

Rydon Holdings Limited

Financial Statements - 30 September 2008

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Rydon Holdings Limited

Financial Statements - 30 September 2008

Directors:

R Bond
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:

KPMG LLP
1 Forest Gate
Brighton Road
Crawley
RH11 9PT

Registered Number:

5556300

Rydon Holdings Limited

Directors' Report

The directors present their report and the financial statements for the year ended 30 September 2008.

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

The directors are responsible for preparing the Directors' Report and the financial statement in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The group and parent company financial statements are required by law to give a true and fair view of the state of affairs of the group and the parent company and of the profit or loss for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, 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 group and the parent company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

Review of the Business and Future Developments

The principal activities of the company and its subsidiaries continued to be that of building contractors, developers, maintenance contractors and the procurement and management of health and social care projects.

Group turnover only increased slightly over the previous year, with growth falling short of anticipated levels as a result of progressively worsening economic conditions during the year.

Development was particularly affected with only 61 housing units legally completing during the year, against a target of 91. Production plans were scaled down towards the end of the year to adapt to the changing market conditions. Whilst land sales early in the year ensured that turnover was only marginally down on the previous year, falling sales prices resulted in a substantial drop in operating profit.

Contracting, underpinned by several long term contracts, achieved turnover growth of 6.1% in the year although increased competition in a reducing market resulted in a slight fall in operating profit. New contracts were commenced in the social housing, health and education markets.

Maintenance also produced a turnover rise of 4.5% and, with continued efficiencies being made on all contracts, operating profits rose by nearly 32%.

2008 also saw the commencement of a further PFI contract for a community hospital in Redcar and at the end of the year the construction of a PFI backed community hospital in Newton Abbott was nearing completion.

Rydon Holdings Limited

Directors' Report (continued)

Review of the Business and Future Developments (continued)

Investment in new land and development projects was reduced in the light of the unfolding market conditions. As a result significant cash reserves were generated enabling the early repayment of £4.7m of higher coupon junior debt at the year end followed by a further early repayment of £4.7m just after the year end. Year end net debt remained at a similar level to last year at £31m.

The group continues to meet its day to day working capital requirements through cash reserves and has an undrawn revolving credit facility of £30m to help generate investment and development growth when market conditions are more favourable.

With the slowdown of activity in the development sector the directors have taken various measures to minimise costs and consider that overheads have been reduced to a sustainable level. Further the directors have identified actions that could be taken to mitigate risks should the market downturn be greater than currently predicted and to ensure that the group can continue to operate within the terms of its banking facilities. The directors believe that the group remains in a good position, with a significant proportion of projected turnover for 2008/09 already secured and in production. Forward orders for the contracting division show orders in hand and identified work under negotiation totalling nearly £272m.

Forward orders for the property maintenance company total in excess of £275m over the next 25 years with approximately 61% in Social Housing contracts and 39% in Healthcare contracts.

In the normal course of its business the group is exposed to a variety of financial risks and as a result is constantly improving its corporate governance. In particular, the risk to development from the uncertainty surrounding the UK Housing market is constantly being reviewed. Currently the directors believe the group is in a good position to ride out the current stagnation, with minimal stock units and further housing development only progressing on one site. This development together with future sites (as and when commenced) will be built in phases to ensure build progress does not exceed the sales potential. Additionally the group has spread its risk by identifying future sites where demand has traditionally been strong.

The contracting and maintenance businesses also manage their credit risk, principally through careful selection of the clients they tender for.

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.

KPIs

Financial

	2008	2007
Turnover	£170.4m	£168.4m
Operating profit	£9.0m	£15.6m
Operating profit margin	5.3%	9.3%
Net assets	£12.4m	£13.0m
Return on capital	3.3%	13.1%

Rydon Holdings Limited

Directors' Report (continued)

Results and Dividends

The results of the group for the year ended 30 September 2008 are set out in the financial statements on pages 8 to 35.

No dividends were paid during the year (2007 - Nil).

Donations

During the year the group made donations totalling £17,923 (2007 - £27,756) for charitable purposes. No donations were made for political purposes.

Directors

The directors set out below have held office during the whole of the period from 1 October 2007 to the date of this report, unless otherwise stated.

R Bond
J E Kitchen
N G Panes
P T Wright

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.

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.

Rydon Holdings Limited

Directors' Report (continued)

Financial Instruments

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

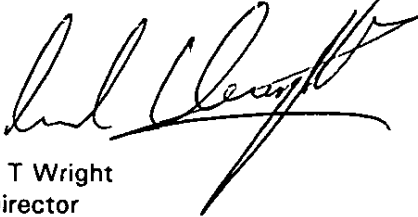
Credit risk arises on financial instruments such as trade debtors and interest rate hedges. Policies and procedures are in place to ensure customers have a suitable credit history. Interest rate hedges have been placed with Bank of Scotland.

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. A further interest rate swap of £20 million for two years from 31 March 2009 at 3.96% plus the relevant margin was secured after the year end.

