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Registered no: NI 11061

**K Hughes & Co. Limited**  
**Abbreviated financial statements**  
**for the year ended 31 December 2007**

DEPARTMENT OF ENTERPRISE  
TRADE AND INVESTMENT

**1 6 JUL 2008**

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# **K Hughes & Co. Limited**

## **Abbreviated financial statements for the year ended 31 December 2007**

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## Directors and advisers

### Directors

Kevin Hughes  
Kieran Hughes  
Malachy Hughes

### Secretary

Patricia Crossey

### Registered office

118 Trewmount Road  
Dungannon  
Co Tyrone  
BT71 7EF

### Solicitors

P A Duffy & Company  
5 – 7 Irish Street  
Dungannon  
Co Tyrone  
BT70 1JW

### Bankers

First Trust Bank Limited  
18 – 20 Scotch Street  
Dungannon  
Co Tyrone  
BT70 1AR

### Registered auditors

PricewaterhouseCoopers LLP  
18 Northland Row  
Dungannon  
Co Tyrone  
BT71 6AP

## Directors' report for the year ended 31 December 2007

The directors present their report and the audited financial statements for the year ended 31 December 2007.

### Principal activities

The principal activities of the company are that of the growing, processing and marketing of mushrooms, general haulage and rental income from investment properties.

### Review of business and future developments

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.

### Performance

The directors are committed to long term creation of shareholder value by increasing the company's market share through organic growth.

### Risks

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.

### *Key performance indicators*

Given the straightforward nature of the business, the company's directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business.

### *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 and has introduced appropriate incentive and career progression arrangements.

## Financial risk management

The company's operations expose it to a variety of financial risks that include the effects of changes in debt market prices, credit risk, liquidity risk and interest rate risk. Given the size of the company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board.

### 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.

## Directors' report for the year ended 31 December 2007 – (continued)

### Foreign exchange risk

While the greater part of the company's revenues and expenses are denominated in sterling, the company is exposed to some foreign exchange risk in the normal course of business, principally on sales in euros. While the company has not used financial instruments to date to hedge foreign exchange exposure, this position is kept constantly under review.

### Credit risk

The company has implemented policies that require appropriate credit checks on potential customers before sales are made. The amount of exposure to individual customers is subject to a limit, which is reassessed regularly by the board.

### 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.

## Results and dividends

The company's profit for the financial year is £113,503 (2006: loss £67,831). Interim dividends of £60,000 (2006: £159,000) were paid during the year. The directors do not recommend the payment of a final dividend (2006: £Nil).

## Directors

The directors, who held office during the year, are given below:

Kevin Hughes  
Kieran Hughes  
Malachy Hughes

## Political and charitable donations

The company made no charitable donations during the year (2006: £744). No donations for political purposes were made during the year.

## Events after the balance sheet date

Please refer to note 28 of the financial statements.

## Statement of directors' responsibilities in respect of the annual report and the financial statements

The directors are responsible for preparing the Annual 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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.

## Directors' report for the year ended 31 December 2007 – (continued)

In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

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 the financial statements comply with the Companies (Northern Ireland) Order 1986. 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.

### Statement of disclosure of information to auditors

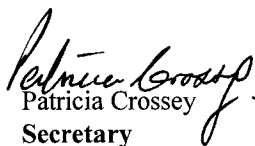
So far as each of the directors in office at the date of approval of these financial statements is aware:

- there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

### Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office, and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

By order of the Board

  
Patricia Crossey  
Secretary  
26 June 2008

## Independent auditors' report to the directors of K Hughes & Co Limited under Article 255B of the Companies (Northern Ireland) Order 1986

We have examined the abbreviated financial statements set out on pages 6 to 19 together with the financial statements of K Hughes & Co Limited for the year ended 31 December 2007 prepared under Article 234 of the Companies (Northern Ireland) Order 1986.

