

Registered number: 01510892

# MCNICHOLAS CONSTRUCTION SERVICES LIMITED

## ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

THURSDAY



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COMPANIES HOUSE

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A16 16/09/2016 #256

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**MCNICHOLAS CONSTRUCTION SERVICES LIMITED**

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**COMPANY INFORMATION**

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**DIRECTORS**

B S McNicholas  
S P McNicholas  
G M Denton

**COMPANY SECRETARY**

M J Gibson

**REGISTERED NUMBER**

01510892

**REGISTERED OFFICE**

Lismirrane Industrial Park  
Elstree Road  
Elstree  
Hertfordshire  
WD6 3EA

**AUDITOR**

Grant Thornton UK LLP  
Registered Auditor & Chartered Accountants  
Grant Thornton House  
Melton Street  
Euston Square  
London  
NW1 2EP

**BANKERS**

Santander UK plc  
17 Ulster Terrace  
Regent's Park  
London  
NW1 4PJ

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**MCNICHOLAS CONSTRUCTION SERVICES LIMITED**

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## MCNICHOLAS CONSTRUCTION SERVICES LIMITED

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### STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2016

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#### FINANCIAL HIGHLIGHTS

<b>ORDER BOOK *</b>	- Increased by +34% to £924m (2015: £689m)
<b>TURNOVER</b>	- Increased by +18% to £166m (2015: £141m)
<b>OPERATING PROFIT</b>	- Reduced to £176k (2015: £400k)
<b>UNDERLYING EBITDA **</b>	- Achieved £3.7m (2015: £5.0m)

\* The total order book includes the secured order book, representing the company's share of future revenue that will be derived from signed orders or letters of intent. In addition the order book also includes the framework order book representing the company's expected share of revenue from frameworks on which the company has been appointed. These both exclude prospects where confirmation of preferred bidder status has been received, but no formal contract or letter of intent is in place.

\*\* Underlying EBITDA is measured excluding legacy contract losses and amortisation of mobilisation costs.

These financial statements are prepared under Financial Reporting Standard 102 ("FRS 102"). The company's transition date was 1 April 2014.

#### THE McNICHOLAS GROUP - STRATEGY

The McNicholas Group is a privately-owned infrastructure services provider which designs, builds and renews utilities for infrastructure owners, utility providers and developers. It continues to follow its corporate strategy to be the contractor of choice in the utility, communications, rail and energy sectors with a mission to bring the built environment to life through innovative, efficient and value-driven utility solutions.

Our culture is driven by our people, who operate in experienced and expert teams providing continuity, knowhow and expertise in telecommunications, energy and rail to enable them to achieve innovative, high-performance and safe outcomes responding to our clients' requirements within regulated environments.

McNicholas is committed to controlled sustainable growth and over the past two years has secured its key business winning targets which ensures that there is an excellent base to grow from over the next five years and beyond. We have committed to growing value and strengthening our relationships through innovation and a drive for better value for money which enhance our transformation into an aligned and preferred strategic partner.

McNicholas have targeted and positioned themselves to capitalise upon the investment in UK infrastructure where we can draw most value from our inherent knowledge and skill base. By further developing our customer-centric approach to deliver sustainable growth, McNicholas will organically nurture our service provision to match the demands of our current, and target, clients.

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## MCNICHOLAS CONSTRUCTION SERVICES LIMITED

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### STRATEGIC REPORT (continued) FOR THE YEAR ENDED 31 MARCH 2016

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#### ORDER BOOK

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Order book (£m)	£924m	£689m	£319m
% increase over prior year	+34%	+116%	

The company continues to place an emphasis on organically building an order book which is based on long term frameworks and selected projects where we can add value to our clients. In the year, we continued to be successful in building the order book to a level at 31 March 2016 that was valued at £924m, a 34% increase on the previous year. The overall quality of the order book is high with the majority of it being derived from clients that the company has worked with over a number of years on a continuous basis. This continuity of demand adds an element of surety to the future development and success of the company.

There is now an extensive order book for the majority of the company's business sectors:

- The communications sector continues to be the largest component of the order book, which includes a long term framework contract with Virgin Media, with demand in this area continuing to increase;
- Our collaborative approach with Network Rail, and other rail customers, has resulted in an increased level of contract awards;
- The order book in Northern Ireland has grown in the year as contracts have been awarded to expand the gas network, which are in addition to the framework contracts that are in place with long-standing clients;
- In the network connections sector, the company has been successful in being awarded a significant power industry contract with UK Power Networks.

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## MCNICHOLAS CONSTRUCTION SERVICES LIMITED

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### STRATEGIC REPORT (continued) FOR THE YEAR ENDED 31 MARCH 2016

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#### OPERATIONAL REVIEW

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Turnover (£m)</b>	<b>£166m</b>	<b>£141m</b>	<b>£127m</b>
<b>% increase over prior year</b>	<b>+18%</b>	<b>+11%</b>	

Overall, the company successfully increased turnover by 18% to £166m despite the challenges that were faced as major contracts were being mobilised, whilst others were being finalised. Nearly all of the legacy contracts have now been completed and the majority of the year's turnover was generated from the initial years of framework contracts which are with long-standing clients.

**Communications**– This included the results from the first year of the new Virgin Media framework contract which covers the previous awarded region of the South of England and South Wales, plus the new ones of Scotland and the North-East of England. Overall the turnover was successfully grown based on the addition of the new areas and the demand derived from the network expansion roll-out by the client.

With the mobilisation of the new contract, the increasing demand and the continuing high level of required customer satisfaction, it was a year of consolidation in the division coupled with the strengthening of the management team to maintain and continuously improve the commercial and operational initiatives.

**Rail** – It was a successful year with turnover and margins both increasing above the prior year level. Our long-standing framework for the FTN/GSMR Network has continued to provide excellent returns and we are now in the final stages of decommissioning redundant mast sites. Our Crossrail framework has been allocated further work by the client team and has been providing support through enabling works to the major civils and signalling packages.

Our Network Rail Control Period 5 framework has seen a large increase in turnover this year where the early contractor involvement works, and internal designed schemes over the first two years of the framework, have now been implemented. Margins have increased due to operational efficiencies and effective buying programmes which in turn created added value for the client.

**Civils Projects** – Our projects included enabling works at Bank underground station in London and the civils infrastructure relating to a windfarm construction on the South-East coast of England. We continue to provide excellent project and technical capabilities, which has resulted in the projects being on time for completion.

