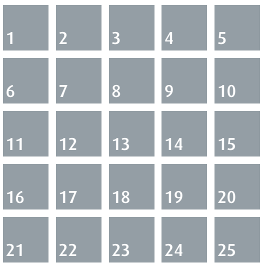
VINCI PLC
Annual Report 2003

VINCI PLC Annual Report 2003



1. MSCP, Southampton **2.** Lytchett Minster School **3.** City & Islington College **4.** Chase Farm Hospital Theatre **5.** Golden Jubilee Footbridges **6.** RAF Museum © Trustees of the Royal Air Force Museum **7.** Diageo HQ, London **8.** Building Design Partnership **9.** Merlin Park, Birmingham **10.** Merlin Park, Birmingham **11.** Kingshill Primary School, Kent **12.** Dixons Newark **13.** University College, London **14.** Stade de France **15.** The Hospital Arts Venue **16.** Kelloggs Distribution **17.** Simplex Foundations **18.** Alpha Warehouse and Offices **19.** CTRL Contract 342 Bridge Slide **20.** Vasco de Gama **21.** General Lying-In Hospital **22.** Chapel en le Frith **23.** A6 Clapham Bypass **24.** CTRL Contract 342 Bridge Slide **25.** Lytchett Minster School

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VINCI PLC Project Development

DIRECTORS

J O M Stanion (Chairman & Chief Executive)
A M Comba
E M M Zeller
D A L Joyce (appointed 04/09/03)
Q Davies MP (Non-executive)
J C Banon (Non-executive)
P J G Billon (Non-executive)
X M P Huillard (Non-executive)
P J W Ratynski (Non-executive)
A Zacharias (Non-executive)

SECRETARY

D W Bowler

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WD24 4WW

WEBSITE ADDRESS

www.vinci.plc.uk

REGISTERED NUMBER

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AUDITORS

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Manchester
M2 3BA

BANKERS

National Westminster Bank Plc
P O Box 2DG
208 Piccadilly
LONDON
W1A 2DG

Chief Executive's Report

VINCI PLC made further progress in 2003, maintaining its growth pattern of recent years. Operating profit declined, however, for the reasons forecast last year. The principal cause of this was a rapid increase in operating costs which we were not able to fully reflect in prices during the financial year. The most significant increase was in pension fund contributions following an actuarial review in 2002. This revealed that the pension fund had moved from a surplus to a deficit following the three-year fall in the stock market. Company pension contributions were increased in the year by £4.2 million to £6.3 million. In addition, National Insurance charges and insurance premium costs increased by around £2 million. The Group also implemented a number of re-organisational measures during the year at a cost of approximately £1 million.

None of these factors were unexpected but the magnitude of them was greater than had been forecast. The changes that have been implemented and the transfer of increased costs into output prices should enable the Group to increase net margins in the period ahead.

In its core activities of building and civil engineering the Group had a very successful year. The Crispin & Borst Group, acquired in 2002, was completely integrated and increased both its turnover and profit whilst generating cash. VINCI Investments Limited was successful in refinancing and selling its equity stake in City Link (Cardiff) Limited, realising a significant profit for both the investors and the client in the process. It also reached financial closure on two Private Finance Initiative (PFI) projects and became preferred bidder on two more.

Financial Performance

Group turnover increased to £488 million (2002 - £447 million). Profit on ordinary activities declined slightly to £8.9 million (2002 - £10.9 million). An after tax profit of £7.9 million was recorded (2002 - £11.1 million) and this was transferred to reserves, increasing shareholders' funds to £55.6 million. Net cash in hand fell to £75 million (2002 - £86 million) after payment of the 2002 dividend of £11.7 million and following a reduction in creditors. The Group improved its payment record further in 2003, reducing creditor days from 47 to 42.

Market Conditions

In Building, the main market impetus came from public sector work. The decline in commercial building activity continued and was particularly evident in London and the Southeast. The industrial market remained depressed. The roll out of the NHS Estates ProCure 21 programme saw the first projects enter the construction phase and the education sector benefited from increased investment. The Group benefited from a more selective approach to PFI tenders. In Civil Engineering the market remained difficult with a shortage of opportunities.

RAF Museum, Hendon © Trustees of the Royal Air Force Museum

RAF Museum, Hendon © Trustees of the Royal Air Force Museum

Lytchett Minster School, Poole, Dorset

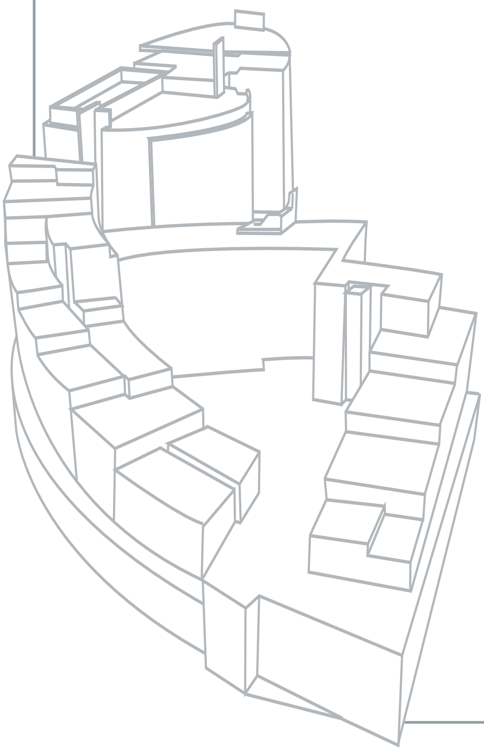
CTRL Contact 342 Bridge Slide

Review of Operations

Norwest Holst Construction Limited

Norwest Holst Construction increased turnover to £266 million (2002 : £247 million) and made a profit before taxation of £4.7 million (2002 : £11.4 million). As the main employer in the Group it carried the brunt of the increased costs mentioned above.

The Building division completed a number of important projects during the year including a new display building for the RAF Museum at Hendon; a multi purpose arts centre known as The Hospital at Covent Garden in London; new facilities at City and Islington College and an art block at Lytchett Minster School in Hampshire. A number of residential projects were undertaken, the most prominent being a large apartment complex in Browning Street, Birmingham. Distribution centres were constructed at Newark for the Dixons Group, Merlin Park for Richardson Group and Hays Distribution as well as for Kelloggs in Manchester.



Once again, a number of new contracts awarded to Norwest Holst during the year were obtained as repeat business with a substantial amount of work being secured on a negotiated basis. The Company values the relationships it has with its established clients and continues to innovate to improve performance and focus on delivering a high level of customer service. Norwest Holst was selected as a supply chain partner under the NHS Estates ProCure 21 initiative and was awarded thirteen health care projects including the redevelopment of Broadgreen Hospital in Liverpool. Construction contracts were secured for two new PFI projects: Sandwell Schools in the West Midlands and Swindon Police Headquarters. A further contract was awarded for City and Islington College, with other education facilities being secured in the West Midlands and Northwest. A major contract was won to construct a retail centre called The Ropewalk in Nuneaton and in Manchester the Company was awarded a distribution centre for L'Oreal.