### Respective responsibilities of directors and auditors

The directors are responsible for preparing the abbreviated financial statements in accordance with Article 254 of the Companies (Northern Ireland) Order 1986. It is our responsibility to form an independent opinion as to whether the company is entitled to deliver abbreviated financial statements prepared in accordance with Articles 254(5) and (6) of the Order to the Registrar of Companies and whether the abbreviated financial statements have been properly prepared in accordance with those provisions and to report our opinion to you.

This report, including the opinion, has been prepared for and only for the company's directors for the purpose of Article 255B of the Companies (Northern Ireland) Order 1986 and for no other purpose. We do not, in giving this opinion, 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.

### Basis of opinion

We conducted our work in accordance with Bulletin 2006/3 "The special auditor's report on abbreviated accounts in the United Kingdom" issued by the Auditing Practices Board. In accordance with that Bulletin we have carried out the procedures we consider necessary to confirm, by reference to the financial statements, that the company is entitled to deliver abbreviated financial statements and that the abbreviated financial statements to be delivered are properly prepared.

### Opinion

In our opinion the company is entitled to deliver abbreviated financial statements prepared in accordance with Articles 254 (5) and (6) of the Companies (Northern Ireland) Order 1986, and the abbreviated financial statements have been properly prepared in accordance with those provisions.



**PricewaterhouseCoopers LLP**

Chartered Accountants and Registered Auditors

Dungannon

26 June 2008

## Abbreviated profit and loss account for the year ended 31 December 2007

(Abbreviated in accordance with the provisions of the  
Companies (Northern Ireland) Order 1986)

	Notes	2007 £	2006 £
<b>Gross profit</b>		<b>804,492</b>	696,140
Net operating expenses	3	(548,468)	(690,830)
<b>Operating profit</b>	4	<b>256,024</b>	5,310
Interest receivable and similar income		2,056	1,102
Interest payable and similar charges	7	(155,500)	(92,251)
<b>Profit/(loss) on ordinary activities before taxation</b>		<b>102,580</b>	(85,839)
Tax on profit/(loss) on ordinary activities	8	10,923	18,008
<b>Profit/(loss) for the financial year</b>	22	<b>113,503</b>	(67,831)

All amounts above relate to continuing operations of the company.

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

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

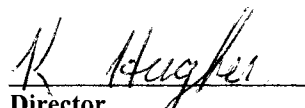


## Abbreviated balance sheet at 31 December 2007

(Abbreviated in accordance with the provisions of the  
Companies (Northern Ireland) Order 1986)

	Notes	2007 £	2006 £
<b>Fixed assets</b>			
Tangible assets	10	3,111,155	2,891,444
<b>Current assets</b>			
Stocks	12	135,793	122,125
Debtors	13	2,298,859	2,092,937
Cash at bank and in hand		23,166	54,795
		2,457,818	2,269,857
<b>Creditors: amounts falling due within one year</b>	14	(2,000,665)	(1,897,739)
<b>Net current assets</b>		457,153	372,118
<b>Total assets less current liabilities</b>		3,568,308	3,263,562
<b>Creditors: amounts falling due after more than one year</b>	15	(1,517,472)	(1,321,020)
<b>Provisions for liabilities</b>	17	(99,141)	(111,313)
<b>Accruals and deferred income</b>	18	(219,827)	(152,864)
<b>Net assets</b>		1,731,868	1,678,365
<b>Capital and reserves</b>			
Called up share capital	20	33,000	33,000
Profit and loss reserve	21	1,698,868	1,645,365
<b>Shareholders' funds</b>	22	1,731,868	1,678,365

The abbreviated financial statements have been prepared in accordance with the special provisions of Part VIII of the Companies (Northern Ireland) Order 1986 relating to medium-sized companies.

