

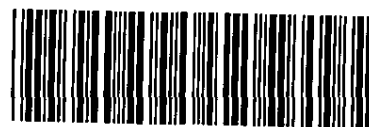
Register

R DURTNELL & SONS (HOLDINGS) LIMITED

Reports and Accounts

For the year ended 31 December 2007

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COMPANIES HOUSE

Company Registration Number 4375916

R DURTNELL & SONS (HOLDINGS) LIMITED

Reports and Accounts for the year ended 31 December 2007

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R DURTNELL & SONS (HOLDINGS) LIMITED

Directors, officers and advisers

Director

J A Durnell

Secretary and registered office

S E Routh
Rectory Lane
Brasted
Westerham
Kent
TN16 1JR

Registered number

4375916

Auditors

Day, Smith & Hunter
Globe House
Eclipse Park
Sittingbourne Road
Maidstone
Kent
ME14 3EN

R DURTNELL & SONS (HOLDINGS) LIMITED

Director's report for the year ended 31 December 2007

The director submits his report and accounts for the year ended 31 December 2007

Principal activity

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

Business review

The function of the business review is to provide a balanced review of the group's performance and development during the year and its position at the year end. The review also covers the principal risks and uncertainties faced by the group.

Development and performance of the group

There have not been any significant changes in the group's principal activity in the year under review, and at the date of this report, the director is not aware of any likely changes in the group's activities in the next year.

During the year under review, the group's turnover was £47,745,432 compared to £38,623,987, for the previous year. The increase reflects contract work successfully tendered for in 2006 but delayed until the current financial year ended 31 December 2007.

The balance sheet on page 7 of the financial statements shows that the group's position at the year end has, in both net asset and cash terms, improved compared with the prior year. Our liquidity remained satisfactory throughout the year under review and this has continued so far in 2008.

Principal risks and uncertainties

During the year the group, through its trading subsidiary, R Durtnell & Sons Limited, maintained a strong position in the building contracting market. Accurate figures as to total market and market share are difficult to calculate but key competitors were known.

Competitive pressures were a continuing risk to the group. The group managed this risk by providing added value services to its customers and ensuring a high quality product. 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. Nevertheless, we continue to be aware of the need to adapt to current economic trends and changes, both within and outside the industry.

Key performance indicators

The KPIs used to determine the progress and performance of the group are set out below.

Gross profit margin

The group's gross profit margin decreased in the year under review to 11.8% compared to 13.6% in 2006. This decrease reflects the competitive pressures in the group's market place caused mainly by the current economic difficulties.

Turnover

As indicated above turnover has increased during the year by 23.6% to £47,745,432.

Contracts won

A number of significant new contracts were successful tendered for during the year. It is anticipated that the turnover for the current financial year ending 31 December 2008 will be approximately £65 million. Moreover, there is already £25 to £30 million of advance work for 2009.

R DURTNELL & SONS (HOLDINGS) LIMITED

Director's report for the year ended 31 December 2007 (continued)

Employees

Details of the number of employees and related costs can be found in note 4 to the financial statements on page 12

Financial instruments etc

Due to the nature of the financial instruments used by the group there is no exposure to price risk. The group's approach to managing other risks applicable to the financial instruments concerned is shown below

In respect of bank balances the liquidity risk is managed by transferring funds between the accounts of the group to obtain the maximum rate of interest, whilst not impacting on the immediate financial needs of the group

Trade debtors are managed in respect of credit and cash flow risk by policies concerning the credit offered to clients and the regular monitoring of amounts outstanding for both time and credit limits

Trade creditors liquidity risk is managed by ensuring sufficient funds are available to meet amounts due

Results and dividends

The group's profit for the year, after taxation, amounted to £237,314 (2006 - £196,208)

Dividends of £200,090 (note 9) were paid during the year in respect of the previous financial year ended 31 December 2006. The director recommends the payment of a final dividend of £175,000 in respect of the year ended 31 December 2007

Director

The director during the year ended 31 December 2007 was Mr J A Durnell

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

Fixed assets

The movements in tangible fixed assets are shown in note 10 to the accounts. There has been no revaluation of property during the year as the market value of the property is not materially different to that shown within the financial statements

R DURTNELL & SONS (HOLDINGS) LIMITED

Director's report for the year ended 31 December 2007 (continued)


Charitable contributions

During the year the group made donations totalling £5,130 to charitable organisations

Disclosure of information to auditors

The director confirms that so far as he is aware, there is no relevant audit information of which the group's auditors are unaware. He has taken all the steps that he ought to have taken as director in order to make himself aware of any relevant audit information and to establish that the group's auditors are aware of that information.