The Civil Engineering division completed the A6 Clapham Bypass in joint venture with Nuttall. Excellent progress was made on CTRL Contract 342 at Ebbsfleet in joint venture with Hochtief. New contracts were secured for Gloucester Western bypass, Vauxhall Cross interchange, York House car park, Leigh water treatment works and most recently the Baldock bypass.

The Utilities division secured further contracts from its existing customers Aquila, Cambridge Water, MEB and Severn Trent. A £12 million water main rehabilitation was completed for Severn Trent in Gloucestershire.

A new Environmental division was established using Genflo Technology Limited which was acquired in 2002. The division won its first contracts for land remediation and hydro transportation.

City & Islington College, London

Building Design Partnership, London

Norwest Holst Soil Engineering Limited

The Company was re-organised with the separation of the Piling division, for which Simplex Foundations Limited was established as a stand-alone business on 1st April 2003. The Piling division turned over £14.4 million in 2003 but incurred losses of £0.4 million as a result of two problem contracts. The Company undertook one of its largest piling contracts to date at Swiss Cottage in London, installing 1500mm diameter piles up to 65 metres long.

The Soil Investigation division turned over £14.6 million and broke even following a significant decline in major investigation contracts in Eire. A new regional office and laboratory was established at Livingston in Scotland to deal more efficiently with a rapidly growing order book. The Company secured a £3 million ground and environmental investigation contract on the M74. The chemical testing laboratories, ECōS and EAL, entered 2004 with expanding output. The Grouting division had a successful year with a number of major projects in England and Scotland.

Liverpool City Square, Simplex Foundations

The Crispin & Borst Group

The Crispin & Borst Group expanded its activities in London and the Southeast and lifted turnover to £91 million from a level of £60 million when it joined the Group in 2002. Profit before taxation increased to £0.6 million (2002 : loss of £0.4 million). The Company underwent a re-branding process, adopting the VINCI livery and establishing the Crispin & Borst brand throughout its network. The Company won a large number of new contracts including term maintenance, interior fit out and traditional new build work. During the year Crispinteriors completed a prestigious office fit out for the architects BDP.

John Jones (Excavation) Limited

John Jones (Excavation) Limited increased turnover to £19 million (2002 : £14 million) in the year and recorded a profit before taxation of £1.1 million (2002 : £2.4 million). Major contracts undertaken include work on the CTRL and the A120. In Eire, the earthworks package on the M4/M6 Kinnegad to Kilcock motorway was commenced for Siac-Ferrovial. John Jones also undertook excavation works at Contract 342 on the CTRL in preparation for a 24 thousand tonne bridge slide, the largest carried out in the UK to date, requiring the excavation of 45,000 tonnes of earth in a 27-hour period. The Company also completed work in the Port of Freetown in the Bahamas for Costain. It is involved in pre-contract development for the A2/M2 with Skanska.

CTRL Contract 342 Bridge Slide. QA Photos Ltd, courtesy of Rail Link Engineering.

Medway Police HQ, Kent

Rosser & Russell Building Services Limited

Turnover declined to £45 million (2002 : £54 million) in the year but profit before taxation increased to £2.0 million (2002 : £1.5 million). The Northern and Midlands regions continued to expand, winning £12 million in new contracts. In London the slow down in commercial building activity caused turnover to drop. Major projects completed during the year included a training centre for the Metropolitan Police at Gravesend, four police stations in South London, commercial buildings at Canary Wharf HQ3 and Tower Place. The Maintenance division continued to expand nationally with follow on orders from O^2 and other important clients.

VINCI Services Limited

Turnover increased to £38 million but a loss before taxation of £1.8 million (2002 : £nil) was incurred. Part of this arose from a contract cost overrun incurred by the McGill division on the fit out of the Queen Mary II for Alstom at Chantiers de L'Atlantique at St Nazaire in France. In the UK, the McGill division worked on the world's largest Super Yacht, the Mirabella 5, at Vosper Thorneycroft. They continued their activities for the Royal Navy, prefabricating cabins for BAE Systems on the Type 45 Destroyer programme and on the fit out of the first Landing Ship Dock Vessel at Govan, also for BAE.

The main losses arose in industrial works performed by the Kitsons division which has subsequently been closed down with its ongoing contracts being merged into the McGill division.

The Engineering Services division had another successful year during which over 65% of its work came from repeat orders. It was involved once again in the Nestle plant in Hayes and continued to install mechanical and electrical services on the Isle of Man for a waste to energy plant for Skanska/Aker. The first of the new telecommunications contracts was secured as the sector began to expand again after the downturn of the past three years.

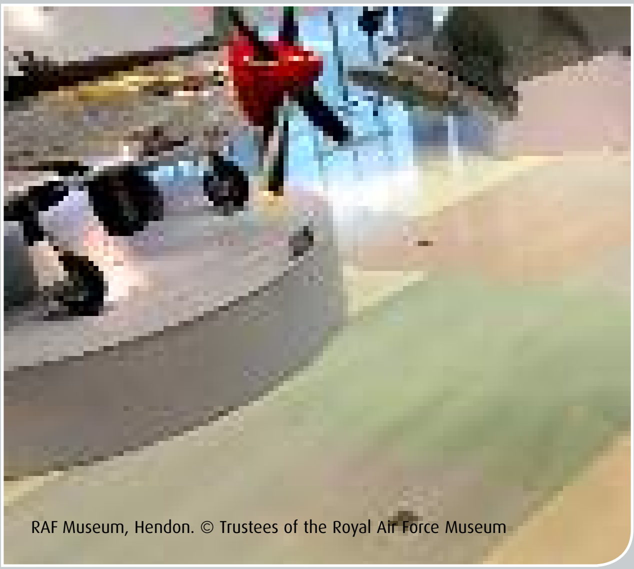
In facilities management turnover increased and the first profits were recorded.

VINCI Investments Limited

VINCI Investments Limited had a very satisfactory year, reaching preferred bidder stage on four projects and financial closure on two: Sandwell Schools and Swindon Police Headquarters. During the year it refinanced City Link (Cardiff) Limited and sold its shareholding, producing a profit of £4.25 million. In Germany, VINCI Investments supported another VINCI subsidiary, SKE GmbH, in bidding for and becoming preferred bidder for a major schools refurbishment programme in Offenbach.

Conren Limited

Turnover at Conren Limited increased to £5 million (2002 : £3.3 million), generating profits before taxation of £0.3 million (2002 : £0.1 million). The successful integration of the PMC product line boosted sales in the UK. The establishment of a production joint venture in the Emirates has created a platform for competitive export growth which the decline in the dollar/sterling exchange rate precludes from the UK based factories. A new range of niche products is under development aimed at the bridge repair and airport pavement markets and a joint venture with SOGEA Construction in France offers exciting prospects in patented flooring systems. Conren Limited was awarded BS EN ISO 9001-2000 status on all three manufacturing sites and in its contracting sector.



