

TOLENT CONSTRUCTION LIMITED

**Report and Financial Statements
For the year ended
31st December 2008**

TOLENT CONSTRUCTION LIMITED

Annual report and financial statements for the year ended 31st December 2008

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TOLENT CONSTRUCTION LIMITED

Directors, Secretary and Registered Office

Directors

J.G. Wood	Chairman
T. Phillipson	Operations Director
A.D. Clark	Financial Director

Secretary

A.D. Clark

Registered Office

Ravensworth House
5th Avenue Business Park
Team Valley
Gateshead
Tyne and Wear
NE11 0HF

Registered in England : Company Number - 2450574

TOLENT CONSTRUCTION LIMITED

Report of the directors for the year ended 31st December 2008

The directors present their report together with the audited financial statements for the year ended 31st December 2008.

1. Principal activities and business review

The company is principally engaged in building and construction activities.

2008 has seen a reduction in turnover following the continuing negative impact of the credit crunch on the construction industry. This impact has seen a number of developers unable to raise funding to complete the projects even after Tolent had secured the work. The increased size and profile of Tolent has allowed the company to negotiate and competitively tender larger projects as well as maintaining our traditional core of activities.

We continue to operate from five regional offices on a national basis with work generated across a number of different sectors including industrial, commercial, residential, petro-chemical, specialist fit out, civil, public and health sectors. This affords some protection against any down turn in activity in certain markets with the regional basis giving some protection against regional variations.

As in previous years we have successfully completed several major projects. The variety of work carried out can best be demonstrated by projects undertaken during the year:

- student accommodation for Victoria Halls in Newcastle (£19m).
- re-fitting and modernisation of Senate House for The University of London (£20.3m).
- hotels for Holiday Inn in Lincoln (£6.1m), Ramada in Crewe (£5.3m) and Days Inn at Whetherby (£3.9m).
- a £15m residential scheme at The Sands in Scarborough.
- an office refurbishment and adjacent car park in Sheffield (£11.8m).
- the re-development of the Newcastle City Library (£24m) and the Haymarket Hub metro station in Newcastle (£19.5m), and
- offices on Gallowgate (£14m)

We enter the year with a reasonably healthy order book and a number of major schemes in the pipeline for later in 2009. Inflationary pressures have eased during 2008 as the lack of work in the sector drives down the prices in a competitive market.

The directors considered the result for the year to be satisfactory. The directors look forward to a profitable 2009 whilst recognising it will be a challenging year in view of the economic climate.

2. Results and dividends

The profit and loss account is set out on page 7 and shows the profit for the year.

Total turnover decreased by 16.6% in 2008 from £180m in 2007 to £150m.

Total operating profits in 2008 decreased to £1.8m from £4.5m in 2007. Operating margins have continued to be tight decreasing from 2.5% in 2007 to 1.2% in 2008. This result is after suffering a £750,000 bad debt from a residential developer who has been placed into administration.

Net interest marginally decreased from £1.2m in 2007 to £1.1m in 2008 mainly as a result of the fact that interest rates decreased from 5.5% to 2.0% particularly during the later part of the year. Further rate cuts will impact on the return from the cash balances.

The profit before tax decreased in the year to £2.89m from the £5.72m profit in 2007.

Interim dividends of £400,000 and £600,000 were paid on 19th June 2008 and 21st August 2008 respectively. The directors do not recommend the payment of a final dividend. The retained profit has been transferred to profit and loss account reserves.

TOLENT CONSTRUCTION LIMITED

Report of the directors for the year ended 31st December 2008 (continued)

3. Business environment and strategy

Tolent operates across the construction sector providing services in building, civil engineering and property development. Our objective is to continue to achieve our maximum potential in each of these activities by maintaining our focus on quality, value for money and delivering a service in a non-adversarial customer friendly manner.

Our success has been brought about by the quality of the people involved in our business together with sub-contractors and suppliers who share our ethos of providing a pro-active and responsive service that meets our customer's demands. This policy has resulted in consistent repeat business on an ever expanding customer base.

Our strategy is to continue to grow organically, but at the same time make selective acquisitions should a suitable opportunity arise.

