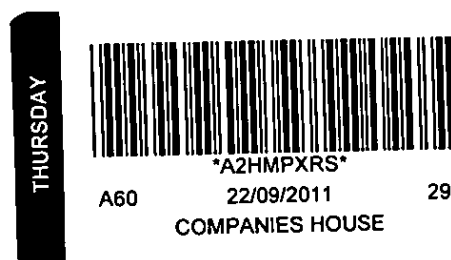


Register

**R DURTNELL & SONS (HOLDINGS) LIMITED**

**Reports and Accounts**

**For the year ended 31 December 2010**



**Company Registration Number : 04375916**

**R DURTNELL & SONS (HOLDINGS) LIMITED**  
**Reports and Accounts for the year ended 31 December 2010**

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**R DURTNELL & SONS (HOLDINGS) LIMITED**

**Director, officers and advisors**

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**Director**

J A Durtnell

**Secretary and registered office**

S E Routh  
Rectory Lane  
Brasted  
Westerham  
Kent  
TN16 1JR

**Registered number**

04375916

**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 2010**

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The director submits his report and accounts for the year ended 31 December 2010

**Principal activity**

The principal activity of the group is building contracting

**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. The group did, however, acquire a 50% interest in a joinery manufacturing company and details are given in Note 12(b) on pages 18 and 19.

During the year, the group's turnover was £52,229,085 compared to £49,820,216, for the previous year. Despite the economic downturn the level of turnover achieved in 2010 is higher than the average achieved over the previous 5 years.

In contrast to the increase in turnover, as indicated below, the overall gross profit margin achieved decreased due to competitive pressures in spite of careful management of direct costs.

The group balance sheet on page 7 of the financial statements shows an increase in net assets compared with the prior year. Our liquidity remained satisfactory throughout the year under review and this has continued in 2011.

*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. The trading subsidiary's continued accreditation as Quality Assured Builders continues to give benefits to both its clients and the group through enhanced efficiency and reductions in waste, thereby strengthening its 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 11.3% compared to 13.8% in 2009. This decrease reflects competitive pressures in the group's market place caused mainly by the current economic difficulties.

*Turnover*

As indicated above group turnover has increased during the year by 4.8% to £52,229,085. This figure includes work on the prestigious Turner Contemporary Gallery in Margate, Kent.

**R DURTNELL & SONS (HOLDINGS) LIMITED**  
**Director's report for the year ended 31 December 2010 (continued)**

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*Contracts won*

A number of significant new contracts were successfully tendered for during the year. It is anticipated that the turnover for the current financial year ending 31 December 2011 will be approximately £40 million.

*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 results for the year are shown in the profit and loss account on page 6. The group's profit for the year after taxation was £435,574. The surplus after dividends was £235,483.

An interim dividend of £200,091 being £10.00 per share was paid on 16 August 2010. The director does not recommend the payment of a final dividend.

**Director**

The director during the year ended 31 December 2010 was Mr J A Durnell.

**Director's responsibilities statement**

The director is responsible for preparing the director's report and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has elected to prepare financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the director must not approve the financial statements unless he is satisfied that they 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 these 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,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and group will continue in business,
- comply with applicable accounting standards subject to any material departures disclosed and explained in the financial statements.

The director is responsible for keeping adequate accounting records that are sufficient to show and explain the group's transactions and 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 2006. 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.

**R DURTNELL & SONS (HOLDINGS) LIMITED**  
**Director's report for the year ended 31 December 2010 (continued)**

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**Fixed assets**

The movements in tangible fixed assets are shown in note 11 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.


**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.

**Political and charitable contributions**

Various charitable contributions were made during the year totalling £8,376.

**Signed on behalf of the board**

  
**J A DURTNELL**  
Chairman

Approved by the Board on **19.9.11**

## **R DURTNELL & SONS (HOLDINGS) LIMITED**

### **Independent auditors' report to the members of R Durtnell & Sons (Holdings) Limited**

We have audited the financial statements of R Durtnell & Sons (Holdings) Limited for the year ended 31 December 2010, which are set out on pages 6 to 25. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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**

As explained more fully in the director's responsibilities statement set out on page 3, the director is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the group's and parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the director, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the director's report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

#### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2010 and of the group's profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the director's report for the financial year for which the financial statements are prepared is consistent with the financial statements.

#### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of director's remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.

