

Registered Company Number; 468365

McNICHOLAS CONSTRUCTION COMPANY LIMITED

REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 1997

Orr Shotliff
Chartered Accountants
Stuart House
55 Catherine Place
London SW1E 6DY



MCNICHOLAS CONSTRUCTION COMPANY LIMITED

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for the Year Ended 31 March 1997**

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McNICHOLAS CONSTRUCTION COMPANY LIMITED

COMPANY INFORMATION
for the Year Ended 31 March 1997

DIRECTORS: P T McNicholas
K M McNicholas
J B McNicholas
C P McNicholas
M J Byrne
M J Doyle
M B Hayes

SECRETARY: M J Doyle

REGISTERED OFFICE: Lismirrane Industrial Park
Elstree Road
Elstree
Hertfordshire
WD6 3EA

REGISTERED NUMBER: 468365

AUDITORS: Orr Shotliff
Chartered Accountants
Registered Auditor
Stuart House
55 Catherine Place
London
SW1E 6DY

BANKERS: Barclays Bank plc
8 - 9 Hanover Square
London
W1A 4ZW

SOLICITORS: Titmuss Sainer Dechert
2 Serjeants' Inn
London
EC4Y 1LT

Ottaways
The Mansion
1 St Peters Street
St Albans
Herts
AL1 3DT

McNICHOLAS CONSTRUCTION COMPANY LIMITED

REPORT OF THE DIRECTORS for the Year Ended 31 March 1997

The directors present their report with the financial statements of the Company for the year ended 31 March 1997.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 judgments and estimates that are reasonable and prudent;
- 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 which disclose with reasonable accuracy at any time the financial position of the Company and to 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.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The principal activity of the Company in the year under review was that of Public Works and Civil Engineering Contractors.

The directors are pleased to announce a substantial increase in Turnover and Profitability.

RESULTS AND DIVIDENDS

The results for the year and financial position of the Company are as shown in the annexed financial statements.

The directors recommend the payment of a dividend totalling £333,334 (1996: £250,000). The profit transferred to reserves is £971,325.

EMPLOYEES

The Company is conscious of its legal and social obligations with regard to the employment of disabled persons. Applications for employment by disabled persons are given full consideration, taking account of their aptitude and ability. As with all employees, general training and promotion are available to disabled persons in accordance with their ability and commitment.

FIXED ASSETS

Changes to Tangible Fixed Assets of the Company appear in note 9 to the accounts.

DIRECTORS

The directors during the year under review were:

P T McNicholas
K M McNicholas
J B McNicholas
C P McNicholas
M J Byrne
M J Doyle
M B Hayes

The directors did not hold any beneficial interest in the issued share capital of the Company at 31 March 1997. Shares held in the Holding Company are shown in the Directors Report thereto.

McNICHOLAS CONSTRUCTION COMPANY LIMITED

**REPORT OF THE DIRECTORS
for the Year Ended 31 March 1997**

AUDITORS

The auditors, Orr Shotliff, will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD:


M J Byrne
Director

Dated:

17/7/98

MCNICHOLAS CONSTRUCTION COMPANY LIMITED

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

We have audited the financial statements on pages five to twelve which have been prepared under the historical cost convention and the accounting policies set out on page seven.

Respective responsibilities of Directors and Auditors

As described on page two the Company's directors are responsible for the preparation of financial statements. 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

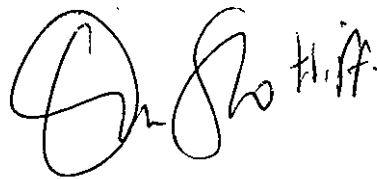
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs as at 31 March 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Orr Shotliff
Chartered Accountants
Registered Auditor
Stuart House
55 Catherine Place
London
SW1E 6DY



Dated:

17th February 1998.

McNICHOLAS CONSTRUCTION COMPANY LIMITED

PROFIT AND LOSS ACCOUNT for the Year Ended 31 March 1997

	Notes	1997 £	1996 £
TURNOVER	2	94,131,281	87,045,679
Cost of Sales		<u>86,817,171</u>	<u>81,006,205</u>
GROSS PROFIT		7,314,110	6,039,474
Distribution Costs		323,959	290,780
Administrative Expenses		<u>4,894,037</u>	<u>4,726,840</u>
		<u>5,217,996</u>	<u>5,017,620</u>
OPERATING PROFIT	4	2,096,114	1,021,854
Interest Payable and Similar Charges	6	<u>109,632</u>	<u>97,336</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,986,482	924,518
Tax on Profit on Ordinary Activities	7	<u>681,823</u>	<u>433,007</u>
PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION		1,304,659	491,511
Dividends	8	<u>333,334</u>	<u>250,000</u>
		971,325	241,511
Retained Profit Brought Forward		<u>11,374,177</u>	<u>11,132,666</u>
RETAINED PROFIT CARRIED FORWARD		<u>£12,345,502</u>	<u>£11,374,177</u>

CONTINUING OPERATIONS

None of the Company's activities were acquired or discontinued during the current and previous years.

