**Patersons Quarries Limited**

# Directors' report and consolidated financial statements

Registered number SC117448

30 November 2007

# Contents

# Company information

| | |
|---|---|
| **Directors** | W Paterson<br>TM Paterson<br>LMP Gall<br>J Richardson<br>AR Bowie |
| **Secretary** | J Richardson |
| **Registered office** | Gartsherrie Road<br>Coatbridge<br>ML5 2EU |
| **Auditors** | KPMG LLP<br>191 West George Street<br>Glasgow<br>G2 2LJ |
| **Bankers** | Clydesdale Bank PLC<br>23 Bank Street<br>Airdrie<br>ML6 6AD |
| **Solicitors** | McGrigors<br>Pacific House<br>70 Wellington Street<br>Glasgow<br>G2 6SB |

# Directors' report

The directors present their directors' report and the audited financial statements for the year ended 30 November 2007

**Principal activities**

The principal activities of the Group continue to be quarrying, landfill, recycling, concrete block manufacturing, readymix concrete, generating electricity from waste, transport, plant hire, security, general engineering, generator manufacture and related activities

**Business review**

The Group has achieved another satisfactory result for the year against a background of an increasingly competitive market place Operating profit increased to more than £8 0 million compared with £3 4 million in the prior year (before 2006 exceptional item) on total Group turnover of £55 2 million *(2006 £43 8 million)* A strong performance from the quarrying and landfill divisions underpinned the Group profit, together with an improved performance from the general engineering division During the financial year the Group disposed of the trade, business and certain assets of its two computer software subsidiary undertakings as these were not part of the Group's core activities

The principal risks and uncertainties affecting the business include the following

- Raw material availability and prices the Group monitors raw material sources on a group wide basis and negotiates forward purchase contracts where appropriate with key suppliers
- Environmental risks the Group places considerable emphasis upon environmental compliance in each of its businesses 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
- Debtors the Group 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
- Commodity price risk the Group has entered into hedging arrangements in relation to both gas oil and diesel (derv) In addition, the Group has also entered into fixed price forward sales contracts concerning electricity generated at its landfill site
- Interest rate risk the Group has entered into interest rate swap arrangements in order to manage its exposure to movements in interest rates
- Major disruption/disaster business continuity planning is reviewed regularly
- The effect of legislation or other regulatory activities the Group monitors forthcoming and current legislation regularly
- Pension funding risk the Group operates a defined benefit pension scheme which was closed to new entrants from February 2005 The Group is subject to pension funding risks, principally poor performance of the equity investment and increased longevity of the members Such risks could result in increased contributions by the Group to the pension scheme The Group also operates a defined contribution scheme into which the company contributes an agreed percentage of salary but incurs no further long term liability
- All appropriate measures are taken to protect the Group's intellectual property rights and to minimise the risk of infringement of third party rights
- Litigation the Group is subject to litigation from time to time The outcome of legal action is always uncertain and there is always the risk that it may prove more costly and time consuming than expected There is a risk that litigation could be instigated in the future which could materially impact the Group In some liability cases legal expenses are covered by insurance

Key areas of strategic development and performance of the business include

- Health and Safety accident and absenteeism rates are monitored and the Group continues to seek ways of ensuring that a safe and healthy working environment is progressively improved
- Environment consent limits have been met, neighbour complaints have been at a minimum and all have been addressed, new methods of achieving greater environmental effectiveness are continually being examined

## Directors' report *(continued)*

**Business review** *(continued)*

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

| | 2007 | 2006 | Measure |
|---|---|---|---|
| **Financial** | | | |
| Return on capital | **20 6%** | 9 2% | Profit before exceptional and tax/net assets |
| Current ratio | **1 2** | 1 2 | Current assets current liabilities |
| Debtors days | **54** | 57 | Trade debtors/average turnover |
| Sales per employee (£000) | **82 8** | 65 5 | Turnover/average number of employees |
| Operating profit per employee (£000) | **12 1** | 3 5 | Operating profit/average number of employees |

Key non financial performance indicators include the monitoring of our employees' health and safety

**Dividend**

An interim dividend of 14 28p per ordinary and A ordinary share was paid in April 2007 *(2006 14 28p)*

**Directors**

The directors who held office during the year were as follows

W Paterson
TM Paterson
LMP Gall
J Richardson

Subsequent to the end of the financial year, AR Bowie was appointed as a director on 1 April 2008

**Employees**

The Group has maintained its policy of communicating and consulting with employees on matters of concern to them and providing information in particular on the financial and economic factors affecting the performance of the Group Fair and equal consideration is given to the recruitment and career development of all employees including disabled persons, whether or not they become disabled while in the Group's employment and to the provision and training and other assistance where necessary

**Political and charitable donations**

Charitable donations made during the year amounted to £36,250 *(2006 £15,988)* No political donations were made in the year (2006 £nil)

**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/she ought to have taken as a director to make him/herself 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

**J Richardson**
*Secretary*

Gartsherrie Road
Coatbridge
ML5 2EU

20 May 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 Group and parent company financial statements are required by law to give a true and fair view of the state of affairs of the Group and the parent company and of the profit or loss 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 accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent 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 parent company and enable them to ensure that its financial statements comply with the Companies Act 1985 They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group 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 Patersons Quarries Limited

We have audited the Group and parent company financial statements (the "financial statements") of Patersons Quarries Limited for the year ended 30 November 2007 which comprise the Consolidated Profit and Loss Account, the Consolidated Statement of Total Recognised Gains and Losses, the Consolidated and Company Balance Sheets, the Consolidated Cash Flow Statement 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 Directors' Report and 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 4

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 group's and 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 Patersons Quarries 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 Group's and the parent company's affairs as at 30 November 2007 and of the Group's 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

**Emphasis of matter – carrying value of investment in associate**

In forming our opinion on the financial statements, which is not qualified, we have considered the disclosures made in note 11 about the carrying value of £4,417,946 of the group's share of the net assets of its listed associate, Palmaris Capital Plc which, inter alia, holds an unlisted investment that is carried in its financial statements at directors' valuation The auditors' report on the most recent set of financial statements of the associate for the year ended 30 June 2007 contained an emphasis of matter concerning Scottish Resources Group Limited (formerly Mining (Scotland) Limited), as follows "The valuation of an unlisted investment is necessarily subjective The realisable value in the short term could differ materially from the amount included in the financial statements Our opinion is not qualified in this respect"

