

**SUMMERLEAZE LIMITED**

**DIRECTORS' REPORT AND  
FINANCIAL STATEMENTS**

**YEAR ENDED 31 DECEMBER 2003**

Company Number: 1738920



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# **SUMMERLEAZE LIMITED**

**Annual report and financial statements for the year ended 31 December 2003**

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## **Directors**

Mr P H Prior  
Mrs H R Robertson  
Mr J P Malkinson  
Mr M A Lowe

## **Secretary and registered office**

J P Malkinson, 7 Summerleaze Road, Maidenhead, Berkshire, SL6 8SP

## **Company number**

1738920

## **Auditors**

BDO Stoy Hayward LLP, 8 Baker Street, London, W1U 3LL.

## SUMMERLEAZE LIMITED

### Report of the directors for the year ended 31 December 2003

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Directors: Mr P H Prior  
Mrs H R Robertson  
Mr C R S Link (resigned 11 February 2004 )  
Mr J P Malkinson  
Mr M A Lowe

#### DIRECTORS' REPORT

The directors submit their report and the financial statements for the year ended 31st December 2003.

#### DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements that give a true and fair view of the state of affairs of the company and group and of the profit or loss of the group for its financial year. In doing so the directors are required to:

- select suitable accounting policies and apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business

The directors are responsible for maintaining proper accounting records that disclose with reasonable accuracy at any time the financial position of the company, and the group, 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 group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The group continued to be primarily engaged in gravel extraction, landfilling, and the generation of electricity from landfill gas.

#### RESULTS AND TRADING REVIEW

The results of the group for the year ended 31st December 2003 were:

	£
<b>Group operating profit before depreciation (EBITDA)</b>	6,580,436
Depreciation and amounts written off tangible and intangible fixed assets – at historic cost	(2,253,243)
	<hr/> 4,327,193
Depreciation of revalued mineral estates	(479,082)
<b>Group operating profit (EBIT)</b>	3,848,111
Share of operating profit in joint venture	57,084
Interest	(468,346)
	<hr/> 3,436,849
<b>Group profit on ordinary activities before taxation</b>	3,436,849
Taxation	(1,384,527)
	<hr/> 2,052,322
<b>Group profit on ordinary activities after taxation</b>	2,052,322
Dividends	(700,000)
Transfer from revaluation reserve (depreciation on revalued mineral estates)	479,082
	<hr/> 1,831,404
<b>Increase in profit and loss account reserve in year</b>	<hr/> 1,831,404

The directors consider the result for the year to be satisfactory. The directors paid an interim dividend of £350 per share, a total of £700,000. The directors do not recommend the payment of a final dividend.

## SUMMERLEAZE LIMITED

### Directors' Report (continued)

#### DIRECTORS AND INTERESTS IN SHARES

The names of the present directors are given at the head of this report.

The number of shares in the company in which the directors had a beneficial interest, as defined by the Companies Act 1985 was as follows:

	At 31 December 2003	At 1 January 2003
	Ordinary	Ordinary
Mr P H Prior (beneficially and as trustee)	1,042	1,042
Mrs H R Robertson (beneficially and as trustee)	642	642
Mr C R S Link (as trustee)	426	426
Mr J P Malkinson (as trustee)	301	301
Mr M A Lowe	-	-

A number of directors hold shares as trustee as set out above. Shares are held by more than one trustee.

#### LAND AND BUILDINGS

The directors are of the opinion that the existing use value of the group's freehold land and buildings is in excess of net book value.

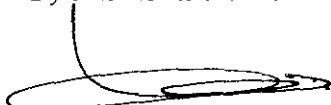
#### CHARITABLE DONATIONS

During the year under review charitable donations were made at a cost to the company of £55,535 (2002: £42,185). These donations were principally in respect of Environmental Trust Contributions.

#### AUDITORS

On 31 December 2003, BDO Stoy Hayward, the company's auditors, transferred its business to BDO Stoy Hayward LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. Accordingly BDO Stoy Hayward resigned as auditors on that date and the directors appointed BDO Stoy Hayward LLP as its successor with effect from 1 January 2004.

By order of the board on 30 June 2004



J P Malkinson  
Director

Registered office:

7 Summerleaze Road  
Maidenhead  
Berkshire

## SUMMERLEAZE LIMITED

### Report of the Independent Auditors

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#### To the shareholders of Summerleaze Limited

We have audited the financial statements of Summerleaze Limited for the year ended 31 December 2003 on pages 4 to 33 which have been prepared under the accounting policies set out on pages 13 to 15.

#### Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

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 and other members of the group 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.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

#### 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 group's circumstances, consistently applied and adequately disclosed.

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

#### Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the group and company as at 31 December 2003 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*BDO Stoy Hayward LLP*

**BDO Stoy Hayward LLP**  
Chartered Accountants  
Registered Auditors  
London

Date: 30 June 2004

# SUMMERLEAZE LIMITED

## Consolidated Profit and loss account for the year ended 31 December 2003

		2003	2002
	Note	£	Restated £
Turnover: group and share of joint venture		22,448,172	20,465,306
Less: share of joint venture's turnover		(889,993)	(1,020,152)
<b>GROUP TURNOVER</b>		<b>21,558,179</b>	<b>19,445,154</b>
Change in stocks of finished goods and work in progress		(82,261)	135,890
Other operating income		21,475,918 392,758	19,581,044 297,194
		<b>21,868,676</b>	<b>19,878,238</b>
Raw materials and consumables		2,007,493	2,048,464
Other external charges		10,391,466	9,529,002
Staff costs	6	2,889,281	2,588,982
Depreciation and other amounts written off tangible fixed assets			
depreciation of assets at historic cost		1,946,419	1,774,571
depreciation of revalued mineral estates		479,082	70,130
		<b>2,425,501</b>	<b>1,844,701</b>
Amounts written off intangible fixed assets		<b>306,824</b>	<b>306,825</b>
		<b>18,020,565</b>	<b>16,317,974</b>
<b>GROUP OPERATING PROFIT BEFORE DEPRECIATION (EBITDA)</b>		<b>6,580,436</b>	<b>5,711,790</b>
Depreciation and amounts written off tangible and intangible fixed assets		2,732,325	2,151,526
<b>GROUP OPERATING PROFIT FOR THE YEAR</b>	5	<b>3,848,111</b>	<b>3,560,264</b>
Share of operating profit in joint venture		57,084	38,385
Other interest receivable and similar income	3	6,288	3,013
Share of interest receivable – joint venture		697	6,879
Interest payable and similar charges	4	(475,331)	(532,863)
		<b>(411,262)</b>	<b>(484,586)</b>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION (carried forward)</b>		<b>3,436,849</b>	<b>3,075,678</b>

