

LUMSDEN & CARROLL
CONSTRUCTION LIMITED
ANNUAL REPORT
AND FINANCIAL STATEMENTS

31 DECEMBER 2009



LEADING THE WAY IN CONSTRUCTING THE REGION



Regeneration Specialists &
Developer of Affordable Homes.



Waste Disposal & Recycling Specialists.



Social Housing Specialists -
Refurbishment & New Build.



Managed Retirement
Housing Developer.



Commercial Development.



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Civil Engineering & Building
Contractor, Roads, Sewers, Bridges,
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& Property Development & Project
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Mechanical, Electrical & Plumbing
Contractors. Industrial, Commercial
& Domestic.



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range of private housing across
Northern England.



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Boutique Wind Farms.



Commercial Building &
Refurbishment Specialists.



Operated & Non-operated Plant
for the Construction Industry.



Sustainable M&E Installation
and Maintenance.

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DIRECTORS' REPORT

The directors present their directors' report and financial statements for the year ended 31 December 2009.

Principal activities

The principal activity of the Group and Company is Civil Engineering.

Business review

On 31 August 2009 the trade and net liabilities of Stephen Easten Building Limited were transferred into Lumsden & Carroll Construction Limited. The trade of Stephen Easten continues as a division of, and a valued brand of, Lumsden & Carroll Construction Limited.

In the year excellent work has been carried out on framework contracts with Northumbrian Water, Yorkshire Water and the Environment Agency, and the team should be proud of their performance and achievements.

Significant contracts have been undertaken for SITA (waste management plants construction); Nexus (repair and structural alterations to bridges); Port of Tyne (construction of storage facilities, car parking and hard landscaping works); Sunderland City Council (civil engineering

works); Durham County Council (repairs to Seaham Harbour and replacement of harbour gates); YORbuild (commercial build and social housing works); St Mary's Catholic Cathedral (Grade 1 accredited renewal of cathedral floor); and Sunderland Royal Hospital (construction of ICCU unit an advanced medical wing). We have also secured a number of larger contracts from our Leeds office.

This is the first year that Lumsden & Carroll Construction Limited has opted to prepare Group financial statements.

Performance

In a very competitive market the Group performed well, achieving turnover of £64.2m and profit before tax of £2.9m. Turnover has been reduced by 29% whilst profit levels were less reduced (by 24%) and once again out-performing in the sectors in which we operate. Gross profit margin for the year increased to 10.5% compared to 8.8% in 2008.



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Measurement

The Group uses a number of performance indicators, both non-financial and financial to ensure that activities are monitored and controlled effectively. These are reported to the Board and staff at frequent and regular intervals and include: health and safety, staff welfare & retention, sickness monitoring, training & development, personal development programmes, customer service levels and environmental activities. In addition, we benchmark our performance to ensure that we continue to operate effectively and at the upper end of the sector. Our financial indicators included turnover, gross & net profit, cash management, overheads and retention levels. We rigorously maintain our market awareness to ensure we continue to operate competitively.

The Board considers these measures ensure a high level of control over our activities and form an effective measurement and reporting system.

	2009	2008
Turnover (£)	64,243,242	90,975,254
Profit before tax (£)	2,891,280	3,807,934
Cash (net of external debt) (£)	4,592,927	3,062,549
Staff numbers	369	454

Principal risks and uncertainties

Relative to 2009, 2010 looks equally challenging. We seek to maintain our leading position in the sector through continuous business improvement such as ISO18001 accreditation which we achieved within the year. With margins under pressure we continue to seek opportunities to expand our operations across a wider geographic area. To this end our business development teams are active in Yorkshire, Cumbria and Scotland.

DIRECTORS' REPORT

Financial instruments

The Group's financial instruments comprise borrowings (principally obligations under finance leases) share capital, cash, and various items, such as trade debtors, trade creditors etc that arise directly from its operations.

The main risks arising from these financial instruments are interest rate risk and liquidity risk. These are managed at a Group level, and are discussed in the Esh Holdings Limited financial statements.

Proposed dividends

Dividends paid during the year comprise an interim dividend in respect of the year ended 31 December 2009 of £3,000,000 (2008: £2,900,000).

