

# Rydon Construction Limited

REGISTRAR OF COMPANIES

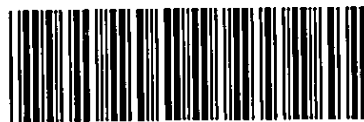
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Financial Statements - 30 September 2006

## Contents

	Page
General Information	1
Directors' Report	2-5
Auditors' Report	6
Profit and Loss Account	7
Balance Sheet	8
Notes to the Financial Statements	9-17

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# **Rydon Construction Limited**

## **Financial Statements - 30 September 2006**

### **Directors**

R Bond  
M J Pollard  
M C Mitchener  
P C Stevens  
J D Henton  
S Moore  
J E Kitchin  
P T Wright

### **Secretary**

D R Gardner

### **Registered Office**

Rydon House  
Forest Row  
East Sussex  
RH18 5DW

### **Registered Auditors**

Mazars LLP  
37 Frederick Place  
Brighton  
BN1 4EA

### **Registered Number**

1292680

# Rydon Construction Limited

## Directors' Report

The directors present their report and the financial statements for the 18 month period ended 30 September 2006

### Statement of Directors' Responsibilities

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of the affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable United Kingdom accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### Review of the Business and Future Developments

The principal activity of the company continued to be that of building contractors and developers.

Turnover has increased in the period by 66% after allowing for the longer 18 month period. This is principally a result of a number of substantial Private Finance Initiative (PFI) contracts reaching maturity during the period.

New PFI work and contracts with Registered Social Landlords (RSL's) have been obtained to replace those currently ending, but due to the timing of the commencement of work on these contracts, a slight reduction in turnover is expected for next year, before increasing again in subsequent years. The mix of turnover between PFI contracts and work for RSL's is considered to be better going forward than in the current period.

Overall profitability at the contract level is slightly up in the period, however the net profit before tax has shown a significant improvement with the increased turnover not requiring a proportionate increase in overheads.

The directors consider the company to be in a strong position going forward with the current order book as follows:

Orders in Hand	£115M
Identified work	£176M

In the normal course of its business the company is exposed to a variety of financial risks and as a result is constantly improving its corporate governance. Measures have been put in place to maximise best practice and to ensure compliance and these remain under constant review.

# Rydon Construction Limited

## Directors' Report (continued)

### Review of the Business and Future Developments (continued)

The company manages its credit risk most effectively by carefully selecting the clients for which it tenders for work

Risks to the business in human resources, information technology and health and safety, are carefully monitored and the company actively pursues best practice in these areas to ensure that any risk is kept to a minimum

#### KPIs

#### Health & Safety

The average injury incident rate per 100,000 employees based on an industry standard published by the HSE

Industry average as at September 2005 (last available published figures)	598
Rydon Construction annual average for September 2006	181

#### Financial

	2006	2005
Turnover Growth	65.9%	25.7%
Operating Profit %	5.7%	1.7%
Net Assets	£14.1m	£9.1m

### Results and Dividends

The results of the company for the period ended 30 September 2006 are set out in the financial statements on pages 7 to 17

Dividends in respect of the issued ordinary share capital amounting to £1,812,269 were paid during the period (2005 - £250,000). A final dividend in respect of the issued ordinary share capital amounting to £1,002,345 has been declared (2005 - £250,000)

#### Directors

The directors set out below have held office during the whole of the period from 1 April 2005 to the date of this report, unless otherwise stated

R Bond	J E Kitchen (appointed 12/01/06)	P C Stevens
M W Gearon (resigned 21/01/06)	M C Mitchener	P T Wright (appointed 12/01/06)
P A Hance (resigned 23/01/06)	S Moore	
J D Henton	M J Pollard	

None of the directors had any interest in the shares of the company, according to the register of directors' interests, at any time during the 18 month period ended 30 September 2006. The interests of R Bond, J E Kitchen and P T Wright in the ultimate parent company, Rydon Holdings Limited are set out in the directors' reports of that company

# Rydon Construction Limited

## Directors' Report (continued)

### Directors (continued)

The interests of other directors holding office on 30 September 2006 in the shares of the ultimate holding company (incorporated on 7 September 2005), according to the register of directors' interests, were as shown below

