

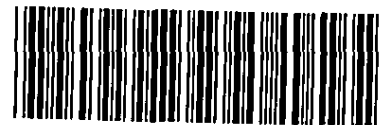
Registered

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

**Reports and Accounts**

**For the year ended 31 December 2008**

FRIDAY



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30/10/2009  
COMPANIES HOUSE

**Company Registration Number : 4375916**

**R DURTNELL & SONS (HOLDINGS) LIMITED**  
**Reports and Accounts for the year ended 31 December 2008**

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

**Directors, officers and advisers**

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**Director**

J A Durtnell

**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 2008**

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The director submits his report and accounts for the year ended 31 December 2008.

**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 £65,471,166 compared to £47,745,432, for the previous year. The increase reflects contract work successfully tendered for in 2007 and resulted in an increase in operating profit from £304,502 to £721,937. However, the subsidiary company has suffered a loss on the sale of property of £171,377 and other exceptional costs totalling £929,000 of which £544,000 relates to a revised penalty imposed by the Office of Fair Trading. The subsidiary company is paying this penalty from its accumulated cash deposits, which after the payment has been made, will still exceed £2m.

The balance sheet on page 8 of the financial statements shows a reduction in net assets compared with the prior year. Nevertheless, our liquidity remained satisfactory throughout the year under review and this has continued so far in 2009.

*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 10.8% compared to 11.8% in 2007. 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 37.1% to £65,471,166.

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

### **Director's report for the year ended 31 December 2008 (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 2009 will be approximately £55 million.

#### *Employees*

Details of the number of employees and related costs can be found in note 4 to the financial statements on page 13.

#### *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 loss for the year, after exceptional items and taxation, amounted to £337,571 (2007 – Profit of £237,314).

Dividends of £175,079 (note 10) were paid during the year in respect of the previous financial year ended 31 December 2007.

#### **Director**

The director during the year ended 31 December 2008 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.

**R DURTNELL & SONS (HOLDINGS) LIMITED**  
**Director's report for the year ended 31 December 2008 (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.

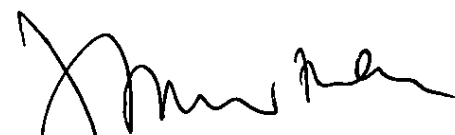
**Charitable contributions**

During the year the group made donations totalling £6,029 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 28/10/2009

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

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

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We have audited the financial statements of R Durnell & Sons (Holdings) Limited for the year ended 31 December 2008, which are set out on pages 6 to 24. 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 2008 and of the group loss 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

28/10/2009

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 2008**

	<u>Notes</u>	<u>2008</u> £	<u>2007</u> £
<b>Turnover</b>		<b>65,471,166</b>	47,745,432
Cost of sales		<u>58,400,247</u>	42,109,681
<b>Gross profit</b>		<u>7,070,919</u>	5,635,751
Administrative expenses		6,362,233	5,331,249
Other operating income		13,251	-
		<u>6,348,982</u>	5,331,249
<b>Operating profit</b>	3	<u>721,937</u>	304,502
Rent receivable		21,850	21,420
Other interest receivable and similar income		209,129	66,549
Interest payable and similar charges	7	<u>(35,432)</u>	(35,502)
<b>Profit before exceptional items and taxation</b>		<u>917,484</u>	356,969
Loss on sale of land and buildings		(171,377)	-
Other exceptional items	8	<u>(929,000)</u>	-
<b>(Loss)/profit on ordinary activities before taxation</b>		<u>(182,893)</u>	356,969
Taxation on (loss)/profit on ordinary activities	9	<u>154,678</u>	119,655
<b>(Loss)/profit for the financial year</b>	20	<u><u>(337,571)</u></u>	<u><u>237,314</u></u>

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 11 to 24 form part of these accounts.