RAF Museum, Hendon. © Trustees of the Royal Air Force Museum

Human Resources

David Joyce was appointed Chief Operating Officer of VINCI PLC and joined the Board in September 2003. He has held numerous senior positions throughout his career-long involvement with Norwest Holst.

Restructuring led to the abolition of the formerly separate divisions of Construction and Engineering with a view to mitigating the effects of rising costs, further improving the efficiency of the Group and creating synergies in the important areas of engineering services, maintenance and facilities management. The entire Group now operates as a single entity.

VINCI PLC continues to enhance and develop its commitment to its human resources at all levels and ensures opportunities exist which enable employees to fulfil their ambitions within the Group. The constant development of communications, knowledge management systems and procedures ensures that information passes around the organisation freely and with transparency.

The Group's constant commitment to ensuring a quality product through innovation has been rewarded with the achievement of two VINCI SA Innovation Award Prizes, recognising the site teams for excellence in their own fields.

The achievements of our staff have further been recognised during the year through Apprentice Achievement Awards and the Henry Palmer Award, the latter being a scheme run by the Institution of Civil Engineers to promote Civil Engineering in schools.

The Group's commitment to the communities in which it serves has increased again with over 100 events taking place throughout the year aimed at raising the profile of the construction industry with young people in schools, as well as financial commitment to educational establishments in the pursuit of educational excellence.

The number of graduates, undergraduates, apprentices and young people increases year on year and development and internal promotion ensures that the Group has a sound basis on which to plan its growth over the coming years.

2003 was a difficult trading year and many challenges are presented to our employees on a continuing basis. Our employees are to be congratulated on their efforts and I thank them for their loyalty and support over the year.

Health, Safety and the Environment

Managing risk more effectively has been one of this year's themes, with the launch of a "best practice" process aimed at encouraging the probing of existing systems to ensure that they are appropriate and effective. This does not, however, preclude the adoption of new ideas. The HSE's priorities of avoiding falls from height, site transport, health and safety accidents caused by trips and falls have been highlighted to the site management teams.

The Group has continued its implementation of the Major Contractor's Group Strategy. The audit results show that 90% of employees now hold a competence card with the joint figure for all qualifying persons on site, both employees and sub contractors personnel, standing at 64%. In addition, improved communication/consultation, respect for the workforce and focused healthcare/rehabilitation have all formed part of actions during the year.

Norwest Holst Construction Limited has again maintained its external certification through BSI to the International Standards, ISO 14001 and OHSAS 18001. The preparation of other Group companies for external audit has continued with Rosser & Russell Building Services Limited being the first to be assessed in 2004. It is anticipated that all the companies will have completed the process by 2007.

Continuous improvement is one of the aims of the standards and the Directors of each operating unit have produced Health, Safety and Environmental Protection Targets for the activities under their control. The monitoring of progress against the targets forms part of the board and management meeting agenda.

The Group's Reportable Accident Frequency Rate, when compared to 100,000 man hours, has reduced from 0.7 to 0.6 and we are attempting to further reduce this figure, particularly by targeting unacceptable standards of behaviour. A document setting out the performance standard in this respect has been circulated to all employees.

I am pleased to report that there have been no fatal accidents in the period covered by this report. In addition, no "criminal" legal action has been initiated. However, the HSE issued a prohibition notice on one Group company in connection with the risk of a fall from the roof of a single storey building.

Similarly, there have been no significant environmental incidents although a small diesel spill at a depot and two incidents of tree root damage have reminded us of the need for vigilance. The Group attempts to purchase timber from sustainable resources, wherever possible. However, the lack of client commitment to this issue and problems, particularly relating to the supply of hardwoods, continues to make this a difficult area.

We continue to address Health, Safety and Environmental Protection as priority areas with the emphasis on driving the business forward in a professional manner as opposed to simply complying with our legal responsibilities.


University College, London

Kelloggs, Trafford Park, Manchester

Hays Distribution, Merlin Park, Birmingham

Outlook

The last year has been difficult, largely due to cost increases beyond our control. However, these have now been absorbed and we enter 2004 with a higher level of orders than in the past few years and with a significant number of further contract awards anticipated. Turnover will be higher in the building sector in 2004 whilst civil engineering output will fall. Overall turnover is set to increase over the coming year.

The cost increases suffered in 2003 are not unique to us. They impact on the whole industry and this should move into prices in the period ahead, allowing margins to improve towards more normal levels. I am therefore cautiously optimistic that we will achieve another satisfactory financial performance in the year ahead.

We will continue to investigate areas offering expansion opportunities but will remain highly selective in our approach to contracts and potential acquisitions, focusing on those that offer the greatest potential for profitable growth.

J O M Stanion
Chief Executive

The Hospital Recording Studio, Endell Street, London

Directors' Report

The Directors submit their annual report to the members, together with the audited accounts for the year ended 31st December 2003.

Principal activities

The principal activities of the Group during the year were building, civil, mechanical and electrical engineering. A full review of the Group's performance and prospects is set out in the Chief Executive's report on pages 3 to 12.

Results and dividends

The profit for the financial year as shown in the Consolidated Profit and Loss Account on page 17 amounted to £7,914,000 (2002: £11,136,000). The Directors do not propose a final dividend (2002: £11,752,000) resulting in a transfer to reserves of £7,914,000.

Exceptional items

Exceptional income of £4,250,000 arose from the refinancing gain recognised on sale of the Group's interest in one of its Private Finance Initiatives.

Directors

The present directors of the Company are set out on page 2. All of the directors served throughout the year with the exception of D A L Joyce who was appointed on 4th September 2003.

The Directors have no interest in the shares of the Company or any other company in the UK Group.

Employees

The Group has continued its policy regarding the employment of disabled persons. Full and fair consideration is given to applications for employment made by disabled persons, having regard to their particular aptitudes and abilities.

Communication and involvement

The Directors recognise the importance of good communications with the Group's employees and informing them on a regular basis of the performance of the Group.

Health and safety

Health and safety issues figure prominently at Board level to ensure, as far as possible, the prevention of health risks or accidents to employees, contractors, sub-contractors, members of the public or any other persons who may come into contact with the Group's activities. Health and safety consultative committees operate at all levels and an annual report is produced highlighting trends and statistics in this vital area. The Group is proud of, but not complacent about, its safety record.

