Pochin (Contractors) Limited
Financial statements
For the year ended 31 May 2007

Grant Thornton

Company No 396388

Company information

Company registration number	396388
Registered office	Brooks Lane Middlewich Cheshire CW10 0JQ
Directors	L R Murray A M J Pochin J C Pochin R M Hatton
Secretary	D J Hedley
Principal bankers	Royal Bank of Scotland Plc 6th Floor 1 Spinningfields Square Manchester M3 3AP
Solicitors	Mace & Jones Pall Mall Court 61 - 67 King Street Manchester M2 4PD
Auditor	Grant Thornton UK LLP Registered Auditors Chartered Accountants 1st Floor Royal Liver Building Liverpool L3 1PS

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Report of the directors

The directors present their report together with the audited financial statements for the year ended 31 May 2007

Principal activity

The company is principally engaged in building and civil engineering contracting, and operates within the United Kingdom

Business review

There was a profit for the year after taxation amounting to £449,997(2006 £339,461) The directors do not recommend the payment of a dividend and the profit has been transferred to reserves

The directors consider the company's key performance indicators to be turnover, gross profit and secured work.

Turnover for the year was £84 0m (2005 £76 4m) The company increased its level of turnover by 10%, despite the deferral of a number of schemes in the first quarter Details of gross profit performance can be calculated directly from the accounts

Invitations to bid for new work continue to arrive on a consistent basis and the company has £64 0m (2006 £62 0 m) of secured work for the current year.

Directors

The membership of the board at 31 May 2007 is set out below

J H Woodcock (resigned 31 December 2006)
L R Murray
A M J Pochin
J C Pochin
R M Hatton

Financial risk management objectives and policies

The company uses various financial instruments, these include cash and various items such as trade debtors and trade creditors that arise directly from operations The main purpose of these financial instruments is to raise finance for the company's operations

The main risks arising from the company's financial instruments are liquidity risk, interest rate risk and credit risk. The directors review and agree policies for managing each of these risks and they are summarised below These policies have remained unchanged from previous years

Liquidity risk - The company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash safely and profitably

Interest risk - The company does not have any third party borrowings therefore its exposure to interest rate risk is minimal

Report of the directors

Financial risk management objectives and policies (continued)

Credit risk - The company's principal financial assets are cash and trade debtors The credit risk associated with cash is limited The principal credit risk arises therefore from its trade debtors In order to manage credit risk, credit limits are set and reviewed by the credit controller on a regular basis in conjunction with debt ageing and collection history

Directors' responsibilities for the financial statements

The directors are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent,
- state whether applicable 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 company will continue in business.

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

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

Report of the directors

Employee involvement

Information about the company and factors affecting its performance is provided to employees through the house magazine, Pochin Post.

In addition, there are arrangements for consulting and involving employees on matters affecting their interests at work, and informing them of the performance of the company A variety of approaches is adopted aimed at encouraging the involvement of employees in effective communication and consultation, and the contribution of productive ideas at all levels.

The establishment and maintenance of safe working practices are of the greatest importance to the company and special training in health and safety is provided for employees

Disabled employees

Applications for employment by disabled persons are given full and fair consideration for all vacancies in accordance with their particular aptitudes and abilities In the event of employees becoming disabled, every effort is made to retrain them in order that their employment with the company may continue

It is the policy of the company that training, career development and promotion opportunities should be available to all employees

Creditor payment policy

It is the policy of the company to agree appropriate terms and conditions for its transactions with suppliers and sub-contractors (by means ranging from standard written terms to individually negotiated contracts), and that payment should be made in accordance with those terms and conditions, provided that the supplier has also complied with them The company also has full regard to the statutory payment requirements laid down by the Housing Grants, Construction and Re-Generation Act 1996

At 31 May 2007, the company had 41 days purchases (2006: 35 days) outstanding in trade creditors

Auditors

Grant Thornton UK LLP offer themselves for reappointment as auditors in accordance with Section 385 of the Companies Act 1985

BY ORDER OF THE BOARD

D J Hedley
Secretary
1 / 2 / 2008

Report of the independent auditor to the members of Pochin (Contractors) Limited

We have audited the financial statements of Pochin (Contractors) Limited for the year ended 31 May 2007 which comprise the principal accounting policies, the profit and loss account, the balance sheet and notes 1 to 21 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 if, whether in our opinion, 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 the implications for our report if we have become aware of any apparent misstatements within it.

Basis of audit opinion

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

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

Report of the independent auditor to the members of Pochin (Contractors) Limited

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 as at 31 May 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.