KPMG LLP

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

20 May 2008

## Consolidated Profit and Loss Account

*for the year ended 30 November 2007*

| | Note | Total 2007 £ | 2006 £ |
|---|---|---|---|
| **Turnover** | | **55,238,119** | 43,829,413 |
| Cost of sales recurring | | **(32,127,995)** | (27,341,161) |
| Cost of sales – exceptional item | | | (1,017,581) |
| **Gross profit** | | **23,110,124** | 15,470,671 |
| Distribution costs | | **(8,026,633)** | (6,559,750) |
| Administrative expenses | | **(6,919,946)** | (6,503,969) |
| **Operating profit before share of associate** | 3 | **8,163,545** | 2,406,952 |
| Share of operating loss of associate | | **(97,602)** | (23,678) |
| **Operating profit** | | **8,065,943** | 2,383,274 |
| Interest receivable and similar income | 6 | **62,200** | 23,572 |
| Interest payable and similar charges | 7 | **(717,731)** | (659,526) |
| Loss on sale of listed investments | | **(13,643)** | |
| **Profit on ordinary activities before taxation** | | **7,396,769** | 1,747,320 |
| Tax on profit on ordinary activities | 8 | **(2,248,687)** | (588,658) |
| **Profit on ordinary activities after taxation and for the financial year** | | **5,148,082** | 1,158,662 |

Details of discontinued activities are disclosed in note 2

## Consolidated Statement of Total Recognised Gains and Losses

*for the year ended 30 November 2007*

| | 2007 £ | 2006 £ |
|---|---|---|
| **Profit for the financial year** | **5,148,082** | 1,158,662 |
| Actuarial gain/(loss) recognised in pension scheme | **1,585,000** | (7,000) |
| Deferred tax arising on gain/ (loss) in the pension scheme | **(520,000)** | 2,000 |
| Movement in unrealised investment appreciation reserve in associate | **15,346** | 222,645 |
| Unrealised surplus on revaluation of tangible fixed assets | **893,625** | |
| **Total recognised gains and losses relating to the financial year** | **7,122,053** | 1,376,307 |
| Cumulative effect of prior year adjustments | | (4,544,397) |
| **Total gains and losses recognised since last annual report** | **7,122,053** | (3,168,090) |

## Consolidated Balance Sheet
*at 30 November 2007*

| | Note | 2007 | | 2006 | |
|---|---|---|---|---|---|
| | | £ | £ | £ | £ |
| **Fixed assets** | | | | | |
| Intangible assets | 9 | | 86,800 | | 192,046 |
| Tangible assets | 10 | | 37,887,249 | | 33,345,044 |
| Investments | 11 | | 9,095,689 | | 7,791,982 |
| | | | 47,069,738 | | 41,329,072 |
| **Current assets** | | | | | |
| Stocks | 12 | 2,438,304 | | 2,329,140 | |
| Debtors | 13 | 14,214,326 | | 12,507,918 | |
| Cash at bank and in hand | | 259,715 | | 161,945 | |
| | | 16,912,345 | | 14,999,003 | |
| **Creditors** amounts falling due within one year | 14 | (14,696,625) | | (12,731,168) | |
| **Net current assets** | | | 2,215,720 | | 2,267,835 |
| **Total assets less current liabilities** | | | 49,285,458 | | 43,596,907 |
| **Creditors** amounts falling due after more than one year | 15 | | (6,088,019) | | (7,144 271) |
| **Provisions for liabilities and charges** | 16 | | (5,757,000) | | (4,018,250) |
| **Net pension liability** | 26 | | (1,571,000) | | (2,687,000) |
| **Net assets** | | | 35,869,439 | | 29,747,386 |
| **Capital and reserves** | | | | | |
| Called up share capital | 17 | | 7,002,002 | | 7,002,002 |
| Revaluation reserve | 18 | | 1,631,228 | | 737,603 |
| Profit and loss account | 18 | | 24,293,785 | | 16,720,224 |
| Unrealised appreciation reserve in associate | 18 | | 2,942,424 | | 5,159,292 |
| Capital reserve in associate | 18 | | | | 128,265 |
| **Shareholders' funds** | 19 | | 35,869,439 | | 29,747,386 |

These financial statements were approved by the board of directors on 20 May 2008 and were signed on its behalf by

W Paterson

**W Paterson**
*Director*

# Company Balance Sheet
*at 30 November 2007*

| | Note | 2007 £ | 2007 £ | 2006 £ | 2006 £ |
|---|---|---|---|---|---|
| **Fixed assets** | | | | | |
| Investments | *11* | | **21,651,585** | | 17,261,279 |
| **Current assets** | | | | | |
| Debtors – amounts falling due after more than one year | *13* | **5,310,000** | | | |
| **Net current assets falling due after more than one year** | | | **5,310,000** | | |
| **Total assets less current liabilities** | | | **26,961,585** | | 17,261,279 |
| **Creditors** amounts falling due after more than one year | *15* | | **(5,428,005)** | | (2,517,361) |
| **Net assets** | | | **21,533,580** | | 14,743 918 |
| **Capital and reserves** | | | | | |
| Called up share capital | *17* | | **7,002,002** | | 7,002,002 |
| Profit and loss account | *18* | | **14,531,578** | | 7,741 916 |
| **Shareholders' funds** | *19* | | **21,533,580** | | 14,743,918 |

These financial statements were approved by the board of directors on 20 May 2008 and were signed on its behalf by