Signed on behalf of the board


J A DURTNELL
Chairman

Approved by the Board on 25/9/2008

R DURTNELL & SONS (HOLDINGS) LIMITED

Independent auditors' report to the shareholders of R Durtneil & Sons (Holdings) Limited

We have audited the financial statements on pages 6 to 22 of R Durtneil & Sons (Holdings) Limited for the year ended 31 December 2007. 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 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 director and auditors

The director's responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Director's Responsibilities.

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 whether, in our opinion, the information given in the Director's Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions 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 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 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 31 December 2007 and of the group profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Director's Report is consistent with the financial statements.


Day, Smith & Hunter
Registered Auditors and
Chartered Accountants

25/9/2008

Globe House, Eclipse Park
Sittingbourne Road
Maidstone
Kent ME14 3EN

R DURTNELL & SONS (HOLDINGS) LIMITED

Consolidated profit and loss account for the year ended 31 December 2007

	Notes	2007 £	2006 £
Turnover		47,745,432	38,623,987
Cost of sales		42,109,681	33,356,493
Gross profit		5,635,751	5,267,494
Administrative expenses		5,331,249	5,030,317
Operating profit	3	304,502	237,177
Rent receivable		21,420	21,420
Other interest receivable and similar income		66,549	65,276
Interest payable and similar charges	7	(35,502)	(36,210)
Profit on ordinary activities before taxation		356,969	287,663
Taxation on profit on ordinary activities	8	119,655	91,455
Profit for the financial year	19	237,314	196,208

Continuing operations

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

Statement of total recognised gains and losses for the year ended 31 December 2007

	2007 £	2006 £
Profit for the financial year	237,314	196,208
Unrealised surplus on revaluation of freehold and long leasehold property	-	22,352
Total recognised gains relating to the year	237,314	218,560

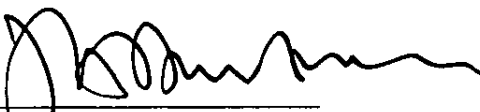
The notes on pages 10 to 22 form part of these accounts

R DURTNELL & SONS (HOLDINGS) LIMITED

Consolidated balance sheet at 31 December 2007

	<u>Notes</u>	<u>2007</u>	<u>2006</u>
		£	£
Fixed assets			
Tangible fixed assets	10	3,716,778	3,695,787
Current assets			
Stocks	12	92,278	116,841
Debtors	13	7,247,130	5,585,650
Cash at bank and in hand		3,948,960	1,623,630
		<u>11,288,368</u>	<u>7,326,121</u>
Creditors: Amounts falling due within one year	14	<u>12,553,799</u>	<u>8,618,120</u>
Net current liabilities		<u>(1,265,431)</u>	<u>(1,291,999)</u>
Total assets less current liabilities		2,451,347	2,403,788
Creditors: amounts falling due after more than one year	15	<u>(454,861)</u>	<u>(444,526)</u>
Net assets		<u><u>1,996,486</u></u>	<u><u>1,959,262</u></u>
Capital and reserves			
Called up share capital	17	20,009	20,009
Capital reserve	18	329,991	329,991
Revaluation reserve	18	178,634	178,634
Profit and loss account	19	1,467,852	1,430,628
Shareholders' funds	20	<u><u>1,996,486</u></u>	<u><u>1,959,262</u></u>

Approved by the board of directors on 25/9/2008 and signed on its behalf


J A DURTNELL
 Director


The notes on pages 10 to 22 form part of these accounts

R DURTNELL & SONS (HOLDINGS) LIMITED

Company balance sheet at 31 December 2007

	<u>Notes</u>	<u>2007</u>	<u>2006</u>
		£	£
Fixed assets			
Investments	11	20,009	20,009
Current assets			
Debtors	13	349,933	449,978
Net assets		<u>369,942</u>	<u>469,987</u>
Capital and reserves			
Called up share capital	17	20,009	20,009
Profit and loss account	19	349,933	449,978
Shareholders' funds	20	<u>369,942</u>	<u>469,987</u>

