

332992/

# **FOSTER YEOMAN CONTRACTING LIMITED**

## **ANNUAL REPORT**

**FOR THE YEAR ENDED 27 MAY 2005**



**FOSTER YEOMAN CONTRACTING LIMITED**

**ANNUAL REPORT 2005**

<b>CONTENTS</b>	<b>PAGE</b>
1. Directors and Advisors	2
2. Directors' Report	3
3. Statement of Directors' Responsibilities	4
4. <i>Report of the independent auditors to the members of Foster Yeoman Contracting Limited</i>	5
5. Profit and Loss Account	6
6. Balance Sheet	7
7. Principal Accounting Policies	8
8. Notes to the Financial Statements	9 to 14

**FOSTER YEOMAN CONTRACTING LIMITED**

---

**DIRECTORS AND ADVISORS**

---

Executive Directors

J F Yeoman  
D P Smith  
B T Beddow  
R E Hall

---

Secretary

B T Beddow

---

Registered Office

Marston House  
Marston Bigot  
Frome  
Somerset  
England  
BA11 5DU

---

Registered Number

03329981  
ENGLAND

---

Auditors

KPMG LLP  
100 Temple Street  
Bristol  
BS1 6AG

---

## FOSTER YEOMAN CONTRACTING LIMITED

---

### **DIRECTORS' REPORT**

The Directors present their report and audited financial statements for the year ended 27 May 2005.

#### **Principal Activities, Business Review and Developments**

The principal activities of the company still remain in the construction and repair of roads, airfields, highway related civil engineering projects and Term Maintenance Contracts for Local Authorities and Main Contractor partners.

Turnover has increased by 26% and profit also by 13% on the previous year's trading. Surfacing material taken from Foster Yeoman Ltd was 365,000 tonnes – a 21% increase on the previous year.

The company now benefits from a number of Long Term Maintenance Contracts as a main contractor and as a sub-contractor. This remains the back bone of the business.

The company secured its third "Early Contractor Involvement" (ECI) scheme on the A2/A282/M25 with Costain for the Highways Agency. These contracts secure high turnover and volumes for Foster Yeoman Ltd's coated products.

Our first major airfield contract at Lydd was completed in the year and a mobile asphalt plant was purchased for the scheme to supply 66,000 tonnes of Marshall Asphalt. The success of this contract should give us opportunities for airfield work in the future.

Our order book for the future looks healthy and we will continue to seek opportunities to enhance the long term future of the business.

#### **Results and Dividends**

The directors do not propose a dividend for the year and the retained profit for the year was £523,676 (Restated 2004: £471,143).

Donations to UK charities amounted to £550 (2004: £220)

#### **Directors**


The following directors have held office for the year:

R E Hall  
B T Beddow  
D P Smith  
J F Yeoman

#### **Auditors**

In accordance with section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

BY ORDER OF THE BOARD.

  
B T Beddow  
Secretary  
1 December 2005

---

## FOSTER YEOMAN CONTRACTING LIMITED

---

### STATEMENT OF DIRECTORS' RESPONSIBILITIES

---

#### 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 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.

## **FOSTER YEOMAN CONTRACTING LIMITED**

### **REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF FOSTER YEOMAN CONTRACTING LIMITED**

We have audited the financial statements on pages 6 to 14.

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 the opinions we have formed.

#### **Respective responsibilities of directors and auditor**

The directors are responsible for preparing the directors' report and, as described on page 4, 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.

