

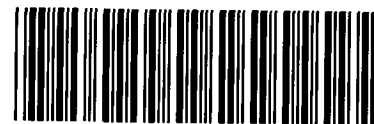
**Patersons of Greenoakhill Limited**

Annual report and financial statements

Registered number SC054793

30 November 2014

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## Company information

**Directors:** W Paterson  
TM Paterson  
LMP Gall  
MAE Paterson  
J Stickler  
J Richardson (non-executive)

**Secretary:** J Stickler

**Registered office:** Gartsherrie Road  
Coatbridge  
ML5 2EU

**Auditor:** KPMG LLP  
191 West George Street  
Glasgow  
G2 2LJ

**Bankers:** Clydesdale Bank PLC  
23 Bank Street  
Airdrie  
ML6 6AD

**Solicitors:** Pinsent Masons LLP  
141 Bothwell Street  
Glasgow  
G2 7EQ

## Strategic Report

### Business review

The directors are pleased to report a return to profitability for the company. Profit before tax for the year increased substantially to £2,758,491 (2013: loss of £730,116 excluding exceptional item), reflecting strong activity levels throughout the year. Given the significant asset base of the company and the resultant depreciation charge, EBITDA (earnings before interest, tax, depreciation and amortisation) for the year increased to £8,626,189 (2013: £5,550,967). This contributed to a net cash inflow from operating activities of £8,366,323 (2013: outflow of £608,012) which demonstrates the continued strong cash generating capacity of the company.

Net assets at 30 November 2014 stood at a healthy £16,709,768 (2013: £16,269,099). Net debt levels at 30 November 2014 were £28,974,229 (2013: £25,458,641) and the company continues to operate very comfortably within its committed bank facilities.

Activity levels have continued to remain strong since the year end and the directors are confident that 2015 will be another strong trading year for the company.

The principal risks and uncertainties affecting the business include the following:

- **Environmental risks:** the company 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 company 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:** where appropriate the company enters into hedging arrangements in relation to both gas oil and diesel (derv). In addition, the company enters into fixed price forward sales contracts concerning electricity generated at its landfill site.
- **Interest rate risk:** the company has entered into interest rate swap arrangements in order to manage its exposure to movements in interest rates. Hire purchase agreements are typically taken out on a fixed-rate basis.
- **Major disruption/disaster:** business continuity planning is reviewed regularly.
- **The effect of legislation or other regulatory activities:** the company monitors forthcoming and current legislation regularly.
- **Pension funding risk:** the company operates a defined benefit pension scheme which closed to future benefit accrual in July 2014. The company is subject to pension funding risks, principally poor performance of the equity investments and increased longevity of the members. Such risks could result in increased contributions by the company to the pension scheme. The company also operates defined contribution schemes into which it contributes an agreed percentage of salary but incurs no further long term liability.
- **Litigation:** the company 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 company. In some liability cases legal expenses are covered by insurance.
- **Liquidity risk:** the company continues to generate strong operating cash flows. The company's longer term borrowing requirements are met through a combination of a bank term loan, revolving credit facilities and hire purchase finance, whilst day to day working capital requirements are managed within a group bank overdraft facility. Although working capital requirements can fluctuate over the course of a year, the cash flow requirements are closely managed across each of the businesses and on a group consolidated basis. On the basis of the most recent forecasts and projections, which take account of possible adverse changes in trading performance in the current economic conditions, the directors believe that the company will be able to operate comfortably within the level of its current committed bank facilities for the foreseeable future.

## **Strategic Report** *(continued)*

Key areas of strategic development and performance of the business include:

- **Health and Safety:** accident and absenteeism rates are monitored and the company 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.

Key financial performance indicators include the monitoring of profitability, EBITDA, working capital and cash flows. Key non-financial performance indicators include the monitoring of employees' health and safety in addition to the company's environmental impact.

By order of the board



**J Stickler**  
*Secretary*

Gartsherrie Road  
Coatbridge  
ML5 2EU

29 May 2015

## Directors' Report

The directors present their report and the audited financial statements for the year ended 30 November 2014.

### Principal activities

The principal activities of the company in the year under review were that of quarrying, landfill, recycling, generating electricity from waste, concrete block manufacturing, readymix concrete, transport and related activities.

### Dividend

No dividend was paid or is proposed to the parent undertaking (2013: £nil) in respect of the financial year.

### Directors

The directors who held office during the financial year and to the date of this report were as follows:

W Paterson  
TM Paterson  
LMP Gall  
MAE Paterson  
J Stickler  
J Richardson (non-executive)

### Financial instruments

The company's policy is to minimise the use of complex financial instruments.

### Employees

The company 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 company. 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 company's employment, and to the provision of training and other assistance where necessary.

### Political and charitable donations

Charitable donations made during the year amounted to £19,151 (2013: £18,838). No political donations were made in the year (2013: £nil).