**Power** – The contracts that include our existing 11kv and SPN framework with UK Power Networks are nearing completion and we have fully mobilised our new Edison framework. We believe that this Alliance will create a step change in the way that works are delivered. We have already seen the benefits of early contractor involvement in the development and planning of projects and the direct relationship with the UK Power Networks asset management team. With the ability to take a programme management approach with a forward visibility of the work bank, we can jointly work with UK Power Networks delivering the targeted improvements in customer service, safety, sustainability and network reliability within the funding period set by OFGEM.

**Northern Ireland Gas Installation** – Another very successful year in Northern Ireland where we have now been working in alliance with Phoenix Natural Gas for nearly 20 years and with Firmus Energy for over 10 years. With a very stable management team and workforce we continue to perform efficiently ensuring that our client's operational requirements are achieved.

In the year we were also successful in securing a contract with SGN constructing the gas pipeline infrastructure across the western region of Northern Ireland and this is now being completed in line with the programme.

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## MCNICHOLAS CONSTRUCTION SERVICES LIMITED

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### STRATEGIC REPORT (continued) FOR THE YEAR ENDED 31 MARCH 2016

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**Source Design Services** – During the year we rebranded our internal design business as 'Source'. It provides unique technical design solutions to respond to complex infrastructure challenges within our sectors and as such the services are used extensively within the company. The resource within the business has increased in the year to match the higher demand levels and this has enabled the overall skill set on offer to expand.

#### PRINCIPAL RISKS AND UNCERTAINTIES

The company operates a risk management system which identifies key areas of risk and then implements processes which mitigate and manage those risks. This process operates in each business and each contract with risk registers being produced to monitor activity.

The key strategic areas of risk for the company are:

**Risk - The company has a strong track record on Safety, Sustainability and the Environment ("SSE") though risks are inherent in our businesses sectors and failure to maintain our higher standards could lead to harm to individuals, damage to property and the environment**

- Accreditations to CEMARS, ISO 9001, OHSAS 18001 and BS 11000 are to be maintained.
- The Director responsible for overall SSE throughout the Group is a member of the Holding Company Board as well as the Operating Board. All board meetings start with a SSE report.
- Key Performance Indicators (KPI's) are used throughout the company to monitor performance. Actions plans are developed to address areas of potential weakness or failure.
- Key SSW messages are communicated regularly throughout the company via text, email and the company intranet.

**Risk – Making sure that the business attracts and retains adequate employee capability to perform the workload that the order book will demand**

- The employee capability profile is managed in conjunction with the order pipeline and the resource planning is undertaken accordingly.
- Remuneration packages are measured against the market, including incentive plans.
- Skill based training programmes are in place as well as management and leadership schemes.
- Individual's personal development plans are constantly reviewed.
- There are wide ranging career development opportunities and there is active succession planning throughout the company.
- There is an active graduate trainee scheme, covering all major business disciplines, operating in the company.

**Risk – Loss of controls on the operational and financial delivery of individual contracts**

- Standard control processes, reporting and documentation have been developed and are in place across the company.
- Regular progress reviews are undertaken at contract, and divisional level, to identify areas of opportunity and weakness.
- Corrective action plans are put in place, and monitored, to mitigate any issues that may arise.

**Risk – Inappropriate contract terms could lead to unacceptable financial returns, reputational damage and claims**

- A review process is in place for all contract bids and tenders before they are submitted.
- Contract terms are always checked, from a commercial and legal perspective, by the Head of Commercial and/or the Company Secretary and where necessary by external parties.
- Controls are in place, including a delegation of authority, which ensures a review of purchase contracts before they are agreed and signed.
- The supply chain is regularly reviewed.

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## MCNICHOLAS CONSTRUCTION SERVICES LIMITED

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### STRATEGIC REPORT (continued) FOR THE YEAR ENDED 31 MARCH 2016

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**Risk – As turnover increases there is an increase in the working capital requirements which puts a strain on the funding of the business**

- All tenders include a cashflow forecast to ensure that the funding of the business is adequate for the increased working capital.
- Cash forecasts are regularly undertaken on an individual contract basis.
- The funding position is monitored on a daily basis.
- Actions plans are put into place on an individual contract basis if the working capital requirements are higher than expected.

#### FINANCIAL KEY PERFORMANCE INDICATORS

The Board uses Key Performance Indicators ('KPI's) to monitor the company's performance and regularly reviews the key risks of the business. In addition to regular Board reporting and timely management accounts, the Board monitors KPI's on a range of activities including health, safety, customer feedback, employee satisfaction, environmental issues, order book, profitability, cash management and other financial and non-financial measures.

Our key KPI's include:

##### Health & Safety

Safety is the top priority for McNicholas and we strive to develop a culture where safety risks are tackled and overall performance continues to improve. The Accident Frequency Rate ("AFR") per 100,000 hours worked is our preferred measure. The result for the year was 0.06 (2015: 0.00).

##### Order Book

The value, quality and the length (of time) of our order book is key to the future success of the business. The value of the order book at the end of the year was £924m (2015: £689m).

##### Financial

Operating profit is a key measure for the financial performance of the business. A rolling three year plan is financially evaluated and the operating profit is taken as a measurement of the performance over time. The operating profit for the year was £176,000 (2015: £400,000).

Underlying Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA") measures the profitability of the ongoing business excluding the impact of legacy contracts. EBITDA for the year was £3.7m (2015: £5.0m).



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## MCNICHOLAS CONSTRUCTION SERVICES LIMITED

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### STRATEGIC REPORT (continued) FOR THE YEAR ENDED 31 MARCH 2016

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#### SAFETY AND WELLBEING

McNicholas is committed to safeguarding the occupational health, safety and welfare of all our employees. As a responsible employer, we believe that effective health and safety practices contribute directly to improved performance. Our aim is not simply to comply with health and safety legislation, but to attain higher standards through the adoption of recognised good practice and visible leadership on health and safety. Good safety is good business.

Our safety system is accredited to OHSAS 18001, in addition to numerous other industry recognised safety standards, and is backed up by comprehensive documentation and procedures detailing our arrangements for continual improvement. We also work collaboratively to the requirements of BSI 1000.