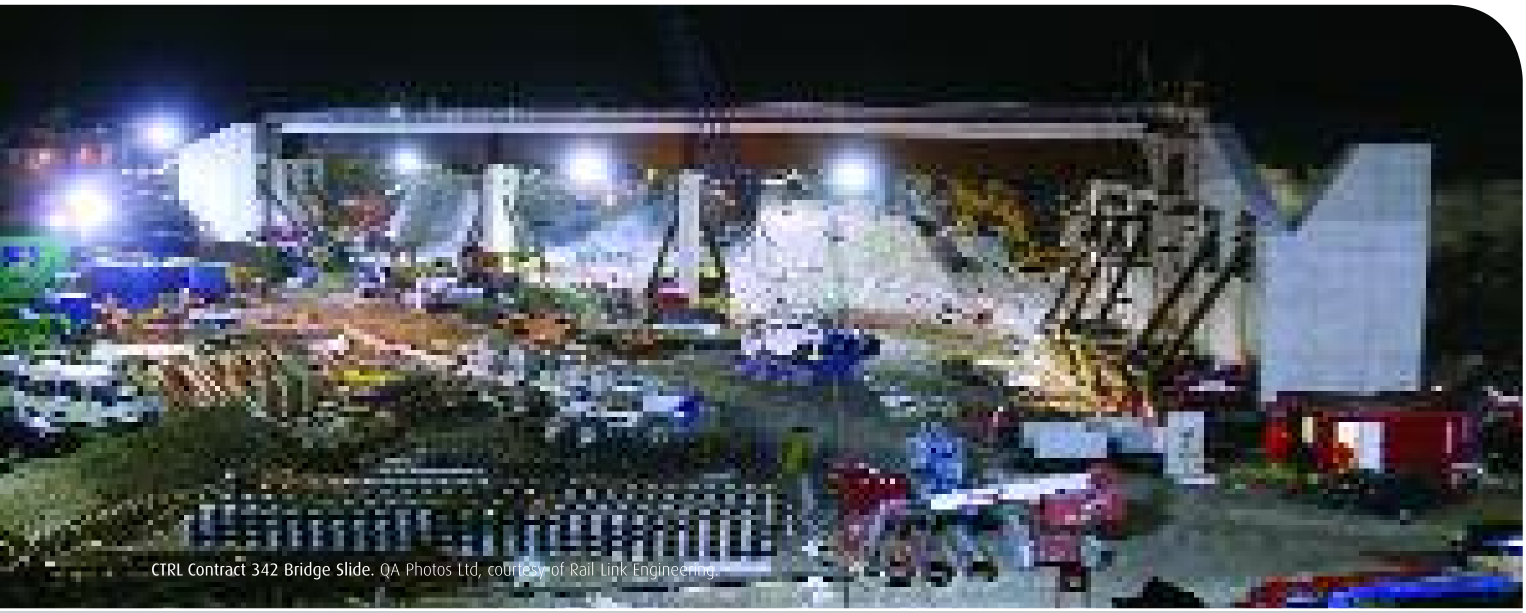
Donations

Donations to United Kingdom branches of national and international charities by the Group amounted to £29,252 during the year (2002 : £18,432).

No political donations were made (2002 : £nil).

Payment of creditors

Whilst the Group does not follow any external code or standard payment practice, the Group's policy with regard to the payment of suppliers is for each business to agree terms and conditions with its suppliers, ensure that suppliers are aware of those terms and, providing the suppliers meet their obligations, abide by the agreed terms of payment. The average creditor days for the Company was nil (2002: nil) and for the Group was 42 (2002: 47).



CTRL Contract 342 Bridge Slide. QA Photos Ltd, courtesy of Rail Link Engineering.

Auditors

On 3rd May 2003, RSM Robson Rhodes, the Company's auditors, transferred substantially the whole of their business to RSM Robson Rhodes LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The directors consented to treating the appointment of RSM Robson Rhodes as extending to RSM Robson Rhodes LLP with effect from 3rd May 2003.

RSM Robson Rhodes LLP are willing to continue in office and the Directors propose that they are reappointed in accordance with the elective resolution currently in force.

Statement of directors' responsibilities for the Annual Report

Company law in the United Kingdom 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 the Group and of the profit or loss of the Group for that period. In preparing these financial statements the Directors are required to :

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable United Kingdom accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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 the Group and 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Annual Report is available on the company's web site. The maintenance and integrity of VINCI PLC's web site 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 information contained in the financial statements since they were initially presented on the web site.

Legislation in the United Kingdom governing the presentation and dissemination of the financial statements and other information included in the annual reports may differ from legislation in other jurisdictions.

Approval

The Report of the Directors was approved by the Board on 9th March 2004 and signed on its behalf by:

J O M Stanion
Director

Independent Auditors' Report to the Shareholders of VINCI PLC

We have audited the financial statements on pages 16 to 49.

This report is made solely to the company's shareholders, 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 shareholders 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 shareholders 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 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 and other members of the Group is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report and the Chief Executive's Report. 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 audit 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 accounts. 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 by 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 and the Group as at 31st December 2003 and of the Group's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

RSM Robson Rhodes LLP
Chartered Accountants and Registered Auditors

Manchester, England

9th March 2004

Accounts

for the year ended 31st December 2003

Consolidated Profit and Loss Account

for the year ended 31st December 2003

	Notes	2003 £000	2002 £000
Turnover	1	491,275	450,740
Less : Share of joint ventures' turnover		(2,924)	(4,062)
Group turnover		488,351	446,678
Cost of sales		(442,272)	(399,278)
Gross profit		46,079	47,400
Administrative expenses		(43,439)	(40,559)
Group operating profit	2	2,640	6,841
Share of operating profits in joint ventures		1,972	2,354
Total operating profit		4,612	9,195
Profit on sale of investments	4	4,250	1,662
Profit on ordinary activities before taxation and interest		8,862	10,857
Net interest receivable	5	972	1,690
Share of joint ventures' interest payable	5	(1,420)	(2,620)
Profit on ordinary activities before taxation		8,414	9,927
Tax on profit on ordinary activities	6	(500)	1,209
Profit on ordinary activities after taxation		7,914	11,136
Dividends on equity shares		-	(11,752)
Transfer to/(from) reserves	18	7,914	(616)

All amounts relate to continuing operations.

Consolidated Statement of Total Recognised Gains and Losses

for the year ended 31st December 2003

	2003 £000	2002 £000
Total recognised gains and losses relating to the year	7,914	11,136
Prior year adjustment	-	616
Total gains and losses recognised since the last annual report	7,914	11,752

The prior year adjustment arose as a result of the adoption of FRS 19 Deferred Tax for the first time in 2002.

A note of Historical Cost Profits and Losses for the year has not been prepared on the basis that the difference between the result as disclosed in the Profit and Loss Account and the result on an unmodified historical cost basis is not material.