Pages 13 – 33 form part of these financial statements

**SUMMERLEAZE LIMITED**

**Consolidated Profit and loss account for the year ended 31 December 2003 (continued)**

		2003	2002
	Note	£	Restated £
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b> (brought forward)		3,436,849	3,075,678
Tax on profit on ordinary activities	7	(1,364,769)	(1,122,605)
Share of taxation – joint venture	7	(19,758)	(8,900)
Minority Interests		-	11,795
<b>PROFIT ON ORDINARY ACTIVITIES AFTER MINORITY INTERESTS</b>		2,052,322	1,955,968
Dividends	8	(700,000)	-
<b>AMOUNT TRANSFERRED TO PROFIT AND LOSS ACCOUNT RESERVE</b>		1,352,322	1,955,968
Transfer from revaluation reserve		479,082	3,265,826
<b>MOVEMENT IN PROFIT AND LOSS ACCOUNT RESERVE IN YEAR</b>		1,831,404	5,221,794

All disclosures relate only to continuing operations.

Pages 13 - 33 form part of these financial statements

**SUMMERLEAZE LIMITED**

**Consolidated statement of total recognised gains and losses and note of historical cost profits and losses for the year ended 31 December 2003**

	2003 £	2002 £
<b>Consolidated statement of total recognised gains and losses</b>		
Profit for the financial year		
- Group	2,014,299	1,919,604
- Joint venture	38,023	36,364
	<u>2,052,322</u>	<u>1,955,968</u>
Unrealised surplus on revaluation of mineral estates	-	6,216,169
<b>Total recognised gains and losses for the financial year</b>	<u>2,052,322</u>	<u>8,172,137</u>
 <b>NOTE OF HISTORICAL COST PROFITS AND LOSSES</b>		
Reported profit on ordinary activities before taxation	3,436,849	3,075,678
Differences between actual and historical cost depreciation	479,082	70,130
Realisation of property revaluation gains	-	3,265,826
	<u>3,915,931</u>	<u>6,411,634</u>
 <b>HISTORICAL COST PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	 <u>3,915,931</u>	 <u>6,411,634</u>
 <b>RETAINED HISTORICAL COST PROFIT FOR THE YEAR AFTER TAXATION, MINORITY INTEREST AND DIVIDENDS</b>	 <u>1,831,404</u>	 <u>5,291,924</u>



# SUMMERLEAZE LIMITED

## Consolidated balance sheet as at 31 December 2003

	Note	£	2003 £	£	2002 £
<b>FIXED ASSETS</b>					
Intangible Assets	9		3,438,991		3,745,815
Tangible assets	10		29,556,982		28,788,861
Deposits, options, licences and rights over land	11		416,122		516,122
Investments in joint ventures:					
Share of gross assets		337,858		453,026	
Share of gross liabilities		(304,844)		(358,035)	
	13		33,014		94,991
Other investments	13		869		869
			33,445,978		33,146,658
<b>CURRENT ASSETS</b>					
Stocks	14	368,142		448,879	
Debtors	15	6,883,729		6,675,394	
Cash at bank and in hand		1,068,730		167,956	
		8,320,601		7,292,229	
<b>CREDITORS – amounts falling due within one year</b>	16	7,390,049		7,869,740	
<b>NET CURRENT ASSETS/(LIABILITIES)</b>			930,552		(577,511)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			34,376,530		32,569,147
<b>CREDITORS – amounts falling due after more than one year</b>	17		4,805,631		4,932,891
<b>Provisions for liabilities and charges</b>	18		6,726,102		6,143,781
<b>TOTAL NET ASSETS</b>			22,844,797		21,492,475

**SUMMERLEAZE LIMITED****Consolidated balance sheet as at 31 December 2003 (continued)**

	Note	2003 £	2002 £
<b>CAPITAL AND RESERVES</b>			
Called up share capital	19	2,000	2,000
Share premium	20	3,737,644	3,737,644
Revaluation reserve	20	6,395,187	6,874,269
Capital redemption reserve	20	110	110
Profit and loss account	20	12,709,856	10,878,452
<b>SHAREHOLDERS' FUNDS</b>			
	21	22,844,797	21,492,475
Equity interests		21,289,378	19,979,438
Non equity interests	19	1,555,419	1,513,037
		22,844,797	21,492,475

Approved by the board on 30 June 2004



**J P Malkinson**  
**Director**

# SUMMERLEAZE LIMITED

Balance sheet as at 31 December 2003

	Note	£	2003 £	£	2002 £
<b>FIXED ASSETS</b>					
Tangible assets	10		21,931,275		20,656,208
Deposits, options, licences and rights over land	11		416,122		516,122
Investments in subsidiary undertakings	12		10,162,931		10,162,931
Other investments	13		965		965
			<u>32,511,293</u>		<u>31,336,226</u>
<b>CURRENT ASSETS</b>					
Stocks	14	78,656		119,176	
Debtors	15	4,541,334		5,637,234	
Cash at bank and in hand		557,076		-	
		<u>5,177,066</u>		<u>5,756,410</u>	
<b>CREDITORS – amounts falling due within one year</b>	16	7,751,585		7,990,173	
<b>NET CURRENT LIABILITIES</b>			<u>(2,574,519)</u>		<u>(2,233,763)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>29,936,774</u>		<u>29,102,463</u>
<b>CREDITORS – amounts falling due after more than one year</b>	17		4,805,631		4,932,891
<b>Provisions for liabilities and charges</b>	18		4,505,543		3,887,271
<b>TOTAL NET ASSETS</b>			<u>20,625,600</u>		<u>20,282,301</u>

**SUMMERLEAZE LIMITED****Balance sheet as at 31 December 2003 (continued)**

	Note	2003 £	2002 £
<b>CAPITAL AND RESERVES</b>			
Called up share capital	19	2,000	2,000
Share premium	20	3,737,644	3,737,644
Revaluation reserve	20	5,737,087	6,216,169
Capital redemption reserve	20	110	110
Profit and loss account	20	11,148,759	10,326,378
<b>SHAREHOLDERS' FUNDS</b>	21	<b>20,625,600</b>	<b>20,282,301</b>
Equity interests		19,070,181	18,769,264
Non equity interests	19	1,555,419	1,513,037
		<b>20,625,600</b>	<b>20,282,301</b>