Our '**LOOKOUT** for Safety' programme drives safety performance in terms of behaviours, systems and innovation. Our approach focuses on six streams of safety improvement; leadership, learning, communication, systems, measures and safety culture. This programme of behavioural change is pivotal in our AFR for the year being 0.06.

Initiatives developed by the Lookout for Safety team include:

**"The McNicholas Way"** – representative of the company's ethos, the approach encourages everyone to take ownership of their own health and safety actions;

**Pat on the Back Awards** – an informal scheme where individuals and teams are rewarded for leading on safety improvement. During 2015-2016 the scope of the awards was widened to include our other corporate values: collaboration, reliability and responsiveness;

**The 'Mac'** – our monthly safety newsletter with the aim to keep safety issues light, current, and informative. It is aimed at the entire workforce, highlights new safety issues and gives feedback on workers' safety suggestions that have been implemented and incorporated into company safety policy;

**Safety and Sustainability Moments** – these are prompts to enable our workforce to spark conversation, share knowledge, experience and best practice on the relevant weekly safety or sustainability topic. These are distributed to all employees via text message, on notice boards and via e-mail;

**Right to Refuse** – gives the formal right to our workforce to refuse work if they deem their working environment or task to be unsafe;

**Fair Culture Policy** – a process through which all incidents are reviewed enabling us to determine both the root cause of the incident, as well as ensuring a consistent approach is applied.

As a responsible employer, McNicholas operates a dedicated occupational health service, providing support and advice to managers and staff on health issues inside and outside of the workplace, in line with Constructing Better Health (CBH) guidelines and the Public Health Responsibility Deal. McNicholas is also committed to acting ethically and with integrity in all our business dealings and enforcing effective systems and controls to ensure the group complies with the Modern Slavery Act 2015.

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## MCNICHOLAS CONSTRUCTION SERVICES LIMITED

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### STRATEGIC REPORT (continued) FOR THE YEAR ENDED 31 MARCH 2016

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#### SUSTAINABILITY

##### Our World: Our approach to Sustainability

Launched in 2015, 'Our World' is our new approach to effectively managing sustainability. Sustainability embraces everything we do, be it safety, quality, the way we conduct ourselves, the way we respect our surroundings and the way we preserve the future for ourselves, our families, our colleagues and our communities. 'Our World' is reinforced by 'The McNicholas Way', by 'Lookout for Safety', by our policies, procedures and best practices that support the McNicholas ethos. It's a win:win strategy; it makes us a better company, which makes us a better company to work for.

The strategy is formed of 9 commitments with each commitment being owned by a Group or Operational Board member; Energy and Climate, Waste Management, The Natural Environment, Health and Safety, Growing our People, Equality, The McNicholas Way, Communities and Sustainable Decision Making.

In order to publicly share our sustainability commitments and achievements, a standalone website has been developed ([www.mcnicholas-sustainability.co.uk](http://www.mcnicholas-sustainability.co.uk)) along with a Twitter handle (@McN\_Our\_World) to enable us to share information about the wider sustainability agenda. This enhanced level of transparency and shift towards ongoing reporting, reflects the growing importance of sustainability throughout the business.

As part of our commitment to reducing our impact on climate change, McNicholas have been certified to Achilles CEMARS (Certified Emissions Management and Reduction Scheme) since 2009. We are proud to report an 10% reduction in emissions per £m turnover in the current year when compared to the prior year.

	2016 tCO <sub>2</sub> e	2015 tCO <sub>2</sub>
<b>Emissions source</b>		
Scope 1	11,592	10,734
Scope 2	519	590
Scope 3	266	359
<b>Total annual gross and net emissions</b>	<b>12,377</b>	<b>11,683</b>
	2016	2015
	tCO <sub>2</sub> e/£m	tCO <sub>2</sub> e/£m
Gross GHG emissions per unit of turnover	74	83

tCO<sub>2</sub>e is tonnes of carbon dioxide emissions. GHG is green house gas. The company's base year is 2015.

This report was approved by the board on 8 September 2016 and signed on its behalf.



**B S McNicholas**  
Director

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## MCNICHOLAS CONSTRUCTION SERVICES LIMITED

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### DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2016

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The directors present their report and the financial statements for the year ended 31 March 2016.

#### PRINCIPAL ACTIVITY

The principal activity of the company is the provision of contractor services to the utility, communications, rail and energy sectors.

#### RESULTS AND DIVIDENDS

The loss for the year, after taxation, amounted to £343,000 (2015: profit £316,000).

The directors do not recommend the payment of a final dividend (2015: £4.25 per share).

#### DIRECTORS

The directors who served during the year were:

B S McNicholas  
S P McNicholas  
G M Denton

#### DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under Company law the directors must not approve the financial statements unless satisfied that they 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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements and other information included in Directors' reports may differ from legislation in other jurisdictions.

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## **MCNICHOLAS CONSTRUCTION SERVICES LIMITED**

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### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2016**

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#### **EMPLOYEE INVOLVEMENT**

The company believes that our continued success is dependent on the quality and contribution of the people employed by us. We are committed to attracting, retaining and developing good people and providing a working environment in which people are able to achieve their potential.

We value diversity and are committed to equality of employment in all of its aspects, from recruitment through to career development and promotion opportunities. We provide the same opportunities to all of our employees irrespective of gender, race, creed or colour. Equality of opportunity applies equally to those who are disabled, with applications from disabled persons being fully and fairly considered having regard to their aptitudes and abilities. For those employees who become disabled every effort is made to provide appropriate training which will enable their employment to continue.

We encourage the involvement and participation of our employees in the affairs of the company and have in place channels such as employee forums, regular briefings and electronic updates, to ensure that employees are kept informed about matters affecting the performance of the company. We also ensure that employees are able to contribute ideas which can support continuous improvement within the business.

#### **GOING CONCERN**

Based upon the company's financial forecast for the period to 31 March 2018, and after making enquiries, the Board has a reasonable expectation that the company has adequate resources to continue operations for the foreseeable future. For this reason the Board has adopted the going concern basis in preparing these financial statements.

During the year, the company entered into an asset finance facility with the group's bankers. Subsequent to the year end, the ultimate parent undertaking and its subsidiary undertakings, including the company, renewed its overdraft facility for a further twelve months. These facilities, together with its own cash resources, are sufficient to support the company's future growth plans.