Consolidated Balance Sheet
at 31st December 2003

	Notes	2003 £000	2003 £000	2002 £000	2002 £000
Fixed assets					
Intangible assets	7		4,835		5,165
Tangible assets	8		41,696		43,417
Investments in joint ventures:	10				
Share of gross assets		7,783		31,474	
Share of gross liabilities		(7,147)	636	(28,340)	3,134
			47,167		51,716
Current assets					
Stocks and work in progress	11		2,477		2,876
Debtors: due within one year	12		89,429		88,598
Debtors: due after more than one year	13		16,956		18,297
Cash at bank and in hand			114,450		130,746
			223,312		240,517
Creditors:					
Amounts falling due within one year	14		(198,598)		(225,995)
Net current assets			24,714		14,522
Total assets less current liabilities			71,881		66,238
Creditors:					
Amounts falling due after more than one year	15		(16,323)		(18,594)
Net assets			55,558		47,644
Capital and reserves					
Called up share capital	17		18,956		18,956
Revaluation reserve	18		311		311
Capital redemption reserve	18		300		300
Profit and loss account	18		35,991		28,077
Total equity shareholders' funds	19		55,558		47,644

Company Balance Sheet

at 31st December 2003

	Notes	2003 £000	2002 £000
Fixed assets			
Tangible assets	8	1,114	1,137
Investments in Group undertakings	10	42,938	44,670
		44,052	45,807
Current assets			
Debtors: due within one year	12	20,099	16,877
Debtors: due after more than one year	13	13,569	14,920
Cash at bank and in hand		13,484	21,330
		47,152	53,127
Creditors:			
amounts falling due within one year	14	(28,223)	(44,691)
Net current assets		18,929	8,436
Total assets less current liabilities		62,981	54,243
Provisions for liabilities and charges	16	(3,185)	(2,916)
Net assets		59,796	51,327
Capital and reserves			
Called up share capital	17	18,956	18,956
Capital redemption reserve	18	300	300
Other reserve	18	10,657	10,657
Profit and loss account	18	29,883	21,414
Total equity shareholders' funds	19	59,796	51,327

The financial statements were approved by the Board on 9th March 2004 and signed on its behalf by:

A M Comba
Director

J O M Stanion
Director

Consolidated Cash Flow Statement

for the year ended 31st December 2003

	Notes	£000	2003 £000	£000	Restated 2002 £000
Net cash (outflow)/inflow from operating activities	(a)		(6,081)		18,869
Returns on investments and servicing of finance					
Interest received		3,926		5,460	
Interest paid		(2,503)		(3,591)	
Interest element of finance lease rental payments		(153)		(179)	
Net cash inflow from returns on investments and servicing of finance			1,270		1,690
Taxation					
UK corporation tax received/(paid)		829		(1,537)	
Group relief (paid)/received		(1,137)		1,226	
Net cash outflow from taxation			(308)		(311)
Capital expenditure					
Purchase of tangible assets		(4,197)		(4,496)	
Proceeds on sale of tangible assets		1,502		3,246	
Loans repaid by joint ventures		2,748		109	
Net cash inflow/(outflow) from capital expenditure			53		(1,141)
Acquisitions and disposals					
Investment in joint ventures (note 10)		(46)		(287)	
Acquisition of subsidiaries (note 9)		-		(7,935)	
Sale of investments (note 10)		5,300		1,080	
Cash acquired with subsidiary		-		634	
Net cash inflow/(outflow) from acquisitions			5,254		(6,508)
Equity dividends paid					
Ordinary dividends paid			(11,752)		(20,476)
Financing					
Capital element of finance lease rental payments	(b)		(917)		(883)
Bank loans - new loans acquired			-		12
- repayments			(456)		(590)
Decrease in cash			(12,937)		(9,338)

The prior year cash flow has been restated to remove joint venture cash flows previously included in individual categories. The changes had no impact on the overall reported cash movements in 2002.

Notes to the Consolidated Cash Flow Statement

Reconciliation of net cash flow to changes in net funds

	2003 £000	2002 £000
Decrease in cash in the period	(12,937)	(9,338)
Cash flow from lease financing	917	883
Cash flow from loan financing	456	578
Movement in net cash in the year	(11,564)	(7,877)
New finance leases acquired	-	(1,526)
Net funds at 1st January	86,433	95,836
Net funds at 31st December	74,869	86,433

(a) Reconciliation of operating profit to net cash flow from operating activities

	2003 £000	2002 £000
Total Group operating profit	2,640	6,841
Profit on sale of tangible assets	(324)	(51)
Depreciation	4,739	4,347
Amortisation	330	273
Decrease/(increase) in stocks and work in progress	399	(364)
Decrease/(increase) in debtors	1,225	(1,935)
(Decrease)/increase in creditors	(15,090)	9,758
Net cash (outflow)/inflow from operating activities	(6,081)	18,869

(b) Analysis of changes in net funds

	Cash £000	Overdrafts £000	Finance leases £000	Bank loans £000	Total £000
At 31st December 2002	130,746	(26,420)	(3,039)	(14,854)	86,433
Net cash flow	(16,296)	3,359	917	456	(11,564)
At 31st December 2003	114,450	(23,061)	(2,122)	(14,398)	74,869

Accounting Policies

Accounting convention

The accounts are prepared under the historical cost convention as modified by the revaluation of certain land and buildings. The accounting policies adopted comply with UK Financial Reporting Standards and Statements of Standard Accounting Practice and are consistent with those of the previous period.

As permitted by section 230 of the Companies Act 1985, the profit and loss account of the parent company has not been separately presented in the accounts.

Basis of consolidation

The accounts of all subsidiary undertakings are consolidated from the date on which they are acquired until the date of their sale using acquisition accounting.

Turnover

Turnover is the total amount receivable by the Group in the ordinary course of business with outside customers for goods supplied and services provided excluding VAT and trade discounts. On long term contracts the estimated sales value of work performed in the year is included.

Long term contracts

Long term contracts are those extending in excess of 12 months and of any shorter duration which are material to the activity of the period.

Amounts recoverable on contracts are included in debtors and are valued, inclusive of profit, at work executed at contract prices plus variations less payments on account. Profit on long term contracts is recognised once the outcome can be assessed with reasonable certainty. The margin on each contract is the lower of the margin earned to date and forecast at completion. Full provision is made for anticipated future losses and such losses are included in creditors. Where contract payments received exceed amounts recoverable these amounts are included in creditors.

Amounts recoverable normally include claims only when there is a firm agreement with the client, but when assessing anticipated losses on major contracts a prudent and reasonable estimate of claims is taken into account.

Stocks and work in progress

Stocks and work in progress are stated at the lower of cost and estimated net realisable value.

Pension contributions

The Group operates a defined benefit pension scheme. The assets of the scheme are invested and managed independently of the finances of the Group. Pension costs are assessed in accordance with the advice of an independent qualified actuary. Costs include the regular cost of providing benefits, which it is intended should remain a substantially level percentage of current and expected future earnings of the employees covered. Variations from the regular pensions costs are spread evenly through the profit and loss account over the average remaining service lives of current employees.

The Group also operates a defined contributions pension scheme. The pension costs for that scheme represent contributions payable by the Group in the year.

In accordance with Group policy, subsidiary undertakings continue to record the actual contributions that they make in the year.