### Disclosure of information to auditor

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 auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

### Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be re-appointed and KPMG LLP will therefore continue in office.

By order of the board



J Stickler  
Secretary

Gartsherrie Road  
Coatbridge  
ML5 2EU

29 May 2015

## **Statement of directors' responsibilities in respect of the Strategic Report, the Directors' Report and the financial statements**

The directors are responsible for preparing the Strategic Report, 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).

Under company law the directors must not approve the financial statements unless they are satisfied that they 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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

191 West George Street  
Glasgow  
G2 2LJ  
United Kingdom

### **Independent auditor's report to the members of Patersons of Greenoakhill Limited**

We have audited the financial statements of Patersons of Greenoakhill Limited for the year ended 30 November 2014 set out on pages 7 to 25. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

#### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 November 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Opinion on other matters prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic Report, and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

#### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

**Bruce Marks (Senior Statutory Auditor)**  
for and on behalf of KPMG LLP, Statutory Auditor  
*Chartered Accountants*

29 May 2015



**Profit and Loss Account**  
*for the year ended 30 November 2014*

	<i>Note</i>	2014 £	2013 £
<b>Turnover</b>	2	<b>43,153,794</b>	30,785,481
Cost of sales		<b>(27,304,804)</b>	(18,761,455)
Exceptional item – contract settlement	3	-	(880,178)
		<hr/>	<hr/>
<b>Gross profit</b>		<b>15,848,990</b>	11,143,848
Distribution costs		<b>(10,676,513)</b>	(9,213,258)
Administrative expenses		<b>(2,218,660)</b>	(3,154,074)
		<hr/>	<hr/>
<b>Operating profit/(loss)</b>	3	<b>2,953,817</b>	(1,223,484)
Interest receivable and similar income	6	26	2
Interest payable and similar charges	7	<b>(797,614)</b>	(748,040)
Net interest credit relating to pension scheme	26	<b>528,000</b>	298,000
Investment income	10	<b>74,262</b>	63,228
		<hr/>	<hr/>
<b>Profit/(loss) on ordinary activities before taxation</b>		<b>2,758,491</b>	(1,610,294)
Tax on profit/(loss) on ordinary activities	8	<b>(565,186)</b>	417,767
		<hr/>	<hr/>
<b>Profit/(loss) for the financial year</b>		<b>2,193,305</b>	(1,192,527)
		<hr/> <hr/>	<hr/> <hr/>

The above results relate to continuing operations and all profits and losses for the respective financial years are attributable to equity shareholders of the company.

**Balance Sheet**  
*at 30 November 2014*

	<i>Note</i>	<b>2014</b> £	<b>2014</b> £	2013 £	2013 £
<b>Fixed assets</b>					
Tangible assets	9		<b>38,047,152</b>		26,636,656
Investments	10		<b>44,819</b>		4,338,477
			<hr/>		<hr/>
			<b>38,091,971</b>		<b>30,975,133</b>
<b>Current assets</b>					
Stocks	11	<b>10,309,459</b>		11,696,617	
Debtors	12	<b>13,883,122</b>		13,608,638	
Cash at bank		<b>889</b>		556	
			<hr/>		<hr/>
<b>Creditors: amounts falling due within one year</b>	13	<b>24,193,470</b> <b>(29,896,769)</b>		<b>25,305,811</b> <b>(26,737,884)</b>	
			<hr/>		<hr/>
<b>Net current liabilities</b>			<b>(5,703,299)</b>		<b>(1,432,073)</b>
			<hr/>		<hr/>
<b>Total assets less current liabilities</b>			<b>32,388,672</b>		<b>29,543,060</b>
<b>Creditors: amounts falling due after more than one year</b>					
	14		<b>(9,056,148)</b>		<b>(7,829,121)</b>
<b>Provisions for liabilities and charges</b>	15		<b>(5,415,756)</b>		<b>(5,410,840)</b>
<b>Net pension liability</b>	26		<b>(1,207,000)</b>		<b>(34,000)</b>
			<hr/>		<hr/>
<b>Net assets</b>			<b>16,709,768</b>		<b>16,269,099</b>
			<hr/>		<hr/>
<b>Capital and reserves</b>					
Called up share capital	16		<b>718,125</b>		718,125
Revaluation reserve	17		<b>1,079,364</b>		128,000
Profit and loss account	17		<b>14,912,279</b>		15,422,974
			<hr/>		<hr/>
<b>Shareholders' funds</b>	18		<b>16,709,768</b>		<b>16,269,099</b>
			<hr/>		<hr/>

These financial statements were approved by the board of directors on 29 May 2015 and were signed on its behalf by:



