

Rydon Holdings Limited

Financial Statements – 31 October 2010

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Rydon Holdings Limited

Financial Statements – 31 October 2010

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 13 month period ended 31 October 2010

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 statements in accordance with applicable law and regulations

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

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period. In preparing each of the group and parent company 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 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 adequate accounting records that are sufficient to show and explain the parent company's transactions and 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 2006. 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.

As a result of the difficult economic and industry conditions that persisted during the period group turnover for the thirteen months was 11.7% less than that achieved in the preceding twelve months.

Turnover from contracting in the thirteen month period was 27% less than the preceding twelve months, reflecting the difficult trading conditions being experienced by the construction industry. Turnover is expected to increase slightly in the next year with the majority of work required to achieve this already under contract. Despite market pressure on margins contracting has continued to show a profit, owing to a number of long-term contracts under construction and a falling cost base. With these long-term contracts continuing, operating profit is expected to be maintained for next year although margins on future work continue to be depressed.

In the maintenance business significant turnover growth during the period was achieved principally due to an increase in refurbishment work and, together with existing long term reactive maintenance contracts, a similar level of profitability to the previous year was realised.

In October 2010, to further strengthen the group's position in the London housing reactive maintenance market, the whole of the share capital of Equipe Regeneration Limited was acquired. This company has two existing long term housing maintenance contracts in London and is preferred bidder on a third whose financial close expected in March 2011.

An investment was also made in Insite Energy Limited, a joint venture with Font Energy Limited, to provide energy metering and billing services.

Rydon Holdings Limited

Directors' Report (continued)

Review of the Business and Future Developments (continued)

No new PFI contracts were commenced during the period. Despite achieving preferred bidder status on the £20m Sussex Agewell PFI this scheme was discontinued by the authority. However a new joint venture model has been developed to provide Service Targeted Estate Partnerships (STEPS) with NHS Foundation Trusts. The first such joint venture was entered into during the period with the Lancashire Care NHS Foundation Trust.

With the ongoing backdrop of a depressed housing market, development activity was maintained at lower levels than previous periods. Construction was progressed on only one site but the sale of these units together with all other existing stock units was achieved in the period. This led to a total of 24 unit sales compared with 50 units in the previous twelve months. Due to a different mix of units the average selling price of units sold reduced from £375,000 in 2009 to £318,000 in 2010. Development activity will remain at a similar level until a significant improvement in the housing market can be reasonably foreseen.

Success in obtaining planning permission on several development sites enabled the group to benefit from a number of land sales. The most significant of these was the sale of 8 consented sites within a corporate entity which led to a recognised profit of £8m. The existing business, remaining assets and trading name of this company have been transferred to another group company.

These strategic land sales enabled the group to repay £35m of debt in the period a significant proportion of which carried a high coupon and was repaid early. This early repayment has resulted in a substantial reduction in net current assets on the balance sheet however this has been matched by a similar reduction in long term creditors. As set out below, the Group has sufficient bank facilities to allow for the management of working capital and has consciously prioritised overall debt reduction in the uncertain economic climate. Consequently net debt was reduced during the period from £34m to £6m.

The group's share of turnover from joint ventures was £18m in the thirteen month period, compared with £0.2m in the preceding twelve months. The increase is due to RSRM (Redcar and Cleveland) Limited, which manages a PFI scheme for the NHS, recognising the full cost of the completion of a community hospital in its turnover. It recognised a matching amount in its cost of sales.

In May 2010 the group completed the renewal of its revolving credit facility and working capital facility with Bank of Scotland for a further four year period to 31 December 2013. This renewal provided ongoing facilities of £25m and £10m respectively. The group subsequently, in December 2010, arranged for the revolving credit facility to be reduced to £15m to match projected needs.

The group continues to meet its day to day working capital requirements through cash reserves and, at the balance sheet date, had no amounts drawn on its revolving credit facility. This facility is available to help generate future investment and development growth when market conditions are more favourable.

Industry recovery from the recession is slow and continues to affect all areas of the business. To minimise the impact on profitability the directors are continuing to take measures to minimise costs and maintain overheads at a sustainable level. Furthermore the directors have identified actions that could be taken to mitigate risks should the market downturn continue for longer 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 2010/11 already secured and in production. Forward orders for the contracting division show orders in hand and identified work under negotiation totalling nearly £278m.

Forward orders for the maintenance company total over £363m over the next 25 years with approximately 67% in Social Housing contracts and 33% 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 developments only progressing on two smaller sites. Additionally the group has spread its risk by identifying future sites where demand has traditionally been strong and carries out extensive market research prepared to ensure that the forecast sales are achievable in the current market.

Rydon Holdings Limited

Directors' Report (continued)

Review of the Business and Future Developments (continued)

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

The group's defined benefit pension scheme was closed to future accrual on 30 September 2009, with all existing active members becoming deferred. These former active members now accrue future pension benefits within the groups defined contribution scheme. At the balance sheet date the FRS17 valuation of the scheme showed a surplus of £3.5m. In accordance with FRS17, this was not recognised as an asset on the group's balance sheet as refunds from the scheme are not permitted and closure of the scheme means the asset can not be recovered by the group through reductions in future contributions.

Financial KPIs

	2010 (13 months)	2009 (12 months)
Turnover	£136.4m	£154.5m
Earnings before interest, taxation and amortisation	£9.0m	£7.9m
Net assets	£10.5m	£10.1m
Return on capital	3.4%	1.3%

Results and Dividends

The results of the group for the 13 month period ended 31 October 2010 are set out in the financial statements on pages 8 to 36.