Approved by the board of directors on 25/9/2008 and signed on its behalf


J A DURTNELL
 Director

The notes on pages 10 to 22 form part of these accounts

R DURTNELL & SONS (HOLDINGS) LIMITED

Consolidated cash flow statement for the year ended 31 December 2007

	<u>Notes</u>	<u>2007</u>	<u>2006</u>
		<u>£</u>	<u>£</u>
Net cash inflow from operating activities	21	2,611,156	304,575
Returns on investments and servicing of finance			
Interest received and other investment income	66,549	65,276	
Rent receivable	21,420	21,420	
Interest paid	(25,931)	(24,508)	
Interest element of hire purchase and finance lease rental payments	<u>(9,571)</u>	<u>(11,702)</u>	
Net cash inflow from returns on investments and servicing of finance		52,467	50,486
Taxation		(109,947)	(139,610)
Equity dividends paid		(200,090)	(200,090)
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets	(130,358)	(174,335)	
Receipts from sales of tangible fixed assets	<u>22,479</u>	<u>17,257</u>	
Net cash (outflow) from capital expenditure and financial investment		(107,879)	(157,078)
Net cash inflow/(outflow) before financing		2,245,707	(141,717)
Financing			
Capital element of hire purchase and finance lease rentals	(97,463)	(115,795)	
Repayments of secured bank loans	<u>(43,629)</u>	<u>(33,811)</u>	
Net cash (outflow) from financing		(141,092)	(149,606)
Increase/(decrease) in cash	22/23	<u>2,104,615</u>	<u>(291,323)</u>

The notes on pages 10 to 22 form part of these accounts

R DURNTELL & SONS (HOLDINGS) LIMITED

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

1 Accounting policies

a) Basis of accounting

The financial statements are prepared on the historical cost basis of accounting, modified to include the revaluation of freehold and long leasehold land and buildings, and have been prepared in accordance with applicable accounting standards, and 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 31 December 2007 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 Durntell & 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 one principal activity of the group 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

Assets acquired under hire purchase agreements and finance leases are capitalised in the balance sheet and are depreciated in accordance with the group's normal policy. The outstanding liabilities under such agreements less interest not yet due are included in creditors. Interest on such agreements is charged to the profit and loss accounts over the term of each agreement and represents a constant proportion of the balance of capital repayments outstanding

g) Depreciation and tangible fixed assets

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the full cost or valuation less estimated residual value of each asset of its estimated useful life. The principal rates in use are

Tenants' improvements	10%	on cost
Motor vehicles	12.5% to 25%	on cost
Plant, machinery and fixtures	20%	on cost

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 31 December 2007 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 31 December 2007

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

R DURTNELL & SONS (HOLDINGS) LIMITED

Notes to the financial statements for the year ended 31 December 2007 (continued)

1 Accounting policies (continued)

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.

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 schemes are charged to the profit and loss account in the period to which they relate.

k) 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 which 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.

2 Profit for the financial year

The accounts of the parent company show a profit after taxation of £100,045 (2006: £200,090) representing the dividends received from its subsidiary, R Durtnell & Sons Limited.

3 Operating profit

This is stated after charging/(crediting) the following -

	2007	2006
	£	£
Depreciation of owned assets	148,770	165,322
Depreciation of assets held under finance leases and hire purchase	107,485	83,561
Loss/(profit) on disposal of tangible fixed assets	6,897	(6,486)
Auditors' remuneration – audit fee	31,900	35,930
Auditors' remuneration – fees for non audit services	5,290	9,770

R DURTNELL & SONS (HOLDINGS) LIMITED

Notes to the financial statements for the year ended 31 December 2007 (continued)

4 Employee information

	2007	2006
	£	£
Staff costs:		
Wages and salaries	5,234,299	4,913,328
Social security costs	554,713	515,077
Other pension costs	432,415	407,660
	<u>6,221,427</u>	<u>5,836,065</u>

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

	2007	2006
	Number	Number
Operatives, including apprentices and trainees	47	47
Agents	35	32
Office and management	64	64
	<u>146</u>	<u>143</u>

5 Director's emoluments

	2007	2006
	£	£
Emoluments (including pension contributions)	<u>208,039</u>	<u>190,510</u>

The director had accrued the following amounts under the group defined benefit scheme -

	2007	2006
	£	£
Accrued pension entitlement (per annum)	76,306	70,934
Accrued lump sum	<u>171,686</u>	<u>159,602</u>

6 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 Durtnell 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 £58,838 (2006 £67,427) all of which (2006 £61,240) were payable by R Durtnell & Sons Limited. At 31 December 2007 there were no outstanding contributions (2006 £Nil).