**W Paterson**  
*Director*

## Cash Flow Statement

for the year ended 30 November 2014

	Note	2014 £	2014 £	2013 £	2013 £
<b>Net cash inflow/(outflow) from operating activities</b>	21		<b>8,366,323</b>		<b>(608,012)</b>
<b>Returns on investments and servicing of finance</b>					
Interest received		26		2	
Investment income received		169,920		-	
Bank and other interest paid		(389,636)		(409,661)	
Hire purchase interest paid		(276,195)		(205,816)	
		<hr/>		<hr/>	
<b>Net cash outflow from returns on investments and servicing of finance</b>			<b>(495,885)</b>		<b>(615,475)</b>
<b>Taxation</b>					
Taxation paid to account		(150,000)		(574,552)	
Taxation refunded		10,328		2,257	
		<hr/>		<hr/>	
<b>Net cash outflow from tax</b>			<b>(139,672)</b>		<b>(572,295)</b>
<b>Capital expenditure and financial investment</b>					
Purchase of tangible fixed assets		(10,425,399)		(2,977,233)	
Proceeds from sale of tangible fixed assets		1,332,963		982,370	
Proceeds from sale of investments		4,198,000		-	
		<hr/>		<hr/>	
<b>Net cash outflow from capital expenditure and financial investment</b>			<b>(4,894,436)</b>		<b>(1,994,863)</b>
<b>Net cash inflow/(outflow) before financing</b>			<b>2,836,330</b>		<b>(3,790,645)</b>
<b>Financing</b>					
New bank loans		-		2,400,000	
Loan repayments		(5,000,000)		(3,610,343)	
Capital element of hire purchase rental payments		(3,069,728)		(2,234,330)	
Payments from group undertakings		4,412,002		8,369,657	
Repayment of participant loans		-		(2,375,753)	
		<hr/>		<hr/>	
<b>Net cash (outflow)/inflow from financing</b>			<b>(3,657,726)</b>		<b>2,549,231</b>
<b>Decrease in cash in the year</b>			<b>(821,396)</b>		<b>(1,241,414)</b>
			<hr/> <hr/>		<hr/> <hr/>

**Statement of Total Recognised Gains and Losses**  
*for the year ended 30 November 2014*

	2014 £	2013 £
<b>Profit/(loss) for the financial year</b>	<b>2,193,305</b>	<b>(1,192,527)</b>
Actuarial (loss)/gain recognised in pension scheme	<b>(3,481,000)</b>	2,110,000
Deferred tax arising on (loss)/gain in the pension scheme	<b>697,000</b>	(487,000)
Increase in revaluation reserve	<b>1,031,364</b>	-
	<hr/>	<hr/>
<b>Total gains recognised since last annual report</b>	<b>440,669</b>	<b>430,473</b>
	<hr/> <hr/>	<hr/> <hr/>

**Note of Historical Cost Profits and Losses**  
*for the year ended 30 November 2014*

	2014 £	2013 £
<b>Profit/(loss) on ordinary activities before taxation</b>	<b>2,758,491</b>	<b>(1,610,294)</b>
Difference between a historical cost depreciation charge and the actual depreciation charge calculated on the revalued amount	<b>80,000</b>	80,000
	<hr/>	<hr/>
<b>Historical cost profit/(loss) on ordinary activities before taxation</b>	<b>2,838,491</b>	<b>(1,530,294)</b>
	<hr/>	<hr/>
<b>Historical cost profit/(loss) for the year retained</b>	<b>2,273,305</b>	<b>(1,112,527)</b>
	<hr/> <hr/>	<hr/> <hr/>

## 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 and the requirements of the Companies Act 2006 under the historical cost accounting rules modified to include the revaluation of certain freehold properties. The company has applied the transitional rules contained in FRS 15 to retain previous valuations as the basis on which these assets are held.

#### ***Tangible fixed assets and depreciation***

Depreciation is provided on all tangible fixed assets, other than freehold land, 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
Plant and machinery	-	over 4 to 15 years
Motor vehicles	-	over 4 to 5 years

Freehold mineral bearing land is depreciated over the estimated operational life of each site. Costs attributable to landfill cell construction, including provision for cell capping, are capitalised and depreciated over the operational life of the relevant cell.

#### ***Restoration***

Reinstatement and surface restoration obligations in relation to the company's quarry operations result in the creation of a restoration asset with a corresponding provision being held in respect of costs which are expected to be incurred in future periods. The restoration asset is held within tangible fixed assets and is amortised to the profit and loss account as minerals are extracted. The level of restoration asset initially created and the level of provision held at the balance sheet date represents the present value of the costs expected to be incurred. In determining present value, current estimates of costs expected to be incurred are inflated using a long term average rate of inflation and then discounted using an appropriate discount rate. Relevant costs are charged against the provision as incurred and the unwinding of the discount applied in arriving at the balance sheet provision is charged to interest payable and similar charges in the profit and loss account.

#### ***Aftercare***

Provision is made for aftercare costs progressively over the operational life of landfill sites based upon waste deposited in the year since liabilities in relation to these costs arise as waste is deposited. In determining the level of provision required at the balance sheet date, current estimates of costs expected to be incurred during the aftercare period are inflated using a long term average rate of inflation and then discounted using an appropriate discount rate. Relevant costs are charged against the provision as incurred and the unwinding of the discount applied in arriving at the balance sheet provision is charged to interest payable and similar charges in the profit and loss account.