Approved by the board on 30 June 2004



**J P Malkinson**  
Director

# SUMMERLEAZE LIMITED

## Cash Flow Statement for the year ended 31 December 2003

		2003 £	2002 £
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	<b>Note</b> 26	<b>7,839,779</b>	<b>4,134,670</b>
<b>DIVIDENDS FROM JOINT VENTURE</b>			
Net cash inflow from dividends from joint venture		100,000	100,000
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>			
Interest received	6,288	3,013	
Interest paid	(244,954)	(368,075)	
Interest element of finance lease rental payments	(230,377)	(164,788)	
<b>NET CASH (OUTFLOWS) FROM RETURNS ON INVESTMENTS AND THE SERVICING OF FINANCE</b>		<b>(469,043)</b>	<b>(529,850)</b>
<b>TAXATION PAID (UK CORPORATE TAX)</b>		<b>(970,332)</b>	<b>(233,016)</b>
<b>CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT</b>			
Payments to acquire tangible fixed assets	(1,657,455)	(1,824,684)	
Payments to acquire licences and option deposits	-	(100,000)	
Receipts from sales of tangible fixed assets	326,878	980,850	
<b>NET CASH (OUTFLOW) FROM CAPITAL AND FINANCIAL INVESTMENT EXPENDITURE</b>		<b>(1,330,577)</b>	<b>(943,834)</b>
<b>EQUITY DIVIDENDS PAID</b>		<b>(700,000)</b>	<b>-</b>
<b>NET CASH INFLOW BEFORE FINANCING</b>		<b>4,469,827</b>	<b>2,527,970</b>
<b>FINANCING</b>			
Capital element of finance lease rental payment	(951,694)	(1,240,461)	
Repayment of bank loan	(1,110,375)	(1,048,183)	
<b>INCREASE IN CASH</b>	<b>27</b>	<b>2,407,758</b>	<b>239,326</b>

**SUMMERLEAZE LIMITED****Cash Flow Statement for the year ended 31 December 2003 (continued)****RECONCILIATION OF NET CASH FLOWS TO MOVEMENT IN NET DEBT**

	Note	2003 £	2002 £
<b>INCREASE/(DECREASE) IN CASH</b>		<b>2,407,758</b>	<b>239,326</b>
Cash outflow from finance leases		951,694	1,240,461
Net cash outflow from loans		1,110,375	1,048,183
Change in net debt resulting from cashflows		4,469,827	2,527,970
New finance leases		(1,851,450)	(2,121,427)
<b>MOVEMENT IN NET DEBT IN THE YEAR</b>		<b>2,618,377</b>	<b>406,543</b>
<b>NET DEBT AT 1 JANUARY 2003</b>		<b>(8,141,088)</b>	<b>(8,547,631)</b>
<b>NET DEBT AT 31 DECEMBER 2003</b>	27	<b>(5,522,711)</b>	<b>(8,141,088)</b>

## **SUMMERLEAZE LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

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#### **1 ACCOUNTING POLICIES**

##### **Accounting convention**

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain freehold land and buildings and freehold and leasehold mineral estates and in accordance with applicable accounting standards. As permitted by section 230 of the Companies Act 1985, the parent company's profit and loss account has not been included in these financial statements.

The group continues to take advantage of the transitional arrangements available under FRS 17 "Retirement Benefits" which gives rise to additional disclosures about the group's defined benefit pension scheme (see note 23).

##### **Turnover**

Turnover represents invoiced sales to external customers net of value added tax.

##### **Basis of consolidation**

Consolidated financial statements comprise the financial statements of the parent company and of its subsidiary undertakings, all made up to 31 December 2003. Joint ventures are accounted for using the gross equity method.

##### **Goodwill**

Goodwill arising on consolidation up to the year ended 31 December 1997, which has been eliminated against reserves, remains eliminated against reserves. This goodwill will be charged to the profit and loss account in the period in which the business to which it relates is disposed of.

Goodwill arising on consolidation after 1 January 1998 is capitalised and amortised over its expected useful life.

##### **Revaluation of land and buildings and mineral estates**

The company took advantage of the arrangements under Financial Reporting Standard No. 15, which allows retention of the carrying value of revalued freehold land and buildings and freehold mineral estates acquired prior to 31 December 1999. All additions since that date are stated at cost. When previously revalued amounts are disposed of, their book value is eliminated and an appropriate transfer made from the revaluation reserve to the profit and loss account.

During the year ended 31 December 2002, the group revalued its freehold mineral estates.

Financial Reporting Standard No 15 requires any category of fixed assets carried at revalued amounts to be shown at their current value at the balance sheet date. To achieve this, mineral estates are subject to a full valuation every five years and an interim valuation carried out in the third year of this cycle.

##### **Depreciation of tangible fixed assets**

Depreciation is calculated to provide for the estimated cost, in the year of provision, of the diminution in value of land from which gravel has been extracted. No depreciation is provided for on other freehold land. Leasehold mineral estates are amortised over the period during which mineral extraction takes place. Buildings are not depreciated since, in the opinion of the directors, their value is not material. The buildings are fully maintained to preserve their operational capability. Depreciation on other fixed assets is calculated using the straight-line basis, at rates sufficient to write them down over their expected useful lives, which are reviewed by the directors on a regular basis.

## SUMMERLEAZE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued)

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#### 1 ACCOUNTING POLICIES (CONTINUED)

##### Depreciation of tangible fixed assets (Continued)

The rates used are:

Fixed plant at freehold mineral estates	0 – 20 years
Mobile plant and commercial vehicles	12.5% – 20%
Generator equipment	15 years
Fixtures, fittings and office equipment	10% – 20%

##### Pension Costs

Contributions to the group's defined contribution pension scheme are charged to the profit and loss account in the year in which they become payable.

Contributions to the group's defined benefit scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' expected working lives with the group.

##### Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that:

- Deferred tax is not recognised on timing differences arising on revalued properties unless the company has entered into a binding sale agreement and is not proposing to take advantage of rollover relief; and
- The recognition of deferred tax assets is limited to the extent that the company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred taxation balances arising from underlying timing differences in respect of tax allowances on industrial buildings are reversed if and when all conditions for retaining those allowances have been met.

Deferred tax balances are not discounted.

##### Stocks

Stocks have been valued at the lower of cost or net realisable value, in a manner consistent with prior years.

##### Leased assets

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the profit and loss account.

Lease payments are analysed between capital and interest components. The interest element of the payment is charged to the profit and loss account over the period of the lease at a constant rate over the period of the agreement. The capital element reduces the amounts payable to the lessor.

