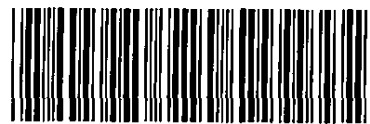


# **K Hughes & Co. Limited**

## **Annual Report**

**for the year ended 31 December 2011**

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## **K Hughes & Co. Limited**

### **Company Information**

<b>Directors</b>	Kevin Hughes Kieran Hughes
<b>Company secretary</b>	Emmet Hughes
<b>Company number</b>	NI011061
<b>Registered office</b>	118 Trewmount Road Dungannon Tyrone BT71 7EF
<b>Independent auditors</b>	PricewaterhouseCoopers LLP Chartered Accountants & Statutory Auditors 32 Linen Green Dungannon Tyrone BT71 7HB
<b>Bankers</b>	First Trust Bank Limited 18 – 20 Scotch Street Dungannon Tyrone BT70 1AR
<b>Solicitors</b>	P A Duffy & Company 5 – 7 Irish Street Dungannon Tyrone BT70 1JW

# **K Hughes & Co. Limited**

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**Directors' report  
for the year ended 31 December 2011**

The directors present their report and the audited financial statements of the company for the year ended 31 December 2011.

**Directors' responsibilities statement**

The directors are responsible for preparing the Directors' report and the audited financial statements of the company in accordance with applicable law and regulations.

Company law requires the directors to prepare audited financial statements of the company for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 accounting estimates that are reasonable and prudent;
- prepare the audited financial statements of the company 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 audited financial statements of the company comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Principal activities**

The company's principal activities during the year was that of the growing, processing and marketing of mushrooms, general haulage and rental income from investment properties.

**Business review**

The directors consider the results for the year and the position of the company at the year end to be satisfactory. The company will continue to seek every opportunity to increase profitable turnover. The directors are committed to long term creation of shareholder value by increasing the company's market share through organic growth.

**Principle risks and uncertainties**

The management of the business and the execution of the company's strategy are subject to a number of risks. The key business risks and uncertainties affecting the company are considered to relate to competition and maintaining a continuous flow of mushrooms for resale.

**Directors' report  
for the year ended 31 December 2011**

**Key performance indicators**

The company's key performance indicators are as follows:

	<b>2011</b>	<b>2010</b>	<b>2009</b>
Gross profit margin	8.5%	9.3%	9.5%
Movement in sales	21.9%	(5.29%)	6.06%
Net profit before tax margin	3.6%	3.6%	3.6%

**Environment**

The company recognises its corporate responsibility to carry out its operations whilst minimising environmental impacts. The directors' continued aim is to comply with all applicable environmental legislation, prevent pollution and reduce waste wherever possible.

**Health and safety**

The company is committed to achieving the highest practicable standards in health and safety management and strives to make its sites and offices safe environments for employees and customers alike.

**Human resources**

The company's most important resource is its people, their knowledge and experience is crucial to meeting customer requirements. Retention of key staff is critical and the company has invested increasingly in employment and development.

**Financial risk management**

The company's operations expose it to some financial risks which include the effects of foreign exchange interest, liquidity risk and interest rate risk. Given the size of the company, the directors have not delegated the responsibility for monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the company's finance department.

**Price Risk**

The company is exposed to commodity price risk as a result of its operations. However, given the size of the company's operations, the costs of managing exposure to commodity price risk exceed any potential benefits. The directors will revisit the appropriateness of this policy should the company's operations change in size or nature. The company has no exposure to equity securities price risk as it holds no listed or other equity investments.

**Liquidity risk**

The company actively maintains a mixture of long-term and short-term debt finance that is designed to ensure the company has sufficient available funds for operations and planned expansions.

**Interest rate cash flow risk**

The company has interest bearing liabilities. The company has a policy of maintaining debt at a competitive rate to ensure a reasonable degree of certainty over future interest cash flows. The directors will revisit the appropriateness of this policy should the company's operations change in size or nature.

## **K Hughes & Co. Limited**

### **Directors' report for the year ended 31 December 2011**

#### **Results and dividends**

The profit for the year, after taxation, amounted to £488,661 (2010 - £400,685).