The facilities available to the company have been reviewed and compared to detailed cash flow forecasts prepared for the period to 31 March 2018. The business is forecast to become cash generative and there are no anticipated shortfalls in facilities against requirements.

#### **DIRECTORS AND OFFICERS LIABILITY INSURANCE**

During the year to 31 March 2016 the company effected insurance cover for the directors and officers of the company against any such liabilities referred to in Section 234 of the Companies Act 2006.

#### **DISCLOSURE OF INFORMATION TO AUDITOR**

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

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**MCNICHOLAS CONSTRUCTION SERVICES LIMITED**

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**DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 MARCH 2016**

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**AUDITORS**

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 8 September 2016 and signed on its behalf.



**M J Gibson**  
Secretary

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## **MCNICHOLAS CONSTRUCTION SERVICES LIMITED**

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### **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF MCNICHOLAS CONSTRUCTION SERVICES LIMITED**

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We have audited the financial statements of McNicholas Construction Services Limited for the year ended 31 March 2016 set out on pages 13 to 37, which comprise the statement of comprehensive income, the statements of changes in equity, the balance sheet and related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 AUDITOR**

As explained more fully in the Directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

#### **SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

#### **OPINION ON FINANCIAL STATEMENTS**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006**

In our opinion the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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**MCNICHOLAS CONSTRUCTION SERVICES LIMITED**

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**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF MCNICHOLAS CONSTRUCTION SERVICES LIMITED**

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**MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

*Grant Thornton UK LLP*  
~~Elizabeth Collins (Senior Statutory Auditor)~~  
for and on behalf of  
**Grant Thornton UK LLP**

Registered Auditor  
Chartered Accountants

Grant Thornton House  
Melton Street  
Euston Square  
London  
NW1 2EP

8 September 2016

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**MCNICHOLAS CONSTRUCTION SERVICES LIMITED**

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**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF MCNICHOLAS CONSTRUCTION SERVICES LIMITED**

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**MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

*Grant Thornton UK LLP*  
*Elizabeth Collins (Senior statutory auditor)*  
for and on behalf of  
**Grant Thornton UK LLP**

Registered Auditor  
Chartered Accountants

Grant Thornton House  
Melton Street  
Euston Square  
London  
NW1 2EP

8 September 2016



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**MCNICHOLAS CONSTRUCTION SERVICES LIMITED**

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**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 MARCH 2016**

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	Note	2016 £000	2015 £000
Turnover	4	166,353	141,475
Cost of sales		<u>(152,584)</u>	<u>(129,161)</u>
<b>Gross profit</b>		<b>13,769</b>	<b>12,314</b>
Administrative expenses		<u>(13,593)</u>	<u>(11,914)</u>
<b>Operating profit</b>	5	<b>176</b>	<b>400</b>
Interest receivable and similar income	9	-	9
Interest payable and similar charges	10	<u>(567)</u>	<u>(63)</u>
<b>(Loss)/profit before tax</b>		<b>(391)</b>	<b>346</b>
Tax on (loss)/profit	11	<u>48</u>	<u>(30)</u>
<b>(Loss)/profit for the year</b>		<u><b>(343)</b></u>	<u><b>316</b></u>
 <b>Total comprehensive (loss)/income for the year</b>		 <u><b>(343)</b></u>	 <u><b>316</b></u>

The notes on pages 17 to 37 form part of these financial statements.

**MCNICHOLAS CONSTRUCTION SERVICES LIMITED**  
**REGISTERED NUMBER:01510892**

**BALANCE SHEET**  
**AS AT 31 MARCH 2016**

	Note	2016 £000	2015 £000
<b>FIXED ASSETS</b>			
Intangible fixed assets	13	782	512
Tangible Fixed Assets	14	1,634	735
		<u>2,416</u>	<u>1,247</u>
<b>CURRENT ASSETS</b>			
Stocks	15	2,038	1,446
Debtors: amounts falling due within one year	16	58,991	47,396
Cash at bank and in hand	18	-	131
		<u>61,029</u>	<u>48,973</u>
Creditors: amounts falling due within one year	19	(56,714)	(43,687)
<b>NET CURRENT ASSETS</b>		<u>4,315</u>	<u>5,286</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>6,731</u>	<u>6,533</u>
Creditors: amounts falling due after more than one year	20	(529)	-
<b>PROVISIONS FOR LIABILITIES</b>			
Other provisions	23	(503)	(491)
		<u>(503)</u>	<u>(491)</u>
<b>NET ASSETS</b>		<u>5,699</u>	<u>6,042</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	25	1,000	1,000
Profit and loss account	24	4,699	5,042
		<u>5,699</u>	<u>6,042</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 8 September 2016.



**B S McNicholas**  
Director



**G M Denton**  
Director

The notes on pages 17 to 37 form part of these financial statements.

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**MCNICHOLAS CONSTRUCTION SERVICES LIMITED**

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**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 MARCH 2016**

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	<b>Share capital</b>	<b>Retained earnings</b>	<b>Total equity</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
At 1 April 2015	1,000	5,042	6,042
<b>Comprehensive income for the year</b>			
Loss for the year	-	(343)	(343)
<b>At 31 March 2016</b>	<b>1,000</b>	<b>4,699</b>	<b>5,699</b>

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**MCNICHOLAS CONSTRUCTION SERVICES LIMITED**

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**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 MARCH 2015**

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	<b>Share capital</b>	<b>Retained earnings</b>	<b>Total equity</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
At 1 April 2014	1,000	8,976	9,976
<b>Comprehensive income for the year</b>			
Profit for the year	-	316	316
Dividends: equity capital	-	(4,250)	(4,250)
<b>At 31 March 2015</b>	<b>1,000</b>	<b>5,042</b>	<b>6,042</b>

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## MCNICHOLAS CONSTRUCTION SERVICES LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

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#### 1. COMPANY INFORMATION

McNicholas Construction Services Limited is a private company limited by shares and is incorporated in England & Wales. Its registered office is Lismirrane Industrial Park, Elstree Road, Elstree, Hertfordshire WD6 3EA.

#### 2. ACCOUNTING POLICIES

##### 2.1 Basis of preparation of financial statements

These financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland ('FRS 102') and the Companies Act 2006.

The company transitioned from previously extant UK GAAP to FRS 102 as at 1 April 2014. Information on the impact of first-time adoption of FRS 102 is given in note 32.

The financial statements are presented in Sterling (£).