Philip Wilson FCA (Senior Statutory Auditor)  
for and on behalf of Day, Smith & Hunter, Statutory Auditors  
Registered Auditors and Chartered Accountants

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

Date 19/9/11

**R DURTNELL & SONS (HOLDINGS) LIMITED**

**Consolidated profit and loss account for the year ended 31 December 2010**

	<u>Notes</u>	<u>2010</u> £	<u>2009</u> £
<b>Turnover</b>		52,724,690	49,820,216
Less Share of turnover of associate		495,605	-
<b>Group turnover</b>		52,229,085	49,820,216
Cost of sales		46,297,802	42,944,363
<b>Gross profit</b>		5,931,283	6,875,853
Administrative expenses		5,398,320	6,289,607
Other operating income		20,955	23,940
		5,419,275	6,265,667
<b>Operating profit</b>	3		
Continuing operations		553,918	610,186
Share of operating profit in associate		1,620	-
		555,538	610,186
Rent receivable		24,000	24,000
Other interest receivable and similar income		30,043	38,913
Interest payable and similar charges	7	(13,923)	(13,382)
<b>Profit before exceptional items and taxation</b>		595,658	659,717
Exceptional items	8	-	(43,087)
<b>Profit on ordinary activities before taxation</b>		595,658	616,630
Taxation on profit on ordinary activities	9	160,084	186,933
<b>Profit for the financial year</b>	20	435,574	429,697

The consolidated profit and loss account reflects the acquisition of a 50% interest in an associated company (see Note 12(b)). Otherwise, none of the group's activities were acquired or discontinued during the above two years.

There were no recognised gains or losses other than those included in the profit and loss account.

The notes on pages 10 to 25 form part of these accounts.



# R DURTNELL & SONS (HOLDINGS) LIMITED

## Consolidated balance sheet at 31 December 2010

	Notes	2010 £	2009 £
<b>Fixed assets</b>			
Tangible fixed assets	11	3,146,869	3,105,378
Investment in associate	12(b)	25,651	-
		<u>3,172,520</u>	<u>3,105,378</u>
<b>Current assets</b>			
Stocks	13	105,013	110,210
Debtors	14	7,870,880	7,121,235
Cash at bank and in hand		2,911,026	5,256,350
		<u>10,886,919</u>	<u>12,487,795</u>
<b>Creditors: Amounts falling due within one year</b>	15	<u>(11,836,623)</u>	<u>(13,560,523)</u>
<b>Net current liabilities</b>		<u>(949,704)</u>	<u>(1,072,728)</u>
<b>Total assets less current liabilities</b>		<u>2,222,816</u>	<u>2,032,650</u>
<b>Creditors: amounts falling due after more than one year</b>	16	<u>(248,879)</u>	<u>(294,196)</u>
<b>Net assets</b>		<u><u>1,973,937</u></u>	<u><u>1,738,454</u></u>
<b>Capital and reserves</b>			
Called up share capital	18	20,009	20,009
Capital reserve	19	329,991	329,991
Revaluation reserve	19	83,506	83,506
Profit and loss account	20	1,540,431	1,304,948
<b>Shareholders' funds</b>	21	<u><u>1,973,937</u></u>	<u><u>1,738,454</u></u>

Approved by the board of directors on 19.9.11 and signed on its behalf

  
J A DURTNELL  
 Director

Company Registration Number . 04375916

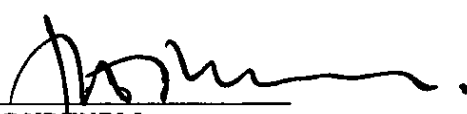
The notes on pages 10 to 25 form part of these accounts

# R DURTNELL & SONS (HOLDINGS) LIMITED

## Company balance sheet at 31 December 2010

	<u>Notes</u>		<u>2010</u>		<u>2009</u>
			£		£
<b>Fixed assets</b>					
Investment in group undertaking	12(a)	20,009		20,009	
Investment in associate	12(b)	<u>25,000</u>		<u>-</u>	
			45,009		20,009
<b>Current assets</b>					
Debtors	14	274,789		199,865	
Cash at bank		<u>23</u>		<u>-</u>	
			<u>274,812</u>		<u>199,865</u>
<b>Net assets</b>			<u>319,821</u>		<u>219,874</u>
<b>Capital and reserves</b>					
Called up share capital	18		20,009		20,009
Profit and loss account	20		<u>299,812</u>		<u>199,865</u>
<b>Shareholders' funds</b>	21		<u>319,821</u>		<u>219,874</u>

