

HOULIHAN AND CO (EXCAVATIONS) LIMITED

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 AUGUST 2003**

**The MGroup Partnership
Registered Auditors
Cranbrook House
287-291 Banbury Road, Oxford
OX2 7JQ**

Company Registration Number: 1065430



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HOULIHAN AND CO (EXCAVATIONS) LIMITED

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2003**

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HOULIHAN AND CO (EXCAVATIONS) LIMITED

**COMPANY INFORMATION
FOR THE YEAR ENDED 31 AUGUST 2003**

DIRECTORS

Mrs V Houlihan (resigned 31 March 2003)

K Winney

M T Doohan

K Root

P Withers

SECRETARY

M T Doohan

REGISTERED OFFICE

Ashford House

Littleton Road

Ashford

Middlesex

TW15 1QU

COMPANY REGISTRATION NUMBER

1065430

AUDITORS

The MGroup Partnership

Registered Auditors

Cranbrook House

287-291 Banbury Road

Oxford

OX2 7JQ

HOULIHAN AND CO (EXCAVATIONS) LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 AUGUST 2003

The directors present their annual report with the financial statements of the company for the year ended 31 August 2003.

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review continued to be groundwork contractors to the building and civil engineering industry.

RESULTS AND DIVIDENDS

The results of the year's trading, the financial position of the company and the transfer to reserves are shown in the annexed financial statements.

The net profit for the year, before taxation, amounted to £2,635,330 (2002 = profit of £1,200,800).

REVIEW OF BUSINESS

The directors consider the company to be meeting its objectives to a satisfactory extent.

FUTURE DEVELOPMENTS

Likely future developments in the business of the company are that the company will continue to develop its trade.

DIRECTORS

The following directors held office during the year and their interests, including family interests, in the shares of the company at the year end were as follows:

		Number of shares	
		31/8/03	1/9/02
Mrs V Houlihan (resigned 31 March 2003)	Ordinary shares of £1 each	-	50,000
K Winney	Ordinary shares of £1 each	12,500	-
M T Doohan	Ordinary shares of £1 each	12,500	-
K Root	Ordinary shares of £1 each	12,500	-
P Withers	Ordinary shares of £1 each	12,500	-

RETIRING DIRECTORS

The directors retiring by rotation at the next Annual General Meeting in accordance with the Articles of Association are P Withers and K Winney who being eligible offer themselves for re-election.

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 AUGUST 2003

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make 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 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.

POLICY ON PAYMENT OF CREDITORS

The company does not follow any code or standard on payment practice. It is the company's policy-

- (i) to settle the terms of payment with suppliers when agreeing the terms of transactions with that supplier,
- (ii) to ensure that suppliers are made aware of the terms of payment, and
- (iii) to abide by the terms of payment,

Creditor days calculated with reference to amount due to suppliers as at 31 August 2003 and amounts invoiced by suppliers during the year were 26 days (2002 = 27 days).

CLOSE COMPANY PROVISIONS

The company is a close company within the meaning of the Income and Corporation Taxes Act 1988.

AUDITORS

The auditors The MGroup Partnership have expressed their willingness to continue in office, and in accordance with section 385 of the Companies Act 1985 a resolution proposing their reappointment will be submitted at the Annual General Meeting.

BY ORDER OF THE BOARD



Secretary

**INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED 31 AUGUST 2003**

TO THE SHAREHOLDERS OF HOULIHAN AND CO (EXCAVATIONS) LIMITED

We have audited the financial statements of Houlihan and Co (Excavations) Limited for the year ended 31 August 2003 on pages 6 to 16 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

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

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or other material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

BASIS OF OPINION

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

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

HOULIHAN AND CO (EXCAVATIONS) LIMITED

**INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED 31 AUGUST 2003**

OPINION

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

The MGroup Partnership

THE MGROUP PARTNERSHIP
CHARTERED CERTIFIED ACCOUNTANTS
REGISTERED AUDITORS
OXFORD

11 May 2004

HOULIHAN AND CO (EXCAVATIONS) LIMITED**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 AUGUST 2003**

	Notes	2003 £	2002 £
TURNOVER		26,051,380	19,952,285
Cost of sales		20,787,849	16,603,579
GROSS PROFIT		5,263,531	3,348,706
Administrative expenses		2,623,585	2,128,429
OPERATING PROFIT	3	2,639,946	1,220,277
Other interest receivable and similar income		22,439	19,398
		2,662,385	1,239,675
Interest payable and similar charges	6	27,055	38,875
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		2,635,330	1,200,800
Taxation on ordinary activities	7	841,029	376,735
PROFIT FOR THE FINANCIAL YEAR		1,794,301	824,065
Dividends paid and proposed	8	1,095,000	787,000
RETAINED PROFIT FOR THE FINANCIAL YEAR		699,301	37,065
Retained profit brought forward		2,825,730	2,788,665
RETAINED PROFIT CARRIED FORWARD		3,525,031	2,825,730

There were no acquisitions and no discontinued operations in either of the periods.