The company has adopted the following disclosure exemptions:

- The requirement to present a statement of cash flows and related notes;
- Financial instrument disclosures, including:
  - categories of financial instruments,
  - items of income, expenses, gains or losses relating to financial instruments, and
  - exposure to and management of financial risks.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires group management to exercise judgment in applying the company's accounting policies (see note 3).

The following principal accounting policies have been applied:

##### 2.2 Going concern

Based upon the company's financial forecast for the period to 31 March 2018, and after making enquiries, the Board has a reasonable expectation that the company has adequate resources to continue operations for the foreseeable future. For this reason the Board has adopted the going concern basis in preparing these financial statements.

During the year, the company entered into an asset finance facility with the group's bankers. Subsequent to the year end, the ultimate parent undertaking and its subsidiary undertakings, including the company, renewed its overdraft facility for a further twelve months. These facilities, together with its own cash resources, are sufficient to support the company's future growth plans.

The facilities available to the company have been reviewed and compared to detailed cash flow forecasts prepared for the period to 31 March 2018. The business is forecast to become cash generative and there are no anticipated shortfalls in facilities against requirements nor breaches of covenants.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016

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**2. ACCOUNTING POLICIES (continued)**

**2.3 Tangible fixed assets**

Tangible fixed assets are measured at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets, less their residual value, over their estimated useful lives using the straight-line method on the following bases:

Short term leasehold property - over the life of the lease  
Plant and machinery - contracts - over the life of the contract  
Plant and machinery - other - 10% - 50% on cost  
Motor vehicles - 25% on cost

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within administrative expenses in the statement of comprehensive income.

**2.4 Intangible assets**

Intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses.

Software development costs are recognised as an intangible asset when all of the following criteria are demonstrated:

- The technical feasibility of completing the software so that it will be available for use.
- The intention to complete the software and use it.
- The ability to use the software.
- How the software will generate probable future economic benefits.
- The availability of adequate technical, financial and other resources to complete the development and to use the software.
- The ability to measure reliably the expenditure attributable to the software during its development.

Amortisation is charged so as to allocate the cost of intangibles, less their residual values, over their estimated useful lives using the straight-line method. The intangible assets are amortised over 5 years from start of use.

If there is an indication that there has been a significant change in amortisation rate or residual value of an asset, the amortisation of that asset is revised prospectively to reflect the new expectations.

**2.5 Stocks**

Stocks are stated at the lower of cost and the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in first out basis.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in the statement of comprehensive income.

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## MCNICHOLAS CONSTRUCTION SERVICES LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

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#### **2. ACCOUNTING POLICIES (continued)**

##### **2.6 Debtors**

Short term debtors are measured at transaction price, less any impairment.

##### **2.7 Mobilisation costs**

The incremental costs that are incurred in mobilising a long term contract are initially capitalised as amounts recoverable on contracts and then amortised on a straight-line basis over the life of the contract. The result is to match the contract costs with the revenue generated on the contract. If a contract becomes, or is expected to become, loss making the costs are written off immediately.

##### **2.8 Cash**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

##### **2.9 Creditors**

Short term creditors are measured at the transaction price. Other financial liabilities are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

##### **2.10 Leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased asset to the company. All other leases are classified as operating leases.

Assets held under finance leases are recognised initially at the fair value of the leased asset (or, if lower, the present value of minimum lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation using the effective interest method so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are deducted in measuring profit or loss. Assets held under finance leases are included in tangible fixed assets and depreciated and assessed for impairment losses in the same way as owned assets.

##### **2.11 Holiday pay accrual**

A liability is recognised to the extent of any unused annual holiday entitlement which is accrued at the balance sheet date and payable by the company in future years. This is measured at the undiscounted cost of the future holiday entitlement so accrued at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016

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**2. ACCOUNTING POLICIES (continued)**

**2.12 Financial instruments**

The company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at the present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured initially, and subsequently, at the undiscounted amount of the cash, or other consideration, expected to be paid or received. However if the arrangements of a short term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in the case of an outright short term loan not at market rate, the financial asset or liability is measured initially, and subsequently, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the statement of comprehensive income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the company would receive for the asset if it were to be sold at the balance sheet date.

**2.13 Provisions for liabilities**

Provisions are made where an event has taken place that gives the group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the statement of comprehensive income in the year that the company becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the balance sheet.

Provisions for onerous lease contracts are recognised when the company believes the unavoidable costs of meeting the lease obligations exceed the economic benefits expected to be received under the lease.

The company recognises a provision for annual leave due to employees as a result of services rendered in the current year and which employees are entitled to carry forward and use prior to 31 December of the following year. The provision is measured at the salary cost payable for the period of absence.



NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016

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**2. ACCOUNTING POLICIES (continued)**

**2.14 Pensions**

**Defined contribution pension scheme**

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations.

The contributions are recognised as an expense in the statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the balance sheet. The assets of the plan are held separately from the company in independently administered funds.

**Defined benefit pension scheme**

The ultimate parent undertaking operates a defined benefit pension scheme for which the company guarantees the additional contributions being paid by the ultimate parent undertaking to eliminate the funding shortfall. These additional contributions are recharged to the company and are recognised as an expense in the statement of comprehensive income when they are paid.

**2.15 Current and deferred taxation**

The tax expense for the year comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is recognised for the amount of income tax payable in respect of the taxable profit for the current or past reporting years and is calculated on the basis of tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated, but not reversed, by the balance sheet date, except that:

The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and

If, and when, all conditions for retaining tax allowances for the cost of a fixed asset have been met, the deferred tax is reversed.

Deferred tax is calculated using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date that are expected to apply to the reversal of the timing difference.

**2.16 Dividends**

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016

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**2. ACCOUNTING POLICIES (continued)**

**2.17 Turnover**

Turnover is measured at the fair value of the consideration received or receivable, net of discounts and Value Added Tax. Turnover includes revenue earned from the sale goods and from the rendering of services and is recognised in the following ways:

- i) When the goods and services that are supplied on a frequent, transactional basis and the supply is independent of any other supply then the turnover is recognised at the completion of that supply;
- ii) When the contract is based on the client paying the actual cost incurred plus a supplier margin then turnover is recognised based on the total cost to the client when the cost has been incurred supplying the goods and services as stated in the contract;
- iii) Contract management fees payable by clients are recognised on a time apportionment basis;
- iv) Long term contract turnover recognition is based on the contract activity that has taken place and represents the proportion of the total contract value which costs incurred to date bear in relation to total expected contract costs;
- v) Turnover derived from variations on contracts are recognised only when there is a significant probability that they will be accepted by the client.