R DURTNELL & SONS (HOLDINGS) LIMITED

Notes to the financial statements for the year ended 31 December 2007 (continued)

6 Pension schemes (continued)

a) Final salary scheme (continued)

There are currently only 3 (2006: 4) active members of the final salary scheme, being 3 of the directors of R Durtnell & Sons Limited. Until 15 October 2007 a director of Durtnell Limited, a related undertaking, was also an active member of this scheme.

The most recent full actuarial valuation for the purposes of Financial Reporting Standard (FRS) 17 was performed as at 31 December 2007 and this showed a valuation of the scheme's assets of £3,766,700. The actuarial value of these assets represented 71.5% of the benefits that had accrued to members being £5,268,500 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 -

	2007	2006
	£	£
R Durtnell & Sons Limited	4,938,300	4,340,000
Durtnell Limited	330,200	532,800
	<u>5,268,500</u>	<u>4,872,800</u>

	2007	2006
	%	%
Main actuarial assumptions		
Rate of inflation	3.4	2.5
Rate of increase in salaries	3.9	3.0
Rate of increase on pensions in payment (single life pensions)	5.0	5.0
Rate of increase on pensions in payment (for benefits accrued after 05/04/1997, non-directors otherwise nil)	3.4	2.5
Rate used to discount liabilities @ 31/12/2006	5.3	4.6
Rate used to discount liabilities @ 31/12/2007	5.7	5.3
Long-term rate of return expected	6.0	5.5
(Fixed interest 7.5% (2006: 5.1%), property 7.5% (2006: 7.0%), cash 5.0%)		

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

	2007	2006
	£	£
Fixed interest	2,397,500	2,475,500
Property	799,200	697,400
Uninvested cash	570,000	545,500
Surrender value	<u>3,766,700</u>	<u>3,718,400</u>

FRS17 requires that gains and losses in respect of defined benefit scheme 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 -

R DURTNELL & SONS (HOLDINGS) LIMITED

Notes to the financial statements for the year ended 31 December 2007 (continued)

6 Pension schemes (continued)

a) Final salary scheme (continued)

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

	2007	2006
	£	£
Current service cost	(121,800)	(122,900)
Employee contributions	-	-
Past service cost	-	-
Total operating charge	<u>(121,800)</u>	<u>(122,900)</u>

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

	2007	2006
	£	£
Expected return on pension scheme assets	230,700	198,900
Interest on pension scheme liabilities	<u>(261,500)</u>	<u>(233,700)</u>
Net charge against other finance income	<u>(30,800)</u>	<u>(34,800)</u>

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

	2007	2006
	£	£
Actual return less expected return on pension scheme assets	(242,800)	139,200
Experience gains and losses arising on the scheme liabilities	(53,800)	(70,000)
Changes in assumptions underlying the present value of the scheme liabilities	<u>41,400</u>	<u>(717,000)</u>
Actuarial loss recognised in STRGL	<u>(255,200)</u>	<u>(647,800)</u>

Movement in deficit during the year

	2007	2006
	£	£
Deficit in scheme at beginning of the year	(1,154,400)	(444,900)
Movement in year		
Current service cost	(121,800)	(122,900)
Contributions received	60,400	96,000
Past service cost	-	-
Charge against other finance income	(30,800)	(34,800)
Actuarial loss	<u>(255,200)</u>	<u>(647,800)</u>
Deficit in scheme at end of the year	<u>(1,501,800)</u>	<u>(1,154,400)</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 1 January 2005 the value of the assets of the scheme represented 99.4% of the amount of the liabilities of the scheme. The scheme's actuary has further confirmed that he does not anticipate that the scheme had any significant deficit at 31 December 2007 if the on-going valuation bases are used as opposed to the assumptions used for the purposes of FRS 17.

R DURTNELL & SONS (HOLDINGS) LIMITED

Notes to the financial statements for the year ended 31 December 2007 (continued)

6 Pension schemes (continued)

b) Defined contribution schemes

Defined contribution schemes were also operated during the year by the group 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 31 December 2007 amounted to £27,504 (2006 £81,161).

