

**MCNICHOLAS  
CONSTRUCTION COMPANY  
LIMITED**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 MARCH 2001

# **MCNICHOLAS CONSTRUCTION COMPANY LIMITED**

## **FINANCIAL STATEMENTS**

For the year ended 31 MARCH 2001

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Company Registration Number: 468365

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

Directors: P T McNicholas  
K M McNicholas  
J B McNicholas  
C P McNicholas  
M J Byrne  
M B Hayes  
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

Solicitors: Dechert  
2 Serjeants' Inn  
London  
EC4Y 1LT

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 2001

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# **McNICHOLAS CONSTRUCTION COMPANY LIMITED**

## **REPORT OF THE DIRECTORS**

For the year ended 31 MARCH 2001

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The directors present their report together with the audited financial statements for the year ended 31 March 2001.

### **Principal activity**

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

### **Business review and future developments**

The directors are pleased to report another good year for the company achieved through the hard work and dedication of both the management and employees in a difficult market in which margins have been continually eroded. A number of major projects were commenced and successfully completed during the year.

As indicated in last year's business review, the divisionalisation of the group's activities through its major flagship trading company, McNicholas Construction Services Limited, also commenced. The directors feel that, given the troubled position of the Telco market, the group will be in a better position to serve the needs of that market in the future through this multi skilled company. McNicholas Construction Company Limited will continue to work on a limited number of specialised projects.

The directors recommend a final dividend of £300 (2000: £400) per share. The proposed dividend for the year ended 31 March 2001 will be £6,000,000 (2000: £8,000,000).

### **Directors**

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

P T McNicholas  
K M McNicholas  
J B McNicholas (resigned 1 April 2001)  
C P McNicholas  
M J Byrne  
M B Hayes  
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.

### **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 2001

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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:

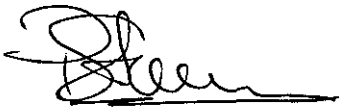
- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the 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  
29 January 2002

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

We have audited the financial statements on pages 4 to 13 which have been prepared under the accounting policies set out on pages 4 and 5.

**Respective responsibilities of the directors and auditors**

As described on page 2 the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

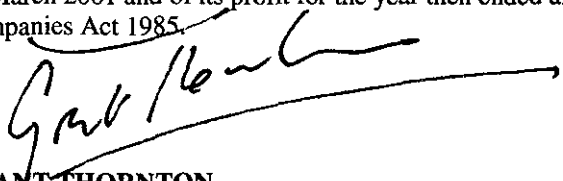
**Basis of opinion**

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.

**Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 March 2001 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  
29 January 2002

# **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.

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

### **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.

### **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.

# **MCNICHOLAS CONSTRUCTION COMPANY LIMITED**

## **PRINCIPAL ACCOUNTING POLICIES**

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### **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 2001

	<b>Note</b>	<b>2001 £</b>	<b>2000 £</b>
Turnover	1	85,060,376	95,181,982
Cost of sales		<u>(78,591,568)</u>	<u>(81,142,123)</u>
Gross profit		6,468,808	14,039,859
Administrative expenses		<u>(4,571,751)</u>	<u>(5,432,955)</u>
<b>Operating profit</b>	2	1,897,057	8,606,904
Interest payable and similar charges	3	(14,047)	(85,421)
Interest receivable		<u>104,167</u>	<u>4,780</u>
<b>Profit on ordinary activities before taxation</b>		1,987,177	8,526,263
Tax on profit on ordinary activities	5	<u>(1,640,942)</u>	<u>(1,277,048)</u>
<b>Profit for the financial year</b>		346,235	7,249,215
Dividends	6	<u>(6,000,000)</u>	<u>(8,000,000)</u>
Transfer from reserves		(5,653,765)	(750,785)
Retained profit at 31 March 2000		<u>13,753,410</u>	14,504,195
<b>Retained profit at 31 March 2001</b>		<u>8,099,645</u>	<u>13,753,410</u>

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.

