

Rydon Holdings Limited

Financial Statements - 30 September 2006

REGISTRAR OF COMPANIES

5556300

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COMPANIES HOUSE

Rydon Holdings Limited

Financial Statements - 30 September 2006

Directors

R Bond
D S Howard
J E Kitchen
N G Panes
P T Wright

Secretary

P T Wright

Registered Office

Rydon House
Forest Row
East Sussex
RH18 5DW

Registered Auditors

Mazars LLP
37 Frederick Place
Brighton
BN1 4EA

Registered Number

5556300



COMPANIES HOUSE

Rydon Holdings Limited

Directors' Report

The directors present their report and the financial statements for the period 7 September 2005 to 30 September 2006

Statement of Directors' Responsibilities

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

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

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

Incorporation and Change of Name

The company was incorporated on 7 September 2005 as Broomco (3875) Limited. A resolution to change the company's name to Rydon Holdings Limited was passed on 14 December 2005. A certificate of incorporation on change of name was issued on 16 December 2005.

Review of the Business and Future Developments

Rydon Holdings Limited was formed as a holding company vehicle for the purpose of acquiring the Rydon group of companies from the previous owners in a management buy-out. The company acquired 100% of the issued share capital of Rydon Group Limited, Civilscent Limited and Linfold Limited on 21 January 2006. The business and assets of Ryhurst Limited and subsequently the management contracts of Ryhurst Lift Investment Limited were also acquired within a subsidiary company.

The directors are seeking to focus the group's activities around the four core businesses of contracting, residential development, property maintenance and the procurement and management of Private Finance Initiative (PFI) projects. Therefore, during the period, the directors decided to close the heating and plumbing division of the group, Vivathorn Limited. At the balance sheet date this was in a period of runoff and is expected to fully cease trading during 2007.

Group trading during the period post the management buy out to 30 September 2006 was in line with management forecasts with turnover of £168m resulting in a profit before tax of £10.4m.

Following the buy out the company has sought to focus on reducing debt. Net debt during the period has been reduced from over £70m to £45m. The directors, however, expect debt to rise during next year as further investment is made in development land and work in progress.

The directors consider the group to be in a strong position going forward with a significant proportion of projected turnover for 2006/07 already secured and in production. Forward orders for Rydon Construction show orders in hand and identified work under negotiation totalling nearly £300m. 100% of forecast residential development sales for 2006/07 for Rydon Homes are already in production with 57% of forecast sales for 2007/08 either in production or on sites where planning has been secured.

Rydon Holdings Limited

Directors' Report (continued)

Review of the Business and Future Developments (continued)

Forward orders for Rydon Property Maintenance total over £300m over the next 25 years with approximately 60% Social Housing contracts and 40% Healthcare contracts and two further PFI projects are at preferred bidder stage for Ryhurst

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

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

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

Results and Dividends

The results of the group for the period 7 September 2005 to 30 September 2006 are set out in the financial statements on pages 6 to 33

No dividends were paid or proposed during the period.

Donations

During the period the group made donations totalling £800 for charitable purposes

Directors

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

R Bond (appointed 19 September 2005)
D S Howard (appointed 26 September 2006)
J E Kitchin (appointed 19 September 2005)
N G Panes (appointed 21 January 2006)
P T Wright (appointed 18 October 2005)
DLA Piper Rudrick Gray Carey UK Secretarial Services Limited (appointed 7 September 2005, resigned 19 October 2005)
DLA Piper Rudrick Gray Carey UK Nominees Limited (appointed 7 September 2005, resigned 19 October 2005)

The interests of the directors holding office on 30 September 2006 in the shares of the company, according to the register of directors' interests, all of which are beneficial, were as shown below

	"A" Ordinary shares of 10p each		"B" Ordinary shares of 10p each	
	30 September 2006	7 September 2005	30 September 2006	7 September 2005
R Bond	144,381	-	1,294,333	-
J E Kitchin	112,296	-	1,034,481	-
N G Panes	100,000	-	-	-
P T Wright	80,211	-	774,629	-

Rydon Holdings Limited

Directors' Report (continued)

Disabled Persons

The group's policy is to give full and fair consideration to applications for employment made by disabled persons, having regard to their particular aptitudes and abilities. Disabled employees receive appropriate training to promote their career development within the group. Employees who become disabled are retained in their existing posts where possible or retrained for suitable alternative posts.

Employee Involvement

Regular meetings are held between senior management and employee representatives to discuss matters of concern. Employees are kept well informed about the progress and position of the group by means of regular department meetings and correspondence.

The Company has also established an employee share scheme to encourage active participation in the future growth and success of the group.

Statement as to Disclosure of Information to Auditors

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

Financial Instruments

Exposure to credit and interest rate risk arises in the normal course of the group's business.