Directors

The directors who held office during the year were as follows:

- JG Lumsden
- AJ Carroll
- B Manning
- AR Pickett
- D Thompson
- ST Wilkie
- JP Davies
- MP Henderson (appointed 6 April 2009)
- C Walker (appointed 1 May 2010)
- S Conn
- MF Hogan
- P Watson
- A Law
- WR McCafferty
- D Pratt
- MJ Laverick

Employees

The Group gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person. Where existing employees become disabled, it is the Group's policy wherever practicable to provide continuing employment under normal terms and

conditions and to provide training, career development and promotion to disabled employees wherever appropriate.

The Group is firmly committed to the principles of employee involvement. A range of briefing and consultation arrangements have been developed in all parts of the company and these are subject to continued review and improvement.

Political and charitable contributions

Neither the Company nor any of its subsidiaries made any political contributions during the year. Donations to UK charities amounted to £600 (2008: *£nil*) for the Group.

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

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.

By order of the board



AR Pickett - Director
27 May 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 year. 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 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 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.



The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LUMSDEN & CARROLL CONSTRUCTION LIMITED

We have audited the financial statements of Lumsden & Carroll Construction Limited for the year ended 31 December 2009 set out on pages 10 to 34. 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 auditors' 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 7, 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 December 2009 and of the Group's profit for the year 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 year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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

Paul Moran (Senior Statutory Auditor) for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
Quayside House
110 Quayside
Newcastle upon Tyne
NE1 3DX

27 May 2010



CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2009

	<i>Note</i>	2009 £	2008 £
Group turnover	2	64,243,242	90,975,254
Cost of sales		(57,441,974)	(82,961,385)
Gross profit		6,801,268	8,013,869
Administrative expenses		(3,859,947)	(4,127,193)
Group operating profit		2,941,321	3,886,676
Other interest receivable and similar income	6	58,397	37,006
Interest payable and similar charges	7	(108,438)	(115,748)
Profit on ordinary activities before taxation	2-7	2,891,280	3,807,934
Tax on profit on ordinary activities	8	(187,085)	(296,741)
Profit for the financial year	19	2,704,195	3,511,193

All of the results above derive from continuing activities.

The Group had no recognised gains and losses other than those reflected in the profit and loss account.

CONSOLIDATED BALANCE SHEET

AT 31 DECEMBER 2009

	Note	2009 £	2009 £	2008 £	2008 £
Fixed assets					
Tangible assets	11		2,480,330		3,121,396
Investments	12		1		1
			2,480,331		3,121,397
Current assets					
Stocks	13	410,706		371,036	
Debtors	14	14,306,785		18,288,923	
Cash at bank and in hand		5,507,097		4,617,739	
		20,224,588		23,277,698	
Creditors: amounts falling due within one year	15	(14,402,108)		(17,373,932)	
			5,822,480		5,903,766
Net current assets					
			8,302,811		9,025,163
Total assets less current liabilities					
			(318,818)		(745,365)
Net assets					
			7,983,993		8,279,798
Capital and reserves					
Called up share capital	18		978,150		978,150
Share premium account	19		12,490		12,490
Other reserves	19		20		20
Profit and loss account	19		6,993,333		7,289,138
			7,983,993		8,279,798
Shareholders' funds					

These financial statements were approved by the board of directors on 27 May 2010 and were signed on its behalf by:
JP Davies - Director

Company registered number: 02529939

COMPANY BALANCE SHEET

AT 31 DECEMBER 2009

	Note	2009 £	2009 £	2008 £	2008 £
Fixed assets					
Intangible assets	10		605,716		-
Tangible assets	11		2,460,508		3,009,887
Investments	12		3		3
			3,066,227		3,009,890
Current assets					
Stocks	13	410,706		131,036	
Debtors	14	13,059,510		15,573,069	
Cash at bank and in hand		5,017,465		3,854,940	
		18,487,681		19,559,045	
Creditors: amounts falling due within one year	15	(12,913,757)		(13,475,980)	
Net current assets			5,573,924		6,083,065
Total assets less current liabilities			8,640,151		9,092,955
Creditors: amounts falling due after more than one year	16		(314,547)		(732,352)
Provisions for liabilities	17		-		(8,917)
Net assets			8,325,604		8,351,686
Capital and reserves					
Called up share capital	18		978,150		978,150
Share premium account	19		12,490		12,490
Other reserves	19		20		20
Profit and loss account	19		7,334,944		7,361,026
Shareholders' funds			8,325,604		8,351,686

