

TOLENT CONSTRUCTION LIMITED

**Report and Financial Statements
For the year ended
31st December 2003**

TOLENT CONSTRUCTION LIMITED

Annual report and financial statements for the year ended 31st December 2003

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TOLENT CONSTRUCTION LIMITED

Directors, Secretary and Registered Office

Directors

J.G. Wood	Chairman
T. Phillipson	Operations Director
A.D. Clark	Financial Director

Secretary

A.D. Clark

Registered Office

Amco House
25, Moorgate Road
Rotherham
S60 2AD

Registered in England : Company Number - 2450574

TOLENT CONSTRUCTION LIMITED

Report of the directors for the year ended 31st December 2003

The directors present their report together with the audited financial statements for the year ended 31st December 2003.

1. Principal activities and business review

The company is principally engaged in building and construction activities.

The directors considered the result for the year to be satisfactory. Whilst anticipating difficult conditions again in 2004, the directors look forward to continued profitability.

2. Results and dividends

The profit and loss account is set out on page 5 and shows the profit for the year.

Interim dividends of £400,000 and £600,000 were paid on 11th March 2003 and 5th September 2003 respectively. The directors do not recommend the payment of a final dividend. The retained profit has been transferred to profit and loss account reserves.

3. Directors

The directors in office at the end of the year were Messrs. J.G. Wood, T. Phillipson, A.D. Clark and M.R. Speakman, all of whom served throughout the year. Mr D.M. Jackson resigned on 13th November 2003. Mr M.R. Speakman resigned on 16th February 2004.

Messrs. J.G. Wood and M.R. Speakman are also directors of the ultimate parent company and their interests in the shares of the ultimate parent company are disclosed in that company's financial statements. The only other director in office at the end of the year with an interest in shares of the ultimate parent company was Mr. T. Phillipson who owned 25,000 ordinary 10p shares in Tolent PLC.

4. Disabled persons

The company's policy is to give sympathetic consideration, in both recruitment and training, to the problems of the disabled, and to assist them in developing their knowledge and skills to undertake greater responsibilities wherever possible.

5. Employee involvement

Information is made available to employees at the discretion of the directors.

6. Payment policy

The company's policy is to agree terms and conditions with suppliers before business takes place and to pay agreed invoices in accordance with the terms of payment. Trade creditors at the year end amount to 95 days of average supplies for the year.

TOLENT CONSTRUCTION LIMITED

Report of the directors for the year ended 31st December 2003 (continued)

7. Statement of directors' responsibilities

The directors are required by UK company law to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit and loss for that year. In preparing the financial statements, the directors are required to select suitable accounting policies and apply them consistently, to make reasonable and prudent judgments and estimates, to state whether applicable accounting standards have been followed, subject to any material departure disclosed and explained in the financial statements, and to 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 also responsible for maintaining adequate accounting records, for safeguarding the assets of the company, and for preventing and detecting fraud and other irregularities.

8. Auditors

Grant Thornton offer themselves for reappointment as auditors in accordance with Section 385 of the Companies Act 1985.

BY ORDER OF THE BOARD

A.D. Clark
Secretary
16th February 2004

TOLENT CONSTRUCTION LIMITED

Report of the independent auditors

To the members of TOLENT CONSTRUCTION LIMITED

We have audited the financial statements of Tolent Construction Limited for the year ended 31st December 2003 which comprise the profit and loss account, the balance sheet, the statement of accounting policies and notes 1 to 17. These financial statements have been prepared under the accounting policies set out therein.

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

Respective responsibilities of the directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

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

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

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

Basis of opinion

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

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

Opinion

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

GRANT THORNTON

Registered Auditors

Chartered Accountants

Leicester

16th February 2004

The maintenance and integrity of the tolent.co.uk website is the responsibility of the directors: the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