W. Paterson

**W Paterson**
*Director*

# Consolidated Cash Flow Statement

*for the year ended 30 November 2007*

| | Note | 2007 | | 2006 | |
|---|---|---|---|---|---|
| | | £ | £ | £ | £ |
| **Net cash inflow from operating activities** | 22 | | 14,155,858 | | 7,242,108 |
| ***Returns on investments and servicing of finance*** | | | | | |
| Interest received | | 8,200 | | 9,572 | |
| Bank and other interest paid | | (142,846) | | (110,930) | |
| HP interest paid | | (574,885) | | (548,596) | |
| **Net cash outflow from returns on investments and servicing of finance** | | | (709,531) | | (649,954) |
| **Taxation** | | | | | |
| Taxation paid | | (662,737) | | (67,058) | |
| Taxation paid to account | | (845,000) | | | |
| **Net cash outflow from tax** | | | (1,507,737) | | (67,058) |
| **Capital expenditure and financial investment** | | | | | |
| Purchase of tangible fixed assets | | (6,438,966) | | (3,226,743) | |
| Sale of tangible fixed assets | | 1,620,194 | | 1,258,732 | |
| Purchase of fixed asset investments | | (1,400,963) | | (404,928) | |
| Sale of fixed asset investments | | 1,357 | | | |
| **Net cash outflow from capital expenditure and financial investment** | | | (6,218,378) | | (2,372,939) |
| **Acquisitions and disposals** | | | | | |
| Purchase of business | 27 | (48,255) | | | |
| Disposal of businesses | 27 | 152,306 | | | |
| **Net cash inflow from acquisitions and disposals** | | | 104,051 | | |
| **Dividends** | | | | | |
| Dividends paid | | | (1,000,000) | | (1,000,000) |
| **Net cash inflow before financing** | | | 4,824,263 | | 3,152,157 |
| **Financing** | | | | | |
| Loan repayments | | (285,720) | | (285,720) | |
| Capital element of hire purchase rental payments | | (4,256,496) | | (4,181,396) | |
| **Net cash outflow from financing** | | | (4,542,216) | | (4,467,116) |
| **Increase/(decrease) in cash in the year** | | | 282,047 | | (1,314,959) |

# Notes
*(forming part of the financial statements)*

## 1 Accounting policies

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

***Basis of preparation***

The financial statements are prepared in accordance with applicable accounting standards under the historical cost accounting rules modified to include the revaluation of certain freehold properties The Group has applied the transitional rules contained in FRS 15 to retain previous valuations as the basis on which these assets are held

***Basis of consolidation***

The consolidated financial statements include the financial statements of the company and all of its subsidiary undertakings, which are made up to 30 November

An associate is an undertaking in which the Group has a long term interest, usually from 20% to 50% of the equity voting rights Where the Group is able to exercise influence over the operating and policy decisions of an associate, the equity method of accounting is used to account for the Group's share of the results and net assets of the associate Under this method, the Group's share of the profits less losses of the associate is included in the consolidated profit and loss account, whilst the Group's share of the movement in the unrealised appreciation reserve of the associate is included in the consolidated statement of recognised gains and losses The Group's share of such associates' net assets at the year end is included as investments in the consolidated balance sheet

The interim results of the Group's AIM listed associate to 31 December are used as the basis for calculating the Group's share of the results and net assets of that associate for the year ended and as at 30 November each year

Under section 230(4) of the Companies Act 1985, the company is exempt from the requirement to present its own profit and loss account

***Goodwill***

Goodwill arising on consolidation, representing the amount by which the fair value of the purchase consideration for shares in subsidiary and associated undertakings exceeds the fair value to the Group of net assets acquired, is capitalised and amortised through the profit and loss account in equal instalments over its estimated useful life Purchased goodwill is amortised over its estimated useful life

***Investments***

In the company's financial statements, listed and unlisted investments and investments in subsidiary undertakings and associates are stated at cost Provision is made for any impairment in value when identified

***Tangible fixed assets and depreciation***

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

| | |
|---|---|
| Buildings | over 25 years |
| Leasehold property | over the period of the lease |
| Plant and machinery | over 5 to 10 years |
| Vehicles | over 4 to 5 years |

Freehold mineral bearing land is depreciated evenly over its expected useful life and landfill sites are depreciated on the basis of annual usage

Investment properties are carried at directors' valuation and are not depreciated In accordance with SSAP 19, investment properties are revalued annually and the aggregate surplus or deficit is transferred to a revaluation reserve The non depreciation of investment properties may be a departure from the Companies Act concerning depreciation of fixed assets, however these properties are not held for consumption but for investment and so the directors believe systematic deprecation would be inappropriate The accounting policy adopted is therefore necessary for the financial statements to give a true and fair view Depreciation or amortisation is only one of the many factors reflected in the annual valuation and the amount which otherwise have been shown cannot be separately identified or quantified

# Notes *(continued)*

**1 Accounting policies** (continued)

***Leases***

Assets acquired under hire purchase and finance lease contracts are capitalised in the balance sheet and are depreciated in accordance with the Group's depreciation policy with the outstanding future lease obligation shown in creditors Finance costs incurred on these contracts are charged to the profit and loss account over the term of the contract

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease

***Stocks and work in progress***

Stocks and work in progress is valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items Cost includes all direct expenditure and an appropriate proportion of fixed and variable overheads

***Long term contracts***

Certain contracts undertaken by the Group which extend beyond the balance sheet date are accounted for as long term contracts notwithstanding that the duration of the contract may be for less than one year

Amounts recoverable on such contracts are included in debtors These amounts represent cost plus attributable profit less total progress payments received and receivable Where total progress payments and provisions for losses exceed the costs incurred plus attributable profit, the excess is shown in creditors falling due within one year Profit is taken on such contracts only when their outcome can be foreseen with reasonable certainty In determining the amount of profit taken at the year end the main facts considered are the experience, if any, of similar contracts and the estimated percentage completion Anticipated losses are provided in full

***Taxation***

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of differences between the treatment of certain items for taxation and accounting purposes

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date

***Post retirement benefits***

The Group operates a group defined benefits scheme that closed to new entrants in February 2005 The assets of the scheme are held separately from those of the Group in an independently administered fund In addition the Group operates a defined contribution scheme Contributions to the defined contribution scheme are charged to the profit and loss account as they fall due

The Group's defined benefit pension scheme assets are measured using market values whilst pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability The increase in the present value of the liabilities of the Group's defined benefit pension scheme expected to arise from employee service in the year is charged to operating profit The expected return on scheme assets and the increase during the year in respect of scheme liabilities arising from the passage of time are included in other finance income Actuarial gains and losses are recognised in the statement of total recognised gains and losses Pension scheme deficits are recognised in full and presented on the face of the balance sheet net of the related deferred tax

***Restoration and reinstatement***

The costs of reinstatement and surface restoration obligations relating to the Group's quarries and landfill site are recognised as a provision as the Group has a future obligation arising from a past event The amount of provision represents the present value of the expected costs Costs are charged to the provision as incurred and the unwinding of the discount is included in the interest charge for the year An asset is created for an amount equal to the initial provision and charged to the profit and loss account over the useful life of the relevant asset