We read the other information accompanying the financial statements and consider whether it is consistent with those statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

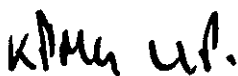
#### **Basis of audit opinion**

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 mis-statement, 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 affairs of the Company at 27 May 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



KPMG LLP  
Chartered Accountants and Registered Auditor  
Bristol  
1 December 2005

**FOSTER YEOMAN CONTRACTING LIMITED**

**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 27 MAY 2005**

<b>Continuing Operations</b>	<b>Notes</b>	<b>2005 £'000</b>	<b>Restated 2004 £'000</b>
<b>Turnover</b>		31,605	25,180
<b>Trading Expenditure</b>			
Operating Charges		(27,346)	(21,102)
Staff Costs	2	(2,546)	(2,562)
Depreciation		(211)	(223)
Administration Costs		(640)	(543)
		(30,743)	(24,430)
Profit on Disposal of Fixed Assets		4	11
<b>Operating Profit</b>		866	761
Other interest receivable and similar income	3	-	10
Interest payable and similar charges	4	(15)	(19)
<b>Profit on Ordinary Activities before Tax</b>	5	851	752
Tax on profit on ordinary activities	6	(327)	(281)
<b>Profit on Ordinary Activities after Tax</b>		524	471
<b>Retained Profit for the financial year</b>	15	524	471

The company had no recognised gains and losses other than those included in the profit and loss account above, and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above, and their historical cost equivalents.

Notes to these accounts are shown on pages 8 to 14.

**FOSTER YEOMAN CONTRACTING LIMITED**

**BALANCE SHEET  
FOR THE YEAR ENDED 27 MAY 2005**

	<b>Notes</b>	<b>2005 £'000</b>	<b>Restated 2004 £'000</b>
<b>Fixed assets</b>			
Intangible Assets	7	33	63
Tangible Assets	8	761	746
		794	809
<b>Current assets</b>			
Stocks	9	34	21
Debtors	10	7,286	4,552
Cash at bank and in hand		270	1,206
		7,590	5,779
<b>Creditors: amounts falling due within one year</b>	11	(6,509)	(5,322)
<b>Net current assets/liabilities</b>		1,081	457
<b>Total assets less current liabilities</b>		1,875	1,266
<b>Creditors: amounts falling due after more than one year</b>	12	(153)	(132)
Provisions for liabilities and charges	13	(113)	(49)
<b>Net assets</b>		1,609	1,085
<b>Capital and reserves</b>			
Called-up share capital	14	-	-
Profit and loss account	15	1,609	1,085
<b>Shareholders Funds</b>	16	1,609	1,085

The financial statements were approved by the Board on 1 December 2005 and are signed on its behalf by:

*R E Hall*

R E Hall

*John F Yeoman*

J F Yeoman

Notes to these accounts are shown on pages 8 to 14.

## **FOSTER YEOMAN CONTRACTING LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 27 MAY 2005**

---

#### **1. Principal Accounting Policies**

---

(1) Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards in the United Kingdom. A summary of the more important accounting policies which have been applied consistently is set out below.

(2) Basis of accounting

The financial statements are prepared on the historical cost basis of accounting.

(3) Turnover

Turnover represents the amounts' (excluding Value Added Tax) derived from construction contracts for 3rd party customers during the year, and is recognized on measured works.

(4) Stocks

Stocks are valued at the lower of cost and net realisable value. Contract work in progress is stated at costs incurred less those transferred to the profit and loss account after deducting foreseeable losses and payments on account not included with turnover.

(5) Depreciation

Depreciation is calculated to write off the cost of fixed assets over the estimated term of their useful lives as follows:

Vehicles	3 years
Plant & Equipment	3 to 5 years

(6) Cash Flow Statement

Under FRS1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary.

