Registered No 333188

RE

# CLUGSTON GROUP LIMITED

## Annual Report

## Period ended 30 January 2010

## CONTENTS

# CLUGSTON GROUP LIMITED

## DIRECTORS, OFFICERS AND ADVISERS

| | |
|---|---|
| Executive directors | John Westland Antony Clugston DL FCIHT AMIQ (Chairman)<br>Stephen Frederick Martin BSc MBA FRICS FCIOB FRSA MCIArb CCMI (Chief Executive)<br>Michael Howard Bales BSc FCA CTA<br>Robert John Clarke MSc MPhil FCILT<br>Robert Malcolm Culliford MCIOB<br>Stephen John Radcliffe BSc FICE |
| Non-executive director | John Anthony Brian Kelly RD LLB FCA |
| Secretary | Michael Howard Bales BSc FCA CTA |
| Registered office | St Vincent House<br>Normanby Road<br>Scunthorpe<br>North Lincolnshire<br>DN15 8QT<br><br>Tel 01724 843491<br><br>www clugston co uk |
| Auditors | Ernst & Young LLP<br>1 Bridgewater Place<br>Water Lane<br>Leeds<br>LS11 5QR |
| Bankers | The Royal Bank of Scotland plc<br>Cumberland Place<br>Nottingham<br>NG1 7ZS |
| Solicitors | Watson Burton LLP<br>1 St James' Gate<br>Newcastle upon Tyne<br>NE99 1YQ |

# CLUGSTON GROUP LIMITED

## CHAIRMAN'S STATEMENT

Despite the economy beginning to emerge from recession in the fourth quarter of 2009, Clugston experienced significant reductions in activity levels throughout the year in both our construction and logistics businesses

Group turnover declined significantly from its historic high of £141 7m to £86 7m and group profit before taxation was down from £2 78m to £1 5m

Interim dividends of 5p per share were paid to shareholders in December 2009 and March 2010 respectively However, in recognition of the decrease in group profit before taxation no final dividend is proposed

Unfortunately, the reduced demand across our construction and logistics activities meant that we had to undertake a consultation exercise with our employees which led to a number of redundancies However, as a private company we are able to take a long term view and I am pleased to report that we are continuing to invest in training during these challenging economic times as we are in no doubt that our success continues to depend on the quality of our workforce and that of our supply chain

I previously mentioned that our Chief Executive, Stephen Martin, took part in a management experiment when he appeared in the reality television programme "Undercover Boss" The original documentary was broadcast to millions of viewers in June and an updated version of the programme will be aired later this year The programme was successful in showcasing the high quality and professionalism of all Clugston employees and as a direct result of the experience we continue to regularly listen and learn from our employees to improve all of our businesses

It is our view that the medium term economic climate will remain difficult with a double-dip recession remaining a distinct possibility However, we will persist with our strategy of supporting our three core businesses by seeking opportunities which offer them long term sustainable futures

Finally, on behalf of the Board, I would like to thank all of our employees, supply chain partners, shareholders and customers for their continued support – it is greatly appreciated

J W A CLUGSTON
Chairman

22 April 2010

# CLUGSTON GROUP LIMITED

## CHIEF EXECUTIVE'S REVIEW

**Overview**

The year to 30 January 2010 resulted in a profit before taxation of £1 5m and I am pleased to report that all group activities remain profitable

The Group's performance, after adjustments under FRS 17 Retirement Benefits, is analysed as follows

| | 2010 £000 | 2009 £000 |
|---|---|---|
| Operating profit | | |
| Construction activities | 775 | 1,006 |
| Logistics activities | 201 | 621 |
| Property and other activities | 1,437 | 1,466 |
| | 2,413 | 3,093 |
| Net interest payable | (913) | (311) |
| Profit before taxation | 1,500 | 2,782 |

**Construction**

In line with general trends in the construction industry, our volumes were down significantly due to the impact of the recession However, having previously reorganised our activities to create a mix of regional and market sector focussed businesses, the Industrial, Energy and Waste Sector, together with the Facilities Management business provided solid performances to deliver a healthy operating profit

Turnover decreased 42% from £125 9m to £73 3m with operating profits reducing by 23% to £0 8m

Whilst downsizing and cost reductions were necessary, we have also taken the opportunity to strengthen our Facilities Management capability in order to provide the right balance for the future

Our drainage and renovation business made good progress in what has been a very difficult economic climate The investments made in previous years, together with improvements to the organisational structure, have delivered an operating profit despite volumes remaining low We will look to develop the business further in anticipation of continued spending by the Water Industry during AMP 5, commencing in April 2010

**Logistics**

Turnover was down 28% at £10 3m compared to £14 3m in the previous year Margins came under pressure resulting in an operating profit of £0 2m which was a significant reduction against last year's result of £0 6m

Our steel and bulk transportation, warehousing and commercial vehicle maintenance activities all experienced falling volumes due to the double impact of a generally difficult background of reducing demand coupled with severe weather conditions in the final quarter