Credit risk arises on financial instruments such as trade debtors and interest rate hedges. Policies and procedures are in place to ensure customers have a suitable credit history.

The group has hedged its exposure to interest rate movements through an interest rate swap of two thirds of outstanding Senior Term, Mezzanine and ILS loans fixed at 4.86% plus the relevant margin, to 31 March 2009.

Auditors

Mazars LLP were appointed as independent auditor to the group during the period. A resolution to re-appoint them as auditors will be proposed at the forthcoming annual general meeting.

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



P T Wright
Director

Rydon House
Forest Row
East Sussex
RH18 5DW

Independent auditors' report to the members of Rydon Holdings Limited

We have audited the financial statements of Rydon Holdings Limited for the period 7 September 2005 to 30 September 2006 which comprise consolidated Profit and Loss Account, the consolidated Statement of Recognised Gains and Losses, the consolidated Balance Sheet, the company Balance Sheet, the consolidated Cash Flow Statement, and the related notes. These financial statements have been prepared under the historical cost convention and 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 directors and auditors

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

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

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

Basis of opinion

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

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

Opinion

In our opinion:

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

Mazars LLP

Mazars LLP

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

23 January 2007

Rydon Holdings Limited

Consolidated Profit and Loss Account

For the period 7 September 2005 to 30 September 2006

	Notes	£000	£000
Group Turnover	2		167,829
Cost of completed contracts			<u>(134,971)</u>
Gross Profit			32,858
Administrative expenses		(13,798)	
Amortisation of goodwill		(2,053)	
Other operating income		<u>272</u>	
			<u>(15,579)</u>
Operating Profit			17,279
Profit on sale of tangible fixed assets		60	
Interest receivable and similar income	6	797	
Interest payable and similar charges	7	<u>(7,727)</u>	
			<u>(6,870)</u>
Profit on Ordinary Activities Before Taxation	3		10,409
Taxation on profit on ordinary activities	8		<u>(3,603)</u>
Profit after Taxation	9 & 19		<u><u>£6,806</u></u>

The company's turnover and expenses all relate to continuing operations acquired on 21 January 2006

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

Rydon Holdings Limited

Consolidated Statement of Total Recognised Gains and Losses For the period 7 September 2005 to 30 September 2006

	Notes	£000
Group profit for the period		6,806
Pension scheme actuarial gain		<u>42</u>
Total gains and losses recognised in the period	19	<u><u>£6,848</u></u>

Rydon Holdings Limited

Consolidated Balance Sheet at 30 September 2006

	Notes	£000	£000
Fixed Assets			
Intangible assets	10		28,405
Tangible assets	11		<u>3,910</u>
			32,315
Current Assets			
Stock and work-in-progress	13	34,465	
Debtors (amounts falling due within one year)	14	19,928	
Debtors (amounts falling due after more than one year)	14	6,617	
Cash at bank		<u>11,094</u>	
		72,104	
Creditors - Amounts Falling Due Within One Year	15	<u>(45,977)</u>	
Net Current Assets			<u>26,127</u>
Total Assets Less Current Liabilities			58,442
Creditors - Amounts Falling Due After More Than One Year	16		(51,698)
Provision for Liabilities and Charges	8		<u>(138)</u>
Net assets excluding pension asset			6,606
Net pension asset	22		<u>2,583</u>
Net Assets			<u>£9,189</u>
Capital and Reserves			
Called up share capital	17		934
Share premium account	19		<u>1,407</u>
			<u>2,341</u>
Profit and loss account excluding pension reserve			4,265
Pension reserve	22		<u>2,583</u>
Profit and loss account including pension reserve	19		<u>6,848</u>
Shareholders' Funds (including non-equity interests)	18		<u>£9,189</u>

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



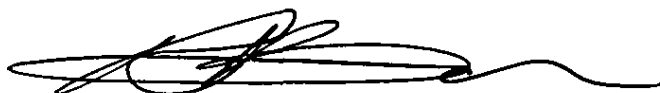
R Bond - Director

Rydon Holdings Limited

Balance Sheet at 30 September 2006

	Notes	£000	£000
Fixed Assets			
Investments in group companies	12		48,071
Current Assets			
Debtors (amounts falling due within one year)	14	18,368	
Debtors (amounts falling due after more than one year)	14	9,390	
Cash at bank		<u>5,442</u>	
		33,200	
Creditors - Amounts Falling Due Within One Year	15	<u>(22,528)</u>	
Net Current Assets			<u>10,672</u>
Total Assets Less Current Liabilities			58,743
Creditors - Amounts Falling Due After More Than One Year	16		<u>(51,163)</u>
Net Assets			<u><u>£7,580</u></u>
Capital and Reserves			
Called up share capital	17		934
Share premium account	19		1,407
Profit and loss account	19		<u>5,239</u>
Shareholders' Funds	18		<u><u>£7,580</u></u>