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

Approved by the Board on 18 December 2008, and signed on its behalf by



P T Wright
Director

Rydon House
Forest Row
East Sussex
RH18 5DW



1 Forest Gate
Brighton Road
Crawley
West Sussex
RH11 9PT

Independent auditors' report to the members of Rydon Holdings Limited

We have audited the group and parent company financial statements of Rydon Holdings Limited for the year ended 30 September 2008 which comprise the Consolidated profit and loss account, the Consolidated balance sheet, the Company balance sheet, the Consolidated statement of total recognised gains and losses and the related notes. 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 directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 2.

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 Directors' Report is consistent with the financial statements.

In addition we 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 other transactions is not disclosed.

We read the Directors' 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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group and parent 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.

Independent auditors' report to the members of Rydon Holdings Limited (*continued*)

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the group and parent company's affairs as at 30 September 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

18 December 2008

Rydon Holdings Limited

Consolidated Profit and Loss Account For the year ended 30 September 2008

		2008		2007	
	Notes	£000	£000	£000	£000
Group Turnover	2		170,402		168,414
Cost of completed contracts			<u>(137,844)</u>		<u>(130,986)</u>
Gross Profit			32,558		37,428
Administrative expenses		(20,554)		(18,841)	
Amortisation of goodwill		(3,169)		(3,129)	
Other operating income		<u>150</u>		<u>178</u>	
			<u>(23,573)</u>		<u>(21,792)</u>
Operating Profit			8,985		15,636
Profit on sale of tangible fixed assets		57		9	
Interest receivable and similar income	6	1,423		1,076	
Interest payable and similar charges	7	<u>(8,905)</u>		<u>(9,921)</u>	
			<u>(7,425)</u>		<u>(8,836)</u>
Profit on Ordinary Activities Before Taxation	3		1,560		6,800
Taxation on profit on ordinary activities	8		<u>(1,281)</u>		<u>(3,245)</u>
Profit after Taxation	10 & 20		279		3,555
Minority Interests	21		<u>(17)</u>		<u>-</u>
Profit for financial year			<u><u>£262</u></u>		<u><u>£3,555</u></u>

The company's turnover and expenses all relate to continuing operations.

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

Rydon Holdings Limited

Consolidated Statement of Total Recognised Gains and Losses For the year ended 30 September 2008

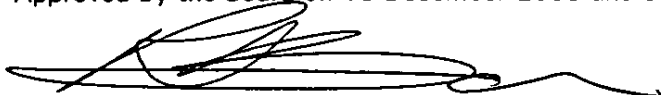
	Notes	2008 £000	2007 £000
Group profit for the year		262	3,555
Pension scheme actuarial loss		(1,008)	(224)
Deferred tax on pension scheme actuarial loss		<u>292</u>	<u>67</u>
Total gains and losses recognised in the year	22	<u>£(454)</u>	<u>£3,398</u>

Rydon Holdings Limited

Consolidated Balance Sheet at 30 September 2008

		2008		2007	
	Notes	£000	£000	£000	£000
Fixed Assets					
Intangible assets	11		22,091		25,260
Tangible assets	12		<u>4,394</u>		<u>4,117</u>
			26,485		29,377
Investment in Joint Venture	17				
Share of gross assets		15,608		3,087	
Share of gross liabilities		<u>(15,608)</u>		<u>(3,087)</u>	
Current Assets					
Stock and work-in-progress	14	44,712		32,050	
Debtors (amounts falling due within one year)	15	12,497		16,565	
Debtors (amounts falling due after more than one year)	15	1,419		2,134	
Cash at bank		<u>13,213</u>		<u>13,766</u>	
		71,841		64,515	
Creditors - Amounts Falling Due Within One Year	16	<u>(52,954)</u>		<u>(43,991)</u>	
Net Current Assets			18,887		20,524
Total Assets Less Current Liabilities			45,372		49,901
Creditors - Amounts Falling Due After More Than One Year	18		(35,139)		(39,140)
Provision for Liabilities and Charges	8		<u>244</u>		<u>167</u>
Net assets excluding pension asset			10,477		10,928
Net pension asset	24		<u>1,931</u>		<u>2,076</u>
Net Assets			<u>£12,408</u>		<u>£13,004</u>
Capital and Reserves					
Called up share capital	19		950		957
Share premium account	22		1,875		1,801
Capital redemption reserve	22		<u>10</u>		<u>-</u>
			2,835		2,758
Profit and loss account including pension reserve	22		<u>9,556</u>		<u>10,246</u>
Shareholders' Funds	20		12,391		13,004
Minority Interests	21		<u>17</u>		<u>-</u>
			<u>£12,408</u>		<u>£13,004</u>