	In Issue		Under Option	
	30 September 2006 'A' Ordinary shares of 10p each	7 September 2005 'A' Ordinary shares of 10p each	30 September 2006 'A' Ordinary shares of 10p each	7 September 2005 'A' Ordinary shares of 10p each
J D Henton	310,000	-	-	-
M C Mitchener	310,000	-	-	-
S Moore	310,000	-	-	-
M J Pollard	310,000	-	100,000	-
P C Stevens	310,000	-	-	-

Share options in Rydon Holdings Limited were granted during the period to the following directors

	No of Shares	Option Price	Exercise
M J Pollard	100,000	£2 00	50% on or after 7 March 2009 and 50% on or after 3 years from date of first exercise

Share options in Rydon Group Limited were exercised during the period by the following directors

	No of Shares	Option Price
R Bond	8,571	£3 50
J D Henton	5,000	£3 00
J E Kitchin	8,571	£3 50
M C Mitchener	5,000	£3 50
S Moore	5,000	£3 00
P C Stevens	5,000	£3 50
P T Wright	5,000	£3 00

No other rights to subscribe for shares in the company or any body corporate in the same group were granted to or exercised by any director during the period

### General Meetings

The company has elected in pursuance of Section 252, Companies Act 1985, not to lay accounts before members in general meeting. Members, however, may by notice in writing to the company at its registered office request that the accounts are laid before the company in general meeting.

### Statement as to Disclosure of Information to Auditors

The directors who were members of the board at the date of approval of this Directors report confirm that, to the best of their knowledge, there is no relevant audit information of which the company's auditors are unaware. Each director has taken all the steps a director might reasonably be expected to have taken to be aware of any relevant audit information and to establish that the company's auditors are aware of that information.

# Rydon Construction Limited

## Directors' Report (continued)

### Auditors

An elective resolution has been passed in accordance with S 386 of the Companies Act 1985 to dispense with the annual re-appointment of auditors. Mazars LLP remain in office until further notice.

Approved by the Board on 23 January 2007, and signed on its behalf by

A handwritten signature in black ink, appearing to be 'P T Wright', with a long horizontal stroke extending to the right.

P T Wright  
Director

Rydon House  
Forest Row  
East Sussex  
RH18 5DW

# Independent Auditors' Report to the Shareholders of Rydon Construction Limited

We have audited the financial statements of Rydon Construction Limited for the 18 month period ended 30 September 2006 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards of Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, whether the financial statements are properly prepared in accordance with the Companies Act 1985 and whether the information given in the Directors' Report is consistent with the financial statements. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

## Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

## Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs at 30 September 2006 and of its profit for the 18 month period then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.

Mazars LLP



Chartered Accountants and Registered Auditors  
37 Frederick Place  
Brighton BN1 4EA

23 January 2007

# Rydon Construction Limited

## Profit and Loss Account

For the 18 month Period Ended 30 September 2006

	Notes	2006 (18 months) £	2005 (12 months) £
Turnover	2	177,672,837	71,389,664
Cost of contracts		<u>(152,397,421)</u>	<u>(61,718,155)</u>
Gross Profit		25,275,416	9,671,509
Administrative expenses		<u>(15,079,331)</u>	<u>(8,433,913)</u>
Operating Profit		10,196,085	1,237,596
Interest receivable and similar income from group companies		1,124,896	481,937
Interest payable and similar charges		<u>(7,568)</u>	<u>(369)</u>
Profit on Ordinary Activities Before Taxation	3	11,313,413	1,719,164
Taxation on profit on ordinary activities	6	<u>(3,433,225)</u>	<u>(514,439)</u>
Profit for the Financial Period	13	<u><u>£7,880,188</u></u>	<u><u>£1,204,725</u></u>

The company's turnover and expenses all relate to continuing operations

The company has no recognised gains or losses other than the profit for the period

The profit on ordinary activities before taxation and the profit for the financial period have been calculated on the historical cost basis