These financial statements were approved by the board of directors on 27 May 2010 and were signed on its behalf by:
JP Davies, Director

Company registered number: 02529939

RECONCILIATIONS OF MOVEMENTS IN SHAREHOLDERS' FUNDS

FOR THE YEAR ENDED 31 DECEMBER 2009

	Group 2009 £	Group 2008 £	Company 2009 £	Company 2008 £
Profit for the financial year	2,704,195	3,511,193	2,973,918	3,387,373
Dividends on shares classified in shareholders' funds	(3,000,000)	(2,900,000)	(3,000,000)	(2,900,000)
Net (reduction in) / addition to shareholders' funds	(295,805)	611,193	(26,082)	487,373
Opening shareholders' funds	8,279,798	7,668,605	8,351,686	7,864,313
Closing shareholders' funds	7,983,993	8,279,798	8,325,604	8,351,686

NOTES (FORMING PART OF THE FINANCIAL STATEMENTS)

1. ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

Under FRS 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements.

As the Company is a wholly owned subsidiary of Esh Holdings Limited, the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the Group. The consolidated financial statements of Esh Holdings Limited, within which this Company is included, can be obtained from Companies House.

Going concern

The Group and Company meets its financing requirements through its cash resources and debt associated with finance leases. The Company also has balances with other companies in the Group headed by Esh Holdings Limited.

The Company is subject to a cross guarantee banking arrangement with its parent undertaking, Esh Holdings Limited, and certain other Esh Group undertakings. Detailed information regarding the financial position of the Group headed by Esh Holdings Limited, its cash flows, liquidity position and borrowing facilities are included in the financial statements of Esh Holdings Limited, which can be obtained from the address given in note 24.

Before exceptional charges, the Group headed by Esh Holdings Limited recorded an operating profit of £5.7m. An exceptional charge of £3m was incurred on the write down of land in the Group's house building subsidiary, Dunelm Homes Limited. Including this exceptional charge, the Group headed by Esh Holdings Limited's resulting profit on ordinary activities before tax was £0.3m.

Excluding Dunelm Homes Limited, the Group headed by Esh Holdings Limited had cash at bank of £17.6m and secured debt of £5.1m.

The bank borrowings of Dunelm Homes Limited (a fellow subsidiary undertaking), which total £35.4m at the end of the year, are discrete to Dunelm Homes Limited and secured only on the assets of Dunelm Homes Limited. These bank borrowings are not subject to any cross guarantees or security over the assets of any other Esh Group companies. Neither are there any other financial guarantees provided by the other Esh Group companies to Dunelm Homes Limited.

Including Dunelm Homes Limited, the Group headed by Esh Holdings Limited had cash at bank of £18.1m, and secured debts of £40.6m.

The Group headed by Esh Holdings Limited (excluding Dunelm Homes Limited) trades with a large number of customers and suppliers across a number of sectors and expects to meet its day to day working capital requirements through its existing considerable cash reserves, which totalled £18.1m at the year end, and ongoing trade which remains profitable.

The directors have prepared detailed projected cash flow information for the Group headed by Esh Holdings Limited, but excluding



Dunelm Homes Limited, for the period through until 31 December 2011. These projections take into account such variations to an extent which they believe to be reasonable, based on information available at the time of approval of these financial statements. The forecasts assume no cash inflows or outflows between Dunelm Homes Limited and the remainder of the Group headed by Esh Holdings Limited. On the basis of this cash flow information the directors believe that the Group headed by Esh Holdings Limited, excluding Dunelm Homes Limited, will be able to operate comfortably within available cash reserves and banking facilities. At 30 April 2010 the Group headed by Esh Holdings Limited, excluding Dunelm Homes Limited, had increased cash reserves by a further £1.8m to £19.9m from the £18.1m cash reserves at 31 December and as such the Esh Group companies excluding Dunelm Homes Limited, can demonstrate that they would be able to continue in operational existence.