***Turnover***

Turnover represents net invoiced amount of goods sold and services provided excluding value added tax or, in the case of long term contracts, the value of work undertaken during the financial year

# Notes *(continued)*

## 2 Continuing and discontinued activities

The turnover and profit on ordinary activities before taxation are attributable to all the activities of the Group and arose wholly within the UK

Turnover and operating profit are analysed as follows

| | 2007 Continuing £000 | 2007 Discontinued £000 | 2007 Total £000 | 2006 Continuing £000 | 2006 Discontinued £000 | 2006 Total £000 |
|---|---|---|---|---|---|---|
| ***Turnover*** | **54,638,779** | **599,340** | **55,238,119** | 42,547,107 | 1,282,306 | 43,829,413 |
| Cost of sales | **(31,984,833)** | **(143,162)** | **(32,127,995)** | (27,081,525) | (259,636) | (27,341,161) |
| Cost of sales – exceptional item | | | | | (1,017,581) | (1,017,581) |
| ***Gross profit*** | **22,653,946** | **456,178** | **23,110,124** | 15,465,582 | 5,089 | 15,470,671 |
| Distribution costs | **(8,026,633)** | | **(8,026,633)** | (6,559,750) | | (6,559,750) |
| Administrative expenses | **(6,205,814)** | **(714,132)** | **(6,919,946)** | (4,955,494) | (1,548,475) | (6,503,969) |
| **Operating profit/(loss)** | **8,421,499** | **(257,954)** | **8,163,545** | 3,950,338 | (1,543,386) | 2,406,952 |

## 3 Operating profit

| | 2007 £ | 2006 £ |
|---|---|---|
| ***Profit on ordinary activities before taxation is stated after charging/(crediting)*** | | |
| Depreciation and other amounts written off tangible fixed assets | | |
| Owned | **3,817,339** | 2,916,142 |
| Hire purchase contracts | **3,018,047** | 2,761,367 |
| Gain on disposal of tangible fixed assets | **(351,063)** | (250,383) |
| Gain on disposal of businesses | **9,972** | |
| Hire of plant and machinery | **2,423,657** | 1,286,154 |
| Amortisation of intangible fixed assets | **114,257** | 46,420 |
| Impairment of fixed assets – intangible | | 1,002,551 |
| investments | | 15,030 |

*Auditors' remuneration*

| | 2007 £ | 2006 £ |
|---|---|---|
| Audit of these financial statements | **5,000** | 5,000 |
| Amounts receivable by auditors and their associates in respect of | | |
| Audit of financial statements of subsidiaries pursuant to legislation | **55,088** | 45,000 |
| Other services relating to taxation | **32,500** | 26,000 |

Amounts paid to the company's auditor in respect of services to the company, other than the audit of the company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis

# Notes *(continued)*

## 4 Remuneration of directors

| | 2007 £ | 2006 £ |
|---|---|---|
| Directors' emoluments | **1,107,940** | 537,022 |
| Company contributions to money purchase pension schemes | **1,059** | 1,059 |
| Amounts paid to third parties in respect of directors' services | | 63,578 |

The aggregate of emoluments of the highest paid director was £778,666 *(2006 £269,668)*, and company pension contributions of £Nil *(2006 £Nil)* were made to a money purchase scheme on his behalf

| | Number of directors 2007 | 2006 |
|---|---|---|
| Retirement benefits are accruing to the following number of other directors under | | |
| Money purchase schemes | **2** | 2 |
| Defined benefit schemes | **1** | 1 |

## 5 Staff numbers and costs

The average number of persons employed by the Group and company (including directors) during the year, analysed by category, was as follows

| | Number of employees Group 2007 | 2006 | Number of employees Company 2007 | 2006 |
|---|---|---|---|---|
| Production and distribution | **574** | 580 | | |
| Sales and management | **93** | 89 | | |
| | **667** | 669 | | |

The aggregate payroll costs of these persons were as follows

| | Group 2007 £ | 2006 £ | Company 2007 £ | 2006 £ |
|---|---|---|---|---|
| Wages and salaries | **14,045,288** | 13,206,702 | | |
| Social security costs | **1,386,845** | 1,146,512 | | |
| Other pension costs | **1,009,555** | 1,017,627 | | |
| | **16,441,688** | 15,370,841 | | |

## 6 Interest receivable and similar income

| | 2007 £ | 2006 £ |
|---|---|---|
| Bank interest | **8,200** | 9,572 |
| Other finance income | **54,000** | 14,000 |
| | **62,200** | 23,572 |

# Notes *(continued)*

## 7 Interest payable and similar charges

| | 2007<br>£ | 2006<br>£ |
|---|---|---|
| On bank loans and overdrafts | **125,536** | 101,029 |
| Hire purchase and finance lease interest | **574,885** | 548,596 |
| Other interest | **17,310** | 9,901 |
| | **717,731** | 659,526 |

## 8 Taxation

*Analysis of charge in year*

| | 2007<br>£ | 2006<br>£ |
|---|---|---|
| *UK corporation tax* | | |
| Current tax on income for the period | **2,285,600** | 676,400 |
| Overprovision in prior year | **(56,663)** | (59,742) |
| Current tax charge (see below) | **2,228,937** | 616,658 |
| Deferred tax credit (note 16) | **(250)** | (38,000) |
| Movement in deferred tax relating to pension scheme | **20,000** | 10,000 |
| Tax on profit on ordinary activities | **2,248,687** | 588,658 |

*Factors affecting the tax charge for the current year*

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

| | 2007<br>£ | 2006<br>£ |
|---|---|---|
| *Current tax reconciliation* | | |
| Profit on ordinary activities before tax | **7,396,769** | 1,747,320 |
| Current tax at 30% *(2006 30%)* | **2,219,031** | 524,196 |
| *Effects of* | | |
| Expenses not deductible for tax purposes | **54,046** | 321,785 |
| Movement in deferred tax | **250** | 38,000 |
| Depreciation for the year in excess of capital allowances | | (204,684) |
| Effect of gain on disposal of businesses | **2,992** | |
| Overprovision in prior year | **(56,663)** | (59,742) |
| Movement in deferred tax relating to pension scheme | **(20,000)** | (10,000) |
| Effect of associate | **29,281** | 7,103 |
| Total current tax charge (see above) | **2,228,937** | 616,658 |