Our belief that people are our most precious asset is supported by our commitment to training and personal development. This will ensure that our long-term objectives can be delivered to customers on a consistent basis.

4. Principal risks and uncertainties

Inflationary pressures and skills shortages

Inflationary pressures are currently being experienced across all categories of costs. An element of this pressure is created by the shortage of skilled workers which is likely to continue, particularly when the construction for the London Olympics starts in earnest. This is being addressed by the recruitment of trainees and the commitment to training and personal development noted above.

Competition

Margins in the general contracting industry remain low with companies continuing to tender and negotiate contracts at very low margins. The actions of these firms create a market where it is very difficult to improve margins in a time when developers and clients are passing greater risks onto the contractor.

5. Health and Safety

A programme of continuous improvement in Health and Safety management and staff training has resulted in an excellent safety record. This has been recognised by annual Gold Awards from the Royal Society for the Prevention of Accidents (RoSPA). The accident frequency rate was 0.227 per 100,000 hours for 2008 (2007 - 0.332). This rate compares favourably with the national average for the construction industry according to the Health and Safety Executive statistics of 2.5 per 100,000 hours. During 2008 we maintained our in house City and Guilds accreditation at Gateshead which provides courses for our employees, sub contractors and also provides training for third parties. In 2008 in excess of 8,000 'off job' hours of health and safety training has been delivered with a total of 732 site visits and audits being completed.

6. Directors

The directors in office at the end of the year were Messrs. J.G. Wood, T. Phillipson and A.D. Clark all of whom served throughout the year.

Messrs. J.G. Wood, T Phillipson and A.D.Clark are also directors of the ultimate parent company and their interests in the shares of the ultimate parent company are disclosed in that company's financial statements. No other director in office at the end of the year had an interest in shares of the ultimate parent company.

TOLENT CONSTRUCTION LIMITED

Report of the directors for the year ended 31st December 2008 (continued)

7. Disabled persons

The company's policy is to give sympathetic consideration, in both recruitment and training, to the problems of the disabled, and to assist them in developing their knowledge and skills to undertake greater responsibilities wherever possible.

8. Employee involvement

Information is made available to employees at the discretion of the directors.

9. Payment policy

The company's policy is to agree terms and conditions with suppliers before business takes place and to pay agreed invoices in accordance with the terms of payment. Trade creditors at the year end amount to 76 days (2007 - 90 days) of average supplies for the year, this is equivalent to a normal credit period of 45 days (2007 - 59 days).

10. Statement of directors' responsibilities

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit and loss for that year. In preparing the financial statements the directors are required to select suitable accounting policies and apply them consistently, to make judgments and estimates that are reasonable and prudent, to state whether applicable accounting standards have been followed, subject to any material departure disclosed and explained in the financial statements, and to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are also responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for maintaining adequate accounting records, for safeguarding the assets of the company and hence for preventing and detecting fraud and other irregularities. In so far as the directors are aware there is no relevant audit information of which the company's auditors are unaware and the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The maintenance and integrity of the tolent.co.uk website is the responsibility of the directors: the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

11. Financial risk management objectives and policies

The company uses financial instruments, other than derivatives, comprising borrowings, cash and other liquid resources and various other items such as trade debtors and creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the company's operations. The main risks arising from the company financial instruments are interest rate risk, liquidity risk and credit risk. The directors review and agree policies for managing each of these risks and they are summarised below. The policies have remained unchanged from previous periods.

TOLENT CONSTRUCTION LIMITED

Report of the directors for the year ended 31st December 2008 (continued)

Interest rate risk

The company finances its operations through a mixture of retained profits, inter-company accounts and bank borrowings. The company's exposure to interest rate fluctuations on its borrowings is managed on a Group basis by the use of both fixed and floating facilities.

Liquidity risk

The company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. Primarily this is achieved through inter-company accounts or through loans arranged at Group level. Short term flexibility is achieved by overdraft facilities.

Credit risk

The company's principal financial assets are trade debtors and amounts recoverable on contracts. In order to manage the credit risk the directors consider exposure on a customer by customer basis for significant contracts.