#### ***Hire purchase commitments and leases***

Assets acquired under hire purchase contracts are capitalised in the balance sheet and are depreciated in accordance with the company's depreciation policy with the outstanding future lease obligations 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.

## Notes (continued)

### 1 Accounting policies (continued)

#### 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.

#### Pensions

The company operates a group defined benefit pension scheme that closed to future benefit accrual in July 2014. The assets of the scheme are held separately from those of the company in independently administered funds.

The company'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 company'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.

The company also operates defined contribution pension schemes and contributions to the defined contribution pension schemes are charged to the profit and loss account as they fall due. The assets of the schemes are held separately from those of the company in independently administered funds.

### 2 Turnover

Turnover represents the net invoiced amount of goods sold and services provided, exclusive of value added tax.

### 3 Operating profit/(loss)

	2014	2013
	£	£
<i>This is stated after charging/(crediting):</i>		
Depreciation and other amounts written off tangible fixed assets:		
Owned	3,631,062	4,366,526
Hire purchase contracts	2,041,310	1,527,747
Gain on disposal of tangible fixed assets	(645,887)	(493,337)
Hire of plant and machinery	692,371	419,300
Hire of lorries	1,059,249	848,234
Exceptional item – contract settlement	-	880,178
	<u>                    </u>	<u>                    </u>
<i>Auditor's remuneration</i>		
	2014	2013
	£	£
Audit of these financial statements	32,500	32,000
Amounts receivable by auditors and their associates in respect of:		
Other services relating to taxation – compliance	22,500	23,000
Other services relating to taxation – non-recurring projects	6,000	7,250
	<u>                    </u>	<u>                    </u>

**Notes** (continued)

**4 Remuneration of directors**

	2014 £	2013 £
Directors' emoluments	1,102,549	723,168
Company contributions to money purchase pension schemes	33,241	27,172
	<u>1,135,790</u>	<u>750,340</u>

The aggregate of emoluments of the highest paid director was £642,257 (2013: £328,356) and company contributions of £nil (2013: £nil) were made to a money purchase pension scheme on his behalf.

	Number of directors	
	2014	2013
Retirement benefits are accruing to the following number of other directors under:		
Money purchase schemes	3	3
	<u>3</u>	<u>3</u>

**5 Staff numbers and costs**

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

	Number of employees	
	2014	2013
Production and distribution	183	175
Sales and management	56	56
	<u>239</u>	<u>231</u>

The aggregate payroll costs of these persons were as follows:

	2014 £	2013 £
Wages and salaries	7,572,196	7,036,083
Social security costs	723,770	665,139
Other pension costs	626,770	381,171
	<u>8,922,736</u>	<u>8,082,393</u>

**6 Interest receivable and similar income**

	2014 £	2013 £
Other interest	26	2
	<u>26</u>	<u>2</u>

**Notes (continued)**

**7 Interest payable and similar charges**

	2014	2013
	£	£
On bank loans and overdrafts	389,636	409,661
Hire purchase interest	276,195	205,816
Unwinding of discount (note 15)	131,783	126,152
Interest on participant loans	-	6,411
	<u>797,614</u>	<u>748,040</u>

**8 Taxation**

*Analysis of tax charge/(credit) in year*

	2014	2013
	£	£
<i>UK corporation tax</i>		
Corporation tax payable/(group relief receivable)	210,097	(47,248)
Over provision in respect of prior years	(1,911)	(14,519)
	<u>208,186</u>	<u>(61,767)</u>
<i>Deferred tax</i>		
Current year	(37,000)	(319,000)
Prior year	(9,000)	189,000
Impact of rate change	-	(318,000)
	<u>(46,000)</u>	<u>(448,000)</u>
Deferred tax credit (note 15)	(46,000)	(448,000)
Movement in deferred tax relating to pension scheme	403,000	92,000
	<u>565,186</u>	<u>(417,767)</u>



**Notes (continued)**

**8 Taxation (continued)**

*Factors affecting the tax charge/(credit) for the current year*

The current tax charge for the year is lower (2013: lower) than the weighted-average standard rate of corporation tax in the UK for the year of 21.66% (2013: 23.33%). The differences are explained below.

	2014 £	2013 £
<i>Current tax reconciliation</i>		
Profit/(loss) on ordinary activities before taxation	2,758,491	(1,610,294)
	<hr/>	<hr/>
Current tax at 21.66% (2013: 23.33%)	597,572	(375,706)
<i>Effects of:</i>		
Items not taxable or deductible for tax purposes	48,764	60,451
Movement in deferred tax	37,000	319,000
Deferred tax charge relating to pension scheme	(403,000)	(92,000)
Additional tax allowances	(40,219)	(181,267)
Over provision in respect of prior year	(1,911)	(14,519)
Other	(30,020)	222,274
	<hr/>	<hr/>
Current tax charge/(credit) (see above)	208,186	(61,767)
	<hr/> <hr/>	<hr/> <hr/>

Reductions in the UK corporation tax rate to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. This will reduce the company's future current tax rate accordingly. The deferred tax liability at 30 November 2014 has been calculated based on the rate of 20% substantively enacted at the balance sheet date.

