

**MCNICHOLAS  
CONSTRUCTION COMPANY  
LIMITED**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 MARCH 2002

# MCNICHOLAS CONSTRUCTION COMPANY LIMITED

## FINANCIAL STATEMENTS

For the year ended 31 MARCH 2002

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Company Registration Number: 468365

Registered Office: 22 Melton Street  
Euston Square  
London  
NW1 2BW

Directors: P T McNicholas  
M May  
M W N McKay  
S McNicholas  
S P McNicholas

Secretary: P M Silverman

Bankers: Barclays Bank plc  
Business Banking Centre  
PO Box 544  
54 Lombard Street  
London  
EC3V 9EX

Auditors: Grant Thornton  
Registered Auditors  
Chartered Accountants  
Grant Thornton House  
Melton Street  
Euston Square  
London  
NW1 2EP

# MCNICHOLAS CONSTRUCTION COMPANY LIMITED

## FINANCIAL STATEMENTS

For the year ended 31 MARCH 2002

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# MCNICHOLAS CONSTRUCTION COMPANY LIMITED

## REPORT OF THE DIRECTORS

For the year ended 31 MARCH 2002

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The directors present their report together with the audited financial statements for the year ended 31 March 2002.

### Principal activity

The principal activity of the company is that of Civil Engineering Contractors.

### Business review and future developments

In the face of difficult trading conditions, the newly appointed directors – headed up by Martin May - are confident the Company's core activities are sound and restructuring the business will quickly put it back on track.

The Company continues to work on a limited number of specialised projects with the majority of the Group's activities now carried out by the flagship company, McNicholas Construction Services Limited.

The directors would like to take this opportunity to thank all the staff and advisors to the group for their hard work and ongoing support.

The directors recommend a final dividend of £500 (2001: £300) per share. The proposed dividend for the year ended 31 March 2002 will be £10,000,000 (2001: £6,000,000).

### Directors

The directors who served through the year are set out below.

P T McNicholas	
K M McNicholas	(resigned 31 March 2002)
C P McNicholas	(resigned 28 February 2003)
M J Byrne	(resigned 28 February 2003)
M B Hayes	(resigned 31 March 2002)
M W N McKay	
S McNicholas	
S P McNicholas	

None of the directors have any interest in the share capital of the company. The interests of those directors who are also directors of the ultimate parent undertaking in the share capital of that company are detailed in its financial statements. On 1 March 2003 M May was appointed a director.

	2002 'A' ordinary share £	2002 'B' ordinary shares £	2001 'A' ordinary shares £	2001 'B' ordinary shares £
S P McNicholas	7,360	21,720	7,360	21,720
S McNicholas	1,882	32,565	1,882	32,565
M B Hayes	-	-	-	-
M McKay	-	-	-	-

# **MCNICHOLAS CONSTRUCTION COMPANY LIMITED**

## **REPORT OF THE DIRECTORS**

For the year ended 31 MARCH 2002

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### **Employees**

The company has continued its practice of keeping employees informed of matters affecting them as employees and the financial and economic factors affecting the performance of the company.

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 retain 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.

# MCNICHOLAS CONSTRUCTION COMPANY LIMITED

## REPORT OF THE DIRECTORS

For the year ended 31 MARCH 2002

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### **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:

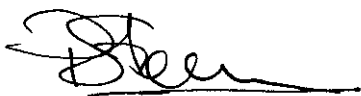
- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the 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.

### **Auditors**

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

BY ORDER OF THE BOARD



P M Silverman  
Secretary  
6 April 2003

## **REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF**

### **MCNICHOLAS CONSTRUCTION COMPANY LIMITED**

We have audited the financial statements of McNicholas Construction Company Limited for the year ended 31 March 2002 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the directors' report and the financial statements in accordance with United Kingdom law and 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 annual 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.

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.