All other leases are treated as operating leases. Their annual rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

##### Change of accounting policy

Since the group became involved in electricity generation the costs shown in the profit and loss account as other external charges and other operating costs have become materially indistinguishable. Therefore, in order for the financial statements to be more informative in respect of the group's operations, the directors have decided to combine both expense headings under "other external charges". The profit and loss account comparatives have been adjusted accordingly. There is no effect on profit resulting from this restatement.



## SUMMERLEAZE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued)

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#### 1 ACCOUNTING POLICIES (CONTINUED)

##### Repairs and renewals

Expenditure on repairs and the replacement of components not enhancing the value of the plant is written off in the year in which it is incurred.

##### Land restoration

The costs of overburden removal and land restoration are written off in the year in which those costs are incurred.

##### Provision for landfill after-care costs

Under the Environmental Protection Act 1990 and associated legislation and regulations, the company has a responsibility to monitor and control pollution at its landfill sites until such time as the Waste Regulation Authority accepts the surrender of the applicable licence and issues a certificate of completion. A provision for the costs involved is made over the period during which landfill takes place on the basis of the annual volume of void-space consumed. Similar costs incurred during the operating life of these sites are written off directly and not charged to the provision.

#### 2 TURNOVER

All turnover arises in the United Kingdom.

In the opinion of the directors, it would be seriously prejudicial to disclose information regarding classes of business and markets.

#### 3 INVESTMENT INCOME

	2003 £	2002 £
Bank interest receivable	1,577	594
Other interest receivable	4,711	2,419
	<u>6,288</u>	<u>3,013</u>

#### 4 INTEREST PAYABLE

	2003 £	2002 £
On finance leases and hire purchase contracts	230,377	164,788
Other interest payable	244,954	368,075
	<u>475,331</u>	<u>532,863</u>

# SUMMERLEAZE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 5 OPERATING PROFIT

Operating profit is arrived at after charging/(crediting):

	2003 £	2002 £
Auditors' remuneration (company £25,000)	40,000	40,000
Auditors' remuneration – other services	47,000	52,600
Depreciation of fixed assets	1,946,419	1,844,701
Amounts written off goodwill	306,824	306,825
Profit on disposal of fixed assets	(11,595)	(565,075)
Hire of plant and equipment	835,724	880,505
Rent receivable	(176,213)	(153,219)
Provision for landfill after-care	306,287	165,727

### 6 DIRECTORS AND OTHER EMPLOYEES

Staff costs, including directors' remuneration, comprise:

	2003 £	2002 £
Wages and salaries	2,301,885	2,163,879
Social security costs	220,489	181,677
Other pension costs	366,907	243,426
	<u>2,889,281</u>	<u>2,588,982</u>

	Number	Number
The average weekly number of persons employed by the group during the year was as follows:	<u>68</u>	<u>65</u>

The emoluments of the directors were as follows:

	£	£
Fees	2,000	2,000
Other emoluments	493,044	487,386
Contributions to defined contribution pension schemes	50,000	-

Three directors had benefits accruing under defined benefit pension schemes (2002: three). One director had contributions being paid to a defined contribution scheme (2002: one).

The company does not operate any long-term incentive or share option schemes for directors or employees. Details of an option held by a director to require the company to purchase shares already owned are given in note 19.

The emoluments of the highest paid director were as follows:

	2003 £	2002 £
Emoluments	250,745	229,542
Contributions to defined contribution pension scheme	<u>50,000</u>	<u>-</u>

SUMMERLEAZE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

7 TAX ON PROFIT ON ORDINARY ACTIVITIES

	2003 £	2003 £	2002 £	2002 £
<i>Current tax</i>				
UK corporation tax on profits of the year	1,048,365		429,000	
Adjustments in respect of previous periods	42,042		35,646	
Total current tax		1,090,407		464,646
<i>Deferred tax</i>				
Origination and reversal of timing differences	274,362		620,930	
Adjustment in respect of previous periods	-		37,029	
Movement in deferred tax provision		274,362		657,959
Taxation on profit on ordinary activities		1,364,769		1,122,605

The tax assessed for the period is reconciled below to the standard rate of corporation tax in the UK.

	2003 £	2002 £
Profit on ordinary activities before tax	3,436,849	3,075,678
Less joint venture	(57,781)	(45,264)
	3,379,068	3,030,414
Profit on ordinary activities at the standard rate of corporation Tax in the UK of 30 % (2002 – 30%)	1,013,720	909,124
Effects of:		
Expenses not deductible for tax purposes	160,716	185,666
Capital allowances for period in excess of depreciation	(96,071)	(338,399)
Adjustment to tax charge in respect of previous periods	42,042	35,646
Holdover relief on profit on disposals	-	(298,600)
Other timing differences	(30,000)	(28,791)
Current tax charge	1,090,407	464,646
Share of tax charge on joint venture	19,758	8,900

**SUMMERLEAZE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**8 DIVIDENDS**

	2003 £	2002 £
Equity shares:		
Ordinary shares		
Interim dividend paid of £350 per ordinary share (2002: £nil)	<u>700,000</u>	<u>-</u>

**9 INTANGIBLE ASSETS**

Group	Goodwill on consolidation £
Cost	
At 1 January 2003 & 31 December 2003	4,929,049
Amortisation	
At 1 January 2003	1,183,234
Provision for year	306,824
At 31 December 2003	1,490,058
Net book value	
At 31 December 2003	<u>3,438,991</u>
At 31 December 2002	<u>3,745,815</u>

The above figures excludes goodwill of £4,102,224 which arose on acquisitions of subsidiaries prior to 1 January 1998 and remains eliminated against reserves in accordance with the provisions of Financial Reporting Standard No 10 - Goodwill and Intangible Assets.

Goodwill arising on the acquisition of Summerleaze RE-Generation Limited of £4,602,397 is being amortised over 15 years.