12. Auditors

Grant Thornton UK LLP, having expressed their willingness to continue in office, will be deemed reappointed for the next financial year in accordance with section 487(2) of the Companies Act 2006 unless the company receives notice under section 488(1) of the Companies Act 2006.

BY ORDER OF THE BOARD

A.D. Clark
Secretary
16th April 2009

TOLENT CONSTRUCTION LIMITED

Report of the independent auditors

To the members of TOLENT CONSTRUCTION LIMITED

We have audited the financial statements of Tolent Construction Limited for the year ended 31st December 2008 which comprise the profit and loss account, the balance sheet, the statement of accounting policies and notes 1 to 16. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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

The directors' responsibilities for preparing the directors' report and the financial statements in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of opinion

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

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs at 31st December 2008 and of the company's profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985: and
- the information given in the directors' report is consistent with the financial statements.

GRANT THORNTON UK LLP

Registered Auditors

Chartered Accountants

Sheffield

16th April 2009

TOLENT CONSTRUCTION LIMITED

Profit and loss account for the year ended 31st December 2008

	Note	2008		2007	
		£	£	£	£
Turnover	1		150,074,810		179,852,999
Raw materials and consumables		9,837,085		11,641,696	
Other external charges		<u>109,673,046</u>		<u>137,349,418</u>	
			<u>(119,510,131)</u>		<u>(148,991,114)</u>
			30,564,679		30,861,885
Staff costs	2	24,397,067		22,562,939	
Depreciation		131,474		148,002	
Other operating charges		<u>4,209,981</u>		<u>3,614,930</u>	
			<u>(28,738,522)</u>		<u>(26,325,871)</u>
Operating profit			1,826,157		4,536,014
Net interest	3		<u>1,060,518</u>		<u>1,180,266</u>
Profit on ordinary activities before taxation	1		2,886,675		5,716,280
Tax on profit on ordinary activities	4		<u>(833,152)</u>		<u>(1,753,464)</u>
Profit on ordinary activities after taxation	11		<u><u>2,053,523</u></u>		<u><u>3,962,816</u></u>

All the above transactions relate to continuing activities.

There are no recognised gains or losses other than the profit for the financial year.

The statement of accounting policies and notes 1 to 16 form part of these financial statements.

TOLENT CONSTRUCTION LIMITED

Balance sheet as at 31st December 2008

	Note	<u>2008</u>		<u>2007</u>	
		£	£	£	£
Fixed assets					
Investments	6		650,201		650,201
Tangible assets	7		103,167		135,486
Current assets					
Amounts recoverable on contracts		7,235,104		10,548,359	
Debtors	8	<u>32,881,567</u>		<u>39,033,170</u>	
		40,116,671		49,581,529	
Cash at bank including short term deposits		<u>8,333,244</u>		<u>14,812,726</u>	
		48,449,915		64,394,255	
Creditors: amounts falling due within one year	9	<u>(36,868,214)</u>		<u>(53,898,396)</u>	
Net current assets			<u>11,581,701</u>		<u>10,495,859</u>
			<u>12,335,069</u>		<u>11,281,546</u>
Capital and reserves					
Called up share capital	10		800,000		800,000
Profit and loss account	11		<u>11,535,069</u>		<u>10,481,546</u>
Shareholders' funds	12		<u>12,335,069</u>		<u>11,281,546</u>

The financial statements were approved by the Board of Directors on 16th April 2009.

J.G. WOOD Chairman

A.D. CLARK Financial Director

The statement of accounting policies and notes 1 to 16 form part of these financial statements.

TOLENT CONSTRUCTION LIMITED

Statement of accounting policies

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards, and under the historical cost convention.

The company, as a wholly owned subsidiary, is exempt from the requirements of Financial Reporting Standard 8 to disclose transactions within the Group headed by Tolent PLC.

No statement of cashflows has been presented as the cashflows of the company have been incorporated into the group financial statements.

The principal accounting policies of the company have remained unchanged from the previous year.

(a) Turnover

See Construction contracts accounting policy note at (c) below.

