

R. DURTNELL & SONS (HOLDINGS) LIMITED

REPORTS AND ACCOUNTS

FOR THE YEAR ENDED 31ST DECEMBER 2005

Company number 4375916



R. DURTNELL & SONS (HOLDINGS) LIMITED

REPORT OF THE DIRECTOR

For the year ended 31st December 2005

The director submits his report and accounts for the year ended 31st December 2005.

PRINCIPAL ACTIVITY

The principal activity of the group during the period under review was that of building contractors.

REVIEW OF THE BUSINESS AND RESULTS OF THE COMPANY AND ITS SUBSIDIARY

The group turnover for the year was £43,106,041 (2004: £38,400,887) with the profit for the year after taxation being £261,185. (2004: £262,571).

It is gratifying to report an increase in turnover and the maintenance of profitability particularly as the industry continues to reflect continued competitiveness and tight margins. This reflects the enhancement of our reputation in both traditional markets, particularly in the education and the sports and leisure sectors, together with our ability to secure work from regular clients, through negotiation and partnering and in competitive tender.

Our continued accreditation as both Quality Assured and Chartered Builders, continues to give benefits to both our clients and ourselves through enhanced efficiency and reductions in waste, thereby strengthening our reputation in a highly competitive market.

Our liquidity remained satisfactory throughout the year under review and this has continued throughout 2006.

We continue to be aware of the need to adapt to current economic trends and changes, both within and outside the industry.

DIVIDENDS

The accounts reflect the revised accounting treatment for dividends following the adoption of Financial Reporting Standard 21 as indicated in Note 8.

FIXED ASSETS

The movements in tangible fixed assets are shown in note 9 to the accounts.

DIRECTOR AND HIS INTERESTS

The director during the year ended 31st December 2005 and his interests in the share capital of the company throughout the financial year were as follows:-

	<u>'A' Ordinary shares of £1 each</u>	<u>'B' Ordinary shares of £1 each</u>
J.A. Durnnell - beneficial	2,000	836
- non-beneficial	4,000	337

R. DURTNELL & SONS (HOLDINGS) LIMITED

REPORT OF THE DIRECTOR

For the year ended 31st December 2005

(continued)

DIRECTOR'S RESPONSIBILITIES

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- comply with applicable accounting standards subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and group will continue in business.

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

CHARITABLE AND POLITICAL CONTRIBUTIONS

During the year R. Durnell & Sons Limited made donations totalling £1,494 to charitable organisations. A political donation of £500 was made to the Sevenoaks Conservative Association.

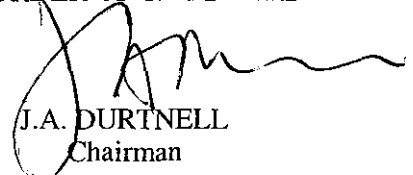
AUDITORS

A resolution to re-appoint Messrs. Day, Smith & Hunter as auditors will be proposed at the forthcoming annual general meeting.

CLOSE COMPANY

R. Durnell & Sons (Holdings) Limited is a close company within the terms of the Income and Corporation Taxes Act 1988.

BY ORDER OF THE BOARD


J.A. DURTNELL
Chairman

REGISTERED OFFICE:

Rectory Lane
Brasted
Westerham
Kent TN16 1JR

10/10/06

R. DURNELL & SONS (HOLDINGS) LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

For the year ended 31st December 2005

We have audited the financial statements on pages 4 to 20 of R. Durnell & Sons (Holdings) Limited for the year ended 31st December 2005. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and on the basis of 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 to them 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 the director and auditors

As described in the Statement of Director's Responsibilities the company's director is 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 on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Director's Report is not consistent with the financial statements, if the group 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 director's remuneration and transactions with the group is not disclosed.

We read the Director's Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion


We conducted our audit in accordance with International Standards of 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 director in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's and group'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 affairs of the group and the company as at 31st December 2005 and of the group profit for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985.


DAY, SMITH & HUNTER
Chartered Accountants
Registered Auditors

Star House
Maidstone
Kent
ME14 1LT

10/10/06

R. DURTNELL & SONS (HOLDINGS) LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31st December 2005

	<u>Notes</u>		<u>31.12.2004</u>
Turnover		43,106,041	38,400,887
Cost of sales		<u>37,221,174</u>	<u>33,296,693</u>
GROSS PROFIT		5,884,867	5,104,194
Administrative expenses		<u>5,557,290</u>	<u>4,792,876</u>
OPERATING PROFIT	3/4	327,577	311,318
Interest receivable		<u>77,222</u>	<u>94,814</u>
		404,799	406,132
Rent receivable		18,860	18,000
Interest payable	6	<u>(47,783)</u>	<u>(51,943)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		375,876	372,189
Taxation	7	<u>114,691</u>	<u>109,618</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	18	<u>£261,185</u>	<u>£262,571</u>

Continuing operations

None of the group's activities were acquired or discontinued during the above two financial years.

