Cotswold Aggregates Limited

Directors' report and financial statements

Registered number 3156667

31 December 2006

Contents

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2006

Principal activities

The principal activities of the company are the extraction and sale of sand and gravel

Proposed dividend

The loss for the year retained in the company is £320,886 after the payment of an interim dividend of £500,000 *(2005 retained loss £17 826)* The directors do not recommend the payment of a final dividend

Directors and directors' interests

The directors who held office during the year were as follows

AG Pardoe
J Crick
GW Bolsover (resigned 26/10/2006)
AJ Mackenzie
H Armitage (appointed 26/10/2006)

None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the company

Disclosure of information to auditors

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

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditors of the company is to be proposed at the forthcoming Annual General Meeting

By order of the board

AG Pardoe
Director

AJ Mackenzie
Director

Bardon Hall
Copt Oak Road
Markfield
Leicestershire
LE67 9PJ

18 October 2007

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

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

Company law requires the directors to prepare financial statements for each financial year Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period

In preparing these financial statements, the directors are required to

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

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985 They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities

KPMG LLP

100 Temple Street
Bristol
BS1 6AG
United Kingdom

Independent auditors' report to the members of Cotswold Aggregates Limited

We have audited the financial statements of Cotswold Aggregates Limited for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet and the related notes These financial statements have been prepared under the accounting policies set out therein

This report is made solely to the company s members, as a body, in accordance with section 235 of the Companies Act 1985 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor s report and for no other purpose To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work for this report or for the opinions we have formed

Respective responsibilities of directors and auditors

The directors responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors Responsibilities on page 2

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985 We also report to you whether in our opinion the information given in the Directors Report is consistent with the financial statements

In addition we report to you if in our opinion the company has not kept proper accounting records if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors remuneration and other transactions is not disclosed

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

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company s circumstances, consistently applied and adequately disclosed

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

Independent auditors' report to the members of Cotswold Aggregates Limited *(continued)*

Opinion

In our opinion

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

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

26 October 2007

Profit and loss account
for the year ended 31 December 2006

	Note	2006	2005
		£	£
Turnover	1 2	**1,663,797**	1 524 863
Cost of sales		**(792,200)**	(694 078)
Gross profit		**871,597**	830 785
Administrative expenses		**(603,162)**	(635,435)
Operating profit		**268,435**	195 350
Interest receivable and similar income	6	**10,805**	7 824
Profit on ordinary activities before taxation	3	**279,240**	203 174
Tax on profit on ordinary activities	7	**(100,126)**	(46 000)
Profit for the financial year	8	**179,114**	157 714

The company has no recognised gains or losses other than the loss for the year shown above

All results are derived from continuing operations

There is no material difference between the company results as reported and on an unmodified historical cost basis Accordingly no note of historical cost profits and losses has been included

The notes on pages 7 to 13 form part of these financial statements

Balance sheet
at 31 December 2006

	Note	2006		2005	
		£	£	£	£
Fixed assets					
Tangible assets	*9*		286,953		524,546
Current assets					
Stocks	*10*	2,370		1,865	
Debtors	*11*	449,447		346,197	
Cash at bank and in hand		66,183		238,216	
		518,000		586,278	
Creditors amounts falling due within one year	*12*	(403,395)		(377,650)	
Net current assets			114,605		208,628
Total assets less current liabilities			401,558		733,174
Provisions for liabilities and charges	*13*		(108,594)		(119,324)
Net assets			292,964		613,850
Capital and reserves					
Called up share capital	*14*		1,000		1,000
Profit and loss account	*15*		291,964		612,850
Shareholders' funds - equity	*16*		292,964		613,850

The notes on pages 7 to 13 form part of these financial statements

These financial statements were approved by the board of directors on 18 October 2007 and were signed on its behalf by

AJ Mackenzie

Director

AG Pardoe

Director

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 except as noted below

In these financial statements the following new standards have been adopted for the first time

- FRS 21 Events after the balance sheet date and
- FRS 28 Corresponding amounts

The accounting policies under these new standards are set out below together with an indication of the effects of their adoption FRS 28 Corresponding amounts has had no material effect as it imposes the same requirements for comparatives as hitherto required by the Companies Act 1985