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

**Consolidated note of historical cost profits and losses for the year ended 31 December 2008**

	<u>2008</u>	<u>2007</u>
	<u>£</u>	<u>£</u>
<b>Reported (loss)/profit on ordinary activities before taxation</b>	<b>(182,893)</b>	<b>356,969</b>
Realisation of property revaluations in previous year	<u>95,128</u>	<u>-</u>
<b>Historical cost (loss)/profit on ordinary activities before taxation</b>	<b><u>(87,765)</u></b>	<b><u>356,969</u></b>
<b>Historical cost (deficit)/profit for the year retained after taxation and dividends</b>	<b><u>(417,522)</u></b>	<b><u>37,224</u></b>

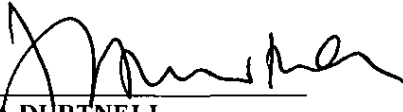
The notes on pages 11 to 24 form part of these accounts.

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

**Consolidated balance sheet at 31 December 2008**

	<u>Notes</u>	<u>2008</u>	<u>2007</u>
		<u>£</u>	<u>£</u>
<b>Fixed assets</b>			
Tangible fixed assets	11	3,194,879	3,716,778
<b>Current assets</b>			
Stocks	13	96,248	92,278
Debtors	14	9,609,635	7,247,130
Cash at bank and in hand		3,310,422	3,948,960
		<u>13,016,305</u>	<u>11,288,368</u>
<b>Creditors: Amounts falling due within one year</b>	15	<u>(14,368,987)</u>	<u>(12,553,799)</u>
<b>Net current liabilities</b>		<u>(1,352,682)</u>	<u>(1,265,431)</u>
<b>Total assets less current liabilities</b>		<u>1,842,197</u>	<u>2,451,347</u>
<b>Creditors: amounts falling due after more than one year</b>	16	<u>(358,361)</u>	<u>(454,861)</u>
<b>Net assets</b>		<u><u>1,483,836</u></u>	<u><u>1,996,486</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	178,634
Profit and loss account	20	1,050,330	1,467,852
<b>Shareholders' funds</b>	21	<u><u>1,483,836</u></u>	<u><u>1,996,486</u></u>

Approved by the board of directors on 28/10/2009 and signed on its behalf.

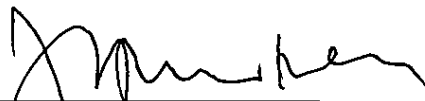
  
J A DURTNELL  
 Director

The notes on pages 11 to 24 form part of these accounts.

**R DURTNELL & SONS (HOLDINGS) LIMITED****Company balance sheet at 31 December 2008**

	<u>Notes</u>	<u>2008</u>	<u>2007</u>
		<u>£</u>	<u>£</u>
<b>Fixed assets</b>			
Investments	12	20,009	20,009
<b>Current assets</b>			
Debtors	14	274,899	349,933
<b>Net assets</b>		<u>294,908</u>	<u>369,942</u>
<b>Capital and reserves</b>			
Called up share capital	18	20,009	20,009
Profit and loss account	20	274,899	349,933
<b>Shareholders' funds</b>	21	<u>294,908</u>	<u>369,942</u>

Approved by the board of directors on 28/10/2009 and signed on its behalf.

  
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**J A DURTNELL**  
Director

The notes on pages 11 to 24 form part of these accounts.

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

**Consolidated cash flow statement for the year ended 31 December 2008**

	<u>Notes</u>	<u>2008</u> £	<u>2007</u> £
<b>Net cash inflow from operating activities</b>	22	28,807	2,611,156
<b>Returns on investments and servicing of finance</b>			
Interest received and other investment income	209,129	66,549	
Rent receivable	21,850	21,420	
Interest paid	(21,569)	(25,931)	
Interest element of hire purchase and finance lease rental payments	<u>(13,863)</u>	<u>(9,571)</u>	
<b>Net cash inflow from returns on investments and servicing of finance</b>		195,547	52,467
<b>Taxation</b>		(98,795)	(109,947)
<b>Equity dividends paid</b>		(175,079)	(200,090)
<b>Capital expenditure and financial investment</b>			
Payments to acquire tangible fixed assets	(375,224)	(130,358)	
Receipts from sales of tangible fixed assets	<u>463,774</u>	<u>22,479</u>	
<b>Net cash inflow/(outflow) from capital expenditure and financial investment</b>		88,550	(107,879)
<b>Net cash inflow before financing</b>		39,030	2,245,707
<b>Financing</b>			
Capital element of hire purchase and finance lease rentals	(110,616)	(97,463)	
Repayments of secured bank loans	<u>(42,623)</u>	<u>(43,629)</u>	
<b>Net cash (outflow) from financing</b>		(153,239)	(141,092)
<b>(Decrease)/increase in cash</b>	23/24	<u><u>(114,209)</u></u>	<u><u>2,104,615</u></u>

