

# CLUGSTON GROUP LIMITED

## Annual Report

Year ended 31 January 2012

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COMPANIES HOUSE

# **CLUGSTON GROUP LIMITED**

## **DIRECTORS, OFFICERS AND ADVISERS**

**Executive directors** John Westland Antony Clugston DL FCIHT AMIQ (Chairman)  
Stephen Frederick Martin BSc MBA FRICS FCIOB FRSA MCIArb CCMI (Chief Executive)  
Michael Howard Bales BSc FCA CTA  
Stephen John Radcliffe BSc FICE

**Non-executive directors** Mark Edward Hancock BSc MA  
John Anthony Brian Kelly RD LLB FCA

**Secretary** Michael Howard Bales BSc FCA CTA

**Registered office** St Vincent House  
Normanby Road  
Scunthorpe  
North Lincolnshire  
DN15 8QT  
  
Tel 01724 843491  
  
[www.clugston.co.uk](http://www.clugston.co.uk)

**Auditors** Ernst & Young LLP  
1 Bridgewater Place  
Water Lane  
Leeds  
LS11 5QR

**Bankers** The Royal Bank of Scotland plc  
Cumberland Place  
Nottingham  
NG1 7ZS

# CLUGSTON GROUP LIMITED

## CHAIRMAN'S STATEMENT

The origins of Clugston Group can be traced back to the formation of Clugston Cawood Ltd on the 1 November 1937 when my father, Leonard Clugston, or 'LG' as he was affectionately known, supervised the construction of two new plants - a blast furnace slag crushing and screening plant producing aggregates, railway ballast, biological filter media and surface dressing chippings and also the then most modern coating plant in the country producing tarred and bituminous macadam

As iron and steelworks closed throughout the country, the company had to diversify and it is, therefore, fitting that three-quarters of a century later we have grown into a group of highly specialised businesses in construction, distribution and property development

I am delighted to report that Clugston Group is celebrating 75 years in business by delivering significant improvements in revenue, margin and cash balances. Group turnover increased by 29% from £65m to £83.8m and we reversed a loss of £4.4m to deliver a profit before taxation of £2m. Cash balances increased more than eight fold from £1.86m to £15.75m

In recognition of this set of results, a final dividend of 5p per share will be recommended by the Board of Directors for approval at the Annual General Meeting and would be paid on 6 July 2012 to shareholders on the register as at 28 June 2012

We remain optimistic about the future as we have secured an impressive forward order book in our construction business, we are entering new markets in our logistics business and our property development activities are making considerable progress. However, it does remain our view that the medium term economic outlook will remain difficult as there are no signs of any imminent return to the growth of the pre credit-crunch days

In celebration of our 75th anniversary we wish to leave a legacy by supporting a number of local and national charities. Throughout the coming year we will be organising many fundraising activities with the objective of raising £75,000 for worthy causes. I am immensely proud of all the hard work and effort our employees are putting into reaching this target. I know it will be well received by the various charities in these austere times

Finally, on behalf of the Board, I would like to thank all of our loyal employees, supply chain partners, shareholders, customers and advisers for their continued support. We look forward to celebrating the Queen's Diamond Jubilee, the Olympics and the 75th Anniversary of Clugston Group Limited



J W A CLUGSTON  
Chairman

26 April 2012

# CLUGSTON GROUP LIMITED

## CHIEF EXECUTIVE'S REVIEW

### Overview

The year to 31 January 2012 resulted in profit before taxation of £2.0m

The Group's performance is analysed as follows

	2012 £000	2011 £000
Operating profit/(loss) before exceptional items		
Construction activities	4,219	(2,318)
Logistics activities	(454)	(218)
Property and other activities	(693)	(112)
	3,072	(2,648)
Exceptional items	(877)	(1,292)
Net interest payable	(184)	(435)
Profit before taxation	2,011	(4,375)

### Construction

We are pleased to report a 34% increase in turnover from £55m to £73.8m and a return to profitability given the continued challenging conditions in the construction market. A key driver for this significant improvement was our success in securing three major contracts in the energy from waste sector, in conjunction with our joint venture partner, Constructions Industrielles de la Méditerranée SA, at Lincolnshire, Staffordshire and Oxfordshire. These three schemes will add to our significant forward order book and we are delighted to have been selected as preferred bidder on three further major energy from waste schemes.

We are, however, fully aware that the construction market will remain tough, in terms of both declining work opportunities and increasingly aggressive price levels, for some years to come. Indeed, as a result of experiencing a significant drop in volume in relation to AMP5 spending by the regulated water companies, we have now withdrawn from the drainage rehabilitation market. We have also made the decision to wind down our reactive maintenance business in Scotland which provided a local authority with specialist drainage services.

Securing profitable work continues to be a challenge. Nevertheless, we are confident of our ability to deliver both year-on-year turnover and profit growth as highlighted by recent successes in securing work within the energy from waste, leisure, health, education, industrial and commercial sectors. Our facilities management capability continues to grow. We are pleased to have secured work with a number of new industrial clients. Furthermore, good progress has been made with our refurbishment and fit-out business.

### Logistics

Turnover increased slightly to £9.8m from £9.6m, however margins remained under pressure resulting in a £0.45m loss which was a further reduction on last year's result of a £0.22m loss. Continuing pressure from fuel costs affected the operation with year-on-year fuel spend increasing by £0.4m. Whilst the majority of this cost was protected by customer fuel mechanisms, the time lag on such recovery and those customers with no mechanism accounted for an under recovery of £0.12m.

The business continues to be impacted by the loss of a major contract in the bulk industrial powders transportation sector in the previous year. We are beginning to mitigate this impact by securing workload from new customers due to a recent upturn in demand. Our new specialist intermodal powder operation is growing from a standing start by moving customers' containers from Hull, Immingham and Teesside.

Our steel transportation, warehousing and commercial vehicle maintenance activities are continuing to offset general market volume reductions through diversification whilst volumes in our bulk food activities remain flat.

As part of our strategic vision to diversify operational services into new market sectors, we invested in eight new tractor units to establish a curtain sided fleet. This fleet entered service in September and is already working for a broad range of new customers. To further complement our specialist logistics services, we recently made the decision to invest in four new 44 tonne tanker combinations to allow us to enter the fuel distribution market. These tankers will come into service over the coming months and will provide a flexible resourcing solution for customers by capitalising on the location of our main Scunthorpe base close to the Humber refineries.