No interim dividends (2010: £84,000) were paid during the year. The directors do not recommend the payment of a final dividend £Nil (2010: £Nil).

#### **Directors**

The directors who served during the year and up to the date of signing the financial statements were:

Kevin Hughes  
Kieran Hughes

#### **Political and charitable contributions**

The company made no charitable or political donations during the year (2010: £Nil)

#### **Land and buildings**

There is no material difference between the value of the land and buildings at the balance sheet date and their open market value.

#### **Statement of disclosure of information to Independent auditors**

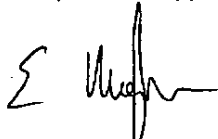
Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company's auditors in connection with preparing their report and to establish that the company's auditors are aware of that information.

#### **Independent auditors**

The auditors, PricewaterhouseCoopers LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 19 June 2012 and signed on its behalf.



**Emmet Hughes**  
Secretary

**Independent auditors' report to the members of K Hughes & Co. Limited**

We have audited the financial statements of K Hughes & Co. Limited for the year ended 31 December 2011 which comprise the Profit and Loss account, the Balance Sheet, the Cash Flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

**Respective responsibilities of directors and auditors**

As explained more fully in the Directors' responsibilities statement set out on page 1, 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.

This report including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the directors' report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

**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 31 December 2011 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Opinion on other matter prescribed by the Companies Act 2006**

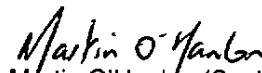
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Independent auditors' report to the members of K Hughes & Co. Limited**

**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.

  
Martin O'Hanlon (Senior statutory auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
32 Linen Green  
Dungannon  
Tyrone  
BT71 7HB

19 June 2012



# K Hughes & Co. Limited

## Profit and loss account for the year ended 31 December 2011

	Note	2011 £	2010 £
<b>Turnover</b>	1,2	17,772,529	14,583,754
Cost of sales		(16,266,515)	(13,228,260)
<b>Gross profit</b>		1,506,014	1,355,494
Distribution costs		(148,958)	(150,890)
Administrative expenses		(636,923)	(601,404)
Other operating income		-	1,551
<b>Operating profit</b>	3	720,133	604,751
Interest payable and similar charges	6	(80,093)	(82,216)
<b>Profit on ordinary activities before taxation</b>		640,040	522,535
Tax on profit on ordinary activities	7	(151,379)	(121,850)
<b>Profit for the financial year</b>		488,661	400,685

All amounts relate to continuing operations.

The company has no recognised gains and losses other than those included in the results above and therefore no separate statement of total recognised gains and losses has been presented.

There is no material difference between the profit on ordinary activities before taxation and the profit for the financial year stated above, and their historical cost equivalents.

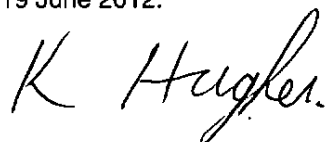
The notes on pages 9 to 19 form part of these financial statements.

**K Hughes & Co. Limited**  
**Registered number: NI011061**

**Balance sheet**  
**as at 31 December 2011**

	Note	£	2011 £	£	2010 £
<b>Fixed assets</b>					
Tangible assets	8		1,470,743		1,315,252
Investment property	9		1,869,885		1,869,885
			<u>3,340,628</u>		<u>3,185,137</u>
<b>Current assets</b>					
Stocks	11	86,619		164,028	
Debtors	12	2,907,351		2,782,696	
Cash at bank and in hand		24,588		15,086	
			<u>3,018,558</u>	<u>2,961,810</u>	
<b>Creditors:</b> amounts falling due within one year	13	(2,699,712)		(2,838,818)	
<b>Net current assets</b>			<u>318,846</u>		<u>122,992</u>
<b>Total assets less current liabilities</b>			<u>3,659,474</u>		<u>3,308,129</u>
<b>Creditors:</b> amounts falling due after more than one year	14		(1,299,298)		(1,444,283)
<b>Provisions for liabilities</b>					
Deferred taxation	15		(163,692)		(164,626)
<b>Accruals and deferred income</b>	16		(168,186)		(159,583)
<b>Net assets</b>			<u>2,028,298</u>		<u>1,539,637</u>
<b>Capital and reserves</b>					
Called up share capital	17		22,000		22,000
Capital redemption reserve	18		11,000		11,000
Profit and loss account	18		1,995,298		1,506,637
<b>Total shareholders' funds</b>	19		<u>2,028,298</u>		<u>1,539,637</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 19 June 2012.