The notes on pages 11 to 24 form part of these accounts.

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

## **Notes to the financial statements for the year ended 31 December 2008**

### **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 2008 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 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 of its estimated useful life. The principal rates in use are:

Tenants' improvements	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 further professional advice, the residual values of freehold properties and long leasehold properties at 31 December 2008 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 2008.

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 2008 (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 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 £100,045 (2007: £100,045) representing the dividends received from its subsidiary, R. Durtnell & Sons Limited.

### 3 Operating profit

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

	2008	2007
	£	£
Depreciation of owned assets	200,084	148,770
Depreciation of assets held under finance leases and hire purchase	66,917	107,485
(Profit)/loss on disposal of tangible fixed assets	(5,029)	6,897
Auditors' remuneration – audit fee	33,500	31,900
Auditors' remuneration – fees for non audit services	8,347	5,290

# R DURTNELL & SONS (HOLDINGS) LIMITED

Notes to the financial statements for the year ended 31 December 2008 (continued)

## 4 Employee information

	2008	2007
	£	£
<b>Staff costs:</b>		
Wages and salaries	6,455,128	5,234,299
Social security costs	701,455	554,713
Other pension costs	343,804	432,415
	<u>7,500,387</u>	<u>6,221,427</u>

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

	2008	2007
	Number	Number
Operatives, including apprentices and trainees	50	47
Agents	40	35
Office and management	65	64
	<u>155</u>	<u>146</u>

## 5 Director's emoluments

	2008	2007
	£	£
Emoluments (including pension contributions)	<u>209,057</u>	<u>208,039</u>

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

	2008	2007
	£	£
Accrued pension entitlement (per annum)	81,837	76,306
Accrued lump sum	<u>184,133</u>	<u>171,686</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 Durnell Limited and Associated Companies Retirement Benefit Scheme are held separately from those of the companies. Contributions to the scheme have been charged to the profit and loss account so as to spread the cost of pensions over employees' working lives. The contributions were determined by a qualified actuary on the basis of triennial valuations using the attained age method.

The total pension contributions payable to the scheme for the year were £50,083 (2007: £58,838) all of which were payable by R Durnell & Sons Limited. There were no outstanding contributions at either 31 December 2007 or 2008.

# R DURTNELL & SONS (HOLDINGS) LIMITED

## Notes to the financial statements for the year ended 31 December 2008 (continued)

### 6 Pension schemes (continued)

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

There are currently only 2 (2007 : 3) active members of the final salary scheme, being 2 (2007 : 3) of the directors of R Durnell & Sons Limited, who are also directors of Durnell Limited. Until 15 October 2007 a director of Durnell 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 2008 and this showed a valuation of the scheme's assets of £1,707,400. The actuarial value of these assets represented 56.3% of the benefits that had accrued to members being £3,031,700 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.

	2008	2007
	%	%
Main actuarial assumptions:		
Rate of inflation	2.5	3.4
Rate of increase in salaries	3.0	3.9
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)	2.25	3.4
Rate used to discount liabilities @ 31.12.2007	5.7	5.3
Rate used to discount liabilities @ 31.12.2008	6.4	5.7
Long-term rate of return expected	5.0	6.0
(Fixed interest 5.5% (2007 : 5.75%); property 6.5% (2007 : 7.5%); cash 3.55% (2007 : 5%))		

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

	2008	2007
	£	£
Fixed interest	829,800	2,397,500
Property	276,600	799,200
Uninvested cash	601,000	570,000
Surrender value	<u>1,707,400</u>	<u>3,766,700</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 Durnell 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.