### Property

The year has proved challenging in terms of converting enquiries, particularly with regards to banks remaining very reluctant to lend on new opportunities. Despite the difficult economic situation we managed to make substantial progress on several schemes.

Barmston Developments Limited was selected as the preferred bidder for a Managed Workspace Innovation Centre by Sunderland City Council at our fifty-two acre Turbine Business Park development. The site was selected based on strict evaluation criteria and it scored highly on measures such as deliverability and location as it is located adjacent to the Nissan manufacturing plant in Sunderland. Furthermore, following general cross sector interest we are now in advanced discussions with a major car parts supplier with regard to a potential major warehousing requirement.

# CLUGSTON GROUP LIMITED

## CHIEF EXECUTIVE'S REVIEW (continued)

### Property (continued)

At Lakeside Partnership Limited in Scunthorpe completion took place on our remaining plot and we are now in the process of winding down this joint venture

Brayford Partnership Limited remains in negotiations with the city planners in Lincoln to determine a planning permission for our one remaining plot. We were close to agreement with an interested party for its disposal when it had to withdraw due to funding issues. We are now in discussion with two further interested parties and we remain positive on the potential for this site.

At Redhouse Projects Limited in Doncaster we are making progress on maximising the value of the remaining office development land. Regrettably, the remaining warehousing and distribution plot has not attracted much interest during the year due to continued oversupply of existing new build stock in the region.

In relation to our land at Southedge Quarry in Hipperholme, we continue towards submitting a planning application for a 40 acre mixed use residential and commercial scheme.

### Cash

We continue to manage for balance sheet strength. Total cash balances at the year end were £15.75m compared to £1.86m in the previous year. The increase in net cash primarily reflects positive cashflows on major construction projects coupled with a return to profitable trading.

### Sustainability

We continue to promote sustainable performance in all areas of the Group. A further reduction of both waste produced and the carbon footprint of the business has been achieved. Indicators by which we measure Health and Safety and Environmental performance are comparable to other leading businesses in each of our sectors.

Reducing CO<sub>2</sub> emissions is high on our agenda and our logistics business recently signed an agreement with CO<sub>2</sub>Sense, a Community Interest Company, to develop a Sustainability Strategy. The agreement will see both companies working together to identify ways to develop and implement an environmental programme of activity.

We are in the process of installing 'Safer Driving Assistant' software to promote fuel and carbon efficient driving. This provides our commercial vehicle drivers with real time 'in cab' alerts about their driving style. We have also upgraded the Transport Management System.

We are now on-site constructing three major energy from waste facilities which will each assist the UK in meeting its obligations under the EU Landfill Directive. We continue to undertake sustainable construction solutions to benefit local communities through schemes such as a recently completed project in Sunderland for Sustainable Enterprise Strategies. The building is constructed from 37 used shipping containers that were adapted and reconditioned to create a 3-storey complex of approximately 10,000 sq ft of office space and is the only one of its kind in the region.

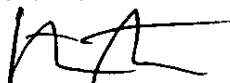
Once again, our culture of collaboration, innovation, sustainability and Health and Safety across all businesses was recognised by securing a British Safety Council National Safety Award (30<sup>th</sup> consecutive year) and a RoSPA Presidents Award (13<sup>th</sup> consecutive year). Furthermore, we are delighted to be the overall winner of the North Lincolnshire Health and Safety Group Award.

### Outlook

In our construction activities we have secured a considerable forward order book in the energy from waste sector that will allow us to continue to be successful in a very difficult economic situation. We will continue to secure further profitable work through a combination of regional, product and service focussed businesses. It is particularly pleasing to note that we recently secured our first project under the Partnership for Schools Contractors Framework when we were announced as preferred bidder for Cleethorpes Academy.

With regard to our logistics activities, we are focussing our attention on developing further sectors and locations in which to utilise our specialist skills. We will continue to invest in our fleet as demonstrated by the recent delivery of our first four petrochemical tankers to enable us to grow a fuel distribution specialism.

In relation to our property development activities, we will continue to pursue a number of potential medium term opportunities. Our short term focus will remain on our major site at Sunderland and a number of smaller development schemes in Yorkshire.



S F MARTIN  
Chief Executive

26 April 2012

## **DIRECTORS' REPORT**

The directors present their report and the audited accounts for the year ended 31 January 2012

### **Results and dividends**

The Group profit for the financial year was £1,161,000 (2011 – loss of £3,456,000) and no dividends were paid in the year. The directors recommend the payment of a final dividend of 5p per share on 6 July 2012.

### **Principal activities and business review**

The principal activity of the Group during the period was the provision of industrial services, including building and civil engineering contracting, facilities management, drainage renovation, logistics services and property development.

The statutory information required concerning the review of the business, future developments, principal risks and uncertainties together with the Group's policy on health, safety and the environment are contained in the Chairman's statement and Chief Executive's review.

### **Employees**

Applications for employment received from disabled people, with appropriate qualifications and experience, are given full and fair consideration. Should employees suffer disabilities they will retain their jobs, wherever possible, or will be offered suitable alternative work if it is available.

It is appreciated that the success of any business is dependent upon the abilities and capabilities of its employees and our personnel are encouraged to acquire qualifications and skills for the mutual benefit of themselves and the Group. It is also part of our objective for employees to attain professional, managerial and technical skills and this is encouraged through internal training courses.

Good communication at all levels is accepted as being an essential factor in relationships with our employees. This is achieved in a number of ways, including newsletters, electronic bulletin boards, notice boards as well as regular oral updates at team meetings.

### **Going concern**

The directors believe that the Group is well-placed to manage its business risks successfully, despite the current uncertain economic outlook, and that the Company and the Group have sufficient financial resources to maintain the businesses going forward. Accordingly, the directors continue to adopt the going concern basis in preparing the annual report and accounts.

### **Directors of the Company**

The directors during the year ended 31 January 2012 were those listed on page 2 and Mr R J Clarke, who resigned on 7 June 2011.

In accordance with the articles of association, Messrs M H Bales and S J Radcliffe retire by rotation and, being eligible, offer themselves for re-election.

The Company has professional indemnity insurance covering the directors and officers.

