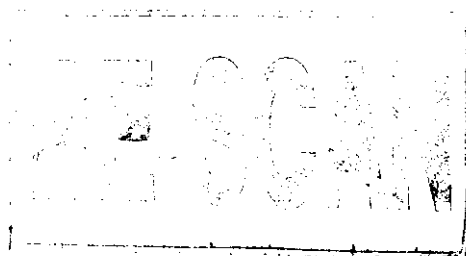


**May Gurney (Construction) Limited**

**Directors' report and financial statements**

31 March 1999

Registered number 873179



30.9.99  
45

## **Directors' report and financial statements**

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## **Directors and officers**

### **Directors**

AJ Korn - Chairman  
DWE Sterry  
MG Duffield  
ICA Green  
WP Matthews  
DE Neale  
DR Pask

### **Secretary**

DB Elsey

### **Registered office**

Holland Court  
The Close  
Norwich

### **Auditors**

KPMG  
Chartered Accountants  
Norwich

### **Bankers**

Barclays Bank PLC  
Bank Plain  
Norwich

## **Directors' report**

The directors present their annual report and the audited financial statements for the year ended 31 March 1999.

### **Principal activity**

The principal activity of the company during the year was that of civil engineering contractors.

### **Business review**

	1999 £000	1998 £000
Turnover	81,331.4	73,946.3
Profit before taxation	1,184.1	728.4

### **Dividend**

The directors recommend that a final dividend of £440,000 be paid (1998:£300,000).

### **Employee involvement**

A number of senior executives are shareholders of the company. Within the bounds of commercial confidentiality, management disseminates information to all levels of staff about matters that affect the progress of the company and are of interest and concern to them as employees.

### **Disabled persons**

The company encourages, where possible, the employment of disabled people and retention of those who become disabled during their employment with the company, by such means as may be appropriate to the circumstances of each situation.

### **Employment policy**

The company is an Equal Opportunity Employer and its policy is to ensure that all employees and job applicants will be given equal opportunity, irrespective of their sex, race, ethnic origin, disability, age, marital status, sexual orientation, or religious affiliation in all respects of employment and training and that no such person is placed at a disadvantage by requirements or conditions which cannot be shown to be justified.

### **Year 2000**

The assessment and evaluation phases of the Group's Year 2000 project have been completed and the critical issues identified have already been addressed. This included:

- an inventory of affected systems and equipment including all computer equipment, office equipment, telecommunications, plant and vehicles;
- modification of in-house central accounting and costing systems at a cost of £23,300. The compliant version of software and hardware was successfully implemented at the end of December 1998;
- replacement of in-house networks with a Year 2000 compliant solution during April and May 1998 at a cost of £100,000;
- issuance of compliance questionnaires to approximately 130 business critical suppliers;
- obtaining compliance statements from the suppliers of the Group's standard PC software packages.

The systems replaced and modified have increased functionality over and above Year 2000 compliance.

## Directors' report (continued)

### Directors

Mr WP Matthews was appointed a director on 6 April 1998.

All other directors listed on page 1 were in office throughout the year.

The interests of Mr AJ Korn in the shares of the ultimate holding company are disclosed in the financial statements of that company.

The interests and share options of Mr DE Neale and Mr DW Sterry in the shares of the ultimate holding company are disclosed in the financial statements of May Gurney Holdings Limited.

The interests of the remaining directors in the ordinary shares of the ultimate holding company at the year end are:

	1999	1998 (or date of appointment if later)
MG Duffield	5,320	6,045
ICA Green	10,082	12,592
DR Pask	1,774	2,015
WP Matthews	-	-
	<hr/>	<hr/>

The company's ultimate parent undertaking May Gurney Group Limited operates an Employee Share Ownership Plan. Details of these directors' share options are as follows:

	1999	1998
MG Duffield	1,000	-
ICA Green	-	-
DR Pask	-	-
WP Matthews	-	-
	<hr/>	<hr/>

By order of the board

  
DB Elsey  
Secretary

28/7/99  
Holland Court  
The Close  
Norwich

By written resolution passed on 18 January 1991 in accordance with Section 381A of the Companies Act 1985 the company dispensed with the holding of annual general meetings, laying of financial statements before the members and annual appointment of auditors.