(b) Depreciation

Depreciation is calculated to write off the cost of fixed assets by equal annual instalments over their expected useful lives.

The rates generally applicable are:

Plant and equipment	25% to 50%
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(c) Construction contracts

Contract revenue reflects the contract activity during the year and is measured at the fair value of consideration received or receivable. When the outcome can be assessed reliably, contract revenue and associated costs are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the balance sheet date. The stage of completion of the contract at the balance sheet date is assessed by reference to the value of work remaining as a proportion of the total contract value.

Where the outcome of a long term contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable, and contract costs are recognised as an expense in the period in which they are incurred.

Variations are only recognised as revenue when they have been agreed with the customer. Claims are not recognised until they have been fully settled.

In the case of a fixed price contract, the outcome of a construction contract is deemed to be estimated reliably when all the following conditions are satisfied:

- total contract revenue can be measured reliably;
- it is probable that economic benefits associated with the contract will flow to the group;
- both the contract costs to complete the contract and the stage of completion at the balance sheet date can be measured reliably; and
- the contract costs attributable to the contract can be clearly identified and measured reliably so that actual contract costs incurred can be compared with prior estimates.

In the case of a cost plus contract, the outcome of a construction contract can be estimated reliably when it is probable that the economic benefits associated with the contract will flow to the Group, and the contract costs attributable to the contract, whether or not specifically reimbursable, can be clearly identified and measured reliably.

TOLENT CONSTRUCTION LIMITED

Statement of accounting policies (continued)

The gross amount due from customers for contract work (amounts recoverable on contracts) is presented as an asset for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceeds progress billings. The gross amount due to customers for contract work is presented as a liability for all contracts in progress for which billings exceed costs incurred plus recognised profits (less losses).

Full provision is made for losses on all contracts in the year in which the loss is first foreseen.

(d) Deferred tax

Deferred tax is recognised on all timing differences where the transactions or events that give the company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date.

(e) Retirement Benefits

Defined Contribution Schemes

The pension costs charged against profits represent the amount of the contributions payable to the schemes in respect of the accounting period.

(f) Leased assets

Rental payments for assets obtained under operating leases are charged against income on a straight line basis over the lease term.

(g) Joint arrangements

Interests in joint arrangements are accounted for by recognising the Company's share of assets and liabilities, profits, losses and cash flows, measured according to the terms of the agreement.

(h) Joint ventures

Interests in joint ventures are accounted for using the equity method of accounting supplemented by additional disclosures for joint ventures. The balance sheet shows the investment in joint ventures at cost less amounts written off.

TOLENT CONSTRUCTION LIMITED

Notes forming part of the financial statements for the year ended 31st December 2008

1. Turnover and profit on ordinary activities before taxation

All the company's turnover and profits are derived from its principal activity of building and construction, and its turnover is all from the United Kingdom.

Profit on ordinary activities is stated after:

	<u>2008</u>	<u>2007</u>
	£	£
Auditors' remuneration		
Fees for the audit of the company	30,775	31,800
Tax Services	3,000	8,600
Depreciation	131,474	148,002
Operating lease charges:		
hire of plant and machinery	4,458,108	4,494,649
other operating leases	<u>1,031,490</u>	<u>933,556</u>

2. Directors and employees

Staff costs during the year including directors:

	<u>2008</u>	<u>2007</u>
	£	£
Wages and salaries	21,724,755	20,165,920
Social security	2,259,717	2,060,052
Pension costs	<u>412,595</u>	<u>336,967</u>
	<u>24,397,067</u>	<u>22,562,939</u>

The average number of employees of the company during the year was 622 (2007 - 582).

Remuneration in respect of directors was as follows:

	<u>2008</u>	<u>2007</u>
	£	£
Aggregate emoluments	600,660	959,822
Company pension contributions to a defined contribution scheme	<u>32,850</u>	<u>37,702</u>

During the year two directors (2007 - two directors) participated in a defined contribution pension scheme.