### **Charitable donations**

During the period the Company contributed £6,280 to the Clugston Charitable Settlement.

### **Disclosure of information to the auditors**

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing their report, of which the auditor is unaware. Having made enquiries of fellow directors and the Group's auditor, each director has taken all the obligatory steps to become aware of any relevant audit information and to establish that the auditor is aware of that information.

### **Auditors**

In accordance with Section 485 of the Companies Act 2006, a resolution is to be proposed at the Annual General Meeting for the reappointment of Ernst & Young LLP as auditor of the Company.

# CLUGSTON GROUP LIMITED

## DIRECTORS' REPORT (continued)

### Corporate governance

As a private limited company we are not under any obligation to comply with the Combined Code on Corporate Governance. However, the Board of Directors considers it appropriate to include in their report the following outline of procedures

#### *Board of Directors*

The Board meets on a regular basis throughout the year. The executive directors have service contracts which do not exceed three years, whilst non-executive directors do not have specified terms of office but are subject to appointment or removal by a decision of the Board. The Board has a formal schedule of matters specifically reserved to it for decision to ensure that it controls the direction of the Company.

#### *Internal financial control*

The Board continues to review and report on the effectiveness of the Group's system of internal financial controls. The Group operates formal systems of internal control, the main elements of which are financial reporting and control procedures.

#### - Financial reporting

The Group operates strict internal financial planning and reporting procedures including three-year plans, annual forecasts, monthly management accounts and a daily treasury function.

#### - Control procedures

The Group controls are exercised through an organisational structure with clearly defined levels of responsibility and authority and are laid down in policy documents covering finance, legal and general administration, health, safety and environmental matters, capital expenditure and employment requirements.

The Group does not operate a system of internal audit but the Board is responsible for the operation and effectiveness of internal financial control systems. There are inherent limitations in any system of financial controls but the directors are of the opinion that it provides reasonable, but not absolute, assurance with regard to the preparation of financial information and the safeguarding of assets.

#### *Remuneration committee*

The committee considers the emoluments and terms and conditions of employment of the Board members. Its aims are to ensure that remuneration packages are sufficiently competitive to attract, retain and motivate executive directors and management of the right calibre. No director takes part in discussions regarding his own remuneration. During the period Messrs J W A Clugston, M E Hancock, J A B Kelly and S F Martin have served on this committee.

Approved by the Board of Directors and signed on its behalf



M H BALES  
Secretary

26 April 20112

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the annual report and accounts in accordance with applicable law and regulations. Company law requires the directors to prepare accounts for each financial year. Under that law the directors have elected to prepare accounts in accordance with UK Generally Accepted Accounting Practice (UK Accounting Standards and applicable law). Under company law the directors must not approve the accounts 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 for that period. In preparing those accounts, the directors are required to

- select suitable accounting policies and apply them consistently
- make judgements 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 accounts
- prepare the accounts on a going concern basis where it is appropriate

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 accounts comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in the UK governing the preparation and dissemination of accounts may differ from the legislation in other jurisdictions.

# **INDEPENDENT AUDITOR'S REPORT**

## **to the members of Clugston Group Limited**

We have audited the financial statements of Clugston Group Limited for the year ended 31 January 2012, which comprise the Group Profit and Loss Account, Group Statement of Total Recognised Gains and Losses, Group and Parent Company Balance Sheets, Group Cash Flow Statement and the related notes 1 to 21. 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 in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

As explained more fully in the Statement of Directors' Responsibilities on page 7, 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**

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 Group's and the Parent Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant 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 annual 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 Group's and the Parent Company's affairs as at 31 January 2012 and of the Group's 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 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.

### **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 by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us, or
- the Parent Company 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.



Stuart Watson (Senior Statutory Auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
Leeds

26 April 2012

The maintenance and integrity of the Clugston Group website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



# CLUGSTON GROUP LIMITED

## GROUP PROFIT AND LOSS ACCOUNT for the period ended 31 January 2012

	Note	2012 £000	2011 £000
Turnover		121,619	66,863
Share of joint ventures' turnover		(37,808)	(1,819)
<b>Group turnover</b>	2	<u>83,811</u>	<u>65,044</u>
Cost of sales before exceptional item		(75,823)	(60,905)
Contract claim settlement		-	(1,292)
Cost of sales after exceptional item		<u>(75,823)</u>	<u>(62,197)</u>
<b>Gross profit</b>		<u>7,988</u>	<u>2,847</u>
Administrative expenses before exceptional item		(5,036)	(7,199)
Bad debt provision		(877)	-
Administrative expenses after exceptional item		<u>(5,913)</u>	<u>(7,199)</u>
<b>Operating profit/(loss)</b>	3	<u>2,075</u>	<u>(4,352)</u>
Share of operating results of joint ventures		120	412
<b>Profit/(loss) on ordinary activities before interest</b>		<u>2,195</u>	<u>(3,940)</u>
Net interest payable	5	(184)	(435)
<b>Profit/(loss) on ordinary activities before taxation</b>		<u>2,011</u>	<u>(4,375)</u>
Tax (charge)/credit on profit/(loss) on ordinary activities	6	(850)	919
<b>Profit/(loss) for the financial period attributable to members of the parent company</b>		<u><u>1,161</u></u>	<u><u>(3,456)</u></u>

## GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the period ended 31 January 2012

Profit/(loss) for the financial period		1,161	(3,456)
Surplus/(deficit) on property revaluation of investment properties		281	(158)
Actuarial (loss)/gain recognised on pension scheme	21	(1,830)	1,531
Deferred tax thereon		368	(479)
<b>Total recognised gains and losses for the period</b>		<u><u>(20)</u></u>	<u><u>(2,562)</u></u>