  
Director  
26 June 2008

**Cash flow statement  
for the year ended 31 December 2007**

	Notes	2007 £	2006 £
<b>Net cash inflow from operating activities</b>	23	<b>110,647</b>	<b>219,846</b>
<b>Returns on investments and servicing of finance</b>			
Interest paid		(142,832)	(87,566)
Interest element of hire purchase and finance lease payments		(8,725)	(7,227)
Interest received		2,867	-
		(148,690)	(94,793)
<b>Taxation</b>			
Corporation tax paid		-	(21,167)
<b>Capital expenditure and financial investment</b>			
Purchase of tangible fixed assets		(399,250)	(635,116)
Sale of tangible fixed assets		183,500	250
Capital grants received		91,275	9,325
		(124,475)	(625,541)
<b>Dividends paid to shareholders</b>		<b>(60,000)</b>	<b>(159,000)</b>
<b>Net cash outflow before financing</b>		<b>(222,518)</b>	<b>(680,655)</b>
<b>Financing</b>			
New loan received		350,000	600,000
Repayment of bank loan		(94,999)	(11,920)
Repayment of principal under hire purchase contracts		(147,008)	(84,393)
		107,999	503,687
<b>Decrease in cash in the year</b>	24 - 25	<b>(114,519)</b>	<b>(176,968)</b>

## Notes to the abbreviated financial statements for the year ended 31 December 2007

### 1 Accounting policies

These financial statements are prepared on the going concern basis under the historical cost convention and in accordance with the Companies (Northern Ireland) Order 1986 and applicable accounting standards. The principal accounting policies are set out below.

#### Basis of consolidation

The financial statements contain information about K Hughes & Co Limited as an individual company and do not contain consolidated financial information as the parent of a group.

The company is exempt under Article 256 of the Companies (Northern Ireland) Order 1986 from the requirement to prepare consolidated financial statements as the group it heads qualifies as a medium-sized group.

#### Tangible fixed assets

The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition. Depreciation is calculated so as to write off the cost of tangible fixed assets, over the expected useful economic lives of the assets concerned. The principal annual rates and bases used for this purpose are as follows:

Freehold buildings	-	2% straight line
Plant, machinery and fixtures	-	15% reducing balance
Office equipment	-	15% reducing balance and 20% straight line
Motor vehicles	-	25% reducing balance

In accordance with SSAP 19, (i) investment properties are revalued annually, and (ii) no depreciation or amortisation is provided in respect of investment properties. The requirement of the Companies (Northern Ireland) Order 1986 is to depreciate all properties, but that requirement conflicts with the generally accepted accounting policy set out in SSAP 19. The directors consider to depreciate such properties would not give a true and fair view, but that a true and fair view is given by following SSAP 19 as described above. If this departure had not been made the loss for the financial year would have been increased by £34,814 (2006: £34,814).

#### Investment properties

Investment properties are stated at open market value. In accordance with SSAP 19 Investment properties are not depreciated. This treatment is a departure from the requirements of the Companies (Northern Ireland) Order 1986 concerning depreciation of fixed assets, however, these properties are not held for consumption but for investment and the directors consider that systematic annual depreciation would be inappropriate. The accounting policy adopted is therefore necessary for the accounts to give a true and fair view. Depreciation or amortisation is only one of the many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

#### Stocks

Stocks are stated at the lower of cost and net realisable value. Provision is made for slow moving and obsolete stock.

#### 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.

#### Turnover

Turnover represents the invoiced value of goods supplied during the year excluding value added tax and is net of sales returns, trade discounts and rebates. Revenue is recognised upon delivery of products, which is when title to the product is transferred to the customer. In relation to rental income revenue is recognised upon issue of a rental invoice.

**Notes to the abbreviated financial statements for the year ended 31 December 2007**
**1 Accounting policies (continued)**
**Deferred taxation**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Deferred tax assets are recognised to the extent that they are regarded as recoverable. Deferred tax assets are regarded as recoverable to the extent that, on the basis of all available evidence, 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 recognised have not been discounted.

**Government grants**

Grants that relate to specific capital expenditure are treated as deferred income, which is then credited to the profit and loss account over the related asset's useful life. Other grants are credited to the profit and loss account when received.