Approved by the Board on 18 December 2008 and signed on its behalf by



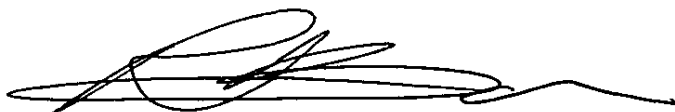
R Bond - Director

Rydon Holdings Limited

Balance Sheet at 30 September 2008

		2008		2007	
	Notes	£000	£000	£000	£000
Fixed Assets					
Investments in group companies	13		48,071		48,071
Current Assets					
Debtors (amounts falling due within one year)	15	10,774		11,410	
Debtors (amounts falling due after more than one year)	15	<u>4,552</u>		<u>4,552</u>	
		15,326		15,962	
Creditors - Amounts Falling Due Within One Year	16	<u>(15,854)</u>		<u>(12,819)</u>	
Net Current (Liabilities) Assets			<u>(528)</u>		<u>3,143</u>
Total Assets Less Current Liabilities			47,543		51,214
Creditors - Amounts Falling Due After More Than One Year	18		<u>(32,886)</u>		<u>(38,740)</u>
Net Assets			<u>£14,657</u>		<u>£12,474</u>
Capital and Reserves					
Called up share capital	19		950		957
Share premium account	22		1,875		1,801
Capital redemption reserve	22		10		-
Profit and loss account	22		<u>11,822</u>		<u>9,716</u>
Shareholders' Funds	20		<u>£14,657</u>		<u>£12,474</u>

Approved by the Board on 18 December 2008 and signed on its behalf by



R Bond - Director

Rydon Holdings Limited

Consolidated Cash Flow Statement For the year ended 30 September 2008

	2008 £000	2007 £000
Net cash inflow from operating activities (see note (a))	9,058	22,654
Returns on investments and servicing of finance (see note (c))	(3,788)	(4,758)
Taxation	(2,958)	(2,476)
Capital expenditure and financial investment (see note (c))	(1,550)	(1,558)
Net cash inflow before financing	762	13,862
Financing (see note (c))	(1,315)	(11,190)
(Decrease) Increase in Cash in the year	£(553)	£2,672
Reconciliation of Net Cash Flow to Movement in Net Debt (see note (b))		
(Decrease) increase in cash in the year	(553)	2,672
Cash outflow from decrease in debt financing	1,156	11,607
Change in net debt resulting from cash flows	603	14,279
Accrual of redemption premia	(1,943)	(1,442)
Amortisation of financing costs	(2,203)	(1,692)
Total movement in net debt	(3,543)	11,145
Net Debt at 30 September 2007	(27,376)	(38,521)
Net Debt at 30 September 2008	£(30,919)	£(27,376)

Rydon Holdings Limited

Notes to the Consolidated Cash Flow Statement For the year ended 30 September 2008

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

	2008 £000	2007 £000
Operating profit	8,985	15,636
Depreciation charges	1,280	1,360
Amortisation	3,169	3,145
Impairment of tangible fixed assets	50	-
(Increase) decrease in stock and work in progress	(12,662)	2,415
Decrease in debtors	4,907	1,426
Increase (decrease) in creditors	3,710	(1,186)
Pension contributions in excess of current service cost	(381)	(143)
Net cash inflow from operating activities	<u>£9,058</u>	<u>£22,653</u>

(b) Analysis of Net Debt

	1 October 2007 £000	Cash Flows £000	Non cash changes £000	30 September 2008 £000
Cash at bank	<u>13,766</u>	<u>(553)</u>	<u>-</u>	<u>13,213</u>
Hire purchase agreements	(965)	216	-	(749)
Bank loans	(44,905)	940	(1,943)	(45,908)
Deferred financing costs	<u>4,728</u>	<u>-</u>	<u>(2,203)</u>	<u>2,525</u>
	<u>(41,142)</u>	<u>1,156</u>	<u>(4,146)</u>	<u>(44,132)</u>
Total	<u>£(27,376)</u>	<u>£603</u>	<u>(4,146)</u>	<u>£(30,919)</u>

Rydon Holdings Limited

Notes to the Consolidated Cash Flow Statement For the year ended 30 September 2008

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

	2008 £000	2007 £000
Returns on investments and servicing of finance		
Interest received	996	695
Interest paid and similar charges	(4,726)	(5,397)
Interest element of hire purchase rental payments	(58)	(55)
Net cash outflow from returns on investments and servicing of finance	<u>£(3,788)</u>	<u>£(4,757)</u>
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(1,780)	(1,875)
Sale of tangible fixed assets	230	317
Net cash outflow from capital expenditure and financial investment	<u>£(1,550)</u>	<u>£(1,558)</u>
Financing		
Issue of ordinary share capital	77	417
Redemption of share capital	(236)	-
Bank loans received	8,812	-
Bank loans repaid	(8,739)	(11,658)
Premia on loan repayments	(1,013)	-
Capital element of hire purchase rental payments	(629)	(685)
Receipts from re-financing of fixed assets	413	736
Net cash outflow from financing	<u>£(1,315)</u>	<u>£(11,190)</u>

Rydon Holdings Limited

Notes to the Financial Statements For the year ended 30 September 2008

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 13 made up to 30 September 2008. 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.

The financial statements of the parent company have been prepared on a going concern basis, notwithstanding net current liabilities of £528,000. This position is due to the timing of the recognition of dividend income from subsidiary companies.

(c) Turnover

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

Contract work:

Revenue is measured at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes.

Revenue from construction contracts is recognised in accordance with the company's accounting policy on construction contracts.