The only recognised gains or losses for both periods are the profits reported above.

HOULIHAN AND CO (EXCAVATIONS) LIMITED

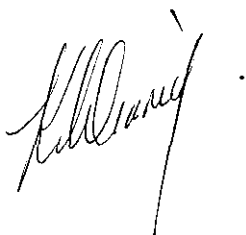
BALANCE SHEET AS AT 31 AUGUST 2003

	Notes	2003 £	2002 £
FIXED ASSETS			
Tangible assets	9	1,733,453	1,612,265
Investments	10	19,800	19,800
		<u>1,753,253</u>	<u>1,632,065</u>
CURRENT ASSETS			
Stock	11	319,901	18,052
Debtors	12	6,667,283	4,635,554
Cash at bank and in hand		77,405	586,073
		<u>7,064,589</u>	<u>5,239,679</u>
CREDITORS: Amounts falling due within one year	13	4,999,301	3,799,115
		<u>2,065,288</u>	<u>1,440,564</u>
NET CURRENT ASSETS			
		<u>3,818,541</u>	<u>3,072,629</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
CREDITORS: Amounts falling due after more than one year	14	178,328	92,018
Provisions for liabilities and charges	15	65,182	104,881
		<u>3,575,031</u>	<u>2,875,730</u>
NET ASSETS			
CAPITAL AND RESERVES			
Called up share capital	17	50,000	50,000
Profit and loss account		3,525,031	2,825,730
		<u>3,575,031</u>	<u>2,875,730</u>
SHAREHOLDER'S FUNDS			
		<u>3,575,031</u>	<u>2,875,730</u>

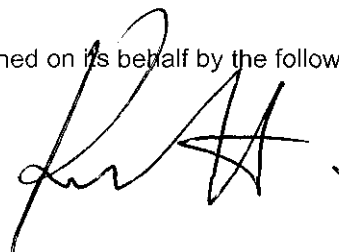
These accounts were approved by the board on 26.04.04

and signed on its behalf by the following:

Director



Director



HOULIHAN AND CO (EXCAVATIONS) LIMITED

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 AUGUST 2003**

RECONCILIATION OF OPERATING PROFIT TO NET CASH FLOW FROM OPERATING ACTIVITIES

	Notes	2003 £	2002 £
Operating Profit		2,639,946	1,220,277
Depreciation and amortisation		578,240	529,880
(Profit) / loss on disposal of fixed assets		53,845	15,775
(Increase) / decrease in stocks		(301,849)	107,826
(Increase) in trade debtors		(701,512)	(59,337)
(Increase) in other debtors		(1,293,723)	(163,466)
Increase in trade creditors		173,392	58,928
Increase / (decrease) in other taxation creditors		38,789	(29,443)
(Decrease) / increase in other creditors		(103,319)	8,865
Net cash flow from operating activities		1,083,809	1,689,305

CASH FLOW STATEMENT

		2003 £	2002 £
Net cash flow from operating activities		1,083,809	1,689,305
Returns on investments and servicing of finance	20	(4,616)	(19,477)
Taxation		(438,070)	(415,424)
Capital Expenditure and financial investment	21	(753,273)	138,209
		(112,150)	1,392,613
Equity dividends paid		(745,000)	(787,000)
		(857,150)	605,613
Management of liquid resources			
Financing	22	200,171	(258,967)
Increase in cash		(656,979)	346,646

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT / FUNDS

		2003 £	2002 £
(Decrease) / increase in cash		(656,979)	346,646
(Increase) / reduction in net debt		(656,979)	346,646
Net debt / funds brought forward		586,073	239,427
Net debt / funds carried forward	23	(70,906)	586,073

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2003

1 STATEMENT OF ACCOUNTING POLICIES

Accounting convention

These accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards.

Turnover

Turnover represents the value of goods and services provided, stated net of value added tax.

Depreciation

Depreciation has been provided at the following rates so as to write off the cost less residual value of the assets over their estimated useful lives.

Leasehold improvements	10% straight line
Plant and equipment	25% per annum reducing balance
Office equipment	25% per annum reducing balance
Motor vehicles	25% per annum reducing balance

Investments

Fixed asset investments are shown at cost less provision for permanent diminution in value. Current asset investments are stated at the lower of cost and net realisable value.

Leases

Assets under finance leases which confer rights and obligations similar to those attached to owned assets are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account on a straight line basis, to produce an approximately constant rate of charge on the balance of capital repayments outstanding. Hire Purchase transactions are dealt with similarly except that assets are depreciated over their useful lives.