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

**Notes to the financial statements for the year ended 31 December 2008 (continued)**

**6 Pension schemes (continued)**

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

Reconciliation of the present value of scheme liabilities:

	2008	2007
	£	£
Opening balance of scheme liabilities	5,268,500	4,872,800
Current service cost	106,200	121,800
Interest accrued on scheme liabilities	303,300	261,500
Change in basis	(408,700)	(114,800)
Value of liabilities secured by claims	(2,276,300)	-
Balancing amount	38,700	127,200
Closing balance of scheme liabilities	<u>3,031,700</u>	<u>5,268,500</u>

Reconciliation of the fair value of scheme assets:

	2008	2007
	£	£
Opening balance of scheme assets	3,766,700	3,718,400
Premiums paid	50,100	60,400
Claims paid	(2,276,300)	-
Actual return on fund earned	166,900	(12,100)
Closing balance of scheme liabilities	<u>1,707,400</u>	<u>3,766,700</u>

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

	2008	2007
	£	£
Current service cost	(106,200)	(121,800)
Employee contributions	-	-
Past service cost	-	-
Total operating charge	<u>(106,200)</u>	<u>(121,800)</u>

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

	2008	2007
	£	£
Expected return on pension scheme assets	133,200	230,700
Interest on pension scheme liabilities	(303,300)	(261,500)
Net charge against other finance income	<u>(170,100)</u>	<u>(30,800)</u>

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

	2008	2007
	£	£
Actual return less expected return on pension scheme assets	33,700	(242,800)
Experience gains and losses arising on the pension scheme liabilities	(38,700)	(127,200)
Changes in assumptions underlying the present value of the scheme liabilities	408,700	114,800
Actuarial gain/(loss) recognised in STRGL	<u>403,700</u>	<u>(255,200)</u>

# R DURTNELL & SONS (HOLDINGS) LIMITED

## Notes to the financial statements for the year ended 31 December 2008 (continued)

### 6 Pension schemes (continued)

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

Movement in deficit during the year:

	2008	2007
	£	£
Deficit in scheme at beginning of the year	(1,501,800)	(1,154,400)
Movement in year:		
Current service cost	(106,200)	(121,800)
Contributions received	50,100	60,400
Past service cost	-	-
Charge against other finance income	(170,100)	(30,800)
Actuarial gain/(loss)	403,700	(255,200)
Deficit in scheme at end of the year	<u>(1,324,300)</u>	<u>(1,501,800)</u>

The above deficit is arrived at on the basis of the actuarial assumptions used for the purposes of FRS 17 and in particular the use of surrender values to calculate the scheme's asset value. The actuarial valuation prepared on the statutory funding basis under Section 227 of the Pension Act 2004 showed a surplus of assets to past service liabilities of £167,000 as at 1 January 2008. The scheme's actuary has further confirmed that it is his expectation that the scheme would have no significant deficit at 31 December 2008 if the on-going valuation bases were to have been used as opposed to the assumptions used for the purposes of FRS 17.

#### 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 2008 amounted to £28,528 (2007: £27,504).

### 7 Interest payable and similar charges

	2008	2007
	£	£
Bank loan and overdraft interest	18,994	25,931
Interest on hire purchase contracts and finance leases	13,863	9,571
Other interest	2,575	-
	<u>35,432</u>	<u>35,502</u>

### 8 Exceptional items

The exceptional item of £929,000 includes the following:-

- i) A provision of £385,000 relating to the cost of claims from two former employees in respect of illness associated with asbestosis (see note 26).
- ii) In March 2007 the company 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 findings of the investigation were announced on 22 September 2009 and resulted in R Durtnell & Sons Limited receiving a penalty assessment amounting to £711,000. However, the OFT has subsequently reduced this penalty to £544,000 and the subsidiary company is paying this from its accumulated cash deposits, which after the payment has been made, will still exceed £2m.