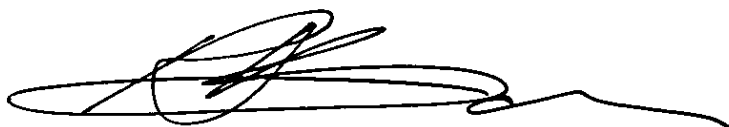


# Rydon Construction Limited

## Balance Sheet at 30 September 2006

	Notes	£	30 September 2006 £	£	31 March 2005 £
<b>Tangible Fixed Assets</b>	8		449,347		632,305
<b>Current Assets</b>					
Work-in-progress	9	2,270,488		438,910	
Debtors Amounts due within one year	10	47,182,352		25,476,800	
Debtors Amounts due after one year	10	1,449,109		690,485	
Cash at bank		223,178		12,399,211	
		<u>51,125,127</u>		<u>39,005,406</u>	
<b>Creditors - Amounts Falling Due Within One Year</b>	11	<u>(37,440,633)</u>		<u>(30,569,444)</u>	
<b>Net Current Assets</b>			<u>13,684,494</u>		<u>8,435,962</u>
<b>Net Assets</b>			<u><u>£14,133,841</u></u>		<u><u>£9,068,267</u></u>
<b>Capital and Reserves</b>					
Called up share capital	12		42,000		42,000
Profit and loss account	13		14,091,841		9,026,267
<b>Shareholders' Funds (Including non-equity interests)</b>	13		<u><u>£14,133,841</u></u>		<u><u>£9,068,267</u></u>

Approved by the Board on 23 January 2007, and signed on its behalf by



R Bond - Director

# **Rydon Construction Limited**

## **Notes to the Financial Statements For the 18 Month Period Ended 30 September 2006**

### **1. Accounting Policies**

The financial statements have been prepared in accordance with applicable accounting standards

#### **(a) Accounting convention**

The financial statements are prepared under the historical cost convention

#### **(b) Exemption from the requirement to prepare a cashflow statement**

The company has taken advantage of the exemption in Financial Reporting Standard 1, not to prepare a cashflow statement as it is a wholly owned subsidiary of a company whose financial statements are publicly available

#### **(c) Turnover**

Turnover represents the value of work done, excluding value added tax, in respect of construction and development work

#### **(d) Depreciation**

Depreciation is calculated to write off the cost of fixed assets on a straight line basis over their estimated useful lives

#### **(e) Work-in-progress**

Work-in-progress is valued at the lower of cost and estimated net realisable value. Cost consists of materials, direct labour and direct overhead costs. For both short term and long term contracts, where profits can reasonably be foreseen, the proportion of the estimated total profit on each contract attributable to the value of work carried out is included in the valuation. Provisions for estimated losses on contracts are made in the year in which such losses are foreseen. Progress payments received or receivable at the balance sheet date are deducted up to the amount of the valuation, any excess being included in current liabilities as progress payments received in advance.

#### **(f) Deferred taxation**

Deferred tax is provided in respect of the tax effect of all timing differences that have originated but not reversed at the balance sheet date.

A deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from when the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on a non-discounted basis at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

#### **(g) Leases**

Amounts payable under operating leases are charged on a straight line basis over the term of the lease.

# Rydon Construction Limited

## Notes to the Financial Statements For the 18 Month Period Ended 30 September 2006

### 2 Segmental Information

The turnover, profit before taxation and net assets are attributable to the principal activity, that of building contractors and developers. The company operates in the UK and the whole of its turnover is to the UK market.

### 3 Profit on Ordinary Activities Before Taxation

	2006 (18 Months) £	2005 (12 Months) £
The profit on ordinary activities before taxation is stated after charging		
Depreciation of tangible fixed assets	401,455	197,740
Hire of plant and machinery	2,319,180	2,209,004
Amounts payable on operating leases - land and buildings	<u>48,000</u>	<u>19,259</u>

Bank overdraft facilities are arranged on a group basis and consequently individual companies do not bear specific charges for interest on their short term borrowing. A credit for interest on monies provided to the group is levied by the company's parent company.

All audit fees are paid by Rydon Group Limited.

### 4. Directors

	2006 (18 Months) £	2005 (12 Months) £
<b>Remuneration</b>		
Total emoluments receivable from Rydon Group Limited in respect of management services provided to Rydon Construction Limited	<u>£1,223,905</u>	<u>£856,244</u>

The directors are all employed and paid by Rydon Group Limited.