After making detailed enquiries and taking into account the factors discussed above, the Board is confident that the Company has adequate resources to continue in operational existence for the foreseeable future and accordingly continues to prepare the financial statement on a going concern basis.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 December 2009, except for Lumsden & Carroll Utilities Limited, which has been excluded from the consolidated results on the basis that it is not material (note 12). The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the

consolidated profit and loss account from the date of acquisition or up to the date of disposal.

Under s408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

Goodwill and negative goodwill

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on business combinations in respect of acquisitions since 1 January 1998 is capitalised. Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life.

On the subsequent disposal or termination of a business acquired since 1 January 1998, the profit or loss on disposal or termination is calculated after charging the unamortised amount of any related goodwill.

Intangible fixed assets and amortisation

Intangible fixed assets purchased separately from a business are capitalised at their cost.

Intangible assets acquired as part of an acquisition are capitalised at their fair value where this can be measured reliably.

Intangibles purchased by the Company are amortised to nil by equal annual instalments over their useful economic lives, generally their respective unexpired periods, of 5 years.

Investments

Investments in subsidiary undertakings are stated at cost less amounts written off.

NOTES (CONTINUED)

1. ACCOUNTING POLICIES

Tangible fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by instalments over their estimated useful economic lives as follows:

Freehold property	-	4% per annum straight line
Plant and machinery	-	20% reducing balance and 33% straight line
Fixtures, fitting and equipment	-	33% straight line
Motor vehicles	-	30% reducing balance
Vans	-	30% reducing balance

No depreciation is provided on freehold land.

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Post-retirement benefits

The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

Long term contracts

The amount of profit attributable to the stage of completion of a long term contract is recognised when the outcome of the contract can be foreseen with reasonable certainty. Turnover for such contracts is stated at the cost appropriate to their stage of completion plus attributable profits, less amounts recognised in previous years. Turnover includes the initial amount agreed in the contract plus any variations in contract work to the extent that it is probable that they will result in revenue and can be measured reliably. The stage of completion of contracts is assessed by reference to completion of a physical proportion of the contract work. Provision is made for any losses as soon as they are foreseen.

Contract work in progress is stated at costs incurred, less those transferred to the profit and loss account, after deducting foreseeable losses and payments on account not matched with turnover.

Amounts recoverable on contracts are included in debtors and represent turnover recognised in excess of payments on account.

Financial instruments

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other Companies within its Group, the Company considers these to be insurance arrangements and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.



Taxation

The charge for taxation is based on the profit 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 recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Classification of financial instruments issued by the Group

Financial instruments issued by the Group are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions:

- a) they include no contractual obligations upon the Company (or Group as the case may be) to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company (or Group); and
- b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified

takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges. Finance payments associated with financial instruments that are classified as part of shareholders' funds (see dividends policy), are dealt with as appropriations in the reconciliation of movements in shareholders' funds.

Dividends on shares presented within shareholders' funds

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

Turnover

Turnover is measured at the fair value of consideration received or receivable net of discounts and VAT provided that it can be measured reliably.

Turnover on long term contracts is recorded at cost appropriate to the stage of completion plus attributable profits, less amounts recognised in previous years, as set out in the accounting policy for long term contracts.

Turnover on short term contracts is recognised when the contract is completed.

NOTES (CONTINUED)

2. TURNOVER

All turnover is derived from the principal activity, wholly undertaken in the United Kingdom.