I am pleased to report that towards the end of the financial year new business was secured from a number of customers as a result of our diversification into services that require specialised materials handling equipment and this will partially offset general market volume reductions

**Property**

A number of our joint venture activities produced a solid performance through the sale of land during the year

The sale of a mixed use site at Stonebridge Mills, Leeds was a successful outcome for a challenging scheme

Twelve acres of land was sold by Lakeside Partnership Limited in Scunthorpe with a further land sale completed shortly after the year end

Brayford Partnership Limited's brown field scheme at Lincoln sold a further three acres of land to a residential developer specialising in affordable homes

Bretton Street Developments Limited completed the sale of the last remaining industrial unit and development plot at our business park at Dewsbury bringing to a conclusion a very successful joint venture at this twenty-six acre former gas works site

# CHIEF EXECUTIVE'S REVIEW (continued)

**Property (continued)**
Barmston Developments Limited completed the first phase of infrastructure works for its fifty-two acre site adjacent to the Nissan car plant outside Sunderland and we are encouraged by the current levels of occupier enquiries The designation of the area as part of a Low Carbon Economic Area for low carbon vehicles is very positive, as is the announcement that Nissan is to build its new electric vehicle at the plant

**Cash**
As the Chairman noted last year, we were pleased to renew the Group's banking facilities for an additional period of three years and we maintain a strong cash management regime Cash balances at the year end were £5 29m compared to £8 16m in the previous year The reduction in net cash primarily reflects a combination of the unwinding of advance payments on several major construction contracts and an increased investment into our joint venture at Sunderland

**Sustainability**
Whilst the economic climate has created many challenges to our businesses this year, Clugston companies continue to recognise the importance of being a responsible business

Earning and maintaining the trust of our people, our customers, our suppliers and the communities in which we carry out our business is essential in maintaining Clugston's reputation

We will continue to promote and encourage, involvement and ownership of policies and processes to ensure our high performance as a sustainable business, particularly with respect to health and safety and the environment Our membership and active involvement with Business in the Community (BITC), both at a national level and within Yorkshire and Humberside is instrumental in achieving this

Our culture of collaboration, innovation, sustainability and health and safety in our construction activities was recognised through awards from many organisations including RoSPA Presidents Award [for 12 years of consecutive gold awards], British Safety Council International Safety Award [28th consecutive award] and Supreme Winner of the Contract Journal Construction Industry Awards

**Outlook**
In our construction activities we will continue with our strategy of driving a combination of regional, product and service focussed businesses with a particular emphasis on extending our facilities management activities Our aim is to provide long term commercial relationships and stable growth However, we fully accept that the economic climate will remain difficult for our construction activities and we do not expect any upturn to commence until 2012

With regard to our logistics activities, customers' increasing demand for improved quality at lower costs will result in margins becoming depressed further However, we are pleased to note that, subsequent to the year end, we are now starting to experience a slight increase in activity levels across all of our logistics activities We will maintain our strategy of transferring our specialist logistics skills to other sectors and locations

The uncertainty brought about by concerns over reducing the UK's debt is having a harmful effect on business planning and the expectation of imminent announcements of large public spending reductions are having a negative impact on the property sector Hence, we remain cautious as to the market demand for new buildings and believe that the medium term outlook for our property development activities will become more challenging

S F MARTIN
Chief Executive

22 April 2010

# DIRECTORS' REPORT

The directors present their report and the audited accounts for the period ended 30 January 2010

**Results and dividends**
The Group profit for the financial period was £996,000 (2009 - £1,982,000) Dividends of £111,000 (2009 - £74,000) were paid during the period A further interim dividend of 5p per share was paid on 26 March 2010, making a total of 10p for the period under review No final dividend is proposed

**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 The "Clugston Bulletin" continues to be published at regular intervals and copies are distributed to all employees in the Group

**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 period ended 30 January 2010 were those listed on page 2

In accordance with the articles of association, Messrs J W A Clugston and S F Martin 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 £11,000 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 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 consider 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, 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

M H BALES
Secretary

22 April 2010

## 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 proper 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

# CLUGSTON GROUP LIMITED

## INDEPENDENT AUDITOR'S REPORT
## to the members of Clugston Group Limited

We have audited the financial statements of Clugston Group Limited for the period ended 30 January 2010, 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 to them 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, 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 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

**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 30 January 2010 and of the Group's profit for the period 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

Ernst & Young LLP

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

22 April 2010

## GROUP PROFIT AND LOSS ACCOUNT
## for the period ended 30 January 2010

| | Note | 2010 £000 | 2009 £000 |
|---|---|---|---|
| **Turnover** | | 90,423 | 154,944 |
| Share of joint ventures' turnover | | (3,693) | (13,249) |
| **Group turnover** | 2 | 86,730 | 141,695 |
| Cost of sales | | (75,937) | (130,443) |
| **Gross profit** | | 10,793 | 11,252 |
| Administrative expenses | | (8,230) | (10,650) |
| **Operating profit** | 3 | 2,563 | 602 |
| Share of operating results of joint ventures | | (150) | 2,491 |
| **Profit on ordinary activities before interest** | | 2,413 | 3,093 |
| Net interest payable | 5 | (913) | (311) |
| **Profit on ordinary activities before taxation** | | 1,500 | 2,782 |
| Tax charge on profit on ordinary activities | 6 | (504) | (800) |
| **Profit for the financial period attributable to members of the parent company** | | 996 | 1,982 |

## GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
## for the period ended 30 January 2010

| | | | |
|---|---|---|---|
| Profit for the financial period | | 996 | 1,982 |
| Surplus on property revaluation | | 50 | 1,244 |
| Share of surplus on property revaluation in joint venture | | - | 3,859 |
| Actuarial loss recognised on pension scheme | 21 | (561) | (2,436) |
| Deferred tax thereon | | 157 | 682 |
| **Total recognised gains and losses for the period** | | 642 | 5,331 |

Surplus on property revaluation includes £50,000 (2009 - £1,226,000) relating to investment properties

All the Group's operations are continuing

# CLUGSTON GROUP LIMITED

## GROUP BALANCE SHEET
## at 30 January 2010

| | Note | 2010 £000 | 2009 £000 |
|---|---|---|---|
| **Fixed assets** | | | |
| Tangible assets | 8 | 9,307 | 9,687 |
| Investments | 9 | | |
| Share of gross assets of joint ventures | | 18,310 | 19,528 |
| Share of gross liabilities of joint ventures | | (13,409) | (14,214) |
| | | 4,901 | 5,314 |
| Other investments | | 3,340 | 1,400 |
| | | 8,241 | 6,714 |
| | | 17,548 | 16,401 |
| **Current assets** | | | |
| Stocks | 10 | 187 | 180 |
| Debtors | 11 | 12,707 | 20,000 |
| Deferred tax | 12 | 832 | 1,076 |
| Cash at bank and in hand | | 5,294 | 8,164 |
| | | 19,020 | 29,420 |
| **Creditors - amounts falling due within one year** | 13 | (16,068) | (26,176) |
| **Net current assets** | | 2,952 | 3,244 |
| **Total assets less current liabilities** | | 20,500 | 19,645 |
| **Creditors - amounts falling due after more than one year** | 14 | (1,595) | (1,687) |
| **Net assets excluding pension liability** | | 18,905 | 17,958 |
| **Defined benefit pension liability (net of deferred tax)** | 21 | (4,676) | (4,260) |
| **Net assets including pension liability** | | 14,229 | 13,698 |
| **Capital and reserves** | | | |
| Called up share capital | 15 | 743 | 743 |
| Share premium | | 285 | 285 |
| Revaluation reserve | 16 | 7,653 | 7,907 |
| Capital redemption reserve | 16 | 313 | 313 |
| Profit and loss account | 16 | 5,235 | 4,450 |
| **Equity shareholders' funds** | 17 | 14,229 | 13,698 |

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

22 April 2010

# PARENT COMPANY BALANCE SHEET
## at 30 January 2010

| | Note | 2010 £000 | 2009 £000 |
|---|---|---|---|
| **Fixed assets** | | | |
| Tangible assets | 8 | 5,354 | 5,355 |
| Investments | 9 | 10,791 | 10,791 |
| | | 16,145 | 16,146 |
| **Current assets** | | | |
| Debtors | 11 | 325 | 699 |
| Amounts owed by group undertakings | | | |
| falling due within one year | | 11,910 | 7,058 |
| falling due after more than one year | | 592 | 373 |
| Deferred tax | 12 | 42 | 49 |
| Cash at bank and in hand | | 5,294 | 8,164 |
| | | 18,163 | 16,343 |
| **Creditors - amounts falling due within one year** | 13 | (904) | (2,151) |
| **Net current assets** | | 17,259 | 14,192 |
| **Total assets less current liabilities** | | 33,404 | 30,338 |
| **Creditors - amounts falling due after more than one year** | 14 | (20,984) | (20,965) |
| **Net assets excluding pension liability** | | 12,420 | 9,373 |
| **Defined benefit pension liability (net of deferred tax)** | 21 | (4,676) | (4,260) |
| **Net assets including pension liability** | | 7,744 | 5,113 |
| **Capital and reserves** | | | |
| Called up share capital | 15 | 743 | 743 |
| Share premium | | 285 | 285 |
| Revaluation reserve | 16 | 2,991 | 2,978 |
| Capital redemption reserve | 16 | 313 | 313 |
| Profit and loss account | 16 | 3,412 | 794 |
| **Equity shareholders' funds** | | 7,744 | 5,113 |