No dividends were paid during the period (2009 - Nil)

Donations

During the period the group made donations totalling £16,087 (2009 - £15,310) 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 2009 to the date of this report, unless otherwise stated.

R Bond
J E Kitchin
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.

Rydon Holdings Limited

Directors' Report (continued)

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.

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 £20 million at 3.96% plus the relevant margin, to 31 March 2011.

Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office.

Approved by the Board on 25 February 2011, and signed on its behalf by



P T Wright
Director

Rydon House
Forest Row
East Sussex
RH18 5DW



KPMG LLP

1 Forest Gate
Brighton Road
Crawley
RH11 9PT
United Kingdom

Independent auditors' report to the members of Rydon Holdings Limited

We have audited the financial statements of Rydon Holdings Limited for the 13 month period ended 31 October 2010 set out on pages 8 to 36. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on Page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/UKNP.

Opinion on financial statements

In our opinion the financial statements

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

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

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

Matters on which we are required to report by exception

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

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



S Wardell (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Crawley
25 February 2011

Rydon Holdings Limited

Consolidated Profit and Loss Account For the 13 month period ended 31 October 2010

		2010 (13 months)		2009 (12 months)	
	Notes	£000	£000	£000	£000
Turnover Group and share of joint ventures			154,950		154,711
Less share of joint ventures' turnover			<u>(18,560)</u>		<u>(176)</u>
Group Turnover	2		136,390		154,535
Cost of sales			<u>(116,474)</u>		<u>(128,404)</u>
Gross Profit			19,916		26,131
Administrative expenses		(19,071)		(18,492)	
Amortisation of goodwill		(4,144)		(3,003)	
Other operating income		<u>84</u>		<u>234</u>	
			<u>(23,131)</u>		<u>(21,261)</u>
Operating (Loss) Profit			(3,215)		4,870
Share of joint ventures' operating profits		101		-	
Profit on sale of tangible fixed assets		46		12	
Profit on sale of subsidiary undertaking	13	7,954		-	
Interest receivable and similar income		-		15	
Group	6	136		320	
Joint ventures		1,550		661	
Interest payable and similar charges					
Group	7	(4,443)		(4,871)	
Joint ventures		<u>(1,422)</u>		<u>(649)</u>	
			<u>3,922</u>		<u>(4,512)</u>
Profit on Ordinary Activities Before Taxation	3		707		358
Taxation on profit on ordinary activities	8		<u>463</u>		<u>(889)</u>
Profit (Loss) after Taxation	10, 19		1,170		(531)
Minority Interests	20		<u>17</u>		<u>(5)</u>
Profit (Loss) for financial period			<u>£1,187</u>		<u>£(536)</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 period have been calculated on the historical cost basis

Rydon Holdings Limited

Consolidated Statement of Total Recognised Gains and Losses For the 13 month period ended 31 October 2010

	Notes	2010 (13 months) £000	2009 (12 months) £000
Group profit (loss) for the period		1,187	(536)
Pension scheme actuarial loss		(1,064)	(2,779)
Deferred tax on pension scheme actuarial loss		<u>287</u>	<u>778</u>
Total gains and losses recognised in the period	21	<u>£410</u>	<u>£(2,537)</u>

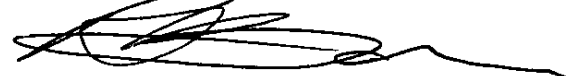
Rydon Holdings Limited

(Company no 5556300)

Consolidated Balance Sheet at 31 October 2010

		31 October 2010		30 September 2009	
	Notes	£000	£000	£000	£000
Fixed Assets					
Intangible assets	11		23,148		19,088
Tangible assets	12		<u>3,807</u>		<u>4,698</u>
			26,955		23,786
Investment in Joint Venture	13				
Share of gross assets		30,630		29,578	
Share of gross liabilities		<u>(30,559)</u>		<u>(29,563)</u>	
			71		15
Current Assets					
Stock and work-in-progress	14	11,531		35,185	
Debtors (amounts falling due within one year)	15	20,287		14,991	
Debtors (amounts falling due after more than one year)	15	508		1,318	
Cash at bank		<u>1,110</u>		<u>6,183</u>	
		33,436		57,677	
Creditors - Amounts Falling Due Within One Year	16	<u>(38,873)</u>		<u>(52,668)</u>	
Net Current (Liabilities) Assets			<u>(5,437)</u>		<u>5,009</u>
Total Assets Less Current Liabilities			21,589		28,810
Creditors - Amounts Falling Due After More Than One Year	17		<u>(11,118)</u>		<u>(18,532)</u>
Net Assets Excluding Pension Liability			10,471		10,278
Net Pension Liability	23		<u>-</u>		<u>(177)</u>
Net Assets Including Pension Liability			<u>£10,471</u>		<u>£10,101</u>
Capital and Reserves					
Called up share capital	18		960		962
Share premium account	21		2,088		2,088
Capital redemption reserve	21		<u>12</u>		<u>10</u>
			3,060		3,060
Profit and loss account including pension reserve	21		<u>7,406</u>		<u>7,019</u>
Shareholders' Funds	19		10,466		10,079
Minority Interests	20		<u>5</u>		<u>22</u>
			<u>£10,471</u>		<u>£10,101</u>

Approved by the board on 25 February 2011, and signed on its behalf by



R Bond - Director

Rydon Holdings Limited

(Company no 5556300)