Approved by the board of directors on 19.9.11 and signed on its behalf

  
J A DURTNELL  
 Director

Company Registration Number 04375916

The notes on pages 10 to 25 form part of these accounts

**R DURTNELL & SONS (HOLDINGS) LIMITED**

**Consolidated cash flow statement for the year ended 31 December 2010**

	<u>Notes</u>	<u>2010</u>	<u>2009</u>
		<u>£</u>	<u>£</u>
<b>Net cash (outflow)/inflow from operating activities</b>	22	<b>(1,789,670)</b>	<b>2,373,025</b>
<b>Returns on investments and servicing of finance</b>			
Interest received and other investment income		30,763	37,616
Rent receivable		24,000	24,000
Interest paid		(6,529)	(8,211)
Interest element of hire purchase and finance lease rental payments		<u>(6,646)</u>	<u>(4,554)</u>
<b>Net cash inflow from returns on investments and servicing of finance</b>		<b>41,588</b>	<b>48,851</b>
<b>Taxation</b>		<b>(225,098)</b>	<b>(149,854)</b>
<b>Equity dividends paid</b>		<b>(200,091)</b>	<b>(175,079)</b>
<b>Capital expenditure and financial investment</b>			
Payments to acquire tangible fixed assets		(164,137)	(97,689)
Receipts from sales of tangible fixed assets		<u>26,880</u>	<u>35,565</u>
<b>Net cash (outflow) from capital expenditure and financial investment</b>		<b>(137,257)</b>	<b>(62,124)</b>
<b>Acquisitions</b>			
Purchase of interest in associate		<u>(25,000)</u>	<u>-</u>
<b>Net cash (outflow)/inflow before financing</b>		<b>(2,335,528)</b>	<b>2,034,819</b>
<b>Financing</b>			
Capital element of hire purchase and finance lease rentals		(88,606)	(76,813)
Repayments of secured bank loans		<u>(63,943)</u>	<u>(61,342)</u>
<b>Net cash (outflow) from financing</b>		<b>(152,549)</b>	<b>(138,155)</b>
<b>(Decrease)/increase in cash</b>	23/24	<b><u>(2,488,077)</u></b>	<b><u>1,896,664</u></b>

The notes on pages 10 to 25 form part of these accounts

## **R DURTNELL & SONS (HOLDINGS) LIMITED**

### **Notes to the financial statements for the year ended 31 December 2010**

---

#### **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 2010 have been prepared in accordance with the principles of merger accounting. The group financial statements also reflect the share of the results and post acquisition reserves of the associated undertaking

##### **c) Holding company profit and loss account**

A separate profit and loss account for R Durtnell & Sons (Holdings) Limited is not included in the accounts. The information required under section 408 Companies Act 2006 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 account 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 over its estimated useful life. The principal rates in use are

Tenants' improvements	4% and 10%	on cost
Motor vehicles	20%	on cost
Plant, machinery and fixtures	12.5% to 25%	on cost

In the opinion of the director, and upon the receipt of professional advice, the residual values of freehold properties and long leasehold properties at 31 December 2010 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 2010

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 2010 (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 year is reflected in turnover. Attributable profit is ascertained by comparing contract values with costs, 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 £300,038 (2009 £100,045) representing the dividends received from its subsidiary, R Durtnell & Sons Limited.

### 3 Operating profit

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

	2010	2009
	£	£
Depreciation of owned assets	183,406	188,710
Depreciation of assets held under finance leases and hire purchase	28,391	61,982
Profit on disposal of tangible fixed assets	(24,406)	(13,385)
Auditors' remuneration – audit fee	35,600	34,300
Auditors' remuneration – fees for non audit services	6,498	20,765

# R DURTNELL & SONS (HOLDINGS) LIMITED

## Notes to the financial statements for the year ended 31 December 2010 (continued)

### 4 Employee information

	2010	2009
	£	£
<b>Staff costs:</b>		
Wages and salaries	5,852,915	6,686,641
Social security costs	591,592	665,164
Other pension costs	193,216	491,067
	<u>6,637,723</u>	<u>7,842,872</u>

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

	2010	2009
	Number	Number
Operatives, including apprentices and trainees	46	50
Site agents	32	36
Office and management	60	64
	<u>138</u>	<u>150</u>

### 5 Director's emoluments

	2010	2009
	£	£
Emoluments (excluding contributions to defined benefit schemes)	<u>75,093</u>	<u>203,880</u>

The director, in addition to accruing benefits under defined contribution schemes, had accrued the following amounts under the group defined benefit scheme during the previous year

	2010	2009
	£	£
Accrued pension entitlement (per annum)	-	87,566
Accrued lump sum	<u>-</u>	<u>197,024</u>

Benefits were taken during the year ended 31 December 2010

### 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.

No pension contributions were paid into the scheme for the year (2009 £42,600). At 31 December 2010 there were no outstanding contributions (2009 £Nil).