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds of its size

Fixed assets and depreciation

Except for mineral bearing land and mineral rights as noted below depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows

Plant and machinery	-	3-10 years
Fixtures and fittings	-	6 years

Mineral bearing land is depleted to an estimated residual value pro rata as the minerals are extracted Costs directly incurred in bringing the asset into use are depreciated over the life of the site as the minerals are extracted

Leases

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

Stocks

Stocks are stated at the lower of cost, being net invoice prices charged by suppliers, and net realisable value No account is taken of extracted stocks of sand and gravel at pits

Taxation

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

Deferred tax is recognised without discounting in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date except as otherwise required by FRS 19

Notes *(continued)*

1 Accounting policies *(continued)*

Restoration and aftercare costs

The costs of site restoration and aftercare that would be expected to be incurred if the site ceased operation immediately are recognised as a provision when work commences on the site

Other costs may be provided on a pro rata basis based on aggregates extracted

Costs are charged to the provision as incurred A fixed asset is created within land and buildings for an amount equivalent to the provision This is charged to the profit and loss account on a unit of production basis over the life of the site

Dividends on shares presented within shareholders' funds

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the company Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements

Turnover

Turnover represents the amounts (excluding value added tax) derived from the sale of aggregates during the year, and is recognised on despatch of the aggregates

2 Analysis of turnover and profit on ordinary activities before taxation

The whole of the turnover and profit on ordinary activities before taxation derives from the company s principal activity within the United Kingdom

3 Profit on ordinary activities before taxation

	2006	2005
	£	£
Profit on ordinary activities before taxation is stated after charging		
Auditors remuneration		
Audit of these financial statements	**7,200**	6 000
Depreciation of tangible fixed assets	**322,984**	218,294
Hire of plant and machinery	**12,615**	52,161
Hire of other assets - operating leases	**13,001**	58 235
Profit on sale of fixed assets	**-**	19 472

4 Remuneration of directors

None of the directors received any remuneration from the company during the year The directors are remunerated by the joint venture parties The Hills Group Limited and Aggregate Industries UK Limited

5 Staff numbers and costs

The average number of persons employed by the company during the year was 4 (*2005 4*), all of whom were directors

Notes *(continued)*

6 Interest receivable and similar income

	2006	2005
	£	£
Bank interest	**10,805**	7 824

7 Taxation

Analysis of charge in period	**2006**	2005
	£	£
UK corporation tax		
Current tax on income for the year	**110,000**	46 000
Adjustments in respect of prior periods	**(9,874)**	-
Tax on profit on ordinary activities	**100,126**	46 000

Factors affecting the tax charge for the current period

The current tax charge for the period is lower *(2005 higher)* than the standard rate of corporation tax in the UK of 30 0% *(2005 19%)* The differences are explained below

	2006	2005
	£	£
Current tax reconciliation		
Profit on ordinary activities before tax	**279,240**	203 174
Current tax at 30% *(2005 19%)*	**79,772**	60 952
Effects of		
Expenses not deductible for tax purposes	**4,437**	2 776
Marginal relief for small companies	**(17,037)**	(22 349)
Deferred tax - movement on unrecognised deferred tax asset	**42,828**	4 621
Adjustments to tax charge in respect of previous periods	**(9,874)**	-
Total current tax charge (see above)	**100,126**	46 000

At 31 December 2006, the company has an unrecognised deferred tax asset of £50,989 *(2005 £6 706)* which has not been recognised as there is insufficient evidence that the company will utilise this asset in the foreseeable future

