

TOLENT CONSTRUCTION LIMITED

**Report and Financial Statements
For the year ended
31st December 2005**

TOLENT CONSTRUCTION LIMITED

Annual report and financial statements for the year ended 31st December 2005

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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
Cedar Court Office Park
Denby Dale Road
Wakefield
West Yorkshire
WF4 3QZ

Registered in England : Company Number - 2450574

TOLENT CONSTRUCTION LIMITED

Report of the directors for the year ended 31st December 2005

The directors present their report together with the audited financial statements for the year ended 31st December 2005.

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. The directors look forward to continued profitability in 2006.

2. Results and dividends

The profit and loss account is set out on page 6 and shows the profit for the year.

Interim dividends of £500,000 and £1,000,000 were paid on 6th May 2005 and 11th August 2005 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 and A.D. Clark all of whom served throughout the year.

Mr. J.G. Wood is also a director of the ultimate parent company and his interest in the shares of the ultimate parent company is disclosed in that company's financial statements. No other director in office at the end of the year had an interest in shares of the ultimate parent company.

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 78 days (2004 - 93 days) of average supplies for the year.

TOLENT CONSTRUCTION LIMITED

Report of the directors for the year ended 31st December 2005 (continued)

7. Statement of directors' responsibilities

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). 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 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 judgments and estimates that are reasonable and prudent, 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 keeping proper accounting records that 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 1985. They are also responsible for maintaining adequate accounting records, for safeguarding the assets of the company and hence for preventing and detecting fraud and other irregularities.

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.

8. Financial risk management objectives and policies

The company uses financial instruments, other than derivatives, comprising borrowings, cash and other liquid resources and various other items such as trade debtors and creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the company's operations. The main risks arising from the company financial instruments are interest rate risk, liquidity risk and foreign currency risk. The directors review and agree policies for managing each of these risks and they are summarised below. The policies have remained unchanged from previous periods.

Interest rate risk

The company finances its operations through a mixture of retained profits, inter-company accounts and bank borrowings. The company's exposure to interest rate fluctuations on its borrowings is managed on a Group basis by the use of both fixed and floating facilities.

Liquidity risk

The company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. Primarily this is achieved through inter-company accounts or through loans arranged at Group level. Short term flexibility is achieved by overdraft facilities.

Currency risk

The company is exposed to transaction and translation foreign exchange risk. Transaction exposures are hedged when known, mainly using the forward hedge market.

TOLENT CONSTRUCTION LIMITED

Report of the directors for the year ended 31st December 2005 (continued)

9. Auditors

Grant Thornton UK LLP, having offered themselves for reappointment as auditors, shall be deemed to be reappointed for the next financial year in accordance with section 386 of the Companies Act 1985.

BY ORDER OF THE BOARD

A.D. Clark
Secretary
7th March 2006

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 2005 which comprise the profit and loss account, the balance sheet, the statement of accounting policies and notes 1 to 16. 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 directors and auditors

The directors' responsibilities for preparing the directors' report and the financial statements in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 International Standards on Auditing (UK and Ireland).

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 other transactions is not disclosed.

We read 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 International Standards on Auditing (UK and Ireland) 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 judgments 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs at 31st December 2005 and of the company's profit for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.

GRANT THORNTON UK LLP

Registered Auditors

Chartered Accountants

Leicester

7th March 2006

TOLENT CONSTRUCTION LIMITED

Profit and loss account for the year ended 31st December 2005

	Note	2005		2004	
		£	£	£	£
Turnover	1		141,117,362		121,916,519
Raw materials and consumables		9,253,908		9,426,465	
Other external charges		<u>105,804,393</u>		<u>89,355,876</u>	
			<u>(115,058,301)</u>		<u>(98,782,341)</u>
			26,059,061		23,134,178
Staff costs	2	18,952,997		16,552,929	
Depreciation		124,343		56,504	
Other operating charges		<u>3,478,865</u>		<u>3,573,957</u>	
			<u>(22,556,205)</u>		<u>(20,183,390)</u>
Operating profit			3,502,856		2,950,788
Net interest	3		<u>696,675</u>		<u>640,073</u>
Profit on ordinary activities before taxation	1		4,199,531		3,590,861
Tax on profit on ordinary activities	4		<u>(1,326,213)</u>		<u>(1,119,764)</u>
Profit on ordinary activities after taxation	1		<u><u>2,873,318</u></u>		<u><u>2,471,097</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 16 form part of these financial statements.

