Miller Construction (UK) Limited

Directors' Report and Financial Statements

31 December 2003
Registered Number SC209666

Directors' Report and Financial Statements

Contents

Directors' Report

The Directors present their report and audited accounts for the year ended 31 December 2003.

Principal Activity

The company provides a full range of construction services from design and construction through to facilities management.

Results and Dividend

The results for the year are set out in the attached Profit and Loss Account. The profit for the year is £8,246,000 (2002 - £4,156,000). A dividend of £1,926 per ordinary share (2002 - £4,000) was paid, resulting in £6,320,000 being transferred to reserves.

Directors and Directors' Interests

The Directors who held office during the year were as follows:

R S Mackie
M W McEwan (resigned 16 January 2003)
W P Ferguson (resigned 2 January 2003)
A Scott
R Scowcroft
N C Watson
G T Hartley (resigned 15 August 2003)
N W Davies (resigned 12 December 2003)

None of the Directors who held office at the end of the financial year had any interest in the share capital of the company. Certain directors who held office at the end of the financial year had share options in terms of the Savings Related Share Option Scheme in the parent company as follows:

	Ordinary Share of 10p each Number of Options	
	31 December 2003	**31 December 2002**
R S Mackie	Nil	2,152

Directors' Report *(continued)*

Auditors

Pursuant to a shareholders' resolution, the company is not obliged to reappoint its auditors annually and KPMG LLP will therefore continue in office.

By order of the Board

Pamela Smyth
Secretary

26 October 2004

Statement of Directors' Responsibilities

Company law requires the Directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and of the profit or loss 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 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Independent Auditors' Report to the Members of Miller Construction (UK) Limited

We have audited the financial statements on pages 5 to 15.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work, has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditors

The Directors are responsible for preparing the Directors' Report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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.

Basis of Audit 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 judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

KPMG LLP

Chartered Accountants
Registered Auditor
Edinburgh

26 October 2004

Profit and Loss Account
for the year ended 31 December 2003

	Note	**2003** **£000**	2002 £000
Turnover		**238,737**	252,158
Cost of Sales		**(219,242)**	(234,636)
Gross profit		**19,495**	17,522
Administrative expenses		**(13,070)**	(11,797)
Operating profit		**6,425**	5,725
Net interest receivable	*5*	**287**	573
Profit on ordinary activities before taxation	*2*	**6,712**	6,298
Taxation	*6*	**1,534**	(2,142)
Profit on ordinary activities after taxation		**8,246**	4,156
Dividends	*7*	**(1,926)**	**(4,000)**
Retained profit for the financial year	*14*	**6,320**	156

There are no recognised gains or losses other than the above result for the year.

Balance sheet
at 31 December 2003

	Note	2003 £000	2002 £000
Fixed assets			
Tangible assets	8	**417**	730
Investments	9	**2,551**	175
		2,968	905
Current assets			
Stocks and work in progress	10	**4,426**	5,477
Debtors	11	**59,869**	69,223
Cash at bank and in hand		**6,835**	15,020
		71,130	89,720
Creditors: amounts falling due within one year	12	**(62,925)**	(85,772)
Net current assets		**8,205**	3,948
Net assets		**11,173**	4,853
Capital and reserves			
Called up share capital	13	**1**	1
Profit and loss account	14	**11,172**	4,852
Equity shareholders' funds	15	**11,173**	4,853

These accounts were approved by the board of Directors on 26 October 2004 and were signed on its behalf by:

Alan P Scott
Director

Notes
(forming part of the financial statements)

1. Accounting policies

Basis of accounting

The accounts are prepared under the historical cost basis and in accordance with applicable Accounting Standards.

As permitted by Section 228 of the Companies Act 1985, the company has not prepared consolidated accounts. The group accounts of The Miller Group Limited consolidate the results of the company and its subsidiary undertakings.

The company is exempt from the requirement of Financial Reporting Standard 1, to prepare a cash flow statement, as it is a wholly owned subsidiary of The Miller Group Limited and its cash flows are included within the consolidated cash flow statement of that company.