Grant Thornton UK LLP

GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS
LIVERPOOL

1 February 2008

Principal accounting policies

Basis of preparation

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

The principal accounting policies of the company have remained unchanged from the previous year and are set out below

Turnover

Turnover, which excludes value added tax, comprises the total estimated value of construction work executed during the year

Long-term contracts

In accordance with Statement of Standard Accounting Practice No 9, turnover on long-term contracts is recognised according to the stage reached in the contract by reference to work done A prudent estimate of the profit attributable to work completed is recognised once the outcome can be assessed with reasonable certainty Amounts recoverable on contracts, being the excess of sales value of work executed over payments received on account, are included in debtors The cost of long-term contracts not yet taken to the profit and loss account less foreseeable losses and payments on account are shown in stocks as long-term contract balances. Excess payments received are included in creditors Full provision is made for all foreseeable losses

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment.

The cost of fixed assets is their purchase cost, together with any incidental costs of acquisition.

Depreciation

Depreciation is provided against the cost of computer and office equipment, less its estimated residual value, in equal annual instalments over its estimated useful life of 3-5 years

Deferred taxation

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.

Principal accounting policies

Investments

Investments are included at cost less amounts written off

Leased assets

Assets held under finance leases are included in fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases Assets held under finance leases are depreciated over the shorter of the lease terms and the useful lives of equivalent owned assets The interest element is charged against profit in proportion to the reducing capital element outstanding The annual rentals in respect of operating leases are charged to the profit and loss account

Cash flow statement

The company is exempt from the requirement of Financial Reporting Standard No 1 to prepare a cash flow statement as it is a wholly-owned subsidiary undertaking of Pochin's PLC, and its cash flows are included within the consolidated cash flow statement of that company

Contributions to pension fund

Defined benefit scheme

The funds are valued every three years by a professionally qualified independent actuary, the rate of contribution payable being determined by the actuary In the intervening years the actuary reviews the continuing appropriateness of the rates The expected cost of pensions in respect of the group's defined benefit pension scheme is charged to the profit and loss account so as to spread the cost of pensions over the service lives of employees participating in the scheme

Defined contribution scheme

The pension costs charged against operating profits are the contributions payable to the scheme in respect of the accounting period

Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities Financial liabilities are presented as such in the balance sheet Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account Finance costs are calculated so as to produce a constant rate of return on the outstanding liability

Profit and loss account

	Note	2007 £	2006 £
Turnover	1	**83,955,309**	76,401,438
Cost of sales		**(79,029,649)**	(71,664,127)
Gross profit		**4,925,660**	4,737,311
Net operating expenses	2	**(4,263,869)**	(4,181,066)
Operating profit		**661,791**	556,245
Interest receivable		**-**	192
Interest payable and similar charges	3	**-**	(196)
Profit on ordinary activities before taxation	1	**661,791**	556,241
Tax on profit on ordinary activities	6	**(211,794)**	(216,780)
Profit for the financial year retained	15	**449,997**	339,461

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

All of the company's principal activities are classed as continuing

The accompanying accounting policies and notes form an integral part of these accounts

Balance sheet

	Note	2007	2006
		£	£
Fixed assets			
Tangible assets	7	**309,632**	57,106
Investments	8	**40,002**	40,002
		349,634	97,108
Current assets			
Stocks	9	**3,245,700**	4,047,687
Debtors	10	**22,025,240**	15,484,571
Cash in hand		**1,743**	1,938
		25,272,683	19,534,196
Creditors: amounts falling due within one year	12	**(19,702,753)**	(13,919,519)
Net current assets		**5,569,930**	5,614,677
Total assets less current liabilities		**5,919,564**	5,711,785
Provisions for liabilities and charges	13	**(2,000)**	(244,218)
		5,917,564	5,467,567
Capital and reserves			
Called up share capital	14	**1,553,500**	1,553,500
Share premium account		**80,425**	80,425
Other non-distributable reserves		**20,000**	20,000
Profit and loss account	15	**4,263,639**	3,813,642
Shareholders' funds	16	**5,917,564**	5,467,567

The financial statements were approved by the Board of Directors on 1/2/08 and signed on its behalf by

LR Murray

L R Murray
Director

The accompanying accounting policies and notes form an integral part of these accounts

Notes to the financial statements

1 Turnover and profit on ordinary activities before taxation

Turnover consists entirely of sales made in the United Kingdom and is attributable to the company's principal activities

The profit on ordinary activities is stated after:

	2007	2006
	£	£
Auditors' remuneration		
- Audit services	**16,000**	15,300
- Non audit services - taxation	**3,200**	11,554
Hire of plant and machinery	**766,064**	870,688
Profit on disposal of tangible fixed assets	**-**	4
Depreciation		
- Owned assets	**77,871**	43,976

2 Operating expenses

	2007	2006
	£	£
Distribution costs	**223,353**	350,171
Administration expenses	**4,040,516**	3,830,895
	4,263,869	4,181,066

3 Interest payable and similar charges

	2007	2006
	£	£
On finance leases	**-**	196

Notes to the financial statements

4 Directors and employees

Staff costs during the year were as follows·

	2007	2006
	£	£
Wages and salaries	**5,113,848**	6,522,536
Social security costs	**446,098**	632,148
Other pension costs (see note 5)	**642,059**	772,065
	6,202,005	7,926,749

The average number of persons employed by the company during the year was

	2007	2006
	Number	Number
Operatives	**147**	168
Administration	**15**	55
	162	223

Remuneration in respect of directors was as follows:

	2007	2006
	£	£
Aggregate emoluments	**463,876**	620,212

During the year four directors (2006: four directors) participated in a defined benefit pension scheme

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

	2007	2006
	£	£
Aggregate emoluments	**177,897**	275,354

The highest paid director's accrued pension at the year end was £81,000 (2006 £Nil) and the highest paid director's accrued lump sum was £1,102,000 (2006· £Nil).

Notes to the financial statements

5 Pension costs

The company participates in a defined benefit scheme and a defined contribution scheme operated on a group basis. The defined contribution scheme was established on 1 July 2002 and is available to new members from that date No contributions were made to this scheme during the year and no liabilities existed at 31 May 2007

The defined benefit scheme was closed to new members on 31 December 2001 The assets of the plan are held separately from those of the company and of the group, being invested in an exempt unit fund through an investment manager Contributions to the plan are determined by an independent qualified actuary and are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the group as a whole. Details of the latest actuarial valuation of the plan as at 1 July 2005, which have been adjusted and updated on an approximate basis to 31 May 2007, are disclosed in the financial statements of Pochin's PLC.

The pension charge for the year was £642,059 (2006: £772,065)

6 Tax on profit on ordinary activities

(a) Analysis of charge in the year

	2007	2006
	£	£
Current taxation		
UK Corporation tax payable at 30% (2006. 30%)	**201,980**	198,887
Adjustments in respect of prior years	**125**	34,198
Total current tax	**202,105**	233,085
Deferred tax		
Provided in the year	**9,689**	(16,305)
	211,794	216,780

Notes to the financial statements

6 Tax on profit on ordinary activities (continued)

(b) Factors affecting the tax charge in the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 30% (2006 30%)

The differences are explained below

	2007	2006
	£	£
Profit on ordinary activities before taxation	**661,791**	556,241
Profit on ordinary activities multiplied by standard rate of Corporation tax in the UK of 30% (2006 30%)	**198,537**	166,872
Effects of:		
Expenses not deductible for tax purposes	**13,132**	50,736
Capital allowances for the period in excess of depreciation	**(9,689)**	1,265
Adjustment to tax charge in respect of prior period	**125**	34,198
Other short-term timing differences	**-**	(19,986)
Current tax charge for the year	**202,105**	233,085

Notes to the financial statements

7 Tangible fixed assets

	Computer and office equipment £
Cost	
At 1 June 2006	767,147
Additions	330,397
At 31 May 2007	1,097,544
Depreciation	
At 1 June 2006	710,041
Provided in the year	77,871
At 31 May 2007	787,912
Net book amount at 31 May 2007	**309,632**
Net book amount at 31 May 2006	57,106

Notes to the financial statements

8 Fixed assets investments

	£
Shares at cost	
At 1 June 2006 and 31 May 2007	**40,002**

At 31 May 2007 the company held 100% of the allotted share capital of the following:

Subsidiary undertakings	Country of incorporation	Class of share capital held	Nature of business	Net assets £
Pochin (Wales) Limited	England and Wales	£1 Ordinary	Dormant	2
Timber & Plywood Co (Cheshire) Limited	England and Wales	£1 Ordinary	Dormant	10,000
William Griffith & Son (Benllech) Limited	England and Wales	£1 Ordinary	Dormant	30,000