Where the outcome of a construction contract can be estimated reliably, contract revenue and contract costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date and profit is that estimated to fairly reflect the profit arising up to that date.

The principal method to recognise the stage of completion of a contract is the percentage complete based on cost.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Amounts recoverable on long term contracts, which are included in debtors, are stated at the net sales value of the work done after provisions for contingencies and anticipated future losses on contracts, less amounts received as progress payments on account. Excess progress payments are included in creditors as payments on account.

Development work:

Turnover represents the invoice value of properties sold to customers, excluding value added tax. Turnover is recognised on completion of contracts.

Rydon Holdings Limited

Notes to the Financial Statements For the year ended 30 September 2008

1. Accounting Policies (continued)

(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) Taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

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.

(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. Provisions for estimated 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.

Rydon Holdings Limited

Notes to the Financial Statements For the year ended 30 September 2008

1. Accounting Policies (continued)

(i) Pension costs

Defined benefit scheme

The company operates a defined benefit scheme in respect of certain employees. 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 year 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.

(l) Share-based payments

The Group has applied the requirements of FRS20 Share-based Payment.

The Group issues equity-settled share options to certain employees. These are measured at fair value at the date of grant. The fair value determined at the date of grant is expensed on a straight line basis over the vesting period, based on the group's estimate of shares that are forecast to vest. Fair value is measured by use of the Black-Scholes pricing model.

2. Segmental Information

The turnover, profit before taxation and net assets are attributable to the principal activities, those of building contractors, developers, maintenance contractors and the procurement and management of health and social care projects. The group operates in the UK and the whole of the turnover is to the UK market.

Rydon Holdings Limited

Notes to the Financial Statements For the year ended 30 September 2008

3. Group Profit on Ordinary Activities Before Taxation

	2008 £000	2007 £000
The group profit on ordinary activities before taxation is stated:		
after crediting:		
Rents receivable	129	101
Interest receivable	<u>1,423</u>	<u>1,076</u>
after charging:		
Depreciation of owned tangible fixed assets	949	926
Depreciation of tangible fixed assets held under hire purchase contracts	331	434
Amortisation of goodwill and intangibles	3,169	3,145
Hire of plant and machinery	1,448	1,256
Auditors' remuneration		
- audit fee Company	6	5
- audit fee subsidiaries	114	105
- fees for non-audit taxation services	37	37
- fees for other non-audit services	10	38
Amounts payable under operating leases:		
Rent of premises	<u>736</u>	<u>700</u>

4. Directors

	2008 £000	2007 £000
Remuneration		
Emoluments	<u>£782</u>	<u>£759</u>
The emoluments of directors disclosed above include the following amounts paid to the highest paid director:		
Emoluments	<u>£281</u>	<u>£229</u>

Payments of £23,425 (2007 - £131,789) were paid to non-executive directors during the year for consultancy and management services provided to the group.

During the year three directors accrued benefits under defined benefit pension schemes. No contributions were made to money purchase schemes.

Rydon Holdings Limited

Notes to the Financial Statements For the year ended 30 September 2008

5. Staff Costs

	2008	2007
	£000	£000
Wages and salaries	20,779	19,373
Social security costs	2,351	2,205
Other pension costs	1,400	1,119
	<u>£24,530</u>	<u>£22,697</u>

The average number of persons employed by the group (including directors) during the year was as follows:

	Number	Number
Management	153	145
Administration	329	308
Direct labour	109	110
Total Employees	<u>591</u>	<u>563</u>

6. Interest receivable

	2008	2007
	£000	£000
Bank interest	996	695
Pension finance income	427	381
	<u>£1,423</u>	<u>£1,076</u>

7. Interest payable and similar charges

	2008	2007
	£000	£000
Bank loans and overdrafts wholly repayable within 5 years	2,884	3,875
Bank loans wholly repayable after more than 5 years	1,817	1,702
Bank loan redemption premia	1,943	2,597
Hire purchase agreements	58	55
Amortisation of deferred financing costs	2,203	1,692
	<u>£8,905</u>	<u>£9,921</u>

Rydon Holdings Limited

Notes to the Financial Statements For the year ended 30 September 2008

8. Taxation

	2008 £000	2007 £000
(a) Analysis of charge in the year		
Current Tax		
UK corporation tax on profit for the year	1,202	2,588
Adjustment in respect of previous year	(81)	88
	<u>1,121</u>	<u>2,676</u>
Deferred tax	160	569
	<u>£1,281</u>	<u>£3,245</u>
(b) Factors affecting tax charge for the year		
The tax assessed for the year is higher (2007: higher) than the standard rate of corporation tax in the UK of 29% (2007: 30%). The differences are explained below:		
	2008 £000	2007 £000
Profit on ordinary activities before tax	<u>£1,560</u>	<u>£6,800</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in UK of 29%	452	2,040
Effects of:		
Expenses not deductible for tax purposes	302	297
Goodwill on consolidation not deductible for tax purposes	821	850
Depreciation in excess of capital allowances	24	30
Capital allowances in excess of depreciation	(5)	(36)
Adjustment in respect of previous period	(81)	88
Losses brought forward	-	(272)
Pension accrual	(234)	(157)
Other timing differences	(158)	(147)
Profits chargeable to lower tax rate	-	(17)
	<u>£1,121</u>	<u>£2,676</u>
(c) Deferred tax asset		
	2008 £000	2007 £000
The deferred tax included in the balance sheet is as follows:		
Depreciation in excess of capital allowances	24	17
Pension spreading/accrual	-	150
Unrealised profits	<u>220</u>	<u>-</u>
	<u>244</u>	<u>£167</u>