Accounting Policies (continued)

Investments

Investments held as fixed assets are stated at cost less write downs to recoverable amounts where impairments are identified.

Intangible assets – goodwill

Positive goodwill is the excess of the cost of an acquired entity over the aggregate of the fair values of that entity's identifiable assets and liabilities. Positive goodwill relating to acquisitions made since 1 January 1998 is shown in the balance sheet as an asset and is amortised evenly over its estimated useful economic life, subject to a maximum of 20 years. In addition to systematic amortisation, the book value is written down to recoverable amount when any impairment is identified. Goodwill relating to earlier acquisitions continues to be eliminated against reserves and will be expensed in the profit and loss account on any future disposal or closure of the acquired businesses.

Joint ventures

The Group's share of joint ventures is included in the consolidated profit and loss account from operating profit onwards. In the consolidated balance sheet the interest in joint ventures is included in the Group's share of the net assets of the joint ventures plus goodwill on acquisition less related amortisation and impairment write downs.

Joint arrangements

The Group's subsidiary undertaking, Norwest Holst Construction Limited is a participant in joint arrangements. These are accounted for under FRS 9 as Joint Arrangements Not Entities ("JANEs") and accordingly the Group accounts for its own assets, liabilities and cashflows measured according to contractual terms.

Leased assets

Where assets are financed by leasing agreements which give risk and rewards approximating to ownership (‘finance lease’) the assets are included in the balance sheet at cost less depreciation in accordance with the normal accounting policy. The present value of future rentals is shown as a liability. The interest element of rental obligations is charged to the profit and loss account over the period of the lease in proportion to the balance of capital repayments outstanding.

All other leases are regarded as operating leases and the total payments made under them are charged to the profit and loss account on a straight line basis over the period of the lease.

Accounting Policies (continued)

Tangible fixed assets and depreciation

The Group does not follow a policy of revaluation. However, certain land and buildings are carried at values that reflect previous revaluations. The transitional provisions of FRS 15 are being followed and the book values will be retained. The valuation has not been updated since 31st March 1989.

Depreciation is provided evenly on the cost (or valuation where appropriate) of tangible fixed assets, to write them down to their estimated residual values over their expected useful lives. Where there is evidence of impairment, fixed assets are written down to recoverable amount. Any such write down would be charged to operating profit unless it was a reversal of a past revaluation surplus in which case it would be taken to the statement of total recognised gains and losses. No depreciation is provided on freehold land. The principal anticipated useful lives on a straight line basis are:

Freehold buildings	- twenty five years
Leasehold buildings	- the shorter of twenty five years or remaining life of lease
Plant and machinery	- from two to fifteen years
Motor vehicles	- from three to five years
Fixtures and fittings	- from three to ten years

Taxation

The payment of taxation is deferred or accelerated because of timing differences between the treatment of certain items for accounting and taxation purposes. Full provision for deferred taxation is made under the liability method, without discounting, on all timing differences that have arisen, but not reversed by the balance sheet date, unless such provision is not permitted by FRS 19.

In accordance with FRS 19, deferred tax is not provided for :

a) revaluation gains on land and buildings, unless there is a binding agreement to sell them at the balance sheet date;
b) gains on the sale of non-monetary assets, if the taxable gain will probably be rolled over;
c) extra tax payable if the overseas retained profits of subsidiaries and associates are remitted in future, and
d) fair value adjustment gains to fixed assets and stock to uplift prices to those ruling when an acquisition is made.

Pre-contract costs

In accordance with UITF 34, on PFI contracts, pre-contract costs are recognised as expenses as incurred, except that directly attributable pre-contract costs incurred after it is virtually certain that a contract will be obtained are capitalised where the contract is expected to result in future net cash inflows with a present value no less than all amounts recognised as an asset.

Notes to the Accounts
at 31st December 2003

1. Turnover

The activities of the Group were all within the construction, civil, mechanical and electrical engineering industries and are regarded by the Directors as a single class of business. No significant part of the business is outside the United Kingdom.

2. Operating profit

Group This is stated after charging/(crediting):	2003 £000	2002 £000
Operating leases - plant and machinery	16,833	17,672
Operating leases - other	6,347	6,749
Goodwill amortisation in respect of acquisitions	330	273
Depreciation of tangible assets	4,739	4,347
Profit on disposal of fixed assets	(324)	(51)
Auditors' remuneration - audit	220	207
- non audit	141	110
Company		
Auditors' remuneration - audit	27	38

3. Employees

(i) Staff costs during the year amounted to:	2003 £000	2002 £000
Wages and salaries	86,686	84,319
Social security costs	7,740	5,591
Pension costs - defined contribution scheme	920	686
- defined benefit scheme	5,350	1,337
	100,696	91,933

The average monthly number of employees during the year was as follows:	2003 No.	2002 No.
Management	72	72
Supervision	704	697
Administration	563	557
Operations	1,550	1,534
	2,889	2,860

Contributions made in the year to the Group's Employee Benefit Trust, established to provide benefits to employees, amounted to £628,000 (2002 : £5,664,000).

(ii) Pensions

Most pensions and related benefits for monthly paid staff of the Company are provided through the VINCI Pension Scheme, which is an externally managed and funded pension scheme. Members of the scheme are contracted out of the State Earnings Related Pension Scheme.

Members joining before 1 April 2000 did so on a 'defined benefit' basis. As this scheme is now closed to new members the current service cost will rise as the existing defined benefit members approach retirement. Members entering the scheme from this date join on a 'money purchase' basis whereby contributions are invested on behalf of the member and an annuity is purchased from an insurance company on retirement.

	2003 £000	2002 £000
Regular cost of defined benefit scheme	3,060	2,847
Amortisation of experience surplus	(1,956)	(1,956)
Interest	614	(554)
Amortisation of experience deficit	3,632	1,000
Defined benefit scheme	5,350	1,337
Defined contribution scheme	920	686
Pension cost in year	6,270	2,023

Triennial actuarial valuations of the defined benefit pension scheme are performed by a qualified actuary using the projected unit method. The most recent full formal actuarial review of the defined benefit pension scheme was at 30 September 2002.

The valuation was carried out using the projected unit method and showed that the market value of the scheme's assets was £102,543,000 and that the actuarial value of these assets represented a level of funding of 83%.

The main actuarial assumptions used in the valuation were :-

	Past Service % pa	Future Service % pa
Investment return		
Pre-retirement	7.00	6.50
Post-retirement	5.00	4.50
Salary increases	2.25 for 3 years 3.25 thereafter	2.25 for 3 years 3.25 thereafter
Price inflation	2.25	2.25
Future price increases		
For pre 13.2.97 joiners	3.00	3.00
For post 13.2.97 joiners	2.25	2.25

The deficit will be spread over the next 11.5 years. The Company contribution rate required in respect of future service from 1st January 2004 is 18.5% of pensionable salaries.