All the Group's operations are continuing

# CLUGSTON GROUP LIMITED

## GROUP BALANCE SHEET at 31 January 2012

	Note	2012 £000	2011 £000
<b>Fixed assets</b>			
Tangible assets	8	8,192	8,291
Investments	9		
Share of gross assets of joint ventures		19,489	16,601
Share of gross liabilities of joint ventures		(16,449)	(12,996)
		3,040	3,605
Other investments		3,578	3,337
		6,618	6,942
		<u>14,810</u>	<u>15,233</u>
<b>Current assets</b>			
Stocks	10	208	193
Debtors	11	14,404	10,964
Deferred tax	12	1,542	1,889
Cash at bank and in hand		15,747	1,859
		<u>31,901</u>	<u>14,905</u>
<b>Creditors - amounts falling due within one year</b>	13	(30,860)	(14,011)
<b>Net current assets</b>		<u>1,041</u>	<u>894</u>
<b>Total assets less current liabilities</b>		15,851	16,127
<b>Creditors - amounts falling due after more than one year</b>	14	(604)	(1,228)
<b>Net assets excluding pension liability</b>		<u>15,247</u>	<u>14,899</u>
<b>Defined benefit pension liability (net of deferred tax)</b>	21	(3,637)	(3,269)
<b>Net assets including pension liability</b>		<u>11,610</u>	<u>11,630</u>
<b>Capital and reserves</b>			
Called up share capital	15	743	743
Share premium		285	285
Revaluation reserve	16	7,400	7,300
Capital redemption reserve		313	313
Profit and loss account	16	2,869	2,989
<b>Equity shareholders' funds</b>	17	<u>11,610</u>	<u>11,630</u>

The accounts on pages 9 to 22 were approved by the Board of Directors and signed on its behalf by

  
J W A CLUGSTON  
Chairman

  
S F MARTIN  
Chief Executive

26 April 2012

# CLUGSTON GROUP LIMITED

## PARENT COMPANY BALANCE SHEET at 31 January 2012

	Note	2012 £000	2011 £000
<b>Fixed assets</b>			
Tangible assets	8	5,397	5,157
Investments	9	9,732	9,732
		<u>15,129</u>	<u>14,889</u>
<b>Current assets</b>			
Debtors	11	139	147
Amounts owed by group undertakings			
falling due within one year		769	11,381
falling due after more than one year		1,592	592
Deferred tax	12	32	37
Cash at bank and in hand		15,747	1,859
		<u>18,279</u>	<u>14,016</u>
<b>Creditors - amounts falling due within one year</b>	13	(1,379)	(688)
<b>Net current assets</b>		<u>16,900</u>	<u>13,328</u>
<b>Total assets less current liabilities</b>		32,029	28,217
<b>Creditors - amounts falling due after more than one year</b>	14	(19,934)	(15,784)
<b>Net assets excluding pension liability</b>		<u>12,095</u>	<u>12,433</u>
<b>Defined benefit pension liability (net of deferred tax)</b>	21	(3,637)	(3,269)
<b>Net assets including pension liability</b>		<u>8,458</u>	<u>9,164</u>
<b>Capital and reserves</b>			
Called up share capital	15	743	743
Share premium		285	285
Revaluation reserve	16	3,049	2,796
Capital redemption reserve		313	313
Profit and loss account	16	4,068	5,027
<b>Equity shareholders' funds</b>		<u>8,458</u>	<u>9,164</u>

The accounts on pages 9 to 22 were approved by the Board of Directors and signed on its behalf by

  
J W A CLUGSTON  
Chairman

  
S F MARTIN  
Chief Executive

26 April 2012

# CLUGSTON GROUP LIMITED

## GROUP CASH FLOW STATEMENT for the period ended 31 January 2012

	Note	2012 £000	2011 £000
<b>Net cash inflow/(outflow) from operating activities</b>	18	14,198	(3,121)
<b>Returns on investments and servicing of finance</b>			
Interest received		92	37
Interest element of finance lease and hire purchase payments		(36)	(44)
Other interest paid		(48)	(37)
Dividends received		118	400
		<u>126</u>	<u>356</u>
<b>Taxation</b>			
Consortium relief received		29	200
Balancing payments to joint ventures		(51)	(278)
		<u>(22)</u>	<u>(78)</u>
<b>Capital expenditure and financial investment</b>			
Payments to acquire tangible fixed assets		(779)	(264)
Payments to joint venture investments		(116)	(50)
Receipts from sale of tangible fixed assets		367	63
Receipts from investments		-	177
		<u>(528)</u>	<u>(74)</u>
<b>Equity dividends paid</b>		-	(37)
<b>Net cash outflow before management of liquid resources and financing</b>		<u>13,774</u>	<u>(2,954)</u>
<b>Management of liquid resources and financing</b>			
Capital element of finance lease and hire purchase payments		314	(281)
Repayments of long term loans		(200)	(200)
		<u>114</u>	<u>(481)</u>
<b>Increase/(decrease) in cash</b>	19	<u><u>13,888</u></u>	<u><u>(3,435)</u></u>

# CLUGSTON GROUP LIMITED

## NOTES ON THE ACCOUNTS

### 1 ACCOUNTING POLICIES

#### Basis of preparation

The accounts are prepared under the historical cost convention modified by the revaluation of certain freehold and leasehold property. The true and fair override provisions of the Companies Act 2006 have been invoked for investment properties (see below).

#### Basis of consolidation

The Group accounts incorporate the accounts of the Company and all its subsidiary undertakings drawn up to the last Saturday in January. The results of subsidiary undertakings acquired or disposed of during the period are included in the Group profit and loss account from or up to the effective date of acquisition or disposal. Entities in which the Group holds an interest on a long term basis and are jointly controlled by the Group and one or more joint venturers under a contractual arrangement are treated as joint ventures. In the Group accounts, joint ventures are accounted for using the gross equity method. No profit and loss account is presented for the Company as permitted by Section 408 of the Companies Act 2006.

#### Leased assets

Rentals in respect of operating leases are charged to the profit and loss account as incurred. Assets held under finance leases, where substantially all the risks and rewards of ownership have passed to the Group, and hire purchase contracts are capitalised in the balance sheet and depreciated over their expected useful lives. The capital elements of future obligations are included as a liability in the balance sheet and the interest elements of the rentals are charged in the profit and loss account over the period of the contracts.

#### Investment properties

Certain of the Group's properties are held for long-term investment and are accounted for in accordance with SSAP 19. As such, they are revalued annually and no depreciation is provided in respect of leasehold investment properties where the lease has over 20 years to run. The surplus or deficit on revaluation is transferred to the revaluation reserve unless a deficit below original cost, or its reversal, on an individual investment property is expected to be permanent, in which case it is recognised in the profit and loss account for the year.