# R DURTNELL & SONS (HOLDINGS) LIMITED

## Notes to the financial statements for the year ended 31 December 2010 (continued)

### 6 Pension schemes (continued)

#### a) Final salary scheme (continued)

There is currently only 1 (2009 2) active member of the final salary scheme, who is a director of both R Durtnell & Sons Limited and Durtnell Limited

The most recent full actuarial valuation for the purposes of Financial Reporting Standard (FRS) 17 was performed as at 31 December 2010 and this showed a valuation of the scheme's assets of £7,473,300. The actuarial value of these assets represented 102.9% of the benefits that had accrued to members being £7,262,500 at that date, after allowing for expected future increases in earnings. It is not possible to identify the share of assets and liabilities that apply to each individual company.

The surplus of £210,800 is arrived at on the basis of the actuarial assumptions used for the purposes of FRS 17 and takes account of the guaranteed annuity rates available to the scheme. Using this basis of valuation produces a much higher asset value in contrast to the assumptions used for the purposes of FRS 17, which did not make allowance for the underlying guarantees.

	2010	2009
Main actuarial assumptions for the purposes of FRS17		
Discount rate	5.40% pa	5.60% pa
Pension increases in payment		
Director's pensions (single life only)	5.00% pa	5.00% pa
Pre 1997 pensions (non-directors and all spouses)	0.00% pa	0.00% pa
Post 1997 pensions (non-directors and all spouses)	3.00% pa	3.50% pa
Post 2005 pensions (non-directors and all spouses)	2.00% pa	2.25% pa
Retail Price Index	3.20% pa	3.50% pa
Revaluation of pensions in deferment	3.20% pa	3.50% pa
Salary escalation	4.00% pa	4.00% pa
Post retirement mortality		
- Base Table	PxA92	PxA92
- Improvements	Long Cohort, projected to calendar year 2020, subject to 1% pa underpin	
Exchanging pension for cash	The one remaining active member is assumed to take maximum cash at retirement	No allowance

# R DURTNELL & SONS (HOLDINGS) LIMITED

## Notes to the financial statements for the year ended 31 December 2010 (continued)

### 6 Pension schemes (continued)

#### a) Final salary scheme (continued)

##### Expected return on assets

The assets of the scheme and the long-term expected return on these assets were

	As at 31/12/2010		As at 31/12 2009	
	Rate of Return % pa	Value £	Rate of return % pa	Value £
Overall Growth Fund Policy (see note 1 below)	5.40	1,602,000	-	-
Fixed Interest Bonds	-	-	6.50	909,200
Property	-	-	6.50	288,700
Cash	0.50	446,200	5.00	618,700
Annuity Policies (see note 2 below)	5.40	5,425,100	-	-
<b>Total Fair Value of Assets</b>	<b>5.10</b>	<b>7,473,300</b>	<b>6.00</b>	<b>1,816,600</b>

1) Last year, as no allowance was made for the underlying guarantees, the assumed rate of return was based on the actual assets held in the Growth Fund. This year, as the guarantees have been allowed for, it should be expected that the Growth Fund asset value will increase at the same rate as the liabilities.

2) The Insurance Contracts in respect of Insured Pensioners were not included at 31 December 2009. At 31 December 2010, they have been allowed for as an asset and matching liability. The net impact of this change on the surplus/deficit is nil.

The assumed long-term rate of return on scheme assets is calculated by considering the long-term rate of return on each asset class. The expected rate of return on each asset class is derived by considering relevant investment yields, or by taking a suitable risk-free yield and adjusting for a risk premium as appropriate to the asset class.

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 Durnnell 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 assets and liabilities for the scheme as a whole, the cost of providing retirement benefits and the related gains and losses.

#### Reconciliation of the present value of scheme liabilities

	2010	2009
	£	£
Opening defined benefit obligations	3,737,500	3,031,700
Current service cost	87,200	92,800
Interest accrued on scheme liabilities	211,700	200,000
Change in assumptions	(308,100)	383,100
Impact of including insured pensioners	3,571,100	-
Actuarial loss	153,100	29,900
Benefits paid	(190,000)	-
<b>Closing defined benefit obligations</b>	<b>7,262,500</b>	<b>3,737,500</b>



**R DURTNELL & SONS (HOLDINGS) LIMITED**

**Notes to the financial statements for the year ended 31 December 2010 (continued)**

**6 Pension schemes (continued)**

**a) Final salary scheme (continued)**

**Reconciliation of the fair value of scheme assets:**

	2010	2009
	£	£
Opening fair value of scheme assets	1,816,600	1,707,400
Expected return	109,000	86,500
Impact of including insured pensioners	3,571,100	-
Change of valuation method for assets – gain	1,602,000	-
Actuarial gain/(loss)	564,600	(19,900)
Employer contributions	-	42,600
Benefits paid	(190,000)	-
Closing balance of scheme liabilities	<u>7,473,300</u>	<u>1,816,600</u>