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

**2.18 Operating leases: lessee**

Rentals paid under operating leases are charged to the statement of comprehensive income on a straight-line basis over the period of the lease. The aggregate benefit of lease incentives are recognised as a reduction to the expense recognised over the lease term on a straight-line basis.

**2.19 Finance costs**

Finance costs are charged to the statement of comprehensive income over the term of the debt using the effective interest method, so that the amount charged is at a constant rate on the carrying amount.

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## MCNICHOLAS CONSTRUCTION SERVICES LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

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#### 3. JUDGMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these significant judgements and estimates have been made include:

##### Turnover and gross profit

Management exercise their judgement and make use of estimates to determine the performance and position of contracts. This involves the value of work performed, amount of revenue to be recognised, costs to complete, the impact of any changes to the contract programme or variations in scope of work. Frequent assessments and reviews are performed for all contracts and regular forecasts are produced on the outcomes of each contract. As part of these assessments and forecasts, judgements are made with regard to the recoverability of amounts due from clients and other contracted parties, liabilities arising and the requirement for any provisions against contract losses.

##### Debtors valuation

Allowance for doubtful debts and provisions against other debtors, including amounts recoverable on contracts and the value of accrued income, are made on a contract by contract basis using estimates of the likelihood of non-recoverability based on market knowledge and past experience.

##### Short term loans

The directors have reviewed the terms of the short term loans and amounts due to group undertakings and have concluded that these amounts are not considered to be financing transactions on the basis that they are short term loans that will be repaid within a year of the date of inception. On this basis, the loans are included at cost and no interest is charged.

#### 4. TURNOVER

An analysis of turnover by class of business is as follows:

	2016 £000	2015 £000
Provision of contractor services to the utility, communications, rail and energy sectors	166,353	141,475
	<u>166,353</u>	<u>141,475</u>

All turnover arose within the United Kingdom.

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**MCNICHOLAS CONSTRUCTION SERVICES LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016**

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**5. OPERATING PROFIT**

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

	<b>2016 £000</b>	<b>2015 £000</b>
Depreciation of tangible fixed assets - owned by the company	<b>421</b>	774
Depreciation of tangible fixed assets - held under finance leases	<b>119</b>	-
Amortisation of intangible assets	<b>67</b>	3
Operating lease rentals	<b>13,461</b>	10,544
Provision for onerous leases	<b>(57)</b>	(292)
Defined contribution pension scheme cost	<b>1,103</b>	931
Defined benefit pension scheme cost to company	<b>1,898</b>	1,191
Profit on sale of tangible fixed assets	<b>(57)</b>	(62)

The defined benefit pension scheme cost is paid to McNicholas Construction (Holdings) Limited and does not fall under the guarantee referred to in Note 27.

**6. AUDITOR'S REMUNERATION**

	<b>2016 £000</b>	<b>2015 £000</b>
Fees payable to the company's auditor for the audit of the group accounts	<b>20</b>	20
Fees payable to the company's auditor and its associates in respect of:		
Audit of the company's annual accounts	<b>65</b>	60
Audit fees for fellow subsidiaries	-	5
Other audit services	<b>7</b>	-
Taxation compliance services	<b>21</b>	22
Other taxation services	<b>21</b>	6
All other non-audit services not included above	-	41

**MCNICHOLAS CONSTRUCTION SERVICES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016**

**7. EMPLOYEES**

Staff costs, including directors' remuneration, were as follows:

	<b>2016</b>	2015
	<b>£000</b>	£000
Wages and salaries	<b>46,562</b>	42,855
Social security costs	<b>4,784</b>	4,229
Cost of defined contribution pension scheme	<b>1,103</b>	931
	<b>52,449</b>	48,015

The average monthly number of employees, including the directors, during the year was as follows:

	<b>2016</b>	2015
	<b>No.</b>	No.
Operations	<b>1,380</b>	1,210
Administration	<b>112</b>	115
	<b>1,492</b>	1,325

**8. DIRECTORS' REMUNERATION**

	<b>2016</b>	2015
	<b>£000</b>	£000
Directors' emoluments	<b>772</b>	868
Company contributions to defined contribution pension schemes	<b>14</b>	12
	<b>786</b>	880

During the year retirement benefits were accruing to 1 director (2015: 1 director) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £412,000 (2015: £431,000).

**9. INTEREST RECEIVABLE**

	<b>2016</b>	2015
	<b>£000</b>	£000
Deposit account interest	<b>-</b>	9
	<b>-</b>	9

**MCNICHOLAS CONSTRUCTION SERVICES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016**

**10. INTEREST PAYABLE AND SIMILAR CHARGES**

	<b>2016</b>	2015
	<b>£000</b>	£000
On bank overdrafts	223	56
Finance leases and hire purchase contracts	12	-
Other interest payable	332	7
	<u>567</u>	<u>63</u>

**11. TAXATION**

The tax (credit)/charge is based on the (loss)/profit for the year and represents:

	<b>2016</b>	2015
	<b>£000</b>	£000
<b>UK corporation tax</b>		
Adjustments in respect of previous periods	-	(20)
Payment for group relief	-	42
<b>Total current tax</b>	<u>-</u>	<u>22</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	44	8
Adjustment in respect of previous periods	(92)	-
<b>Total deferred tax</b>	<u>(48)</u>	<u>8</u>
<b>Taxation on (loss)/profit on ordinary activities</b>	<u>(48)</u>	<u>30</u>

**MCNICHOLAS CONSTRUCTION SERVICES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016**

**11. TAXATION (continued)**

**FACTORS AFFECTING TAX (CREDIT)/CHARGE FOR THE YEAR**

The tax assessed for the year is higher than (2015: lower than) the standard rate of corporation tax in the UK of 20% (2015: 21%). The differences are explained below:

	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
(Loss)/profit on ordinary activities before tax	<b>(391)</b>	346
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015: 21%)	<b>(78)</b>	73
<b>Effects of:</b>		
Expenses not deductible for tax purposes	<b>131</b>	92
Adjustments to tax charge in respect of prior periods - current tax	-	(20)
Adjustments to tax charge in respect of prior periods - deferred tax	<b>(92)</b>	-
Movement in unrecognised deferred tax	-	6
Difference in tax rates	<b>86</b>	(1)
Utilisation of group relief	<b>(95)</b>	(162)
Payment for group relief	-	42
<b>Total tax (credit)/charge for the year</b>	<b>(48)</b>	30

**FACTORS THAT MAY AFFECT FUTURE TAX CHARGES**

There are no additional factors expected to affect future tax charges other than those above.