Although the Companies Act would normally require the systematic annual depreciation of fixed assets, the directors believe that the policy of not providing depreciation is necessary in order for the accounts to show a true and fair view, since the current value of investment properties, and changes to that current value, are of prime importance rather than a calculation of systematic annual depreciation. Depreciation is only one of the many factors reflected in the annual valuation, and the amount which might otherwise have been included cannot be separately identified or quantified.

#### Depreciation

Freehold land is not depreciated. The cost or valuation, less the estimated residual value, of other fixed assets is written off on a straight line basis over their expected useful lives as follows:

Freehold buildings	10 - 50 years
Leasehold property	Over the length of the lease
Plant, equipment and motor vehicles	1 - 10 years

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

#### Investments

Investments are accounted for at the lower of cost and estimated net realisable value.

#### Stocks

Stocks are valued at the lower of cost and estimated net realisable value.

#### Long term contracts

Long term contracts are valued at cost plus attributable profit less foreseeable losses and less amounts invoiced on account. Revenue is recognised in relation to the value of work carried out under the contract. Income from contract claims is not included in trading income until there is reasonable evidence that the claim will be settled.

#### Trade debtors

Trade debtors are recognised and carried at the lower of their original invoiced value and recoverable amount. Provision is made when there is objective evidence that the Company will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

#### Deferred tax

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

Deferred tax is recognised 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, or a right to pay less, tax in the future have occurred at the balance sheet date. The only exception is that deferred tax assets are recognised only to the extent that the directors consider it is more likely than not there will be suitable taxable profits from which the future reversal of the underlying timing difference can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates expected to apply in the periods in which the timing differences reverse, based on the tax rates and laws enacted, or substantively enacted, at the balance sheet date.

#### Exceptional items

Exceptional items are material items which derive from events or transactions that fall within the ordinary activities of the reporting entity and which individually or, if of a similar type, in aggregate need to be disclosed by virtue of their size or incidence if the financial statements are to give a true and fair view.

#### Interest

Interest receivable and payable is accounted for when it is earned or incurred.

#### Revenue recognition

with the exception of long term contracts referred to above, most revenue is recognised when the service has been completed. Development sales are recognised when the contract has completed and dividends receivable are recognised when the Group's right to receive the payment is established.

# CLUGSTON GROUP LIMITED

## NOTES ON THE ACCOUNTS

### 1 ACCOUNTING POLICIES (continued)

#### Retirement benefits

For defined contribution schemes the amount charged to the profit and loss account is the contributions payable in the year. Differences between this and the amount actually paid are shown as accruals or prepayments in the balance sheet.

For defined benefit schemes the amount charged to operating profit is the current service cost of providing the pension benefit and the full cost of providing amendments to those benefits in respect of past service. Interest includes the expected return on the market value of the pension scheme assets at the start of the year and a charge representing the expected increase in liabilities of the scheme during the year, arising from the liabilities being one year closer to payment. Differences arising from changes in assumptions and between actual and expected returns on assets during the year are included in the statement of recognised gains and losses. The surplus or deficit in the scheme is shown net of deferred tax in the balance sheet.

	2012 £000	2011 £000
<b>2 GROUP TURNOVER</b>		
Turnover comprises the total value of work carried out and goods sold in the UK after deducting VAT and all inter-group transactions. Turnover can be analysed between the Group's operations as follows:		
Construction	73,781	55,003
Logistics	9,805	9,631
Property and other activities	225	410
	<u>83,811</u>	<u>65,044</u>

### 3 OPERATING PROFIT

Operating profit/(loss) can be analysed between the Group's operations as follows:

Construction	3,342	(3,610)
Logistics	(454)	(218)
Property activities and central costs	(813)	(524)
	<u>2,075</u>	<u>(4,352)</u>

Operating profit/(loss) is stated after charging.

Auditors' remuneration		
Audit of Group accounts	71	72
Allocation of above for Parent Company accounts	26	25
Tax services	24	30
Depreciation of tangible fixed assets		
Owned	642	775
Held under finance leases and hire purchase contracts	275	330
Profit on disposal of fixed assets	125	46
Operating lease rentals		
Plant and machinery	4,090	3,766
Land and buildings	138	140
Contract settlement claim	-	1,292
Bad debt provision	877	-
Gain on curtailment of pension scheme	759	-

The bad debt provision and contract settlement claim were unusual in size and incidence and have therefore been treated as exceptional items.

### 4 STAFF COSTS

#### Staff costs

Wages and salaries	14,402	15,477
Social security costs	1,445	1,469
Other pension costs (including £396,000 (2011 - £466,000) current service costs of a defined benefit pension scheme)	529	559
	<u>16,376</u>	<u>17,505</u>

#### Directors' remuneration

Aggregate remuneration	862	1,008
Compensation for loss of office	33	30
Payments to third parties	61	37
Payments to defined contribution pension schemes	84	86
	<u>1,040</u>	<u>1,161</u>
Highest paid director		
Aggregate remuneration	263	258
Payments to defined contribution pension scheme	46	42
	<u>309</u>	<u>300</u>

# CLUGSTON GROUP LIMITED

## NOTES ON THE ACCOUNTS

2012

2011

### 4 STAFF COSTS (continued)

Average monthly number of employees during the period

Number of employees

447

475

Number of directors

Retirement benefits accruing to directors under defined benefit schemes

1

2

Retirement benefits accruing to directors under defined contribution schemes

3

3

£000

£000

### 5 NET INTEREST PAYABLE

Bank interest receivable

92

37

Bank interest payable

(28)

(19)

Finance charges payable under finance leases and hire purchase contracts

(36)

(44)

Net pension finance income/(cost) (note 21)

7

(183)

Other interest payable

(20)

(18)

Other interest receivable

125

124

Share of interest payable by joint ventures

(324)

(332)

(184)

(435)

### 6 TAX CHARGE/(CREDIT) ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

#### UK corporation tax

Balancing payments to joint ventures

-

66

Adjustments in respect of previous periods

23

(221)

Share of tax charge in joint ventures

88

6

Total current tax charge/(credit)

111

(149)

#### Deferred tax

Originating and reversal of timing differences

619

(914)

Variations in tax rate

81

70

Adjustments in respect of previous periods

39

74

Total deferred tax charge/(credit)

739

(770)