The profit and loss account charge for pension costs, the accounting policies and the disclosures above are given on the basis of SSAP 24. SSAP 24 is going to be replaced by Financial Reporting Standard (FRS) 17.

The additional disclosures which follow are given in preparation for FRS 17 being adopted and omit certain comparative figures in accordance with the transitional rules of FRS 17.

Supplementary pensions disclosures under FRS 17

a) contributions

The Group made contributions of £4,000,000 in 2003 (2002 : £634,000) to the defined benefit scheme.

b) FRS 17 balance sheet information

	Value at 31 December 2003 £000	Value at 31 December 2002 £000	Value at 31 December 2001 £000	Long-term rate of return expected at 31 December 2003 %	Long-term rate of return expected at 31 December 2002 %	Long-term rate of return expected at 31 December 2001 %
Equities	75,885	73,169	85,535	7.80	7.35	7.95
Bonds	47,306	32,520	32,421	4.80	4.33	4.95
Cash	2,052	611	6,900	3.75	3.00	3.00
Fair value of assets	125,243	106,300	124,856			
Present value of scheme liabilities	(155,393)	(137,564)	(123,386)			
Actuarial (deficit)/surplus	(30,150)	(31,264)	1,470			
Deferred tax	9,045	9,379	(441)			
Actuarial (deficit)/surplus after tax	(21,105)	(21,885)	1,029			

All of the £21,105,000 (2002:£21,885,000) would have been shown as a deficit in the Group balance sheet had the Group's balance sheet been prepared under FRS 17.

Notes to the Accounts (continued)
at 31st December 2003

c) profit and loss reserve

	2003 £000	2002 £000	Restated 2001 £000
As reported on SSAP 24 basis	35,991	28,077	28,693
SSAP 24 pensions debtor	(13,569)	(14,920)	(15,623)
Excluding SSAP 24 balance	22,422	13,157	13,070
FRS 17 pension liability (net of deferred tax)	(21,105)	(21,885)	1,029
On FRS 17 basis	1,317	(8,728)	14,099

d) assumptions

The major assumptions used by the actuary in assessing scheme liabilities on a FRS 17 basis were :

	At 31 December 2003 %	At 31 December 2002 %	At 31 December 2001 %
Rate of increase in salaries - for two years (2002 and 2001: 3 years)	2.80	2.25	2.50
- thereafter	3.80	3.25	3.50
Rate of increase in deferred pensions	3.00	3.00	3.00
Rate of increase in pensions in payment	3.00	3.00	3.00
- for pre 1988 GMPs	0.00	3.00	3.00
- for post 1988 GMPs	2.80	2.25	3.00
Discount rate	5.40	5.50	6.00
Inflation assumption	2.80	2.25	2.50

e) Analysis of amount that would have been charged to operating profit

	2003 £000	2002 £000
Current service cost	3,729	3,384
Past service cost	-	-
Total operating charges	3,729	3,384

Notes to the Accounts (continued)

at 31st December 2003

f) Analysis of net return on pension scheme

	2003 £000	2002 £000
Expected return on pension scheme assets	6,875	8,483
Interest on pension scheme liabilities	(7,594)	(7,357)
Net income	(719)	1,126

g) Analysis of the amount that would have been recognised in statement of total recognised gains and losses (STRGL)

	2003 £000	2002 £000
Actual return less expected return on pension scheme assets	9,875	(23,288)
Experience gains and losses arising on the scheme liabilities	(39)	(5,874)
Changes in assumptions underlying the present value of the scheme liabilities	(9,194)	(2,500)
Actuarial gain/(loss) recognised in STRGL	642	(31,662)

h) Movement in (deficit)/surplus during the year

	2003 £000	2002 £000
(Deficit)/surplus in scheme at beginning of the year	(31,264)	1,470
Movement in year:		
Current service cost	(3,729)	(3,384)
Contributions	4,920	1,186
Other finance (costs)/income	(719)	1,126
Actuarial surplus/(deficit)	642	(31,662)
Deficit in scheme at end of the year	(30,150)	(31,264)

The actuarial valuation at 31st December 2003 showed a change in the funding position from a deficit of £31.264 million to a deficit of £30.150 million. Employee contributions to the final salary scheme have been increased to 6% of pensionable salary from 1st July 2003 and will be increased to 7% of pensionable salary from 1st January 2004.

Notes to the Accounts (continued)
at 31st December 2003

i) Experience gains and losses for the year ended 31 December 2003

	2003	2002
Difference between the expected and actual return on scheme assets:		
Amount (£000)	9,875	(23,288)
Percentage of scheme assets	8%	(22)%
Experience gains and losses on scheme liabilities:		
Amount (£000)	(39)	(5,874)
Percentage of the scheme liabilities	0%	(4)%
Total amount recognised in statement of total recognised gains and losses		
Amount (£000)	642	(31,662)
Percentage of the scheme liabilities	0%	(23)%

j) Balance sheet presentation

	At year end 31/12/03 £000	At year end 31/12/02 £000
Net assets excluding SSAP 24 pension asset	41,989	32,724
Pension liability (net of deferred tax)	(21,105)	(21,885)
Net assets including pension liability	20,884	10,839

(iii) Directors' remuneration

	2003 £000	2002 £000
Emoluments	769	542
Pension costs	190	132
	959	674

Two of the directors (2002 : 2) are accruing benefits under both the Group defined benefit and defined contribution plans and one (2002 : nil) under the defined benefit plan.

	2003	2002
Directors' emoluments disclosed above include the following:		
Highest paid Director	293	286

The money purchase pension scheme costs relating to the highest paid Director were £67,132 (2002: £66,638). The annual pension accruing to the highest paid director under the Group defined benefit scheme is £17,355 (2002: £12,460).

4. Exceptional items

Net exceptional income of £4,250,000 has arisen in 2003 from the refinancing gain recognised on sale of the Group's interest in one of its Private Finance Initiatives. No tax charge arose on this transaction. Exceptional income in 2002 of £1,080,000 arose from the receipt of deferred consideration on the sale of investments in prior periods and £582,000 from the sale of an investment property. No tax charge arose on these items.