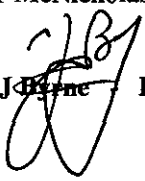
# MCNICHOLAS CONSTRUCTION COMPANY LIMITED

## BALANCE SHEET AT 31 MARCH 2001

	Note	2001 £	2000 £
<b>Fixed assets</b>			
Tangible assets	7	<u>463,919</u>	<u>631,071</u>
<b>Current assets</b>			
Stocks	8	39,051	326,412
Debtors	9	15,071,877	18,630,800
Debtors: amounts owed by group undertakings		21,392,490	78,462,278
Cash at bank and in hand		<u>733,729</u>	<u>566,626</u>
		<u>37,237,147</u>	<u>97,986,116</u>
<b>Creditors: amounts falling due within one year</b>	10	<u>(23,846,746)</u>	<u>(37,111,240)</u>
<b>Creditors: amounts owed to group undertakings</b>		<u>(1,197,706)</u>	<u>(43,145,235)</u>
<b>Net current assets</b>		<u>12,192,695</u>	<u>17,729,641</u>
<b>Total assets less current liabilities</b>		<u>12,656,614</u>	<u>18,360,712</u>
<b>Creditors: amounts falling due after more than one year</b>	11	<u>(1,321,126)</u>	<u>(317,424)</u>
<b>Provisions for liabilities and charges</b>	12	<u>(3,214,643)</u>	<u>(4,268,678)</u>
		<u>8,120,845</u>	<u>13,774,610</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		<u>8,099,645</u>	<u>13,753,410</u>
<b>Equity shareholders' funds</b>	15	<u>8,120,845</u>	<u>13,774,610</u>

The financial statements were approved by the Board of Directors on 29 January 2002

  
P T McNicholas - Director

  
M J Byrne - 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 2001

### 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):

	2001 £	2000 £
Depreciation:		
Owned assets	120,790	124,077
Leased assets	80,365	49,593
Profit on sale of fixed assets	(8,500)	-
Auditors' remuneration	35,000	31,500
Hire of plant and machinery	6,760,574	5,192,258

### 3 INTEREST PAYABLE AND SIMILAR CHARGES

	2001 £	2000 £
On bank overdraft	-	13,739
Finance charges in respect of finance leases	14,047	5,406
Other interest payable	-	66,276
	14,047	85,421

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

### 4 DIRECTORS AND EMPLOYEES

Staff costs during the year were as follows:

	2001 £	2000 £
Wages and salaries	15,570,782	15,547,550
Social security costs	1,533,906	1,445,636
Pension costs	130,410	166,224
	17,235,098	17,159,410

The average number of employees during the year was:

	2001 Number	2000 Number
Production	856	653
Administration	18	19
	874	672

# MCNICHOLAS CONSTRUCTION COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 MARCH 2001

### DIRECTORS AND EMPLOYEES (CONTINUED)

Remuneration in respect of directors was as follows:

	2001 £	2000 £
Emoluments	346,013	245,399
Pension contributions	16,778	15,940
	<u>362,791</u>	<u>261,339</u>

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

	2001 £	2000 £
Emoluments	224,809	171,658
Pension contributions to money purchase pension schemes	9,823	9,520
	<u>234,632</u>	<u>181,178</u>

During the year the 2 paid directors (2000: 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:

	2001 £	2000 £
Corporation tax at 30% (2000: 30%)	1,184,673	1,277,048
Under provision in previous year	456,269	-
	<u>1,640,942</u>	<u>1,277,048</u>

The tax charge for the year ended 31 March 2001 has been reduced by the use of £Nil (2000: £4,507,972) tax losses from other group companies for which no payment was made.