Balance Sheet at 31 October 2010

		31 October 2010		30 September 2009	
	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	2,625		12,192	
Debtors (amounts falling due after more than one year)	15	<u>4,552</u>		<u>4,552</u>	
		7,177		16,744	
Creditors - Amounts Falling Due Within One Year	16	<u>(29,814)</u>		<u>(31,686)</u>	
Net Current Liabilities			<u>(22,637)</u>		<u>(14,942)</u>
Total Assets Less Current Liabilities			25,434		33,129
Creditors - Amounts Falling Due After More Than One Year	17		<u>(5,988)</u>		<u>(17,093)</u>
Net Assets			<u>£19,446</u>		<u>£16,036</u>
Capital and Reserves					
Called up share capital	18		960		962
Share premium account	21		2,088		2,088
Capital redemption reserve	21		12		10
Profit and loss account	21		<u>16,386</u>		<u>12,976</u>
Shareholders' Funds	19		<u>£19,446</u>		<u>£16,036</u>

Approved by the Board on 25 February 2011 and signed on its behalf by



R Bond - Director

Rydon Holdings Limited

Consolidated Cash Flow Statement For the 13 month period ended 31 October 2010

	2010 (13 months) £000	2009 (12 months) £000
Net cash inflow from operating activities (see note (a))	11,859	3,570
Dividends from joint ventures	114	-
Returns on investments and servicing of finance (see note (c))	(2,331)	(2,793)
Taxation	(408)	(414)
Capital expenditure and financial investment (see note (c))	(399)	(1,450)
Acquisitions and disposals (see note (c))	21,197	-
Net cash inflow (outflow) before financing	30,032	(1,087)
Financing (see note (c))	(35,105)	(5,943)
Decrease in Cash in the period	£(5,073)	£(7,030)
Reconciliation of Net Cash Flow to Movement in Net Debt (see note (b))		
Decrease in cash balances in the period	(5,073)	(7,030)
Cash outflow from decrease in debt financing	35,082	6,168
Change in net debt resulting from cash flows	30,009	(862)
Accrual of redemption premia	(1,084)	(914)
Amortisation of financing costs	(892)	(1,151)
Total movement in net debt	28,033	(2,927)
Net Debt at 30 September 2009	(33,846)	(30,919)
Net Debt at 31 October 2010	£(5,813)	£(33,846)

Rydon Holdings Limited

Notes to the Consolidated Cash Flow Statement For the 13 month period ended 31 October 2010

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

	2010 (13 months) £	2009 (12 months) £
Operating (loss) profit	(3,215)	4,870
Depreciation charges	1,352	1,161
Amortisation and impairment of goodwill	4,144	3,003
Decrease in stock and work in progress	6,802	9,527
Increase in debtors	(2,751)	(2,435)
Increase (decrease) in creditors	6,837	(12,859)
Pension contributions paid	(1,310)	
Increase in pension liability	-	303
Net cash inflow from operating activities	<u>£11,859</u>	<u>£3,570</u>

(b) Analysis of Net Debt

	1 October 2009 £000	Acquired with subsidiary undertaking £000	Cash Flows £000	Non Cash changes £000	31 October 2010 £000
Cash at bank	<u>6,183</u>	<u>932</u>	<u>(6,005)</u>	<u>-</u>	<u>1,110</u>
Hire purchase agreements	(285)	-	258	-	(27)
Bank loans	(40,230)	-	34,824	(1,084)	(6,490)
Other loans	(888)	-	-	-	(888)
Deferred financing costs	<u>1,374</u>	<u>-</u>	<u>-</u>	<u>(892)</u>	<u>482</u>
	<u>(40,029)</u>	<u>-</u>	<u>35,082</u>	<u>(1,976)</u>	<u>(6,923)</u>
Total	<u>£(33,846)</u>	<u>£932</u>	<u>£29,077</u>	<u>£(1,976)</u>	<u>£(5,813)</u>

Rydon Holdings Limited

Notes to the Consolidated Cash Flow Statement For the 13 month period ended 31 October 2010

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

	2010 (13 months) £000	2009 (12 months) £000
Returns on investments and servicing of finance		
Interest received	136	167
Interest paid and similar charges	(2,461)	(2,940)
Interest element of hire purchase rental payments	(6)	(20)
Net cash outflow from returns on investments and servicing of finance	£(2,331)	£(2,793)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(599)	(1,714)
Sale of tangible fixed assets	200	264
Net cash outflow from capital expenditure and financial investment	£(399)	£(1,450)
Acquisitions and disposals		
Purchase of subsidiary undertaking	(4,521)	-
Investment in joint venture	(20)	-
Cash balance acquired with subsidiary undertaking	932	-
Sale of subsidiary undertaking	9,566	-
Intra-group debt repaid by purchaser of subsidiary undertaking	15,240	-
Net cash inflow from acquisitions and disposals	£21,197	-
Financing		
Issue of ordinary share capital	-	225
Redemption of share capital	(23)	-
Directors' loans received	-	838
Bank loans received	20	19,646
Bank loans repaid	(31,993)	(25,176)
Premia on loan repayments	(2,851)	(1,012)
Capital element of hire purchase rental payments	(258)	(464)
Net cash outflow from financing	£(35,105)	£(5,943)

Rydon Holdings Limited

Notes to the Financial Statements For the 13 month period ended 31 October 2010

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 consolidated financial statements include the financial statements of the Company and its subsidiary undertakings as set out in note 13 made up to 31 October 2010. 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.

A joint venture is an undertaking in which the Group has a long term interest and over which it exercises joint control. The Group's share of the profits less losses of joint ventures is included in the consolidated profit and loss account and its interest in their net assets is included in investments in the consolidated balance sheet.