**Foreign currencies**

Transactions denominated in foreign currencies are translated at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date or the exchange rate of a related foreign exchange contract where appropriate. Non-monetary assets and liabilities denominated in foreign currencies and translated at the rate of exchange at the date of the transaction. The resulting gain or loss is dealt with in the profit and loss account.

**Leased assets**

Where assets are financed by leasing agreements that give rights approximating to ownership ('finance leases') the assets are treated as if they had been purchased outright. The corresponding leasing commitments are shown as obligations to the lessor. Depreciation is charged to the profit and loss account on a straight line basis over the shorter of the lease terms and the useful lives of equivalent owned assets. Lease payments are treated as consisting of capital and interest elements and the interest is charged to revenue in proportion to the reducing capital element outstanding.

Rentals under operating leases are charged to revenue as incurred.

**Pension costs**

The company operates a defined contribution scheme for specific directors and employees. Contributions are charged to the profit and loss account in the period to which they relate.

**2 Analysis of turnover**

Turnover relates to the company's main activities which are carried out in the United Kingdom.

**3 Net operating expenses**

	2007	2006
	£	£
Distribution costs	62,012	56,008
Administration expenses	552,784	634,822
Less: other operating income	(66,328)	-
	548,468	690,830

**Notes to the abbreviated financial statements for the year ended 31 December 2007**
**4 Operating profit**

	2007	2006
	£	£
<b>Operating profit is stated after charging/(crediting)</b>		
Staff costs (Note 5)	874,717	947,912
Depreciation:		
- owned assets	133,257	138,813
- under hire purchase contracts	7,982	36,141
(Profit)/loss on disposal of fixed assets	(31,350)	4,506
Auditors' remuneration	11,000	9,900
Amortisation of government grants	(24,312)	(15,186)

**5 Employee information**

	2007	2006
	£	£
<b>Staff costs</b>		
Wages and salaries	786,891	844,760
Social security costs	77,806	77,732
Other pension costs	10,020	25,420
	874,717	947,912

	Number	Number
<b>Average monthly number of persons (including directors) employed by the company during the year by activity:</b>		
Production	37	36
Selling and distribution	1	1
Administration	7	7
	45	44

**6 Directors' emoluments**

	2007	2006
	£	£
Aggregate emoluments	128,601	172,628
Compensation for loss of office	-	30,000
Company pension contributions to money purchase scheme	-	15,839

Retirement benefits are accruing to three of the directors under the defined contribution schemes.

**7 Interest payable and similar charges**

	2007	2006
	£	£
Interest payable on bank loan and overdraft	146,775	85,024
Interest on hire purchase and finance leases agreements	8,725	7,227
	155,500	92,251

## Notes to the abbreviated financial statements for the year ended 31 December 2007

## 8 Tax on profit on ordinary activities

	2007	2006
	£	£
<b>Current tax:</b>		
UK corporation tax/ (refund) at 20% (2006: 19%)	1,249	(21,167)
<b>Total current tax</b>	<b>1,249</b>	<b>(21,167)</b>
<b>Deferred tax:</b>		
Accelerated capital allowances and other timing differences	9,260	3,159
Adjustment in respect of Finance Act 2007 enactment (Note 18)	(28,869)	-
Adjustment in respect of prior periods	1,579	-
Adjustment in respect of rate change	5,858	-
<b>Total deferred tax</b>	<b>(12,172)</b>	<b>3,159</b>
<b>Tax on profit on ordinary activities</b>	<b>(10,923)</b>	<b>(18,008)</b>

The tax assessed for the period differs from the standard rate of corporation tax in the UK for small companies of 20%.  
The differences are explained below:

	2007	2006
	£	£
<b>Profit/(loss) on ordinary activities before tax</b>	<b>102,580</b>	<b>(85,839)</b>
Profit/(loss) on ordinary activities multiplied by standard rate in the UK for small companies 20% (2006:19%)	20,516	(16,309)
Effects of:		
Expenses not deductible for tax purposes	11,335	3,168
Accelerated capital allowances and other timing differences	(9,260)	(3,159)
Deferred credits	(3,037)	(2,885)
Research and development tax relief	-	(1,982)
Profits taxed at 19%	(16)	-
Industrial building allowances treated as a permanent difference due to Finance Act 2007 changes	(18,289)	-
<b>Current tax charge for the period</b>	<b>1,249</b>	<b>(21,167)</b>

## Factors that may affect future tax charges:

Deferred tax liabilities have not been discounted.