Tax charge/(credit) on profit/(loss) on ordinary activities

850

(919)

#### Factors affecting the tax charge/(credit) for the period

The tax assessed for the period differs from the standard rate of corporation tax in the UK as follows

Profit/(loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 26 32% (2011 – 28%)

529

(1,225)

Disallowed expenses and non-taxable income

81

44

Decelerated capital allowances

67

80

Adjustments in respect of previous periods

23

(221)

Short term timing differences

(371)

(131)

Assets reclassified as non-qualifying

-

(5)

Variations in tax rate

(54)

(29)

Brought forward tax losses utilised in the period

(386)

-

Tax losses carried forward

71

1,086

Tax losses carried back

-

150

Tax losses not recognised in the period

151

102

Current tax charge/(credit) for the period

111

(149)

The tax charge/(credit) has benefitted from £231,000 (2011 – £362,000) in respect of exceptional items

#### Factors affecting the future tax charge

The Budget on 21 March 2012 announced that the UK corporation tax rate will reduce from 25% to 22% over a period of three years from 1 April 2012. A reduction in the UK corporation tax rate from 27% to 25% was substantively enacted on 5 July 2011 and following the 2012 Budget, the 24% tax rate will be effective from 1 April 2012. This will reduce the company's future current tax charge accordingly. Any deferred tax expected to reverse in future years has been calculated using the substantively enacted reduced rate at the balance sheet date of 25%. The maximum impact of the proposed reductions from 25% to 22% would reduce the deferred tax asset by approximately £185,000.

### 7 PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY

The profit for the period dealt with in the accounts of the Company is £475,000 (2011 - £563,000)

# CLUGSTON GROUP LIMITED

## NOTES ON THE ACCOUNTS

### 8 TANGIBLE FIXED ASSETS

	Land and buildings £000	Plant, equipment & vehicles £000	Total £000
<b>GROUP</b>			
<b>Cost or valuation</b>			
At 31 January 2011	5,241	10,606	15,847
Additions	-	779	779
Disposals	-	(1,365)	(1,365)
Revaluation	281	-	281
At 31 January 2012	<u>5,522</u>	<u>10,020</u>	<u>15,542</u>
At 2009 valuation	2,182	-	2,182
At 2012 valuation	3,340	-	3,340
<b>Depreciation</b>			
At 31 January 2011	94	7,462	7,556
Charge for period	36	881	917
Disposals	-	(1,123)	(1,123)
At 31 January 2012	<u>130</u>	<u>7,220</u>	<u>7,350</u>
<b>Net book amounts at 31 January 2012</b>	<u><b>5,392</b></u>	<u><b>2,800</b></u>	<u><b>8,192</b></u>
Net book amounts at 31 January 2011	<u>5,147</u>	<u>3,144</u>	<u>8,291</u>
<b>COMPANY</b>			
<b>Cost or valuation</b>			
At 31 January 2011	5,241	248	5,489
Disposals	-	(13)	(13)
Revaluation	281	-	281
At 31 January 2012	<u>5,522</u>	<u>235</u>	<u>5,757</u>
At 2009 valuation	2,182	-	2,182
At 2012 valuation	3,340	-	3,340
<b>Depreciation</b>			
At 31 January 2011	94	238	332
Charge for period	36	3	39
Disposals	-	(11)	(11)
At 31 January 2012	<u>130</u>	<u>230</u>	<u>360</u>
<b>Net book amounts at 31 January 2012</b>	<u><b>5,392</b></u>	<u><b>5</b></u>	<u><b>5,397</b></u>
Net book amounts at 31 January 2011	<u>5,147</u>	<u>10</u>	<u>5,157</u>

The net book amount of Group plant, equipment and motor vehicles above includes £1,380,000 in respect of assets held under finance leases and hire purchase contracts (2011 - £1,100,000)

The Group's investment properties were revalued as at 31 January 2012 on a market value basis by CBRE Limited, Chartered Surveyors. The new valuations of £3,340,000 have been incorporated in the Group accounts on 31 January 2012.

	Group		Company	
	2012 £000	2011 £000	2012 £000	2011 £000
If properties had not been revalued they would have been carried in the balance sheet as follows				
Cost	2,596	2,596	3,237	3,237
Depreciation	(1,484)	(1,421)	(1,173)	(1,082)
Net book amounts	<u>1,112</u>	<u>1,175</u>	<u>2,064</u>	<u>2,155</u>
The net book amount of land and buildings comprises				
Freehold investment property	3,300	3,004	3,300	3,004
Leasehold investment property (over 50 years unexpired)	40	55	40	55
Other freehold property	<u>2,052</u>	<u>2,088</u>	<u>2,052</u>	<u>2,088</u>
	<u><b>5,392</b></u>	<u><b>5,147</b></u>	<u><b>5,392</b></u>	<u><b>5,147</b></u>



# CLUGSTON GROUP LIMITED

## NOTES ON THE ACCOUNTS

### 9 INVESTMENTS

#### GROUP

##### Cost

At 31 January 2011  
Advances  
At 31 January 2012

Loans to  
joint ventures  
£000  
3,337  
241  
3,578

The Group's share in its joint ventures at 31 January 2012 was as follows:

	2012 £000	2011 £000
Fixed assets	8,675	8,949
Current assets	10,814	7,652
Liabilities due within one year	(10,477)	(6,780)
Liabilities due after more than one year	(5,972)	(6,216)
Net assets	<u>3,040</u>	<u>3,605</u>

Details of the Group's share in significant joint ventures included above:

	Barmston Developments Limited		Century Health (Nottingham) Limited	
	2012 £000	2011 £000	2012 £000	2011 £000
Turnover	-	-	1,258	1,215
Profit/(loss) before tax	(202)	(210)	367	318
Taxation	-	-	(114)	(156)
Profit/(loss) after tax	(202)	(210)	253	162
Fixed assets	-	-	8,573	8,847
Current assets	4,036	4,013	2,158	1,719
Liabilities due within one year	(4,600)	(4,375)	(931)	(775)
Liabilities due after more than one year	-	-	(5,972)	(6,216)
Net assets/(liabilities)	<u>(564)</u>	<u>(362)</u>	<u>3,828</u>	<u>3,575</u>