3. NOTES TO THE PROFIT AND LOSS ACCOUNT

	2009 £	2008 £
<i>Profit on ordinary activities before taxation is stated after charging/(crediting):</i>		
Depreciation:		
- Owned	302,420	278,672
- Leased	477,773	498,633
Hire of plant and machinery - operating leases	2,647,282	3,923,367
Hire of other assets – operating leases	771,092	564,615
Profit on disposal of tangible fixed assets	(14,747)	(24,611)
<i>Auditors' remuneration</i>		
	2009 £	2008 £
Audit of these financial statements	12,250	19,500
Amounts receivable by auditors and their associates in respect of the audit of financial statements of subsidiaries pursuant to legislation	17,050	20,000

4. REMUNERATION OF DIRECTORS

	2009 £	2008 £
Directors' emoluments	669,876	506,127
Company contributions to money purchase pension schemes	39,010	34,018
	708,886	540,145

The aggregate of emoluments of the highest paid director were £175,868 (2008: £162,236) and company pension contributions of £12,512 (2008: £12,500) were made to a money purchase scheme on his behalf.

	Number of directors 2009	Number of directors 2008
Retirement benefits are accruing to the following number of directors under: Money purchase schemes	12	11

5. STAFF NUMBERS AND COSTS

The average number of persons employed by the Group (including directors) during the year, analysed by category, was as follows:

	Number of employees 2009	Number of employees 2008
Production staff	335	405
Administrative staff	34	49
	369	454

The aggregate payroll costs of these persons were as follows:

	2009 £	2008 £
Wages and salaries	10,762,595	12,729,040
Social security costs	965,075	1,213,780
Other pension costs (note 22)	233,281	231,418
	11,960,951	14,174,238

NOTES (CONTINUED)

6. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	2009 £	2008 £
Interest receivable from Group undertakings	18,454	37,006
Other	39,943	-
	58,397	37,006

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2009 £	2008 £
Interest payable to Group undertaking	13,037	4,518
Finance charges payable in respect of finance leases and hire purchase contracts	95,401	108,851
Other	-	2,379
	108,438	115,748

8. TAXATION

Analysis of charge in period

	2009 £	2009 £	2008 £	2008 £
<i>UK corporation tax</i>				
Current tax on income for the period	-	-	-	-
Adjustments in respect of prior periods	-	-	(1,862)	-
Group relief payable	209,973	-	505,943	-
Total current tax		209,973		504,081
<i>Deferred tax (see note 17)</i>				
Origination/reversal of timing differences		(22,888)		(207,340)
Tax on profit on ordinary activities		187,085		296,741

Factors affecting the tax charge for the current period

The current tax charge for the period is lower (2008: lower) than the standard rate of corporation tax in the UK, (28%, 2008: 28.5%). The differences are explained below.

	2009 £	2008 £
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	2,891,280	3,807,934
Current tax at 28% (2008: 28.5%)	809,558	1,085,261
<i>Effects of:</i>		
Expenses not deductible for tax purposes	11,995	12,008
Other timing differences	(338)	1,240
Depreciation for the period in excess of capital allowances	23,912	209,512
Other tax credits	(656)	-
Group relief paid for at less than full UK tax rate	(634,498)	(802,078)
Adjustments to tax charge in respect of previous periods	-	(1,862)
Total current tax charge (see above)	209,973	504,081

NOTES (CONTINUED)

9. DIVIDENDS

The aggregate amount of dividends comprises:

	2009 £	2008 £
Interim dividends paid in respect of the current year	3,000,000	2,900,000

10. INTANGIBLE FIXED ASSETS

Group	Goodwill £
<i>Cost</i>	
At beginning and end of year	259,000
<i>Amortisation</i>	
At beginning and end of year	259,000
<i>Net book value</i>	
At beginning and end of year	-

Company	Goodwill
<i>Cost</i>	£
At beginning of year	-
Additions	757,146
At end of year	757,146
<i>Amortisation</i>	
At beginning of year	-
Charged in year	151,430
At end of year	151,430
<i>Net book value</i>	
At 31 December 2009	605,716
At 1 January 2009	-

The goodwill arises in the Company on the acquisition of the trade and net liabilities of Stephen Easten Building Limited on 31 August 2009. Net liabilities acquired are detailed below:

	Book and fair value £
Net liabilities transferred	
Fixed assets	45,141
Stock	240,000
Debtors	7,925,745
Creditors	(8,968,032)
	(757,145)
Goodwill	757,146
Proceeds – cash	1