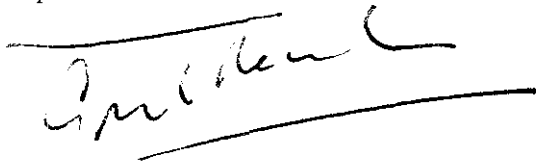
**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF  
MCNICHOLAS CONSTRUCTION COMPANY LIMITED**

**Going concern**

In forming our opinion we have considered the adequacy of the disclosure made in the Principal Accounting Policies section of the financial statements concerning the uncertainty as to the group's ability to continue to trade within its current borrowing facilities and to comply with its banking covenants. In view of the significance of this uncertainty we consider that it should be drawn to your attention but our opinion is not qualified in this respect.

**Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 March 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**GRANT THORNTON  
REGISTERED AUDITORS  
CHARTERED ACCOUNTANTS  
LONDON**

W April 2003



# **MCNICHOLAS CONSTRUCTION COMPANY LIMITED**

## **PRINCIPAL ACCOUNTING POLICIES**

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### **BASIS OF PREPARATION**

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

With the exception of the introduction of Financial Reporting Standard 17 Retirement Benefits, and Financial Reporting Standard 19, Deferred Tax, the principal accounting policies of the company have remained unchanged from the previous year and are set out below.

### **GOING CONCERN**

The financial statements have been prepared on a going concern basis, the validity of which depends on the group being able to trade within its banking facilities.

The directors believe that the group will be able to trade within the current banking facilities. The directors are implementing a process of rationalisation and reorganisation within the group in order to seek efficiencies and improvements in its financial headroom. This is being conducted in full discussion with the bankers who have indicated their intention to continue to support the group.

The directors believe that it is appropriate for the financial statements to be prepared on a going concern basis. The financial statements do not include any adjustments that would arise from an inability to trade within the current borrowing facilities or a failure to meet repayments of bank loans as they fall due.

### **TURNOVER**

Turnover is the total amount receivable by the company for services provided, excluding VAT.

In the case of long-term contracts, turnover reflects the contract activity during the year and represents the proportion of total contract value which costs incurred to date bear to total expected contract costs.

### **TANGIBLE FIXED ASSETS AND DEPRECIATION**

Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets by equal instalments over their expected useful lives. The rates generally applicable are:

Plant and equipment	20% on cost
Commercial vehicles	20% on cost
Motor vehicles	25% on cost

### **LEASED ASSETS**

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their expected useful lives. The interest element of leasing payments represent a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease.

All other leases are regarded as operating leases and the payments made under them are charged to the profit and loss account on a straight line basis over the lease term.

### **STOCKS**

Stocks are stated at the lower of cost and net realisable value.

# **MCNICHOLAS CONSTRUCTION COMPANY LIMITED**

## **PRINCIPAL ACCOUNTING POLICIES**

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### **DEFERRED TAXATION**

Deferred tax is provided for using the tax rates estimated to arise when the timing differences reverse and is accounted for to the extent that it is probable that a liability or asset will crystallise. Unprovided deferred tax is disclosed as a contingent liability.

Debit balances arising in respect of advance corporation tax on dividends payable or proposed are carried forward to the extent that they are expected to be recoverable.

### **CONTRIBUTIONS TO PENSION SCHEMES**

#### ***Defined Contribution Scheme***

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

#### ***Defined Benefit Scheme***

The pension costs charged against profits are based on actuarial methods and assumptions designed to spread the anticipated pension costs over the service lives of the employees in the scheme, so as to ensure that the regular pension cost represents a substantially level percentage of the current and expected future pensionable payroll. Variations from regular cost are spread over the remaining service lives of current employees in the scheme.

### **LONG-TERM CONTRACTS**

The attributable profit on long-term contracts is recognized once their outcome can be assessed with reasonable certainty. The profit recognized reflects the proportion of work completed to date on the project.

Costs associated with long-term contracts are included in stock to the extent that they cannot be matched with contract work accounted for as turnover. Long-term contract balances included in stock are stated at cost, after provision has been made for any foreseeable losses and the deduction of application payments on account.

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

### **WARRANTY PROVISIONS**

In accordance with the requirement of the New Road and Street Works Act 1991 the company has a warranty liability in respect of all reinstatement works covered by the Act. Accordingly, provisions have been made for the estimated costs of reinstatement and remedial works, for works completed up to the balance sheet date.