## 9 Dividends

	2007	2006
	£	£
Interim paid	60,000	159,000

## Notes to the abbreviated financial statements for the year ended 31 December 2007

## 10 Tangible fixed assets

	Investment properties £	Freehold land and buildings £	Plant, machinery and fixtures £	Motor lorries £	Motor cars £	Office equipment £	Total £
<b>Cost</b>							
At 1 January 2007	1,467,115	1,421,021	1,426,597	733,968	86,374	166,636	5,301,711
Additions	345,790	1,647	30,410	93,000	36,700	5,553	513,100
Disposals	-	-	-	(406,500)	(37,500)	-	(444,000)
<b>At 31 December 2007</b>	<b>1,812,905</b>	<b>1,422,668</b>	<b>1,457,007</b>	<b>420,468</b>	<b>85,574</b>	<b>172,189</b>	<b>5,370,811</b>
<b>Accumulated depreciation</b>							
At 1 January 2007	-	702,945	978,167	532,634	71,218	125,303	2,410,267
Charge for the year	-	28,434	69,525	27,205	9,346	6,729	141,239
Disposals	-	-	-	(258,928)	(32,922)	-	(291,850)
<b>At 31 December 2007</b>	<b>-</b>	<b>731,379</b>	<b>1,047,692</b>	<b>300,911</b>	<b>47,642</b>	<b>132,032</b>	<b>2,259,656</b>
<b>Net book amount</b>							
<b>At 31 December 2007</b>	<b>1,812,905</b>	<b>691,289</b>	<b>409,315</b>	<b>119,557</b>	<b>37,932</b>	<b>40,157</b>	<b>3,111,155</b>
At 31 December 2006	1,467,115	718,076	448,430	201,334	15,156	41,333	2,891,444

The net book value of tangible fixed assets includes an amount of £46,182 (2006: £151,041) in respect of assets held under hire purchase and finance lease agreements.

## 11 Investment

	2007 £	2006 £
Cost	30,000	30,000
Amounts written down	(30,000)	(30,000)
<b>Net book value</b>	<b>-</b>	<b>-</b>

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.

## 12 Stocks

	2007 £	2006 £
Goods for resale	135,793	122,125

**Notes to the abbreviated financial statements for the year ended 31 December 2007**
**13 Debtors**

	2007	2006
	£	£
Trade debtors	1,637,777	1,485,732
Amounts owed by group undertaking	400,111	400,111
Other debtors	235,574	178,208
Corporation tax	21,167	21,167
Prepayments and accrued income	4,230	7,719
	<b>2,298,859</b>	<b>2,092,937</b>

Amounts owed by group undertakings are unsecured, interest free and have no fixed date of repayment.

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

	2007	2006
	£	£
Bank loans (Note 16)	151,941	99,318
Bank overdraft	919,923	837,033
Obligations under hire purchase agreements (Note 16)	28,160	55,392
Trade creditors	580,490	671,172
Corporation tax	1,249	-
Other tax and social security	23,583	25,515
Other creditors	143,397	125,495
Accruals and deferred income	151,922	83,814
	<b>2,000,665</b>	<b>1,897,739</b>

**Security**

The bank overdraft is secured by a mortgage debenture over the company assets.