TOTAL RECOGNISED GAINS AND LOSSES

The Company has no recognised gains or losses other than the profits for the current and previous years.

McNICHOLAS CONSTRUCTION COMPANY LIMITED

BALANCE SHEET 31 March 1997

	Notes	1997 £	£	1996 £	£
FIXED ASSETS:					
Tangible Assets	9		416,583		373,021
Investments			-		16,667
			416,583		389,688
CURRENT ASSETS:					
Stocks	10	9,240,836		8,722,935	
Debtors	11	27,327,500		38,448,405	
Cash at Bank		2,741,012		1,491,790	
		39,309,348		48,663,130	
CREDITORS: Amounts falling due within one year	12	27,354,562		37,605,358	
NET CURRENT ASSETS:			11,954,786		11,057,772
TOTAL ASSETS LESS CURRENT LIABILITIES:			12,371,369		11,447,460
CREDITORS: Amounts falling due after more than one year	13		4,667		52,083
			<u>£12,366,702</u>		<u>£11,395,377</u>
CAPITAL AND RESERVES:					
Called Up Share Capital	14		20,000		20,000
Capital Redemption Reserve	15		1,200		1,200
Profit and Loss Account			12,345,502		11,374,177
Shareholders' Funds	21		<u>£12,366,702</u>		<u>£11,395,377</u>

ON BEHALF OF THE BOARD:

K M McNicholas - DIRECTOR

M J Byrne - DIRECTOR

Approved by the Board on

17 February 1998

The notes form part of these financial statements

McNICHOLAS CONSTRUCTION COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the Year Ended 31 March 1997

1. ACCOUNTING POLICIES

Accounting Convention

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

Turnover

Turnover represents the services provided and goods sold during the year, excluding value added tax.

Tangible Fixed Assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Furniture and Equipment	- 20% per annum on cost
Commercial Vehicles	- 20% per annum on cost
Motor Vehicles	- 25% per annum on cost

Stocks and Work in Progress

Stocks and work in progress are valued at the lower of cost and net realisable value. Long term contracts are valued at cost plus attributable profit (based on the work completed) on sufficiently advanced contracts less foreseeable losses and payments on account not matched with turnover. Cost includes an appropriate proportion of overheads. Any excess of turnover over payments on account is included in debtors.

Pensions

The Holding Company operates two defined benefit pension schemes. Contributions are charged to the Profit and Loss Account so as to spread costs of pensions over the employees working lives with the company.

Leasing and Hire Purchase

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets and depreciated over the shorter of the lease term and their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the Profit and Loss Account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

Foreign Currencies

Assets and Liabilities recorded in foreign currencies are translated at the rates ruling at the balance sheet date or the rates fixed by forward contracts. Transactions denominated in foreign currencies are translated into sterling and recorded at the rates of exchange ruling at the date of the transaction. Differences on exchange are dealt with in the Profit and Loss Account.

McNICHOLAS CONSTRUCTION COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the Year Ended 31 March 1997

2. TURNOVER

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

3. STAFF COSTS

	1997	1996
	£	£
Wages and Salaries	6,752,954	5,513,175
Social Security Costs	594,675	573,931
Other Pension Costs	<u>157,243</u>	<u>248,328</u>
	<u>7,504,872</u>	<u>6,335,434</u>

The average weekly number of employees during the year was 264 (1996: 282).

4. OPERATING PROFIT

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

	1997	1996
	£	£
Directors Emoluments (see Note 5)	505,721	658,463
Hire of Plant and Machinery	10,079,036	11,093,919
Profit on Disposal of Fixed Assets	(8,560)	(21,795)
Depreciation	134,841	169,095
Auditors' Remuneration	33,000	31,250
Other Fees to Auditors	<u>49,500</u>	<u>6,000</u>

5. DIRECTORS' EMOLUMENTS (Excluding Pension Contributions)

	1997	1996
	£	£
Chairman's emoluments for the year were:	<u>Nil</u>	<u>Nil</u>
The emoluments of the highest paid director were:	<u>455,721</u>	<u>295,933</u>

The other directors' emoluments, fell within the following ranges:

	1997	1996
£Nil - £5,000	5	3
£130,001 - £135,000	-	1
£215,001 - £220,000	-	1

McNICHOLAS CONSTRUCTION COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the Year Ended 31 March 1997

6. INTEREST PAYABLE AND SIMILAR CHARGES

	1997 £	1996 £
Bank Loans, Overdrafts and Other Loans repayable within five years	5,023	10,297
Loans not wholly repayable within five years	58,746	56,724
Finance Charges - Hire Purchase Contracts and Finance Leases	31,273	30,315
Exchange Loss	<u>14,590</u>	<u>-</u>
	<u>109,632</u>	<u>97,336</u>

7. TAXATION

The tax charge on the profit on ordinary activities for the year was as follows:

	1997 £	1996 £
Based on the adjusted results of the year: UK Corporation Tax at 33% (1996: 33%)	<u>681,823</u>	<u>433,007</u>

8. DIVIDENDS

A dividend was proposed during the year of £16.67 per share totalling £333,334 (1996: £250,000).