Rydon Holdings Limited

Notes to the Financial Statements For the year ended 30 September 2008

9. Share based payments

The Group has an equity settled share option scheme. Options are exercisable at a price set when the option is granted, which partly reflects the anticipated growth of the Group. 50% of each option vests three years after the date of grant, the remaining 50% vests three years after the first 50% is exercised. Options are generally forfeited if the employee leaves the Group before the options vest.

Details of the share options outstanding during the year are as follows:

	2008		2007	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
Outstanding at beginning of year	395,125	£2.01	381,500	£2.00
Granted during the year	20,500	£2.88	13,625	£2.36
Forfeited during the year	(23,000)	£2.00	-	-
Outstanding at end of year	<u>392,625</u>	£2.06	<u>395,125</u>	£2.01
Exercisable at end of year	Nil		Nil	

The options outstanding at 30 September 2008 had a weighted average exercise price of £2.06 (2007 - £2.01) and a weighted average remaining contractual life of 2.09 years (2007 - 2.98) years. During the year ended 30 September 2008, options were granted on 19 December 2007 and 3, 4 and 10 January and 8 April 2008. The aggregate of the estimated fair values of the options granted on those dates is £19,278. During the year ended 30 September 2007, options were granted on 9, 13, 16 and 19 March and 27 June 2007. The aggregate of the estimated fair values of the options granted on those dates is £8,765.

The inputs into the Black-Scholes Option Pricing Model are as follows:

	2008	2007
Weighted average share price	£2.88	£2.36
Weighted average exercise price	£2.88	£2.36
Expected volatility	39	30
Expected life	3 years	3 years
Risk free rate	5.45%	5.44%
Expected dividend yield	0.00%	0.00%

Expected volatility was determined by calculating the historic volatility of three quoted companies which operate in the same business sector as the Group.

The Group recognised total expenses of £4,700 and £1,400 related to equity settled share based payment transactions in 2008 and 2007 respectively.

Rydon Holdings Limited

Notes to the Financial Statements For the year ended 30 September 2008

10. 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 year was £2,342,000 (2007 - £4,477,000).

11. Intangible Fixed Assets

Group	Goodwill £000	Licences £000	Total £000
Cost			
At 1 October 2007	30,722	33	30,755
Disposals	-	(33)	(33)
At 30 September 2008	<u>£30,722</u>	<u>-</u>	<u>£30,722</u>
Amortisation			
At 1 October 2007	5,462	33	5,495
Charge for the year	3,169	-	3,169
Disposals	-	(33)	(33)
At 30 September 2008	<u>£8,631</u>	<u>-</u>	<u>£8,631</u>
Net Book Values			
At 30 September 2008	<u>£22,091</u>	<u>-</u>	<u>£22,091</u>
At 1 October 2007	<u>£25,260</u>	<u>-</u>	<u>£25,260</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 year ended 30 September 2008

12. Tangible Fixed Assets

Group

	Short Leasehold properties £000	Motor vehicles £000	Office equipment £000	Plant and machinery £000	Total £000
Cost					
At 1 October 2007	1,885	3,115	6,426	979	12,405
Additions	42	1,181	548	9	1,780
Impairment	(50)	-	-	-	(50)
Disposals	-	(603)	(3,431)	(33)	(4,067)
At 30 September 2008	<u>£1,877</u>	<u>£3,693</u>	<u>£3,543</u>	<u>£955</u>	<u>£10,068</u>
Accumulated Depreciation					
At 1 October 2007	327	1,742	5,385	834	8,288
Charge for the year	159	541	504	76	1,280
Eliminated on disposals	-	(462)	(3,431)	(1)	(3,894)
At 30 September 2008	<u>£486</u>	<u>£1,821</u>	<u>£2,458</u>	<u>£909</u>	<u>£5,674</u>
Net Book Values					
At 30 September 2008	<u>£1,391</u>	<u>£1,872</u>	<u>£1,085</u>	<u>£46</u>	<u>£4,394</u>
At 1 October 2007	<u>£1,558</u>	<u>£1,373</u>	<u>£1,041</u>	<u>£145</u>	<u>£4,117</u>
 Depreciation rates	 10%	 20%	 25% & 10%	 25%	

The net book value of motor vehicles includes an amount of £1,045,031 (2007 - £1,210,279) in respect of assets held under hire purchase contracts. The net book value of office equipment includes an amount of £66,137 (2007 - £89,606) in respect of assets held under hire purchase contracts.