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



R Bond - Director

Rydon Holdings Limited

Consolidated Cash Flow Statement

For the period 7 September 2005 to 30 September 2006

	£000
Net cash inflow from operating activities (see note (a))	51,370
Returns on investments and servicing of finance (see note (c))	(4,762)
Taxation	(1,034)
Capital expenditure and financial investment (see note (c))	(878)
Acquisitions (see note (c))	(65,756)
Net cash outflow before financing	(21,060)
Financing (see note (c))	<u>32,154</u>
Increase in Cash in the Period	<u>£11,094</u>
Reconciliation of Net Cash Flow to Movement in Net Debt (see note (b))	
Increase in cash balances in the period	11,094
Decrease in net overdrafts	<u>13,452</u>
Total increase in cash in the period	24,546
Net debt acquired with subsidiary undertakings	(30,876)
Cash inflow from increase in debt financing	<u>(37,433)</u>
Change in net debt resulting from cash flows	(43,763)
Accrual of redemption premia	<u>(1,178)</u>
Net Debt at 30 September 2006	<u>£(44,941)</u>

Rydon Holdings Limited

Notes to the Consolidated Cash Flow Statement For the period 7 September 2005 to 30 September 2006

(a) Reconciliation of Operating Profit to Net Cash Inflow from Operating Activities

	£000
Operating profit	17,279
Depreciation charges	1,050
Amortisation	2,056
Decrease in stock and work in progress	25,858
Decrease in debtors	12,010
Decrease in creditors	(4,709)
Decrease in pension provision	(2,174)
Net cash inflow from operating activities	<u>£51,370</u>

(b) Analysis of Net Debt

	Acquired with subsidiary undertakings £000	Cash Flows £000	Non cash changes £000	At 30 September 2006 £000
Cash at bank	508	10,586	-	11,094
Bank overdrafts	(13,960)	13,960	-	-
	<u>(13,452)</u>	<u>24,546</u>	<u>-</u>	<u>11,094</u>
Loans from directors	(4,793)	4,793	-	-
Hire purchase agreements	(1,010)	96	-	(914)
Bank loans	(11,621)	(42,322)	(1,178)	(55,121)
	<u>(17,424)</u>	<u>(37,433)</u>	<u>(1,178)</u>	<u>(56,035)</u>
Total	<u>£(30,876)</u>	<u>£(12,887)</u>	<u>£(1,178)</u>	<u>£(44,941)</u>

Rydon Holdings Limited

Notes to the Consolidated Cash Flow Statement For the period 7 September 2005 to 30 September 2006

(c) Analysis of Cash Flows for the Cash Flow Statement

	£000
Returns on investments and servicing of finance	
Interest received	587
Interest paid and similar charges	(5,328)
Interest element of hire purchase rental payments	(21)
	<u> </u>
Net cash outflow from returns on investments and servicing of finance	<u>£(4,762)</u>
 Capital expenditure and financial investment	
Purchase of tangible fixed assets	(1,319)
Sale of tangible fixed assets	441
	<u> </u>
Net cash outflow from capital expenditure and financial investment	<u>£(878)</u>
 Acquisitions	
Purchase of subsidiary undertakings	(52,304)
Net overdrafts acquired with subsidiary undertakings	(13,452)
	<u> </u>
Net cash outflow from acquisitions	<u>£(65,756)</u>
 Financing	
Issue of ordinary share capital	2,341
Bank loans received	76,224
Financing costs paid	(7,620)
Bank loans repaid	(33,687)
Premia on loan repayments	(215)
Other loans repaid	(4,793)
Capital element of hire purchase rental payments	(609)
Receipts from re-financing of fixed assets	513
	<u> </u>
Net cash inflow from financing	<u>£32,154</u>

Rydon Holdings Limited

Notes to the Financial Statements

For the period 7 September 2005 to 30 September 2006

1 Accounting Policies

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

(a) Accounting convention

The financial statements are prepared under the historical cost convention

(b) Basis of preparation of group financial statements

The group financial statements consolidate the financial statements of the company and its subsidiary companies as set out in note 12 made up to 30 September 2006. The acquisition method of accounting has been adopted.

The profits and losses of subsidiary undertakings are consolidated from the date of acquisition to the date of disposal. The difference between the cost of acquisition of shares in subsidiaries and the fair value of the separable net assets acquired is accounted for as goodwill.

(c) Turnover

Turnover relates to transactions outside the group and is calculated excluding value added tax as follows:

Contract work

In respect of long term and short term contracts, turnover represents the value of work done in the period.