McNICHOLAS CONSTRUCTION COMPANY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 31 March 1997**

9. TANGIBLE FIXED ASSETS

	Furniture and Equipment £	Motor Vehicles £	Totals £
COST:			
At 1 April 1996	380,847	528,465	909,312
Additions	-	246,695	246,695
Disposals	<u>-</u>	<u>(127,694)</u>	<u>(127,694)</u>
At 31 March 1997	<u>380,847</u>	<u>647,466</u>	<u>1,028,313</u>
DEPRECIATION:			
At 1 April 1996	342,506	193,787	536,293
Charge for year	18,746	116,095	134,841
Eliminated on Disposals	<u>-</u>	<u>(59,404)</u>	<u>(59,404)</u>
At 31 March 1997	<u>361,252</u>	<u>250,478</u>	<u>611,730</u>
NET BOOK VALUE:			
At 31 March 1997	<u>19,595</u>	<u>396,988</u>	<u>416,583</u>
At 31 March 1996	<u>38,341</u>	<u>334,680</u>	<u>373,021</u>

The net book value of tangible fixed assets included above held under finance leases or hire purchase contracts amounted to £23,800 (1996: £104,158). Total depreciation allocated to these assets during the year was £4,200 (1996: £22,184).

10. STOCKS

	1997 £	1996 £
Raw Materials	788,847	1,113,510
Work in Progress	<u>8,451,989</u>	<u>7,609,425</u>
	<u>9,240,836</u>	<u>8,722,935</u>

**11. DEBTORS: AMOUNTS FALLING
DUE WITHIN ONE YEAR**

	1997 £	1996 £
Trade Debtors	10,816,169	11,656,459
Other Debtors	133,418	110,524
Prepayments	6,500	47,381
Group Companies	14,634,406	26,634,041
VAT	<u>1,737,007</u>	<u>-</u>
	<u>27,327,500</u>	<u>38,448,405</u>

McNICHOLAS CONSTRUCTION COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the Year Ended 31 March 1997

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1997 £	1996 £
Trade Creditors	17,849,705	13,376,437
Group Companies	3,139,423	20,043,375
Hire Purchase (Secured)	51,155	131,965
Other Creditors	615,782	413,851
Social Security and Other Taxes	628,917	1,526,034
Taxation	641,279	317,746
Accruals and Deferred Income	<u>4,428,301</u>	<u>1,795,950</u>
	<u>27,354,562</u>	<u>37,605,358</u>

13. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	1997 £	1996 £
Hire Purchase (Secured)	<u>4,667</u>	<u>52,083</u>

14. CALLED UP SHARE CAPITAL

Authorised, allotted, issued and fully paid:

Number:	Class:	Nominal value:	1997 £	1996 £
20,000	Ordinary	£1	<u>20,000</u>	<u>20,000</u>

15. CAPITAL REDEMPTION RESERVE

	1997 £	1996 £
Capital Redemption Reserve	<u>1,200</u>	<u>1,200</u>

16. HOLDING COMPANY

The Holding Company is McNicholas Construction (Holdings) Limited, incorporated in England

17. CONTINGENT LIABILITIES

The Company has given a Cross Guarantee and Debenture dated 28 September 1993 in support of bank borrowings of the other Group Companies.

The Bank has the right of set off of the company's Balance at Bank against liabilities to the Bank of other Group Companies.

The Bank has given guarantees to third parties amounting to £221,310 and if those guarantees are called on, the company would have to make good those loans to the Bank.

18. CAPITAL COMMITMENTS

There were no capital commitments at 31 March 1997 (1996: Nil).

MCNICHOLAS CONSTRUCTION COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the Year Ended 31 March 1997

19. PENSION COMMITMENTS

The Company is a member of the defined benefit group pension scheme operated by McNicholas Construction (Holdings) Ltd. The pension cost was assessed by a professionally qualified actuary. The most recent formal actuarial valuation was at 1 April 1995. The total pension cost for the Company was £157,243 (1996: £248,328).

20. OPERATING LEASES

At 31 March 1997 the Company had annual commitments under non-cancellable operating leases as set out below:

	1997 £	1996 £
Operating Leases which expire within one year	810,903	357,128
Operating Leases which expire in the second to fifth years	<u>1,337,081</u>	<u>2,035,022</u>
	<u>2,147,984</u>	<u>2,392,150</u>

21. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1997 £	1996 £
Profit for the financial year	1,304,659	491,511
Dividends	<u>(333,334)</u>	<u>(250,000)</u>
NET ADDITION TO SHAREHOLDERS' FUNDS	971,325	241,511
Opening Shareholders' Funds	<u>11,395,377</u>	<u>11,153,866</u>
CLOSING SHAREHOLDERS' FUNDS	<u>12,366,702</u>	<u>11,395,377</u>
Equity Interests	<u>12,366,702</u>	<u>11,395,377</u>

22. RELATED PARTY TRANSACTIONS

During the year the Company made purchases from Citymead Limited of £210,977. Citymead Limited is controlled by S P McNicholas who is a close family member of K M McNicholas, a director of the Company.