## **Statement of directors' responsibilities**

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year. 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.



Holland Court  
The Close  
Norwich  
NR1 4DY

## **Auditors' report to the members of May Gurney (Construction) Limited**

We have audited the financial statements on pages 6 to 15.

### **Respective responsibilities of directors and auditors**

As described on page 4 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

### **Basis of opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and 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 March 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

**KPMG**  
*Chartered Accountants*  
*Registered Auditors*

29th July 1999

**Profit and loss account**  
*for the year ended 31 March 1999*

	<i>Note</i>	1999 £000	1998 £000
Turnover	2	81,331.4	73,946.3
Cost of sales		(79,242.5)	(72,340.4)
		<hr/>	<hr/>
Gross profit		2,088.9	1,605.9
Net operating costs	3	(1,179.9)	(1,035.3)
		<hr/>	<hr/>
Operating profit		909.0	570.6
Net interest receivable	2	275.1	157.8
		<hr/>	<hr/>
Profit on ordinary activity before taxation	2	1,184.1	728.4
Tax on profit on ordinary activity	7	(304.6)	(250.9)
		<hr/>	<hr/>
Profit for the financial year		879.5	477.5
Final dividend proposed - equity		(440.0)	(300.0)
		<hr/>	<hr/>
Retained profit for the year	21	439.5	177.5
		<hr/> <hr/>	<hr/> <hr/>

All recognised gains and losses are included in the profit and loss accounts above. The results above relate to continuing activities.

The notes on pages 8 to 15 form part of these financial statements.



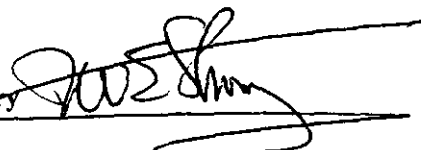
## Balance sheet

at 31 March 1999

	Note	1999 £000	1998 £000
<b>Fixed assets</b>			
Tangible assets	8	7.4	-
Investments	9	10.1	10.1
		<u>17.5</u>	<u>10.1</u>
<b>Current assets</b>			
Stocks and work in progress	10	3,551.5	4,743.5
Debtors	11	17,520.4	18,498.5
Cash at bank and in hand		1,412.9	163.5
		<u>22,484.8</u>	<u>23,405.5</u>
<b>Creditors: amounts falling due within one year</b>	12	<u>(14,501.5)</u>	<u>(15,854.3)</u>
<b>Net current assets</b>		<u>7,983.3</u>	<u>7,551.2</u>
<b>Net assets</b>		<u><u>8,000.8</u></u>	<u><u>7,561.3</u></u>
<b>Capital and reserves</b>			
Called up share capital	16	1,500.0	1,500.0
Profit and loss account	21	6,500.8	6,061.3
		<u>8,000.8</u>	<u>7,561.3</u>
<b>Equity shareholders' funds</b>	22	<u><u>8,000.8</u></u>	<u><u>7,561.3</u></u>

These financial statements were approved by the board of directors on 28 July 1999 and were signed on its behalf by:

DWE Sterry  
Director



The notes on pages 8 to 15 form part of these financial statements.

## Notes

(forming part of the financial statements)

### 1 Accounting policies

#### *Basis of preparation*

The financial statements have been prepared in accordance with applicable accounting standards.

#### *Turnover*

Turnover represents the contract value of work done in the year on civil engineering contracts and variations on valuations of contracts completed in prior years excluding value added tax.

#### *Depreciation*

Depreciation of tangible fixed assets is calculated so as to write off their cost or valuation over their expected economic lives.

The annual rates of depreciation are as follows:

Plant, machinery and vehicles - between 10% and 25% straight line

#### *Stocks and work in progress*

Stocks and work in progress on short term contracts are valued at the lower of cost and net realisable value. Cost consists of direct costs, determined on a first in, first out basis unless actual cost is identifiable, and appropriate overheads.