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

	2007	2006
	£	£
Bank loan (Note 16)	1,491,140	1,288,762
Obligations under hire purchase (Note 16)	26,332	32,258
	<b>1,517,472</b>	<b>1,321,020</b>



**Notes to the abbreviated financial statements for the year ended 31 December 2007**
**16 Loans and other borrowing**

	2007	2006
	£	£
Bank loans and overdrafts	1,071,864	936,351
Obligations under hire purchase and finance lease agreements	54,492	87,650
	<b>1,136,356</b>	<b>1,024,001</b>
<b>Maturity of financial liabilities</b>		
Less than one year, or on demand	1,100,024	936,351
Between one and two years	330,214	190,778
Between two and five years	455,823	475,560
After more than five years	731,435	654,682
	<b>2,617,496</b>	<b>2,257,371</b>

**Security**

One of the bank loans is repayable by monthly instalments of £6,632.00 over a maximum period of 15 years. Interest is at LIBOR plus 1.25%. A second bank loan is repayable over a 10 year period by monthly repayments of £7,776.46 commencing in July 2008. Interest is charged at LIBOR plus 1.25%. A third bank loan is repayable over a 10 year period by monthly repayments of £4,282.96 commencing in July 2008. Interest is at LIBOR plus 1.25%. Security is as detailed below:

- A mortgage debenture incorporating a fixed and floating charge over company assets including a first charge over business premises at Trewmount Road, Dungannon;
- Legal charge over new factory premises at Trewmount Road, Dungannon; and
- Title to goods held under asset finance agreements.

**17 Provisions for liabilities**

		Deferred taxation £
At 1 January 2007		111,313
Credited to the profit and loss account		(12,172)
<b>At 31 December 2007</b>		<b>99,141</b>
<b>Deferred tax comprises:</b>	<b>2007</b>	<b>2006</b>
	£	£
Accelerated capital allowances	110,238	121,583
Other timing differences	(11,097)	(10,270)
	<b>99,141</b>	<b>111,313</b>

**Notes to the abbreviated financial statements for the year ended 31 December 2007**
**18 Accruals and deferred income**

**Government  
grants  
£**

At 1 January 2007	152,864
Additions in the year	91,275
Amortisation in the year	(24,312)
<b>At 31 December 2007</b>	<b>219,827</b>

**19 Pension obligations**

The pension cost charge represents contributions payable by the company to the scheme and amounts to £10,020 (2006: £9,581).

**20 Called up share capital**

	2007 £	2006 £
<b>Authorised</b>		
50,000 ordinary shares of £1 each	50,000	50,000
<b>Allotted, and fully paid</b>		
33,000 (2006: 33,000) ordinary shares of £1 each	33,000	33,000

**21 Reserves**

	£
At 1 January 2007	1,645,365
Profit for the financial year	113,503
Dividends paid	(60,000)
<b>At 31 December 2007</b>	<b>1,698,868</b>

**22 Reconciliation of movements in shareholders' funds**

	2007 £	2006 £
Profit/(loss) for the financial year	113,503	(67,831)
Dividends	(60,000)	(159,000)
Net movement during year	53,503	(226,831)
Opening shareholders' funds	1,678,365	1,905,196
<b>Closing shareholders' funds</b>	<b>1,731,868</b>	<b>1,678,365</b>

**Notes to the abbreviated financial statements for the year ended 31 December 2007**
**23 Reconciliation of operating profit to net cash inflow from operating activities**

	2007 £	2006 £
Operating profit	256,024	5,310
Depreciation charge	141,259	174,954
(Profit)/loss on disposal of fixed assets	(31,350)	4,506
Amortisation of government grants	(24,312)	(15,186)
Movement in stocks	(13,668)	(14,369)
Movement in debtors	(206,753)	26,446
Movement in creditors	(10,553)	38,185
<b>Net cash inflow from operating activities</b>	<b>110,647</b>	<b>219,846</b>