NOTES (CONTINUED)

11. TANGIBLE FIXED ASSETS

Group	Freehold property £	Plant and machinery £	Vans £	Fixtures, fittings, and equipment £	Motor vehicles £	Total £
Cost						
At beginning of year	11,552	3,426,479	621,201	229,625	1,082,378	5,371,235
Additions	-	23,745	-	14,912	281,569	320,226
Disposals	-	(156,575)	(82,061)	-	(337,086)	(575,722)
At end of year	11,552	3,293,649	539,140	244,537	1,026,861	5,115,739
Depreciation						
At beginning of year	8,484	1,357,342	311,902	106,401	465,710	2,249,839
Charge for year	468	426,193	91,810	54,946	206,776	780,193
On disposals	-	(118,764)	(72,308)	-	(203,551)	(394,623)
At end of year	8,952	1,664,771	331,404	161,347	468,935	2,635,409
Net book value						
At 31 December 2009	2,600	1,628,878	207,736	83,190	557,926	2,480,330
At 1 January 2009	3,068	2,069,137	309,299	123,224	616,668	3,121,396

Included in the Group total net book value is £1,148,233 (2008: £2,011,309) relating to assets held under finance leases and similar hire purchase contracts. Depreciation for the year on these assets was £477,773 (2008: £498,633).

Company	Freehold property £	Plant and machinery £	Vans £	Fixtures, fittings, and equipment £	Motor vehicles £	Total £
Cost						
At beginning of year	11,552	3,426,479	621,201	132,583	1,015,588	5,207,403
Additions	-	23,745	-	44,028	297,091	364,864
Disposals	-	(156,575)	(82,061)	-	(311,110)	(549,746)
At end of year	11,552	3,293,649	539,140	176,611	1,001,569	5,022,521
Depreciation						
At beginning of year	8,484	1,357,342	311,902	67,848	451,940	2,197,516
Charge for year	468	426,193	91,810	37,039	196,420	751,930
On disposals	-	(118,764)	(72,308)	-	(196,361)	(387,433)
At end of year	8,952	1,664,771	331,404	104,887	451,999	2,562,013
Net book value						
At 31 December 2009	2,600	1,628,878	207,736	71,724	549,570	2,460,508
At 1 January 2009	3,068	2,069,137	309,299	64,735	563,648	3,009,887

Included in the Company total net book value of plant and machinery is £1,139,870 (2008: £2,011,309) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the year on these assets was £341,125 (2008: £493,716).

NOTES (CONTINUED)

12. FIXED ASSET INVESTMENTS

	Shares in group undertakings £
Cost and net book value	
At beginning and end of year – Group	1
At beginning and end of year – Company	3

The principal undertakings in which the Company's interest at the year end is more than 20% are as follows:

Subsidiary undertaking	Proportion of voting rights and shares held	Nature of business
Stephen Easten Building Limited	100%	Commercial builder
Lumsden & Carroll Construction Northern Limited	100%	Commercial builder
Lumsden & Carroll Utilities Limited	100%	Civil engineering

Stephen Easten Building Limited and Lumsden and Carroll Construction Northern Limited are included within the consolidation.

Lumsden & Carroll Utilities Limited is excluded from the consolidation as the directors consider it immaterial to the Group. This subsidiary continues to be recognised as a fixed asset investment at cost. Summary financials for Lumsden & Carroll Utilities are provided below.

	2009 £
Net liabilities	(54,010)
Loss for the period	(54,011)

13. STOCKS

	Group 2009 £	Group 2008 £	Company 2009 £	Company 2008 £
Raw materials and consumables	170,706	131,036	170,706	131,036
Finished goods	240,000	240,000	240,000	-
	410,706	371,036	410,706	131,036