Long term contract work in progress is valued at cost plus attributable profit less foreseeable losses. Attributable profit is included when the outcome of a contract can be assessed with reasonable certainty. The value of contract work in progress is accounted for within turnover and in accordance with Statement of Standard Accounting Practice 9 (Revised). The excess of book value over amounts received is included in debtors as "amounts recoverable on contracts". Payments received in excess of book value on an individual contract basis are included in creditors.

#### *Fixed asset investments*

Investments are accounted for in accordance with Financial Reporting Standard 9 "Associates and Joint Ventures". Joint arrangements that are not entities are accounted for by proportionally consolidating the company's share of the non-entity's attributable assets, liabilities and cash flows. Investments in associates and joint ventures are shown at cost less amounts written off.

#### *Taxation*

The company provides deferred taxation at the rates at which liabilities are expected to crystallise to take account of timing differences between the treatment of certain items for accounts purposes and their treatment for taxation purposes.

Provision is not made for deferred tax assets unless there is a reasonable certainty of their recovery in the next accounting period.

#### *Research and development*

Research and development expenditure is charged to the profit and loss account in the year in which it is incurred.

#### *Foreign exchange*

Exchange differences on the conversion of foreign currencies are dealt with in the profit and loss account.

#### *Pension contributions*

Pension contributions are charged to the profit and loss account in accordance with the annual charge made by May Gurney Group Limited, based on the recommendation of the scheme's actuary.

## Notes (continued)

### 1 Accounting policies (continued)

#### Operating leases

Rental charges are charged to the profit and loss account on a straight line basis over the life of the lease.

### 2 Turnover and profit before taxation

Turnover and profit on ordinary activity before taxation are derived wholly from the principal activity within the United Kingdom.

Profit on ordinary activity before taxation is stated after charging/(crediting):

	1999 £000	1998 £000
Directors' emoluments (note 5)	308.4	250.3
Depreciation (note 8)	2.2	-
Auditors' remuneration	16.0	15.0
Other fees paid to auditors	3.1	8.2
Amounts payable under operating leases		
- land and buildings	39.6	19.1
- plant and machinery	404.0	273.1
Plant hire charges	4,494.8	5,640.9
Interest payable on bank loans and overdrafts	64.3	-
Interest receivable from group companies	(339.4)	(157.8)
	<hr/>	<hr/>

### 3 Net operating costs

	1999 £000	1998 £000
Dividend receivable from joint venture	(400.0)	(200.0)
Administrative expenses	1,579.9	1,235.3
	<hr/>	<hr/>
	1,179.9	1,035.3
	<hr/>	<hr/>

## Notes (continued)

### 4 Staff numbers and costs

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

	Number of employees	
	1999	1998
Management	7	7
Contracts, sales staff and all operatives	370	366
Administration	17	13
	<hr/>	<hr/>
	394	386
	<hr/>	<hr/>

The aggregate payroll costs of these employees were as follows:

	1999	1998
	£000	£000
Wages and salaries	8,304.6	7,185.8
Social security costs	720.8	649.1
Other pension costs (note 6)	343.3	226.2
	<hr/>	<hr/>
	9,368.7	8,061.1
	<hr/>	<hr/>

### 5 Directors' emoluments

	1999	1998
	£000	£000
As executives - salary and benefits	308.4	250.3
	<hr/>	<hr/>

Emoluments and benefits, excluding pension contributions, of the highest paid director were £84,697 (1998:£80,577). He is a member of the May Gurney Group Limited Pension Scheme, a defined benefit scheme, under which his accrued pension entitlement at the year end was £24,463 per annum (1998:£4,705). During the year he exercised 1,500 share options at an exercise price of £8 per share.

Retirement benefits are accruing to 5 directors (1998:4) under the May Gurney Group Limited Pension Scheme, a defined benefit scheme.

Detailed disclosure of directors' share options are given in the Directors' Report.