# Rydon Construction Limited

## Notes to the Financial Statements For the 18 Month Period Ended 30 September 2006

### 4 Directors (continued)

The emoluments of directors disclosed above include the following amounts paid to the highest paid director

	2006 (18 Months) £	2005 (12 Months) £
Emoluments	<u>£228,329</u>	<u>£193,475</u>

During the period the following number of directors

accrued benefits under defined benefit pension schemes	7	7
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### Transactions

During the period work valued at over £5,000 was carried out for the following directors on the same terms as available to all staff

	Value of work done £
R Bond	187,577
C Stevens	24,247
S Moore	12,933

There were no amounts outstanding from directors at the period end (31 March 2005 - £52,882)

The maximum outstanding from directors during the period was £252,734

# Rydon Construction Limited

## Notes to the Financial Statements

For the 18 Month Period Ended 30 September 2006

### 5 Staff Costs

	2006 (18 Months) £	2005 (12 Months) £
Wages and salaries	858,418	743,867
Social security costs	<u>76,030</u>	<u>64,213</u>
	<u>£934,448</u>	<u>£808,080</u>

The average number of persons employed by the company (including directors) during the period was as follows

	Number	Number
Management	7	7
Direct labour	<u>32</u>	<u>40</u>
<b>Total Employees</b>	<u>39</u>	<u>47</u>

The following additional specific charges were made for one hundred and seventeen (2004 - ninety) staff employed and paid by Rydon Group Limited who are engaged in supervision activities

	2006 (18 Months) £	2005 (12 Months) £
Wages and salaries	5,871,483	3,060,655
Social security costs	671,129	343,174
Other pension costs	<u>344,730</u>	<u>188,781</u>
	<u>£6,887,342</u>	<u>£3,592,610</u>

# Rydon Construction Limited

## Notes to the Financial Statements For the 18 Month Period Ended 30 September 2006

### 6 Taxation on Profit on Ordinary Activities

	2006 (18 Months) £	2005 (12 Months) £
(a) Analysis of charge in the period		
Current Tax		
UK corporation tax on profits for the period	3,066,218	507,400
Payment for group relief	353,697	-
Adjustment in respect of previous period	13,310	7,039
	<u>£3,433,225</u>	<u>£514,439</u>

#### (b) Factors affecting tax charge for period

The tax assessed for the period is different to the standard rate of corporation tax in the UK (30%) The differences are explained below

	2006 (18 Months) £	2005 (12 Months) £
Profit on ordinary activities before tax	<u>£11,313,413</u>	<u>£1,719,164</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in UK of 30% (2005 - 30%)	3,394,024	515,749
Effects of		
Expenses not deductible for tax	14	-
Differences between capital allowances and depreciation	26,057	(8,349)
Other income not taxable	(180)	-
Adjustment in respect of previous period	13,310	7,039
	<u>£3,433,225</u>	<u>£514,439</u>

#### (c) Factors that may affect future tax charges

No provision has been made for a deferred tax asset at 30 September 2006 of approximately £37,383 (2005 - £11,500) in respect of the difference between capital allowances and depreciation because in the opinion of the directors, the amount is not considered to be material

### 7 Dividends

	2006 (18 Months) £	2005 (12 Months) £
Interim dividend paid of £86 30 (2005 - £11 90) per share	1,812,269	250,000
Final dividend declared of £47 73 (2005 - £11 90) per share	1,002,345	250,000
	<u>£2,814,614</u>	<u>£500,000</u>

# Rydon Construction Limited

## Notes to the Financial Statements For the 18 Month Period Ended 30 September 2006

### 8 Tangible Fixed Assets

	Plant and machinery	Computer System	Total
	£	£	£
<b>Cost</b>			
At 1 April 2005	944,638	310,068	1,254,706
Additions	185,188	48,249	233,437
Disposals	(121,023)	-	(121,023)
At 30 September 2006	<u>£1,008,803</u>	<u>£358,317</u>	<u>£1,367,120</u>
<b>Accumulated Depreciation</b>			
At 1 April 2005	570,712	51,689	622,401
Charge for the period	277,054	124,402	401,456
Eliminated on disposals	(106,084)	-	(106,084)
At 30 September 2006	<u>£741,682</u>	<u>£176,091</u>	<u>£917,773</u>
<b>Net Book Values</b>			
At 30 September 2006	<u>£267,121</u>	<u>£182,226</u>	<u>£449,347</u>
At 31 March 2005	<u>£373,926</u>	<u>£258,379</u>	<u>£632,305</u>
Depreciation rate	25%	25%	

# Rydon Construction Limited

## Notes to the Financial Statements

For the 18 Month period Ended 30 September 2006

### 9 Work-in-progress

		30 September 2006		31 March 2005
	£	£	£	£
Net cost less foreseeable losses	280,453,943		108,130,951	
Applicable payments on account	<u>(278,183,455)</u>		<u>(107,692,041)</u>	
		2,270,488		438,910
		<u>£2,270,488</u>		<u>£438,910</u>