Rentals under operating leases are charged and credited on a straight-line basis over the lease term.

Work in progress

Work in progress has been valued at the lower of cost and net realisable value.

Long-term contracts have been assessed on a contract-by-contract basis and reflected in the profit and loss account by recording turnover and related costs as contract activity progresses. Turnover is ascertained in a manner appropriate to the stage of completion of the contract calculated by reference to the costs incurred at the balance sheet date. Profit is taken on long term contracts on a prudent basis and only when the final outcome of the project is reasonably certain.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2003

Deferred taxation

Deferred taxation is the taxation attributable to timing differences between profits computed for taxation purposes and profits as stated in the financial statements and is provided for to the extent that it is probable that a liability or asset will crystallise.

Pensions

The company operates a defined contribution pension scheme. The amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the amount payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

2 TURNOVER

None of the company's turnover is attributable to geographical markets outside the United Kingdom.

3 OPERATING PROFIT

	2003 £	2002 £
<i>The operating profit is stated after charging:</i>		
Directors' remuneration (Note 4)	1,030,669	722,777
Company contributions to employee pension schemes	85,054	152,000
Auditors' remuneration - audit fees	10,000	9,500
Auditors' remuneration - non audit fees	30,415	10,835
Depreciation and amortisation	578,240	529,880
Loss on sale of tangible fixed assets	53,845	15,775
Operating lease rentals - plant and machinery	1,008,096	814,638

4 DIRECTORS' REMUNERATION

	2003 £	2002 £
The remuneration of the directors was as follows:		
Emoluments	925,699	575,030
Company contributions to pension schemes	45,000	105,000
Benefits in kind	59,970	42,747
	1,030,669	722,777

The remuneration of the highest paid director was as follows:

Emoluments	342,212	163,720
Company contributions to pension schemes	15,000	15,000
Benefits in kind	16,288	11,331
	373,500	190,051

Three of the directors (2002 - four) are members of the pension scheme.

HOULIHAN AND CO (EXCAVATIONS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2003

5 STAFF COSTS

	2003 Number	2002 Number
Average number of persons employed by the company, including directors, during the year:		
Production	207	150
Administration	20	20
	<u>227</u>	<u>170</u>
	2003 £	2002 £
Staff costs incurred during the year in respect of these employees were:		
Wages and salaries	6,550,574	5,559,120
Social security costs	664,731	538,472
Other pension costs	85,054	152,000
	<u>7,300,359</u>	<u>6,249,592</u>

6 INTEREST PAYABLE AND SIMILAR CHARGES

	2003 £	2002 £
Hire purchase interest and finance lease charges	27,055	38,875

7 TAXATION ON ORDINARY ACTIVITIES

	2003 £	2002 £
Corporation tax charge	880,728	438,070
Corporation tax adjustment regarding prior year	-	687
Deferred taxation (Note 15)	(39,699)	(62,022)
	<u>841,029</u>	<u>376,735</u>

The taxation charge for the year has been calculated at 30%.

8 DIVIDENDS

	2003 £	2002 £
Dividend paid on ordinary shares	745,000	787,000
Proposed dividend on ordinary shares	350,000	-
	<u>1,095,000</u>	<u>787,000</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2003

9 TANGIBLE ASSETS

	Leasehold improvements £	Plant and equipment £	Office equipment £	Motor vehicles £	Total £
Costs					
At 1 September 2002	43,168	2,233,178	43,659	1,094,443	3,414,448
Additions	-	930,394	1,216	127,543	1,059,153
Disposals	-	(769,531)	(2,952)	(242,647)	(1,015,130)
At 31 August 2003	43,168	2,394,041	41,923	979,339	3,458,471
Accumulated depreciation					
At 1 September 2002	4,317	1,166,475	21,306	610,085	1,802,183
Charge for year	3,885	429,314	5,892	139,149	578,240
Disposals	-	(467,204)	(2,335)	(185,866)	(655,405)
At 31 August 2003	8,202	1,128,585	24,863	563,368	1,725,018
Net book value					
At 1 September 2002	38,851	1,066,703	22,353	484,358	1,612,265
At 31 August 2003	34,966	1,265,456	17,060	415,971	1,733,453

Included in the above are assets held under finance leases and hire purchase contracts as follows:

	Leasehold improvements £	Plant and equipment £	Office equipment £	Motor vehicles £	Total £
Depreciation charge for year	-	248,857	-	73,922	322,779
Net book value					
At 1 September 2002	-	431,253	-	254,438	685,691
At 31 August 2003	-	737,048	-	221,766	958,814

HOULIHAN AND CO (EXCAVATIONS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2003

10 FIXED ASSET INVESTMENTS

	Investments £
Costs	
At 1 September 2002 and 31 August 2003	19,800
Net book value	
At 1 September 2002	19,800
At 31 August 2003	19,800