**Notes (continued)**

**9 Tangible fixed assets**

	Freehold land and buildings £	Plant, machinery and fixtures £	Motor Vehicles £	Total £
<b>Cost</b>				
At beginning of year	18,219,903	47,321,709	7,656,167	73,197,779
Additions	8,916,876	4,772,846	4,167,128	17,856,850
Increase in restoration asset	3,310	-	-	3,310
Reclassifications	-	(90,216)	-	(90,216)
Disposals	-	(2,631,198)	(1,961,905)	(4,593,103)
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	27,140,089	49,373,141	9,861,390	86,374,620
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>				
At beginning of year	10,707,038	32,197,313	3,656,772	46,561,123
Charge for the year	391,166	3,792,579	1,488,627	5,672,372
On disposals	-	(2,221,660)	(1,684,367)	(3,906,027)
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	11,098,204	33,768,232	3,461,032	48,327,468
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net book value</b>				
At 30 November 2014	16,041,885	15,604,909	6,400,358	38,047,152
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 November 2013	7,512,865	15,124,396	3,999,395	26,636,656
	<hr/>	<hr/>	<hr/>	<hr/>

Included in land and buildings is freehold land at a cost of £5,874,569 (2013: £1,374,399) which is not depreciated. Also included are quarry restoration assets amounting, in aggregate, to £2,380,445 (2013: £2,377,135), aggregate depreciation/amortisation in respect of such assets amounted to £1,500,859 (2013: £1,401,362).

Also included within plant and machinery are assets held under hire purchase contracts with a net book value of £8,192,927 (2013: £6,333,051). Depreciation of £1,041,570 (2013: £896,942) was charged in the year.

Included within motor vehicles are assets held under hire purchase contracts with a net book value of £5,983,400 (2013: £3,209,066). Depreciation of £999,740 (2013: £630,805) was charged in the year.

**10 Fixed asset investments**

	2014 £	2013 £
At beginning of year	4,338,477	4,275,249
Investment income	74,262	63,228
Income received	(169,920)	-
Proceeds from sale of investments	(4,198,000)	-
	<hr/>	<hr/>
At end of year	44,819	4,338,477
	<hr/>	<hr/>

**Notes (continued)**

**11 Stocks**

	2014 £	2013 £
Raw materials and consumables	330,375	294,554
Development work in progress	7,572,326	9,277,936
Finished goods and goods for resale	2,406,758	2,124,127
	<u>10,309,459</u>	<u>11,696,617</u>

**12 Debtors**

	2014 £	2013 £
<i>Amounts falling due within one year</i>		
Trade debtors	8,434,149	9,334,823
Other debtors	2,776,961	1,649,751
Prepayments	796,877	373,808
Corporation tax/group relief	89,903	206,586
Director's loan account	-	2,213
	<u>12,097,890</u>	<u>11,567,181</u>
<i>Amounts falling due after more than one year</i>		
Amounts owed by group undertakings	1,785,232	2,041,457
	<u>13,883,122</u>	<u>13,608,638</u>

Included within trade debtors within one year is £260,234 (2013: £207,888) owed by group undertakings.

**13 Creditors: amounts falling due within one year**

	2014 £	2013 £
Bank loans and overdrafts (see below)	6,153,820	9,332,091
Trade creditors	2,823,053	2,551,710
Amounts owed to group undertakings	12,019,947	7,912,339
Other creditors including taxation and social security	954,884	1,744,308
Accruals and deferred income	4,405,955	2,770,333
Obligations under hire purchase contracts	3,530,435	2,427,103
Director's loan account	8,675	-
	<u>29,896,769</u>	<u>26,737,884</u>

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

Included within trade creditors is £103,998 (2013: £136,372) owed to group undertakings.

**Notes (continued)**

**14 Creditors: amounts falling due after more than one year**

	2014 £	2013 £
Bank loans	2,500,000	3,500,000
Obligations under hire purchase contracts	6,556,148	4,329,121
	<u>9,056,148</u>	<u>7,829,121</u>

Bank loans and overdrafts can be analysed as falling due:

	2014 £	2013 £
In one year or less, or on demand	6,153,820	9,332,091
Between one and two years	2,000,000	1,000,000
Between two and five years	500,000	2,500,000
	<u>8,653,820</u>	<u>12,832,091</u>

Bank loans consist of a term loan and revolving credit facility. The term loan is being repaid quarterly over seven years with the final quarterly repayment due in March 2017. The revolving credit facility, which is only partially drawn, is repayable in June 2016. Interest on the term loan and revolving credit facility is payable at rates between 2% and 2.75% over LIBOR.