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

	2010	2009
	£	£
Current service cost	(87,200)	(92,800)
Employee contributions	-	-
Past service cost	-	-
Total operating charge	<u>(87,200)</u>	<u>(92,800)</u>

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

	2010	2009
	£	£
Expected return on pension scheme assets	109,000	86,500
Interest on pension scheme liabilities	(211,700)	(200,000)
Net charge against other finance income	<u>(102,700)</u>	<u>(113,500)</u>

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

	2010	2009
	£	£
Actual return less expected return on pension scheme assets	564,600	(19,900)
Experience gains and losses arising on the pension scheme liabilities	(153,100)	(29,900)
Changes in assumptions underlying the present value of the scheme liabilities	1,910,100	(383,100)
Actuarial gain/(loss) recognised in STRGL	<u>2,321,600</u>	<u>(432,900)</u>

# **R DURTNELL & SONS (HOLDINGS) LIMITED**

## **Notes to the financial statements for the year ended 31 December 2010 (continued)**

### **6 Pension schemes (continued)**

#### **a) Final salary scheme (continued)**

#### **Movement in surplus/(deficit) during the year.**

	2010	2009
	£	£
Deficit in scheme at beginning of the year	(1,920,900)	(1,324,300)
Movement in year		
Current service cost	(87,200)	(92,800)
Contributions received	-	42,600
Past service cost	-	-
Charge against other finance income	(102,700)	(113,500)
Actuarial gain/(loss)	2,321,600	(432,900)
Surplus/(deficit) in scheme at end of the year	<u>210,800</u>	<u>(1,920,900)</u>

#### **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 2010 amounted to £15,232 (2009 £58,183).

### **7 Interest payable and similar charges**

	2010	2009
	£	£
Bank loan and overdraft interest	6,308	8,828
Interest on hire purchase contracts and finance leases	6,646	4,554
Share of other interest in associate	969	-
	<u>13,923</u>	<u>13,382</u>

### **8 Exceptional item**

The exceptional item of £43,087 in 2009 related to a further provision in respect of asbestosis claims from two former employees in respect of illness associated with asbestosis. The cases were settled during the year ended 31 December 2010.

# R DURTNELL & SONS (HOLDINGS) LIMITED

## Notes to the financial statements for the year ended 31 December 2010 (continued)

### 9 Taxation

	2010	2009
	£	£
United Kingdom corporation tax at 28% (2009 28%)	148,393	226,625
Deferred tax (note 17)	11,691	(39,692)
Tax on profit on ordinary activities	<u>160,084</u>	<u>186,933</u>
Profit on ordinary activities before taxation	<u>595,658</u>	<u>616,630</u>
<b>Factors affecting the tax charge for the period</b>		
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2009 28%)	166,784	172,656
Effects of		
Expenses not deductible for tax purposes	13,196	8,829
Short term timing differences	(11,691)	39,692
Depreciation in excess of capital allowances	-	5,448
Capital allowances in excess of depreciation	(19,896)	-
	<u>148,393</u>	<u>226,625</u>

### 10 Dividends

	2010	2009
	£	£
<b>Proposed dividends for the previous year paid</b>		
Ordinary shares (equity)		
£10.00 (2009 £8.75) per share	<u>200,091</u>	<u>175,079</u>

### 11 Tangible fixed assets - Group

	Freehold property £	Long leasehold property £	Tenants' improvements £	Plant machinery & fixtures £	Motor vehicles £	Total £
<b>Cost or valuation</b>						
At 1 January 2010	1,230,000	1,300,000	291,248	1,355,290	854,688	5,031,226
Additions	-	-	-	182,417	73,345	255,762
Disposals	-	-	-	(384,352)	(103,355)	(487,707)
At 31 December 2010	<u>1,230,000</u>	<u>1,300,000</u>	<u>291,248</u>	<u>1,153,355</u>	<u>824,678</u>	<u>4,799,281</u>
<b>Depreciation</b>						
At 1 January 2010	-	-	225,689	1,119,781	580,378	1,925,848
Provision for the year	-	-	7,208	90,187	114,402	211,797
Adjustments for disposals	-	-	-	(383,511)	(101,722)	(485,233)
At 31 December 2010	<u>-</u>	<u>-</u>	<u>232,897</u>	<u>826,457</u>	<u>593,058</u>	<u>1,652,412</u>
<b>Net book value</b>						
At 31 December 2010	<u>1,230,000</u>	<u>1,300,000</u>	<u>58,351</u>	<u>326,898</u>	<u>231,620</u>	<u>3,146,869</u>
At 31 December 2009	<u>1,230,000</u>	<u>1,300,000</u>	<u>65,559</u>	<u>235,509</u>	<u>274,310</u>	<u>3,105,378</u>