7 Interest payable

	2007	2006
	£	£
Bank loan and overdraft interest	25,931	24,508
Interest on hire purchase contracts and finance leases	9,571	11,702
	<u>35,502</u>	<u>36,210</u>

8 Taxation

	2007	2006
	£	£
United Kingdom corporation tax at current rates	98,795	97,299
Deferred tax (note 16)	20,860	(5,844)
Tax on profit on ordinary activities	<u>119,655</u>	<u>91,455</u>
Profit on ordinary activities before taxation	<u>356,969</u>	<u>287,663</u>
Factors affecting the charge for the period:		
Corporation tax at the rate of 30%	107,091	86,299
Effects of		
Expenses not deductible for tax purposes	6,864	4,000
Short term timing differences	(20,860)	5,844
Depreciation for period in excess of capital allowances	9,728	5,582
Small company rate relief	(4,028)	(4,426)
	<u>98,795</u>	<u>97,299</u>

9 Dividends

	2007	2006
	£	£
Proposed dividends for the previous year paid		
Ordinary shares (equity)		
£10.00 (2006 £10.00) per share	<u>200,090</u>	<u>200,090</u>

R DURTNELL & SONS (HOLDINGS) LIMITED

Notes to the financial statements for the year ended 31 December 2007 (continued)

10 Tangible fixed assets - Group

	Freehold property £	Long leasehold property £	Tenants' improvements £	Plant machinery & fixtures £	Motor vehicles £	Total £
Cost or valuation:						
At 1 January 2007	1,835,000	1,300,000	212,625	1,102,920	785,533	5,236,078
Additions	-	-	-	100,098	206,524	306,622
Disposals	-	-	-	(12,074)	(141,950)	(154,024)
At 31 December 2007	<u>1,835,000</u>	<u>1,300,000</u>	<u>212,625</u>	<u>1,190,944</u>	<u>850,107</u>	<u>5,388,676</u>
Depreciation:						
At 1 January 2007	-	-	197,328	888,499	454,464	1,540,291
Provision for the year	-	-	3,822	100,189	152,244	256,255
Adjustments for disposals	-	-	-	(8,954)	(115,694)	(124,648)
At 31 December 2007	-	-	<u>201,150</u>	<u>979,734</u>	<u>491,014</u>	<u>1,671,898</u>
Net book value:						
At 31 December 2007	<u>1,835,000</u>	<u>1,300,000</u>	<u>11,475</u>	<u>211,210</u>	<u>359,093</u>	<u>3,716,778</u>
At 31 December 2006	<u>1,835,000</u>	<u>1,300,000</u>	<u>15,297</u>	<u>214,421</u>	<u>331,069</u>	<u>3,695,787</u>

The net book value of motor vehicles and plant and machinery held by the group under hire purchase and finance lease agreements at 31 December 2007 amounted to £203,592 and £71,200 respectively (2006 £151,228 and £31,202)

The depreciation charged in respect of motor vehicles and plant and machinery held by the group under hire purchase and finance lease agreements at 31 December 2007 amounted to £84,485 and £23,000 respectively (2006 £66,322 and £17,239)

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

	Freehold property £	Long leasehold property £
Cost		
At 1 January 2007 and 31 December 2007	<u>1,706,366</u>	<u>1,250,000</u>
Net book value		
At 31 December 2007	<u>1,706,366</u>	<u>1,250,000</u>
At 31 December 2006	<u>1,706,366</u>	<u>1,250,000</u>

The freehold title to the long leasehold property is owned by a related undertaking, Durtnell Limited (see note 24(n))

The freehold and long leasehold property were valued as at 31 December 2007 on an open market value basis, subject to existing use, by Messrs Ibbett Mosely, Chartered Surveyors. There has been no material change in values since the previous year end

R DURTNELL & SONS (HOLDINGS) LIMITED

Notes to the financial statements for the year ended 31 December 2007 (continued)

11 Investments - Company

	2007	2006
	£	£
Shares in subsidiary undertaking at cost	20,009	20,009

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

On 30 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.