At the date of this report the directors have carried out a detailed and comprehensive review of the business and its future prospects. In particular, they have considered the forecast future performance and anticipated cash flows. In the opinion of the Directors, the company has adequate resources to be able to continue trading and consequently the financial statements are presented on the going concern basis notwithstanding net current liabilities of £22,637,000. The directors consider this to be appropriate because £23,417,000 of current liabilities is in respect of amounts owed to subsidiary companies, payment of which is at the discretion of the company.

(c) Turnover

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

Construction and Maintenance contracts

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 contracts is recognised in accordance with the company's accounting policy on construction and maintenance contracts.

Where the outcome of a 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.

Rydon Holdings Limited

Notes to the Financial Statements

For the 13 month period ended 31 October 2010

1 Accounting Policies (continued)

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.

(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 period 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 when 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 13 month period ended 31 October 2010

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 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.

(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 13 month period ended 31 October 2010

3 Profit on Ordinary Activities Before Taxation

	2010 (13 months) £000	2009 (12 months) £000
The group profit on ordinary activities before taxation is stated		
after crediting		
Rents receivable	110	177
Interest receivable	136	320
after charging		
Depreciation of owned tangible fixed assets	1,166	830
Depreciation of tangible fixed assets held under hire purchase contracts	186	331
Amortisation and impairment of goodwill and intangibles	4,144	3,003
Hire of plant and machinery	476	1,208
Auditors' remuneration		
- audit fee Company	7	8
- audit fee subsidiaries	125	116
- fees for non-audit taxation services	50	36
- fees for other non-audit services	599	90
Amounts payable under operating leases		
Rent of premises	691	695

4 Directors

	2010 (13 months) £000	2009 (12 months) £000
Remuneration		
Emoluments	£710	£643

The emoluments of directors disclosed above include the following amounts paid to the highest paid director

	2010 (13 months) £000	2009 (12 months) £000
Emoluments	£276	£243

Payments of £9,875 (2009 - £10,552) were paid to non-executive directors during the period for consultancy and management services provided to the group. During the period three directors accrued benefits under money purchase pension schemes. No contributions were made to defined benefit schemes.

Rydon Holdings Limited

Notes to the Financial Statements

For the 13 month period ended 31 October 2010

5 Staff Costs

	2010 (13 months) £000	2009 (12 months) £000
Wages and salaries	19,093	19,333
Social security costs	2,006	2,135
Other pension costs	849	1,410
	<u>£21,948</u>	<u>£22,878</u>

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

	2010	2009
Management	111	130
Administration	270	307
Direct Labour	125	116
Total Employees	<u>506</u>	<u>553</u>

6 Interest Receivable

	2010 (13 months) £000	2009 (12 months) £000
Bank Interest	136	167
Pension finance income	-	153
	<u>136</u>	<u>£320</u>

7 Interest payable and similar charges

	2010 (13 months) £000	2009 (12 months) £000
Bank loans and overdrafts wholly repayable within 5 years	2,461	2,786
Bank loan redemption premia	1,084	914
Hire purchase agreements	6	20
Amortisation of deferred financing costs	892	1,151
	<u>£4,443</u>	<u>£4,871</u>

Rydon Holdings Limited

Notes to the Financial Statements For the 13 month period ended 31 October 2010

8 Taxation

(a) Analysis of charge in the period

	2010 (13 months) £000	2009 (12 months) £000
Current Tax		
UK corporation tax on profit for the period	(10)	1,081
Adjustment in respect of previous period	40	(39)
	30	1,042
Deferred tax	(572)	(162)
Share of associates' tax	79	9
	<u>£(463)</u>	<u>£889</u>

(b) Factors affecting tax charge for the period

The tax assessed for the period is lower (2009 higher) than the standard rate of corporation tax in the UK of 28% (2009 28%). The differences are explained below

	2010 (13 months) £000	2009 (12 months) £000
Profit on ordinary activities before tax	707	358
Less share of associates' profit before tax	(229)	(24)
	<u>£478</u>	<u>£334</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in UK of 28% (2009 - 29%)	134	93
Effects of		
Expenses not deductible for tax purposes	34	150
Goodwill on consolidation not deductible for tax purposes	859	793
Depreciation in excess of capital allowances	275	10
Capital allowances in excess of depreciation	-	(13)
Adjustment in respect of previous period	40	(39)
Income not taxable	(1,576)	-
Unrelieved tax losses and other deductions arising in the period	347	-
Utilisation of tax losses and other deductions	(14)	-
Pension accrual	-	42
Other timing differences	(69)	6
	<u>£30</u>	<u>£1,042</u>

(c) Deferred tax asset

The deferred tax included in the balance sheet is as follows

	2010 £000	2009 £000
Depreciation in excess of capital allowances	3	26
Accelerated capital allowances	279	-
Unrealised profits	737	56
Short term timing differences	(5)	-
	<u>£1,014</u>	<u>£82</u>

Rydon Holdings Limited

Notes to the Financial Statements For the 13 month period ended 31 October 2010

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 period are as follows:

	2010 (13 months)		2009 (12 months)	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
Outstanding at beginning of period	407,125	£2.12	392,625	£2.06
Granted during the period	26,375	£1.06	33,000	£2.88
Forfeited during the period	(25,000)	£2.00	(18,500)	£2.12
Outstanding at end of period	<u>408,500</u>	£2.06	<u>407,125</u>	£2.12
Exercisable at end of period	<u>331,125</u>	£2.01	<u>342,500</u>	£2.00

The options outstanding at 31 October 2010 had a weighted average exercise price of £2.06 (2009 - £2.12) and a weighted average remaining contractual life of 1.82 years (2009 - 2.61) years. During the period ended 31 October 2010, options were granted on 28 April and 26 August 2010. The aggregate of the estimated fair values of the options granted on those dates is £7,151. During the year ended 30 September 2009, options were granted on 1 November 2008. The aggregate of the estimated fair values of the options granted on that date is £46,536.