14. DEBTORS

	Group 2009 £	Group 2008 £	Company 2009 £	Company 2008 £
Trade debtors	2,500,370	3,225,225	1,973,336	2,020,322
Amounts recoverable on contracts	6,608,661	10,114,271	5,731,993	8,788,755
Amounts owed by group undertakings	4,575,169	4,375,472	4,742,376	4,249,114
Amounts owed by undertakings in which the Parent Company has a participating interest	213,886	95,849	213,886	95,849
Corporation tax recoverable	-	265,165	-	265,165
Deferred tax assets (note 17)	23,905	1,017	19,119	-
Other debtors	92,237	42,042	89,837	535
Prepayments and accrued income	292,557	169,882	288,963	153,329
	14,306,785	18,288,923	13,059,510	15,573,069

NOTES (CONTINUED)

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 2009 £	Group 2008 £	Company 2009 £	Company 2008 £
Obligations under finance leases and hire purchase contracts (note 16)	595,352	809,825	586,560	801,567
Payments received on account	791,210	1,086,252	-	706,960
Trade creditors	3,204,045	2,618,761	3,204,045	2,451,293
Amounts owed to group undertakings	416,382	1,053,935	413,988	1,177,790
Amounts owed to undertakings in which the Parent Company has a participating interest	15,875	46,759	15,875	36,574
Corporation tax	71,992	-	70,023	-
Other taxation and social security	1,194,238	1,382,205	1,212,101	793,511
Other creditors	168,823	65,974	139,021	65,713
Accruals and deferred income	7,944,191	10,310,221	7,272,144	7,442,572
	14,402,108	17,373,932	12,913,757	13,475,980

16. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group 2009 £	Group 2008 £	Company 2009 £	Company 2008 £
Obligations under finance leases and hire purchase contracts	318,818	745,365	314,547	732,352
Analysis of debt:				
	Group 2009 £	Group 2008 £	Company 2009 £	Company 2008 £
Debt can be analysed as falling due:				
In one year or less, or on demand	595,352	809,825	586,560	801,567
Between one and two years	278,697	532,063	274,426	523,191
Between two and five years	40,121	213,302	40,121	209,161
	914,170	1,555,190	901,107	1,533,919

The maturity of obligations under finance leases and hire purchase contracts is as follows:

	Group 2009 £	Group 2008 £	Company 2009 £	Company 2008 £
Within one year	649,089	900,690	639,631	891,153
In the second to fifth years	329,129	783,546	324,753	769,763
	978,218	1,684,236	964,384	1,660,916
Less future finance charges	(64,048)	(129,046)	(63,277)	(126,997)
	914,170	1,555,190	901,107	1,533,919

Obligations under finance leases and hire purchase contracts are secured on the assets to which they relate.

NOTES (CONTINUED)

17. DEFERRED TAXATION

	Group £	Company £
At beginning of year – asset/(liability)	1,017	(8,917)
Credit to the profit and loss for the year	22,888	28,036
At end of year – asset	23,905	19,119

The elements of deferred taxation are as follows:

	Group 2009 £	Group 2008 £	Company 2009 £	Company 2008 £
Differences between accumulated depreciation and capital allowances	23,905	(223)	19,119	(8,917)
Other timing differences	-	1,240	-	-
	23,905	1,017	19,119	(8,917)

18. CALLED UP SHARE CAPITAL

	2009 Number of shares	2009 £	2008 Number of shares	2008 £
<i>Authorised</i> Ordinary shares of £1 each	10,000,000	10,000,000	10,000,000	10,000,000
<i>Allotted, called up and fully paid</i> Ordinary shares of £1 each	978,150	978,150	978,150	978,150

19. SHARE PREMIUM AND RESERVES

Group	Share premium account £	Capital redemption reserve £	Profit and loss account £
At beginning of year	12,490	20	7,289,138
Profit for the year	-	-	2,704,195
Dividends on shares classified in shareholders' funds	-	-	(3,000,000)
At end of year	12,490	20	6,993,333

Company	Share premium account £	Capital redemption reserve £	Profit and loss account £
At beginning of year	12,490	20	7,361,026
Profit for the year	-	-	2,973,918
Dividends on shares classified in shareholders' funds	-	-	(3,000,000)
At end of year	12,490	20	7,334,944

The Company's profit for the financial year was £2,973,918 (2008: £3,387,373).