TOLENT CONSTRUCTION LIMITED

Profit and loss account for the year ended 31st December 2003

	Note	2003		2002	
		£	£	£	£
Turnover	1		116,623,986		125,400,750
Raw materials and consumables		8,165,930		9,230,919	
Other external charges		<u>87,912,859</u>		<u>96,587,604</u>	
			<u>(96,078,789)</u>		<u>(105,818,523)</u>
			20,545,197		19,582,227
Staff costs	2	15,111,968		14,687,259	
Depreciation		74,954		130,668	
Other operating charges		<u>3,059,710</u>		<u>2,620,246</u>	
			<u>(18,246,632)</u>		<u>(17,438,173)</u>
Operating profit			2,298,565		2,144,054
Net interest	3		<u>345,645</u>		<u>268,674</u>
Profit on ordinary activities before taxation	1		2,644,210		2,412,728
Tax on profit on ordinary activities	4		<u>(827,541)</u>		<u>(766,784)</u>
Profit on ordinary activities after taxation	1		1,816,669		1,645,944
Dividend	5		<u>(1,000,000)</u>		<u>(1,000,000)</u>
Profit transferred to reserves	12		<u><u>816,669</u></u>		<u><u>645,944</u></u>

All the above transactions relate to continuing activities.

There are no recognised gains or losses other than the profit for the financial year.

The statement of accounting policies and notes 1 to 17 form part of these financial statements.

TOLENT CONSTRUCTION LIMITED

Balance sheet as at 31st December 2003

	Note	2003		2002	
		£	£	£	£
Fixed assets					
Tangible assets	7		39,873		74,798
Current assets					
Stock and work in progress	8		0		82,500
Amounts receivable on contracts			8,274,783		9,689,808
Debtors	9		16,156,313		17,163,908
Cash at bank and in hand			<u>18,748,901</u>		<u>15,122,469</u>
			43,179,997		42,058,685
Creditors: amounts falling due within one year	10		<u>(37,220,169)</u>		<u>(36,950,451)</u>
Net current assets			<u>5,959,828</u>		<u>5,108,234</u>
			<u>5,999,701</u>		<u>5,183,032</u>
Capital and reserves					
Called up share capital	11		800,000		800,000
Profit and loss account	12		<u>5,199,701</u>		<u>4,383,032</u>
Shareholders' funds	13		<u>5,999,701</u>		<u>5,183,032</u>

The financial statements were approved by the Board of Directors on 16th February 2004.

J.G. WOOD Chairman

A.D. CLARK Financial Director

The statement of accounting policies and notes 1 to 17 form part of these financial statements.

TOLENT CONSTRUCTION LIMITED

Statement of accounting policies

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, up to and including FRS 19 - Deferred Tax, and under the historical cost convention.

The company, as a wholly owned subsidiary, is exempt from the requirements of Financial Reporting Standard 8 to disclose transactions within the Group headed by Tolent PLC.

No statement of cashflows has been presented as the cashflows of the company have been incorporated into the group financial statements.

The principal accounting policies of the company have remained unchanged from the previous year.

(a) Turnover

Turnover is the aggregate value of contracts completed during the year and the net increase in the value of work in progress to reflect the level of sales and work done during the year.

(b) Depreciation

Depreciation is calculated to write off the cost of fixed assets by equal annual instalments over their expected useful lives.

The rates generally applicable are:

Plant and equipment	25% to 50%
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(c) Stock and work in progress

Stocks of building land are valued at the lower of cost and net realisable value.

The company's contracting activities are regarded as having the attributes of long term contracts and are treated as follows :

- the amount by which recorded turnover is in excess of payments on account is classified as amounts recoverable on contracts and separately disclosed within current assets.
- the balance of payments on account in excess of amounts (a) matched with turnover and (b) offset against long term contract balances are classified as payments on account and separately disclosed within creditors.
- the amount of long term contracts at cost incurred net of amounts transferred to cost of sales, after deducting foreseeable losses and payments on account not matched with turnover are classified as long term contract balances and separately disclosed within stocks. This presentation is in accordance with the provisions of Statement of Standard Accounting Practice No. 9 (revised).

(d) Deferred tax

Deferred tax is recognised on all timing differences where the transactions or events that give the company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date.

TOLENT CONSTRUCTION LIMITED

Statement of accounting policies (continued)

(e) Retirement Benefits

Defined Contribution Schemes

The pension costs charged against profits represent the amount of the contributions payable to the schemes in respect of the accounting period.

(f) Leased assets

Rental payments for assets obtained under operating leases are charged against income on a straight line basis over the lease term.

(g) Joint arrangements

Interests in joint arrangements are accounted for by recognising the Company's share of assets and liabilities, profits, losses and cash flows, measured according to the terms of the agreement.