(7) Goodwill

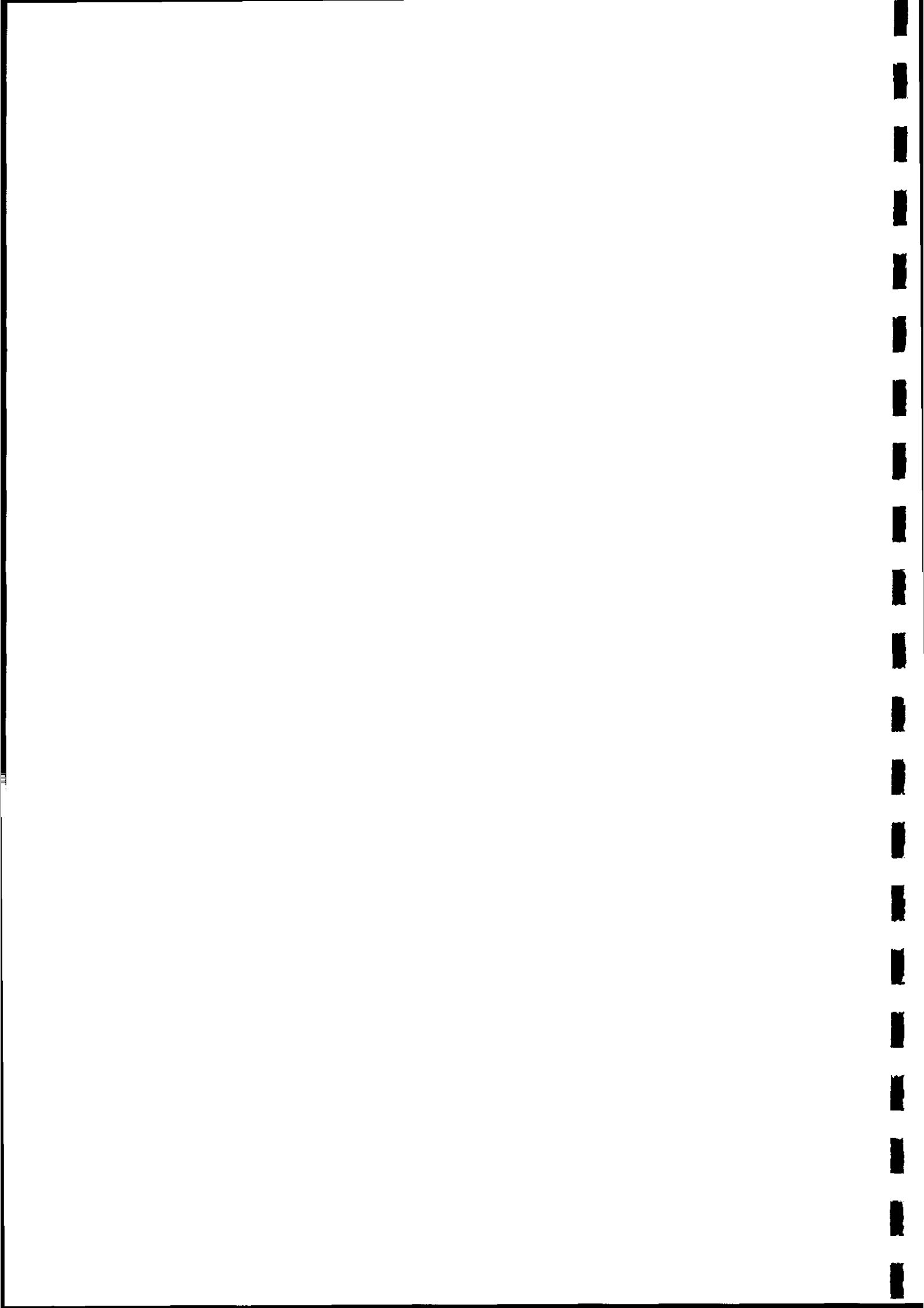
Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separate net assets acquired) arising on acquisitions is capitalized. Positive goodwill is amortised to nil by equal annual instalments over 6 years.

(8) Taxation

The charge for taxation is based on profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

*Deferred tax is recognized, 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 FRS 19.*

Advance corporation tax recoverable by deduction from future corporation tax is carried forward within deferred tax or as ACT recoverable within debtors as appropriate.



**FOSTER YEOMAN CONTRACTING LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 27 MAY 2005 continued ...**

<b>2. Directors and Employees</b>	<b>2005 number</b>	<b>2004 number</b>
The average number of persons (including Directors) employed during the year was:	70	72
<b>Employee costs (for the above persons):</b>	<b>2005 £'000</b>	<b>2004 £'000</b>
Wages and salaries	2,228	2,235
Social security costs	247	251
Other pension costs	71	76
<b>Total Employee Costs</b>	<b>2,546</b>	<b>2,562</b>

32 members of staff are on secondment from Foster Yeoman Limited. The pension arrangements of these employees are through their contracts of employment with Foster Yeoman Limited and details of these arrangements are disclosed in the accounts of Foster Yeoman Limited. 38 members are paid directly by Foster Yeoman Contracting Limited.