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

22 April 2010

# GROUP CASH FLOW STATEMENT
## for the period ended 30 January 2010

| | Note | 2010 £000 | 2009 £000 |
|---|---|---|---|
| **Net cash (outflow)/inflow from operating activities** | 18 | (72) | 1,756 |
| **Returns on investments and servicing of finance** | | | |
| Interest received | | 81 | 357 |
| Interest element of finance lease and hire purchase payments | | (51) | (48) |
| Other interest paid | | (68) | (145) |
| | | (38) | 164 |
| **Taxation** | | | |
| Consortium relief received | | 370 | 1,763 |
| Balancing payments to joint ventures | | (168) | (127) |
| Corporation tax paid | | (83) | - |
| | | 119 | 1,636 |
| **Capital expenditure and financial investment** | | | |
| Payments to acquire tangible fixed assets | | (831) | (2,041) |
| Payments to joint venture investments | | (4,500) | (1,614) |
| Receipts from sale of tangible fixed assets | | 111 | 179 |
| Receipts from investments | | 2,734 | 2,999 |
| | | (2,486) | (477) |
| **Equity dividends paid** | | (111) | (74) |
| **Net cash (outflow)/inflow before management of liquid resources and financing** | | (2,588) | 3,005 |
| **Management of liquid resources and financing** | | | |
| Capital element of finance lease and hire purchase payments | | (82) | (19) |
| Repayments of long term loans | | (200) | (200) |
| | | (282) | (219) |
| **(Decrease)/increase in cash** | 19 | (2,870) | 2,786 |

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 paragraph 4 below)

**Basis of consolidation**
The Group accounts incorporate the accounts of the Company and each of 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 in periods if events or changes in circumstances indicate that the carrying value may not be recoverable

**Goodwill**
Goodwill arising on the acquisition of businesses since 1 February 1998, representing the excess of the purchase consideration over the fair value ascribed to the net assets acquired, is capitalised as an asset on the balance sheet and amortised on a straight line basis over its expected useful life up to a presumed maximum of 20 years It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or 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

**Foreign currency**
Normal trading activities denominated in foreign currencies are recorded in sterling at actual exchange rates at the date of the transaction Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates of exchange prevailing at that date

# NOTES ON THE ACCOUNTS

## 1 ACCOUNTING POLICIES (continued)

**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

**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

| | 2010 £000 | 2009 £000 |
|---|---|---|
| **2 GROUP TURNOVER** | | |
| 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 | 73,304 | 125,923 |
| Logistics | 10,274 | 14,301 |
| Property and other activities | 3,152 | 1,471 |
| | 86,730 | 141,695 |
| **3 OPERATING PROFIT** | | |
| **Operating profit can be analysed between the Group's operations as follows:** | | |
| Construction | 775 | 1,006 |
| Logistics | 201 | 621 |
| Property activities and central costs | 1,587 | (1,025) |
| | 2,563 | 602 |
| **Operating profit is stated after charging·** | | |
| Auditors' remuneration | | |
| Audit of Group accounts | 71 | 63 |
| Allocation of above for Parent Company accounts | 25 | 28 |
| Tax services | 22 | 6 |
| Depreciation of tangible fixed assets | | |
| Owned | 801 | 967 |
| Held under finance leases and hire purchase contracts | 411 | 222 |
| Operating lease rentals | | |
| Plant and machinery | 4,237 | 7,315 |
| Land and buildings | 147 | 180 |
| **4 STAFF COSTS** | | |
| **Staff costs** | | |
| Wages and salaries | 18,804 | 22,353 |
| Social security costs | 1,804 | 2,204 |
| Other pension costs (including £462,000 (2009 - £779,000) current service costs of a defined benefit pension scheme) | 586 | 887 |
| | 21,194 | 25,444 |
| **Directors' remuneration** | | |
| Aggregate remuneration | 1,349 | 1,219 |
| Payments to third parties | 38 | 37 |
| Payments to defined contribution pension schemes | 101 | 87 |
| | 1,488 | 1,343 |
| Highest paid director | | |
| Aggregate remuneration | 367 | 387 |
| Payments to defined contribution pension scheme | - | 45 |
| | 367 | 432 |

# NOTES ON THE ACCOUNTS

## 4 STAFF COSTS (continued)

| | 2010 | 2009 |
|---|---|---|
| | Number of employees | |
| Average monthly number of employees during the period | 517 | 661 |
| | Number of directors | |
| Retirement benefits accruing to directors under defined benefit schemes | 2 | 3 |
| Retirement benefits accruing to directors under defined contribution schemes | 3 | 3 |

During the period Clugston Construction Limited sold building materials worth nil (2009 – £13,000) on normal commercial terms to Mr S J Radcliffe At 30 January 2010 there was no balance outstanding (2009 – nil)

## 5 NET INTEREST PAYABLE

| | 2010 £000 | 2009 £000 |
|---|---|---|
| Bank interest receivable | 82 | 295 |
| Bank interest payable | (33) | (108) |
| Finance charges payable under finance leases and hire purchase contracts | (51) | (48) |
| Net pension finance (cost)/income (note 21) | (654) | 35 |
| Other interest payable | (36) | (37) |
| Other interest receivable | 92 | 62 |
| Share of interest payable by joint ventures | (313) | (510) |
| | (913) | (311) |