#### COMPANY

##### Cost

At 31 January 2012 and 31 January 2011

Subsidiary  
undertakings  
£000

11,889

##### Provisions

At 31 January 2012 and 31 January 2011

(2,157)

##### Net book amounts

At 31 January 2012 and 31 January 2011

9,732

A list of principal subsidiaries and joint ventures is given on page 22

# CLUGSTON GROUP LIMITED

## NOTES ON THE ACCOUNTS

	Group		Company	
	2012	2011	2012	2011
	£000	£000	£000	£000
<b>10 STOCKS</b>				
Raw materials	-	16	-	-
Stores and other	208	177	-	-
	<u>208</u>	<u>193</u>	<u>-</u>	<u>-</u>
<b>11 DEBTORS</b>				
Trade debtors	8,109	6,262	-	-
Amounts recoverable on contracts	2,151	4,328	-	-
Other debtors	3,846	-	33	-
Prepayments and accrued income	298	374	106	147
	<u>14,404</u>	<u>10,964</u>	<u>139</u>	<u>147</u>

Trade debtors include £813,000 (2011 - nil) due after more than one year. Group other debtors include £3,800,000 (2011 - nil) pledged as collateral for performance bonds and due after more than one year.

<b>12 DEFERRED TAX</b>				
Opening asset	1,889	832	37	42
Transfer from profit and loss account	(227)	1,201	(3)	(4)
Change in tax rate	(81)	(70)	(2)	(1)
Adjustments in respect of previous periods	(39)	(74)	-	-
Closing asset	<u>1,542</u>	<u>1,889</u>	<u>32</u>	<u>37</u>
The full potential provision for deferred tax comprises				
Decelerated capital allowances	737	581	15	15
Short term timing differences	19	27	17	22
Loss relief	861	1,388	47	51
	1,617	1,996	79	88
Assets not recognised	(75)	(107)	(47)	(51)
	<u>1,542</u>	<u>1,889</u>	<u>32</u>	<u>37</u>

Loss relief is only recognised to the extent it is more likely than not to be utilised in the foreseeable future.

No deferred taxation has been recognised on the potential capital gain arising on the property revaluation as there is no intention to dispose of the properties in the foreseeable future. The estimated potential tax liability is £97,000 (2011 - £63,000).

<b>13 CREDITORS - amounts falling due within one year</b>				
Trade creditors	14,158	11,279	23	71
Payments received in advance	12,549	1,037	-	-
Other taxes and social security costs	484	366	63	51
Accrued charges	393	369	191	162
Term loan	850	200	850	200
Hire purchase obligations	255	167	-	-
Amounts due to joint ventures	41	152	-	-
Other creditors	2,130	441	252	204
	<u>30,860</u>	<u>14,011</u>	<u>1,379</u>	<u>688</u>

Other creditors includes pension contributions of £27,000 (2011 - £93,000) relating to defined benefit schemes and £39,000 (2011 - £14,000) relating to defined contribution schemes.

The term loan is repayable in October 2012. It is secured on the freehold property and interest is payable at 3% above LIBOR.

<b>14 CREDITORS - amounts falling due after more than one year</b>				
Amounts due to subsidiary undertakings	-	-	19,934	14,934
Term loan	-	850	-	850
Hire purchase obligations payable within two to five years	604	378	-	-
	<u>604</u>	<u>1,228</u>	<u>19,934</u>	<u>15,784</u>

# CLUGSTON GROUP LIMITED

## NOTES ON THE ACCOUNTS

### 15 CALLED UP SHARE CAPITAL

	<b>Group and company</b>	
	<b>2012</b>	<b>2011</b>
	<b>£000</b>	<b>£000</b>
Allotted, called up and fully paid		
742,893 ordinary shares of £1 each	<u>743</u>	<u>743</u>

### 16 RESERVES

	<b>Profit and loss account</b>	<b>Revaluation reserve</b>
	<b>£000</b>	<b>£000</b>
<b>GROUP</b>		
At 31 January 2011	2,989	7,300
Profit for the financial period	1,161	-
Actuarial loss recognised on pension scheme net of deferred tax	(1,462)	-
Revaluation surplus	-	281
Transfer in respect of depreciation	181	(181)
At 31 January 2012	<u>2,869</u>	<u>7,400</u>

Cumulative goodwill written off since February 1980, the earliest date from which figures are reasonably available, amounts to £2,505,000 (2011 - £2,505,000)

#### COMPANY

At 31 January 2011	5,027	2,796
Profit/(loss) for the financial period	475	-
Actuarial loss recognised on pension scheme net of deferred tax	(1,462)	-
Revaluation surplus	-	281
Transfer in respect of depreciation	28	(28)
At 31 January 2012	<u>4,068</u>	<u>3,049</u>

The revaluation reserves of both the Group and the Company include £1,399,000 (2011 - £1,118,000) relating to investment properties

	<b>Group</b>	
	<b>2012</b>	<b>2011</b>
	<b>£000</b>	<b>£000</b>
<b>17 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS</b>		
Opening shareholders' funds	11,630	14,229
Profit for the financial period	1,161	(3,456)
Revaluation surplus/(deficit)	281	(158)
Actuarial (loss)/profit recognised on pension scheme net of deferred tax	(1,462)	1,052
Dividends declared and paid	-	(37)
Closing shareholders' funds	<u>11,610</u>	<u>11,630</u>

### 18 RECONCILIATION OF OPERATING PROFIT TO NET CASHFLOW

Operating profit/(loss)	2,075	(4,352)
Depreciation of fixed assets	917	1,105
Profit on sale of tangible fixed assets	(125)	(46)
Pension contributions in excess of current service cost	(693)	(669)
Gain on curtailment of pension scheme	(759)	-
Increase in stocks and work in progress	(15)	(6)
(Increase)/decrease in debtors	(3,440)	1,743
Increase/(decrease) in creditors	16,238	(896)
<b>Net cash inflow/(outflow) from operating activities</b>	<u>14,198</u>	<u>(3,121)</u>

### 19 INCREASE/(DECREASE) IN CASH

Opening bank balance	1,859	5,294
Closing bank balance	<u>15,747</u>	<u>1,859</u>
	<u>13,888</u>	<u>(3,435)</u>

# CLUGSTON GROUP LIMITED

## NOTES ON THE ACCOUNTS

Group

2012 2011  
£000 £000

### 20 FINANCIAL COMMITMENTS

At 31 January 2012 the Group had the following annual commitments under non-cancellable operating leases expiring

#### Plant, machinery etc

Within one year	48	54
In two to five years	284	224
	<u>332</u>	<u>278</u>

#### Land and buildings

Within one year	-	87
In two to five years	24	18
After five years	49	49
	<u>73</u>	<u>154</u>

At 31 January 2012 the Group had contracted but not provided in the accounts for capital expenditure of £699,000 (2011 - nil)

### 21 PENSION COMMITMENTS

The Group operates several pension schemes for eligible employees. The principal scheme was a contributory defined benefit pension scheme for employees and the assets are invested in a separate trustee-administered fund. This scheme closed to future accruals on 31 December 2011 and employees were entitled to transfer to a stakeholder arrangement. The Group made contributions to the scheme based on the advice of the scheme's actuary.