<b>Directors Remuneration</b>	<b>2005 £'000</b>	<b>2004 £'000</b>
Emoluments (including benefits in kind)	103	94
Pension Contributions	18	14

Retirement benefits are accruing to 1 director under a defined benefit scheme (2004: 1). The directors of the company are employed and remunerated directly by Foster Yeoman Limited

<b>3. Other Interest Received and Similar Income</b>	<b>2005 £'000</b>	<b>2004 £'000</b>
Receivable from Group undertakings	-	10

<b>4. Interest Payable and Similar Charges</b>	<b>2005 £'000</b>	<b>2004 £'000</b>
Finance charges payable in respect of finance leases and hire purchase contracts	(15)	(19)

**FOSTER YEOMAN CONTRACTING LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 27 MAY 2005 continued ...**

<b>5. Profit on Ordinary Activities before Taxation</b>	<b>2005 £'000</b>	<b>2004 £'000</b>
<b>Profit on Ordinary Activities before taxation is stated after charging</b>		
Depreciation and other amounts written off tangible and intangible fixed assets	211	223
Auditors remuneration	8	8
Hire of plant and machinery	1,381	1,246
<i>after crediting</i>		
Profit on disposal of fixed assets	4	11

<b>6. Taxation</b>	<b>2005 £'000</b>	<b>Restated 2004 £'000</b>
<i>Analysis of charge in the year</i>		
<i>Current Tax</i>		
Current Tax on income for the year	263	226
Adjustments in respect of prior years	-	6
<b>Total Current Tax</b>	<b>263</b>	<b>232</b>
<i>Deferred Tax</i>		
Originating/reversal of timing differences	64	49
<b>Total deferred tax</b>	<b>64</b>	<b>49</b>
<b>Tax on profit on ordinary activities</b>	<b>327</b>	<b>281</b>
<i>Factors affecting the tax charge in the year</i>		
Profit on ordinary activities before tax	<u>851</u>	<u>752</u>
Current tax at 30% (2004:30%)	255	226
<i>Effects of:</i>		
Expenses not deductible for tax purposes	17	-
Capital allowances for period in excess of depreciation	(9)	-
Adjustments to tax charge in respect of previous periods	-	6
<b>Total Current Tax Charge</b>	<b>263</b>	<b>232</b>

**FOSTER YEOMAN CONTRACTING LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 27 MAY 2005 continued ...**

<b>7. Intangible Fixed Assets</b>	<b>Goodwill £'000</b>
<b>Cost</b>	
At beginning and end of year	180
<b>Amortisation</b>	
At beginning of year	117
Charged in year	30
At end of year	147
Net book value at 27 May 2005	33
Net book value at 28 May 2004	63

<b>8. Tangible Fixed Assets</b>	<b>Plant and Equipment £'000</b>	<b>Vehicles £'000</b>	<b>Total £'000</b>
<b>COST</b>			
At 28 May 2004	1,038	399	1,437
Additions	155	52	207
Disposals	-	(67)	(67)
<b>At 27 May 2005</b>	<b>1,193</b>	<b>384</b>	<b>1,577</b>
<b>DEPRECIATION</b>			
At 28 May 2004	(396)	(295)	(691)
Charge in year	(106)	(75)	(181)
Disposals	-	56	56
<b>At 27 May 2005</b>	<b>(502)</b>	<b>(314)</b>	<b>(816)</b>
<b>NET BOOK VALUE</b>			
At 28 May 2004	642	104	746
At 27 May 2005	691	70	761

<b>9. Stocks</b>	<b>2005 £'000</b>	<b>2004 £'000</b>
Workshop Spares	34	21
<b>Total Stocks</b>	<b>34</b>	<b>21</b>