**Kieran Hughes**  
Director

The notes on pages 9 to 19 form part of these financial statements.

**Cash flow statement  
for the year ended 31 December 2011**

	<b>Note</b>	<b>2011 £</b>	<b>2010 £</b>
Net cash flow from operating activities	21	960,884	348,224
Returns on investments and servicing of finance	22	(80,093)	(80,391)
Taxation		(162,559)	(111,148)
Capital expenditure and financial investment	22	(286,712)	(88,000)
Equity dividends paid		-	(84,000)
<b>Net cash inflow/(outflow) before financing</b>		<b>431,520</b>	<b>(15,315)</b>
Financing	22	(308,049)	(417,508)
<b>Increase/(decrease) in net cash in the year</b>		<b>123,471</b>	<b>(432,823)</b>

**Reconciliation of net cash flow to movement in net debt  
for the year ended 31 December 2011**

	<b>2011 £</b>	<b>2010 £</b>
Increase/(decrease) in net cash in the year	123,471	(432,823)
Cash outflow from decrease in debt and lease financing	308,049	50,871
<b>Movement in net debt in the year</b>	<b>431,520</b>	<b>(381,952)</b>
Net debt at 1 January	(2,511,865)	(2,129,913)
<b>Net debt at 31 December</b>	<b>(2,080,345)</b>	<b>(2,511,865)</b>

The notes on pages 9 to 19 form part of these financial statements.

**Notes to the financial statements  
for the year ended 31 December 2011**

**1. Accounting policies**

**1.1 Basis of preparation of financial statements**

These financial statements have been prepared on the going concern basis under the historical cost convention, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom, the principal accounting policies, which have been applied consistently throughout the year, are set out below.

**1.2 Basis of consolidation**

These financial statements contain information about the company as an individual company and do not contain consolidated financial information as the parent undertaking of a group. The company is exempt under the special provisions of Companies Act 2006 from the requirement to prepare consolidated financial statements as the subsidiary company is dormant.

**1.3 Turnover**

Turnover comprises revenue recognised by the company in respect of goods and services supplied during the year, exclusive of Value Added Tax and trade discounts.

**1.4 Tangible fixed assets and depreciation**

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Freehold property	-	2% Straight line
Plant and machinery	-	15% Reducing balance
Motor vehicles	-	25% Reducing balance
Office equipment	-	20% Straight line

Freehold land is not depreciated

**1.5 Investment properties**

Investment properties are included in the Balance sheet at their open market value in accordance with Statement of Standard Accounting Practice No.19 and are not depreciated. This treatment is contrary to the Companies Act 2006 which states that fixed assets should be depreciated but is, in the opinion of the directors, necessary in order to give a true and fair view of the financial position of the company.

**1.6 Debtors**

Debtors are stated after all known bad debts have been written off and specific provision has been made against all debts considered doubtful of collection.

**Notes to the financial statements  
for the year ended 31 December 2011**

**1. Accounting policies (continued)**

**1.7 Hire purchase**

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a "finance lease". The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful economic life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments.

Rentals under operating leases are charged to the profit and loss account as incurred.

**1.8 Stocks**

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads.

**1.9 Deferred taxation**

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are not discounted.

**1.10 Foreign currencies**

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date.

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction.

Exchange gains and losses are recognised in the profit and loss account.

**1.11 Government grants**

Government grants relating to tangible fixed assets are treated as deferred income and released to the profit and loss account over the expected useful lives of the assets concerned. Other grants are credited to the profit and loss account as the related expenditure is incurred.

**1.12 Pensions**

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year.

**Notes to the financial statements  
for the year ended 31 December 2011**

**2. Turnover**

The whole of the turnover is attributable to growing, processing and marketing of mushrooms, general haulage and rental income from investment properties.