Development work

Turnover is recognised on completion of contracts and represents the invoice value of properties sold to customers.

(d) Depreciation

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

(e) 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.

Rydon Holdings Limited

Notes to the Financial Statements

For the period 7 September 2005 to 30 September 2006

1 Accounting Policies (continued)

(f) Stock and work-in-progress

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

(g) Hire purchase agreements

Assets acquired under hire purchase agreements are capitalised and depreciated over their estimated useful lives. The finance charges are allocated to accounting periods during the term of the agreement so as to produce a constant periodic rate of charge on the remaining balance of the obligation for each accounting period.

(h) Leasing

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

(i) Pension costs

Defined benefit scheme

The company operates a defined benefit scheme in respect of certain employees which is closed to new members. The assets of the scheme are measured using closing market values. Scheme liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The increase in the present value of the liabilities of the scheme expected to arise from employee service in the period is charged to the operating surplus. The expected return on the scheme's assets and the increase during the period in the present value of the scheme's liabilities, arising from the passage of time, are included in pension finance costs. Actuarial gains and losses are recognised in the statement of total recognised gains and losses.

Defined contribution scheme

Contributions to personal pension schemes in respect of certain directors and employees are charged to the profit and loss account in the period to which they relate.

(j) Investments

Investments held as fixed assets are stated at cost less provision for any permanent diminution in value.

(k) Goodwill

Goodwill represents the excess of costs of acquisition over the fair value of the separable net assets of the business acquired. On acquisition goodwill is capitalised and written off to the profit and loss account over a period that the directors expect to derive economic benefit from it.

Rydon Holdings Limited

Notes to the Financial Statements

For the period 7 September 2005 to 30 September 2006

2 Segmental Information

The turnover, profit before taxation and net assets are attributable to the principal activity, that of building contractors and developers, property maintenance contractors and the procurement and management of PFI contracts. The group operates in the UK and the whole of the turnover is to the UK market.

3 Group Profit on Ordinary Activities Before Taxation

£000

The group profit on ordinary activities before taxation is stated

after crediting

Rents receivable	51
Interest receivable	<u>797</u>

after charging

Depreciation of owned tangible fixed assets	848
Depreciation of tangible fixed assets held under hire purchase contracts	201
Amortisation of goodwill and intangibles	2,056
Hire of plant and machinery	965
Auditors' remuneration	
- audit fee	116
Amounts payable under operating leases	
Rent of premises	<u>467</u>

Rydon Holdings Limited

Notes to the Financial Statements

For the period 7 September 2005 to 30 September 2006

4 Directors

Remuneration	£000
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Emoluments	<u>£420</u>
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The emoluments of directors disclosed above include the following amounts paid to the highest paid director

Emoluments	<u>£147</u>
------------	-------------

Payments of £26,687 were paid to non-executive directors during the period for consultancy services provided to the group

During the period no directors accrued benefits under defined contribution pension schemes

During the period three directors accrued benefits under defined benefit pension schemes

Transactions

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

	Value of work done
R Bond	£9,421

There were no amounts outstanding from directors at the period end

Rydon Holdings Limited

Notes to the Financial Statements

For the period 7 September 2005 to 30 September 2006

5. Staff Costs

	£000
Wages and salaries	13,964
Social security costs	1,571
Other pension costs	818
	<u>£16,353</u>

The average number of persons employed by the group (including directors) during the period from 21 January 2006 was as follows

	Number
Management	152
Administration	305
Direct labour	134
Total Employees	<u>591</u>

6 Interest receivable

	£000
Bank interest	587
Pension finance income	210
	<u>£797</u>

7. Interest payable and similar charges

	£000
Bank loans and overdrafts wholly repayable within 5 years	3,383
Bank loans wholly repayable after more than 5 years	1,945
Bank loan redemption premia	1,178
Hire purchase agreements	21
Amortisation of deferred financing costs	1,200
	<u>£7,727</u>

Rydon Holdings Limited

Notes to the Financial Statements

For the period 7 September 2005 to 30 September 2006

8. Taxation

£000

(a) Analysis of charge in the period

Current tax

UK corporation tax on profit for the period

3,465

Deferred tax

138

£3,603

(b) Factors affecting tax charge for period

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

£000

Profit on ordinary activities before tax

£10,409

Profit on ordinary activities multiplied by standard rate of corporation tax in UK of 30%

3,123

Effects of

Expenses not deductible for tax purposes

245

Depreciation on ineligible assets

8

Rate variances within group

(3)

Depreciation in excess of capital allowances

48

Pension accrual

(196)

Other income not taxable

(93)

Net timing difference on pre-acquisition tax reserves

333

Total UK corporation tax payable

£3,465

(c) Deferred tax asset (liability)

£000

The deferred tax included in the balance sheet is as follows

Difference between capital allowances and depreciation

78

Trade losses carried forward

217

Pension provision

(433)

£(138)

Rydon Holdings Limited

Notes to the Financial Statements

For the period 7 September 2005 to 30 September 2006

9. Profit of Parent Company

As permitted by Section 230 of the Companies Act 1985 the profit and loss account of the parent company is not presented as part of these financial statements. The parent company's profit for the financial period was £5,239,482.