The net book value of plant and machinery and motor vehicles held by the group under hire purchase and finance lease agreements at 31 December 2010 amounted to £189,411 and £Nil respectively (2009 £92,317 and £60,021)

# R DURTNELL & SONS (HOLDINGS) LIMITED

## Notes to the financial statements for the year ended 31 December 2010 (continued)

### 11 Tangible fixed assets – Group (continued)

The depreciation charged in respect of plant and machinery and motor vehicles held by the group under hire purchase and finance lease agreements at 31 December 2010 amounted to £28,391 and £Nil respectively (2009 £15,005 and £46,977)

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

	2010	2009
	£	£
<u>Cost</u>		
Freehold property	1,196,494	1,196,494
Long leasehold property	1,250,000	1,250,000
	<u>2,446,494</u>	<u>2,446,494</u>
<u>Net book value</u>		
Freehold property	1,196,494	1,196,494
Long leasehold property	1,250,000	1,250,000
	<u>2,446,494</u>	<u>2,446,494</u>

The freehold title to the long leasehold property is owned by a related undertaking, Durtnell Limited (see note 25(ii))

The freehold and long leasehold property were valued as at 31 December 2010 on an open market value basis, subject to existing use, by Messrs Ibbett Mosely, Chartered Surveyors. In the opinion of the director there has been no material change in values since the previous year end

### 12 Investments

#### a) Subsidiary

	2010 Company	2009 Company
	£	£
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 Durtnell & Sons Limited	England	( Ordinary ( Preference	100% 100%	Building contractors

On 30 December 2002, the company acquired R Durtnell & Sons Limited in exchange for 18,000 'A' shares of £1 each and 2,009 'B' shares of £1 each. The investment in R Durtnell & 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.

#### b) Investment in associate

	2010 Group £	2010 Company £	2009 Group £	2009 Company £
Shares in associated undertaking at cost	25,000	25,000	-	-
Group's share of post acquisition reserves	651	-	-	-
	<u>25,651</u>	<u>25,000</u>	<u>-</u>	<u>-</u>

# **R DURTNELL & SONS (HOLDINGS) LIMITED**

## **Notes to the financial statements for the year ended 31 December 2010 (continued)**

### **12 Investments (continued)**

#### **b) Investment in associate (continued)**

Additional information on associated undertaking

	<b>Country of incorporation, registration and operation</b>	<b>Class of shares held</b>	<b>Percentage of shares held</b>	<b>Nature of business</b>
Cheesman Joinery Limited	England	Ordinary	50%	Joinery manufacture

The group's share of the associate, Cheesman Joinery Limited, is as follows

	<b>2010</b>
	<b>£</b>
Share of turnover	<b>495,605</b>
Share of profit before and after taxation	<b>651</b>
Share of assets	
Fixed assets	<b>9,000</b>
Current assets	<b>166,765</b>
	<b>175,765</b>
Share of liabilities	
Due within one year or less	<b>100,114</b>
Due after more than one year	<b>50,000</b>
	<b>(150,114)</b>
Share of net assets	<b>25,651</b>

### **13 Stocks - Group**

	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Raw materials and consumables	<b>78,874</b>	<b>87,154</b>
Trading stock	<b>26,139</b>	<b>23,056</b>
	<b>105,013</b>	<b>110,210</b>

**R DURTNELL & SONS (HOLDINGS) LIMITED**

**Notes to the financial statements for the year ended 31 December 2010 (continued)**

**14 Debtors**

	2010 Group £	2010 Company £	2009 Group £	2009 Company £
<b>Amounts falling due within one year:</b>				
Amounts recoverable on contracts	5,943,521	-	5,664,052	-
Trade debtors	482,048	-	98,725	-
Amounts owed by subsidiary undertaking	-	274,789	-	199,865
Amounts owed by related undertakings	834,604	-	879,668	-
Other debtors	42,280	-	41,130	-
Prepayments and accrued income	518,520	-	374,535	-
Taxation recoverable	7,842	-	9,369	-
	<u>7,828,815</u>	<u>274,789</u>	<u>7,067,479</u>	<u>199,865</u>
<b>Amounts falling due after more than one year:</b>				
Deferred tax (note 17)	42,065	-	53,756	-
	<u>7,870,880</u>	<u>274,789</u>	<u>7,121,235</u>	<u>199,865</u>