In accordance with SSAP 9 the directors have included attributable profit amounting to £34,237,032 (2005 - £13,161,798) in the value of long term contracts

### 10 Debtors

	30 September 2006	31 March 2005
	£	£
Due Within One Year		
Trade debtors	58,566	80,729
Amounts recoverable on contracts	9,386,035	8,989,597
Amounts owed by group companies	37,514,040	16,309,958
Other debtors	<u>223,711</u>	<u>96,516</u>
	<u>£47,182,352</u>	<u>£25,476,800</u>
Due After One Year		
Amounts recoverable on contracts	<u>£1,449,109</u>	<u>£690,485</u>

### 11 Creditors - Amounts Falling Due Within One Year

	30 September 2006	31 March 2005
	£	£
Payments received on account	21,996,567	9,741,271
Trade creditors	10,266,494	10,175,669
Amounts owed to group companies	3,479,512	8,165,889
Amounts owed to related companies	-	250,991
Corporation tax	1,399,454	367,400
Other taxation	47,112	44,455
Social security costs	6,886	6,501
Other creditors	<u>244,608</u>	<u>1,817,268</u>
	<u>£37,440,633</u>	<u>£30,569,444</u>



# Rydon Construction Limited

## Notes to the Financial Statements For the 18 Month Period Ended 30 September 2006

### 12 Share Capital

	Authorised		Allotted, issued and fully paid	
	30 September 2006	31 March 2005	30 September 2006	31 March 2005
	£	£	£	£
Ordinary shares of £1 each	25,000	25,000	21,000	21,000
Deferred ordinary shares of £1 each	<u>25,000</u>	<u>25,000</u>	<u>21,000</u>	<u>21,000</u>
	<u>£50,000</u>	<u>£50,000</u>	<u>£42,000</u>	<u>£42,000</u>

The deferred ordinary shares carry no entitlement to participate in the profits of the company and have no voting rights. In the event of the winding up of the company the deferred ordinary shareholders will receive the amount paid up after payment of £1 per share to the ordinary shareholders.

### 13 Reconciliation of Movements in Shareholders' Funds

	Share capital £	Profit and loss account £	Total shareholders' funds £
Balance at 1 April 2004	42,000	8,321,542	8,363,542
Profit for the year	-	1,204,725	1,204,725
Dividends paid and proposed	-	(500,000)	(500,000)
Balance at 31 March 2005	42,000	9,026,267	9,068,267
Profit for the period	-	7,880,188	7,880,188
Dividends paid and declared	-	(2,814,614)	(2,814,614)
Balance at 30 September 2006	<u>£42,000</u>	<u>£14,091,841</u>	<u>£14,133,841</u>

The total of shareholders' funds comprises

	30 September 2006 £	31 March 2005 £
Non-equity interests attributable to deferred ordinary shareholders	21,000	21,000
Equity interests	<u>14,112,841</u>	<u>9,047,267</u>
	<u>£14,133,841</u>	<u>£9,068,267</u>

# Rydon Construction Limited

## Notes to the Financial Statements

For the 18 Month period Ended 30 September 2006

### 14 Contingent Liabilities

The company has given an unlimited guarantee to its bankers for monies due to the bank by the company's parent company and fellow subsidiary companies. No liability is expected to arise.

### 15. Parent Company

The immediate parent company is Rydon Group Limited, a company registered in England and Wales. On 21 January 2006, Rydon Group Limited became a 100% subsidiary of Rydon Holdings Limited. A copy of the financial statements of both companies can be obtained from the trading address of the ultimate parent company Rydon Holdings Limited, at Rydon House, Forest Row, East Sussex, RH18 5DW.

### 16 Related Party Transactions

The company has taken advantage of the exemption conferred to 90% subsidiary undertakings by Financial Reporting Standard No 8 regarding the disclosure of related party transactions within the same group.

At the period end there were no amounts owed to or due from related parties.

### 17 Other Financial Commitments

At 30 September 2006 the company was committed to making the following payments under non-cancellable operating leases in the year to 30 September 2007.

	Land and Buildings	
	30 September 2006 £	31 March 2005 £
Operating leases which expire		
In two to five years	<u>£48,000</u>	<u>£26,438</u>