Recognised gains or losses

The group has no gains or losses other than those shown in the profit and loss account.

The notes on pages 8 to 20 form part of these accounts.

R. DURTNELL & SONS (HOLDINGS) LIMITED

CONSOLIDATED BALANCE SHEET

As at 31st December 2005

	<u>Notes</u>		<i>Restated</i> <u>31.12.2004</u>
FIXED ASSETS			
Tangible fixed assets	9	3,758,754	3,888,026
CURRENT ASSETS			
Stocks	11	351,156	74,344
Debtors	12	5,255,949	3,530,850
Cash at bank and in hand		2,198,884	3,694,291
		<u>7,805,989</u>	<u>7,299,485</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	13	<u>9,065,659</u>	<u>8,504,856</u>
NET CURRENT LIABILITIES		<u>(1,259,670)</u>	<u>(1,205,371)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		2,499,084	2,682,655
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	14	<u>(558,292)</u>	<u>(702,914)</u>
NET ASSETS		<u>£1,940,792</u>	<u>£1,979,741</u>
CAPITAL AND RESERVES			
Called up share capital	16	20,009	20,009
Capital reserve	17	329,991	329,991
Revaluation reserve	17	156,282	156,282
Profit and loss account	18	1,434,510	1,473,459
SHAREHOLDERS FUNDS	19	<u>£1,940,792</u>	<u>£1,979,741</u>

Approved by the board of directors on 10/10/06.

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J.A. DURTNELL
DIRECTOR

The notes on pages 8 to 20 form part of these accounts.

R. DURTNELL & SONS (HOLDINGS) LIMITED

BALANCE SHEET

As at 31st December 2005

	<u>Notes</u>		<i>Restated</i> <u>31.12.2004</u>
FIXED ASSETS			
Investments	10	20,009	20,009
CURRENT ASSETS			
Debtors	12	449,978	-
NET ASSETS		<u>£469,987</u>	<u>£20,009</u>
CAPITAL AND RESERVES			
Called up share capital	16	20,009	20,009
Profit and loss account	18	449,978	-
SHAREHOLDERS' FUNDS	19	<u>£469,987</u>	<u>£20,009</u>

Approved by the board of directors on 10/10/06


.....
J.A. DURTNELL
DIRECTOR

The notes on pages 8 to 20 form part of these accounts.

R. DURTNELL & SONS (HOLDINGS) LIMITED

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st December 2005

	<u>Notes</u>		<u>31.12.2004</u>
NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES	20	(1,129,646)	2,803,715
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received and other investment income	77,222	94,814	
Rent receivable	18,860	18,000	
Interest paid	(38,340)	(43,652)	
Interest element of hire purchase and finance lease rental payments	<u>(9,443)</u>	<u>(8,291)</u>	
NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		48,299	60,871
TAXATION		(64,023)	(176,187)
EQUITY DIVIDENDS PAID		(300,134)	(150,068)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Payments to acquire tangible fixed assets	(231,298)	(487,682)	
Receipts from sales of tangible fixed assets	<u>32,233</u>	<u>24,333</u>	
NET CASH OUTFLOW FROM CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT		<u>(199,065)</u>	<u>(463,349)</u>
NET CASH (OUTFLOW)/INFLOW BEFORE FINANCING		(1,644,569)	2,074,982
FINANCING			
Capital element of hire purchase and finance lease rentals	(101,646)	(86,560)	
Repayments of secured bank loans	<u>(281,773)</u>	<u>(75,317)</u>	
NET CASH (OUTFLOW) FROM FINANCING		<u>(383,419)</u>	<u>(161,877)</u>
(DECREASE)/INCREASE IN CASH	21/22	<u>£(2,027,988)</u>	<u>£1,913,105</u>

The notes on pages 8 to 20 form part of these accounts.