SUMMERLEASE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

10. TANGIBLE ASSETS

Group	Freehold mineral estates £	Leasehold mineral estates £	Freehold land and buildings £	Fixed plant and machinery £	Mobile plant and machinery £	Commercial vehicles £	Company cars £	Generator equipment and installations £	Fixtures fittings and equipment £	TOTAL £
<i>Cost or valuation</i>										
1st January 2003	8,425,000	504,887	6,063,189	5,340,016	659,099	419,475	303,615	23,479,024	202,355	45,396,660
Transfers	-	-	-	-	75,000	-	-	(75,000)	-	-
Additions	-	-	90,000	-	40,819	28,225	102,622	3,223,825	23,414	3,508,905
Disposals	-	-	(304,422)	-	(21,567)	(35,076)	(47,545)	-	-	(408,610)
31st December 2003	8,425,000	504,887	5,848,767	5,340,016	753,351	412,624	358,692	26,627,849	225,769	48,496,955
<i>Depreciation</i>										
1st January 2003	-	181,321	1,176,026	4,211,992	482,090	212,686	193,974	9,977,490	172,220	16,607,799
Transfers	-	-	-	-	40,000	-	-	(40,000)	-	-
Disposals	-	-	-	-	(19,588)	(35,073)	(38,666)	-	-	(93,327)
Charge for the year	479,082	26,034	-	185,238	41,342	71,126	57,269	1,541,663	23,747	2,425,501
31st December 2003	479,082	207,355	1,176,026	4,397,230	543,844	248,739	212,577	11,479,153	195,967	18,939,973
<i>Net book value</i>										
31st December 2003	7,945,918	297,532	4,672,741	942,786	209,507	163,885	146,115	15,148,696	29,802	29,556,982
31st December 2002	8,425,000	323,566	4,887,163	1,128,024	177,009	206,789	109,641	13,501,534	30,135	28,788,861

NOTE

Included within Freehold land and buildings are Leasehold improvements with a cost of £30,761 and net book value of £12,305 (2002 - £18,457).

Included in fixed assets are certain assets held under finance leases with a net book value of £5,745,653 (2002 - £3,621,637).

Depreciation charged on these assets in the year amounted to £458,471 (2002 - £283,490).

SUMMERLEAZE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

10. TANGIBLE ASSETS

Company	Freehold mineral estates £	Leasehold mineral estates £	Freehold land and buildings £	Fixed plant and machinery £	Mobile plant and machinery £	Commercial vehicles £	Company cars £	Generator equipment and installations £	Fixtures fittings and equipment £	TOTAL £
<i>Cost or valuation</i>										
1st January 2003	8,425,000	504,887	6,027,144	5,309,255	285,719	135,276	192,289	8,623,815	122,992	29,626,377
Additions	-	-	90,000	-	6,510	-	55,712	2,816,147	-	2,968,369
Disposals	-	-	(304,422)	-	(6,567)	-	(25,350)	-	-	(336,339)
31st December 2003	8,425,000	504,887	5,812,722	5,309,255	285,662	135,276	222,651	11,439,962	122,992	32,258,407
<i>Depreciation</i>										
1st January 2003	-	181,321	1,139,981	4,199,688	248,455	76,111	126,237	2,887,201	111,175	8,970,169
Disposals	-	-	-	-	(4,589)	-	(25,349)	-	-	(29,938)
Charge for the year	479,082	26,034	-	179,088	12,191	20,645	32,319	630,047	7,495	1,386,901
31st December 2003	479,082	207,355	1,139,981	4,378,776	256,057	96,756	133,207	3,517,248	118,670	10,327,132
<i>Net book value</i>										
31st December 2003	7,945,918	297,532	4,672,741	930,479	29,605	38,520	89,444	7,922,714	4,322	21,931,275
31st December 2002	7,945,918	297,532	4,672,741	930,479	29,605	38,520	89,444	7,922,714	4,322	20,650,208

NOTE

Included in fixed assets are certain assets held under finance leases with a net book value of £5,745,653 (2002 - £4,352,674). Depreciation charged on these assets in the year amounted to £458,471 (2002 - £126,527).

# SUMMERLEAZE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 10 Tangible Assets (continued)

The Group's freehold mineral estates were revalued on 31 December 2002 by Matthews & Son - Chartered Surveyors at open market value for existing use. The valuations were undertaken in accordance with the Royal Institution of Chartered Surveyors' Appraisal and Valuation Manual.

In respect of the carrying value of freehold land and buildings acquired prior to 31 December 1999, the group has taken advantage of the arrangement under Financial Reporting Standard no 15, which allows the retention of the carrying value.

All other tangible assets are stated at historical cost.

The gross value of freehold mineral estates in the Group's financial statements is as follows:

	Group 2003 £	Group 2002 £	Company 2003 £	Company 2002 £
Open market value for existing use – 2002	<u>8,425,000</u>	<u>8,425,000</u>	<u>8,425,000</u>	<u>8,425,000</u>
The historical cost of freehold mineral estates is:				
At cost	1,864,013	1,864,013	4,431,972	4,431,972
Accumulated depreciation based on historical cost	<u>(1,464,889)</u>	<u>(1,464,889)</u>	<u>(2,223,140)</u>	<u>(2,223,140)</u>
	<u>399,124</u>	<u>399,124</u>	<u>2,208,832</u>	<u>2,208,832</u>

The gross value of freehold land and buildings in the group's financial statement is as follows:

	Group 2003 £	Group 2002 £	Company 2003 £	Company 2002 £
Open market value for existing use – 1984	1,713,956	1,713,956	-	-
At cost	<u>4,134,811</u>	<u>4,349,233</u>	<u>5,812,722</u>	<u>6,027,144</u>
	<u>5,848,767</u>	<u>6,063,189</u>	<u>5,812,722</u>	<u>6,027,144</u>
The historical cost of freehold land and building is:				
At cost	5,034,811	5,249,233	5,812,722	6,027,144
Accumulated depreciation based on historical cost	<u>(936,045)</u>	<u>(936,045)</u>	<u>(1,139,981)</u>	<u>(1,139,981)</u>
	<u>4,098,766</u>	<u>4,313,188</u>	<u>4,672,741</u>	<u>4,887,163</u>

# SUMMERLEAZE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

11	DEPOSITS, OPTIONS, LICENCES AND RIGHTS OVER LAND	Total £
	<b>Group and Company</b>	
	Cost:	
	At 1 January 2003	516,122
	Transfer	(100,000)
	At 31 December 2003	<u>416,122</u>

The transfer relates to a licence, which was written off to research and development in the profit and loss account during the year.

## 12 INVESTMENT IN SUBSIDIARY UNDERTAKINGS

### Company:

The company owns 100% of the issued share capital of Summerlease RE-Generation Limited. (registered in England). The principal activity of the company is the sale of electricity, generated from renewable sources.

The company owns 100% of the issued share capitals of The Summerlease Waste Company Limited and Andigestion Limited (both registered in England), companies which have remained dormant throughout the year.

The company owns 83.91% of the unquoted share capital of Connected Place Limited (registered in England), which ceased its activities in August 2002.