The maturity of obligations under hire purchase contracts is as follows:

	2014 £	2013 £
Within one year	3,800,251	2,621,042
In the second to fifth years	6,814,211	4,509,139
	<u>10,614,462</u>	<u>7,130,181</u>
Less future finance charges	(527,879)	(373,957)
	<u>10,086,583</u>	<u>6,756,224</u>

Obligations under hire purchase contracts are secured over the related assets.

**Notes** *(continued)*

**15 Provisions for liabilities and charges**

	<b>Deferred taxation</b>	<b>Provision for restoration and aftercare</b>	<b>Total</b>
	£	£	£
At beginning of year	2,122,000	3,288,840	5,410,840
Increase in restoration asset	-	3,310	3,310
Increase in aftercare provision	-	357,706	357,706
Costs incurred in the year	-	(351,667)	(351,667)
Reclassification from tangible fixed assets	-	(90,216)	(90,216)
Unwinding of discount (note 7)	-	131,783	131,783
Credit to profit and loss account (note 8)	(46,000)	-	(46,000)
	<hr/>	<hr/>	<hr/>
<b>At end of year</b>	<b>2,076,000</b>	<b>3,339,756</b>	<b>5,415,756</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The elements of deferred taxation are as follows:

	<b>2014</b>	<b>2013</b>
	£	£
Difference between accumulated depreciation and amortisation and capital allowances	<b>1,155,000</b>	1,184,000
Other timing differences	<b>921,000</b>	938,000
	<hr/>	<hr/>
	<b>2,076,000</b>	2,122,000
	<hr/> <hr/>	<hr/> <hr/>

The deferred tax liability is provided at a rate of 20% (2013: 20%).

**16 Called up share capital**

	<b>2014</b>	<b>2013</b>
	£	£
<i>Allotted, called up and fully paid</i>		
478,750 ordinary shares of £1 each	<b>478,750</b>	478,750
239,375 non voting 'A' ordinary shares of £1 each	<b>239,375</b>	239,375
	<hr/>	<hr/>
	<b>718,125</b>	718,125
	<hr/> <hr/>	<hr/> <hr/>

## Notes (continued)

### 17 Reserves

	Profit and loss account £	Revaluation reserve £	Total £
At beginning of year	15,422,974	128,000	15,550,974
Profit for the financial year	2,193,305	-	2,193,305
Transfer from revaluation reserve	80,000	(80,000)	-
Actuarial loss recognised in pension scheme	(3,481,000)	-	(3,481,000)
Deferred tax arising on loss in the pension scheme	697,000	-	697,000
Increase in revaluation reserve	-	1,031,364	1,031,364
	<hr/>	<hr/>	<hr/>
<b>At end of year</b>	<b>14,912,279</b>	<b>1,079,364</b>	<b>15,991,643</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

### 18 Reconciliation of movement in shareholders' funds

	2014 £	2013 £
Profit/(loss) for the financial year	2,193,305	(1,192,527)
Actuarial (loss)/gain recognised in pension scheme	(3,481,000)	2,110,000
Deferred tax arising on (loss)/gain in the pension scheme	697,000	(487,000)
Increase in revaluation reserve	1,031,364	-
	<hr/>	<hr/>
Net increase in shareholders' funds	440,669	430,473
Opening shareholders' funds	16,269,099	15,838,626
	<hr/>	<hr/>
Closing shareholders' funds	16,709,768	16,269,099
	<hr/> <hr/>	<hr/> <hr/>

### 19 Contingent liabilities

The company has a contingent liability in relation to performance bonds amounting to £1,651,520 (2013: £1,453,520).

The company has granted a floating charge in favour of Clydesdale Bank PLC in respect of unlimited guarantees that have been given in respect of overdraft and other related facilities granted to fellow group undertakings. At 30 November 2014, the value of such facilities utilised elsewhere in the group was £nil (2013: £nil).

### 20 Commitments

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

	2014 £	2013 £
Contracted	3,035,131	1,241,305
	<hr/> <hr/>	<hr/> <hr/>

**Notes (continued)**

**21 Reconciliation of operating profit/(loss) to operating cash flows**

	2014 £	2013 £
Operating profit/(loss)	2,953,817	(1,223,484)
Exceptional item – contract settlement	-	880,178
Depreciation charges	5,672,372	5,894,273
Gain on disposal of tangible fixed assets	(645,887)	(493,337)
Decrease/(increase) in development work in progress	1,705,610	(3,752,876)
Increase in stocks	(318,452)	(6,309)
(Increase)/decrease in debtors	(647,392)	417,915
Increase/(decrease) in creditors	1,126,216	(2,031,405)
Increase/(decrease) in provisions	6,039	(191,967)
Pension scheme service costs	493,000	540,000
Pension scheme contributions	(348,000)	(641,000)
Pension scheme curtailment	(1,631,000)	-
	<hr/>	<hr/>
<b>Net cash inflow/(outflow) from operating activities</b>	<b>8,366,323</b>	<b>(608,012)</b>
	<hr/> <hr/>	<hr/> <hr/>