# MCNICHOLAS CONSTRUCTION COMPANY LIMITED

## PROFIT AND LOSS ACCOUNT

For the year ended 31 MARCH 2002

	Note	2002 £	2001 £
Turnover	1	17,162,135	85,060,376
Cost of sales		<u>(12,740,577)</u>	<u>(78,591,568)</u>
Gross profit		4,421,558	6,468,808
Administrative expenses		<u>(1,385,610)</u>	<u>(4,571,751)</u>
<b>Operating profit</b>	2	<b>3,035,948</b>	1,897,057
Interest payable and similar charges	3	(15,553)	(14,047)
Interest receivable		-	104,167
<b>Profit on ordinary activities before taxation</b>		<b>3,020,395</b>	1,987,177
Tax on profit on ordinary activities	5	<u>1,279,996</u>	<u>(1,640,942)</u>
<b>Profit for the financial year</b>		<b>4,300,391</b>	346,235
Dividends	6	<u>(10,000,000)</u>	<u>(6,000,000)</u>
Transfer from reserves		(5,699,609)	(5,653,765)
Retained profit at 31 March 2001		<u>8,099,645</u>	13,753,410
<b>Retained profit at 31 March 2002</b>		<b><u>2,400,036</u></b>	<b><u>8,099,645</u></b>

All transactions arose from continuing operations.

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

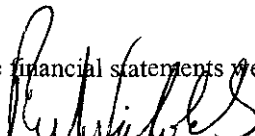
The accompanying accounting policies and notes form an integral part of these financial statements.

# MCNICHOLAS CONSTRUCTION COMPANY LIMITED

BALANCE SHEET AT 31 MARCH 2002

	Note	2002 £	2001 £
<b>Fixed assets</b>			
Tangible assets	7	<u>297,570</u>	<u>463,919</u>
<b>Current assets</b>			
Stocks	8	3,913	39,051
Debtors	9	9,867,239	15,071,877
Debtors: amounts owed by group undertakings		19,505,510	21,392,490
Cash at bank and in hand		-	733,729
		<u>29,376,662</u>	<u>37,237,147</u>
<b>Creditors: amounts falling due within one year</b>	10	(13,703,505)	(23,846,746)
<b>Creditors: amounts owed to group undertakings</b>		<u>(11,442,446)</u>	<u>(1,197,706)</u>
<b>Net current assets</b>		<u>4,230,711</u>	<u>12,192,695</u>
<b>Total assets less current liabilities</b>		<u>4,528,281</u>	<u>12,656,614</u>
<b>Creditors: amounts falling due after more than one year</b>	11	(944,285)	(1,321,126)
<b>Provisions for liabilities and charges</b>	12	<u>(1,162,760)</u>	<u>(3,214,643)</u>
		<u>2,421,236</u>	<u>8,120,845</u>
<b>Capital and reserves</b>			
Called up share capital	13	20,000	20,000
Capital redemption reserve	14	1,200	1,200
Profit and loss account		2,400,036	8,099,645
<b>Equity shareholders' funds</b>	15	<u>2,421,236</u>	<u>8,120,845</u>

The financial statements were approved by the Board of Directors on 15 April 2003

  
P T McNicholas - Director

  
BS McNicholas - Director

The accompanying accounting policies and notes form an integral part of these financial statements.

# MCNICHOLAS CONSTRUCTION COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 MARCH 2002

### 1 TURNOVER

The turnover and profit before taxation are attributable to the one principal activity of the company.

### 2 OPERATING PROFIT

The operating profit is stated after charging/(crediting):

	2002 £	2001 £
Depreciation:		
Owned assets	73,161	120,790
Leased assets	80,365	80,365
Profit on sale of fixed assets	(27,676)	(8,500)
Auditors' remuneration	-	35,000
Hire of plant and machinery	<u>2,346,481</u>	<u>6,760,574</u>

Auditors' remuneration is charged through the holding company.