10 Intangible Fixed Assets

Group

	Goodwill £000	Licences £000	Total £000
Cost			
Acquired on acquisition of subsidiary companies	2,314	33	2,347
Additions	<u>28,408</u>	<u>-</u>	<u>28,408</u>
At 30 September 2006	<u>£30,722</u>	<u>£33</u>	<u>£30,755</u>
Amortisation			
Acquired on acquisition of subsidiary companies	280	14	294
Charge for the period	<u>2,053</u>	<u>3</u>	<u>2,056</u>
At 30 September 2006	<u>£2,333</u>	<u>£17</u>	<u>£2,350</u>
Net Book Values			
At 30 September 2006	<u>£28,389</u>	<u>£16</u>	<u>£28,405</u>

Goodwill arising on the acquisition of subsidiary companies is being amortised over 10 years. In the opinion of the directors this represents a prudent estimate of the period over which the group will derive economic benefit from the assets acquired.

Rydon Holdings Limited

Notes to the Financial Statements

For the period 7 September 2005 to 30 September 2006

10. Intangible Fixed Assets (continued)

Group

Goodwill arising on the acquisition of subsidiary companies consists of

	Rydon Group Limited £000	Civilscent Limited £000	Linfold Limited £000	Total £000
Consideration for shares	48,071	-	-	48,071
Less fair value of net (assets) liabilities acquired	(21,145)	1,198	284	(19,663)
Goodwill arising on consolidation	£26,926	£1,198	£284	£28,408

The fair values of the assets acquired were as follows

Fixed assets	4,102	-	-	4,102
Stock and work in progress	53,641	4,679	1,993	60,313
Debtors	34,800	5,826	2,681	43,307
Bank loans and overdrafts due within one year	(13,960)	(8,938)	(2,463)	(25,361)
Creditors	(51,572)	(2,765)	(2,495)	(56,832)
Loans due within one year	(5,013)	-	-	(5,013)
Hire purchase instalments due within one year	(419)	-	-	(419)
Hire purchase instalments due after one year	(591)	-	-	(591)
Pension provision	157	-	-	157
	£21,145	£(1,198)	£(284)	£19,663

Rydon Holdings Limited

Notes to the Financial Statements

For the period 7 September 2005 to 30 September 2006

11 Tangible Fixed Assets

Group

	Short leasehold properties £000	Motor vehicles £000	Office equipment £000	Plant and machinery £000	Total £000
Cost					
Acquired on acquisition of subsidiary companies	356	3,840	5,738	1,095	11,029
Additions	650	482	211	2	1,345
Disposals	-	(829)	-	(56)	(885)
At 30 September 2006	<u>£1,006</u>	<u>£3,493</u>	<u>£5,949</u>	<u>£1,041</u>	<u>£11,489</u>
Accumulated Depreciation					
Acquired on acquisition of subsidiary companies	144	1,774	4,451	707	7,076
Charge for the period	47	464	419	119	1,049
Eliminated on disposals	-	(494)	-	(52)	(546)
At 30 September 2006	<u>£191</u>	<u>£1,744</u>	<u>£4,870</u>	<u>£774</u>	<u>£7,579</u>
Net Book Values					
At 30 September 2006	<u>£815</u>	<u>£1,749</u>	<u>£1,079</u>	<u>£267</u>	<u>£3,910</u>
Depreciation rates	10%	20%	25% & 10%	25%	

The net book value of motor vehicles includes an amount of £2,085,445 in respect of assets held under hire purchase contracts

Rydon Holdings Limited

Notes to the Financial Statements

For the period 7 September 2005 to 30 September 2006

12 Fixed Assets - Investments - Group Companies

£000

Cost

Additions and at 30 September 2006

£48,071

Details of the company's principal active subsidiary companies, all of which are registered in England and Wales, at 30 September 2006 are

Name	Class of shares held	Percentage held	Nature of business
Civilscent Limited	Ordinary	100%) Developers
Linfold Limited	Ordinary	100%	
Rydon Group Limited	Ordinary	100%	Intermediate holding company
	Preference	100%	