As the company is a wholly owned subsidiary of The Miller Group Limited, the company has taken advantage of the exemption contained in FRS8 and has therefore not disclosed transactions or balances with entities which form part of the group. The consolidated financial statements of The Miller Group Limited, within which this company is included, can be obtained from the address given in note 18.

Joint ventures

Where the company is party to a joint arrangement which is not an entity, the company accounts directly for its part of the income and expenditure, assets, liabilities and cashflows of the joint arrangement.

Turnover

Turnover comprises the value of work done during the year.

Profit recognition

Profits on long term contracts are recognised on a contract by contract basis, when the contract outcome can be foreseen with reasonable certainty. Profit is determined by reference to the proportion of the work completed. Provision is made for all foreseeable contract losses.

Depreciation

Depreciation of plant, equipment and vehicles is provided on the straight-line method over the estimated useful lives of the assets concerned. The useful lives are as follows:

Plant and equipment	3 to 10 years

Stock and work in progress

Stock and work in progress are valued at the lower of cost and net realisable value.

Leasing

Expenditure on operating leases is charged to the profit and loss account on a straight-line basis over the lease period.

Notes *(continued)*

1. Accounting policies *(continued)*

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred or accelerated because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred taxation is recognised, without discounting in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS19.

Pensions

Certain employees are members of The Miller Group Limited pension scheme. Details of this scheme are disclosed in its accounts.

Investments

Fixed asset investments are shown at cost less provision for impairment.

2. Profit on ordinary activities before taxation

			2003	2002
			£000	£000
This is stated after charging the following:				
Depreciation			**437**	235
Auditors' remuneration	-	audit fees	**40**	24
	-	non-audit fees	**-**	14
Operating lease rentals	-	land and buildings	**238**	161
	-	other	**977**	1,264

Notes *(continued)*

3. Staff numbers and costs

The average number of persons employed by the company, including directors, during the year was as follows:

	2003 Number	2002 Number
Construction	**378**	396
Administration	**105**	97
	483	493

The aggregate payroll costs of these persons were as follows:

	2003 £000	2002 £000
Wages and salaries	**16,562**	14,969
Social security costs	**1,628**	1,393
Other pension costs	**1,596**	1,684
	19,786	18,046

4. Remuneration of Directors

	2003 £000	2002 £000
Emoluments	**904**	667
Amounts receivable under long-term Incentive schemes	**-**	87
Company contributions to money purchase pension schemes	**49**	33
	953	787

The number of directors who were members of pension schemes was as follows:

Money purchase schemes	**4**	4
Defined benefit schemes	**4**	4
	8	8

The aggregate of emoluments, bonus and amounts receivable under long-term incentive schemes of the highest paid director was £206,000 (2002 - £196,000). He is a member of a defined benefit pension scheme, under which his accrued pension at the year end was £26,000.

Notes *(continued)*

5. Net interest receivable

	2003 £000	2002 £000
Interest receivable from group companies	**187**	280
Bank interest receivable	**100**	293
	287	573

6. Taxation

	2003 £000	2002 £000
Corporation tax:		
Current year	**2,074**	1,833
Adjustment in respect of prior years	**(3,574)**	233
	(1,500)	2,066
Deferred tax	**(34)**	76
	(1,534)	2,142

Factors affecting the tax charge for the current period

The current tax charge for the period is lower (2002 – lower) than the standard rate of corporation tax in the UK (30%) (2002 – 30%). The differences are explained below:

	2003 £000	2002 £000
Profit on ordinary activities before tax	**6,712**	6,298
Current tax at 30% (2002 – 30%)	**2,014**	1,889
Effects of:		
Expenditure not deductible for tax purposes	**28**	20
Timing differences	**32**	(32)
Utilisation of losses brought forward	**-**	(44)
Adjustment to prior year corporation tax provision	**(3,574)**	233
	(1,500)	2,066

Notes *(continued)*

7. Dividends

	2003	2002
	£000	£000
Dividend paid - £1,926 (2002 - £4,000) per ordinary share	**1,926**	4,000

8. Tangible fixed assets

	Plant and Equipment
	£000
Cost	
At 1 January 2003	1,169
Additions	124
At 31 December 2003	**1,293**
Depreciation	
At 1 January 2003	439
Charge for the year	437
At 31 December 2003	**876**
Net book value	
At 31 December 2003	**417**
At 1 January 2003	730