**22 Reconciliation of net cash flow to movement in net debt**

	2014 £	2013 £
Decrease in cash in the year	(821,396)	(1,241,414)
Cash outflow/(inflow) from decrease/(increase) in debt	3,657,726	(2,549,231)
	<hr/>	<hr/>
<b>Change in net debt resulting from cash flows</b>	<b>2,836,330</b>	<b>(3,790,645)</b>
	<hr/>	<hr/>
New hire purchase financing – non-cash item	(6,400,087)	(4,198,309)
Reallocation of tax payments made on behalf of other group undertakings – non-cash item	-	224,837
Interest accrued on participant loans – non-cash item	-	(6,411)
Group relief – non-cash item	48,169	(46,739)
	<hr/>	<hr/>
<b>Non cash movements</b>	<b>(6,351,918)</b>	<b>(4,026,622)</b>
	<hr/>	<hr/>
<b>Movement in net debt in the year</b>	<b>(3,515,588)</b>	<b>(7,817,267)</b>
Net debt at 1 December	(25,458,641)	(17,641,374)
	<hr/>	<hr/>
<b>Net debt at 30 November</b>	<b>(28,974,229)</b>	<b>(25,458,641)</b>
	<hr/> <hr/>	<hr/> <hr/>

## Notes (continued)

### 23 Analysis of net debt

	At beginning of year £	Cash flow £	Other non cash changes £	At end of year £
<i>Net cash:</i>				
Cash at bank	556	333	-	889
Overdraft	(4,332,091)	(821,729)	-	(5,153,820)
	<u>(4,331,535)</u>	<u>(821,396)</u>	<u>-</u>	<u>(5,152,931)</u>
<i>Debt/funding:</i>				
Amounts owed to group undertakings (net)	(5,870,882)	(4,412,002)	48,169	(10,234,715)
Bank loans due within one year	(5,000,000)	5,000,000	(1,000,000)	(1,000,000)
Bank loans due after one year	(3,500,000)	-	1,000,000	(2,500,000)
Obligations under hire purchase contracts	(6,756,224)	3,069,728	(6,400,087)	(10,086,583)
	<u>(21,127,106)</u>	<u>3,657,726</u>	<u>(6,351,918)</u>	<u>(23,821,298)</u>
<b>Total</b>	<u>(25,458,641)</u>	<u>2,836,330</u>	<u>(6,351,918)</u>	<u>(28,974,229)</u>

### 24 Related party disclosures

The company is controlled by its parent undertaking, Patersons Quarries Limited. The directors consider the ultimate controlling party to be W Paterson.

Exemption has been taken from disclosing transactions with other group undertakings under paragraph 17 of Financial Reporting Standard 8.

As disclosed in note 13, the company has a creditor relating to a director's loan account with W Paterson. The balance on this account at the year end was £8,675 (2013: debtor of £2,213).

In November 2014, the company purchased a number of properties at market value of £8,493,000 to a partnership in which three of the parent undertaking's participants were members. In connection with the transaction, the company received payment of £4,198,000 being the return of its original contribution to the partnership and the partnership has since been wound up. The company previously rented certain of these properties from the partnership; rent paid to the partnership during the year amounted to £136,000 (2013: £136,000). During the year, the company supplied £499,247 of goods to the partnership (2013: £124,188). At the year end, the company had a debtor balance due from the partnership of £nil (2013: £31,657).

### 25 Ultimate parent undertaking

The company is a subsidiary undertaking of Patersons Quarries Limited which is the ultimate parent undertaking, a company incorporated in Scotland.

The largest and smallest group in which the results of the company are consolidated is that headed by Patersons Quarries Limited. No other group financial statements include the results of the company. The consolidated financial statements of this group are available to the public and may be obtained from the Registrar of Companies.



**Notes** *(continued)*

**26 Pension scheme**

The company operates a funded defined benefit pension scheme that closed to future benefit accrual in July 2014. The assets of the scheme are held separately from those of the company in an independently administered fund. A full actuarial valuation was carried out at 31 July 2013 and has been updated to 30 November 2014 by a qualified independent actuary.