### 3 INTEREST PAYABLE AND SIMILAR CHARGES

	2002 £	2001 £
On bank overdraft	15,553	-
Finance charges in respect of finance leases	-	14,047
	<u>15,553</u>	<u>14,047</u>

Interest charges on bank overdrafts are subject to a group treasury function.

### 4 DIRECTORS AND EMPLOYEES

Staff costs during the year were as follows:

	2002 £	2001 £
Wages and salaries	8,030,228	15,570,782
Social security costs	782,476	1,533,906
Pension costs	45,778	130,410
	<u>8,858,481</u>	<u>17,235,098</u>

# MCNICHOLAS CONSTRUCTION COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 MARCH 2002

### DIRECTORS AND EMPLOYEES (CONTINUED)

The average number of employees during the year was:

	2002 Number	2001 Number
Production	349	856
Administration	-	18
	<u>349</u>	<u>874</u>

Remuneration in respect of directors was as follows:

	2002 £	2001 £
Emoluments	239,643	346,013
Pension contributions	<u>16,240</u>	<u>16,778</u>
	<u>255,883</u>	<u>362,791</u>

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

	2002 £	2001 £
Emoluments	138,520	224,809
Pension contributions to money purchase pension schemes	<u>13,120</u>	<u>9,823</u>
	<u>151,640</u>	<u>234,632</u>

During the year the 2 paid directors (2001: 2 directors) participated in a defined benefit pension scheme. The other directors were wholly remunerated by other group companies.

## 5 TAX ON PROFIT ON ORDINARY ACTIVITIES

The taxation charge is based on the profit for the year and represents:

	2002 £	2001 £
Corporation tax at 30% (2001: 30%)	92,755	1,184,673
Group relief utilised	<u>(1,372,751)</u>	<u>456,269</u>
	<u>(1,279,996)</u>	<u>1,640,942</u>
Profit on ordinary activities at the standard rate of corporation tax in the United Kingdom of 30%	906,118	596,153
Expenses not deductible for tax purposes	22,268	67,090
(Excess)/shortfall of capital allowances over depreciation	(39,830)	27,827
Other timing differences	5,116	(211,240)
Utilisation of group relief	(800,917)	704,843
Adjustment in respect of prior years	<u>(1,372,751)</u>	<u>456,269</u>
	<u>(1,279,996)</u>	<u>1,640,942</u>

# MCNICHOLAS CONSTRUCTION COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 MARCH 2002

### 6 DIVIDENDS

	2002 £	2001 £
Proposed at £500 per share (2001: £300 per share)	<u>10,000,000</u>	<u>6,000,000</u>

### 7 TANGIBLE FIXED ASSETS

	Plant and equipment £	Motor vehicles £	Total £
Cost			
At 1 April 2001	575,783	686,293	1,262,076
Additions	8,705	-	8,705
Disposals	(527,429)	(158,068)	(685,497)
Reclassification	528,225	(528,225)	-
At 31 March 2002	<u>585,284</u>	<u>-</u>	<u>585,284</u>
Depreciation			
At 1 April 2001	265,777	532,380	798,157
Provided in the year	143,125	10,401	153,526
Disposals	(524,710)	(139,259)	(663,969)
Reclassification	403,522	(403,522)	-
At 31 March 2002	<u>287,714</u>	<u>-</u>	<u>287,714</u>
Net book amount at 31 March 2002	<u>297,570</u>	<u>-</u>	<u>297,570</u>
Net book amount at 31 March 2001	<u>310,006</u>	<u>153,913</u>	<u>463,919</u>

The net book value of tangible fixed assets included above held under finance leases or hire purchase contracts amounted to £196,064 (2001: £288,897). Total depreciation allocated to these assets during the year was £80,365 (2001: £80,365).