## 6 TAX CHARGE ON PROFIT ON ORDINARY ACTIVITIES

| | 2010 £000 | 2009 £000 |
|---|---|---|
| **UK corporation tax** | | |
| UK corporation tax on the profits for the period | 25 | 126 |
| Consortium relief receivable | - | (392) |
| Balancing payments to joint ventures | 328 | 171 |
| Adjustments in respect of previous periods | (49) | (175) |
| Share of tax (credit)/charge in joint ventures | (100) | 519 |
| Total current tax charge | 204 | 249 |
| **Deferred tax** | | |
| Originating and reversal of timing differences | 300 | 428 |
| Adjustments in respect of previous periods | - | 123 |
| Total deferred tax charge | 300 | 551 |
| Tax charge on profit on ordinary activities | 504 | 800 |

### Factors affecting the tax charge for the period

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

| | 2010 | 2009 |
|---|---|---|
| Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2009 – 28 33%) | 420 | 788 |
| Disallowed expenses and non-taxable income | 97 | 66 |
| Accelerated capital allowances | (201) | (235) |
| Adjustments in respect of previous periods | (49) | (175) |
| Short term timing differences | 3 | (158) |
| Assets reclassified as non-qualifying | (9) | (13) |
| Variations in tax rate | 5 | (24) |
| Brought forward tax losses utilised in the period | (103) | - |
| Tax losses not recognised in the period | 41 | - |
| Current tax charge for the period | 204 | 249 |

## 7 PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY

The profit for the period dealt with in the accounts of the Company is £3,096,000 (2009 - £2,343,000)

## CLUGSTON GROUP LIMITED

## NOTES ON THE ACCOUNTS

### 8 TANGIBLE FIXED ASSETS

| GROUP | Land and buildings £000 | Plant, equipment & vehicles £000 | Total £000 |
|---|---|---|---|
| **Cost or valuation** | | | |
| At 31 January 2009 | 5,349 | 10,768 | 16,117 |
| Additions | - | 831 | 831 |
| Disposals | - | (926) | (926) |
| Revaluation | 50 | - | 50 |
| At 30 January 2010 | 5,399 | 10,673 | 16,072 |
| *At 2009 valuation* | *2,182* | - | *2,182* |
| *At 2010 valuation* | *3,217* | - | *3,217* |
| **Depreciation** | | | |
| At 31 January 2009 | - | 6,430 | 6,430 |
| Charge for period | 47 | 1,165 | 1,212 |
| Disposals | - | (877) | (877) |
| At 30 January 2010 | 47 | 6,718 | 6,765 |
| **Net book amounts at 30 January 2010** | **5,352** | **3,955** | **9,307** |
| Net book amounts at 31 January 2009 | 5,349 | 4,338 | 9,687 |

| COMPANY | Land and buildings £000 | Plant, equipment & vehicles £000 | Total £000 |
|---|---|---|---|
| **Cost or valuation** | | | |
| At 31 January 2009 | 5,349 | 238 | 5,587 |
| Additions | - | 1 | 1 |
| Revaluation | 50 | - | 50 |
| At 30 January 2010 | 5,399 | 239 | 5,638 |
| *At 2009 valuation* | *2,182* | - | *2,182* |
| *At 2010 valuation* | *3,217* | - | *3,217* |
| **Depreciation** | | | |
| At 31 January 2009 | - | 232 | 232 |
| Charge for period | 47 | 5 | 52 |
| At 30 January 2010 | 47 | 237 | 284 |
| **Net book amounts at 30 January 2010** | **5,352** | **2** | **5,354** |
| Net book amounts at 31 January 2009 | 5,349 | 6 | 5,355 |

The net book amount of Group plant, equipment and motor vehicles above includes £1,430,000 in respect of assets held under finance leases and hire purchase contracts (2009 - £1,490,000)

The Group's investment properties were revalued as at 30 January 2010 on a market value basis by a Group employee, who is a member of the Royal Institution of Chartered Surveyors The new valuations of £3,217,000 have been incorporated in the Group accounts on 30 January 2010

| | Group | | Company | |
|---|---|---|---|---|
| | **2010 £000** | **2009 £000** | **2010 £000** | **2009 £000** |
| If properties had not been revalued they would have been carried in the balance sheet as follows | | | | |
| Cost | 2,954 | 2,954 | 3,339 | 3,339 |
| Depreciation | (1,699) | (1,653) | (1,049) | (968) |
| Net book amounts | 1,255 | 1,301 | 2,290 | 2,371 |
| | | | | |
| The net book amount of land and buildings comprises | | | | |
| Freehold investment property | 3,157 | 3,107 | 3,157 | 3,107 |
| Leasehold investment property (over 50 years unexpired) | 60 | 60 | 60 | 60 |
| Other freehold property | 2,135 | 2,182 | 2,135 | 2,182 |
| | 5,352 | 5,349 | 5,352 | 5,349 |