NOTES TO THE ACCOUNTS

31st December 2005

1. ACCOUNTING POLICIES

a) Accounting convention

The accounts are prepared under the historical cost convention, modified to include the revaluation of freehold and long leasehold land and buildings, and in accordance with applicable accounting standards. They incorporate the results of the activity described in the director's report, which is continuing.

b) Basis of consolidation

The group financial statements of the company and its subsidiary undertaking made up to 31st December 2005 have been prepared in accordance with the principles of merger accounting.

c) Holding company profit and loss account

A separate profit and loss account for R. Durnell & Sons (Holdings) Limited is not included in the accounts. The information required under Section 230 Companies Act 1985 being given in note 2 to the accounts.

d) Turnover

Turnover, which is stated net of value added tax, represents the value of work done in the year. The turnover is attributable to the once principal activity of the company and no exports were made during the year.

e) Operating leases

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

f) Hire purchase and finance leases

Hire purchase contracts and finance leases are capitalised at their estimated fair value at the date of inception of each contract. The finance charges are allocated over the contract term by applying a constant rate of charge on the outstanding balance.

g) Depreciation

Depreciation is provided on all tangible fixed assets, other than freehold land, at annual rates calculated to write off the cost or valuation, less estimated residual value, of each asset over its expected useful life.

The annual rates of depreciation charged during the period were as follows:-

Tenants' improvements	- 4% to 25% straight line
Plant, machinery and fixtures	- 12.5% to 25% straight line
Motor vehicles	- 20% straight line

In the opinion of the director, and upon the receipt of further professional advice, the residual values of freehold properties and long leasehold properties at 31st December 2005 were not less than their carrying values at that date. This is, in part, a reflection of the group's policy on property repairs and consequently there is no reason to expect the residual values to fall in the foreseeable future. Accordingly no depreciation has been charged on these properties for the year ended 31st December 2005.

The group's freehold and long leasehold properties are valued annually on an open market value basis.

h) Stocks

Stocks, including property held for development, are valued at the lower of cost and net realisable value.

i) Long term contracts

Long term contracts are valued on the basis of the work completed at the balance sheet date, and in accordance with the contract terms. The increase in value achieved in the period is reflected in turnover. Attributable profit is ascertained by comparing contract values with cost, after making due allowance for foreseeable losses.

Balances due on contracts relating to work carried out and reflected in turnover are included in debtors in accordance with Statement of Standard Accounting Practice 9.

R. DURTNELL & SONS (HOLDINGS) LIMITED

NOTES TO THE ACCOUNTS

31st December 2005

(continued)

1. ACCOUNTING POLICIES (*continued*)

j) Pension costs

Contributions payable to the group defined benefit pension scheme are charged to the profit and loss account so as to spread the cost of pensions over the service lives of employees in the scheme. The pension charge is calculated on the basis of actuarial advice. Contributions payable to the group defined contribution pension scheme are charged to the profit and loss account in the period to which they relate.

k) Deferred taxation

Deferred tax arises as a result of including items of income and expenditure in taxation computations in periods different from those in which they are included in the company's and group's accounts. Deferred tax is provided in full on timing differences which result in an obligation to pay more (or less) tax at a future date, at the average tax rates that are expected to apply when the timing differences reverse, based on the current tax rates and laws.

Deferred taxation is not provided on unrealised revaluation surpluses.

2. PROFIT FOR THE FINANCIAL PERIOD

The accounts of the parent company show a profit after taxation of £750,112 (2004: £150,068 - restated) representing the dividends received from its subsidiary, R. Durtnell & Sons Limited.

3. OPERATING PROFIT

This is stated after charging the following:-

	<u>31.12.2005</u>	<u>31.12.2004</u>
Administrative expenses:-		
Depreciation and (profit)/loss on disposals:-		
Owned assets	168,998	158,502
Assets held under hire purchase and finance leases	87,363	45,814
Director's emoluments (including pension contributions)	353,278	208,520
Auditors' remuneration - audit	28,380	25,000
- non audit	5,330	4,945
Hire of motor vehicles on operating leases	1,412	1,980
Other operating leases - plant and machinery	266	530
	<u> </u>	<u> </u>

The director's emoluments are further analysed as follows:-

	<u>31.12.2005</u>	<u>31.12.2004</u>
Emoluments excluding pensions contributions	£157,465	£170,208
	<u> </u>	<u> </u>

As at 31st December 2005 the director had accrued the following amounts under the group defined benefit scheme:-

Accrued pension entitlement	£66,146	per annum
Accrued lump sum	£148,828	

4. STAFF COSTS

	<u>31.12.2005</u>	<u>31.12.2004</u>
Wages and salaries	5,040,176	4,806,231
Social security costs	533,296	504,433
Other pension costs	905,715	350,318
	<u>£6,479,187</u>	<u>£5,660,982</u>

R. DURTNELL & SONS (HOLDINGS) LIMITED

NOTES TO THE ACCOUNTS

31st December 2005

(continued)

4. STAFF COSTS (continued)

The average weekly number of employees during the year was as follows:-

	<u>31.12.2005</u>	<u>31.12.2004</u>
Operatives, including apprentices and trainees	52	52
Agents	33	35
Office and management	65	67
	<u>150</u>	<u>154</u>

5. PENSION SCHEMES

a) Final salary scheme

Throughout the year the group and other companies under common control operated a funded pension scheme providing benefits based on final pensionable pay. The assets of the Durnell Limited and Associated Companies Retirement Benefit Scheme are held separately from those of the companies. Contributions to the scheme have been charged to the profit and loss account so as to spread the cost of pensions over employees' working lives. The contributions were determined by a qualified actuary on the basis of triennial valuations using the attained age method.