12 Stocks - Group

	2007	2006
	£	£
Raw materials and consumables	82,178	106,741
Trading stock	10,100	10,100
	92,278	116,841

13 Debtors

	2007 Group £	2007 Company £	2006 Group £	2006 Company £
Amounts falling due within one year:				
Amounts recoverable on contracts	6,747,927	-	5,157,152	-
Trade debtors	216,455	-	164,429	-
Amounts owed by subsidiary undertaking	-	349,933	-	449,978
Amounts owed by related undertaking	50,133	-	113,402	-
Other debtors	24,986	-	33,548	-
Prepayments and accrued income	179,372	-	80,650	-
Taxation recoverable	12,648	-	-	-
	7,231,521	349,933	5,549,181	449,978
Amounts falling due after more than one year:				
Deferred tax (note 16)	15,609	-	36,469	-
	7,247,130	349,933	5,585,650	449,978

R DURTNELL & SONS (HOLDINGS) LIMITED

Notes to the financial statements for the year ended 31 December 2007 (continued)

14 Creditors: Amounts falling due within one year

	2007 Group £	2007 Company £	2006 Group £	2006 Company £
Bank loans (note 15)	50,000	-	50,000	-
Bank overdraft (note 15)	524,329	-	303,614	-
Trade creditors	10,866,218	-	7,123,871	-
Other creditors	447,893	-	484,690	-
Corporation tax	98,795	-	97,299	-
Other taxation and social security costs	414,454	-	424,365	-
Hire purchase and finance leases	104,364	-	80,764	-
Accruals and deferred income	47,746	-	53,517	-
	<u>12,553,799</u>	<u>-</u>	<u>8,618,120</u>	<u>-</u>

15 Creditors: Amounts falling due after more than one year

	2007 Group £	2007 Company £	2006 Group £	2006 Company £
Amounts falling due within one to two years:				
Bank loans	50,000	-	50,000	-
Hire purchase and finance leases	108,659	-	51,412	-
Other creditors	54,122	-	55,359	-
Amounts falling due within two to five years:				
Bank loans	150,000	-	150,000	-
Hire purchase and finance leases	-	-	2,046	-
Amounts falling due after five years				
Bank loans	92,080	-	135,709	-
	<u>454,861</u>	<u>-</u>	<u>444,526</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 the contracts.

R DURTNELLS & SONS (HOLDINGS) LIMITED

Notes to the financial statements for the year ended 31 December 2007 (continued)

16 Deferred taxation

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

	Provided		Further potential	
	2007	2006	2007	2006
	£	£	£	£
Timing difference on capital allowances	-	-	(50,772)	(42,192)
Short term timing differences	(15,609)	(36,469)	-	-
	<u>(15,609)</u>	<u>(36,469)</u>	<u>(50,772)</u>	<u>(42,192)</u>
		2007		2006
		£		£
Deferred taxation movements				
Balance at 1 January 2007		(36,469)		(30,625)
Transfer from/(to) profit and loss account		20,860		(5,844)
Balance at 31 December 2007		<u>(15,609)</u>		<u>(36,469)</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

17 Share capital

	2007 and 2006	
	Authorised	Allotted, issued and fully paid
	£	£
'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

18 Other reserves - Group

	Capital reserve	Revaluation reserve
	£	£
At 1 January 2007 and 31 December 2007	<u>329,991</u>	<u>178,634</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 financial statements for the year ended 31 December 2007 (continued)

19 Profit and loss account

	2007 Group £	2007 Company £	2006 Group £	2006 Company £
Brought forward	1,430,628	449,978	1,434,510	449,978
Profit for the year	237,314	100,045	196,208	200,090
Dividends paid	(200,090)	(200,090)	(200,090)	(200,090)
Retained profits carried forward	<u>1,467,852</u>	<u>349,933</u>	<u>1,430,628</u>	<u>449,978</u>

20 Reconciliation of movements in shareholders' funds

	2007 Group £	2007 Company £	2006 Group £	2006 Company £
Profit for the financial year	237,314	100,045	196,208	200,090
Dividends	(200,090)	(200,090)	(200,090)	(200,090)
Revaluation surplus	-	-	22,352	-
Increase/(decrease) in shareholders' funds	<u>37,224</u>	<u>(100,045)</u>	<u>18,470</u>	<u>-</u>
Shareholders' funds at 1 January 2007	1,959,262	469,987	1,940,792	469,987
Shareholders' funds at 31 December 2007	<u>1,996,486</u>	<u>369,942</u>	<u>1,959,262</u>	<u>469,987</u>

21 Reconciliation of operating profit to net cash inflow/(outflow) from operating activities

	2007 £	2006 £
Operating profit	304,502	237,177
Depreciation and profit/loss on disposals	263,152	242,397
Decrease in stocks	24,563	234,315
(Increase) in debtors	(1,669,692)	(323,857)
Increase/(decrease) in creditors due in less than one year	3,689,868	(82,026)
(Decrease) in other creditors due after more than one year	(1,237)	(3,431)
Net cash flow from operating activities	<u>2,611,156</u>	<u>304,575</u>