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

	2010	2009
Weighted average share price	1.06	£2.88
Weighted average exercise price	1.06	£2.88
Expected volatility	34	69
Expected life	3 years	3 years
Risk free rate	1.85%	4.5%
Expected dividend yield	0.00%	0.00%

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

The group recognised total expenses of £13,000 and £12,000 related to equity settled share based payment transactions in 2010 and 2009 respectively.

10 Profit of Parent Company

As permitted by Section 408 of the Companies Act 2006 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 £3,433,000 (2009 - £1,154,000).

Rydon Holdings Limited

Notes to the Financial Statements

For the 13 month period ended 31 October 2010

11. Intangible Fixed Assets

	Goodwill £000
Cost	
At 1 October 2009	30,522
Additions	<u>8,204</u>
At 31 October 2010	<u>£38,726</u>
Amortisation	
At 1 October 2009	11,434
Charge for the period	3,253
Impairment	<u>891</u>
At 31 October 2010	<u>£15,578</u>
Net Book Values	
At 31 October 2010	<u>£23,148</u>
At 30 September 2009	<u>£19,088</u>

Goodwill brought forward arising on the acquisition of subsidiary companies at the start of the period 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 13 month period ended 31 October 2010

11. Intangible Fixed Assets (continued)

Additions in the period relate to goodwill arising on the acquisition of Equipe Regeneration Limited on 21 October 2010. No amortisation was charged in the ten days between acquisition and the balance sheet date. The directors are currently considering the appropriate period over which to amortise the newly acquired goodwill, based on their assessment of the value expected to flow over the contract duration. Details are shown in the table below. In the period from 1 January 2010 to the date of acquisition Equipe Regeneration Limited made a profit after tax of £268,000. In the twelve months ended 31 December 2009 it made a profit after tax of £259,000.

Equipe Regeneration Limited	£000
Consideration for shares	9,170
Less: fair value of net assets acquired	(966)
Goodwill arising on consolidation	<u>£8,204</u>
The fair values of the assets acquired, which were the same as the book values, were as follows:	
Fixed assets	16
Debtors	811
Loans to shareholders	3,248
Cash	932
Creditors	(658)
Deferred income	<u>(3,383)</u>
	<u>£966</u>
Consideration was satisfied by:	
Cash	4,521
Deferred consideration	1,400
Novation of shareholder loans	<u>3,249</u>
	<u>£9,170</u>

The purchase consideration included £1.4m which is contingent upon the financial close of a PFI housing contract. In the opinion of the directors it is probable that the payment will be made and it is therefore included in the goodwill.

Rydon Holdings Limited

Notes to the Financial Statements For the 13 month period ended 31 October 2010

12. Tangible Fixed Assets

	Short Leasehold properties £000	Motor vehicles £000	Office equipment £000	Plant and machinery £000	Total £000
Cost					
At 1 October 2009	2,347	3,701	2,991	936	9,975
Acquired on acquisition of subsidiary company	-	-	18	-	18
Additions	75	315	202	7	599
Disposals	-	(479)	(349)	(57)	(885)
At 31 October 2010	<u>£2,422</u>	<u>£3,537</u>	<u>£2,862</u>	<u>£886</u>	<u>£9,707</u>
Accumulated Depreciation					
At 1 October 2009	645	1,650	2,135	847	5,277
Acquired on acquisition of subsidiary company	-	-	2	-	2
Charge for the period	243	657	432	20	1,352
Eliminated on disposals	-	(355)	(346)	(30)	(731)
At 31 October 2010	<u>£888</u>	<u>£1,952</u>	<u>£2,223</u>	<u>£837</u>	<u>£5,900</u>
Net Book Values					
At 31 October 2010	<u>£1,534</u>	<u>£1,585</u>	<u>£639</u>	<u>£49</u>	<u>£3,807</u>
At 1 October 2009	<u>£1,702</u>	<u>£2,051</u>	<u>£856</u>	<u>£89</u>	<u>£4,698</u>
Depreciation rates	10% & 20%	20%	25% & 10%	25%	

The net book value of motor vehicles includes an amount of £104,619 (2009 - £657,700) in respect of assets held under hire purchase contracts. The net book value of office equipment includes an amount of £46,580 (2009 - £46,580) in respect of assets held under hire purchase contracts.

The depreciation charge on assets under hire purchase contracts was £186,355 (2009 - £333,929).

13. Fixed Assets - Investments - Group Companies

	£000
Cost	
At 31 October 2010 and 1 October 2009	<u>£48,071</u>

The parent company and the group have investments in the following subsidiary undertakings and joint ventures 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.