Shares at cost:	2003 £	2002 £
Summerlease RE-Generation Limited		
11,750 ordinary shares of £1 each	9,522,531	9,522,531
The Summerlease Waste Company Limited		
45,000 deferred shares of £1 each and		
9,000 ordinary shares of 10p each	8,437,500	8,437,500
Connected Place Limited		
1,945 ordinary shares of £1 each	838,350	838,350
Less: Provision for diminution in value		
The Summerlease Waste Company Limited	(7,797,175)	(7,797,175)
Connected Place Limited	(838,350)	(838,350)
	<u>10,162,856</u>	<u>10,162,856</u>
Andigestion Limited		
75 ordinary shares of £1 each	75	75
	<u>10,162,931</u>	<u>10,162,931</u>

Full provision has been made against the cost of the investment in Connected Place Limited. Although this company owns the rights to significant intellectual property, the company ceased its activities in August 2002, and the directors are of the opinion that the company will not be able to market any products in the foreseeable future.

At 31st December 2003, The Summerlease Waste Company Limited held 100% of the issued share capital of Lakeview Property Developments Limited (registered in England).



# SUMMERLEAZE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 13 OTHER INVESTMENTS

Group	Listed Investment £
Cost:	
At 1 January 2003 and 31 December 2003	<u>869</u>

The market value of listed investments at 31 December 2003 was £869.

Company	Joint Venture £	Listed investment £	Total £
Cost:			
At 1 January 2003 and 31 December 2003	<u>96</u>	<u>869</u>	<u>965</u>

#### Joint venture

The company holds 96 ordinary £1 shares at par, representing 25% of the ordinary share capital, in Eton Aggregates Ltd, a company registered in England. The investment is accounted for as a joint venture in accordance with Financial Reporting Standard No 9 as control is shared between the four participators under a contractual arrangement. The latest unaudited financial statements of Eton Aggregates Ltd for the year ended 31 December 2003 showed a profit after taxation of £152,091 (2002 - £145,456) and shareholders' funds of £132,057 (2002 - £379,966). The principal activity of Eton Aggregates Limited is the supply of sand and gravel to the building materials industry. The group had the following aggregate interests in the joint venture:

Cost: At 1 January 2003 and 31 December 2003	£ 96	
Share of retained profits		
At 1 January 2003	94,895	
Retained for the year	38,023	
Less dividend received	(100,000)	
At 31 December 2003	32,918	
Total		
At 31 December 2003	33,014	
At 31 December 2002	94,991	
	2003 £	2002 £
Share of assets		
Share of fixed assets	34,358	62,800
Share of current assets	303,500	390,226
	337,858	453,026
Share of liabilities		
Due within one year	(270,906)	(315,777)
Provisions for liabilities and charges	(33,938)	(42,258)
Share of net assets	33,014	94,991

# SUMMERLEAZE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 14 STOCKS

	2003 £	2002 £
Group:		
Raw materials and consumables	262,397	260,873
Work in progress	43,280	89,583
Finished goods and goods for resale	62,465	98,423
	<u>368,142</u>	<u>448,879</u>
	2003 £	2002 £
Company:		
Raw materials and consumables	34,826	40,363
Work in progress	43,280	76,576
Finished goods and goods for resale	550	2,237
	<u>78,656</u>	<u>119,176</u>

### 15 DEBTORS

	2003 £	2002 £
Group:		
Trade debtors	3,286,197	3,035,593
Other debtors	596,856	890,847
Prepayments and accrued income	3,000,676	2,748,954
	<u>6,883,729</u>	<u>6,675,394</u>
Company:		
Trade debtors	2,670,924	2,240,852
Amounts owed by group undertakings	346,893	1,384,430
Amounts owed by undertakings in which the company has a participating interest	-	2,725
Other debtors	596,798	887,753
Prepayments and accrued income	926,719	1,121,474
	<u>4,541,334</u>	<u>5,637,234</u>

Included in other debtors of both the group and company are amounts totalling £255,130 (2002 £186,182) falling due after more than one year.

**SUMMERLEAZE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**16 CREDITORS - amounts falling due within one year**

	2003 £	2002 £
Group:		
Bank loans and overdrafts (Secured)	700,000	2,617,359
Trade creditors	912,169	1,341,369
Amounts owed to undertakings in which the company has a participating interest	257,503	-
Corporation tax	650,315	530,239
Taxation and social security	1,361,138	767,753
Other creditors	520,124	372,951
Obligations under finance leases and hire purchase contracts	1,035,810	758,794
Accruals and deferred income	1,952,990	1,481,275
	<u>7,390,049</u>	<u>7,869,740</u>
Company:		
Bank loans and overdrafts (Secured)	700,000	2,206,984
Trade creditors	443,156	570,454
Amounts owed to group undertakings	2,405,292	2,405,172
Amounts owed to undertakings in which the company has a participating interest	257,503	-
Current corporation tax	230,533	250,239
Taxation and social security	1,073,938	614,940
Other creditors	520,124	370,721
Obligations under finance leases and hire purchase contracts	1,035,810	747,104
Accruals and deferred income	1,085,229	824,559
	<u>7,751,585</u>	<u>7,990,173</u>

**17 CREDITORS - amounts falling due after more than one year**

	2003 £	2002 £
Group:		
Obligations under finance leases and hire purchase contracts	2,530,631	1,907,891
Bank loan (secured)	2,100,000	2,800,000
Other creditors	175,000	225,000
	<u>4,805,631</u>	<u>4,932,891</u>

SUMMERLEAZE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

17 CREDITORS – amounts falling

Due after more than one year (continued)

	2003 £	2002 £
Group (continued):		
Falling due after more than one year:		
– repayable in 1-2 years	1,702,951	1,393,566
– repayable in 2-5 years	3,102,680	3,539,325
	<u>4,805,631</u>	<u>4,932,891</u>
Company:		
Obligations under finance leases and hire purchase contracts	2,530,631	1,907,891
Bank loan (secured)	2,100,000	2,800,000
Other creditors	175,000	225,000
	<u>4,805,631</u>	<u>4,932,891</u>
Falling due after more than one year:		
– repayable in 1-2 years	1,702,951	1,393,566
– repayable in 2-5 years	3,102,680	3,539,325
	<u>4,805,631</u>	<u>4,932,891</u>

Finance lease liabilities are secured on the relevant assets.

Summerlease Limited has a bank loan repayable by instalments within five years at variable interest rate (LIBOR plus 1.75%) and is secured by a charge over the assets of the group.

The total amount of secured creditors detailed above and in note 16 is £6,366,441 (2002: £8,084,044).