<b>Change in benefit obligation:</b>	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
Benefit obligation at beginning of year	23,494	22,879
Current service cost	493	540
Interest cost	1,032	961
Scheme participants' contributions	135	201
Actuarial losses/(gains)	2,755	(340)
Scheme curtailment	(1,631)	-
Benefits paid	(749)	(747)
	<hr/>	<hr/>
Benefit obligation at end of year	<b>25,529</b>	<b>23,494</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>Change in scheme assets:</b>	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
Fair value of scheme assets at beginning of year	23,452	20,328
Expected return on scheme assets	1,560	1,259
Actuarial (losses)/gains	(726)	1,770
Employer contributions	348	641
Member contributions	135	201
Benefits paid	(749)	(747)
	<hr/>	<hr/>
Fair value of scheme assets at end of year	<b>24,020</b>	<b>23,452</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>Funded status – deficit recognised (before deferred tax)</b>	<b>(1,509)</b>	<b>(42)</b>
Deferred tax asset at 20% (2013: 20%)	302	8
	<hr/>	<hr/>
<b>Net pension liability</b>	<b>(1,207)</b>	<b>(34)</b>
	<hr/> <hr/>	<hr/> <hr/>

**Notes (continued)**

**26 Pension scheme (continued)**

<b>Components of pension cost:</b>	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
Current service cost	493	540
Interest cost	1,032	961
Expected return on scheme assets	(1,560)	(1,259)
Scheme curtailment	(1,631)	-
	<hr/>	<hr/>
Total pension (credit)/cost recognised in profit and loss account	(1,666)	242
	<hr/> <hr/>	<hr/> <hr/>
Whereof:		
(Credited)/charged to operating profit	(1,138)	540
Credited to interest	(528)	(298)
	<hr/>	<hr/>
	(1,666)	242
	<hr/> <hr/>	<hr/> <hr/>
Actuarial losses/(gains) immediately recognised in STRGL	3,481	(2,110)
	<hr/> <hr/>	<hr/> <hr/>
Cumulative amount of actuarial losses immediately recognised	6,940	3,459
	<hr/> <hr/>	<hr/> <hr/>

**Scheme assets**

The weighted-average asset allocation was as follows:

<b>Asset category</b>	<b>Scheme assets</b>	<b>Scheme assets</b>
	<b>At 30 November</b>	<b>At 30 November</b>
	<b>2014</b>	<b>2013</b>
Equities	62%	67%
Bonds	33%	25%
Gilts	3%	4%
Cash	-	2%
Other assets	2%	2%
	<hr/>	<hr/>
	100%	100%
	<hr/> <hr/>	<hr/> <hr/>

To develop the expected long-term rate of return on assets assumption, the directors considered the current level of returns on risk free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class. The expected return for each asset class was then weighted based on the target asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio. This resulted in a return of 6.69% for the year ended 30 November 2014 and a return of 5.81% for the year ending 30 November 2015.

**Notes (continued)**

**26 Pension scheme (continued)**

	Year to 30 November 2014	Year to 30 November 2013
Actual return on scheme assets - £000	834	3,029

**Weighted average assumptions used to determine benefit obligations at:**

Discount rate	3.70%	4.50%
Rate of salary increase	n/a	3.70%
Rate of increase of pensions in payment (CPI 5%)	2.30%	2.60%
Rate of increase of pensions in payment (RPI 2.5%)	2.20%	2.40%
Rate of increase of pensions in deferment	2.50%	2.70%
Inflation	3.50%	3.70%

**Weighted average assumptions used to determine net pension cost for year ended:**

	2014	2013
Discount rate	4.50%	4.20%
Expected long-term return on scheme assets	6.69%	6.18%
Rate of salary increase	3.70%	2.90%
Rate of increase of pensions in payment (CPI 5%)	2.60%	2.30%
Rate of increase of pensions in payment (RPI 2.5%)	2.40%	2.20%
Inflation	3.70%	2.90%

**Weighted average life expectancy for mortality tables used to determine benefit obligations at 30 November 2014:**

	Male	Female
Member age 65 (current life expectancy)	20.1 years	23.3 years
Member age 45 (life expectancy at age 65)	21.8 years	25.2 years

If life expectancy had been changed to assume that all members of the scheme lived for one year longer, the value of the reported liabilities at 30 November 2014 would have increased by around £730,000 before deferred tax.

**Five year history**

	2014 £000	2013 £000	2012 £000	2011 £000	2010 £000
Benefit obligation at end of year	25,529	23,494	22,879	18,780	17,458
Fair value of scheme assets at end of year	24,020	23,452	20,328	18,144	17,047
Deficit	(1,509)	(42)	(2,551)	(636)	(411)
Difference between actual and expected return on scheme assets:					
- due to experience	(726)	1,770	1,096	(512)	1,584
- percentage of scheme assets	(3%)	8%	5%	(3%)	9%
Gains/(losses) arising on scheme liabilities:					
- due to experience	-	782	(1,467)	375	72
- percentage of scheme liabilities	-	3%	(6%)	2%	0%
- due to change of basis	(2,755)	(442)	(1,771)	(809)	1,151
- percentage of scheme liabilities	(11%)	(2%)	(8%)	(4%)	7%

**Contributions**

The company expects to contribute £70,000 to the pension scheme in the financial year ending 30 November 2015.

The company contributed £133,770 to defined contribution pension schemes during the year ended 30 November 2014.