The following investments are held by Rydon Group Limited

Rydon Commercial Limited	Ordinary	100%)
	Preference	100%) Building
Rydon Construction Limited	Ordinary	100%) Contractors
	Deferred ordinary	100%) and
Rydon Homes Limited	Ordinary	100%) Developers
Rydon Remediation Limited	Ordinary	100%)
Rydon (Eastbourne) Limited	Ordinary	100%)
Vivathorn Limited	Ordinary	100%	Plumbing
			Contractors
Ryhurst Limited (formerly Brambletye Limited)	Ordinary	100%	Procurement & Management
			services relating to PFI Contracts
Rydon Property Maintenance Limited	Ordinary	100%	Property Maintenance

The following investment is held by Civilscent Limited

Cable Street Regeneration Limited	Ordinary	100%	Developer
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A full list of subsidiary undertakings is available on request from the company's registered office

Rydon Holdings Limited

Notes to the Financial Statements

For the period 7 September 2005 to 30 September 2006

13 Stock and Work in Progress

	Group only
	£000
Freehold land held for development	<u>10,388</u>
Stock of materials	<u>63</u>
Work in Progress	
Costs of development on land owned by the group	<u>21,483</u>
Third party contracts under construction	
Net cost less foreseeable losses	280,714
Application payments on account	<u>(278,183)</u>
	<u>2,531</u>
Total work in progress	<u>24,014</u>
Total stock and work in progress	<u>£34,465</u>

In accordance with SSAP 9 the directors have included attributable profit amounting to £34,237,032 in the value of long term contracts

Rydon Holdings Limited

Notes to the Financial Statements

For the period 7 September 2005 to 30 September 2006

14 Debtors

	Group £000	Company £000
Due Within One Year		
Amounts recoverable on contracts	9,499	-
Trade debtors	5,674	-
Amounts owed by subsidiary companies	-	16,439
Other debtors	1,812	236
Deferred financing costs	1,693	1,693
Prepayments	1,250	-
	<u>£19,928</u>	<u>£18,368</u>
Due After One Year		
Amounts owed by subsidiary companies	-	4,222
Amounts recoverable on contracts	1,449	-
Deferred financing costs	4,727	4,727
Other loans	441	441
	<u>£6,617</u>	<u>£9,390</u>

15. Creditors - Amounts Falling Due Within One Year

	Group £000	Company £000
Bank loans (see note 16)	3,958	1,500
Payments received on account	22,010	-
Obligations under hire purchase contracts	379	-
Trade creditors	14,814	-
Amounts owed to subsidiary companies	-	20,848
Corporation tax	1,607	-
Other taxation	489	-
Social security costs	277	-
Other creditors	1,798	-
Accruals	645	180
	<u>£45,977</u>	<u>£22,528</u>

Rydon Holdings Limited

Notes to the Financial Statements

For the period 7 September 2005 to 30 September 2006

16 Creditors - Amounts Falling Due After More Than One Year

	Group £000	Company £000
Instalments due under hire purchase contracts	535	-
Bank loans	<u>51,163</u>	<u>51,163</u>
	<u>£51,698</u>	<u>£51,163</u>
Included in the above are amounts repayable by instalments		
Between one and two years	3,080	3,000
Between two and five years	22,918	22,463
After more than five years	<u>25,700</u>	<u>25,700</u>
	<u>£51,698</u>	<u>£51,163</u>
Obligations under hire purchase contracts		
	Group £	Company £
Amounts payable within		
one to two years	80	-
two to five years	<u>455</u>	<u>-</u>
	<u>£535</u>	<u>-</u>

The principal bank loans bear interest at various rates which fluctuate in line with LIBOR. Other loans bear interest at rates which fluctuate with bank base rate. At the end of the period the rate on each loan was as follows:

LIBOR loans	Interest rate
£18,000,000	7.875%
£14,000,000	12.025%
£12,000,000	10.025%
£7,700,000	10.025%
Other loans	Interest rate
£2,458,000	6.2%

The bank loans are secured by fixed charges over the group's land and work in progress, an unlimited debenture over its assets and "key man" policies over the lives of four group directors.

The obligations under hire purchase contracts are secured by related assets and bear finance charges which fluctuate in line with bank base rate. At the period end effective interest rates ranged from 5.4% to 5.5% per annum.

Rydon Holdings Limited

Notes to the Financial Statements

For the period 7 September 2005 to 30 September 2006

17 Share Capital

	Authorised £000	Allotted, issued and fully paid £000
"A" Ordinary shares of 10p each	414	314
"B" Ordinary shares of 10p each	310	310
"C" Ordinary shares of 10p each	310	310
	<u>£1,034</u>	<u>£934</u>

The "A" ordinary shares are non-voting, the "B" ordinary shares carry 80.01% of the voting rights and the "C" ordinary shares carry 19.99% of the voting rights. All shares rank equally in the event of a winding up and for the receipt of dividends.