18 PROVISION FOR LIABILITIES AND CHARGES

	Deferred taxation £	Provision for land restoration £	Provision for landfill after-care £	Total £
Group:				
At 1 January 2003	2,393,650	50,088	3,700,043	6,143,781
Charged to profit and loss account	274,362	1,672	306,287	582,321
<b>At 31 December 2003</b>	<u><b>2,668,012</b></u>	<u><b>51,760</b></u>	<u><b>4,006,330</b></u>	<u><b>6,726,102</b></u>
Company:				
At 1 January 2003	1,427,450	50,088	2,409,733	3,887,271
Charged to profit and loss account	310,313	1,672	306,287	618,272
<b>At 31 December 2003</b>	<u><b>1,737,763</b></u>	<u><b>51,760</b></u>	<u><b>2,716,020</b></u>	<u><b>4,505,543</b></u>

The provision for landfill after-care relates to the expected costs of capping and making safe the landfill site.

**SUMMERLEAZE LIMITED****NOTES TO THE FINANCIAL STATEMENTS (continued)****18 PROVISION FOR LIABILITIES AND CHARGES (continued)**

Deferred tax is calculated at 30% (2002 – 30%) analysed as follows:

	2003 £	2002 £
Group:		
Accelerated capital allowances	2,483,655	2,209,320
Other timing differences	184,357	184,330
	<u>2,668,012</u>	<u>2,393,650</u>
Company:		
Accelerated capital allowances	1,460,413	1,150,100
Other timing differences	277,350	277,350
	<u>1,737,763</u>	<u>1,427,450</u>

No provision has been made for deferred tax on gains recognised on revaluing property to its market value nor on the sale of properties where potentially taxable gains have been rolled over into replacement assets. Such tax would become payable only if the property were sold without it being possible to claim rollover relief. The total unprovided amount is £2,710,053 (2002 £2,750,021). At present, it is not envisaged that any tax will become payable in the foreseeable future.

**19 CALLED UP SHARE CAPITAL**

	2003 £	2002 £
Authorised:		
2,360 ordinary shares of £1 each	2,360	2,360
Allotted and fully paid:		
2,000 ordinary shares of £1 each	2,000	2,000

**PUT AND CALL OPTIONS ON ISSUED SHARES**

The company has certain options, expiring on 15th March 2005, to require Mrs Robertson and the Trustees of certain family trusts for the Robertson family to sell to it all, or some, of 204 ordinary shares in the company held by them (the 'option shares'), for a consideration of £5,788 for every one ordinary share. This price to be adjusted in accordance with movements in the Retail Prices Index from March 1993. The consideration payable as at 31 December 2003 for the 'option shares' including indexation is recorded as non-equity interests of £1,555,419.

Mrs Robertson and the Trustees have a reciprocal option, expiring on 15th March 2005, to require the company to purchase all or some of the remaining option shares at the index linked price.

**SUMMERLEAZE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**20 RESERVES**

	Share Premium Account £	Revaluation reserve £	Capital redemption reserve £	Profit and loss account £
Group:				
At 1 January 2003	3,737,644	6,874,269	110	10,878,452
Profit for the year	-	-	-	1,352,322
Depreciation transfer	-	(479,082)		479,082
	<u>3,737,644</u>	<u>6,395,187</u>	<u>110</u>	<u>12,709,856</u>
At 31 December 2003	<u>3,737,644</u>	<u>6,395,187</u>	<u>110</u>	<u>12,709,856</u>
Company:				
At 1 January 2003	3,737,644	6,216,169	110	10,326,378
Profit for the year	-	-	-	343,299
Depreciation transfer	-	(479,082)	-	479,082
	<u>3,737,644</u>	<u>5,737,087</u>	<u>110</u>	<u>11,148,759</u>
At 31 December 2003	<u>3,737,644</u>	<u>5,737,087</u>	<u>110</u>	<u>11,148,759</u>

**Profit for the financial year**

The company has taken advantage of the exemption allowed under Section 230 of the Companies Act 1985 and has not presented its own profit and loss account in these financial statements. The group profit for the year includes a profit after tax and before dividends paid and payable of £1,043,299 (2002 - £922,897) which is dealt with in the financial statements of the parent company.

**21 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	Group 2003 £	Group 2002 £	Company 2003 £	Company 2002 £
Profit for the year	2,052,322	1,955,968	1,043,299	922,897
Dividends	(700,000)	-	(700,000)	-
	<u>1,352,322</u>	<u>1,955,968</u>	<u>343,299</u>	<u>922,897</u>
Other net recognised gains and losses relating to the year	-	6,216,169	-	6,216,169
	<u>1,352,322</u>	<u>8,172,137</u>	<u>343,299</u>	<u>7,139,066</u>
Net additions to shareholders' funds	<u>1,352,322</u>	<u>8,172,137</u>	<u>343,299</u>	<u>7,139,066</u>
Opening shareholders' funds	<u>21,492,475</u>	<u>13,320,338</u>	<u>20,282,301</u>	<u>13,143,235</u>
	<u>22,844,797</u>	<u>21,492,475</u>	<u>20,625,600</u>	<u>20,282,301</u>
Closing shareholders' funds	<u>22,844,797</u>	<u>21,492,475</u>	<u>20,625,600</u>	<u>20,282,301</u>

**22 FUTURE CAPITAL EXPENDITURE**

	2003 £	2002 £
Contracted for but not provided in the financial statements	-	1,206,000

## SUMMERLEAZE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### 23 PENSIONS

##### Defined Benefit Scheme

The group operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the group, being invested with the fund managers. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' service lives with the group. The contributions are determined by a qualified actuary on the basis of triennial valuations. The most recent valuation was at 1 May 2001 and updated on an approximate basis to 31 December 2003. The assumptions which have the most significant effect on the results of the valuations are noted below:

Investment rate	6.0%
Salary increases	4.5%
Pension in payment	2.5%

On a continuing basis the Scheme had a surplus of £28,000 being a funding level of 101%. The Minimum Funding Valuation provides a funding level of 99.4%. the market value of the Scheme's assets being £2,765,000.

The contributions made by the employer over the financial year have been £316,097. At the year end there were no outstanding contributions.

##### *Financial Reporting Standard 17 Retirement Benefits (FRS 17)*

The company is not required to comply fully with FRS 17 in its financial statements for the year ended 31 December 2005. The impact on the financial statements of FRS 17 could be significant to as it would require the company to include its share of the current deficit of the defined benefit scheme of £550,319 as a separate liability on its balance sheet. This deficit relates to the Scheme as a whole, not the companies share of the Scheme as this cannot be accurately calculated. As stated in note 1 the group has taken advantage of the transitional arrangements allowed under FRS 17, which requires the following disclosures to be made in these financial statements in preparation for this change in accounting policy.