The amounts set out above include remuneration in respect of the highest paid director as follows:

	<u>2008</u>	<u>2007</u>
	£	£
Aggregate emoluments	300,219	497,107
Company pension contributions to a defined contribution scheme	<u>0</u>	<u>0</u>

TOLENT CONSTRUCTION LIMITED

Notes forming part of the financial statements for the year ended 31st December 2008 (continued)

3. Net interest

	<u>2008</u>	<u>2007</u>
	£	£
Receivable on bank balances	362,243	708,357
Other interest receivable	<u>698,275</u>	<u>471,909</u>
	<u><u>1,060,518</u></u>	<u><u>1,180,266</u></u>

4. Tax on profit on ordinary activities

The tax charge represents:

	<u>2008</u>	<u>2007</u>
	£	£
Corporation tax at 28.5% (2007 - 30%)	824,004	1,751,447
Adjustment in respect of prior years	<u>9,148</u>	<u>2,017</u>
Tax on profit on ordinary activities	<u><u>833,152</u></u>	<u><u>1,753,464</u></u>

The tax assessed for the year differs from the standard rate of corporation tax in the United Kingdom of 28.5% (2007 - 30%). The differences are explained as follows:

	<u>2008</u>	<u>2007</u>
	£	£
Profit on ordinary activities before tax	<u><u>2,886,675</u></u>	<u><u>5,716,280</u></u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the United Kingdom of 28.5% (2007 - 30%)	822,702	1,714,884
Effects of:		
expenses not deductible for tax purposes	(10,288)	24,980
depreciation in excess of capital allowances	11,590	11,583
adjustments to tax charge in respect of prior years	<u>9,148</u>	<u>2,017</u>
Current tax charge for year	<u><u>833,152</u></u>	<u><u>1,753,464</u></u>

5. Dividend

	<u>2008</u>	<u>2007</u>
	£	£
First interim dividend of 50p (2007 - 125p) per share	400,000	1,000,000
Second interim dividend of 75p (2007 - 175p) per share	<u>600,000</u>	<u>1,400,000</u>
	<u><u>1,000,000</u></u>	<u><u>2,400,000</u></u>

TOLENT CONSTRUCTION LIMITED

Notes forming part of the financial statements for the year ended 31st December 2008 (continued)

6. Investments

The company has the following subsidiary operating in England:

Echo Buildings Limited and Echo Buildings Management Company Limited

From 1st January 2008 until 4th April 2008 the company's participation in Echo Buildings was 50% of the ordinary share capital with Glenrose Developments (Hebburn) Limited owning the remaining 50%. During this period the investment was treated as a joint venture. On 4th April 2008 Tolent purchased the remaining 50% share capital from Glenrose with Echo Buildings Limited now being a 100% subsidiary. The principal activity is the development of the former Sunderland Echo buildings in Sunderland into a newly built apartment complex. As part of the purchase of the remaining 50% share capital Tolent also acquired Echo Buildings Management Company Limited which is a 100% owned subsidiary of Echo Buildings Limited. This company is currently dormant.

The company has the following joint ventures operating in England:

42nd Street (Haymarket Hub) Limited

Company participation is 50% in the ordinary shares in a joint venture with Closegate Haymarket Hub Limited and 42nd Street Realty Limited. The principal activity is the development of the Haymarket Hub in Newcastle which is due for completion in July 2009.

The company has the following joint arrangements operating in England :

Interior Tolent Limited

Company participation is 35% in the ordinary shares in a joint arrangement between Tolent Construction Limited and Interior plc. The principal activity was the fitting out of a large office building in London which has now been completed.

The company has investments in the following associates operating in England:

Coolmore Estates Limited

Group participation is 25% in the ordinary share shares. The principal activity is the development of land adjacent to the A19 at Cold Hesledon near Seaham.