The depreciation charge on assets under hire purchase contracts was £331,904 (2007 - £434,000).

Rydon Holdings Limited

Notes to the Financial Statements For the year ended 30 September 2008

13. Fixed Assets - Investments - Group Companies

£000

Cost

At 30 September 2008 and 1 October 2007

£48,071

The parent company and the group have investments in the following subsidiary undertakings which principally affected the profits or net assets of the group. To avoid a statement of excessive length, details of investments which are not significant have been omitted.

Name	Class of shares held	Percentage held	Nature of business
Civilscent Limited	Ordinary	100%	Developer
The following investment is held by Civilscent Limited:			
Cable Street Regeneration Limited	Ordinary	100%	Developer
Linfold Limited	Ordinary	100%	Developer
Real Limited	Ordinary	100%	Developer
The following investments are held by Real Limited:			
Real (Hillside) Limited	Ordinary	100%	Developer
Real (Sutton) Limited	Ordinary	100%	Developer
Rydon Group Limited	Ordinary	100%	Intermediate holding company
	Preference	100%	
The following investments are held by Rydon Group Limited:			
Rydon Construction Limited	Preference	100%) Building) Contractors) and) Developers Procurement & Management services relating to Health & Social Care Projects
	Ordinary	100%	
Rydon Homes Limited	Deferred ordinary	100%	
	Ordinary	100%	
Ryhurst Limited	Ordinary	100%	
Rydon Maintenance Limited	Ordinary	100%	Property Maintenance

Rydon Holdings Limited

Notes to the Financial Statements For the year ended 30 September 2008

14. Stock and Work-in-progress

	Group	
	2008 £000	2007 £000
Freehold land held for development	<u>1,941</u>	<u>4,775</u>
Stock of materials	<u>53</u>	<u>53</u>
Work in Progress		
Costs of development on land owned by the group	40,031	27,078
Costs of development on land owned by third parties	2,351	-
Third party contracts under construction		
Net cost less foreseeable losses	<u>336</u>	<u>144</u>
Total work in progress	<u>42,718</u>	<u>27,222</u>
Total stock and work in progress	<u>£44,712</u>	<u>£32,050</u>

Rydon Holdings Limited

Notes to the Financial Statements For the year ended 30 September 2008

15. Debtors

	Group		Company	
	2008	2007	2008	2007
	£000	£000	£000	£000
Due Within One Year				
Amounts recoverable on contracts	7,390	10,371	-	-
Trade debtors	2,752	3,988	-	-
Amounts owed by subsidiary companies	-	-	10,425	11,342
Corporation tax recoverable	124	-	-	-
Other debtors	1,322	1,560	349	68
Prepayments	909	646	-	-
	<u>£12,497</u>	<u>£16,565</u>	<u>£10,774</u>	<u>£11,410</u>
Due After One Year				
Amounts owed by subsidiary companies	-	-	4,552	4,552
Amounts recoverable on contracts	1,419	2,134	-	-
	<u>£1,419</u>	<u>£2,134</u>	<u>£4,552</u>	<u>£4,552</u>

16. Creditors - Amounts Falling Due Within One Year

	Group		Company	
	2008	2007	2008	2007
	£000	£000	£000	£000
Bank loans and overdrafts (see note 18)	11,648	3,000	16,512	12,108
Deferred financing costs	(1,151)	(1,563)	(1,151)	(1,563)
Payments received on account	20,338	15,334	-	-
Obligations under hire purchase contracts	480	565	-	-
Trade creditors	15,309	17,835	-	-
Amounts owed to subsidiary companies	-	-	6	748
Corporation tax	94	1,807	-	-
Other taxation	510	455	-	-
Social security costs	309	288	-	-
Other creditors	1,500	2,392	-	25
Accruals	3,917	3,878	487	1,501
	<u>£52,954</u>	<u>£43,991</u>	<u>£15,854</u>	<u>£12,819</u>

17. Joint Venture

The group has a 50% shareholding in Ryhurst Newton Abbot Limited, a joint venture company which began operating during the 2007. The joint venture was formed for the negotiation and promotion of a Private Finance Initiative with the NHS. The net assets of the company and the group's share thereof at 30 September 2008 was £1 (2007 - £1).

The group has a 50% shareholding in RSRM (Redcar and Cleveland) Ltd, a joint venture company which began operating during the year. The joint venture was formed for the negotiation and promotion of a Private Finance Initiative with the NHS. The net assets of the company at 30 September 2008 was £1,004 and the group's share thereof was £502 (2007 - nil).