20. CONTINGENT LIABILITIES

The Company and Group are party to a group composite arrangement with certain of the companies in the Esh Group under which overdrafts and cash balances can be offset. The total unprovided Group and Company liability, both contingent liabilities and Group net overdraft at 31 December 2009 amounted to £913,591 (2008: £855,203). The composite arrangement does not include Dunelm Homes Limited which has its own discrete banking arrangements.

NOTES (CONTINUED)

21. COMMITMENTS

Annual commitments under non-cancellable operating leases are as follows:

	2009 Land and buildings £	2009 Other £	2008 Land and buildings £	2008 Other £
Group				
Operating leases which expire:				
Within one year	26,000	-	-	-
In the second to fifth years inclusive	-	-	26,000	-
	26,000	-	26,000	-

The Company has no commitments under operating leases.

22. PENSION SCHEME

Group
The Group operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the Group to the scheme and amounted to £233,281 (2008: £231,418).

There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

23. RELATED PARTY DISCLOSURES

Mechplant (North East) Limited is a subsidiary of Esh Holdings Limited, the ultimate parent, with 80% of the voting rights controlled within the Group. During the year the Group made £755,048 (2008: £1,054,206) of purchases from and £102,594 (2008: £132,161) of sales to Mechplant (North East) Limited. Included in creditors is £83,351 (2008: £155,444) owed to Mechplant (North East) Limited and included in debtors is £21,109 (2008: £154,117) owed from Mechplant (North East) Limited.

Micropump (North East) Limited is a joint venture company with 50% of the voting rights controlled within the Group. During the year the Group made £46,582 (2008: £57,482) of purchases from and £13,690 (2008: £26,779) of sales to Micropump (North East) Limited. Included in creditors is £16,397 (2008: £9,760) owed to Micropump (North East) Limited and included in debtors is £3,659 (2008: £4,705) owed from Micropump (North East) Limited.

J Tonks (Transport) Limited is a joint venture company between Esh Holdings Limited, the ultimate parent and Aggregate Industries Holdings Ltd. During the year the Group made £105,005 (2008: £183,521) of purchases from and £1,021 (2008: £3,969) of sales to J Tonks (Transport) Limited. Included in creditors is £15,875 (2008: £26,814) owed to J Tonks (Transport) Limited and included in debtors is £10 (2008: £29,763) owed from J Tonks (Transport) Limited.

Pure Renewable Energies Limited is a joint venture between Esh Holdings Limited, the ultimate parent company and Vestbrowm Limited. During the year the Group made £3,110 (2008: £3,611) of sales to Pure Renewable Energies Limited. Included in debtors is £198 (2008: £1,095) owed from Pure Renewable Energies Limited.

Esh Space (Birtley) Limited is a joint venture in which Esh Holdings Limited, the ultimate parent company controls 49% of the voting rights. During the year the Group made £180,975 (2008: £19,000) of sales to Esh Space (Birtley) Limited. Included in debtors is £209,826 (2008: £1,705) owed from Esh Space (Birtley) Limited.

Esh Space (The Park) Limited is a joint venture in which Esh Holdings Limited, the ultimate parent company controls 15% of the voting rights. During the year the Group made £4,268 (2008: £6,561,949) of sales to Esh Space (The Park) Limited. Included in debtors is £193 (2008: £59,476) owed to Esh Space (The Park) Limited.

NOTES (CONTINUED)

24. ULTIMATE PARENT COMPANY AND PARENT UNDERTAKING OF LARGER GROUP OF WHICH THE COMPANY IS A MEMBER

The Company is a subsidiary undertaking of Esh Holdings Limited.

The results of the Company are consolidated in the Group headed by Esh Holdings Limited. The consolidated accounts of this Company are available to the public and may be obtained from Esh House, Bowburn North Industrial Estate, Bowburn, Durham DH6 5PF.

The largest Group in which the results are consolidated is that headed by Vestbrown Limited, incorporated in England and Wales. The consolidated financial statements of this Company are available to the public and may be obtained from Companies House.

The directors consider the ultimate controlling party to be Mr MF Hogan, the majority shareholder in Vestbrown Limited which owns 67.6% of the issued voting share capital of Esh Holdings Limited.



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