Rydon Holdings Limited

Notes to the Financial Statements

For the 13 month period ended 31 October 2010

13. Fixed Assets - Investments - Group Companies (continued)

Subsidiary undertakings

Name	Class of shares held	Percentage held	Nature of business
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
The following investments are held by Rydon Group Limited			
Rydon Construction Limited	Ordinary	100%	Building Contractor
Rydon Homes Limited (formerly Rydon (Eastbourne Limited)	Ordinary	100%	Developer
Ryhurst Limited	Ordinary	100%	Procurement & Management services relating to Health & Social Care Projects
Rydon Maintenance Limited	Ordinary	100%	Property Maintenance
The following investment is held by Rydon Maintenance Limited			
Equipe Regeneration Limited	Ordinary	100%	Property Maintenance

In accordance with FRS2 (subsidiary undertakings), Wilfrid Homes Limited (formerly Rydon Homes Limited) has been excluded from the consolidated financial statements and treated as having been disposed of on 18 October 2010. At the balance sheet date the group still held 100% of the share capital of Wilfrid Homes Limited but had ceased to control it, having entered into a put and call option agreement with a third party to enable it to acquire 100% of the share capital of Wilfrid Homes Limited and granted a licence to the third party to carry out works on sites owed by that company. Pursuant to the put and call option agreement the make up of the board of Wilfrid Homes Limited changed on 18 October 2010 to be entirely controlled by the third party. Since the date of effective disposal of Wilfrid Homes Limited there have been no transactions with the group. The group had no balances with Wilfrid Homes Limited at the balance sheet date. Following the exercise of the put and call options 100% of the share capital of Wilfrid Homes Limited was transferred to the third party on 7 February 2011. The profit on the deemed disposal of the subsidiary of £8.0m has been disclosed as a separate item in the profit and loss account. The ongoing housing and development business continues to be undertaken by Rydon Homes Limited formerly Rydon (Eastbourne) Limited.

Rydon Holdings Limited

Notes to the Financial Statements For the 13 month period ended 31 October 2010

13 Fixed Assets - Investments - Group Companies (continued)

Joint Ventures

Name	Class of shares held	Percentage held	Nature of business
Ryhurst (Newton Abbot) Limited	Ordinary	50%	Negotiation and promotion of Private Finance Initiative with the NHS
RSRM (Redcar and Cleveland) Limited	Ordinary	50%	
Insite Energy Limited	Ordinary	50%	Metering and billing services

The following information is given in respect of the group's share of all joint ventures
The total of the group's profit before taxation from interests in joint ventures was £229,000

	2010 £000	2009 £000
Share of current assets	<u>30,630</u>	<u>29,578</u>
Share of liabilities		
Due within one year	(209)	(1,900)
Due after one year	<u>(30,350)</u>	<u>(27,663)</u>
	<u>(30,559)</u>	<u>(29,563)</u>
Share of net assets	<u>£71</u>	<u>£15</u>

14 Stock and Work-in-progress

	2010 £000	2009 £000
Freehold land held for development	<u>1,573</u>	<u>3,698</u>
Stock of materials	<u>52</u>	<u>50</u>
Work in Progress		
Costs of development on land owned by the group	7,156	27,747
Costs of development on land owned by third parties	-	2,612
Third party contracts under construction		
Net cost less foreseeable losses	<u>2,750</u>	<u>1,078</u>
Total work in progress	<u>9,906</u>	<u>31,437</u>
Total stock and work in progress	<u>£11,531</u>	<u>£35,185</u>

Rydon Holdings Limited

Notes to the Financial Statements

For the 13 month period ended 31 October 2010

15. Debtors

	Group		Company	
	2010 £000	2009 £000	2010 £000	2009 £000
Due Within One Year				
Amounts recoverable on contracts	10,614	9,694	-	-
Trade debtors	3,455	2,065	-	-
Corporation Tax	-	-	-	27
Deferred tax asset	1,014	82	-	-
Amounts owed by subsidiary companies	-	-	733	10,723
Amounts owed by joint venture companies	50	24	-	-
Other debtors	4,253	2,597	1,892	1,442
Prepayments	901	529	-	-
	<u>£20,287</u>	<u>£14,991</u>	<u>£2,625</u>	<u>£12,192</u>
Due After One Year				
Amounts owed by subsidiary companies	-	-	4,552	4,552
Amounts recoverable on contracts	424	1,167	-	-
Other debtors	84	151	-	-
	<u>£508</u>	<u>£1,318</u>	<u>£4,552</u>	<u>£4,552</u>

16 Creditors – Amounts Falling Due Within One Year

	Group		Company	
	2010 £000	2009 £000	2010 £000	2009 £000
Bank loans and overdrafts (see note 17)	20	22,408	5,044	31,329
Deferred financing costs	-	(645)	-	(645)
Payments received on account	14,170	10,883	-	-
Obligations under hire purchase contracts	27	249	-	-
Trade creditors	4,104	1,744	-	-
Amounts owed to subsidiary companies	-	-	23,417	-
Other loans	888	888	839	838
Corporation tax	103	317	-	-
Other taxation	336	430	-	-
Social security costs	329	286	-	-
Other creditors	596	1,075	-	-
Accruals and deferred income	18,300	15,033	514	164
	<u>£38,873</u>	<u>£52,668</u>	<u>£29,814</u>	<u>£31,686</u>

Creditors – amounts falling due within one year includes £14,506,000 (2009 - £10,883,000) in respect of amounts received in advance

Rydon Holdings Limited

Notes to the Financial Statements For the 13 month period ended 31 October 2010

17 Creditors – Amounts Falling Due After More Than One Year

	Group		Company	
	2010 £000	2009 £000	2010 £000	2009 £000
Accruals and deferred income	5,130	1,403	-	-
Instalments due under hire purchase contracts	-	36	-	-
Bank loans	6,470	17,822	6,470	17,822
Deferred financing costs	(482)	(729)	(482)	(729)
	<u>£11,118</u>	<u>£18,532</u>	<u>£5,988</u>	<u>£17,093</u>
Included in the above are amounts repayable by instalments				
Between one and two years	1,237	6,705	1,237	6,669
Between two and five years	4,751	10,424	4,751	10,424
	<u>£5,988</u>	<u>£17,129</u>	<u>£5,988</u>	<u>£17,093</u>