# R DURTNELL & SONS (HOLDINGS) LIMITED

Notes to the financial statements for the year ended 31 December 2008 (continued)

## 9 Taxation

	2008	2007
	£	£
United Kingdom corporation tax at current rates	153,133	98,795
Deferred tax (note 17)	1,545	20,860
Tax on profit on ordinary activities	154,678	119,655
(Loss)/profit on ordinary activities before taxation	(182,893)	356,969
<b>Factors affecting the tax charge for the period:</b>		
(Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28.5% (2007 : 30%)	(52,124)	107,091
Effects of:		
Expenses not deductible for tax purposes	161,865	6,864
Short term timing differences	(513)	(20,860)
Depreciation for period in excess of capital allowances	-	9,728
Capital allowances in excess of depreciation	(4,937)	-
Capital loss on property disposal carried forward	48,842	-
Small company rate relief	-	(4,028)
	153,133	98,795

## 10 Dividends

	2008	2007
	£	£
<b>Proposed dividends for the previous year paid:</b>		
Ordinary shares (equity)		
£8.75 (2007: £10.00) per share	175,079	200,090

## 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 2008	1,835,000	1,300,000	212,625	1,190,944	850,107	5,388,676
Additions	70,000	-	-	75,873	229,351	375,224
Disposals	(596,377)	-	-	-	(166,170)	(762,547)
Reclassification	(78,623)	-	78,623	-	-	-
At 31 December 2008	1,230,000	1,300,000	291,248	1,266,817	913,288	5,001,353
<b>Depreciation:</b>						
At 1 January 2008	-	-	201,150	979,734	491,014	1,671,898
Provision for the year	-	-	17,338	91,729	157,934	267,001
Adjustments for disposals	-	-	-	-	(132,425)	(132,425)
At 31 December 2008	-	-	218,488	1,071,463	516,523	1,806,474
<b>Net book value:</b>						
At 31 December 2008	1,230,000	1,300,000	72,760	195,354	396,765	3,194,879
At 31 December 2007	1,835,000	1,300,000	11,475	211,210	359,093	3,716,778

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 2008 amounted to £106,998 and £37,800 respectively (2007: £203,592 and £71,200).

# R DURTNELL & SONS (HOLDINGS) LIMITED

## Notes to the financial statements for the year ended 31 December 2008 (continued)

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

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 2008 amounted to £54,317 and £12,600 respectively (2007: £84,485 and £23,000).

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

	2008	2007
	£	£
<u>Cost</u>		
Freehold property	1,196,494	1,706,366
Long leasehold property	1,250,000	1,250,000
	<u>2,446,494</u>	<u>2,956,366</u>
<u>Net book value</u>		
Freehold property	1,196,494	1,706,366
Long leasehold property	1,250,000	1,250,000
	<u>2,446,494</u>	<u>2,956,366</u>

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

The freehold and long leasehold property were valued as at 31 December 2008 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.

### 12 Investments - Company

	2008	2007
	£	£
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.

### 13 Stocks - Group

	2008	2007
	£	£
Raw materials and consumables	86,148	82,178
Trading stock	10,100	10,100
	<u>96,248</u>	<u>92,278</u>

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

**Notes to the financial statements for the year ended 31 December 2008 (continued)**

**14 Debtors**

	2008 Group £	2008 Company £	2007 Group £	2007 Company £
<b>Amounts falling due within one year:</b>				
Amounts recoverable on contracts	8,144,176	-	6,747,927	-
Trade debtors	341,543	-	216,455	-
Amounts owed by subsidiary undertaking	-	274,899	-	349,933
Amounts owed by related undertaking	746,915	-	50,133	-
Other debtors	255,753	-	24,986	-
Prepayments and accrued income	94,536	-	179,372	-
Taxation recoverable	12,648	-	12,648	-
	<u>9,595,571</u>	<u>274,899</u>	<u>7,231,521</u>	<u>349,933</u>
<b>Amounts falling due after more than one year:</b>				
Deferred tax (note 17)	14,064	-	15,609	-
	<u>9,609,635</u>	<u>274,899</u>	<u>7,247,130</u>	<u>349,933</u>

