Pochin (Contractors) Limited
Financial statements
For the year ended 31 May 2005

Company No 396388

Company information

Company registration number	396388
Registered office	Brooks Lane Middlewich Cheshire CW10 0JQ
Directors	J H Woodcock R M Hatton L R Murray A M J Pochin J C Pochin
Secretary	D Hedley
Principal bankers	Royal Bank of Scotland Plc 6th Floor Spinningfields Square Manchester M3 3AP
Solicitors	Mace & Jones 14 Oxford Court Bishopsgate Manchester M2 3WQ

Company information

Auditors

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 2005.

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 £491,682 (2004: £860,183). The directors do not recommend the payment of a dividend and the profit has been transferred to reserves.

Directors

The membership of the board at 31 May 2005 is set out below. All directors served throughout the year. In addition N J Pochin served until his resignation on 7 April 2005.

J H Woodcock
L R Murray
A M J Pochin
J C Pochin
R M Hatton (appointed on 1 June 2004)

The interests of J H Woodcock and L R Murray in the share capital of Pochin's PLC, the ultimate parent undertaking, are disclosed in the financial statements of that company.

The interests of the directors, who are not directors of the ultimate parent undertaking, in the share capital of the ultimate parent undertaking are shown below:

	Ordinary shares of 25p each			
	2005		2004	
	Beneficial	**Non Beneficial**	Beneficial	Non Beneficial
A M J Pochin	**39,503**	**280,000**	39,503	280,000
J C Pochin	**542,559**	**-**	557,559	-

Report of the directors

Directors' responsibilities for the financial statements

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 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 judgements 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, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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.

Report of the directors

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 2005, the company had 28 days purchases (2004: 34 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 Hedley
Secretary

20th December 2005

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

We have audited the financial statements on pages 9 to 23 which have been prepared under the accounting policies set out on pages 9 and 10.

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 the directors and auditors

The directors' responsibilities for preparing the directors' report and the financial statements in accordance with applicable law and United Kingdom accounting standards 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 United Kingdom auditing standards.

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, in our opinion, the directors' report is not consistent with the financial statements, if 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 transactions with the company is not disclosed.

We read other information contained in the directors' report, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of opinion

We conducted our audit in accordance with United Kingdom auditing standards 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.

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

Basis of opinion (continued)

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 of the state of the company's affairs at 31 May 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Grant Thornton UK LLP

GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS
LIVERPOOL

10 January 2006

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.

Profit and loss account

	Note	2005 £	2004 £
Turnover	1	**76,516,950**	54,623,390
Cost of sales		**(72,192,300)**	(50,083,793)
Gross profit		**4,324,650**	4,539,597
Net operating expenses	2	**(3,549,897)**	(3,272,870)
Operating profit		**774,753**	1,266,727
Interest receivable		**2,554**	2,681
Interest payable and similar charges	3	**(1,177)**	(2,224)
Profit on ordinary activities before taxation	1	**776,130**	1,267,184
Tax on profit on ordinary activities	6	**(284,448)**	(407,001)
Profit for the financial year retained	16	491,682	860,183

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.

Balance sheet

	Note	2005	2004
		£	£
Fixed assets			
Tangible assets	7	**63,781**	76,682
Investments	8	**40,002**	88,926
		103,783	165,608
Current assets			
Stocks	9	**1,305,846**	3,412,814
Debtors	10	**17,171,910**	13,735,934
Cash in hand		**3,159**	1,725
		18,480,915	17,150,473
Creditors: amounts falling due within one year	12	**(13,148,732)**	(12,381,936)
Net current assets		**5,332,183**	4,768,537
Total assets less current liabilities		**5,435,966**	4,934,145
Creditors: amounts falling due after more than one year	13	**-**	(8,199)
Provisions for liabilities and charges	14	**(307,860)**	(289,522)
		5,128,106	4,636,424
Capital and reserves			
Called up share capital	15	**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	16	**3,474,181**	2,982,499
Shareholders' funds	17	**5,128,106**	4,636,424

The financial statements were approved by the Board of Directors on 20/12/2005, and signed on its behalf by:

J H Woodcock .... **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:

	2005	2004
	£	£
Auditors' remuneration:		
- Audit services	**14,550**	13,120
- Non audit services	**9,940**	900
Hire of plant and machinery	**858,528**	649,925
Profit on disposal of tangible fixed assets	**545**	-
Depreciation:		
- Owned assets	**50,588**	47,126
- Assets held under finance leases	**-**	12,677

2 Operating expenses

	2005	2004
	£	£
Distribution costs	**298,770**	254,536
Administration expenses	**3,251,127**	3,018,334
	3,549,897	3,272,870

3 Interest payable and similar charges

	2005	2004
	£	£
On finance leases	**1,177**	2,224

Notes to the financial statements

4 Directors and employees

Staff costs during the year were as follows:

	2005 £	2004 £
Wages and salaries	**5,996,496**	4,989,375
Social security costs	**588,525**	465,805
Other pension costs (see note 5)	**377,709**	464,681
	6,962,730	5,919,861

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

	2005 Number	2004 Number
Operatives	**166**	147
Administration	**57**	76
	223	223

Remuneration in respect of directors was as follows:

	2005 £	2004 £
Aggregate emoluments	**703,302**	764,590

During the year four directors (2004: 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:

	2005 £	2004 £
Aggregate emoluments	**230,945**	231,935

The highest paid director's accrued pension at the year end was £Nil.(2004: £Nil) and the highest paid director's accrued lump sum was £Nil (2004: £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 2005.

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 2002, which have been adjusted and updated on an approximate basis to 31 May 2005, are disclosed in the financial statements of Pochin's PLC.