**12. DIVIDENDS**

	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
Dividend paid on equity capital	-	4,250
	-	4,250

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MCNICHOLAS CONSTRUCTION SERVICES LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016

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13. INTANGIBLE ASSETS

	Software development costs £000
<b>Cost</b>	
At 1 April 2015	515
Additions	337
At 31 March 2016	852
<b>Amortisation</b>	
At 1 April 2015	3
Charge for the year	67
At 31 March 2016	70
<b>Net book value</b>	
At 31 March 2016	782
At 31 March 2015	512



**MCNICHOLAS CONSTRUCTION SERVICES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016**

**14. TANGIBLE FIXED ASSETS**

	Short term leasehold property £000	Plant and machinery £000	Total £000
<b>Cost or valuation</b>			
At 1 April 2015	371	4,624	4,995
Additions	-	1,471	1,471
Disposals	-	(1,748)	(1,748)
<b>At 31 March 2016</b>	<u>371</u>	<u>4,347</u>	<u>4,718</u>
<b>Depreciation</b>			
At 1 April 2015	258	4,002	4,260
Charge owned for the year	27	394	421
Charge financed for the year	-	119	119
Disposals	-	(1,716)	(1,716)
<b>At 31 March 2016</b>	<u>285</u>	<u>2,799</u>	<u>3,084</u>
<b>Net book value</b>			
<b>At 31 March 2016</b>	<u>86</u>	<u>1,548</u>	<u>1,634</u>
At 31 March 2015	<u>113</u>	<u>622</u>	<u>735</u>

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

	2016 £000	2015 £000
Plant and machinery	<u>767</u>	-
	<u>767</u>	-

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**MCNICHOLAS CONSTRUCTION SERVICES LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016**

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**15. STOCKS**

	<b>2016</b>	2015
	<b>£000</b>	£000
Raw materials and consumables	<b>2,038</b>	1,446
	<b>2,038</b>	1,446

**16. DEBTORS**

	<b>2016</b>	2015
	<b>£000</b>	£000
Trade debtors	<b>10,473</b>	17,884
Amounts owed by group undertakings	-	6
Amounts recoverable on contracts	<b>46,833</b>	27,482
Prepayments and accrued income	<b>528</b>	522
Deferred tax asset (see note 17)	<b>769</b>	721
Tax recoverable	<b>81</b>	101
Other debtors	<b>307</b>	680
	<b>58,991</b>	47,396

Amounts recoverable on contracts includes £3,166,000 (2015: £1,064,000) of mobilisation costs of which £2,581,000 is due in over one year (2015: £739,000).

Amounts owed by group undertakings are repayable on demand with an interest rate of 0%.

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MCNICHOLAS CONSTRUCTION SERVICES LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016

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17. DEFERRED TAXATION

	Deferred tax £000
At 1 April 2015	721
Credited to the profit or loss	48
<b>At 31 March 2016</b>	<b>769</b>

The deferred tax asset is made up as follows:

	2016 £000	2015 £000
Accelerated capital allowances	750	658
Other timing differences	19	63
	<b>769</b>	<b>721</b>

18. CASH AND CASH EQUIVALENTS

	2016 £000	2015 £000
Cash at bank and in hand	-	131
Less: bank overdrafts	(2,356)	-
	<b>(2,356)</b>	<b>131</b>

**MCNICHOLAS CONSTRUCTION SERVICES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016**

**19. CREDITORS: Amounts falling due within one year**

	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
Bank overdrafts	2,356	-
Other loans	6,667	-
Net obligations under finance lease and hire purchase contracts	176	-
Trade creditors	17,590	14,958
Amounts owed to group undertakings	6,633	8,155
Taxation and social security	5,476	4,009
Accruals and deferred income	14,352	11,097
Other creditors	3,464	5,468
	<b>56,714</b>	<b>43,687</b>

Other loans of £7,500,000 were made to the company of which £833,000 has been repaid. The principal is repayable in instalments with interest charged at 0% except in the event of default.

Amounts owed to group undertakings are repayable on demand with an interest rate of 0%.

Other creditors includes £1,066,000 (2015: £2,824,000) of payments on account in respect of contracts.

**20. CREDITORS: Amounts falling due after more than one year**

	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
Net obligations under finance leases and hire purchase contracts	529	-
	<b>529</b>	<b>-</b>

**21. HIRE PURCHASE & FINANCE LEASES**

Future minimum lease payments under hire purchase fall due as follows:

	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
Within one year	176	-
Between 1-2 years	176	-
Between 2-5 years	353	-
	<b>705</b>	<b>-</b>

**MCNICHOLAS CONSTRUCTION SERVICES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016**

**22. FINANCIAL INSTRUMENTS**

	<b>2016 £000</b>	2015 £000
<b>FINANCIAL ASSETS</b>		
Financial assets that are debt instruments measured at amortised cost	<b>57,306</b>	45,792
	<b>57,306</b>	45,792
<b>FINANCIAL LIABILITIES</b>		
Financial liabilities measured at amortised cost	<b>(49,696)</b>	(35,874)
	<b>(49,696)</b>	(35,874)

**23. PROVISIONS**

	<b>Onerous lease £000</b>	<b>Holiday pay £000</b>	<b>Total £000</b>
At 1 April 2015	<b>253</b>	238	<b>491</b>
Charged in the year	-	<b>69</b>	<b>69</b>
Utilised in year	<b>(57)</b>	-	<b>(57)</b>
<b>At 31 March 2016</b>	<b>196</b>	<b>307</b>	<b>503</b>

**Onerous lease**

Provision has been made for the net present value of future leasehold commitments for one (2015: one) property leased by the company. The provision has been calculated making assumptions on future rental income, market rents, insurance and rates and this has been discounted using a rate of 3% per annum. This provision is expected to be utilised over the remaining period of the lease.

**24. RESERVES**

**Profit and loss account**

Includes all current and prior year retained profits and losses.