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

	2008 Group £	2008 Company £	2007 Group £	2007 Company £
Bank loans (note 16)	50,351	-	50,000	-
Bank overdraft (note 16)	-	-	524,329	-
Trade creditors	11,893,269	-	10,866,218	-
Other creditors	1,683,175	-	447,893	-
Corporation tax	153,133	-	98,795	-
Other taxation and social security costs	440,141	-	414,454	-
Hire purchase and finance leases	65,694	-	104,364	-
Accruals and deferred income	83,224	-	47,746	-
	<u>14,368,987</u>	<u>-</u>	<u>12,553,799</u>	<u>-</u>

# R DURTNELL & SONS (HOLDINGS) LIMITED

## Notes to the financial statements for the year ended 31 December 2008 (continued)

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

	2008 Group £	2008 Company £	2007 Group £	2007 Company £
<b>Amounts falling due within one to two years:</b>				
Bank loans	58,330	-	50,000	-
Hire purchase and finance leases	36,713	-	108,659	-
Other creditors	72,542	-	54,122	-
<b>Amounts falling due within two to five years:</b>				
Bank loans	190,776	-	150,000	-
Hire purchase and finance leases	-	-	-	-
<b>Amounts falling due after five years:</b>				
Bank loans	-	-	92,080	-
	<u>358,361</u>	<u>-</u>	<u>454,861</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.

### 17 Deferred taxation - group

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

	Provided 2008 £	2007 £	Further potential 2008 £	2007 £
Timing difference on capital allowances	-	-	(37,701)	(50,772)
Short term timing differences	(14,064)	(15,609)	-	-
	<u>(14,064)</u>	<u>(15,609)</u>	<u>(37,701)</u>	<u>(50,772)</u>
		<u>2008</u>		<u>2007</u>
		£		£
Deferred taxation movements				
Balance at 1 January 2008		(15,609)		(36,469)
Transfer from profit and loss account		1,545		20,860
Balance at 31 December 2008		<u>(14,064)</u>		<u>(15,609)</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 2008 (continued)

## 18 Share capital

	2008 and 2007	
	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.

## 19 Other reserves - Group

	Capital reserve £	Revaluation reserve £
At 1 January 2008	329,991	178,634
Transfer to profit and loss account	-	(95,128)
At 31 December 2008	<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

	2008 Group £	2008 Company £	2007 Group £	2007 Company £
Brought forward	1,467,852	349,933	1,430,628	449,978
(Loss)/profit for the year	(337,571)	100,045	237,314	100,045
Dividends paid (note 10)	(175,079)	(175,079)	(200,090)	(200,090)
Transfer from revaluation reserve	95,128	-	-	-
Retained profits carried forward	<u>1,050,330</u>	<u>274,899</u>	<u>1,467,852</u>	<u>349,933</u>

## 21 Reconciliation of movements in shareholders' funds

	2008 Group £	2008 Company £	2007 Group £	2007 Company £
Profit for the financial year	(337,571)	100,045	237,314	100,045
Dividends	(175,079)	(175,079)	(200,090)	(200,090)
(Decrease)/increase in shareholders' funds	(512,650)	(75,034)	37,224	(100,045)
Shareholders' funds at 1 January 2008	1,996,486	369,942	1,959,262	469,987
Shareholders' funds at 31 December 2008	<u>1,483,836</u>	<u>294,908</u>	<u>1,996,486</u>	<u>369,942</u>