## 9 INVESTMENTS

**GROUP**

| **Cost** | **Loans to joint ventures £000** |
|---|---|
| At 31 January 2009 | 1,400 |
| Advances | 4,592 |
| Repayments | (2,652) |
| At 30 January 2010 | 3,340 |

| **The Group's share in its joint ventures at 30 January 2010 was as follows** | **2010 £000** | **2009 £000** |
|---|---|---|
| Fixed assets | 9,223 | 9,497 |
| Current assets | 9,087 | 10,031 |
| Liabilities due within one year | (6,958) | (7,659) |
| Liabilities due after more than one year | (6,451) | (6,555) |
| Net assets | 4,901 | 5,314 |

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

| | **Barmston Developments Limited** | | **Century Health (Nottingham) Limited** | |
|---|---|---|---|---|
| | **2010 £000** | **2009 £000** | **2010 £000** | **2009 £000** |
| Turnover | - | - | 1,184 | 1,186 |
| Profit/(loss) before tax | (146) | (5) | 87 | 40 |
| Taxation | - | - | (61) | (36) |
| Profit/(loss) after tax | (146) | (5) | 26 | 4 |
| Fixed assets | - | - | 9,121 | 9,395 |
| Current assets | 4,042 | 4,004 | 1,685 | 1,603 |
| Liabilities due within one year | (4,194) | (4,009) | (542) | (656) |
| Liabilities due after more than one year | - | - | (6,451) | (6,555) |
| Net assets/(liabilities) | (152) | (5) | 3,813 | 3,787 |

**COMPANY**

| At 30 January 2010 and 31 January 2009 | **Subsidiary undertakings £000** |
|---|---|
| Cost | 11,889 |
| Provisions | (1,098) |
| **Net book amounts** | 10,791 |

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

# NOTES ON THE ACCOUNTS

| | Group | | Company | |
|---|---|---|---|---|
| | 2010 £000 | 2009 £000 | 2010 £000 | 2009 £000 |
| **10 STOCKS** | | | | |
| Raw materials | 19 | 24 | - | - |
| Stores and other | 168 | 156 | - | - |
| | 187 | 180 | - | - |
| **11 DEBTORS** | | | | |
| Trade debtors | 8,760 | 10,808 | - | - |
| Amounts recoverable on contracts (2009 includes £775,000 due after more than one year) | 3,562 | 8,882 | - | - |
| Prepayments and accrued income | 385 | 310 | 325 | 699 |
| | 12,707 | 20,000 | 325 | 699 |
| **12 DEFERRED TAX** | | | | |
| Opening asset | 1,076 | 1,436 | 49 | 55 |
| Adjustments in respect of previous periods | - | (123) | - | - |
| Transfer from profit and loss account | (244) | (237) | (7) | (6) |
| Closing asset | 832 | 1,076 | 42 | 49 |
| The full potential provision for deferred tax comprises | | | | |
| Decelerated capital allowances | 454 | 593 | 21 | 25 |
| Short term timing differences | 28 | 31 | 21 | 24 |
| Loss relief | 402 | 504 | 52 | 52 |
| | 884 | 1,128 | 94 | 101 |
| Assets not recognised | (52) | (52) | (52) | (52) |
| | 832 | 1,076 | 42 | 49 |

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 £136,000 (2009 – £170,000)

| | Group 2010 £000 | Group 2009 £000 | Company 2010 £000 | Company 2009 £000 |
|---|---|---|---|---|
| **13 CREDITORS - amounts falling due within one year** | | | | |
| Trade creditors | 11,068 | 16,672 | 49 | 142 |
| Payments received in advance | 1,287 | 5,588 | - | - |
| Other taxes and social security costs | 453 | 607 | 55 | 56 |
| Accrued charges | 896 | 1,409 | 492 | 575 |
| Term loan | 200 | 200 | 200 | 200 |
| Hire purchase obligations | 281 | 471 | - | - |
| Amounts due to subsidiary undertakings | - | - | - | 1,061 |
| Amounts due to joint ventures | 1,193 | 868 | - | - |
| Corporation tax | 25 | 126 | - | - |
| Other creditors | 665 | 235 | 108 | 117 |
| | 16,068 | 26,176 | 904 | 2,151 |

Other creditors includes pension contributions of £92,000 (2009 - £99,000) relating to defined benefit schemes and £15,000 (2009 – 16,000) relating to defined contribution schemes

| | Group 2010 £000 | Group 2009 £000 | Company 2010 £000 | Company 2009 £000 |
|---|---|---|---|---|
| **14 CREDITORS - amounts falling due after more than one year** | | | | |
| Amounts due to subsidiary undertakings | - | - | 19,934 | 19,715 |
| Term loan | 1,050 | 1,250 | 1,050 | 1,250 |
| Hire purchase obligations payable within two to five years | 545 | 437 | - | - |
| | 1,595 | 1,687 | 20,984 | 20,965 |