TOLENT CONSTRUCTION LIMITED

Balance sheet as at 31st December 2005

	Note	2005		2004	
		£	£	£	£
Fixed assets					
Tangible assets	7		183,354		254,377
Current assets					
Amounts recoverable on contracts		8,080,220		9,899,890	
Debtors	8	28,146,579		22,794,489	
Cash at bank and in hand		<u>11,125,473</u>		<u>12,225,738</u>	
		47,352,272		44,920,117	
Creditors: amounts falling due within one year	9	<u>(39,191,510)</u>		<u>(38,203,696)</u>	
Net current assets			<u>8,160,762</u>		<u>6,716,421</u>
			<u>8,344,116</u>		<u>6,970,798</u>
Capital and reserves					
Called up share capital	10		800,000		800,000
Profit and loss account	11		<u>7,544,116</u>		<u>6,170,798</u>
Shareholders' funds	12		<u>8,344,116</u>		<u>6,970,798</u>

The financial statements were approved by the Board of Directors on 7th March 2006.

J.G. WOOD Chairman

A.D. CLARK Financial Director

The statement of accounting policies and notes 1 to 16 form part of these financial statements.

TOLENT CONSTRUCTION LIMITED

Statement of accounting policies

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards, upto and including FRS 25 - Financial Instruments: Disclosure and Presentation, and under the historical cost convention as modified by the revaluation of all properties.

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 2005

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>2005</u>	<u>2004</u>
	£	£
Auditors' remuneration		
audit services	31,750	23,950
non audit services	8,250	32,050
Depreciation	124,343	56,504
Operating lease charges:		
hire of plant and machinery	4,188,508	3,385,798
other operating leases	<u>832,810</u>	<u>742,525</u>

2. Directors and employees

Staff costs during the year including directors:

	<u>2005</u>	<u>2004</u>
	£	£
Wages and salaries	16,777,264	14,675,393
Social security	1,690,361	1,510,537
Pension costs	<u>485,372</u>	<u>366,999</u>
	<u>18,952,997</u>	<u>16,552,929</u>

The average number of employees of the company during the year was 539 (2004 - 511).

Remuneration in respect of directors was as follows:

	<u>2005</u>	<u>2004</u>
	£	£
Aggregate emoluments	591,366	541,535
Company pension contributions to a defined contribution scheme	<u>219,991</u>	<u>198,920</u>

During the year three directors (2004 - three directors) participated in a defined contribution pension scheme.

The amounts set out above include remuneration in respect of the highest paid director as follows:

	<u>2005</u>	<u>2004</u>
	£	£
Aggregate emoluments	247,925	236,914
Company pension contributions to a defined contribution scheme	<u>211,412</u>	<u>190,750</u>

TOLENT CONSTRUCTION LIMITED

Notes forming part of the financial statements for the year ended 31st December 2005 (continued)

3. Net interest

	<u>2005</u>	<u>2004</u>
	£	£
Receivable on bank balances	367,458	437,844
Other interest receivable	<u>329,217</u>	<u>202,229</u>
	<u><u>696,675</u></u>	<u><u>640,073</u></u>

4. Tax on profit on ordinary activities

The tax charge represents:

	<u>2005</u>	<u>2004</u>
	£	£
Corporation tax at 30% (2004 - 30%)	1,326,213	1,098,714
Adjustment in respect of prior years	<u>0</u>	<u>21,050</u>
Tax on profit on ordinary activities	<u><u>1,326,213</u></u>	<u><u>1,119,764</u></u>

The tax assessed for the year differs from the standard rate of corporation tax in the United Kingdom of 30% (2004 - 30%). The differences are explained as follows:

	<u>2005</u>	<u>2004</u>
	£	£
Profit on ordinary activities before tax	<u><u>4,199,531</u></u>	<u><u>3,590,861</u></u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the United Kingdom of 30% (2004 - 30%)	1,259,859	1,077,258
Effects of:		
expenses not deductible for tax purposes	59,613	39,922
depreciation in excess of capital allowances	6,741	(18,466)
adjustments to tax charge in respect of prior years	<u>0</u>	<u>21,050</u>
Current tax charge for year	<u><u>1,326,213</u></u>	<u><u>1,119,764</u></u>