22 Analysis of net funds

	At 1.1.2007 £	Cash flows £	Other changes £	At 31.12.2007 £
Cash at bank and in hand	1,623,630	2,325,330	-	3,948,960
Bank overdraft	(303,614)	(220,715)	-	(524,329)
		<u>2,104,615</u>		
Debt due within 1 year	(50,000)	-	-	(50,000)
Debt due after 1 year	(335,709)	43,629	-	(292,080)
Hire purchase and finance leases	(134,222)	97,463	(176,264)	(213,023)
	<u>800,085</u>	<u>2,245,707</u>	<u>(176,264)</u>	<u>2,869,528</u>

R DURTNELL & SONS (HOLDINGS) LIMITED

Notes to the financial statements for the year ended 31 December 2007 (continued)

23 Reconciliation of net cash flow to movement in net funds

	2007	2006
	£	£
Increase/(decrease) in cash in the year	2,104,615	(291,323)
New hire purchase and finance leases	(176,264)	-
Cash flow from decrease in debt and lease financing	141,092	149,606
Movement in net funds in the year	2,069,443	(141,717)
Net funds at 1 January 2007	800,085	941,802
Net funds at 31 December 2007	2,869,528	800,085

24 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 -

	1 1.2007	31.12.2007	Maximum
	£	£	£
J A Durnell	70,590	25,568	72,202
J J Chandler	1,543	782	16,860
P Matthews	-	51	877
R H Neal	221	3,473	3,473
E R Valente	1,194	6	1,750

In addition to the above personal trade account balances, at 31 December 2007 a member of Mr J J Chandler's immediate family owed the subsidiary company £9,269, and Mr A W Durnell owed the subsidiary company £17,307. Mr A W Durnell, the adult son of Mr J A Durnell, was appointed a director of R Durnell & Sons Limited on 1 April 2008.

- ii) At 31 December 2007, Durnell Limited, a company under common control owed £49,576 to R Durnell & Sons Limited (2006 £107,785)

During the year ended 31 December 2007 the subsidiary company was reimbursed by Durnell Limited with that company's share of salary costs totalling £67,704 (2006 £62,496)

The subsidiary company also received £2,530 (2006 £1,500) from the same company in respect of building development work carried out at one of its investment property sites

The subsidiary company paid £59,400 (2006 £59,400) to Durnell Limited in respect of rent

- iii) At 31 December 2007 The Darenth River Ballast Company Limited, a company controlled by the shareholders of the company, owed £556 to R Durnell & Sons Limited (2006 £5,617)
- iv) During the year the subsidiary company paid amounts totalling £2,338 (2006 £1,433) 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, who was one of the subsidiary company's directors, was also director of Construction Safety (South East) Ltd

R DURTNELL & SONS (HOLDINGS) LIMITED

Notes to the financial statements for the year ended 31 December 2007 (continued)

25 Contingent liabilities

- i) In March 2007 the subsidiary company, R Durnell & Sons Limited, received notification that the Office of Fair Trading (OFT) was commencing an investigation into suspected anti-competitive behaviour contrary to the Competition Act 1998. A Statement of Objections identifying their contentions was issued on 17 April 2008 by the OFT following its review of tender activities in the building construction sector.

The subsidiary company has provided information to the OFT in relation to its review and its directors are taking this matter seriously and naturally are complying and cooperating fully as and when asked questions by the OFT. The OFT investigation at this stage is on-going and the outcome is uncertain. The directors of the subsidiary company feel it is impossible to quantify at this time any penalty that may be levied, which is not due to be announced until June 2009.

- ii) The subsidiary company is currently in discussion with the legal representatives of two former employees in respect of claims arising from illness associated with asbestosis. One of the claims arose prior to the year end.

The claim for compensation for the earlier of the two cases is not covered by insurance as the subsidiary company's insurers at the time the individual concerned was employed have ceased to exist, though funds are available to cover the costs of defending the claim. As a result of advice received the subsidiary company has, since the year end, made a payment on account to the claimant of approximately £47,000. At present it is not possible to determine whether any further liability will arise.

The second claim arose after the end of the financial year and relates to an individual who worked for the subsidiary company briefly in the 1950s. At this stage it is too early to be able to determine if there is any liability. The directors of the subsidiary company are currently in discussion with the company's legal advisers and insurers.