9 Stocks

	2007 £	2006 £
Long-term contract work in progress	**3,245,700**	4,047,687

10 Debtors

	2007 £	2006 £
Amounts due from parent undertaking	**10,555,983**	4,292,003
Amounts recoverable under long-term contracts	**10,797,116**	10,387,782
Other debtors	**30,340**	63,682
Prepayments and accrued income	**435,490**	527,063
VAT debtor	**136,495**	134,536
Deferred tax asset (note 11)	**69,816**	79,505
	22,025,240	15,484,571

Notes to the financial statements

11 Deferred taxation

The deferred tax included in the balance sheet is as follows

	2007	2006
	£	£
Included in debtors (note 10)	**69,816**	79,505

The movement in the deferred taxation account during the year was

	2007	2006
	£	£
Balance brought forward	**79,505**	63,200
Profit and loss movement arising during the year	**(9,689)**	16,305
Balance carried forward	**69,816**	79,505

The balance of the deferred taxation account consists of the tax effect of timing differences in respect of

	2007	2006
	£	£
Excess of depreciation over capital allowances	**26,765**	36,454
Other short term timing differences	**43,051**	43,051
	69,816	79,505

12 Creditors: amounts falling due within one year

	2007	2006
	£	£
Payments received on account	**700,116**	25,553
Trade creditors	**11,569,235**	6,751,196
Social security and other taxes	**654,492**	612,371
Other creditors	**205,027**	260,541
Accruals and deferred income	**6,573,883**	6,269,858
	19,702,753	13,919,519

Notes to the financial statements

13 Provisions for liabilities and charges

	Contract provisions £
At 1 June 2006	244,218
Decrease in the year	(242,218)
At 31 May 2007	**2,000**

14 Share capital

	2007 £	2006 £
Authorised		
2,500,000 Ordinary shares of £1 each	**2,500,000**	2,500,000
Allotted, called up and fully paid		
1,553,500 Ordinary shares of £1 each	**1,553,500**	1,553,500

15 Profit and loss account

	£
At 1 June 2006	3,813,642
Profit for the financial year	449,997
At 31 May 2007	**4,263,639**

16 Reconciliation of movements in shareholders' funds

	2007 £	2006 £
Profit for the financial year	**449,997**	339,461
Opening shareholders' funds	**5,467,567**	5,128,106
Closing shareholders' funds	**5,917,564**	5,467,567

Notes to the financial statements

17 Capital commitments

The company had no capital commitments at 31 May 2007 or 31 May 2006

18 Contingent liabilities

There are contingent liabilities in respect of guarantees under building agreements entered into in the normal course of business.

The company is party to a composite cross guarantee in favour of its bankers for all amounts due to the bank by Pochin's PLC of £31,234,022 (2006 £13,481,362)

19 Related party transactions

During the year, the company charged Hawarden Business Park Limited, a company in which Pochin's PLC, the ultimate parent undertaking, holds a 49% interest, £Nil (2006 £581,000) for work undertaken in connection with the construction of an industrial park at Hawarden, Flintshire Debtors, amounts recoverable under long-term contracts, at 31 May 2007 included a balance due from Hawarden Business Park Limited of £Nil (2006 £16,896).

During the year, the company charged Trinity Court Developments Limited, a company in which Pochin's PLC holds a 50% interest, £2,096,000 (2006· £3,309,000) for work undertaken in connection with the construction of residential apartments at Holyhead, Anglesey Debtors, amounts recoverable under long-term contracts, at 31 May 2007 included a balance due from Trinity Court Developments Limited of £1,191,707 (2006 £Nil).

During the year, the company charged The Midpoint Partnership, an unincorporated business in which Pochin's PLC holds a 25% interest, £9,840,000 (2006 £Nil) for work undertaken in connection with the construction of a distribution unit at Midpoint 18, Middlewich Debtors, amounts recoverable under long-term contracts, at 31 May 2007 included a balance due from The Midpoint Partnership of £1,542,121 (2006: £Nil).

As a wholly-owned subsidiary of Pochin's PLC, the company is exempt from the requirements of FRS 8 to disclose transactions with other members of the group headed by Pochin's PLC

There are no other related party transactions requiring disclosure.

Notes to the financial statements

20 Ultimate parent undertaking

The directors consider that the ultimate parent undertaking of this company is Pochin's PLC, a company incorporated in England and Wales

The largest and smallest group of undertakings for which group accounts have been drawn up is that headed by Pochin's PLC, which is registered in England and Wales

21 Group accounts

The company is exempt by virtue of Section 228 of the Companies Act 1985 for the requirement to prepare group accounts. The results of the company are included in the consolidated accounts of Pochin's PLC, registered in England and Wales These financial statements present information about the company as an individual undertaking, and not about its group