# Notes *(continued)*

## 9 Intangible fixed assets

| Group | Goodwill | Research and Development costs | Total |
|---|---|---|---|
| | £ | £ | £ |
| *Cost* | | | |
| At beginning of year | 350,986 | 1,132,551 | 1,483,537 |
| Arising on acquisitions (note 27) | 139,011 | | 139,011 |
| On disposal of business during year (note 27) | | (1,132,551) | (1,132,551) |
| At end of year | 489,997 | | 489,997 |
| *Amortisation* | | | |
| At beginning of year | 288,940 | 1,002,551 | 1,291,491 |
| Charged in year | 114,257 | | 114,257 |
| On disposal of business during year (note 27) | | (1,002,551) | (1,002,551) |
| At end of year | 403,197 | | 403,197 |
| ***Net book value*** | | | |
| **At 30 November 2007** | **86,800** | | **86,800** |
| At 30 November 2006 | 62,046 | 130,000 | 192,046 |

# Notes *(continued)*

## 10 Tangible fixed assets

| | Freehold land and buildings £ | Plant, machinery and vehicles £ | Fixtures and fittings £ | Total £ |
|---|---|---|---|---|
| **Group** | | | | |
| ***Cost or valuation*** | | | | |
| At beginning of year | 14,880,659 | 46,552,165 | 1,191,304 | 62,624,128 |
| Additions | 1,799,809 | 9,849,773 | 65,849 | 11,715,431 |
| Arising on acquisitions (note 27) | | 50,000 | | 50,000 |
| Surplus on revaluation | 893,625 | | | 893,625 |
| Disposals | (5,250) | (3,951,182) | (36,970) | (3,993,402) |
| On disposal of businesses (note 27) | | | (81,968) | (81,968) |
| At end of year | 17,568,843 | 52,500,756 | 1,138,215 | 71,207,814 |
| ***Depreciation*** | | | | |
| At beginning of year | 7,344,529 | 21,101,634 | 832,921 | 29,279,084 |
| Charge for year | 808,173 | 5,859,319 | 167,894 | 6,835,386 |
| On disposals | | (2,689,846) | (34,425) | (2,724,271) |
| On disposal of businesses (note 27) | | | (69,634) | (69,634) |
| At end of year | 8,152,702 | 24,271,107 | 896,756 | 33,320,565 |
| ***Net book value*** | | | | |
| **At 30 November 2007** | **9,416,141** | **28,229,649** | **241,459** | **37,887,249** |
| At 30 November 2006 | 7,536,130 | 25,450,531 | 358,383 | 33,345,044 |

Included in land and buildings is freehold land at a cost of £446,212 *(2006 £446,212)* which is not depreciated

Freehold land and buildings includes an investment property valued at £2 4 million *(2006 £1 5 million)* This was valued at 30 November 2007 at open market value for existing use by W Paterson, a director of the company, based on advice from an external valuer If the investment property had not been revalued it would have been included at its historical cost of £768,772 *(2006 £768,772)* All other freehold land and buildings are included at cost and are depreciated

Included within tangible fixed assets are assets held under hire purchase contracts and finance leases with a net book value of £15,837,539 *(2006 £14,940,708)* Depreciation of £3,018,047 *(2006 £2,761,367)* was charged in the year in respect of these assets

## Notes *(continued)*

### 11 Fixed asset investments

**Group**

| | Goodwill £ | Share of net assets £ | 2007 Total £ | 2006 Total £ |
|---|---|---|---|---|
| ***Associates*** | | | | |
| At beginning of year | 239,294 | 6,548,926 | **6,788,220** | 6,589,253 |
| Share of loss for year | | (97,602) | **(97,602)** | (23,678) |
| Share of dividend in specie (see below) | | (2,803,221) | **(2,803,221)** | |
| Increase in unrealised appreciation reserve | | 15,346 | **15,346** | 222,645 |
| Increased holding in associate | (754,497) | 754,497 | | |
| At end of year | (515,203) | 4,417,946 | **3,902,743** | 6,788,220 |

The Group owns 32 9% (2006 29 53%) of the issued share capital of Palmaris Capital Plc ('Palmaris'), a company listed on the Alternative Investment Market and registered in Scotland The increase in the Group's interest in Palmaris arises from the conversion of warrants which resulted in the Group acquiring more shares for nil consideration Palmaris holds an unlisted investment in Scottish Resources Group Ltd that is carried in its financial statements at directors' valuation The valuation of this investment is necessarily subjective and the realisable value in the short term could differ materially from the amount included in Palmaris' financial statements In the event the realisable value of the Palmaris' unlisted investment ultimately is different to the relevant carrying value in its financial statements, this would have a consequential effect on the carrying value of the Group's interest in Palmaris

On 28 February 2007 Palmaris made a dividend in specie to its shareholders, transferring its interest in Perseverance Corporation, an Australian listed entity involved in gold exploration and mining, directly to its shareholders Consequently, following the dividend in specie the Group had a direct interest in Perseverance Corporation at 30 November 2007 equivalent to 6% of that company's issued share capital This interest was sold on 18 February 2008 for a consideration greater than the amount being carried at 30 November 2007

| **Other investments** | Listed Investments £ | Other investments £ | Total 2007 £ | Total 2006 £ |
|---|---|---|---|---|
| *Cost* | | | | |
| At start of year | 857,032 | 146,730 | **1,003,762** | 613,864 |
| Additions dividend in specie from associate (see above) | 2,803,221 | | **2,803,221** | 404,928 |
| additional investment in Perseverance Corporation | 1,400,963 | | **1,400,963** | |
| Disposals | (15,000) | | **(15,000)** | |
| Impairment | | | | (15,030) |
| **At end of year** | 5,046,216 | 146,730 | **5,192,946** | 1,003,762 |
| **Total Group investments** | | | **9,095,689** | 7,791,982 |

## Notes *(continued)*

### 11 Fixed asset investments *(continued)*

| Company | Investment in subsidiaries £ | Listed investments £ | Unlisted Investments £ | Total £ | 2006 Total £ |
|---|---|---|---|---|---|
| At start of year | 14,255,490 | 2,963,789 | 42,000 | **17,261,279** | 17,399,921 |
| Additions | 101,548 | 4,204,268 | 99,490 | **4,405,306** | 978,438 |
| Disposals | | (15,000) | | **(15,000)** | |
| Impairment | | | | | (1,117,080) |
| **At end of year** | 14,357,038 | 7,153,057 | 141,490 | **21,651,585** | 17,261,279 |