The pension charge for the year was £377,709 (2004: £464,681).

6 Tax on profit on ordinary activities

(a) Analysis of charge in the year

	2005	2004
	£	£
Current taxation		
UK Corporation tax payable @ 30%	**316,362**	110,941
Group relief	**-**	294,060
Adjustments in respect of prior years	**(2,714)**	-
Total current tax	**313,648**	405,001
Deferred tax		
Provided in the year	**(29,200)**	2,000
	284,448	407,001

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% (2004: 30%).

The differences are explained below:

	2005	2004
	£	£
Profit on ordinary activities before taxation	**776,130**	1,267,184
Profit on ordinary activities multiplied by standard rate of Corporation tax in the UK of 30% (2004: 30%)	**232,839**	380,155
Effects of:		
Expenses not deductible for tax purposes	**54,323**	26,846
Depreciation for the year in excess of capital allowances	**-**	(2,000)
Capital allowances for the period in excess of depreciation	**1,000**	-
Adjustment to tax charge in respect of prior period	**(2,714)**	-
Other short-term timing differences	**28,200**	-
Current tax charge for the year	**313,648**	405,001

Notes to the financial statements

7 Tangible fixed assets

	Computer and office equipment £
Cost	
At 1 June 2004	694,594
Additions	37,687
Disposals	(1,222)
At 31 May 2005	731,059
Depreciation	
At 1 June 2004	617,912
Provided in the year	50,588
Eliminated on disposal	(1,222)
At 31 May 2005	667,278
Net book amount at 31 May 2005	**63,781**
Net book amount at 31 May 2004	76,682

The net book amount of assets held under finance leases is £Nil (2004: £Nil). The depreciation charged to the financial statements in the year in respect of such assets amounted to £Nil (2004: £12,677).

Notes to the financial statements

8 Fixed assets investments

	£
Shares at cost	
At 1 June 2004	88,926
Disposals	(48,924)
At 31 May 2005	**40,002**

At 31 May 2005 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**
Pochin (Wales) Limited	England and Wales	£1 Ordinary	Dormant
Timber & Plywood Co (Cheshire) Limited	England and Wales	£1 Ordinary	Dormant
William Griffith & Son (Benllech) Limited	England and Wales	£1 Ordinary	Dormant

9 Stocks

	2005	2004
	£	£
Long-term contract work in progress	**1,305,846**	3,412,814

Notes to the financial statements

10 Debtors

	2005 £	2004 £
Amounts due from parent undertaking	**6,355,936**	7,148,117
Amounts recoverable under long-term contracts	**8,136,064**	6,167,731
Other debtors	**182,265**	102,892
Prepayments and accrued income	**466,888**	283,194
VAT debtor	**1,967,557**	-
Deferred tax asset (note 11)	**63,200**	34,000
	17,171,910	13,735,934

Notes to the financial statements

11 Deferred taxation

The deferred tax included in the balance sheet is as follows:

	2005	2004
	£	£
Included in debtors (note 10)	**63,200**	34,000

The movement in the deferred taxation account during the year was:

	2005	2004
	£	£
Balance brought forward	**34,000**	36,000
Profit and loss movement arising during the year	**29,200**	(2,000)
Balance carried forward	**63,200**	34,000

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

	2005	2004
	£	£
Excess of taxation allowances over depreciation on fixed assets	**35,000**	34,000
Other short term timing differences	**28,200**	-
	63,200	34,000

12 Creditors: amounts falling due within one year

	2005	2004
	£	£
Payments received on account	**19,288**	19,288
Trade creditors	**8,557,987**	7,808,491
Social security and other taxes	**1,034,748**	1,342,243
Other creditors	**132,853**	62,972
Accruals and deferred income	**3,395,657**	3,133,330
Obligations under finance leases	**8,199**	15,612
	13,148,732	12,381,936

Notes to the financial statements

13 Creditors: amounts falling due after more than one year

	2005 £	2004 £
Obligations under finance leases	-	8,199

Obligations under finance leases are payable as follows:

	2005 £	2004 £
Due in less than one year	8,199	15,612
Due after one and within two years	-	8,199
Due after two and within five years	-	-
	8,199	23,811

14 Provisions for liabilities and charges

	Contract provisions £
At 1 June 2004	289,522
Increase in the year	18,338
At 31 May 2005	307,860

15 Share capital

	2005 £	2004 £
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

Notes to the financial statements

16 Profit and loss account

	£
At 1 June 2004	2,982,499
Profit for the financial year	491,682
At 31 May 2005	3,474,181

17 Reconciliation of movements in shareholders' funds

	2005	2004
	£	£
Profit for the financial year	**491,682**	860,183
Opening shareholders' funds	**4,636,424**	3,776,241
Closing shareholders' funds	**5,128,106**	4,636,424

18 Capital commitments

The company had no capital commitments at 31 May 2005 or 31 May 2004.

19 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 the following companies:

Pochin's PLC
Pochin Plant Limited
Pochin Development Limited
Avoidatrench Limited
Pipeline Drillers Limited
Elephant Leasing Limited.

Notes to the financial statements

20 Related party transactions

During the year, the company charged Hawarden Business Park (formerly Intercity (Hawarden) Limited), a company in which Pochin's PLC, the ultimate parent undertaking, holds a 49% interest, £1,712,000 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 2005 included a balance due from Hawarden Business Park Limited of £411,109 (2004: £Nil).

During the year, the company charged Weston Gate Developments Limited, a company in which Pochin's PLC holds a 50% interest, £17,465 for work carried out. Debtors, amounts recoverable under long-term contracts, at 31 May 2005 included a balance due from Weston Gate Developments Limited of £17,465 (2004:£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.

21 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.

22 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.