(h) Joint ventures

Interests in joint ventures are accounted for using the equity method of accounting supplemented by additional disclosures for joint ventures. The balance sheet shows the investment in joint ventures at cost less amounts written off.

TOLENT CONSTRUCTION LIMITED

Notes forming part of the financial statements for the year ended 31st December 2003

1. Turnover and profit on ordinary activities before taxation

All the company's turnover and profits are derived from its principal activity of building and construction, and its turnover is all from the United Kingdom.

Profit on ordinary activities is stated after:

	<u>2003</u>	<u>2002</u>
	£	£
Auditors' remuneration	23,450	21,750
Depreciation	74,954	130,668
Operating lease charges:		
hire of plant and machinery	2,923,367	2,585,473
other operating leases	<u>853,021</u>	<u>870,535</u>

2. Directors and employees

Staff costs during the year including directors:

	<u>2003</u>	<u>2002</u>
	£	£
Wages and salaries	13,513,560	13,217,890
Social security	1,341,816	1,224,523
Pension costs	<u>256,592</u>	<u>244,846</u>
	<u>15,111,968</u>	<u>14,687,259</u>

The average number of employees of the company during the year was 477 (2002 - 490).

Remuneration in respect of directors was as follows:

	<u>2003</u>	<u>2002</u>
	£	£
Aggregate emoluments	639,413	571,935
Company pension contributions to a defined contribution scheme	<u>17,781</u>	<u>16,119</u>

During the year three directors (2002 - three directors) participated in defined contribution pension scheme.

TOLENT CONSTRUCTION LIMITED

Notes forming part of the financial statements for the year ended 31st December 2003 (continued)

3. Net interest

	<u>2003</u>	<u>2002</u>
	£	£
Receivable on bank balances	250,418	279,897
Other interest receivable/(payable)	<u>95,227</u>	<u>(11,223)</u>
	<u><u>345,645</u></u>	<u><u>268,674</u></u>

4. Tax on profit on ordinary activities

The tax charge represents:

	<u>2003</u>	<u>2002</u>
	£	£
Corporation tax at 30% (2002 - 30%)	827,683	768,321
Adjustment in respect of prior years	<u>(142)</u>	<u>(1,537)</u>
Tax on profit on ordinary activities	<u><u>827,541</u></u>	<u><u>766,784</u></u>

The tax assessed for the year differs from the standard rate of corporation tax in the United Kingdom of 30% (2002 - 30%). The differences are explained as follows:

	<u>2003</u>	<u>2002</u>
	£	£
Profit on ordinary activities before tax	<u><u>2,644,210</u></u>	<u><u>2,412,728</u></u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the United Kingdom of 30% (2002 - 30%)	793,263	723,818
Effects of:		
expenses not deductible for tax purposes	32,768	27,083
depreciation in excess of capital allowances	1,652	17,420
adjustments to tax charge in respect of prior years	<u>(142)</u>	<u>(1,537)</u>
Current tax charge for year	<u><u>827,541</u></u>	<u><u>766,784</u></u>

5. Dividend

	<u>2003</u>	<u>2002</u>
	£	£
First interim dividend of 50p (2002 - 125p) per share	400,000	1,000,000
Second interim dividend of 75p (2002 - nil) per share	<u>600,000</u>	<u>0</u>
	<u><u>1,000,000</u></u>	<u><u>1,000,000</u></u>

TOLENT CONSTRUCTION LIMITED

Notes forming part of the financial statements for the year ended 31st December 2003 (continued)

6. Joint arrangements and joint ventures

The company has the following joint arrangements operating in England :

Interior Tolent Limited	Company's participation is 35% in a joint arrangement with Interior plc.
Tolent Balfour Kilpatrick	Company's participation is 50% in a joint arrangement with Balfour Kilpatrick Limited.