### 6 DIVIDENDS

	2001 £	2000 £
Proposed at 300 per share (2000: £400 per share)	<u>6,000,000</u>	<u>8,000,000</u>

# MCNICHOLAS CONSTRUCTION COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 MARCH 2001

### 7 TANGIBLE FIXED ASSETS

	Plant and equipment £	Motor vehicles £	Total £
Cost			
At 1 April 2000	541,780	713,993	1,255,773
Additions	34,003	-	34,003
Disposals	-	(27,700)	(27,700)
At 31 March 2001	<u>575,783</u>	<u>686,293</u>	<u>1,262,076</u>
Depreciation			
At 1 April 2000	87,812	536,890	624,702
Provided in the year	177,965	23,190	201,155
Disposals	-	(27,700)	(27,700)
At 31 March 2001	<u>265,777</u>	<u>532,380</u>	<u>798,157</u>
Net book amount at 31 March 2001	<u>310,006</u>	<u>153,913</u>	<u>463,919</u>
Net book amount at 31 March 2000	<u>453,968</u>	<u>177,103</u>	<u>631,071</u>

The net book value of tangible fixed assets included above held under finance leases or hire purchase contracts amounted to £288,897 (2000: £369,262). Total depreciation allocated to these assets during the year was £80,365 (2000: £49,593).

### 8 STOCKS

	2001 £	2000 £
Raw materials and consumables	<u>39,051</u>	<u>326,412</u>

### 9 DEBTORS

	2001 £	2000 £
Trade debtors	3,771,033	5,305,337
Amounts recoverable on contracts	4,100,518	12,765,215
Other debtors	7,184,826	-
Prepayments and accrued income	15,500	560,248
	<u>15,071,877</u>	<u>18,630,800</u>

# MCNICHOLAS CONSTRUCTION COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 MARCH 2001

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

	2001 £	2000 £
Bank overdraft	-	11,775,009
Trade creditors	18,918,090	17,917,508
Corporation tax	1,175,080	840,615
Other taxation and social security	4,897	2,265,060
Other creditors	567,365	238,165
Accruals and deferred income	3,102,031	3,985,430
Obligations under finance leases and hire purchase contracts	79,283	89,453
	<u>23,846,746</u>	<u>37,111,240</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

	2001 £	2000 £
Other creditors	1,153,762	-
Amounts due under finance leases	167,364	317,424
	<u>1,321,126</u>	<u>317,424</u>

### 12 PROVISIONS FOR LIABILITIES AND CHARGES

	Warranty provisions £
At 1 April 2000	4,268,678
Net movement in the year	(1,054,035)
At 31 March 2001	<u>3,214,643</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

	2001 £	2000 £
Authorised, allotted and fully paid: 20,000 ordinary shares of £1 each	<u>20,000</u>	<u>20,000</u>

# MCNICHOLAS CONSTRUCTION COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 MARCH 2001

### 14 CAPITAL REDEMPTION RESERVE

	£
At 1 April 2000 and 31 March 2001	<u>1,200</u>

### 15 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2001 £	2000 £
Profit for the financial year	346,235	7,249,215
Dividends	(6,000,000)	(8,000,000)
Net decrease in shareholders' funds	(5,653,765)	(750,785)
Shareholders' funds at 1 April 2000	<u>13,774,610</u>	<u>14,525,395</u>
Shareholders' funds at 31 March 2001	<u>8,120,845</u>	<u>13,774,610</u>

### 16 CAPITAL COMMITMENTS

The company had no capital commitments at 31 March 2001 or 31 March 2000.

### 17 CONTINGENT LIABILITIES

There are unlimited cross guarantees on liabilities of group companies.

### 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 2001 was £130,410 (2000: £166,224).

# MCNICHOLAS CONSTRUCTION COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 MARCH 2001

### 19 LEASING COMMITMENTS

Annual commitments under operating leases amounting to £817,604 (31 March 2000: £1,089,234) are due within one year. The leases to which these amounts relate expire as follows:

	2001		2000	
	Land and buildings £	Other £	Land and buildings £	Other £
In one year or less	42,160	151,831	61,178	91,109
Between one and five years	87,000	536,613	81,500	855,447
	<u>129,160</u>	<u>688,444</u>	<u>142,678</u>	<u>946,556</u>

### 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.