8 Dividends on equity shares

	2006	2005
	£	£
Equity shares		
Interim dividend paid	**500,000**	175 000

Notes *(continued)*

9 Tangible fixed assets

	Freehold land and buildings	Plant and machinery	Fixtures And Fittings	Total
	£	£	£	£
Cost				
At beginning of year	540 533	1 501 775	18 687	2 060 995
Disposals	(16,232)		-	(16 232)
Additions	45,967	39,424	-	85,391
At end of year	**570,268**	**1,541,199**	**18,687**	**2,130,154**
Depreciation				
At beginning of year	326 942	1 190 820	18 687	1 536 449
Disposals	(16 232)		-	(16 232)
Charge for year	175 839	147 145	-	322 984
At end of year	**486,549**	**1,337,965**	**18,687**	**1,843,201**
Net book value				
At 31 December 2006	**83,719**	**203,234**	-	**286,953**
At 31 December 2005	213 591	310 955	-	524 546

10 Stocks

	2006	2005
	£	£
Consumables	**2,370**	1 865

11 Debtors

	2006	2005
	£	£
Due within one year		
Amounts due from joint venture partners	334,632	288 911
Prepayments and accrued income	113,144	55 942
Other debtors	1,671	1 344
	449,447	346 197

Notes *(continued)*

12 Creditors. amounts falling due within one year

	2006	2005
	£	£
Trade creditors	125,933	111 247
Amounts owed to joint venture partners	3,475	27 248
Other creditors including taxation and social security	108,477	83 152
Mainstream corporation tax	112,390	55 874
Accruals and deferred income	53,120	100 129
	403,395	377 650

13 Provisions for liabilities and charges

	Restoration and aftercare provision
	£
At beginning of year	119,324
Utilised during the year	(35,957)
Additional amounts provided	25 227
At end of year	**108,594**

14 Called up share capital

	2006	2005
	£	£
Authorised, allotted, called up and fully paid		
500 Ordinary 'A' shares of £1 each	500	500
500 Ordinary "B' shares of £1 each	500	500
	1,000	1 000

15 Profit and loss account

	£
At beginning of year	612 850
Profit for the year	179 114
Dividends paid in the year	(500,000)
At end of year	**291,964**

Notes *(continued)*

16 Reconciliation of movements in shareholders' funds

	2006	2005
	£	£
Profit for the financial year	179,114	157,174
Dividends	(500,000)	(175 000)
Net (reduction in)/addition to shareholders' funds	(320,886)	(17,826)
Opening shareholders funds	613,850	631 676
Closing shareholders' funds	292,964	613 850

17 Commitments

(a) Annual commitments under non-cancellable operating leases are as follows

	Land and buildings	
	2006	2005
	£	£
Operating leases which expire		
Over five years	-	58 235

(b) Other commitments

	2006	2005
	£	£
Annual royalty for extraction	536,250	536 250

Notes *(continued)*

18 Related party disclosures

The company is jointly controlled by The Hills Group Limited and Aggregate Industries UK Limited

Finance

Each joint venture party originally invested £500 in the share capital of the joint venture, total issued share capital being 1,000 ordinary shares of £1 each

Each joint venture party invested loan capital of £549,500 This has since been fully repaid

Sales

Sales are only made to the joint venture parties Turnover during the year comprises £919,640 *(2005 £722 435)* in respect of The Hills Group Limited, via its wholly owned subsidiary company Hills Minerals and Waste Limited, and £744,156 *(2005 £802 428)* in respect of Aggregate Industries UK Limited At the year end the amount outstanding and disclosed under amounts due from joint venture partners is £197,020 *(2005 £131 490)* from Hills Minerals and Waste Limited and £137,612 *(2005 £157,421)* from Aggregate Industries UK Limited

Other transactions

Expenses totalling £227 299 *(2005 £214,528)* were charged by Hills Minerals and Waste Limited being management fees of £7 500 *(2005 £7,500)*, payroll costs of £176 844 *(2005 £173 342)* and £42 955 *(2005 £33,416)* in respect of other profit and loss items Payroll costs of £20 520 *(2005 £26,657)* and other profit and loss items of £4 100 *(2005 £2,867)* were charged by Aggregate Industries UK Limited

At the year end the company owed a total of £3 630 *(2005 £24 995)* to Hills Minerals and Waste Limited and £5 179 *(2005 £2 253)* to Aggregate Industries UK Limited

The company paid an interim dividend of £250,000 to each joint venture party during the year *(2005 £87,500)* No final dividend has been paid or proposed