The company has the following joint venture operating in England:

Gateway Park Limited	Company's participation is 50% of the ordinary shares in a joint venture with Metnor Group plc.
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7. Tangible fixed assets

	<u>Plant and equipment</u>
	£
Cost	
At 1st January 2003	845,119
Additions	41,026
Disposals	<u>(241,293)</u>
At 31st December 2003	<u>644,852</u>
Depreciation	
At 1st January 2003	770,321
Charge for year	74,954
Disposals	<u>(240,296)</u>
At 31st December 2003	<u>604,979</u>
Net book value at 31st December 2003	<u>39,873</u>
Net book value at 31st December 2002	<u>74,798</u>

8. Stock

	<u>2003</u>	<u>2002</u>
	£	£
Building land	<u>0</u>	<u>82,500</u>

TOLENT CONSTRUCTION LIMITED

Notes forming part of the financial statements for the year ended 31st December 2003 (continued)

9. Debtors

	<u>2003</u>	<u>2002</u>
	£	£
Trade debtors	6,220,385	10,027,699
Amounts owed by group undertakings	5,797,047	5,482,231
Amounts owed by joint ventures	3,073,200	710,168
Other debtors	131,022	45,083
Prepayments and accrued income	<u>934,659</u>	<u>898,727</u>
	<u><u>16,156,313</u></u>	<u><u>17,163,908</u></u>

10. Creditors: amounts falling due within one year

	<u>2003</u>	<u>2002</u>
	£	£
Payment on account of long term contracts	4,081,309	3,508,888
Trade creditors	30,453,049	30,623,588
Amounts owed to group undertakings	0	29,503
Amounts owed to joint ventures	168,750	0
Social security and other taxes	1,080,657	947,767
Other creditors	515,588	884,507
Accruals and deferred income	475,677	468,050
Current taxation	<u>445,139</u>	<u>488,148</u>
	<u><u>37,220,169</u></u>	<u><u>36,950,451</u></u>

11. Called up share capital

	<u>2003</u>	<u>2002</u>
	£	£
Authorised, ordinary shares of £1 each	<u>1,000,000</u>	<u>1,000,000</u>
Allotted, called up and fully paid ordinary shares of £1 each	<u>800,000</u>	<u>800,000</u>

12. Profit and loss account

	<u>2003</u>	<u>2002</u>
	£	£
At 1st January 2003	4,383,032	3,737,088
Profit for year	<u>816,669</u>	<u>645,944</u>
At 31st December 2003	<u><u>5,199,701</u></u>	<u><u>4,383,032</u></u>

TOLENT CONSTRUCTION LIMITED

Notes forming part of the financial statements for the year ended 31st December 2003 (continued)

13. Reconciliation of movements in shareholders' funds

	<u>2003</u>	<u>2002</u>
	£	£
Profit for year	1,816,669	1,645,944
Dividend	<u>(1,000,000)</u>	<u>(1,000,000)</u>
Net increase in shareholders' funds	816,669	645,944
Shareholders' funds at 1st January 2003	<u>5,183,032</u>	<u>4,537,088</u>
Shareholders' funds at 31st December 2003	<u><u>5,999,701</u></u>	<u><u>5,183,032</u></u>

14. Operating lease obligations

	<u>2003</u>		<u>2002</u>	
	Land & buildings	Other	Land & buildings	Other
	£	£	£	£
Commitments to operating lease payments within one year are as follows:				
In respect of leases expiring				
within one year	105,318	50,160	67,330	125,582
between one and five years	89,914	344,926	141,014	356,896
in more than five years	<u>43,762</u>	<u>0</u>	<u>34,850</u>	<u>0</u>
	<u><u>238,994</u></u>	<u><u>395,086</u></u>	<u><u>243,194</u></u>	<u><u>482,478</u></u>

15. Contingent liabilities

The company is party to cross guarantees for the bank borrowings of Tolent PLC, Tolent Corporation Limited, Tolent Homes Limited and Ravensworth Properties Limited.

At 31 December 2003 this amounted to £nil (2002 - £nil).

16. Pension commitments

Eligible employees are entitled to become members of the Group's money purchase pension scheme. This is a defined contribution scheme, the assets of which are invested with insurance companies.

The pension cost charge represents contributions payable by the company to the fund and amounted to £256,592 (2002 - £244,846).

17. Ultimate parent undertaking

The immediate parent undertaking of this company is Tolent Corporation Limited. The ultimate parent undertaking/controlling related party of this company is Tolent PLC, which is registered in England and Wales. The only group of undertakings for which consolidated accounts have been prepared is that headed by Tolent PLC. Further details relating to this matter are disclosed in that company's financial statements, copies of which can be obtained from the Registered Office.