**FOSTER YEOMAN CONTRACTING LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 27 MAY 2005 continued ...**

<b>10. Debtors</b>	<b>2005 £'000</b>	<b>2004 £'000</b>
Amounts recoverable on contracts	6,918	4,318
Trade debtors	110	18
Other debtors	49	-
Prepayments	133	125
Amounts owed by group undertakings	76	91
<b>Total Debtors</b>	<b>7,286</b>	<b>4,552</b>

<b>11. Creditors – Amounts falling due within 1 year</b>	<b>2005 £'000</b>	<b>2004 £'000</b>
Trade creditors	2,163	1,277
Accruals	1,190	1,388
Obligations under finance leases and hire purchase contracts		
Taxation and social security	115	148
Amounts owed to group undertakings	229	134
	2,812	2,375
<b>Total Creditors falling due within one year</b>	<b>6,509</b>	<b>5,322</b>

<b>12. Creditors – Amounts falling due after one year</b>	<b>2005 £'000</b>	<b>2004 £'000</b>
Obligations under finance leases and hire purchase contracts	268	280
Less due within one year	(115)	(148)
<b>Total Creditors falling due after one year</b>	<b>153</b>	<b>132</b>

The maturity of obligations under finance leases and hire purchase contracts is as follows:

	<b>2005 £'000</b>	<b>2004 £'000</b>
Within one year	115	148
In the second to fifth years	153	132
Over five years	-	-
	268	280

**FOSTER YEOMAN CONTRACTING LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 27 MAY 2005 continued ...**

<b>13. Provisions for liabilities and charges</b>	<b>Restated Deferred Tax £'000</b>
At beginning of year	49
Additional amounts provided	64
At end of year	113

<b>Deferred Tax Provided and Unprovided</b>	<b>Amount Provided</b>		<b>Amount Unprovided</b>	
	<b>2005 £'000</b>	<b>Restated 2004 £'000</b>	<b>2005 £'000</b>	<b>Restated 2004 £'000</b>
Tax effect of timing differences because of:				
Accelerated capital allowances	113	49	-	-
<b>Deferred Tax</b>	113	49	-	-

FRS19 'Deferred Taxation' was adopted in the year. This has resulted in additional provision of £49k included as a prior year adjustment in 2004 and the note above has been restated to reflect this.

<b>14. Share Capital</b>	<b>2005 £</b>	<b>2004 £</b>
Authorised Ordinary Shares of £1 each	100	100
Issued and fully paid Ordinary Shares of £1 each	1	1

<b>15. Profit and Loss Account</b>	<b>2005 £'000</b>	<b>Restated 2004 £'000</b>
At beginning of year as previously stated	1,085	614
Prior period adjustment	-	(49)
At beginning of year as restated	1,085	565
Retained profit for the year	524	520
<b>At end of the year</b>	1,609	1,085

**FOSTER YEOMAN CONTRACTING LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 27 MAY 2005 continued ...**

<b>16. Reconciliation of Movement on Shareholders Funds</b>	<b>Restated</b>	
	<b>2005</b>	<b>2004</b>
	<b>£'000</b>	<b>£'000</b>
Opening Shareholders funds (originally £1,134k before deducting prior year adjustment of £49k)	1,085	614
Retained profit for the year	524	471
<b>Closing Shareholders funds</b>	<b>1,609</b>	<b>1,085</b>

**17. Ultimate Parent Company**

The ultimate parent company is Foster Yeoman Limited, which is registered in England and which owns 100% of the share capital of Foster Yeoman Contracting Limited. The consolidated financial statements of the group are available to the public and may be obtained from the Registrar of Companies, Companies House, Crown Way, Cardiff, CF14 3UZ.

**18. Related Parties Transactions**

As described in note 17 the company is a wholly owned subsidiary of Foster Yeoman Limited. FRS 8 gives exemption from the disclosure of related parties for transactions between group entities. The directors have taken advantage of this exemption.