The total pension contributions payable to the scheme for the year were £703,923 (2004: £143,719) of which £635,591 (2004: £132,533) was payable by R. Durnell & Sons Limited. At 31 December 2005 there were outstanding contributions of £801.

There are currently only 5 active members of the final salary scheme, including 4 of the directors of R. Durnell & Sons Limited. The other active member is a director of Durnell Limited, a related undertaking.

The most recent full actuarial valuation was performed as at 31st December 2005 and this showed a valuation of the scheme's assets of £4,573,800. The actuarial value of these assets represented 91.1% of the benefits that had accrued to members being £5,018,700 at that date, after allowing for expected future increases in earnings. While it is not possible to identify the share of assets that apply to each individual company the liabilities referred to above are analysed as follows:-

R Durnell & Sons Limited	3,297,500
Durnell Limited	432,200
Pensions	<u>1,289,000</u>
	<u>£5,018,700</u>

Main actuarial assumptions:

Rate of inflation	2.5%	
Rate of increase in salaries	3.0%	
Rate of increase on pensions in payment	5.0%	(on directors' single life pension)
Rate of increase on pensions in payment	2.5%	(on excess over GMP for benefits accrued after 05.04.1997, non-directors otherwise nil)
Rate of increase on pre-88 GMP in payment	0.0%	(non-directors)
Rate of increase on post-88 GMP in payment	3.0%	(non-directors)
Rate used to discount liabilities @ 31.12.2004	5.2%	
Rate used to discount liabilities @ 31.12.2005	4.6%	
Long-term rate of return expected at 31.12.2005 (Fixed interest 4.5%; property 6.8%)	5.0%	

R. DURTNELL & SONS (HOLDINGS) LIMITED

NOTES TO THE ACCOUNTS

31st December 2005

(continued)

5. PENSION SCHEMES (continued)

a) Final salary scheme (*continued*)

The pension fund is invested in an insurance company growth fund. The value of total scheme assets was allocated as follows:

	<u>31.12.2005</u>	<u>31.12.2004</u>
Fixed interest	3,174,800	3,106,754
Property	849,000	669,536
Uninvested cash	550,000	-
Surrender value	<u>£4,573,800</u>	<u>£3,776,290</u>

Financial Reporting Standard (FRS17) requires that gains and losses in respect of defined benefit schemes are reflected in the primary statements for accounting periods commencing on 1 January 2005. In the case of the Durtnell Limited and Associated Companies Retirement Benefit Scheme, which is a "multi-employer" scheme, as it is not possible to identify the share of assets that apply to each individual company, this accounting treatment cannot be adopted. Accordingly, the following disclosures are provided in relation to the defined benefit scheme to enable an overall assessment to be made of the cost of providing retirement benefits and the related gains, losses, assets and liabilities for the scheme as a whole for the year ended 31 December 2005:-

Analysis of the amount that would be charged to operating profit under FRS17:

Current service cost	133,340
Employee contributions	-
Past service cost	-
Total operating charge	<u>£133,340</u>

Analysis of the amount that would be debited to other finance income under FRS17:

Expected return on pension scheme assets	219,480
Interest on pension scheme liabilities	234,200
Net charge against other finance income	<u>£(14,720)</u>

Analysis of the amount that would be recognised in the statement of total recognised gains and losses (STRGL) under FRS17:

Actual return less expected return on pension scheme assets	85,170
Experience gains and losses arising on the scheme liabilities	(31,440)
Changes in assumptions underlying the present value of the scheme liabilities	<u>(341,270)</u>
Actuarial loss recognised in STRGL	<u>£(287,540)</u>

R. DURTNELL & SONS (HOLDINGS) LIMITED

NOTES TO THE ACCOUNTS

31st December 2005

(continued)

5. PENSION SCHEMES (continued)

a) Final salary scheme (*continued*)

Movement in deficit during the year:

Deficit in scheme at beginning of the year	(725,200)
Movement in year:	
Current service cost	(133,340)
Contributions received	715,900
Past service costs	-
Charge against other finance income	(14,720)
Actuarial loss	<u>(287,540)</u>
Deficit in scheme at end of the year	<u>£(444,900)</u>

The above deficit is arrived at on the basis of the actuarial assumptions used for the purposes of FRS 17. The actuarial statement made for the purposes of Regulation 14 of the Occupational Pension Schemes (Minimum Funding Requirement and Actuarial Valuations) Regulations 1996, which was included in the accounts of the Retirement Benefits Scheme for the year ended 31 December 2005, confirmed that at 1st January 2005 the value of the assets of the scheme represented 99.4% of the amount of the liabilities of the scheme.