Listed investments are held by the company on a long term basis and are listed on recognised stock exchanges either in the UK or Australia The market value at the year end is as follows

| | 2007 £ | 2006 £ |
|---|---|---|
| Market value of listed investments | **6,877,326** | 5,876,311 |

The principal subsidiary undertakings of the company were as follows

| Company | Principal activity | Holding |
|---|---|---|
| Patersons of Greenoakhill Limited | Quarrying, landfill and concrete block manufacturing | 100% |
| Gartsherrie Engineering Limited | General engineers | 100% |
| Patersons Waste Management Limited | Waste management | 100% |
| Loganbridge Limited | Holding of investment property | 100% |
| Kinross Computer Systems Limited | Supply of computer software | 75% |
| Kit Software Limited | Supply of computer software | 100% |
| Parsons Peebles Generation Limited | Design, manufacture and repair of generators | 100% |
| Palmaris Services Limited | Security, cleaning and cabin hire | 100% |
| Palmaris Plant Hire Limited | Plant hire | 100% |
| Palmaris Cabins Limited | Cabin hire | 100% |

### 12 Stocks

| | Group 2007 £ | 2006 £ | Company 2007 £ | 2006 £ |
|---|---|---|---|---|
| Raw materials and consumables | **701,184** | 574,905 | | |
| Work in progress | **1,537,544** | 401,757 | | |
| Finished goods and goods for resale | **199,576** | 1,352,478 | | |
| | **2,438,304** | 2,329,140 | | |

# Notes *(continued)*

## 13 Debtors

| | Group 2007 £ | 2006 £ | Company 2007 £ | 2006 £ |
|---|---|---|---|---|
| ***Amounts falling due within one year*** | | | | |
| Trade debtors | **11,119,379** | 9,458,236 | | |
| Other debtors | **2,543,248** | 2,189,217 | | |
| Amounts recoverable on contracts | **236,337** | 427,439 | | |
| Prepayments | **315,362** | 433,026 | | |
| | **14,214,326** | 12,507,918 | | |
| ***Amounts falling due after more than one year*** | | | | |
| Amounts owed by group undertakings | | | **5,310,000** | |

## 14 Creditors amounts falling due within one year

| | Group 2007 £ | 2006 £ | Company 2007 £ | 2006 £ |
|---|---|---|---|---|
| Bank loans and overdrafts (see below) | **1,801,276** | 1,985,553 | | |
| Trade creditors | **2,649,715** | 2,417,244 | | |
| Other creditors including taxation and social security | **2,833,669** | 2,499,341 | | |
| Accruals and deferred income | **1,710,314** | 1,206,414 | | |
| Payments received on account | **438,956** | 42,982 | | |
| Corporation tax | **1,397,600** | 676,400 | | |
| Obligations under hire purchase contracts | **3,768,393** | 3,716,892 | | |
| Director's loan account | **96,702** | 186,342 | | |
| | **14,696,625** | 12,731,168 | | |

Bank loans and overdrafts are secured by a floating charge and standard security over certain properties

## 15 Creditors. amounts falling due after more than one year

| | Group 2007 £ | 2006 £ | Company 2007 £ | 2006 £ |
|---|---|---|---|---|
| Bank term loan | **785,690** | 1,071,410 | | |
| Obligations under hire purchase contracts | **5,302,329** | 6,072,861 | | |
| Amounts owed to group undertakings | | | **5,428,005** | 2,517,361 |
| | **6,088,019** | 7,144,271 | **5,428,005** | 2,517,361 |

# Notes *(continued)*

## 15 Creditors: amounts falling due after more than one year *(continued)*

Bank loans and overdrafts can be analysed as falling due

| | Group 2007 £ | 2006 £ | Company 2007 £ | 2006 £ |
|---|---|---|---|---|
| In one year or less, or on demand | **1,801,276** | 1,985,553 | | |
| Between one and two years | **285,720** | 285,720 | | |
| Between two and five years | **499,970** | 785,690 | | |
| In five years or more | | | | |
| | **2,586,966** | 3,056,963 | | |

The bank term loan, which was taken out in 2004, is being repaid monthly over 7 years at 1% over bank base rate

The maturity of obligations under hire purchase contracts is as follows

| | Group 2007 £ | 2006 £ | Company 2007 £ | 2006 £ |
|---|---|---|---|---|
| Within one year | **4,200,360** | 4,177,921 | | |
| In the second to fifth years | **5,601,692** | 6,508,146 | | |
| | **9,802,052** | 10,686,067 | | |
| Less future finance charges | **(731,330)** | (896,314) | | |
| | **9,070,722** | 9,789,753 | | |

Obligations under hire purchase contracts are secured by related assets

## 16 Provisions for liabilities and charges

| | Deferred taxation £ | Reinstatement provision £ | Total £ |
|---|---|---|---|
| **Group** | | | |
| *At beginning of year* | 4,018,250 | | 4,018,250 |
| *Increase in restoration cost provision* | | 1,739,000 | 1,739,000 |
| *Credit to the profit and loss for the year (note 8)* | (250) | | (250) |
| **At end of year** | **4,018,000** | **1,739,000** | **5,757,000** |

The elements of deferred taxation are as follows

| | 2007 £ | 2006 £ |
|---|---|---|
| Difference between accumulated depreciation and amortisation and capital allowances | **4,018,000** | 4,018,250 |

Deferred tax liability at 28% *(2006 30%)*.

