

**REPORT OF THE AUDITORS TO THE DIRECTORS OF SANDSPINNERS LIMITED  
PURSUANT TO PARAGRAPH 8 OF SCHEDULE 8 TO THE COMPANIES ACT 1985**

We have examined the abbreviated accounts on pages 2 to 5 together with the full accounts of Sandspinnners Limited for the year ended 31 March 1996. The scope of our work for the purposes of this report was limited to confirming that the company is entitled to the exemptions claimed in the directors' statement on page 2 and that the abbreviated accounts have been properly prepared from the full accounts.

In our opinion the directors are entitled under sections 246 and 247 of the Companies Act 1985 to the exemptions conferred by Section A of Part III of Schedule 8 to that Act in respect of the year ended 31 March 1996 and the abbreviated accounts on pages 2 to 5 have been properly prepared in accordance with Schedule 8 to that Act.

As auditors of the company, we reported to the members on 24 July 1996 on the full accounts prepared under section 226 of the Companies Act 1985 for the year ended 31 March 1996 and our audit report was as follows:

We have audited the accounts on pages 8 to 18 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on pages 11 and 12.

**Respective responsibilities of directors and auditors**

As described on page 6 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

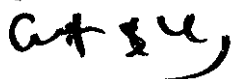
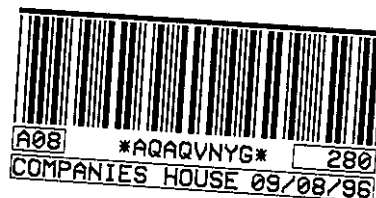
**Basis of opinion**

We conducted our audit in accordance with 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

**Opinion**

In our opinion the accounts give a true and fair view of the state of the company's affairs as at 31 March 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

  
Ernst & Young  
Chartered Accountants  
Registered Auditor  
Exeter  
24 July 1996

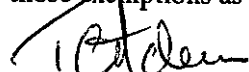
# Sandspinnners Limited

## BALANCE SHEET

at 31 March 1996

	Notes	1996 £	1995 £
<b>FIXED ASSETS</b>			
Intangible assets	2	-	20,000
Tangible assets	3	200,745	303,759
		<u>200,745</u>	<u>323,759</u>
<b>CURRENT ASSETS</b>			
Stocks		-	27,016
Debtors	4	1,287,354	491,015
Cash at bank and in hand		165,501	161,351
		<u>1,452,855</u>	<u>679,382</u>
<b>CREDITORS: amounts falling due within one year</b>	5	475,636	347,034
<b>NET CURRENT ASSETS</b>		<u>977,219</u>	<u>332,348</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>1,177,964</u>	<u>656,107</u>
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>			
Site restoration provision		172,168	93,881
Site post closure provision		317,793	237,882
Deferred taxation		(194,544)	(87,285)
		<u>295,417</u>	<u>244,478</u>
		<u>882,547</u>	<u>411,629</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	6	10	10
Profit and loss account		882,537	411,619
		<u>882,547</u>	<u>411,629</u>

The directors have taken advantage of the exemptions conferred by Part I and Section A of Part III of Schedule 8 to the Companies Act 1985 on the grounds that the company is entitled to the benefit of those exemptions as a small company.



T C Adams - Director

24 July 1996

**1 ACCOUNTING POLICIES**

*Accounting convention*

The accounts have been prepared under the historical cost convention.

*Depreciation*

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

Site development	-	over the life of the site
Site equipment	-	20% on reducing balance
Fixtures and fittings	-	20% on reducing balance
Motor vehicles	-	25% on reducing balance

*Stocks*

Stock is valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

*Deferred taxation*

Provision is made for deferred taxation using the liability method on all material timing differences which are expected to reverse except to the extent that, in the opinion of the directors, there is reasonable probability that the liability will not arise in the foreseeable future.

*Hire purchase and leasing commitments*

Assets obtained under hire purchase contracts or finance leases are capitalised in the balance sheet and are depreciated over their useful lives.

*Repairs and renewals*

Cost of items having an expected working life of less than one year are treated as repairs together with any breakages or replacement parts required on equipment, vehicles and other fixed assets having a longer working life.

*Site restoration provision*

The anticipated costs of restoration works required at the company's quarrying and landfill sites are reviewed annually and charged as a provision against revenue in the year under review pro rata to the quantities of material quarried or volumes of materials filled in the year as a proportion of the minerals and landfill airspace reserves. Expenditure incurred is charged against the provision accumulated until restoration is completed when any under or over provided sum is taken to profit and loss account.

# Sandspinnners Limited

## NOTES TO THE ACCOUNTS

at 31 March 1996

### 1 ACCOUNTING POLICIES (continued)

#### *Site development and site investigation*

Expenditure incurred by the company on quarrying and landfill exploration, acquisition, access and site development at trading sites is treated as an asset and is written off together with anticipated costs as a charge against revenue in the year under review pro rata to the quantities of materials quarried or volumes of materials filled at sites as a proportion of site materials or landfill airspace reserves after reducing the anticipated realisable value, if any, of the expenditure following completion of working at sites. Investigation expenditure on sites is treated as an asset and is transferred to site development when the site becomes a trading site or is written off to profit and loss account when a site is aborted.

#### *Site post closure provision*

The anticipated costs of post closure expenditure following cessation of landfill activities at the company's landfill sites are reviewed annually, discounted to the anticipated date of closure and charged as a provision against revenue in the year under review pro rata to the volumes of materials filled as a proportion of the remaining landfill airspace reserves at the start of the year. Expenditure incurred in the post closure period is charged when incurred against the provision and any under or over provided sum is taken to profit and loss account.

### 2 INTANGIBLE FIXED ASSETS

Cost:	£
At 31 March 1995	20,000
Additions	20,000
Disposals	(40,000)
	<hr/>
Net book values:	
At 31 March 1996	-
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# Sandspinnners Limited

## NOTES TO THE ACCOUNTS

at 31 March 1996

### 3 TANGIBLE FIXED ASSETS

	<i>Total £</i>
Cost:	
At 31 March 1995	1,140,626
Additions	237,417
Disposals	(181,717)
At 31 March 1996	<u>1,196,326</u>
Depreciation:	
At 31 March 1995	836,867
Charge for year	275,298
Eliminated on disposals	(116,583)
At 31 March 1996	<u>995,582</u>
Net book values:	
At 31 March 1996	<u>200,744</u>
At 31 March 1995	<u>303,759</u>

### 4 DEBTORS FALLING DUE AFTER MORE THAN ONE YEAR

The aggregate amount of debtors falling due after more than one year was £Nil (1995 - £Nil).

### 5 BANK LOANS AND OVERDRAFTS

Included in creditors falling due within one year are bank loans and overdrafts of £20,153 (1995 - £Nil) secured by composite cross guarantees with certain other companies within the group.

### 6 CALLED UP SHARE CAPITAL

	<i>Authorised</i>		<i>Allotted, called up and fully paid</i>	
	<i>1996 No.</i>	<i>1995 No.</i>	<i>1996 £</i>	<i>1995 £</i>
Ordinary shares of £1 each	<u>100</u>	<u>100</u>	<u>10</u>	<u>10</u>

### 7 ULTIMATE PARENT COMPANY

The ultimate parent company is Terry Adams Limited, a company incorporated in Great Britain.