A valuation was carried out at 31 January 2012 by a qualified independent actuary for the purposes of FRS 17. The overall expected rate of return on assets is established by combining the proportions held in each major asset class with expected returns for each class derived from market yields and consideration of inflation and economic growth expectations.

#### Scheme assets and liabilities

Bonds	13,492	11,247
Property	1,907	1,777
Diversified growth funds	21,276	20,242
Cash	110	568
Fair value of scheme assets	36,785	33,834
Present value of scheme liabilities	(41,634)	(38,312)
Deficit in the scheme	(4,849)	(4,478)
Related deferred tax asset	1,212	1,209
Net pension liability	<u>(3,637)</u>	<u>(3,269)</u>

#### Movement in the defined benefit obligation

At 31 January 2011	38,312	38,151
Current service cost	396	466
Interest cost	2,101	2,119
Contributions by scheme members	142	187
Benefits paid	(1,224)	(1,845)
Gain on curtailment	(759)	-
Actuarial losses/(gains)	2,666	(766)
At 31 January 2012	<u>41,634</u>	<u>38,312</u>

#### Movement in the fair value of scheme assets

At 31 January 2011	33,834	31,656
Expected return on assets	2,108	1,936
Contributions by the employer	1,089	1,134
Contributions by scheme members	142	187
Benefits paid	(1,224)	(1,845)
Actuarial gains	836	766
At 31 January 2012	<u>36,785</u>	<u>33,834</u>

# CLUGSTON GROUP LIMITED

## NOTES ON THE ACCOUNTS

### 21 PENSION COMMITMENTS (continued)

	2012 £000	2011 £000
<b>Recognised in the Profit and Loss Account</b>		
Current service cost	(396)	(466)
Gain on curtailment	759	-
Operating profit	<u>363</u>	<u>(466)</u>
Expected return on scheme assets	2,108	1,936
Interest cost	<u>(2,101)</u>	<u>(2,119)</u>
Net finance income/(cost)	<u>7</u>	<u>(183)</u>
Total recognised in the profit and loss account	<u>370</u>	<u>(649)</u>
<b>Taken to the Statement of Total Recognised Gains and Losses</b>		
Actual return on scheme assets	2,944	2,701
Less expected return on scheme assets	(2,108)	(1,936)
Other actuarial (losses)/gains	<u>(2,666)</u>	<u>766</u>
Total actuarial (losses)/gains taken to the Statement of Total Recognised Gains and Losses	<u>(1,830)</u>	<u>1,531</u>

Actuarial (losses)/gains includes nil (2011 - £671,000) arising from the change from RPI to CPI on the valuation of deferred pensions

<b>Key assumptions</b>	<b>%</b>	<b>%</b>
Rate of salary increases	n/a	3 30
Rate of increase of pensions in payment	2 75	3 30
Discount rate	4 60	5 50
Expected rates of return		
Bonds	3 60	5 00
Property	5 00	6 50
Diversified growth funds	6 00	7 50
Cash	0 50	0 50
Inflation	2 75	3 30
Average life expectancy	<b>Years</b>	<b>Years</b>
Males retiring at age 65 at reporting date	20 4	20 3
Males retiring at age 65 in 20 years	22 3	22 2

<b>Scheme history</b>	<b>2012 £000</b>	<b>2011 £000</b>	<b>2010 £000</b>	<b>2009 £000</b>	<b>2008 £000</b>
Fair value of scheme assets	36,785	33,834	31,656	25,665	30,742
Present value of defined benefit obligation	41,634	38,312	38,151	31,582	34,774
Deficit in the scheme	<u>4,849</u>	<u>4,478</u>	<u>6,495</u>	<u>5,917</u>	<u>4,032</u>
Experience gain/(loss) on scheme liabilities	624	9	(368)	(141)	(70)
Experience gain/(loss) on scheme assets	836	766	4,137	(7,587)	(2,901)

# CLUGSTON GROUP LIMITED

## PRINCIPAL SUBSIDIARIES & JOINT VENTURES

### SUBSIDIARY UNDERTAKINGS

(all wholly owned)

### ACTIVITIES

#### CONSTRUCTION

**Clugston Construction Limited**

Building and civil engineering contracting  
Facilities management  
Specialist civil engineering services

**Ferro Monk Systems Limited**

Drainage and renovation specialists

#### LOGISTICS

**Clugston Distribution Services Limited**

Logistics services

#### PROPERTY

**Clugston Developments Limited**

Property development

**Clugston Estates Limited**

Property development

### JOINT VENTURES

**Percentage holding of  
ordinary share capital**

**Accounting date**

**Barmston Developments Limited**  
(Property development)

50 0

31 December 2011

**Brayford Partnership Limited**  
(Property development)

50 0

31 December 2011

**Bretton Street Developments Limited**  
(Property development)

50 0

31 January 2012

**Century Health (Nottingham) Limited**  
(Facilities provider)

40 0

31 December 2011

**CNIM-Clugston (Lincolnshire) Limited**  
(Turnkey design and construction)

50 0

31 December 2011

**CNIM-Clugston Oxfordshire Limited**  
(Turnkey design and construction)

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31 December 2011

**CNIM-Clugston (Staffordshire) Limited**  
(Turnkey design and construction)

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31 December 2011

**Lakeside Partnership Limited**  
(Property development)

50 0

31 December 2011

**Redhouse Holdings Limited**  
(Property development)

50 0

31 January 2012