9. Investments

	2003	2002
	£000	£000
Investment in subsidiary undertakings	**45**	45
Investment in associates	**50**	100
Other investments	**2,456**	30
	2,551	175

Notes *(continued)*

9. Investments *(continued)*

At 31 December 2003, the company held investments in the following undertakings:

	% Holding	Nature of Business
Birch Construction Division Limited	100	Non-Trading
Pembroke Court Limited	50	Development
ESP (Holdings) Limited	30	Education PFI
D4E Mulberry Limited	30	Education PFI
Riclab Limited	10	Building lessor

10. Stocks and work in progress

	2003 £000	2002 £000
Work in progress – long term contracts	**4,401**	5,440
Raw materials and consumables	**25**	37
	4,426	5,477

11. Debtors

	2003 £000	2002 £000
Amounts recoverable on contracts	**31,380**	40,679
Amount owed by parent company	**25,258**	12,674
Amounts owed by fellow subsidiary undertakings	**828**	272
Prepayments and accrued income	**1,313**	791
Other debtors	**920**	14,671
Deferred tax (see note below)	**170**	136
	59,869	69,223

Notes *(continued)*

11. Debtors *(continued)*

Deferred tax

	2003 £000	2002 £000
At beginning of year	**136**	212
Credit (charge) to profit and loss account	**34**	(76)
At end of year	**170**	136

The elements of the deferred tax asset are as follows:

	2003 £000	2002 £000
Difference between accumulated depreciation and capital allowances	**65**	52
Other timing differences	**105**	84
At end of year	**170**	136

12. Creditors: Amounts falling due within one year

	2003 £000	2002 £000
Payments received on account	**9,789**	14,129
Trade creditors	**50,406**	65,090
Amounts owed to fellow subsidiary companies	**215**	181
Other creditors	**834**	2,087
Accruals and deferred income	**1,681**	2,452
Corporation tax	**-**	1,833
	62,925	85,772

13. Share capital

	2003 £000	2002 £000
Authorised, allotted, called up and fully paid:		
1,000 Ordinary shares of £1 each	**1**	1

Notes *(continued)*

14. Profit and loss account

	2003 £000	2002 £000
At beginning of year	**4,852**	*4,696*
Profit retained for the financial year	**6,320**	156
At end of year	**11,172**	4,852

15. Reconciliation of movement in shareholders' funds

	2003 £000	2002 £000
Profit for year	**8,246**	4,156
Dividends	**(1,926)**	(4,000)
Net addition to shareholders' funds	**6,320**	156
Opening shareholders' funds	**4,853**	4,697
Closing shareholders' funds	**11,173**	4,853

16. Commitments

The Company has commitments under non-cancellable operating leases to make payments in the year to 31 December 2004 as follows:

	2003 £000	*2002* £000
Leases expiring:		
Within one year (land and buildings)	**61**	111
Between two and five years (other)	**971**	1,166
Outwith five years (land and buildings)	**173**	-
	1,205	1,277

Notes *(continued)*

17. Pensions

The company participates in The Miller Group Pension Scheme, a defined benefit pension scheme providing benefits based on final pensionable earnings. Contributions to the scheme are assessed in accordance with the advice of an independent qualified actuary, on the basis of triennial valuations, using the projected unit method and are based on pension costs across the group as a whole. This scheme was closed to new entrants on 1 October 1997.

Further details of the most recent actuarial valuation and the main actuarial assumptions are disclosed in the accounts of The Miller Group Limited.

The company participates in The Miller Group Limited Group Personal Pension Plan. The assets of the scheme are held separately from these of the Group in an independently administered fund. The amounts charged against profit represent the contributions payable to the scheme in respect of the accounting period.

18. Ultimate parent company

The company's ultimate parent company is The Miller Group Limited, which is registered in Scotland and incorporated in Great Britain. The accounts of The Miller Group Limited can be obtained from the Registrar of Companies, Companies House, 37 Castle Terrace, Edinburgh EH1 2EB.