### 6 Pension obligations

The company makes contributions in respect of employees who are members of the May Gurney Group Limited Pension Scheme, which is open to the salaried employees and supervisory foremen. The scheme funds are administered by trustees and are independent of the Group's finances. The scheme provides defined benefits based upon final pensionable pay. Contribution levels are determined by a qualified actuary on the basis of periodic valuations using the projected unit costing method. The most recent valuation was at 1 April 1996. Full details of this valuation are contained in the financial statements of May Gurney Group Limited.

Pension contributions charged to the profit and loss account for the year ended 31 March 1999 amounted to £343,271 (1998:£226,201).

## Notes (continued)

### 7 Taxation

The taxation charge/(credit) on the profit for the year on ordinary activities is made up of:

	1999 £000	1998 £000
<i>Current year</i>		
Corporation tax at 31% (1998: 31%)	449.0	5.0
Deferred taxation (note 15)	(86.8)	245.8
	<hr/> 362.2	<hr/> 250.8
<i>Prior year</i>		
Corporation tax	(107.2)	(3.2)
Deferred taxation (note 15)	49.6	3.3
	<hr/> 304.6	<hr/> 250.9
	<hr/> <hr/>	<hr/> <hr/>

### 8 Tangible fixed assets

	Plant, machinery and vehicles £000
<i>Cost</i>	
At beginning of year	-
Additions - group	224.7
	<hr/>
At end of year	224.7
	<hr/>
<i>Accumulated depreciation</i>	
At beginning of year	-
Additions - group	215.1
Charge for year	2.2
	<hr/>
At end of year	217.3
	<hr/>
<i>Net book value</i>	
At 31 March 1999	7.4
	<hr/>
At 31 March 1998	-
	<hr/> <hr/>

## Notes (continued)

### 9 Investments

	Joint ventures £000	Other unlisted investments £000	Total £000
<b>Cost</b>			
At beginning and end of year	10.0	0.1	10.1

#### *Joint ventures*

The company owns 50% of the issued ordinary share capital of May Gurney Fitzpatrick Limited amounting to £10,000 (1998:£10,000). This investment has been classified as a joint venture and is included at cost less amounts written off in accordance with the company's accounting policy (note 1).

#### *Joint arrangements that are not entities*

The company operates an unincorporated joint arrangement with Christiani & Nielsen Limited. In accordance with the company's accounting policy (note 1) the company's 50% share of the non-entity's attributable assets, liabilities and cash flows have been included in the accounts by proportional consolidation. The joint arrangement's principal place of business is:

May Gurney / Christiani & Nielsen joint venture  
Trowse  
Norwich  
Norfolk  
NR14 8SZ

### 10 Stocks and work in progress

Work in progress is analysed as follows:

	1999 £000	1998 £000
Short term contracts	11,765.0	10,711.5
Less: Payments on account	(8,213.5)	(5,968.0)
	<u>3,551.5</u>	<u>4,743.5</u>

### 11 Debtors

	1999 £000	1998 £000
Amounts recoverable on contracts	2,648.9	6,077.5
Trade debtors	3,471.8	2,586.6
Amounts owed by group undertakings (note 13)	11,169.8	9,415.9
Prepayments and accrued income	129.9	29.4
Deferred tax asset (note 15)	100.0	62.8
Other debtors	-	326.3
	<u>17,520.4</u>	<u>18,498.5</u>

## Notes (continued)

### 12 Creditors: amounts falling due within one year

	1999 £000	1998 £000
Payments in excess of work in progress valuations	445.0	98.4
Trade creditors	12,029.5	14,326.6
Amounts owed to group undertakings (note 13)	272.5	62.6
Amounts owed to joint ventures	411.3	255.4
Corporation tax	448.6	5.0
PAYE and social security	221.1	350.0
Other creditors	110.6	296.3
Accruals and deferred income	122.9	160.0
Proposed dividend	440.0	300.0
	<hr/> 14,501.5 <hr/>	<hr/> 15,854.3 <hr/>

### 13 Group undertakings

	1999 £000	1998 £000
Amounts owed by group undertakings - ultimate holding company	-	9.7
fellow subsidiaries	11,169.8	9,406.2
	<hr/> 11,169.8 <hr/>	<hr/> 9,415.9 <hr/>
Amounts owed to group undertakings - ultimate holding company	(272.5)	-
immediate holding company	-	(45.0)
fellow subsidiaries	-	(17.6)
	<hr/> (272.5) <hr/>	<hr/> (62.6) <hr/>
Total	<hr/> 10,897.3 <hr/>	<hr/> 9,353.3 <hr/>

### 14 Ultimate holding company

The ultimate holding company is May Gurney Group Limited. The parent company is May Gurney Holdings Limited. Both companies are incorporated in England.