The company operates a contributory defined benefit scheme. A full actuarial valuation was carried out at 1 May 2001 and updated on an approximate basis to 31 December 2003 by a qualified independent actuary. The major assumptions used by the actuary were:

	2003 %	2002 %	2001 %
Rate of increase in salaries	3.85	3.30	4.64
Rate of increase in pensions in payment	2.85	2.30	2.64
Discount rate	5.40	5.10	5.78
Inflation Assumption	2.85	2.30	2.64

**SUMMERLEAZE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**23 PENSIONS (continued)**

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

	Long-term rate of return expected at 31 December 2003 %	Value at 31 December 2003 £	Long-term rate of return expected at 31 December 2002 %	Value at 31 December 2002 £	Long-term rate of return expected at 31 December 2001 %	Value at 31 December 2001 £
Equities	-	-	-	-	7.87	1,701,292
Bonds	4.8	3,334,341	4.45	2,926,148	4.98	1,114,619
Cash	4.8	5,072	4.45	24,665	4.65	11,409
Total market value of assets		3,339,413		2,950,813		2,827,320
Present value of scheme liabilities		(4,125,583)		(3,833,840)		(3,279,640)
(Deficit) in the scheme		(786,170)		(883,027)		(452,320)
Related deferred tax asset		235,851		264,908		135,696
Net pension liability on an FRS 17 basis		(550,319)		(618,119)		(316,624)



SUMMERLEASE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

23 PENSION (continued)

*Movement on pension scheme deficit that would have been recognised during the year*

**Reconciling (deficit) in the scheme for year**

	2003 £	2002 £
(Deficit) at beginning of year	(883,027)	(452,320)
(Charged) to operating profit (see below)	(185,335)	(229,707)
(Charged)/Credited to other finance costs (see below)	(51,800)	16,129
(Charged) to the statement of total recognised gains and losses (see below)	(4,059)	(502,623)
Contributions paid	338,051	285,494
	<hr/>	<hr/>
(Deficit) at end of year gross of related deferred tax (see above)	(786,170)	(883,027)

The analysis of amounts that would have been charged to operating profit are analysed as follows:

	2003 £	2002 £
Current service cost	185,335	229,707
Employee contributions	(69,915)	(54,419)
	<hr/>	<hr/>
Total operating charge	115,420	175,288

The analysis of amounts that would have been credited to other finance income are analysed as follows:

	2003 £	2002 £
Expected return on pension scheme assets	137,689	196,188
Interest on pension scheme liabilities	(189,489)	(180,059)
	<hr/>	<hr/>
Net return	(51,800)	16,129

The actuarial gains and losses that would have charged to the statement of total recognised gains and losses are analysed as follows:

	2003 £	2002 £
Actual return less expected return on pension scheme assets	(36,142)	(259,016)
Experience gains and losses on the scheme liabilities	83,480	(97,404)
Changes in assumptions underlying the present value of the scheme liabilities	(51,397)	(146,203)
	<hr/>	<hr/>
Actual loss recognised in statement of total recognised gains and losses	(4,059)	(502,623)

# SUMMERLEAZE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 23 PENSIONS (continued)

The effect on the group's profit and loss reserve of the pension scheme liability were incorporated into the financial statements as follows:

	2003 £	2002 £
Profit and loss reserve excluding pension scheme liability	12,709,856	10,878,452
FRS17 pension liability	(550,319)	(618,119)
<b>Profit and loss reserve</b>	<b>12,159,537</b>	<b>10,260,333</b>
<b>History of experience gains and losses</b>		
Difference between the expected and actual return on scheme assets: Amount (£)	(36,142)	(259,016)
Percentage of scheme assets	-1.1%	-8.8%
Experience gains and losses on scheme liabilities: Amount (£)	83,480	(97,404)
Percentage of the present value of the scheme liabilities	2.0%	-2.5%
Total amount recognised in the statement of total recognised gains and losses: Amount (£)	(4,059)	(502,623)
Percentage of the present value of the scheme liabilities	-0.1%	-1.3

### 24 CONTINGENT LIABILITIES

The group's properties include landfill sites at which there may exist latent environmental problems. In view of the inherent uncertainties relating thereto, the directors are unable to say whether or not any liabilities will arise in the future, but are continuing to monitor the sites as necessary.

### 25 CONTINGENT ASSET

Included within other creditors is an amount of £281,000 relating to deferred consideration for the acquisition of Thomas Graveson Limited. The directors believe that the company has valid claims that will offset this amount but, on the basis of prudence, the balance has been included in full.

# SUMMERLEAZE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 26 RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2003 £	2002 £
OPERATING PROFIT	3,848,111	3,560,264
Depreciation and amortisation charges	2,732,325	2,151,526
Research & development write down	100,000	-
(Profit) on sale of tangible fixed assets	(11,595)	(565,075)
Decrease in stocks	80,737	(161,980)
(Increase) in debtors	(208,335)	(1,468,559)
Increase in creditors	990,577	450,660
Increase in provisions	307,959	167,834
NET CASH INFLOW FROM OPERATING ACTIVITIES	7,839,779	4,134,670

### 27 ANALYSIS OF NET DEBT

	At 1 January 2003 £	Cash flow £	Non-cash movements £	At 31 December 2003 £
Cash in hand	167,956	900,774	-	1,068,730
Overdrafts	(1,506,984)	1,506,984	-	-
	(1,339,028)	2,407,758	-	1,068,730
Debt due less than one year	(1,110,375)	1,110,375	(750,000)	(750,000)
Debt due greater than one year	(3,025,000)	-	750,000	(2,275,000)
Finance leases	(2,666,685)	951,694	(1,851,450)	(3,566,441)
	(8,141,088)	4,469,827	(1,851,450)	(5,522,711)

### 28 MAJOR NON-CASH TRANSACTION

During the year the group entered into new finance leases in respect of assets with a capital value at the inception of the leases of £2,121,427.

### 29 RELATED PARTIES

The directors consider the ultimate controlling party to be Mr P.H. Prior and his family.

During the year, the company sold items worth £661,258 (2002 - £764,557) to Eton Aggregates Limited, a joint venture in which Summerlease Limited has a 25% interest. The company also purchased items worth £1,330,486 (2002 - £932,834) from Eton Aggregates Limited. A dividend of £100,000 was also received during the year. At the year end, the company owed £257,502 (2002 - debtor of £76,346; creditor of £192,340).

Advantage has been taken of the exemption from disclosing transactions and balances with other group companies as permitted by Financial Reporting Standard No. 8.