The company has granted various options to directors of subsidiary companies and senior employees within the group to acquire shares in the company. The options create the right to acquire shares as follows:

Date of Grant	Number of options	Number of Shares	Price per share	Dates between which options can be exercised
7 March 2006	60	394,000	£2.00	50% on or after 7 March 2009 and 50% on or after 3 years from date of first exercise
23 June 2006	1	40,000	£2.00	50% on or after 23 June 2009 and 50% on or after 3 years from date of first exercise
3 July 2006	1	3,000	£2.00	50% on or after 3 July 2009 and 50% on or after 3 years from date of first exercise
5 July 2006	1	8,000	£2.00	50% on or after 5 July 2009 and 50% on or after 3 years from date of first exercise
20 July 2006	1	5,000	£2.00	50% on or after 20 July 2009 and 50% on or after 3 years from date of first exercise

Rydon Holdings Limited

Notes to the Financial Statements

For the period 7 September 2005 to 30 September 2006

18 Reconciliation of Movements in Shareholders' Funds

	Group £000	Company £000
Profit for the period	6,806	5,239
Other recognised gains relating to the period	<u>42</u>	<u>-</u>
Net increase in shareholders' funds	6,848	5,239
Issue of ordinary shares of 10p each	2,341	2,341
Opening shareholders' funds	<u>-</u>	<u>-</u>
Closing shareholders' funds	<u>£9,189</u>	<u>£7,580</u>

Rydon Holdings Limited

Notes to the Financial Statements

For the period 7 September 2005 to 30 September 2006

19 Reserves

Group

	Share Premium Account £000	Profit and Loss Account £000	Total £000
Premium arising on the issue of 9,338,771 ordinary shares of 10p each	1,407	-	1,407
Profit for the period	-	6,806	6,806
Actuarial gain recognised in STRGL	-	42	42
At 30 September 2006	<u>£1,407</u>	<u>£6,848</u>	<u>£8,255</u>

Of the total amount of reserves, £1,407,000 is not available for distribution

Company

	Share Premium Account £000	Profit and Loss Account £000	Total £000
Premium arising on the issue of 9,338,771 ordinary shares of 25p each	1,407	-	1,407
Retained profit for the period	-	5,239	5,239
At 30 September 2006	<u>£1,407</u>	<u>£5,239</u>	<u>£6,646</u>

Of the total amount of reserves, £1,407,000 is not available for distribution

Rydon Holdings Limited

Notes to the Financial Statements

For the period 7 September 2005 to 30 September 2006

20 Related Party Transactions

At 30 September 2006 the group was related to Country Retirement Limited by virtue of common control. Country Retirement Limited owed £174,000 to the group at the period end. The maximum amount owed during the period was £182,000.

An amount of £330,000 has been loaned to the CRL Share Purchase Trust for the acquisition of 100% of the share capital of Country Retirement Limited. The amount of the loan was unchanged during the period.

21. Contingent Liabilities

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

22. Pension Commitments

The group fully implemented FRS 17 "Retirement Benefits" in respect of the defined benefit scheme.

Defined contribution schemes

The group contributes to defined contribution schemes in respect of certain directors and employees. The assets of the schemes are held separately from those of the group in independently administered funds. The pension cost charge represents contributions payable by the group to the fund and amounted to £134,193.

Defined benefit scheme

The group operates a pension scheme providing benefits based on a final pensionable pay. The pension cost is assessed in accordance with the advice of a qualified actuary using the projected unit method. The last full actuarial assessment of the scheme was as at 31 March 2004.

The total pension cost for the group was approximately £477,000.

At the date of the last actuarial valuation, the market value of the assets of the scheme was £11,040,841 and the actuarial value of the assets was sufficient to cover 79% of the benefits that had accrued to members, after allowing for expected future increases in earnings. The contributions of the company are 18.3% of pensionable salary for all members and those of the employees are 4.5% of pensionable salary. Main board directors contribute at 9% of pensionable salary.

