

**MCNICHOLAS
CONSTRUCTION COMPANY
LIMITED**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 MARCH 2005



Company no 468365

MCNICHOLAS CONSTRUCTION COMPANY LIMITED

FINANCIAL STATEMENTS

For the year ended 31 MARCH 2005

Company Registration Number: 468365

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

Directors: P T McNicholas
A S Kerr
Sean P McNicholas
Steven P McNicholas

Secretary: A S Kerr

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

Auditors: Grant Thornton UK LLP
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 2005

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MCNICHOLAS CONSTRUCTION COMPANY LIMITED

REPORT OF THE DIRECTORS

For the year ended 31 MARCH 2005

The directors present their report together with the audited financial statements for the year ended 31 March 2005.

Principal activity

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

Business review and future developments

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 do not recommend the payment of a dividend.

Directors

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

P T McNicholas

M K May – resigned 8 July 2005

M J Smout – resigned 31 December 2004

A S Kerr – appointed 22 March 2004

Sean P McNicholas

Steven P McNicholas

None of the directors had any interest in the share capital of the company. The directors are also directors of the ultimate parent undertaking and their interests in the share capital of that company are disclosed in its financial statements.

No right to subscribe for shares in, or debentures of, the company has been granted to, or exercised by, any director during the year.

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 2005

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.

The directors are responsible for ensuring that the directors report is prepared in accordance with company law in the United Kingdom.

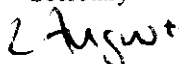
Auditors

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



A S Kerr
Secretary

 2005

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 2005 which comprise the principal accounting policies, the profit and loss account, the balance sheet and notes 1 to 14. 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 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.

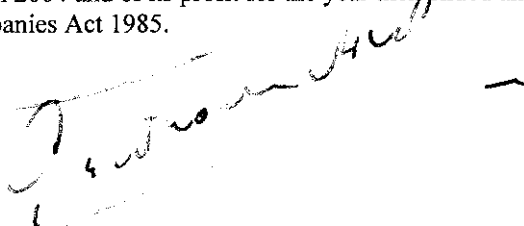
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity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

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 2004 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
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS
LONDON**

2nd August 2005

MCNICHOLAS CONSTRUCTION COMPANY LIMITED

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.

CASH FLOW STATEMENT

The directors have taken advantage of the exemption in Financial Reporting Standard 1 from including a cash flow statement, on the grounds that the company is a 100% subsidiary of McNicholas Construction (Holdings) Limited, the consolidated accounts of which are available from Companies House.

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

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 recognised once their outcome can be assessed with reasonable certainty. The profit recognised 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 2005

	Note	2005 £	2004 £
Turnover	1	1,152,273	231,699
Cost of sales		<u>(18,453)</u>	<u>585,879</u>
Gross profit		1,133,820	817,578
Administrative expenses		<u>(4,621)</u>	<u>16,361</u>
Operating profit	2	1,129,199	833,939
Interest payable and similar charges	3	<u>(16,290)</u>	<u>(29,586)</u>
Profit on ordinary activities before taxation		1,112,909	804,353
Tax on profit on ordinary activities	5	<u>(109,447)</u>	<u>-</u>
Profit for the financial year		1,003,462	804,353
Retained profit brought forward		1,081,824	277,471
Retained profit carried forward		<u>2,085,286</u>	<u>1,081,824</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 2005

	Note	2005 £	2004 £
Current assets			
Debtors	6	3,817,110	9,007,647
Creditors: amounts falling due within one year	7	(1,710,624)	(7,904,623)
Net current assets		<u>2,106,486</u>	<u>1,103,024</u>
Capital and reserves			
Called up share capital	8	20,000	20,000
Capital redemption reserve	9	1,200	1,200
Profit and loss account		<u>2,085,286</u>	<u>1,081,824</u>
Equity shareholders' funds	10	<u>2,106,486</u>	<u>1,103,024</u>

The financial statements were approved by the Board of Directors on 2 August 2005.



A S Kerr- 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 2005

1 TURNOVER

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

2 OPERATING PROFIT

Auditors' remuneration is charged through the holding company.

3 INTEREST PAYABLE AND SIMILAR CHARGES

	2005 £	2004 £
On bank overdraft	<u>16,290</u>	<u>29,585</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:

	2005 £	2004 £
Wages and salaries	-	6,866
Social security costs	<u>-</u>	<u>1,935</u>
	<u>-</u>	<u>8,801</u>

The average number of employees during the year was:

	2005 Number	2004 Number
Production	<u>-</u>	<u>-</u>

The directors were wholly remunerated by other group companies.

MCNICHOLAS CONSTRUCTION COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 MARCH 2005

5 TAX ON PROFIT ON ORDINARY ACTIVITIES

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

	2005 £	2004 £
Corporation tax at 30% (2004: 30%)	<u>109,447</u>	<u>-</u>
Profit on ordinary activities at the standard rate of corporation tax in the United Kingdom of 30% (2004: 30%)	333,873	241,306
Expenses not deductible for tax purposes	27	476
(Excess)/shortfall of capital allowances over depreciation	(182)	768
Utilisation of group relief	(224,271)	-
Utilisation of losses	-	(242,550)
	<u>109,447</u>	<u>-</u>

6 DEBTORS

	2005 £	2004 £
Trade debtors	145,198	255,135
Amounts owed by group undertakings	3,165,937	8,496,679
Other debtors	505,975	255,402
Corporation tax	-	431
	<u>3,817,110</u>	<u>510,968</u>

7 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2005 £	2004 £
Bank overdraft	679,794	6,915,992
Trade creditors	686,239	-
Other taxation and social security	480	1,717
Corporation tax	109,447	-
Other creditors	234,664	853,898
Accruals and deferred income	-	91,174
Obligations under finance leases and hire purchase contracts	-	41,842
	<u>1,710,624</u>	<u>7,904,623</u>

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

MCNICHOLAS CONSTRUCTION COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 MARCH 2005

8 SHARE CAPITAL

	2005 £	2004 £
Authorised, allotted and fully paid: 20,000 ordinary shares of £1 each	<u>20,000</u>	<u>20,000</u>

9 CAPITAL REDEMPTION RESERVE

	£
At 1 April 2004 and 31 March 2005	<u>1,200</u>

10 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2005 £	2004 £
Profit for the financial year	1,003,462	804,353
Opening shareholders' funds	<u>1,103,024</u>	<u>298,671</u>
Closing shareholders' funds	<u>2,106,486</u>	<u>1,103,024</u>

11 CAPITAL COMMITMENTS

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

12 CONTINGENT LIABILITIES

The company had an unlimited cross guarantee in respect of group bank borrowings. At 31 March 2005 this amounted to £nil (2004: £5,870,000).

13 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.

14 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.