Obligations under hire purchase contracts

	2010 £000	2009 £000
Amounts payable within one to two years	-	36
	<u>-</u>	<u>£36</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
£5,000	7.73%

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 3.75% to 5.75% per annum

Rydon Holdings Limited

Notes to the Financial Statements For the 13 month period ended 31 October 2010

18 Share Capital

	Authorised £000	Fully paid £000	Allotted and issued Partly paid £000	Total £000
2010				
"A" Ordinary shares of 10p each	414	337	3	340
"B" Ordinary shares of 10p each	310	310	-	310
"C" Ordinary shares of 10p each	310	310	-	310
	<u>£1,034</u>	<u>£957</u>	<u>£3</u>	<u>£960</u>
2009				
"A" Ordinary shares of 10p each	414	339	3	342
"B" Ordinary shares of 10p each	310	310	-	310
"C" Ordinary shares of 10p each	310	310	-	310
	<u>£1,034</u>	<u>£959</u>	<u>£3</u>	<u>£962</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	46	301,500	£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	1	5,000	£2.88
10 January 2008	1	1,000	£2.88
8 April 2008	1	4,000	£2.88
1 November 2008	7	33,000	£2.88
28 April 2010	4	23,375	£1.06
26 August 2010	2	3,000	£1.06

Rydon Holdings Limited

Notes to the Financial Statements For the 13 month period ended 31 October 2010

19 Reconciliation of Movements in Shareholders' Funds

	Group		Company	
	2010 (13 months) £000	2009 (12 months) £000	2010 (13 months) £000	2009 (12 months) £000
Profit (Loss) for the period	1,187	(536)	3,433	1,154
Other recognised losses relating to the period	(777)	(2,001)	-	-
Net increase (decrease) in shareholders' funds	410	(2,537)	3,433	1,154
Issue of ordinary shares of 10p each	-	225	-	225
Redemption of ordinary shares of 10p each	(23)	-	(23)	-
Opening shareholders' funds	10,079	12,391	16,036	14,657
	<u>£10,466</u>	<u>£10,079</u>	<u>19,446</u>	<u>£16,036</u>

20. Minority interests

Group	2010 £000	2009 £000
At 31 October 2010	22	17
Profit on ordinary activities after taxation	(17)	5
At 31 October 2010	<u>£5</u>	<u>£22</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 13 month period ended 31 October 2010

21. Reserves

Group	Share Premium Account £000	Capital Redemption Reserve £000	Profit and Loss Account £000	Total £000
At 30 September 2009	2,088	10	7,019	9,117
Redemption of ordinary shares of 10p each	-	2	(23)	(21)
Retained profit for the period	-	-	1,187	1,187
Actuarial loss recognised in STRGL	-	-	(777)	(777)
At 31 October 2010	<u>£2,088</u>	<u>£12</u>	<u>£7,406</u>	<u>£9,506</u>

Of the total amount of reserves, £2,100,000 (2009 - £2,098,000) is not available for distribution

Company	Share Premium Account £000	Capital Redemption Reserve £000	Profit and Loss Account £000	Total £000
At 30 September 2009	2,088	10	12,976	15,074
Redemption of ordinary shares of 10p each	-	2	(23)	(21)
Retained profit for the period	-	-	3,433	3,433
At 31 October 2010	<u>£2,088</u>	<u>£12</u>	<u>£16,386</u>	<u>£18,486</u>

Of the total amount of reserves, £2,100,000 (2009 - £2,098,000) is not available for distribution

22. 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.

23. 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 £830,000 (2009 - £245,836).

Rydon Holdings Limited

Notes to the Financial Statements

For the 13 month period ended 31 October 2010

23. Pension Commitments (continued)

Defined benefit scheme

The group's defined benefits scheme was closed to future accrual of benefits on 30 September 2009, with all active members at that date becoming deferred members. As a result an assumption is not required for salary increases this period as the linkage of benefits to salary increases has been broken. Members' accrued benefits will be revalued to retirement in line with inflation. 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 nil (2009 - £1,449,000)

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.

The major assumptions used by the Actuary were

	31 October 2010 % pa	30 September 2009 % pa	30 September 2008 % pa
Price inflation	3.1	3.2	3.6
Rate of increase in pay			
- Executives and directors	n/a	n/a	2.6
- Staff	n/a	n/a	2.6
Rate of increase of pensions in payment			
- Pre 6 April 1997	0.0	0.0	0.0
- Post 6 April 1997	3.1	3.2	3.6
Rate of increase for deferred pensioners	3.1	3.2	3.6
Discount rate	5.2	5.5	7.0

The assets in the scheme are held in Managed Funds and Unit Trusts operated by L & G Asset Management, Schroder Pension Management and M & G Investments. The fair value of the assets held and the expected rates of return assumed are as follows:

	Expected rate of return year commencing 31 October 2010	Value at 31 October 2010 £000	Expected rate of return year commencing 30 September 2009	Value at 30 September 2009 £000	Expected rate of return year commencing 30 September 2008	Value at 30 September 2008 £000
Equities and property	6.2%	15,720	6.50% pa	15,658	7.20% pa	13,265
Bonds	4.3%	5,809	4.50% pa	5,175	5.50% pa	4,607
Cash	0.5%	3,949	0.50% pa	1,377	5.00% pa	625
Total value of assets		<u>25,478</u>		<u>£22,210</u>		<u>£18,497</u>

Rydon Holdings Limited

Notes to the Financial Statements

For the 13 month period ended 31 October 2010

23. Pension Commitments (continued)

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

	At 31 October 2010 £000	At 30 September 2009 £000	At 30 September 2008 £000
Total market value of assets	25,478	22,210	18,497
Present value of scheme liabilities	(21,966)	(22,456)	(15,814)
Surplus (Deficit) in scheme	3,512	(246)	2,683
Unrecognised surplus	(3,512)	-	-
	-	(246)	2,683
Related deferred tax (liability) asset	-	69	(752)
Net Pension (liability) asset	-	£(177)	£1,931

In accordance with FRS17 the surplus in the scheme is being treated as unrecognised and not shown as an asset on the group's balance sheet. Refunds from the scheme are not permitted and closure of the scheme means the asset can not be recovered by the group through reductions in future contributions.