Rydon Holdings Limited

Notes to the Financial Statements For the year ended 30 September 2008

18. Creditors - Amounts Falling Due After More Than One Year

	Group		Company	
	2008 £000	2007 £000	2008 £000	2007 £000
Trade Creditors	1,984	-	-	-
Instalments due under hire purchase contracts	269	400	-	-
Bank loans	34,260	41,905	34,260	41,905
Deferred financing costs	(1,374)	(3,165)	(1,374)	(3,165)
	<u>£35,139</u>	<u>£39,140</u>	<u>£32,886</u>	<u>£38,740</u>

Included in the above are amounts repayable by instalments:

Between one and two years	11,325	2,934	11,079	2,652
Between two and five years	21,248	19,494	21,225	19,376
After more than five years	582	16,712	582	16,712
	<u>£33,155</u>	<u>£39,140</u>	<u>£32,886</u>	<u>£38,740</u>

Obligations under hire purchase contracts:

	Group	
	2008 £000	2007 £000
Amounts payable within:		
one to two years	246	282
two to five years	23	118
	<u>£269</u>	<u>£400</u>

The Company's loans bear interest at various rates which fluctuate in line with LIBOR. At the end of the period the rate on each loan was as follows:

LIBOR loans £000	Interest rate
£12,212	9.23%
£12,000	11.38%
£9,500	13.38%

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 5.75% to 6.5% per annum.

Rydon Holdings Limited

Notes to the Financial Statements For the year ended 30 September 2008

19. Share Capital

	Authorised		Allotted, issued and fully paid	
	2008 £000	2007 £000	2008 £000	2007 £000
"A" Ordinary shares of 10p each	414	414	330	337
"B" Ordinary shares of 10p each	310	310	310	310
"C" Ordinary shares of 10p each	310	310	310	310
	<u>£1,034</u>	<u>£1,034</u>	<u>£950</u>	<u>£957</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 a number of shares detailed in the table below. 50% of each option may be exercised on or after a date 3 years from the date of grant and 50% on or after 3 years from the date of the first exercise.

Date of Grant	Number of options	Number of Shares	Price per share
7 March 2006	48	342,500	£2.00
3 July 2006	1	3,000	£2.00
5 July 2006	1	8,000	£2.00
20 July 2006	1	5,000	£2.00
9 March 2007	1	625	£2.36
13 March 2007	1	2,500	£2.36
16 March 2007	1	2,500	£2.36
19 March 2007	1	5,000	£2.36
27 June 2007	1	3,000	£2.36
19 December 2007	4	5,500	£2.88
3 January 2008	1	2,500	£2.88
4 January 2008	2	7,500	£2.88
10 January 2008	1	1,000	£2.88
8 April 2008	1	4,000	£2.88

Rydon Holdings Limited

Notes to the Financial Statements For the year ended 30 September 2008

20. Reconciliation of Movements in Shareholders' Funds

	Group		Company	
	2008 £000	2007 £000	2008 £000	2007 £000
Profit for the year	262	3,555	2,342	4,477
Other recognised gains relating to the year	(716)	(157)	-	-
Net increase in shareholders' funds	(454)	3,398	2,342	4,477
Issue of ordinary shares of 10p each	77	417	77	417
Redemption of ordinary shares of 10p each	(236)	-	(236)	-
Opening shareholders' funds	13,004	9,189	12,474	7,580
Closing shareholders' funds	<u>£12,391</u>	<u>£13,004</u>	<u>£14,657</u>	<u>£12,474</u>

21. Minority interests

	Group	
	2008 £000	2007 £000
Profit on ordinary activities after taxation	17	-
At 30 September 2008	<u>£17</u>	<u>-</u>

The minority interest relates to a 50% investment in Beacon Plant Hire (Southern) Limited.

Rydon Holdings Limited

Notes to the Financial Statements For the year ended 30 September 2008

22. Reserves

Group

	Share Premium Account £000	Capital Redemption Reserve £000	Profit and Loss Account £000	Total £000
At 30 September 2007	1,801	-	10,246	12,047
Premium arising on the issue of 26,595 ordinary shares of 10p each	74	-	-	74
Retained profit for the year	-	-	262	262
Actuarial loss recognised in STRGL	-	-	(716)	(716)
Redemption of 100,000 ordinary shares	-	10	(236)	(226)
At 30 September 2008	<u>£1,875</u>	<u>£10</u>	<u>£9,556</u>	<u>£11,441</u>

Of the total amount of reserves, £1,885,000 (2007 - £1,801,000) is not available for distribution.

Company

	Share Premium Account £000	Capital Redemption Reserve £000	Profit and Loss Account £000	Total £000
At 30 September 2007	1,801	-	9,716	11,517
Premium arising on the issue of 26,595 ordinary shares of 10p each	74	-	-	74
Retained profit for the year	-	-	2,342	2,342
Redemption of 100,000 ordinary shares	-	10	(236)	(226)
At 30 September 2008	<u>£1,875</u>	<u>£10</u>	<u>£11,822</u>	<u>£13,707</u>

Of the total amount of reserves, £1,885,000 (2007 - £1,801,000) is not available for distribution.

Rydon Holdings Limited

Notes to the Financial Statements For the year ended 30 September 2008

23. 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.

24. Pension Commitments

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 £261,824 (2007 - £228,406).

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 30 September 2006.

The total pension cost for the group was £757,000 (2007 - £747,000).

At the date of the last actuarial valuation, the market value of the assets of the scheme was £19,794,000 and the actuarial value of the assets was sufficient to cover 90% of the benefits that had accrued to members, after allowing for expected future increases in earnings. The contributions of the group have increased to 21.9% of pensionable salary for all members and those of the employees have remained at 4.5% of pensionable salary. Main board directors have contributed at 9% of pensionable salary since 1 April 2004.