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

**Notes to the financial statements for the year ended 31 December 2008 (continued)**

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

	<u>2008</u>	<u>2007</u>
	£	£
Operating profit	721,937	304,502
Exceptional items paid	(47,000)	-
Depreciation and (profit)/loss on disposals	261,972	263,152
(Increase)/decrease in stocks	(3,970)	24,563
(Increase) in debtors	(2,364,050)	(1,669,692)
Increase in creditors due in less than one year	1,441,498	3,689,868
Increase/(decrease) in other creditors due after more than one year	18,420	(1,237)
<b>Net cash flow from operating activities</b>	<u><u>28,807</u></u>	<u><u>2,611,156</u></u>

**23 Analysis of net funds**

	<u>At 1.1.2008</u>	<u>Cash flows</u>	<u>Other</u>	<u>At 31.12.2008</u>
	£	£	£	£
Cash at bank and in hand	3,948,960	(638,538)	-	3,310,422
Bank overdraft	(524,329)	524,329	-	-
		<u>(114,209)</u>		
Debt due within 1 year	(50,000)	42,623	(42,974)	(50,351)
Debt due after 1 year	(292,080)	-	42,974	(249,106)
Hire purchase and finance leases	(213,023)	110,616	-	(102,407)
	<u>2,869,528</u>	<u>39,030</u>	<u>-</u>	<u>2,908,558</u>

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

	<u>2008</u>	<u>2007</u>
	£	£
(Decrease)/increase in cash in the year	(114,209)	2,104,615
New hire purchase and finance leases	-	(176,264)
Cash flow from decrease in debt and lease financing	153,239	141,092
Movement in net funds in the year	39,030	2,069,443
Net funds at 1 January 2008	2,869,528	800,085
<b>Net funds at 31 December 2008</b>	<u><u>2,908,558</u></u>	<u><u>2,869,528</u></u>

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

## **Notes to the financial statements for the year ended 31 December 2008 (continued)**

### **25. Related party transactions**

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

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

	<u>1.1.2008</u>	<u>31.12.2008</u>	<u>Maximum</u>
	<u>£</u>	<u>£</u>	<u>£</u>
P B Brook	-	-	3,609
A W Durnell	17,307	15,637	19,530
J A Durnell	25,568	12,707	26,982
J J Chandler	782	3,847	7,778
M V Hale	-	-	160
P Matthews (retired 31 March 2008)	51	-	370
R H Neal	3,473	50	4,474
E R Valente	6	1,551	1,551

In addition to the above personal trade account balances, at 31 December 2008 Mr A W Durnell and Mr J A Durnell owed the company £49 and £3,230 respectively. A member of Mr J A Durnell's immediate family owed the company £881 and a member of Mr J J Chandler's immediate family owed the company £9,269.

- ii) At 31 December 2008, Durnell Limited, a company under common control owed £733,692 to R Durnell & Sons Limited (2007 : £49,576).

During the year ended 31 December 2008 the subsidiary company was reimbursed by Durnell Limited with that company's share of salary costs totalling £84,319 (2007 : £67,704).

The subsidiary company also received £163,098 (2007 : £2,530) 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 (2007 : £59,400) to Durnell Limited in respect of rent.

- iii) At 31 December 2008 The Darenth River Ballast Company Limited, a company controlled by the shareholders of the company, owed £13,223 to R Durnell & Sons Limited (2007 : £556).

- iv) On 16 January 2008 the subsidiary company sold a freehold property to Durnell Limited for its market value of £425,000.

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

	<u>2008</u>	<u>2007</u>
	<u>£</u>	<u>£</u>
J A Durnell	24,815	28,360
Family Trusts for which J A Durnell is a Trustee	37,949	43,370
	<u>62,764</u>	<u>71,730</u>

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

**Notes to the financial statements for the year ended 31 December 2008 (continued)**

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**26 Contingent liabilities**

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.

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 made a payment on account to the claimant during the year of approximately £47,000, and subsequently in 2009 the matter has been resolved with a final settlement.

The second claim relates to an individual who worked for the subsidiary company briefly in the 1950s. The directors are currently in discussion with the subsidiary company's legal advisors and insurers.

The accounts include a provision of £338,000 for the cost of these claims, being the directors' best estimate of the potential liability based on advice received. The total cost of £385,000 is included as an exceptional expense (see note 8).