### 8 STOCKS

	2002 £	2001 £
Raw materials and consumables	<u>3,913</u>	<u>39,051</u>

# MCNICHOLAS CONSTRUCTION COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 MARCH 2002

### 9 DEBTORS

	2002 £	2001 £
Trade debtors	4,157,626	3,771,033
Amounts recoverable on contracts	1,020,901	4,100,518
Other debtors	4,331,242	7,184,826
Corporation tax	295,745	-
Prepayments and accrued income	61,725	15,500
	<u>9,867,239</u>	<u>15,071,877</u>

### 10 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2002 £	2001 £
Bank overdraft	3,233,908	-
Trade creditors	8,082,107	18,918,090
Corporation tax	248	1,175,080
Other taxation and social security	474	4,897
Other creditors	790,632	567,365
Accruals and deferred income	1,406,680	3,102,031
Obligations under finance leases and hire purchase contracts	189,456	79,283
	<u>13,703,505</u>	<u>23,846,746</u>

The bank overdraft is secured by a floating charge over the assets of the company and the group.

### 11 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2002 £	2001 £
Other creditors	944,285	1,153,762
Amounts due under finance leases	-	167,364
	<u>944,285</u>	<u>1,321,126</u>



# MCNICHOLAS CONSTRUCTION COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 MARCH 2002

### 12 PROVISIONS FOR LIABILITIES AND CHARGES

	Warranty provisions £
At 1 April 2001	3,214,643
Net movement in the year	(2,051,883)
At 31 March 2002	<u>1,162,760</u>

These relate to warranty provisions for reinstatement and remedial works. No analysis is provided between amounts used and provided during the year, as the directors consider this to be commercially sensitive.

### 13 SHARE CAPITAL

	2002 £	2001 £
Authorised, allotted and fully paid: 20,000 ordinary shares of £1 each	<u>20,000</u>	<u>20,000</u>

### 14 CAPITAL REDEMPTION RESERVE

	£
At 1 April 2001 and 31 March 2002	<u>1,200</u>

### 15 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2002 £	2001 £
Profit for the financial year	4,300,391	346,235
Dividends	<u>(10,000,000)</u>	<u>(6,000,000)</u>
Net decrease in shareholders' funds	(5,699,609)	(5,653,765)
Opening shareholders' funds	<u>8,120,845</u>	<u>13,774,610</u>
Closing shareholders' funds	<u>2,421,236</u>	<u>8,120,845</u>

### 16 CAPITAL COMMITMENTS

The company had no capital commitments at 31 March 2002 or 31 March 2001.

# MCNICHOLAS CONSTRUCTION COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 MARCH 2002

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### 17 CONTINGENT LIABILITIES

The company had an unlimited cross guarantee in respect of group bank borrowings. At 31 March 2002 this amounted to £7,390,957.

The company had a contingent liability in respect of bonds and guarantees issued by itself and other group companies of £10,849,614 at 31 March 2002.

### 18 PENSION COMMITMENTS

The company is a member of the defined benefit group pension scheme operated by McNicholas Construction (Holdings) Limited. Full details of the scheme are given in the notes to the financial statements of McNicholas Construction (Holdings) Limited.

Contributions to the defined contribution group pension scheme are charged to the profit and loss account as incurred.

The total pension cost for the company in the year ended 31 March 2002 was £59,713 (2001: £130,410).

### 19 LEASING COMMITMENTS

Annual commitments under operating leases amounting to £38,090 (31 March 2001: £817,604) are due within one year. The leases to which these amounts relate expire as follows:

	2002		2001	
	Land and buildings £	Other £	Land and buildings £	Other £
In one year or less	-	11,481	42,160	151,831
Between one and five years	-	26,609	87,000	536,613
	-	38,090	129,160	688,444

### 20 RELATED PARTY TRANSACTIONS

As a wholly owned subsidiary of McNicholas Construction (Holdings) Limited, the company is exempt from the requirements of Financial Reporting Standard No 8 to disclose transactions with other members of the group headed by McNicholas Construction (Holdings) Limited.

### 21 ULTIMATE PARENT UNDERTAKING

The ultimate controlling and parent undertaking of this company is McNicholas Construction (Holdings) Limited, incorporated in England and Wales. It is situated at Lismirrane Industrial Park, Elstree Road, Elstree, Hertfordshire and its financial statements are available from Companies House.

The largest and smallest group of undertakings for which group accounts have been drawn up is that headed by McNicholas Construction (Holdings) Limited.