7. Tangible fixed assets

	<u>Plant and equipment</u>
	£
Cost	
At 1st January 2008	932,193
Additions	<u>99,155</u>
At 31st December 2008	<u><u>1,031,348</u></u>
Depreciation	
At 1st January 2008	796,707
Charge for year	<u>131,474</u>
At 31st December 2008	<u><u>928,181</u></u>
Net book value at 31st December 2008	<u><u>103,167</u></u>
Net book value at 31st December 2007	<u><u>135,486</u></u>

TOLENT CONSTRUCTION LIMITED

Notes forming part of the financial statements for the year ended 31st December 2008 (continued)

8. Debtors

	<u>2008</u>	<u>2007</u>
	£	£
Amounts falling due within one year		
Trade debtors	7,246,072	14,775,663
Amounts owed by group undertakings	20,318,956	14,538,168
Amounts owed by joint ventures	2,770,991	7,870,036
Other debtors	824,637	454,452
Prepayments and accrued income	<u>653,551</u>	<u>876,298</u>
	31,814,207	38,514,617
Amounts falling due after more than one year		
Amounts owed by joint ventures	<u>1,067,360</u>	<u>518,553</u>
	<u><u>32,881,567</u></u>	<u><u>39,033,170</u></u>

9. Creditors: amounts falling due within one year

	<u>2008</u>	<u>2007</u>
	£	£
Payment on account of long term contracts	5,270,962	6,848,927
Trade creditors	29,697,211	44,006,218
Social security and other taxes	747,398	1,081,013
Other creditors	224,071	672,839
Accruals and deferred income	547,014	441,967
Current taxation	<u>381,558</u>	<u>847,432</u>
	<u><u>36,868,214</u></u>	<u><u>53,898,396</u></u>

10. Called up share capital

	<u>2008</u>	<u>2007</u>
	£	£
Authorised, ordinary shares of £1 each	<u>1,000,000</u>	<u>1,000,000</u>
Allotted, called up and fully paid ordinary shares of £1 each	<u>800,000</u>	<u>800,000</u>

11. Profit and loss account

	<u>2008</u>	<u>2007</u>
	£	£
At 1st January 2008	10,481,546	8,918,730
Profit for year	2,053,523	3,962,816
Dividend	<u>(1,000,000)</u>	<u>(2,400,000)</u>
At 31st December 2008	<u><u>11,535,069</u></u>	<u><u>10,481,546</u></u>

TOLENT CONSTRUCTION LIMITED

Notes forming part of the financial statements for the year ended 31st December 2008 (continued)

12. Reconciliation of movements in shareholders' funds

	<u>2008</u>	<u>2007</u>
	£	£
Profit for year	2,053,523	3,962,816
Dividend	<u>(1,000,000)</u>	<u>(2,400,000)</u>
Net increase in shareholders' funds	1,053,523	1,562,816
Shareholders' funds at 1st January 2008	<u>11,281,546</u>	<u>9,718,730</u>
Shareholders' funds at 31st December 2008	<u><u>12,335,069</u></u>	<u><u>11,281,546</u></u>

13. Operating lease obligations

	<u>2008</u>		<u>2007</u>	
	Land & buildings	Other	Land & buildings	Other
	£	£	£	£
Commitments to operating lease payments within one year are as follows:				
In respect of leases expiring				
within one year	1,994	62,789	9,100	122,074
between one and five years	0	422,155	7,332	314,442
in more than five years	<u>550,327</u>	<u>0</u>	<u>442,827</u>	<u>0</u>
	<u><u>552,321</u></u>	<u><u>484,944</u></u>	<u><u>459,259</u></u>	<u><u>436,516</u></u>

14. Contingent liabilities

The company is party to cross guarantees for the bank borrowings of Tolent PLC, Tolent Corporation Limited, Tolent Homes Limited and Ravensworth Properties Limited.

At 31 December 2008 this amounted to £nil (2007 - £nil).

15. Pension commitments

Eligible employees are entitled to become members of the Group's money purchase pension scheme. This is a defined contribution scheme, the assets of which are invested with insurance companies.

The pension cost charge represents contributions payable by the company to the fund and amounted to £412,595 (2007 - £336,967).

16. Ultimate parent undertaking

The immediate parent undertaking of this company is Tolent Corporation Limited. The ultimate parent undertaking/controlling related party of this company is Tolent PLC, which is registered in England and Wales. The only group of undertakings for which consolidated accounts have been prepared is that headed by Tolent PLC. Further details relating to this matter are disclosed in that company's financial statements, copies of which can be obtained from the Registered Office.