**24 Analysis of net debt**

	1 January 2007 £	Cash flow £	Non-cash changes £	31 December 2007 £
Cash at bank and in hand	54,795	(31,629)	-	23,166
Bank overdraft	(837,033)	(82,890)	-	(919,923)
<b>Net debt</b>	<b>(782,238)</b>	<b>(114,519)</b>	<b>-</b>	<b>(896,757)</b>
Debt due within one year	(99,318)	(52,623)	-	(151,941)
Debt due after one year	(1,288,762)	(202,378)	-	(1,491,140)
Hire purchase and finance leases	(87,650)	147,008	(113,850)	(54,492)
<b>Net debt</b>	<b>(1,475,730)</b>	<b>(107,993)</b>	<b>(113,850)</b>	<b>(1,697,573)</b>
<b>Net funds</b>	<b>(2,257,968)</b>	<b>(222,512)</b>	<b>(113,850)</b>	<b>(2,594,330)</b>

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

	2007 £
Decrease in cash in financial year	(114,519)
Cash flow from movement in debt	(107,993)
Change in net debt resulting from cash flows	(222,512)
<b>Non-cash changes</b>	
New hire purchase obligations	(113,850)
Movement in net funds in the year	(336,362)
Net debt at beginning of the year	(2,257,968)
<b>Net debt at end of year</b>	<b>(2,594,330)</b>

**Notes to the abbreviated financial statements for the year ended 31 December 2007**

**26 Capital commitments**

	2007	2006
	£	£
<b>Capital expenditure</b>		
Contracts place for future capital expenditure but not provided in the financial statements	30,580	-

**27 Contingent liabilities**

There is a contingent liability to repay certain government grants received under the terms of a letter of offer from LEDU 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.

**28 Events after the balance sheet date**

Announcements were made in the March 2007 Budget that the following changes to the corporation tax legislation would be enacted in the 2007 and 2008 Finance Acts:

- (i) the increase in the standard rate of corporation tax for small companies from 19 to 20% from 1 April 2007 onwards (FA 2007);
- (ii) the abolition of balancing adjustments on the sale of an industrial building (FA 2007);
- (iii) the phasing out of industrial buildings allowances from 2008 onwards (FA 2008); and
- (iv) the increase in the standard rate of corporation tax for small companies from 20 to 21% from 1 April 2008 onwards (FA 2008);

As changes (i) and (ii) above had been substantively enacted at the balance sheet date, the numbers reported in the financial statements have been adjusted for the above changes as follows: -

- (i) The effect of the change in the standard rate of corporation tax for small companies to 21% has resulted in an increase in the deferred tax liability of £4,957.
- (ii) The effect of the abolition of balancing adjustments enacted in FA 2007 has been to reduce the deferred tax liability at 31 December 2007 by £28,869 to £99,141. This is because, under FRS 19, once all conditions for retaining industrial buildings allowances have been met, any deferred tax in respect of the building must be reversed out. This condition is met once the balancing adjustments are abolished. This £28,869 decrease in the deferred tax liability has increased the profit and loss by £28,869.

The changes to be enacted in FA 2008 would have no further effect on the deferred tax liability provided at 31 December 2007.

The UK government also announced that the rate of Corporation Tax for small companies will be increased from 20 % to 21 % with effect from 1 April 2008. In accordance with United Kingdom Generally Accepted Accounting Practice, the existing rate of 20 % is still used as a basis for the calculation of the deferred income taxes stated in these financial statements. If the new rate of Corporation Tax were applied to the current year financial statements, deferred tax liabilities would increase by £4,957 at the balance sheet date. The impact of the change in rate for the year ended 31 October 2008 will depend on the taxable income for the year then ended.

## Notes to the abbreviated financial statements for the year ended 31 December 2007

### 29 Related party transactions and ultimate controlling party

The directors each hold an equal number of shares in the company and 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".

#### Transactions with subsidiary company

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

At 31 December 2007, the parent company was owed £400,111 (2006: £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.

#### Directors

Included within other creditors (Note 14) is a balance of £3,887 (2006: debtor £739) relating to a loan from the company to Messrs Kieran, Malachy and Kevin Hughes directors of the company.

The company rented a store during the year from Mr Kieran Hughes, the total rent paid was £16,000 (2006: £16,000) and has been included within research and development costs within the profit and loss account.