# MCNICHOLAS CONSTRUCTION SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

### 25. SHARE CAPITAL

	2016 £000	2015 £000
<b>Allotted, called up and fully paid</b>		
1,000,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

### 26. CAPITAL COMMITMENTS

At 31 March 2016 the company had capital commitments as follows:

	2016 £000	2015 £000
Contracted for but not provided in these financial statements	<u>97</u>	<u>160</u>
	<u>97</u>	<u>160</u>

### 27. PENSION COMMITMENTS

The company is a member of the defined benefit group pension scheme operated by McNicholas Construction (Holdings) Limited. On 30 June 2015, the company entered into an agreement to guarantee the additional contributions being paid by McNicholas Construction (Holdings) Limited to eliminate the funding shortfall in the pension scheme. The company will fund the agreement from working capital, which has a maximum potential commitment of £12,000,000 and the latest expiry date of the agreement is 31 December 2021. As at 31 March 2016 the company had undiscounted commitments to the defined benefit group pension scheme of £10,875,000 (2015: £nil). Full details of the scheme are given in the notes to the financial statements of McNicholas Construction (Holdings) Limited.

Contributions to the defined contribution pension scheme are charged as an expense in the statement of comprehensive income as incurred. The defined contribution pension scheme cost for the company in the year ended 31 March 2016 was £1,094,000 (2015: £914,000). Contributions totalling £171,000 (2015: £154,000) were payable to the funds at the balance sheet date and are included in creditors.

### 28. COMMITMENTS UNDER OPERATING LEASES

At 31 March 2016 the company had future minimum lease payments under non-cancellable operating leases as follows:

	2016 £000	2015 £000
Not later than 1 year	2,410	2,590
Later than 1 year and not later than 5 years	6,063	7,853
Later than 5 years	-	67
<b>Total</b>	<u>8,473</u>	<u>10,510</u>

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## MCNICHOLAS CONSTRUCTION SERVICES LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

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#### 29. CONTINGENT LIABILITIES

The company had an unlimited cross guarantee in respect of group bank borrowings. At 31 March 2016 this amounted to £nil (2015: £nil).

The company had a contingent liability in respect of bonds and guarantees issued of £1,697,000 (2015: £2,947,000).

#### 30. RELATED PARTY TRANSACTIONS

As a wholly owned subsidiary of McNicholas Construction (Holdings) Limited the company is exempt from the requirements of FRS 102 to disclose transactions with other wholly owned members of the group headed by McNicholas Construction (Holdings) Limited.

Key management personnel are considered to be members of the Operational Board as well as the Company Board. The total employee benefits including directors' remuneration were as follows:

	2016	2015
	£000	£000
Key management personnel compensation	<u>1,654</u>	<u>2,021</u>

#### 31. ULTIMATE PARENT COMPANY

The ultimate 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 may be obtained 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.

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**MCNICHOLAS CONSTRUCTION SERVICES LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016**

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**32. FIRST TIME ADOPTION OF FRS 102**

		As previously stated 1 April 2014 £000	Effect of transition 1 April 2014 £000	<b>FRS 102 (as restated) 1 April 2014 £000</b>	As previously stated 31 March 2015 £000	Effect of transition 31 March 2015 £000	<b>FRS 102 (as restated) 31 March 2015 £000</b>
	<b>Note</b>						
Fixed assets	1	612	-	<b>612</b>	1,247	-	<b>1,247</b>
Current assets	2	39,915	50	<b>39,965</b>	48,926	47	<b>48,973</b>
Creditors: amounts falling due within one year		(29,806)	-	<b>(29,806)</b>	(43,687)	-	<b>(43,687)</b>
<b>Net current assets</b>		<b>10,109</b>	<b>50</b>	<b>10,159</b>	<b>5,239</b>	<b>47</b>	<b>5,286</b>
<b>Total assets less current liabilities</b>		<b>10,721</b>	<b>50</b>	<b>10,771</b>	<b>6,486</b>	<b>47</b>	<b>6,533</b>
Provisions for liabilities	2	(545)	(250)	<b>(795)</b>	(253)	(238)	<b>(491)</b>
<b>Net assets</b>		<b>10,176</b>	<b>(200)</b>	<b>9,976</b>	<b>6,233</b>	<b>(191)</b>	<b>6,042</b>
Capital and reserves		<b>10,176</b>	<b>(200)</b>	<b>9,976</b>	<b>6,233</b>	<b>(191)</b>	<b>6,042</b>



**MCNICHOLAS CONSTRUCTION SERVICES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016**

**32. FIRST TIME ADOPTION OF FRS 102 (continued)**

		As previously stated 31 March 2015 £000	Effect of transition 31 March 2015 £000	FRS 102 (as restated) 31 March 2015 £000
Turnover		141,475	-	141,475
Cost of sales	2	(129,185)	24	(129,161)
		<u>12,290</u>	<u>24</u>	<u>12,314</u>
Administrative expenses	2	(11,902)	(12)	(11,914)
<b>Operating profit</b>		<b>388</b>	<b>12</b>	<b>400</b>
Interest receivable and similar income		9	-	9
Interest payable and similar charges		(63)	-	(63)
Taxation	2	(27)	(3)	(30)
<b>Profit on ordinary activities after taxation and for the financial year</b>		<b>307</b>	<b>9</b>	<b>316</b>

Explanation of changes to previously reported profit and equity:

**1 Intangible fixed assets**

Under previous UK GAAP, software development costs were classified as a tangible fixed asset, whereas under FRS 102 software development costs are classified as an intangible fixed asset. The impact is that software development costs with a net book value of £117,000 and £512,000 are included in intangible fixed assets at 1 April 2014 and 31 March 2015 respectively. In addition, amortisation of £3,000 is transferred from depreciation in the profit and loss account for the year ended 31 March 2015.

**2 Holiday pay**

Under previous UK GAAP, the company accrued for holiday pay where the employee was entitled to carry forward holidays earned, but not taken, and this was expected to be paid as a cash sum. However, the company did not accrue for holiday pay that was earned, but the holiday entitlement was expected to be taken in the subsequent year. Under FRS 102 the company is required to provide for all short-term compensated absences as holiday entitlement earned, but not taken, at the balance sheet date. The impact is to create a holiday provision of £250,000 and £238,000 for the company at 1 April 2014 and 31 March 2015 respectively.