Analysis of the amount charged to operating profit

	2010 £000	2009 £000	2008 £000
Current service cost	-	552	757
Curtailement charge	-	897	-
	-	£1,449	£757

Analysis of the amount credited to other finance income

	2010 £000	2009 £000	2008 £000
Expected return on pension scheme assets	(1,332)	1,277	1,560
Interest on pension scheme liabilities	1,332	(1,124)	(1,133)
	-	£153	£427

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

	2010 £000	2009 £000	2008 £000
Actual return less expected return on pension scheme assets	871	1,316	(5,204)
Experience gain arising on the scheme liabilities	608	128	528
Change in assumptions underlying the present value of the scheme liabilities	896	(4,223)	3,668
Actuarial loss arising from unrecognised surplus	(3,439)	-	-
Actuarial loss recognised in STRGL	£(1,064)	£(2,779)	£(1,008)

Rydon Holdings Limited

Notes to the Financial Statements For the 13 month period ended 31 October 2010

23 Pension Commitments (continued)

Movements in (deficit) surplus during the period

	2010 £000	2009 £000	2008 £000
(Deficit) Surplus in scheme at beginning of the period	(246)	2,683	2,883
Movement in period			
Current service cost	-	(552)	(757)
Curtailment charge	-	(897)	-
Contributions	1,310	1,146	1,138
Other finance income	-	153	427
Actuarial loss	(1,064)	(2,779)	(1,008)
(Deficit) / surplus in scheme at end of the period	-	£(246)	£2,683

History of experience gains and losses

	13 month period ended 31 October 2010 £000	Year ended 30 September			18 month period ended 30 September 2006 £000
		2009 £000	2008 £000	2007 £000	
Difference between the expected and actual return on scheme assets					
Gain (loss)	£871	£1,316	£(5,204)	£434	£1,665
Percentage of scheme assets	3.4%	5.9%	28.1%	1.9%	8.4%
Experience gains and losses on scheme liabilities					
Gain	£608	£128	£528	£91	£409
Percentage of the present value of the scheme liabilities	2.8%	0.6%	3.3%	0.5%	2.4%
Total amount recognised in statement of recognised gains and losses					
Loss	£(1,064)	£(2,779)	£(1,008)	£(224)	£90
Percentage of the present value of the scheme liabilities	4.8%	12.4%	6.4%	-1.1%	0.5%

Rydon Holdings Limited

Notes to the Financial Statements For the 13 month period ended 31 October 2010

23. Pension Commitments (continued)

Changes in the present value of the Scheme liabilities for the 13 month period ended on 31 October 2010 are as follows

	2010 13 Months £000	2009 12 Months £000	2008 12 Months £000
Present value of Scheme liabilities at beginning of period	22,456	15,814	19,599
Service cost	-	552	757
Employee contributions	-	201	213
Interest cost	1,332	1,124	1,133
Past service cost	-	-	-
Curtailment loss	-	897	-
Actuarial losses / (gain)	(1,504)	4,095	(4,196)
Benefits paid	(318)	(227)	(1,692)
Present value of Scheme liabilities at end of period	<u>£21,966</u>	<u>£22,456</u>	<u>£15,814</u>

Changes in the fair value of the Scheme assets for the 13 month period ending 31 October 2010 are as follows

	2010 13 Months £000	2009 12 Months £000	2008 12 Months £000
Market value of Scheme assets at beginning of period	22,210	18,497	22,482
Expected return	1,405	1,277	1,560
Actuarial gains / (losses)	871	1,316	(5,204)
Benefits paid	(318)	(227)	(1,692)
Contributions paid by the company	1,310	1,146	1,138
Employee contributions	-	201	213
Market value of Scheme assets at end of period	<u>£25,478</u>	<u>£22,210</u>	<u>£18,497</u>

Total pension costs charged to the consolidated profit and loss account

	At 31 October 2010 £000	At 30 September 2009 £000	At 30 September 2008 £000
Current service cost of defined benefit scheme	-	552	757
Curtailment charge on closure of defined benefit scheme	-	897	-
Contributions to defined contribution scheme	849	246	262
	<u>£849</u>	<u>£1,695</u>	<u>£1,019</u>

Rydon Holdings Limited

Notes to the Financial Statements For the 13 month period ended 31 October 2010

24. Other Financial Commitments

At 31 October 2010 the group was committed to making the following payments under non-cancellable operating leases in the year to 31 October 2011

Leases due to expire	2010 £000	2009 £000
In less than one year	-	29
In two to five years	40	-
After 5 years	607	646
Total	£647	£675

25 Related Party Transactions

During the period the group invoiced the following amounts to joint venture companies for work carried out in the ordinary course of business

Ryhurst (Newton Abbot) Limited	£673,000
RSRM (Redcar and Cleveland) Limited	£3,000

Amounts owed by joint venture companies are disclosed in note 15. These amounts all relate to trading balances.