Rydon Holdings Limited

Notes to the Financial Statements For the year ended 30 September 2008

24. Pension Commitments (continued)

The major assumptions used by the Actuary were:

	30 September 2008 % pa	30 September 2007 % pa	30 September 2006 % pa
Price inflation	3.6	3.5	3.0
Rate of increase in pay			
- Executives and directors	2.6	2.5	2.0
- Staff	2.6	2.5	2.0
Rate of increase of pensions in payment			
- Pre 6 April 1997	0.0	0.0	0.0
- Post 6 April 1997	3.6	3.5	3.0
Rate of increase for deferred pensioners	3.6	3.5	3.0
Discount rate	7.0	5.9	5.2

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

	Expected rate of return year commencing 30 September 2008	Value at 30 September 2008 £000	Expected rate of return year commencing 30 September 2007	Value at 30 September 2007 £000	Expected rate of return year commencing 30 September 2006	Value at 30 September 2006 £000
Equities	7.20% pa	13,200	7.40% pa	17,669	6.90% pa	15,033
Bonds	5.50% pa	4,607	5.40% pa	3,887	4.75% pa	3,385
Property	7.20% pa	65	7.40% pa	79	6.90% pa	101
Cash	5.00% pa	625	5.75% pa	847	4.75% pa	1,315
Total value of assets		£18,497		£22,482		£19,834

Rydon Holdings Limited

Notes to the Financial Statements For the year ended 30 September 2008

24. Pension Commitments (continued)

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

	At 30 September 2008 £000	At 30 September 2007 £000	At 30 September 2006 £000
Total market value of assets	18,497	22,482	19,834
Present value of scheme liabilities	(15,814)	(19,599)	(17,251)
Surplus in scheme	2,683	2,883	2,583
Related deferred tax liability	(752)	(807)	(742)
Net Pension asset	£1,931	£2,076	£1,841

Analysis of the amount charged to operating profit

	2008 £000	2007 £000	2006 (8 Months) £000
Current service cost	£757	£747	£477

Analysis of the amount credited to other finance income

	2008 £000	2007 £000	2006 (8 Months) £000
Expected return on pension scheme assets	1,560	1,297	889
Interest on pension scheme liabilities	(1,133)	(916)	(679)
	£427	£381	£210

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

	2008 £000	2007 £000	2006 (8 Months) £000
Actual return less expected return on pension scheme assets	(5,204)	434	766
Experience gain arising on the scheme liabilities	528	91	188
Change in assumptions underlying the present value of the scheme liabilities	3,668	(749)	(912)
Actuarial (loss) gain recognised in STRGL	£(1,008)	£(224)	£42

Rydon Holdings Limited

Notes to the Financial Statements For the year ended 30 September 2008

24. Pension Commitments (continued)

Movements in surplus during the year

	2008	2007	2006 (8 Months)
	£000	£000	£000
Surplus in scheme at beginning of the year	2,883	2,583	157
Movement in period :			
Current service cost	(757)	(747)	(477)
Contributions	1,138	890	2,651
Other finance income	427	381	210
Actuarial (loss) gain	(1,008)	(224)	42
Surplus in scheme at end of the year	<u>£2,683</u>	<u>£2,883</u>	<u>£2,583</u>

History of experience gains and losses

	Year ended 30 September 2008 £000	Year ended 30 September 2007 £000	8 month period ended 30 September 2006 £000
Difference between the expected and actual return on scheme assets:			
(Loss) gain	<u>£(5,204)</u>	<u>£434</u>	<u>£766</u>
Percentage of scheme assets	<u>28.1%</u>	<u>1.9%</u>	<u>3.9%</u>
Experience gains and losses on scheme liabilities:			
Gain	<u>£528</u>	<u>£91</u>	<u>£188</u>
Percentage of the present value of the scheme liabilities	<u>3.3%</u>	<u>0.5%</u>	<u>1.1%</u>
Total amount recognised in statement of recognised gains and losses:			
(Loss) gain	<u>£(1,008)</u>	<u>£(224)</u>	<u>£42</u>
Percentage of the present value of the scheme liabilities	<u>6.4%</u>	<u>1.1%</u>	<u>0.2%</u>

Total pension costs charged to the consolidated profit and loss account

	2008 £000	2007 £000	2006 £000
Current service cost of defined benefit	757	747	477
Contributions to defined contribution scheme	<u>262</u>	<u>228</u>	<u>134</u>
	<u>£1,019</u>	<u>£975</u>	<u>£611</u>

Rydon Holdings Limited

Notes to the Financial Statements For the year ended 30 September 2008

25. Other Financial Commitments

At 30 September 2008 the group was committed to making the following payments under non-cancellable operating leases in the year to 30 September 2009:

Leases due to expire:	Land and Buildings	
	2008	2007
	£000	£000
In less than one year	54	64
In two to five years	79	158
After 5 years	562	489
Total	<u>£695</u>	<u>£711</u>