All turnover arose within the United Kingdom.

**3. Operating profit**

The operating profit is stated after charging/(crediting):

	2011 £	2010 £
Depreciation of tangible fixed assets:		
- owned by the company	193,620	145,474
- held under finance leases	-	5,283
Auditors' remuneration	11,500	11,500
Research and development expenditure	15,961	(9,138)
Loss on disposal of tangible fixed assets	-	700
Deferred capital grants released	(20,197)	(34,462)
	<u>          </u>	<u>          </u>

**4. Staff costs**

Staff costs, including directors' remuneration, were as follows:

	2011 £	2010 £
Wages and salaries	773,455	735,496
Social security costs	76,884	73,264
Other pension costs	4,161	4,810
	<u>          </u>	<u>          </u>
	<u>854,500</u>	<u>813,570</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2011 Number	2010 Number
Production	31	32
Selling and distribution	1	1
Administration	7	7
	<u>          </u>	<u>          </u>
	<u>39</u>	<u>40</u>

**5. Directors' remuneration**

	2011 £	2010 £
Aggregate remuneration	<u>94,450</u>	<u>99,782</u>

**Notes to the financial statements  
for the year ended 31 December 2011**

Retirement benefits are accruing to two (2010:two) of the directors under the defined contribution schemes.

**6. Interest payable and similar charges**

	2011 £	2010 £
On bank loans and overdrafts	75,533	75,762
On hire purchase contracts	60	1,954
Other interest payable and similar charges	4,500	4,500
	<u>80,093</u>	<u>82,216</u>

**7. Tax on profit on ordinary activities**

	2011 £	2010 £
<b>Analysis of tax charge in the year</b>		
<b>Current tax</b> (see note below)		
UK corporation tax charge on profit for the year	152,313	103,063
<b>Deferred tax</b>		
Accelerated capital allowances and other timing differences	10,440	18,787
Changes in tax rate	(11,374)	-
<b>Total deferred tax</b> (see note 15)	<u>(934)</u>	<u>18,787</u>
<b>Tax on profit on ordinary activities</b>	<u>151,379</u>	<u>121,850</u>

**Factors affecting tax charge for the year**

The tax assessed for the year is lower than (2010 - lower than) the standard rate of corporation tax in the UK of 26% (2010 - 28%). The differences are explained below:

	2011 £	2010 £
Profit on ordinary activities before taxation	<u>640,040</u>	<u>522,535</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 26% (2010 - 28%)	166,410	146,310
<b>Effects of:</b>		
Expenses not deductible for tax purposes	12,245	12,568
Accelerated capital allowances and other timing differences	(15,837)	(18,787)
Deferred credits	-	(10,223)
Marginal Relief	(10,505)	(18,643)
Industrial building allowances treated as a permanent difference due to Finance Act 2007 changes	-	(8,162)
<b>Total current tax</b> (see note above)	<u>152,313</u>	<u>103,063</u>

**Notes to the financial statements  
for the year ended 31 December 2011**

**7. Tax on profit on ordinary activities (continued)**

**Factors that may affect future tax charges**

Deferred tax liabilities have not been discounted.

**8. Tangible fixed assets**

	Freehold property £	Plant and machinery £	Motor vehicles £	Office equipment £	Total £
<b>Cost</b>					
At 1 January 2011	1,422,668	1,796,143	523,542	260,384	4,002,737
Additions	-	349,111	-	-	349,111
At 31 December 2011	1,422,668	2,145,254	523,542	260,384	4,351,848
<b>Accumulated depreciation</b>					
At 1 January 2011	816,738	1,226,791	432,285	211,671	2,687,485
Charge for the year	14,917	137,758	22,815	18,130	193,620
At 31 December 2011	831,655	1,364,549	455,100	229,801	2,881,105
<b>Net book value</b>					
At 31 December 2011	591,013	780,705	68,442	30,583	1,470,743
At 31 December 2010	605,930	569,352	91,257	48,713	1,315,252

**9. Investment property**

	Freehold investment properties £
<b>Cost</b>	
At 1 January 2011 and 31 December 2011	1,869,885



# K Hughes & Co. Limited

## Notes to the financial statements for the year ended 31 December 2011

### 10. Fixed asset investments

	2011 £	2010 £
Cost at 1 January 2011 and 31 December 2011	30,000	30,000
Amounts written off at 1 January 2011 and 31 December 2011	(30,000)	(30,000)
Net book amount	-	-

This represents 100% of the issued share capital of K Hughes Compost (Moy) Limited which was incorporated in Northern Ireland and its principal activity was that of compost making.