The term loan is repayable in equal quarterly instalments over ten years from June 2006 It is secured on the freehold property and interest is payable at 1% above LIBOR

| | Group 2010 £000 | Group 2009 £000 | Company 2010 £000 | Company 2009 £000 |
|---|---|---|---|---|
| **15 CALLED UP SHARE CAPITAL** | | | | |
| Allotted, called up and fully paid ordinary shares of £1 each | 743 | 743 | 743 | 743 |

## 16 RESERVES

| | Profit and loss account | | | Capital | |
|---|---|---|---|---|---|
| | Excluding pension liability £000 | Pension liability £000 | Net £000 | redemption reserve £000 | Revaluation reserve £000 |
| **GROUP** | | | | | |
| At 31 January 2009 | 8,710 | (4,260) | 4,450 | 313 | 7,907 |
| Profit for the financial period | 1,008 | (12) | 996 | - | - |
| Dividends declared and paid | (111) | - | (111) | - | - |
| Actuarial loss recognised on pension scheme net of deferred tax | - | (404) | (404) | - | - |
| Revaluation surplus | - | - | - | - | 50 |
| Transfer in respect of depreciation | 304 | - | 304 | - | (304) |
| At 30 January 2010 | 9,911 | (4,676) | 5,235 | 313 | 7,653 |

Cumulative goodwill written off since February 1980, the earliest date from which figures are reasonably available, amounts to £2,505,000 (2009 - £2,505,000)

| | Excluding pension liability £000 | Pension liability £000 | Net £000 | Capital redemption reserve £000 | Revaluation reserve £000 |
|---|---|---|---|---|---|
| **COMPANY** | | | | | |
| At 31 January 2009 | 5,054 | (4,260) | 794 | 313 | 2,978 |
| Profit for the financial period | 3,108 | (12) | 3,096 | - | - |
| Dividends declared and paid | (111) | - | (111) | - | - |
| Actuarial profit recognised on pension scheme net of deferred tax | - | (404) | (404) | - | - |
| Revaluation surplus | - | - | - | - | 50 |
| Transfer in respect of depreciation | 37 | - | 37 | - | (37) |
| At 30 January 2010 | 8,088 | (4,676) | 3,412 | 313 | 2,991 |

The revaluation reserves of both the Group and the Company include £1,276,000 (2009 - £1,226,000) relating to investment properties

| | Group 2010 £000 | Group 2009 £000 |
|---|---|---|
| **17 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS** | | |
| Opening shareholders' funds | 13,698 | 8,441 |
| Profit for the financial period | 996 | 1,982 |
| Revaluation surplus | 50 | 1,244 |
| Share of revaluation surplus in joint venture | - | 3,859 |
| Actuarial loss recognised on pension scheme net of deferred tax | (404) | (1,754) |
| Dividends declared and paid | (111) | (74) |
| Closing shareholders' funds | 14,229 | 13,698 |

## 18 RECONCILIATION OF OPERATING PROFIT TO NET CASHFLOW

| | 2010 £000 | 2009 £000 |
|---|---|---|
| Operating profit | 2,563 | 602 |
| Depreciation of fixed assets | 1,212 | 1,189 |
| Profit on sale of tangible fixed assets | (62) | (178) |
| Pension contributions in excess of current service cost | (637) | (516) |
| Increase in stocks and work in progress | (7) | (15) |
| Decrease/(increase) in debtors | 7,293 | (1,411) |
| (Decrease)/increase in creditors | (10,434) | 2,085 |
| **Net cash inflow from operating activities** | (72) | 1,756 |

## 19 (DECREASE)/INCREASE IN CASH

| | 2010 £000 | 2009 £000 |
|---|---|---|
| Opening bank balance | 8,164 | 5,378 |
| Closing bank balance | 5,294 | 8,164 |
| | (2,870) | 2,786 |

# NOTES ON THE ACCOUNTS

| | Group 2010 £000 | Group 2009 £000 |
|---|---|---|
| **20 FINANCIAL COMMITMENTS** | | |
| At 30 January 2010 the Group had the following annual commitments under non-cancellable operating leases expiring | | |
| **Plant, machinery etc** | | |
| Within one year | 63 | 65 |
| In two to five years | 306 | 283 |
| | 369 | 348 |
| **Land and buildings** | | |
| Within one year | - | 11 |
| In two to five years | 18 | - |
| After five years | 121 | 122 |
| | 139 | 133 |

At 30 January 2010 the Group had contracted but not provided in the accounts for capital expenditure of £16,000 (2009 - £40,000)

## 21 PENSION COMMITMENTS

The Group operates several pension schemes for eligible employees The principal scheme is a contributory defined benefit pension scheme for employees and the assets are invested in a separate trustee-administered fund The Group makes contributions to the scheme based on the advice of the scheme's actuary and no significant changes are expected to this level