**15 Creditors: Amounts falling due within one year**

	2010 Group £	2010 Company £	2009 Group £	2009 Company £
Bank loans (note 16)	52,375	-	51,876	-
Bank overdraft (note 16)	192,017	-	49,264	-
Trade creditors	9,995,676	-	11,017,692	-
Amount owed to related undertaking	9,726	-	316	-
Other creditors	687,073	-	1,521,738	-
Corporation tax	148,393	-	226,625	-
Other taxation and social security costs	620,857	-	556,036	-
Hire purchase and finance leases (note 16)	59,417	-	69,811	-
Accruals and deferred income	71,089	-	67,165	-
	<u>11,836,623</u>	<u>-</u>	<u>13,560,523</u>	<u>-</u>

# R DURTNELL & SONS (HOLDINGS) LIMITED

## Notes to the financial statements for the year ended 31 December 2010 (continued)

### 16 Creditors: Amounts falling due after more than one year

	2010 Group £	2010 Company £	2009 Group £	2009 Company £
<b>Amounts falling due within one to two years.</b>				
Bank loans	63,982	-	61,021	-
Hire purchase and finance leases	54,878	-	41,465	-
Other creditors	72,204	-	66,492	-
<b>Amounts falling due within two to five years</b>				
Bank loans	57,815	-	125,218	-
	<u>248,879</u>	<u>-</u>	<u>294,196</u>	<u>-</u>

The current portion of these liabilities is included in creditors falling due within one year. The bank overdraft facility 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 3% and 1.5% per annum above base rate respectively.

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

### 17 Deferred taxation - group

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

	<b>Provided</b>		<b>Further potential</b>	
	2010 £	2009 £	2010 £	2009 £
Timing difference on capital allowances	-	-	(17,994)	(39,598)
Short term timing differences	(42,065)	(53,756)	-	-
	<u>(42,065)</u>	<u>(53,756)</u>	<u>(17,994)</u>	<u>(39,598)</u>
		<b>2010</b>		<b>2009</b>
		£		£
Deferred taxation movements				
Balance at 1 January 2010		(53,756)		(14,064)
Transfer from/(to) profit and loss account (note 9)		11,691		(39,692)
Balance at 31 December 2010		<u>(42,065)</u>		<u>(53,756)</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.

# R DURTNELL & SONS (HOLDINGS) LIMITED

## Notes to the financial statements for the year ended 31 December 2010 (continued)

### 18 Share capital

	2010 and 2009 Allotted, issued and fully paid £
'A' Ordinary shares of £1 each	18,000
'B' Ordinary shares of £1 each	2,009
	<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

### 19 Other reserves - Group

	Capital reserve £	Revaluation reserve £
At 1 January 2010 and 31 December 2010	<u>329,991</u>	<u>83,506</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

### 20 Profit and loss account

	2010 Group £	2010 Company £	2009 Group £	2009 Company £
Brought forward	1,304,948	199,865	1,050,330	274,899
Profit for the year	435,574	300,038	429,697	100,045
Dividends paid (note 10)	(200,091)	(200,091)	(175,079)	(175,079)
Retained profits carried forward	<u>1,540,431</u>	<u>299,812</u>	<u>1,304,948</u>	<u>199,865</u>

### 21 Reconciliation of movements in shareholders' funds

	2010 Group £	2010 Company £	2009 Group £	2009 Company £
Profit for the financial year	435,574	300,038	429,697	100,045
Dividends	(200,091)	(200,091)	(175,079)	(175,079)
Increase/(decrease) in shareholders' funds	235,483	99,947	254,618	(75,034)
Shareholders' funds at 1 January 2010	1,738,454	219,874	1,483,836	294,908
Shareholders' funds at 31 December 2010	<u>1,973,937</u>	<u>319,821</u>	<u>1,738,454</u>	<u>219,874</u>



# **R DURTNELL & SONS (HOLDINGS) LIMITED**

## **Notes to the financial statements for the year ended 31 December 2010 (continued)**

### **22 Reconciliation of operating profit to net cash inflow from operating activities**

	2010	2009
	£	£
Group operating profit	553,918	610,186
Exceptional items paid	(686,895)	(209,892)
Depreciation	211,797	250,692
(Profit) on disposal	(24,406)	(13,385)
Decrease/(increase) in stocks	5,197	(13,962)
(Increase)/decrease in debtors	(763,583)	2,526,110
(Decrease) in creditors due in less than one year	(1,091,410)	(770,674)
Increase/(decrease) in other creditors due after more than one year	5,712	(6,050)
<b>Net cash (outflow)/inflow from operating activities</b>	<b>(1,789,670)</b>	<b>2,373,025</b>