A decision was taken during 1999 to close down K Hughes Compost (Moy) Limited due to the irreversible losses being incurred. The investment by K Hughes & Co Limited is considered to be of £Nil value and has been written off together with other irrecoverable inter-company debt.

### 11. Stocks

	2011 £	2010 £
Finished goods and goods for resale	86,619	164,028

### 12. Debtors

	2011 £	2010 £
Trade debtors	2,295,639	2,225,491
Amounts owed by group undertakings	400,111	400,111
Other debtors	204,355	142,594
Prepayments and accrued income	7,246	14,500
	2,907,351	2,782,696

### 13. Creditors: Amounts falling due within one year

	2011 £	2010 £
Bank loans and overdrafts	702,571	816,540
Other loans	103,064	263,564
Net obligations under hire purchase contracts	-	2,564
Trade creditors	1,184,911	1,153,516
Corporation tax	152,313	162,559
Other taxation and social security	18,507	18,501
Other creditors	117,566	116,378
Accruals and deferred income	420,780	305,196
	2,699,712	2,838,818

**Notes to the financial statements  
for the year ended 31 December 2011**

**14. Creditors:  
Amounts falling due after more than one year**

	2011 £	2010 £
Bank loans	1,150,476	1,270,509
Other loans	148,822	173,774
	<u>1,299,298</u>	<u>1,444,283</u>

Included within the above are amounts falling due as follows:

	2011 £	2010 £
<b>Between one and two years</b>		
Bank loans	170,736	170,736
Other loans	103,064	60,944
	<u>273,800</u>	<u>231,680</u>
<b>Between two and five years</b>		
Bank loans	512,208	512,208
Other loans	45,758	112,830
	<u>557,966</u>	<u>625,038</u>
<b>Over five years</b>		
Bank loans	467,532	587,565
	<u>467,532</u>	<u>587,565</u>

Creditors include amounts wholly repayable within 5 years as follows:

	2011 £	2010 £
Repayable by instalments	467,532	587,565
	<u>467,532</u>	<u>587,565</u>

**Security**

The loans are secured as follows:

- A mortgage debenture incorporating a fixed and floating charge over company assets;
- Legal charge over new factory premises at Trewmount Road, Dungannon; and

The bank loan is repayable over 13 years by quarterly capital and interest repayments at £42,684. Interest is charged a 3 months LIBOR plus 3%. Other loans are repayable at £15,884 per quarter. Interest is charged at 1.5% per annum.

**Notes to the financial statements  
for the year ended 31 December 2011**

**15. Deferred taxation**

	2011 £	2010 £
At beginning of year	164,626	145,839
(Released)/charged during/charge for year	(934)	18,787
At end of year	<u>163,692</u>	<u>164,626</u>

The provision for deferred taxation is made up as follows:

	2011 £	2010 £
Accelerated capital allowances	<u>163,692</u>	<u>164,626</u>

**16. Accruals and deferred income**

	2011 £	2010 £
Grants	<u>168,186</u>	<u>159,583</u>

**17. Called up share capital**

	2011 £	2010 £
<b>Allotted, called up and fully paid</b>		
22,000 (2010: 22,000) ordinary shares of £1 each	<u>22,000</u>	<u>22,000</u>

**18. Reserves**

	Capital redempt'n reserve £	Profit and loss account £
At 1 January 2011	11,000	1,506,637
Profit for the financial year	-	488,661
At 31 December 2011	<u>11,000</u>	<u>1,995,298</u>