A provision of £1,739,000 has been recognised for future restoration costs in relation to quarries and landfill sites

# Notes *(continued)*

## 17 Called up share capital

| | 2007 | 2006 |
|---|---|---|
| | £ | £ |
| *Authorised* | | |
| 7,500,000 ordinary shares of £1 each | **7,500,000** | 7,500,000 |
| 7,500,000 'A' ordinary shares of £1 each | **7,500,000** | 7,500,000 |
| | **15,000,000** | 15,000,000 |
| *Allotted, called up and fully paid* | | |
| 4,860,335 ordinary shares of £1 each | **4,860,335** | 4,860,335 |
| 2,141,667 'A' ordinary shares of £1 each | **2,141,667** | 2,141,667 |
| | **7,002,002** | 7,002,002 |

## 18 Reserves

| **Group** | **Capital reserve in associate** | **Unrealised appreciation reserve in associate** | **Revaluation reserve** | **Profit and loss account** |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| At beginning of year | 128,265 | 5,159,292 | 737,603 | 16,720,224 |
| Profit for the financial year | | | | 5,148,082 |
| Dividend paid | | | | (1,000,000) |
| Actuarial gain recognised in the pension scheme | | | | 1,585,000 |
| Deferred tax arising on gain/(loss) in pension scheme | | | | (520,000) |
| Revaluation surplus on tangible fixed assets | | | 893,625 | |
| Movement in unrealised appreciation in associate reserve | (128,265) | (2,216,868) | | 2,360,479 |
| **At end of year** | | **2,942,424** | **1,631,228** | **24,293,785** |
| *Retained by* | | | | |
| Company | | | | 14,531,578 |
| Subsidiaries | | | 1,631,228 | 10,903,493 |
| Associate | | 2,942,424 | | (1,141,286) |
| | | **2,942,424** | **1,631,228** | **24,293,785** |

| **Company** | **Profit and loss account** |
|---|---|
| | £ |
| At beginning of year | **7,741,916** |
| Profit for the financial year | **7,789,662** |
| Dividend | **(1,000,000)** |
| **At end of year** | **14,531,578** |

The company's profit for the financial year was £7,789,662 *(2006 loss £2,844,874)*

# Notes *(continued)*

## 19 Reconciliation of movement in shareholders' funds

| | Group 2007 £ | 2006 £ | Company 2007 £ | 2006 £ |
|---|---|---|---|---|
| Profit/(loss) for the financial year | **5,148,082** | 1,158,662 | **7,789,662** | (2,844,874) |
| Dividend paid | **(1,000,000)** | (1,000,000) | **(1,000,000)** | (1,000,000) |
| Actuarial gain/(loss) recognised in pension scheme | **1,585,000** | (7,000) | | |
| Deferred tax arising on gain/(loss) in pension scheme | **(520,000)** | 2,000 | | |
| Surplus on revaluation of tangible fixed assets | **893,625** | | | |
| Unrealised appreciation reserve movement in associate | **15,346** | 222,645 | | |
| Net addition/(reduction) to shareholders' funds | **6,122,053** | 376,307 | **6,789,662** | (3,844,874) |
| Opening shareholders' funds | **29,747,386** | 29,371,079 | **14,743,918** | 18,588,792 |
| Closing shareholders' funds | **35,869,439** | 29,747,386 | **21,533,580** | 14,743,918 |

## 20 Contingent liabilities

The company has guaranteed the overdrafts of its subsidiary undertakings, the amount outstanding at the year end was £2,586,966 *(2006 £3,056,963)*

The Group has the following contingent liabilities

| | 2007 £ | 2006 £ |
|---|---|---|
| Performance bonds | **1,640,398** | 1,449,648 |
| Deferred tax not provided on a claim for rollover relief at 28% *(2006 30%)* | **1,689,000** | 1,809,500 |
| | **3,329,398** | 3,259,148 |

## 21 Commitments

(a) Capital commitments at the end of the financial year, for which no provision has been made, are as follows

| | Group 2007 £ | 2006 £ | Company 2007 £ | 2006 £ |
|---|---|---|---|---|
| Contracted | **528,035** | 357,746 | | |

(b) In addition to the above, at the end of the financial year the Group had entered into commitments amounting to £214,700 *(2006 £1,557,556)* in respect of finance leases and similar hire purchase contracts, the inception of which occurs after the end of the financial year

# Notes *(continued)*

## 22 Commitments *(continued)*

(c) The Group has annual commitments (in respect of land and buildings) under operating leases as follows

| | 2007 £ | 2006 £ |
|---|---|---|
| Expiring after five years | **154,777** | 154,777 |

## 22 Reconciliation of operating profit to operating cash flows

| | 2007 £ | 2006 £ |
|---|---|---|
| Operating profit | **8,065,943** | 2,383,274 |
| Operating loss of associate | **97,602** | 23,678 |
| Depreciation charges | **6,835,386** | 5,677,509 |
| Amortisation of intangible fixed assets | **114,257** | 46,420 |
| Impairment in intangible fixed assets | | 1,002,551 |
| Impairment of fixed asset investment | | 15,030 |
| Gain on disposal of tangible fixed assets | **(351,063)** | (250,383) |
| Gain on sale of trade, business and certain assets (see note 27) | **(9,972)** | |
| Increase in stocks | **(109,164)** | (351,346) |
| Increase in debtors | **(1,832,164)** | (1,114,153) |
| Increase/(decrease) in creditors | **1,362,033** | (172,472) |
| Pension scheme contributions' movement | **(17,000)** | (18,000) |
| **Net cash inflow from operating activities** | **14,155,858** | 7,242,108 |

## 23 Reconciliation of net cash flow to movement in net debt

| | 2007 £ | 2006 £ |
|---|---|---|
| Increase / (decrease) in cash in the year | **282,047** | (1,314,959) |
| Cash outflow from decrease in debt | **4,542,216** | 4,467,116 |
| Change in net debt resulting from cash flows | **4,824,263** | 3,152,157 |
| New hire purchase financing | **(3,537,465)** | (4,937,296) |
| **Movement in net debt in the year** | **1,286,798** | (1,785,139) |
| **Net debt at 1 December** | **(12,684,771)** | (10,899,632) |
| **Net debt at 30 November** | **(11,397,973)** | (12,684,771) |

# Notes *(continued)*

## 24 Analysis of net debt

| | At beginning of year £ | Cash flow £ | Other non cash changes £ | At end of year £ |
|---|---|---|---|---|
| *Net cash* | | | | |
| Cash in hand, at bank | 161,945 | 97,770 | | **259,715** |
| Overdrafts | (1,699,833) | 184,277 | | **(1,515,556)** |
| | (1,537,888) | 282,047 | | **(1,255,841)** |
| *Debt* | | | | |
| Debt due after one year | (1,071,410) | 285,720 | | **(785,690)** |
| Debt due within one year | (285,720) | | | **(285,720)** |
| Hire purchase contracts | (9,789,753) | 4,256,496 | (3,537,465) | **(9,070,722)** |
| | (11,146,883) | 4,542,216 | (3,537,465) | **(10,142,132)** |
| **Total** | (12,684,771) | 4,824,263 | (3,537,465) | **(11,397,973)** |