As at 31st December 2005 the scheme's actuary advised the trustees and the subsidiary company's directors that the fund was in surplus.

b) Defined contribution schemes

Defined contribution schemes were also operated during the year by the subsidiary company with the majority of employees being members of one or other of the schemes. Contributions to the schemes in respect of the year have been charged to the profit and loss account. Accrued contributions as at 31st December 2005 amounted to £54,074 (2004: £19,024)

6. INTEREST PAYABLE

	<u>31.12.2005</u>	<u>31.12.2004</u>
Bank loan and overdraft interest	38,340	43,652
Interest on hire purchase contracts and finance leases	<u>9,443</u>	<u>8,291</u>
	<u>£47,783</u>	<u>£51,943</u>

R. DURTNELL & SONS (HOLDINGS) LIMITED

NOTES TO THE ACCOUNTS

31st December 2005

(continued)

7. TAXATION

	<u>31.12.2005</u>	<u>31.12.2004</u>
Current tax based on the income for the year	139,610	64,023
Adjustment in respect of prior years	-	3
	<u>139,610</u>	<u>64,026</u>
Deferred tax (see note 15)	(24,919)	45,592
Tax on profit on ordinary activities	<u>£114,691</u>	<u>£109,618</u>
Profit on ordinary activities before taxation	<u>£375,876</u>	<u>£372,189</u>
Corporation tax at the rate of 30%	112,763	111,657
Effects of:		
Expenses not deductible for tax purposes	3,565	3,466
Short term timing differences	24,919	(45,592)
Capital allowances in excess of depreciation	(764)	-
Depreciation for period in excess of capital allowances	-	1,711
Small company rate relief	(873)	(7,219)
Adjustment in respect of prior years	-	3
	<u>£139,610</u>	<u>£64,026</u>

8. DIVIDENDS

	<u>31.12.2005</u>	<i>Restated</i> <u>31.12.2004</u>
Proposed dividends for the previous year paid:		
Ordinary shares (equity)		
£12.50 (2004: £7.50) per share	250,112	150,068
Interim dividends for the current year paid:		
Ordinary shares (equity)		
£2.50 per shares (2004: £Nil)	<u>50,022</u>	<u>-</u>
	<u>£300,134</u>	<u>£150,068</u>

Following the adoption of Financial Reporting Standard 21, a prior year adjustment has been made to recognise dividends in the financial statements when paid and not when proposed.

R. DURTNELL & SONS (HOLDINGS) LIMITED

NOTES TO THE ACCOUNTS

31st December 2005

(continued)

9. TANGIBLE FIXED ASSETS - GROUP

	<u>Freehold property</u>	<u>Long leasehold property</u>	<u>Tenants' improvements</u>	<u>Plant machinery & fixtures</u>	<u>Motor vehicles</u>	<u>Total</u>
<u>Cost/Valuation</u>						
At 1.1.2005	2,192,260	1,250,000	212,625	956,930	725,008	5,336,823
Additions	-	-	-	156,084	332,850	488,934
Reclassification of trading stock	(329,612)	-	-	-	-	(329,612)
Disposals	-	-	-	(33,044)	(227,970)	(261,014)
At 31.12.2005	<u>1,862,648</u>	<u>1,250,000</u>	<u>212,625</u>	<u>1,079,970</u>	<u>829,888</u>	<u>5,235,131</u>
<u>Depreciation</u>						
At 1.1.2005	-	-	185,683	740,587	522,527	1,448,797
Charge for the year	-	-	5,823	117,792	140,355	263,970
Disposals	-	-	-	(29,429)	(206,961)	(236,390)
At 31.12.2005	<u>-</u>	<u>-</u>	<u>191,506</u>	<u>828,950</u>	<u>455,921</u>	<u>1,476,377</u>
<u>Net book value</u>						
At 31.12.2005	<u>£1,862,648</u>	<u>£1,250,000</u>	<u>£21,119</u>	<u>£251,020</u>	<u>£373,967</u>	<u>£3,758,754</u>
At 31.12.2004	<u>£2,192,260</u>	<u>£1,250,000</u>	<u>£26,942</u>	<u>£216,343</u>	<u>£202,481</u>	<u>£3,888,026</u>

The net book value of motor vehicles and plant and machinery held by the group under hire purchase and finance lease agreements at 31st December 2005 amounted to £225,150 and £48,442 respectively (2004: £83,016 and £24,988).