### 15 Deferred taxation

	1999 £000	1998 £000
<i>Deferred taxation asset</i>		
At 1 April 1998	62.8	311.9
Profit and loss account credit/(charge) (note 7)	37.2	(249.1)
	<hr/> 100.0 <hr/>	<hr/> 62.8 <hr/>
At 31 March 1999		

As the deferred taxation asset is expected to crystallise within one year it is included in debtors (note 11).

Deferral of taxation, calculated using the liability method, is in respect of long term work in progress provisions.

## Notes (continued)

### 16 Share capital

	1999 £000	1998 £000
<i>Authorised, issued and fully paid</i>		
Ordinary shares of £1 each - equity	1,500.0	1,500.0
	<u>1,500.0</u>	<u>1,500.0</u>

### 17 Capital commitments

#### *Tangible fixed assets*

Future capital expenditure authorised by the directors but not provided for in these financial statements is as follows:

	1999 £000	1998 £000
Contracts placed	-	-
	<u>-</u>	<u>-</u>

### 18 Contingent liabilities

(i) The company has given an unlimited guarantee, secured by fixed and floating charges over the company's assets in respect of the borrowings from Barclays Bank PLC, of all group companies. At 31 March 1999, the net indebtedness of all other group companies for borrowings repayable on demand amounted to £Nil (1998:£Nil) and medium term loan borrowings amounting to £1,078,125 (1998:£1,265,625).

(ii) Indemnities outstanding at 31 March 1999 in respect of performance bonds were £5,194,807 (1998:£3,316,512).

The company has given joint and several guarantees securing indemnities given by other group companies in respect of performance bonds. At 31 March 1999, indemnities outstanding for other group companies amounted to £578,225 (1998:£615,503).

(iii) The company has given a joint and several guarantee securing indemnities given by other group companies in respect of HM Customs and Excise bonds issued by Barclays Bank PLC in the normal course of business. At 31 March 1999, the indemnities outstanding for other group companies amounted to £160,000 (1998:£160,000).

### 19 Cash flow statement

Under Financial Reporting Standard 1 (revised 1996), the company is exempt from the requirements to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary of a UK parent company.

### 20 Related party transactions

In accordance with the exemption available under paragraph 3(c) of Financial Reporting Standard 8, transactions with other members of the May Gurney Group are not disclosed.



## Notes (continued)

### 21 Profit and loss account

	1999 £000	1998 £000
At beginning of year	6,061.3	5,883.8
Retained profit for the year	439.5	177.5
	<hr/>	<hr/>
At end of year	6,500.8	6,061.3
	<hr/>	<hr/>

### 22 Reconciliation of movements in equity shareholders' funds

	1999 £000	1998 £000
Profit for the financial year	879.5	477.5
Dividend	(440.0)	(300.0)
	<hr/>	<hr/>
Net increase in equity shareholders' funds	439.5	177.5
Opening equity shareholders' funds	7,561.3	7,383.8
	<hr/>	<hr/>
Closing equity shareholders' funds	8,000.8	7,561.3
	<hr/>	<hr/>

### 23 Operating lease commitments

The company is committed to the following annual charges under operating leases expiring as follows:

	1999 £000	1998 £000
<b>Land and buildings</b>		
Within 2-5 years	51.3	26.2
	<hr/>	<hr/>
<b>Other</b>		
Within 1 year	70.8	14.7
Within 2-5 years	286.6	315.1
	<hr/>	<hr/>
	357.4	329.8
	<hr/>	<hr/>