## 25 Related party disclosures

The directors consider the ultimate controlling party to be W Paterson

Exemption has been taken in the company's financial statements from disclosing transactions with other group undertakings under paragraph 17 of Financial Reporting Standard 8

As disclosed in note 14, the Group has a creditor relating to a director's loan account with W Paterson The balance on this account at the year end was £96,702 *(2006 £186,342)*

## 26 Pension scheme

The Group operates a defined benefit scheme covering the pension arrangement of all eligible employees

The assets of the scheme are held separately from those of the group in an independently administered fund

The total pension contributions paid for the year is £682,000 (2006 £709,000)

For the purposes of the accounting disclosure requirements of Financial Reporting Standard 17 Retirement Benefits a full actuarial valuation was carried out on 31 July 2007 and updated to 30 November 2007 by a qualified independent actuary The principal assumptions used by the actuary were

| | 2007 | 2006 | 2005 |
|---|---|---|---|
| Rate of increase in salaries | **4 00%** | 4 00% | 3 75% |
| Rate of increase of pensions in payment | **3 00%** | 2 75% | 2 50% |
| Rate of increase of pensions in deferment | **3 20%** | 3 00% | 2 75% |
| Discount rate applied to scheme liabilities | **5 80%** | 5 00% | 4 90% |
| Inflation assumption | **3 20%** | 3 00% | 2 75% |

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

The market value of the schemes' 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 schemes' liabilities, which are derived from cash flow projections over long periods and thus are inherently uncertain, are set out below

# Notes *(continued)*

## 26 Pension scheme *(continued)*

*The assets in the scheme and the expected rate of return were*

| | **Long term rate of return %** | **30 November 2007 £000** | Long term rate of return % | 30 November 2006 £000 | Long term rate of return % | 30 November 2005 £000 |
|---|---|---|---|---|---|---|
| Equities | **7 50%** | **10,711** | 7 50% | 9,812 | 7 50% | 7,883 |
| Bonds | **5 20%** | **1,181** | 4 60% | 1,115 | 4 30% | 860 |
| Cash | **5 50%** | **502** | 4 75% | 140 | 4 25% | 502 |
| Total market value of assets | | **12,394** | | 11,067 | | 9,245 |
| Present value of scheme liabilities | | **(14,576)** | | (14,905) | | (13,108) |
| Deficit on scheme – Pension liability | | **(2,182)** | | (3,838) | | (3,863) |
| Related deferred tax asset | | **611** | | 1,151 | | 1,159 |
| Net pension liability | | **(1,571)** | | (2,687) | | (2,704) |

The movement in the pension scheme deficit during the year is summarised as follows

| | **2007 £000** | 2006 £000 |
|---|---|---|
| Deficit at beginning of year | **(3,838)** | (3,863) |
| Current service cost | **(665)** | (691) |
| Cash contributions | **682** | 709 |
| Other finance income | **54** | 14 |
| Actuarial gain/(loss) | **1,585** | (7) |
| Deficit in the scheme at the end of the year | **(2,182)** | (3,838) |

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

| | **2007 £000** | 2006 £000 |
|---|---|---|
| Current service cost | **665** | 691 |
| Past service cost | | |
| Total operating charge | **665** | 691 |

**Analysis of amounts included in other finance income.**

| | **2007 £000** | 2006 £000 |
|---|---|---|
| Expected return on pension scheme assets | **810** | 671 |
| Interest on pension liabilities | **(756)** | (657) |
| Net return | **54** | 14 |

# Notes *(continued)*

## 26 Pension scheme *(continued)*

**Analysis of amount recognised in statement of recognised gains and losses ("STRGL")**

| | **2007** | 2006 |
|---|---|---|
| | **£000** | £000 |
| Actual return less expected return on scheme assets | **79** | 531 |
| Experience gains and losses arising on scheme liabilities | **104** | (2) |
| Changes in assumptions underlying the present value of scheme liabilities | **1,402** | (536) |
| Actuarial gain/(loss) recognised in statement of total recognised gains and losses | **1,585** | (7) |

**History of experience gains and losses**

| | **2007** | 2006 | 2005 | 2004 |
|---|---|---|---|---|
| | **£000** | £000 | £000 | £000 |
| Difference between the expected and actual return on scheme assets | | | | |
| Amount | **79** | 531 | 805 | 142 |
| Percentage of year end scheme assets | **1%** | 5% | 9% | 2% |
| Experience gains and losses on scheme liabilities | | | | |
| Amount | **104** | (2) | 85 | 239 |
| Percentage of year end present value of scheme liabilities | **1%** | 0% | 1% | 2% |
| Total amount recognised in statement of total recognised gains and losses | | | | |
| Amount | **1,585** | (7) | (1,097) | (741) |
| Percentage of year end present value of scheme liabilities | **11%** | 0% | 8% | 7% |

## 27 Acquisitions and disposals

a) In April 2007, the company acquired the trade, business and assets of Elite Waste Management Limited for a total consideration (including associated fees) of £189,011 Goodwill of £139,011 arose on the transaction which was capitalised and is being written off over its estimated useful life of ten years

| | **2007** |
|---|---|
| | £ |
| **Cost of acquisition** | |
| Purchase consideration | 185,000 |
| Costs associated with the acquisition | 4,011 |
| **Total purchase consideration and costs** | 189,011 |
| Fair value of assets acquired – tangible fixed assets | 50,000 |
| **Goodwill** | 139,011 |

# Notes *(continued)*

## 27 Acquisitions and disposals *(continued)*

The total purchase consideration of £189,011 comprised

| | 2007 £ |
|---|---|
| *Consideration in lieu of repayment of trade debtor balance* | 125,756 |
| Deferred consideration | 15,000 |
| Cash paid to vendor and fees associated with acquisition | 48,255 |
| | 189,011 |

b) On 31 May 2007, the Group disposed of the trade, business and certain assets of its two computer software subsidiary undertakings (Kinross Computer Systems and Kit Software Limited) for a total consideration, net of associated fees, of £152,306 Details of the disposals are as follows

| | 2007 £ |
|---|---|
| Intangible assets – Development costs | 130,000 |
| Tangible fixed assets | 12,334 |
| Book value of assets disposed | 142,334 |
| Disposal consideration (net of associated fees of £90,028) | 152,306 |
| Gain on disposal of businesses | 9,972 |