liability will not crystallise in the foreseeable future.

Notes to the financial statements

at 29 August 2004

21. Share capital

	<i>Authorised</i>		<i>Allotted, called up and fully paid</i>	
	<i>2004</i>	<i>2003</i>	<i>2004</i>	<i>2003</i>
	<i>No.</i>	<i>No.</i>	<i>£</i>	<i>£</i>
Ordinary shares of £1 each	250,000	250,000	£72,200	£74,200

During the year the company repurchased 2,000 ordinary shares of £1 each for cash consideration of £150,000.

22. Reconciliation of shareholders' funds and movement on reserves

Group

	<i>Share capital</i>	<i>Share premium account</i>	<i>Revaluation reserve</i>	<i>Capital reserve</i>	<i>Profit and loss account</i>	<i>Total</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
At 1 September 2002	74,200	147,349	1,368,743	33,937	12,671,604	14,295,833
Profit retained for the year	-	-	-	-	1,104,573	1,104,573
Dividends	-	-	-	-	(225,391)	(225,391)
At 31 August 2003	74,200	147,349	1,368,743	33,937	13,550,786	15,175,015
Repurchase of own shares	(2,000)	-	-	2,000	(150,000)	(150,000)
Realised revaluation surplus on disposal of freehold land and buildings	-	-	(281,000)	-	281,000	-
Profit retained for the year	-	-	-	-	1,563,380	1,563,380
Dividends	-	-	-	-	(300,000)	(300,000)
At 29 August 2004	£72,200	£147,349	£1,087,743	£14,992,109	£14,945,166	£16,288,395

Company

	<i>Share Capital</i>	<i>Share premium account</i>	<i>Revaluation reserve</i>	<i>Capital redemption reserve</i>	<i>Profit and loss account</i>	<i>Total</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
At 1 September 2002	74,200	147,349	1,368,743	-	12,597,261	14,187,553
Profit retained for the year	-	-	-	-	1,094,048	1,094,048
Dividends	-	-	-	-	(225,391)	(225,391)
At 31 August 2003	74,200	147,349	1,368,743	-	13,465,918	15,056,210
Repurchase of own shares	(2,000)	-	-	2,000	(150,000)	(150,000)
Realised revaluation surplus on disposal of freehold land and buildings	-	-	(281,000)	-	281,000	-
profit retained for the year	-	-	-	-	1,554,433	1,554,433
Dividends	-	-	-	-	(300,000)	(300,000)
At 29 August 2004	£72,000	£147,349	£1,087,743	£2,000	£14,851,351	£16,160,643



Notes to the financial statements

at 29 August 2004

23. Capital commitments

At 29 August 2004 the directors had authorised and contracted for future capital expenditure of £Nil (2003: £Nil).

24. Contingent liabilities

- (a) The group bankers hold a bond and floating charge for all monies of the group as security over the group overdraft facilities in support of a cross-guarantee between group companies.
- (b) The company has agreed to provide adequate funds to enable its subsidiary I & H Brown Travel Limited to meet their liabilities as they fall due.
- (c) The bank also holds a bond of £25,000 in favour of ABTA.
- (d) The company's bankers and insurers have provided, with recourse to the company, bonds to various local authorities and The Coal Authority in respect of construction, mineral extraction and maintenance works amounting to £1,997,000.

25. Related party transactions

The group has taken advantage of the exemption permitted by FRS 8 and has not disclosed transactions between its wholly owned subsidiaries.

During the year freehold land and buildings have been sold to a pension fund operated on behalf of 3 of the companies directors at their open market valuation totalling £1,345,000.

At the Balance Sheet date a loan of £124,212 (2003: £174,212) was outstanding to Fordoun Estates Limited. This company is connected to J S Brown and J H Brown by virtue of the fact that they are also directors and shareholders of Fordoun Estates Limited.

26. Pension commitments

The company operates two defined contribution pension schemes for its directors and senior employees. The assets of the schemes are held separately from those of the company in independently administered funds.