### **23 Analysis of net funds**

	At 1.1.2010	Cash flows	Other changes	At 31.12 2010
	£	£	£	£
Cash at bank and in hand	5,256,350	(2,345,324)	-	2,911,026
Bank overdraft	(49,264)	(142,753)	-	(192,017)
		(2,488,077)		
Debt due within 1 year	(51,876)	63,943	(64,442)	(52,375)
Debt due after 1 year	(186,239)	-	64,442	(121,797)
Hire purchase and finance leases	(111,276)	88,606	(91,625)	(114,295)
	<u>4,857,695</u>	<u>(2,335,528)</u>	<u>(91,625)</u>	<u>2,430,542</u>

### **24 Reconciliation of net cash flow to movement in net funds**

	2010	2009
	£	£
(Decrease)/increase in cash in the year	(2,488,077)	1,896,664
New hire purchase and finance leases	(91,625)	(85,682)
Cash flow from decrease in debt and lease financing	152,549	138,155
Movement in net funds in the year	(2,427,153)	1,949,137
Net funds at 1 January 2010	4,857,695	2,908,558
Net funds at 31 December 2010	<u>2,430,542</u>	<u>4,857,695</u>

# R DURTNELL & SONS (HOLDINGS) LIMITED

## Notes to the financial statements for the year ended 31 December 2010 (continued)

### 25 Related party transactions

- i) During the year the director and seven directors of the subsidiary company had personal trade accounts, which relate principally to building work carried out by the subsidiary company on their behalf. Various sums were invoiced during the course of the year and, in summary, the balances owed to that company were as follows -

The relevant balances and maximum amounts outstanding were as follows -

	31.12.2010	1.1.2010	Maximum
	£	£	£
P B Brook	-	-	2,276
A W Durnnell	25,954	20,110	25,954
J A Durnnell	3,937	11,261	35,199
J J Chandler	-	-	26,876
M V Hale	-	-	77
S E Routh	-	-	2,796
R H Neal	-	1,448	16,567
E R Valente	-	1,599	3,973

In addition to the above personal trade account balances, at 31 December 2010 Mr A W Durnnell and Mr J A Durnnell owed the subsidiary company £692 (2009 £49) and £Nil (2009 £3,230) respectively. At the year end a member of Mr J A Durnnell's immediate family owed the subsidiary company £422 (2009 £722) and a member of Mr J J Chandler's immediate family owed the subsidiary company £9,269 (2009 £9,269).

- ii) At 31 December 2010 Durnnell Limited, a company under common control, owed £800,460 to R Durnnell & Sons Limited (2009 £879,668). Interest charged on the inter-company account amounted to £3,927 (2009 £4,747).

During the year ended 31 December 2010 the subsidiary company was reimbursed by Durnnell Limited with that company's share of salary costs totalling £71,922 (2009 £86,549).

The subsidiary company paid £63,300 (2009 £59,400) to Durnnell Limited in respect of rent.

- iii) At 31 December 2010 The Darenth River Ballast Company Limited, a company controlled by the shareholders of the company, owed £34,144 to R Durnnell & Sons Limited (2009 Creditor of £316).

During the year the subsidiary company was invoiced £5,000 (2009 £2,400) by The Darenth River Ballast Company Limited in respect of marketing functions.

During the year the subsidiary company invoiced Darenth River Ballast Company Limited £9,421 (2009 £2,081) in respect of insurance, maintenance and various overhead costs, and £52,212 (2009 £7,200) in respect of material and labour costs in connection with work done to one of that company's properties.

## R DURTNELL & SONS (HOLDINGS) LIMITED

### Notes to the financial statements for the year ended 31 December 2010 (continued)

#### 25 Related party transactions (continued)

- iv) During the period from 7 June 2010 to 31 December 2010 the subsidiary company incurred costs of £45,699 in respect of contract work performed by Cheesman Joinery Limited, an associated company. At 31 December 2010 Cheesman Joinery Limited was owed £9,726 by R Durnell & Sons Limited in respect of trade transactions.

During the period to 31 December 2010, R Durnell & Sons Limited received income of £10,500 from Cheesman Joinery Limited in respect of management fees.

- v) During the year dividends were paid as follows -

	2010	2009
	£	£
J A Durnell	28,360	24,815
Family Trusts for which J A Durnell is a Trustee	43,370	37,949
	<u>71,730</u>	<u>62,764</u>

#### 26 Post balance sheet events

On 2 August 2011 the company acquired an additional 40% interest in the ordinary shares of Cheesman Joinery for consideration of £20,000 plus stamp duty. From that date the associate became a 90% subsidiary.