The depreciation charged in respect of motor vehicles and plant and machinery held by the group under hire purchase and finance lease agreements at 31st December 2005 amounted to £70,122 and £17,241 respectively (2004: £27,670 and £18,144).

The comparable amounts of freehold and long leasehold property included above at valuation determined according to the historical cost accounting rules are as follows:-

	<u>Freehold property</u>	<u>Long leasehold property</u>
<u>Cost</u>		
At 1st January 2005	2,035,978	1,250,000
Reclassification of trading stock	(329,612)	-
At 31st December 2005	<u>£1,706,366</u>	<u>£1,250,000</u>
<u>Net book value</u>		
At 31st December 2005	<u>£1,706,366</u>	<u>£1,250,000</u>
At 31st December 2004	<u>£2,035,978</u>	<u>£1,250,000</u>

The freehold title to the long leasehold property is owned by a related undertaking, Durtnell Limited (see note 23).

In the opinion of the director, JA Durtnell MCIOB, there has been no significant change in the valuation of the properties on an open market value basis since 31st December 2004. There is, therefore, no movement in the revaluation reserve for the year.

R. DURTNELL & SONS (HOLDINGS) LIMITED

NOTES TO THE ACCOUNTS

31st December 2005

(continued)

10. INVESTMENTS – COMPANY

	<u>31.12.2005</u>	<u>31.12.2004</u>
Shares in subsidiary undertaking at cost	<u>£20,009</u>	<u>£20,009</u>

	<u>Country of incorporation, registration and operation</u>	<u>Class of shares held</u>	<u>Percentage of shares held</u>	<u>Nature of business</u>
R. Durnell & Sons Limited	England	(Ordinary (Preference	100% 100%	Building contractors

On 30th December 2002, the company acquired R. Durnell & Sons Limited in exchange for 18,000 'A' shares of £1 each and 2,009 'B' shares of £1 each. The investment in R. Durnell & Sons Limited has been included in the company's balance sheet at its book value at the date of acquisition, in accordance with the principles of merger accounting.

11. STOCKS - GROUP

	<u>31.12.2005</u>	<u>31.12.2004</u>
Trading stock	276,209	10,100
Raw materials and consumables	<u>74,947</u>	<u>64,244</u>
	<u>£351,156</u>	<u>£74,344</u>

12. DEBTORS

	<u>31.12.2005</u>		<u>Restated 31.12.2004</u>	
	<u>Group</u>	<u>Company</u>	<u>Group</u>	<u>Company</u>
Amounts falling due within one year:				
Amounts recoverable on contracts	4,562,675	-	3,247,593	-
Trade debtors	270,428	-	171,804	-
Amounts owed by subsidiary undertaking	-	449,978	-	-
Amounts owed by related undertaking	241,934	-	-	-
Other debtors	79,233	-	50,666	-
Prepayments	<u>71,054</u>	<u>-</u>	<u>55,081</u>	<u>-</u>
	5,225,324	449,978	3,525,144	-
Amounts falling due after more than one year:				
Deferred tax (see note 15)	<u>30,625</u>	<u>-</u>	<u>5,706</u>	<u>-</u>
	<u>£5,255,949</u>	<u>£449,978</u>	<u>£3,530,850</u>	<u>£-</u>

R. DURTNELL & SONS (HOLDINGS) LIMITED

NOTES TO THE ACCOUNTS

31st December 2004

(continued)

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>31.12.2005</u>		<i>Restated</i> <u>31.12.2004</u>	
	<u>Group</u>	<u>Company</u>	<u>Group</u>	<u>Company</u>
Bank loans (see note 14)	50,000	-	90,000	-
Bank overdraft (see note 14)	587,545	-	54,964	-
Trade creditors	7,271,276	-	7,003,262	-
Amounts owed to related undertakings	-	-	305,552	-
Other taxation and social security costs	419,622	-	456,213	-
Corporation tax	139,610	-	64,023	-
Other creditors	423,364	-	427,376	-
Hire purchase and finance leases	120,035	-	52,906	-
Accruals	54,207	-	50,560	-
	<u>£9,065,659</u>	<u>£-</u>	<u>£8,504,856</u>	<u>£-</u>

14. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	<u>31.12.2005</u>		<u>31.12.2004</u>	
	<u>Group</u>	<u>Company</u>	<u>Group</u>	<u>Company</u>
Amounts falling due within one to two years:-				
Bank loans	50,000	-	90,000	-
Hire purchase and finance leases	79,063	-	41,121	-
Other creditors	58,790	-	50,500	-
Amounts falling due within two to five years:-				
Bank loans	150,000	-	258,741	-
Hire purchase and finance leases	50,919	-	-	-
Amounts falling due after five years:-				
Bank loans	169,520	-	262,552	-
	<u>£558,292</u>	<u>£-</u>	<u>£702,914</u>	<u>£-</u>

The current portion of these liabilities is included in creditors falling due within one year. The bank overdraft and the bank loans, which are repayable by monthly instalments, are secured by a legal mortgage over the subsidiary company's freehold properties and long leasehold properties, and attract interest at 1.5% per annum above base rate.

The hire purchase and finance lease creditors are secured upon the assets held under contract.

R. DURTNELL & SONS (HOLDINGS) LIMITED

NOTES TO THE ACCOUNTS

31st December 2005

(continued)

15. DEFERRED TAXATION

The deferred tax asset provided in the accounts and the further potential asset are as follows:-

	<u>Provided</u>		<u>Further potential</u>	
	<u>31.12.2005</u>	<u>31.12.2004</u>	<u>31.12.2005</u>	<u>31.12.2004</u>
Timing difference on capital allowances	-	-	(38,357)	(40,868)
Short term timing differences	(30,625)	(5,706)	-	-
	<u>£(30,625)</u>	<u>£(5,706)</u>	<u>£(38,357)</u>	<u>£(40,868)</u>
		<u>31.12.2005</u>		<u>31.12.2004</u>
Deferred taxation movements				
Balance at 1 January 2005		(5,706)		(51,298)
Transfer (to)/ from profit and loss account		(24,919)		45,592
		<u>£(30,625)</u>		<u>£(5,706)</u>

No provision is made for the deferred tax asset in respect of the timing difference on capital allowances as this timing difference is not expected to reverse within the foreseeable future.

16. SHARE CAPITAL

	<u>31.12.2005 and 31.12.2004</u>	
	<u>Authorised</u>	<u>Allotted, issued and fully paid</u>
'A' Ordinary shares of £1 each	20,000	18,000
'B' Ordinary shares of £1 each	30,000	2,009
	<u>£50,000</u>	<u>£20,009</u>

The 'A' and 'B' Ordinary shares rank equally for dividends and return of capital on a winding up.

Under the Articles of Association of the company the 'A' ordinary shares shall not entitle the holders to receive notice of or to attend or vote at any general meeting of the company unless the business of the meeting includes the consideration of a resolution:-

- (a) For winding up;
- (b) For reducing its capital;
- (c) To consider the sale of the business of the company; or

any other resolution affecting the rights attaching to the 'A' ordinary shares

17. OTHER RESERVES - GROUP

	<u>Capital reserve</u>	<u>Revaluation reserve</u>
At 1st January 2005 and at 31st December 2005	<u>£329,991</u>	<u>£156,282</u>

The capital reserve arises upon consolidation using merger accounting principles and represents the excess of the nominal value of shares acquired over the nominal value of shares issued.

R. DURTNELL & SONS (HOLDINGS) LIMITED

NOTES TO THE ACCOUNTS

31st December 2005

(continued)

18. PROFIT AND LOSS ACCOUNT

	<u>31.12.2005</u>		<u>31.12.2004</u>	
	<u>Group</u>	<u>Company</u>	<u>Group</u>	<u>Company</u>
Brought forward, as previously reported	1,223,347	-	1,210,888	-
Prior year adjustment				
Proposed dividend payable for the previous year	250,112	-	150,068	250,112
Elimination of proposed dividend receivable from subsidiary for the previous year	-	-	-	(250,112)
As restated	1,473,459	-	1,360,956	-
Profit for the year	261,185	750,112	262,571	150,068
Dividends paid	(300,134)	(300,134)	(150,068)	(150,068)
Retained profits carried forward	<u>£1,434,510</u>	<u>£449,978</u>	<u>£1,473,469</u>	<u>£-</u>

As indicated in note 8 the prior year adjustment arises following the adoption of Financial Reporting Standard 21, which requires proposed dividends to be recognised in the year of payment or otherwise if there is a constructive obligation at the year end.

19. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<u>31.12.2005</u>		<u>Restated</u> <u>31.12.2004</u>	
	<u>Group</u>	<u>Company</u>	<u>Group</u>	<u>Company</u>
Profit for the financial year	261,185	750,112	262,571	150,068
Dividends	(300,134)	(300,134)	(150,068)	(150,068)
(Decrease)/increase in shareholders' funds	(38,949)	449,978	112,503	-
Shareholders' funds at 1st January 2005 (<i>restated</i>)	1,979,741	20,009	1,867,238	20,009
Shareholders' funds at 31st December 2005	<u>£1,940,792</u>	<u>£469,987</u>	<u>£1,979,741</u>	<u>£20,009</u>

20. RECONCILIATION OF OPERATING PROFIT TO NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES

	<u>31.12.2005</u>	<u>31.12.2004</u>
Operating profit	327,577	311,318
Depreciation and profit/loss on disposals	256,361	204,316
Decrease/(increase) in stocks	52,800	(24,315)
(Increase)/decrease in debtors	(1,700,180)	2,277,958
(Decrease)/increase in creditors due in less than one year	(74,494)	39,685
Increase/(decrease) in other creditors due after more than one year	8,290	(5,247)
NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES	<u>£(1,129,646)</u>	<u>£2,803,715</u>

R. DURTNELL & SONS (HOLDINGS) LIMITED

NOTES TO THE ACCOUNTS

31st December 2005

(continued)

21 ANALYSIS OF NET FUNDS

	<u>At 1.1.2005</u>	<u>Cash flows</u>	<u>Other changes</u>	<u>At 31.12.2005</u>
Cash at bank and in hand	3,694,291	(1,495,407)	-	2,198,884
Bank overdraft	(54,964)	(532,581)	-	(587,545)
		(2,027,988)		
Debt due within 1 year	(90,000)	40,000	-	(50,000)
Debt due after 1 year	(611,293)	241,773	-	(369,520)
Hire purchase and finance leases	(94,027)	101,646	(257,636)	(250,017)
	<u>£2,844,007</u>	<u>£(1,644,569)</u>	<u>£257,636</u>	<u>£941,802</u>

22. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	<u>31.12.2005</u>	<u>31.12.2004</u>
(Decrease)/increase in cash in the year	(2,027,988)	1,913,105
New hire purchase and finance leases	(257,636)	-
Cash flow from decrease in debt and lease financing	383,419	161,877
Movement in net funds in the year	(1,902,205)	2,074,982
Net funds at 1st January 2005	2,844,007	769,025
Net funds at 31st December 2005	<u>£941,802</u>	<u>£2,844,007</u>

R. DURTNELL & SONS (HOLDINGS) LIMITED

NOTES TO THE ACCOUNTS

31st December 2005

(continued)

23. RELATED PARTY TRANSACTIONS

- i) During the year, the director and four directors of the subsidiary company had personal trade accounts, which relate to building work carried out by the subsidiary company on their behalf and on which balances were owed to that company.

The relevant balances and maximum amounts outstanding were as follows:-

	<u>1.1.2005</u>	<u>31.12.2005</u>	<u>Maximum</u>
J.A. Durtnell	<u>£97,209</u>	<u>£19,995</u>	<u>£97,209</u>
J.J. Chandler	<u>£2,793</u>	<u>£7,496</u>	<u>£20,533</u>
P. Matthews	<u>£Nil</u>	<u>£Nil</u>	<u>£2,635</u>
R.H. Neal	<u>£322</u>	<u>£139</u>	<u>£4,542</u>
E.R. Valente	<u>£492</u>	<u>£1,699</u>	<u>£2,077</u>

- ii) At 31st December 2005, Durtnell Limited, a company under common control owed £231,969 to R. Durtnell & Sons Limited (2004 : £123,379 was owed to Durtnell Limited).

R. Durtnell & Sons Limited was reimbursed by Durtnell Limited with that company's share of salaries totalling £63,336 at commercial rates in respect of the year (2004 : £61,776).

The subsidiary company also received £689 (2004: £4,158) from the same company in respect of building development work carried out at one of its investment property sites.

R. Durtnell & Sons Limited paid £48,150 (2004 : £36,900) to Durtnell Limited in respect of rent.

- iii) At 31st December 2005 The Darenth River Ballast Company Limited, a company under common control, owed £9,965 to R. Durtnell & Sons Limited (2004 : £182,173 was owed by R. Durtnell & Sons Limited).
- iv) During the year the subsidiary company paid amounts totalling £11,662 (2004 : £13,551) to Construction Safety (South East) Ltd in respect of health and safety advice and site safety visits invoiced at normal commercial rates. Mr. P. Matthews, one of the subsidiary company's directors, is also a director of Construction Safety (South East) Ltd.
- v) During the year the subsidiary company sold a motor vehicle to Mr R H Neal, a director of that company, at its market value of £5,000.