Notes to the financial statements  
for the year ended 31 December 2011

19. Reconciliation of movement in shareholders' funds

	2011 £	2010 £
Opening shareholders' funds	1,539,637	1,589,589
Profit for the financial year	488,661	400,685
Dividends (Note 20)	-	(84,000)
Purchase of own shares	-	(366,637)
Closing shareholders' funds	<u>2,028,298</u>	<u>1,539,637</u>

20. Dividends

	2011 £	2010 £
Dividends paid on equity capital	<u>-</u>	<u>84,000</u>

21. Net cash flow from operating activities

	2011 £	2010 £
Operating profit	720,133	604,751
Depreciation of tangible fixed assets	193,620	150,757
Loss on disposal of tangible fixed assets	-	700
Amortisation of government grants	-	(34,462)
Decrease/(increase) in stocks	77,409	(61,721)
Increase in debtors	(124,655)	(215,145)
Increase/(decrease) in creditors	94,377	(96,656)
Net cash inflow from operating activities	<u>960,884</u>	<u>348,224</u>

22. Analysis of cash flows netted in the cash flow statement

	2011 £	2010 £
Returns on investments and servicing of finance		
Interest paid	(80,033)	(78,437)
Hire purchase interest	(60)	(1,954)
Net cash outflow from returns on investments and servicing of finance	<u>(80,093)</u>	<u>(80,391)</u>

**Notes to the financial statements  
for the year ended 31 December 2011**

**22. Analysis of cash flows netted in the cash flow statement (continued)**

	2011 £	2010 £
<b>Capital expenditure and financial investment</b>		
Purchase of tangible fixed assets	(286,712)	(88,500)
Sale of tangible fixed assets	-	500
	<u>(286,712)</u>	<u>(88,000)</u>
<b>Net cash outflow from capital expenditure</b>	<u>(286,712)</u>	<u>(88,000)</u>
	2011 £	2010 £
<b>Financing</b>		
Purchase of ordinary shares	-	(366,637)
New secured loans	42,485	-
Repayment of loans	(347,970)	(45,133)
Repayment of finance leases	(2,564)	(5,738)
	<u>(308,049)</u>	<u>(417,508)</u>
<b>Net cash outflow from financing</b>	<u>(308,049)</u>	<u>(417,508)</u>

**23. Analysis of net debt**

	1 January 2011 £	Cash flow £	31 December 2011 £
Cash at bank and in hand	15,086	9,502	24,588
Bank overdraft	(645,804)	113,969	(531,835)
	<u>(630,718)</u>	<u>123,471</u>	<u>(507,247)</u>
<b>Debt:</b>			
Finance leases	(2,564)	2,564	-
Debts due within one year	(434,300)	160,500	(273,800)
Debts falling due after more than one year	(1,444,283)	144,985	(1,299,298)
	<u>(2,511,865)</u>	<u>431,520</u>	<u>(2,080,345)</u>
<b>Net debt</b>	<u>(2,511,865)</u>	<u>431,520</u>	<u>(2,080,345)</u>

**24. Contingent liabilities**

There is a contingent liability to repay certain government grants received under the terms of a letter of offer from Invest NI if the company fails to achieve and maintain the specified conditions. In the opinion of the directors the terms of the letter of offer have been complied with, and no loss is expected.

**Notes to the financial statements  
for the year ended 31 December 2011**

**25. Related party transactions and ultimate controlling party**

No one shareholder of the company holds a majority shareholding therefore there is deemed to be no ultimate controlling party.

The company has identified the following transactions, which fall to be disclosed under Financial Reporting Standard 8 "Related Party Disclosures".

K Hughes Compost (Moy) Limited, is a wholly owned subsidiary of K Hughes & Co. Limited.

**Transactions with subsidiary company**

At 31 December 2011, the parent company was owed £400,111 (2010: £400,111) by its subsidiary, being the result of inter-company trading management income and other amounts paid for on its behalf less payments made by the subsidiary on the parent company's behalf.

The directors of the company are deemed to be related parties due to their position within the company. At the 31 December 2011 the following balances were due (to)/from the company in respect of loans made to the directors, Mr Kieran Hughes, £2,411, (2010: £10,410) and Mr Kevin Hughes, (£1,223), 2010:(£8,776).