A valuation was carried out at 30 January 2010 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

| | 2010 £000 | 2009 £000 |
|---|---|---|
| **Scheme assets and liabilities** | | |
| Equities | 18,265 | 15,753 |
| Bonds | 7,122 | 4,878 |
| Property | 1,699 | 1,757 |
| Diversified growth funds | 2,909 | - |
| Cash | 1,661 | 3,277 |
| Fair value of scheme assets | 31,656 | 25,665 |
| Present value of scheme liabilities | (38,151) | (31,582) |
| Deficit in the scheme | (6,495) | (5,917) |
| Related deferred tax asset | 1,819 | 1,657 |
| **Net pension liability** | (4,676) | (4,260) |

| | 2010 £000 | 2009 £000 |
|---|---|---|
| **Movement in the defined benefit obligation** | | |
| At 31 January 2009 | 31,582 | 34,774 |
| Current service cost | 462 | 779 |
| Interest cost | 2,154 | 2,123 |
| Contributions by scheme members | 222 | 251 |
| Benefits paid | (967) | (1,194) |
| Actuarial losses/(gains) | 4,698 | (5,151) |
| At 30 January 2010 | 38,151 | 31,582 |

| | 2010 £000 | 2009 £000 |
|---|---|---|
| **Movement in the fair value of scheme assets** | | |
| At 31 January 2009 | 25,665 | 30,742 |
| Expected return on assets | 1,500 | 2,158 |
| Contributions by the employer | 1,099 | 1,295 |
| Contributions by scheme members | 222 | 251 |
| Benefits paid | (967) | (1,194) |
| Actuarial gains/(losses) | 4,137 | (7,587) |
| At 30 January 2010 | 31,656 | 25,665 |

# CLUGSTON GROUP LIMITED

## NOTES ON THE ACCOUNTS

### 21 PENSION COMMITMENTS (continued)

| | 2010 £000 | 2009 £000 |
|---|---|---|
| **Recognised in the Profit and Loss Account** | | |
| Current service cost (recognised in arriving at operating profit) | (462) | (779) |
| Expected return on scheme assets | 1,500 | 2,158 |
| Interest cost | (2,154) | (2,123) |
| Net finance (cost)/income | (654) | 35 |
| Total recognised in the profit and loss account | (1,116) | (744) |

| | 2010 £000 | 2009 £000 |
|---|---|---|
| **Taken to the Statement of Total Recognised Gains and Losses** | | |
| Actual return on scheme assets | 5,637 | (5,429) |
| Less expected return on scheme assets | (1,500) | (2,158) |
| Other actuarial gains | (4,698) | 5,151 |
| Total actuarial losses taken to the Statement of Total Recognised Gains and Losses | (561) | (2,436) |

| **Key assumptions** | % | % |
|---|---|---|
| Rate of salary increases | 4 15 | 4 25 |
| Rate of increase of pensions in payment | 3 40 | 3 50 |
| Discount rate | 5 60 | 6 85 |
| Expected rates of return | | |
| Equities | 7 50 | 7 50 |
| Bonds | 5 60 | 5 50 |
| Property | 6 50 | 6 50 |
| Diversified growth funds | 2 00 | - |
| Cash | 2 00 | 1 00 |
| Inflation | 3 40 | 3 50 |
| Average life expectancy | Years | Years |
| Males retiring at reporting date at age 65 | 20 2 | 21 4 |
| Males retiring at reporting date +20 years at age 65 | 22 1 | 22 5 |

| **Scheme history** | 2010 £000 | 2009 £000 | 2008 £000 | 2007 £000 | 2006 £000 |
|---|---|---|---|---|---|
| Fair value of scheme assets | 31,656 | 25,665 | 30,742 | 30,560 | 27,279 |
| Present value of defined benefit obligation | 38,151 | 31,582 | 34,774 | 34,818 | 33,556 |
| Deficit in the scheme | 6,495 | 5,917 | 4,032 | 4,258 | 6,277 |
| Experience (loss)/gain on scheme liabilities | (368) | (141) | (70) | (209) | 144 |
| Experience gain/(loss) on scheme assets | 4,137 | (7,587) | (2,901) | 54 | 3,319 |

## CLUGSTON GROUP LIMITED

# PRINCIPAL SUBSIDIARIES & JOINT VENTURES

| SUBSIDIARY UNDERTAKINGS (all wholly owned) | ACTIVITIES |
|---|---|
| CONSTRUCTION | |
| **Clugston Construction Limited** | Building and civil engineering contracting<br>Facilities management<br>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**<br>(Property development) | 50 0 | 31 December 2009 |
| **Brayford Partnership Limited**<br>(Property development) | 50 0 | 31 December 2009 |
| **Bretton Street Developments Limited**<br>(Property development) | 50 0 | 30 January 2010 |
| **Century Health (Nottingham) Limited**<br>(Facilities provider) | 40 0 | 31 December 2009 |
| **CNIM-Clugston LLP**<br>(Turnkey design and construction) | 50 0 | 31 December 2009 |
| **Lakeside Partnership Limited**<br>(Property development) | 50 0 | 31 December 2009 |
| **Redhouse Holdings Limited**<br>(Property development) | 50 0 | 30 January 2010 |
| **Stallingborough Developments Limited**<br>(Property development) | 50 0 | 31 December 2009 |