Rydon Holdings Limited

Notes to the Financial Statements

For the period 7 September 2005 to 30 September 2006

22 Pension Commitments (continued)

Composition of the scheme

The group operates a defined benefit scheme, the Rydon Pension Scheme. A full actuarial valuation was undertaken at 31 March 2004 by a qualified independent Actuary. The FRS17 calculations shown below have been based on the initial results of the actuarial valuation as at 30 September 2006, also carried out by a qualified independent Actuary. The major assumptions used by the Actuary were:

	30 September 2006 % pa	31 March 2005 % pa	31 March 2004 % pa
Price inflation	3.0	2.9	3.0
Rate of increase in pay			
- Executives and directors	2.0	1.9	2.0
- Staff	2.0	1.9	2.0
Rate of increase of pensions in payment			
- Pre 6 April 1997	0.0	0.0	0.0
- Post 6 April 1997	3.0	2.9	3.0
Rate of increase for deferred pensioners	3.0	2.9	3.0
Discount rate	5.2	5.6	5.8

The assets in the scheme are held in Managed Funds and Unit Trusts operated by F & C Asset Management. The historical fair value of the assets held and the expected rates of return assumed are as follows:

	Expected rate of return year commencing 30 September 2006	Value at 30 September 2006 £000	Expected rate of return year commencing 31 March 2005	Value at 31 March 2005 £000	Expected rate of return year commencing 31 March 2004	Value at 31 March 2004 £000
Equities	6.90% pa	15,033	7.20% pa	10,602	7.50% pa	9,497
Bonds	4.75% pa	3,385	5.00% pa	1,605	5.25% pa	1,322
Property	6.90% pa	101	7.20% pa	80	7.50% pa	80
Cash	4.75% pa	1,315	4.75% pa	783	4.00% pa	142
Total value of assets		<u>£19,834</u>		<u>£13,070</u>		<u>£11,041</u>

Rydon Holdings Limited

Notes to the Financial Statements For the period 7 September 2005 to 30 September 2006

22 Pension Commitments (continued)

The historical funding position of the scheme measured in accordance with FRS17 was as follows

	At 30 September 2006 £000	At 31 March 2005 £000	At 31 March 2004 £000
Total market value of assets	19,834	13,070	11,041
Present value of scheme liabilities	(17,251)	(13,413)	(11,889)
Net Pension asset (liability)	<u>£2,583</u>	<u>£(343)</u>	<u>£(848)</u>

Analysis of the amount charged to operating profit

	2006 £000	2005 £000	2004 £000
Current service cost	<u>£1,037</u>	<u>£627</u>	<u>£1,100</u>

Analysis of the amount credited (charged) to other finance income

	2006 £000	2005 £000	2004 £000
Expected return on pension scheme assets	1,532	824	684
Interest on pension scheme liabilities	(1,170)	(693)	(909)
	<u>£362</u>	<u>£131</u>	<u>£(225)</u>

Analysis of amount recognised in statement of total recognised gains and losses (STRGL)

	2006 £000	2005 £000	2004 £000
Actual return less expected return on pension scheme assets	1,665	352	1,167
Experience gain arising on the scheme liabilities	409	383	1,317
Change in assumptions underlying the present value of the scheme liabilities	(1,984)	(663)	6,221
Actuarial gain recognised in STRGL	<u>£90</u>	<u>£72</u>	<u>£8,705</u>

Rydon Holdings Limited

Notes to the Financial Statements

For the period 7 September 2005 to 30 September 2006

22. Pension Commitments (continued)

Movements during the 18 month period

	2006 £000	2005 £000
Deficit in scheme at beginning of the period	(343)	(848)
Movement in period		
Current service cost	(1,037)	(627)
Contributions	3,511	929
Other finance income	362	131
Actuarial gain	90	72
Surplus (deficit) in scheme at end of the period	<u>£2,583</u>	<u>(£343)</u>

History of experience gains and losses

	18 month period ended 30 September 2006 £000	Year ended 31 March 2005 £000	Year ended 31 March 2004 £000
Difference between the expected and actual return on scheme assets			
Gain	<u>£1,665</u>	<u>£352</u>	<u>£1,167</u>
Percentage of scheme assets	<u>8.4%</u>	<u>2.7%</u>	<u>10.6%</u>
Experience gains and losses on scheme liabilities			
Gain	<u>£409</u>	<u>£383</u>	<u>£1,317</u>
Percentage of the present value of the scheme liabilities	<u>2.4%</u>	<u>2.9%</u>	<u>11.1%</u>
Total amount recognised in statement of recognised gains and losses			
Gain	<u>£90</u>	<u>£72</u>	<u>£8,705</u>
Percentage of the present value of the scheme liabilities	<u>0.50%</u>	<u>0.5%</u>	<u>70.7%</u>

Total pension costs charged to the consolidated profit and loss account

	2006 £000
Current service cost of defined benefit scheme	477
Contributions to defined contribution schemes in the period	<u>134</u>
	<u>£611</u>

Rydon Holdings Limited

Notes to the Financial Statements

For the period 7 September 2005 to 30 September 2006

23 Other Financial Commitments

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

	Land and Buildings	
	Group	Company
	£000	£000
In less than one year	17	-
In two to five years	205	-
After 5 years	472	-
	<hr/>	<hr/>
Total	<u>£694</u>	<u>-</u>