11 STOCK

	2003 £	2002 £
Long term contract balances	319,901	18,052

12 DEBTORS

	2003 £	2002 £
Trade debtors	797,091	95,579
Amounts recoverable on long term contracts	4,701,904	3,875,565
Other debtors	1,168,288	664,410
	6,667,283	4,635,554

13 CREDITORS: amounts falling due within one year

	2003 £	2002 £
Bank loans and overdrafts	148,311	-
Trade creditors	1,418,542	1,245,150
Provisions for future costs on contracts	955,513	1,018,319
Corporation tax	880,728	438,070
Other taxation and social security	184,063	137,851
H.P. contracts and finance leases	401,146	258,214
Dividends payable	350,000	-
Other creditors	660,998	701,511
	4,999,301	3,799,115

Included within trade creditors are amounts which may be the subject of retention of title clauses.

HOULIHAN AND CO (EXCAVATIONS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2003

14 CREDITORS: amounts falling due after more than one year

	2003 £	2002 £
H.P. contracts and finance leases	178,328	92,018

15 PROVISIONS FOR LIABILITIES

Deferred Taxation

Accelerated capital allowances

Balance carried forward

All deferred taxation has been fully provided.

Movements on deferred taxation provision

Balance brought forward

Transfer during the year

Balance carried forward

Provided	
2003 £	2002 £
65,182	104,881
65,182	104,881
2003 £	2002 £
104,881	166,903
(39,699)	(62,022)
65,182	104,881

16 OPERATING LEASES

Amounts falling due next year under operating leases:

Expiring in more than five years

2003 £	2002 £
78,000	78,000

17 SHARE CAPITAL

Authorised:

50000 Ordinary shares of £1 each

Allotted, called up and fully paid:

50000 Ordinary shares of £1 each

2003 £	2002 £
50,000	50,000
50,000	50,000

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2003

18 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS FUNDS

	2003 £	2002 £
Profit / (loss) for the financial year	1,794,301	824,065
Dividends	1,095,000	787,000
Net addition to shareholders funds	699,301	37,065
Opening shareholder's funds	2,875,730	2,838,665
Closing shareholder's funds	3,575,031	2,875,730

19 RELATED PARTY TRANSACTIONS

Included within other debtors (note 12) is an amount of £29,071 owed to the company by P Withers. The amount has been repaid since the year end.

Included within other debtors is an amount owed to the company by the holding company, Houlihan and Co Limited of £350,000 (2002 - £nil). The amount is interest free with no fixed date of repayment.

20 CASHFLOWS RELATING TO RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

	2003 £	2002 £
Interest received	22,439	19,398
Interest paid	(27,055)	(38,875)
Net cash (outflow)	(4,616)	(19,477)

21 CASHFLOWS RELATING TO CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT

	2003 £	2002 £
Purchase of tangible fixed assets	(1,059,153)	(471,241)
Sale of tangible fixed assets	305,880	609,450
Net cash (outflow) / inflow	(753,273)	138,209

22 CASHFLOWS RELATING TO FINANCE

	2003 £	2002 £
New finance leases	1,138,101	120,405
Repayment of finance lease balances	(908,859)	(378,455)
Repayment of directors loan accounts	(29,071)	(917)
Net cash (outflow) / inflow	200,171	(258,967)

HOULIHAN AND CO (EXCAVATIONS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2003

23 ANALYSIS OF CHANGES IN NET DEBT

	At 1 September 2002 £	Cash flows £	Other changes £	At 31 August 2003 £
Cash and overdrafts at bank and in hand	586,073	(656,979)	-	(70,906)

24 BANK SECURITY

The parent company, Houlihan and Co Limited has bank loan, overdraft and asset finance facilities totalling £1.9million with Allied Irish Bank. The facilities have varying rates of interest and terms of repayment. All facilities are due for repayment prior to 20 May 2008. The facilities are secured by way of a mortgage debenture and unlimited cross guarantee over the assets of the parent company and also over the assets of Houlihan and Co (Excavations) Limited. At the date of the signing of the accounts only part of the loan facility of £1,000,000 was in use by the parent company. The overdraft and asset finance facilities have not been used.

The directors of the parent company have given personal guarantees to the bank totalling £500,000 on a pro rata basis in line with the shareholdings held.

25 ULTIMATE CONTROLLING PARTY

The company's ultimate controlling party is Houlihan and Co Limited by virtue of its 100% shareholding in Houlihan and Co (Excavations) Ltd. Houlihan and Co Limited is incorporated in the United Kingdom and its registered office where group accounts are available for public view is Ashford House, Littleton Road, Ashford, Middlesex TW15 1QU. The directors of Houlihan and Co (Excavations) Limited each own a one quarter share of Houlihan and Co Limited.