5. Dividend

	<u>2005</u>	<u>2004</u>
	£	£
First interim dividend of 62.5p (2004 - 62.5p) per share	500,000	500,000
Second interim dividend of 125p (2004 - 125p) per share	<u>1,000,000</u>	<u>1,000,000</u>
	<u><u>1,500,000</u></u>	<u><u>1,500,000</u></u>

TOLENT CONSTRUCTION LIMITED

Notes forming part of the financial statements for the year ended 31st December 2005 (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 had/has the following joint venture operating in England:

Gateway Park Limited	The company's participation was 50% of the ordinary shares in a joint venture with Metnor Group plc. The participation ceased on 31st March 2005.
Echo Buildings Limited	Company's participation is 50% of the ordinary shares in a joint venture with Glenrose (Hebburn) Limited. The participation commenced on 31st May 2005.

7. Tangible fixed assets

	<u>Plant and equipment</u>
	£
Cost	
At 1st January 2005	767,861
Additions	53,320
Disposals	<u>(76,305)</u>
At 31st December 2005	<u><u>744,876</u></u>
Depreciation	
At 1st January 2005	513,484
Charge for year	124,343
Disposals	<u>(76,305)</u>
At 31st December 2005	<u><u>561,522</u></u>
Net book value at 31st December 2005	<u><u>183,354</u></u>
Net book value at 31st December 2004	<u><u>254,377</u></u>

TOLENT CONSTRUCTION LIMITED

Notes forming part of the financial statements for the year ended 31st December 2005 (continued)

8. Debtors

	<u>2005</u>	<u>2004</u>
	£	£
Amounts falling due within one year		
Trade debtors	12,694,048	9,936,018
Amounts owed by group undertakings	7,637,849	7,083,269
Amounts owed by joint ventures	6,173,540	4,486,858
Other debtors	1,114,993	278,107
Prepayments and accrued income	<u>151,149</u>	<u>635,237</u>
	27,771,579	22,419,489
Amounts falling due after more than one year		
Other debtors	<u>375,000</u>	<u>375,000</u>
	<u><u>28,146,579</u></u>	<u><u>22,794,489</u></u>

9. Creditors: amounts falling due within one year

	<u>2005</u>	<u>2004</u>
	£	£
Payment on account of long term contracts	6,643,171	5,291,258
Trade creditors	29,756,088	30,780,862
Amounts owed to group undertakings	268,725	273,300
Social security and other taxes	623,766	567,160
Other creditors	383,616	289,108
Accruals and deferred income	836,130	463,072
Current taxation	<u>680,014</u>	<u>538,936</u>
	<u><u>39,191,510</u></u>	<u><u>38,203,696</u></u>

10. Called up share capital

	<u>2005</u>	<u>2004</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>

11. Profit and loss account

	<u>2005</u>	<u>2004</u>
	£	£
At 1st January 2005	6,170,798	5,199,701
Profit for year	2,873,318	2,471,097
Dividend	<u>(1,500,000)</u>	<u>(1,500,000)</u>
At 31st December 2005	<u><u>7,544,116</u></u>	<u><u>6,170,798</u></u>

TOLENT CONSTRUCTION LIMITED

Notes forming part of the financial statements for the year ended 31st December 2005 (continued)

12. Reconciliation of movements in shareholders' funds

	<u>2005</u>	<u>2004</u>
	£	£
Profit for year	2,873,318	2,471,097
Dividend	<u>(1,500,000)</u>	<u>(1,500,000)</u>
Net increase in shareholders' funds	1,373,318	971,097
Shareholders' funds at 1st January 2005	<u>6,970,798</u>	<u>5,999,701</u>
Shareholders' funds at 31st December 2005	<u><u>8,344,116</u></u>	<u><u>6,970,798</u></u>

13. Operating lease obligations

	<u>2005</u>		<u>2004</u>	
	<u>Land & buildings</u>	<u>Other</u>	<u>Land & buildings</u>	<u>Other</u>
	£	£	£	£
Commitments to operating lease payments within one year are as follows:				
In respect of leases expiring				
within one year	112,958	61,865	120,237	100,954
between one and five years	87,108	361,018	148,422	264,300
in more than five years	<u>144,599</u>	<u>0</u>	<u>44,090</u>	<u>0</u>
	<u><u>344,665</u></u>	<u><u>422,883</u></u>	<u><u>312,749</u></u>	<u><u>365,254</u></u>

14. 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 2005 this amounted to £nil (2004 - £nil).

15. 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 £485,372 (2004 - £446,999).

16. 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.