5. Net interest payable

		2003		2002
Group	£000	£000	£000	£000
Interest payable				
Bank loans and overdrafts		(2,500)		(3,477)
Finance leases		(153)		(179)
Other		(3)		(114)
		(2,656)		(3,770)
Interest receivable				
Bank interest	3,195		5,139	
Other	433		321	
		3,628		5,460
Group net interest receivable		972		1,690
Joint ventures' interest payable				
Bank loans and overdrafts		(1,420)		(2,620)
		(448)		(930)

Notes to the Accounts (continued)

at 31st December 2003

6. Tax on profit on ordinary activities

The taxation charge/(credit) for the year comprised:

		2003 £000	2002 £000
UK corporation tax at 30%	- current year	2,065	2,000
	- prior year	(850)	(3,330)
Current taxation		1,215	(1,330)
Deferred taxation		(715)	121
Tax charge/(credit) on profit on ordinary activities		500	(1,209)

Current tax reconciliation

	2003 £000	2002 £000
Profit on ordinary activities before taxation	8,414	9,927
Theoretical tax at UK corporation rates 30% (2002: 30%)	2,524	2,978
Effects of		
Expenditure not tax deductible	567	968
Pension adjustments	37	(367)
Movements on deferred tax not provided	21	(1,091)
Adjustments in respect of prior periods	(850)	(3,330)
Accelerated capital allowances	(71)	(188)
Short term timing differences	917	(8)
Adjustments in respect of capital items	(1,620)	125
Group relief	(310)	(417)
Actual current taxation charge/(credit)	1,215	(1,330)

7. Intangible assets

	Goodwill £000
Cost	
At 1 January 2003 and 31st December 2003	5,508
Amortisation	
At 1 January 2003	343
Charged in the year	330
At 31st December 2003	673
Net book value	
At 31st December 2003	4,835
At 31st December 2002	5,165

With the exception of goodwill relating to the facilities management joint venture acquired in 2002, all goodwill is amortised over 20 years. The goodwill relating to the facilities is being amortised over the remaining life of the contract of 58 months from acquisition.

Goodwill in respect of acquisitions made prior to January 1998 is not treated as an intangible asset and was eliminated at the time of acquisition against Group reserves. The cumulative amount of such goodwill was:-

	2003 £000	2002 £000
Positive goodwill eliminated against reserves	1,400	1,400
Negative goodwill added to reserves	(3,227)	(3,227)
	(1,827)	(1,827)

Notes to the Accounts (continued)

at 31st December 2003

8. Tangible assets

Group	Land and buildings	Plant and machinery	Motor vehicles	Fixtures and fittings	Total
Cost or valuation:	£000	£000	£000	£000	£000
At 1st January 2003	33,070	18,187	6,741	6,644	64,642
Additions	67	2,311	798	1,020	4,196
Disposals	(826)	(736)	(340)	(904)	(2,806)
At 31st December 2003	32,311	19,762	7,199	6,760	66,032
Depreciation:					
At 1st January 2003	2,996	10,055	3,297	4,877	21,225
Provided	652	2,503	908	676	4,739
Disposals	(204)	(485)	(86)	(853)	(1,628)
At 31st December 2003	3,444	12,073	4,119	4,700	24,336
Net book value:					
At 31st December 2003	28,867	7,689	3,080	2,060	41,696
At 31st December 2002	30,074	8,132	3,444	1,767	43,417

The fixed assets owned by the Group include the following amounts in respect of assets held under finance lease and hire purchase contracts:

	2003	2002
	£000	£000
Net book values:		
Plant and machinery	126	327
Motor vehicles	1,893	2,648
Total	2,019	2,975
Depreciation provided in year:		
Plant and machinery	56	95
Motor vehicles	559	522
Total	615	617

Notes to the Accounts (continued)
at 31st December 2003

8. Tangible assets (continued) - Land and buildings

Land and buildings are further analysed below between freehold and leasehold.

Group Cost or valuation:	Freehold £000	Long leasehold £000	Short leasehold £000	Properties total £000
At 1st January 2003	32,365	322	383	33,070
Additions	64	-	3	67
Disposals	(826)	-	-	(826)
At 31st December 2003	31,603	322	386	32,311
Depreciation:				
At 1st January 2003	2,661	23	312	2,996
Provided	601	12	39	652
Disposals	(204)	-	-	(204)
At 31st December 2003	3,058	35	351	3,444
Net book value:				
At 31st December 2003	28,545	287	35	28,867
At 31st December 2002	29,704	299	71	30,074

The comparable amounts of land and buildings included above according to historical cost accounting rules are as follows:

	Freehold £000	Long leasehold £000	Short leasehold £000	Properties total £000
Cost	31,292	322	386	32,000
Accumulated depreciation	(2,928)	(35)	(351)	(3,314)
Net book value				
At 31st December 2003	28,364	287	35	28,686
At 31st December 2002	29,514	299	71	29,884

The revaluation of land and buildings was undertaken on 31st March 1989 by Grimley J R Eve, Chartered Surveyors, on the basis of open market value for existing use. The resulting surplus is included in revaluation reserves.

Notes to the Accounts (continued)
at 31st December 2003

8. Tangible assets (continued)

Company	Freehold properties	Plant and machinery	Fixtures and fittings	Total
Cost:	£000	£000	£000	£000
At 1st January 2003	53	2,421	1,079	3,553
Additions	-	433	107	540
Disposals	-	(7)	(854)	(861)
At 31st December 2003	53	2,847	332	3,232
Depreciation:				
At 1st January 2003	53	1,416	947	2,416
Provided	-	468	69	537
Disposals	-	(2)	(833)	(835)
At 31st December 2003	53	1,882	183	2,118
Net book value:				
At 31st December 2003	-	965	149	1,114
At 31st December 2002	-	1,005	132	1,137

Notes to the Accounts (continued)
at 31st December 2003

9. Acquisition

On 4th January 2002 the Group acquired 100% of the issued share capital of C & B Holdings Limited and Avosdrive Plant Hire Limited.

Assets and liabilities acquired are as follows :-

	Book value £000	Fair value adjustments £000	Total £000
Fixed assets	3,661	(567)	3,094
Stocks	21	-	21
Debtors	15,913	-	15,913
Cash	634	-	634
Creditors	(15,758)	-	(15,758)
	4,471	(567)	3,904
Goodwill			2,739
Cash consideration			6,643

The fair value adjustments of £567,000 were made to the book value of fixed assets following a valuation of the assets acquired.

In 2002, the acquisition of C & B Holdings Group contributed £6,701,000 to the Group's operating cash flow, received £134,000 in respect of net returns on investments and servicing of finance, paid £242,000 in respect of taxation and paid £170,000 in respect of capital expenditure.

Pre-acquisition performance of the C & B Holdings Group

4 months to 31 December 2001	£000
Turnover	22,042
Operating expenses	(21,342)
Operating profit	700
Other income	76
Net interest	(26)
Exceptional income	47
Profit before taxation	797
Taxation	(261)
Profit for the period	536
Year ended 31 August 2001	
Profit for the financial year	518

9. Acquisition (continued)

In addition the Group made the following acquisitions :

On 8th January 2002 the Group acquired 100% of the issued ordinary share capital of Genflo Technology Limited for £1.3m. There were no fair value adjustments and goodwill of £1.3m has been recognised in the balance sheet.

On 26th June 2002 the Group acquired the remaining 50% interest in a facilities management joint venture contract for £0.3m. There were no fair value adjustments and goodwill of £0.3m has been recognised in the balance sheet.

Assets and liabilities for these two interests have not been identified separately because they are not considered significant.

10. Investments

Group

One of the Company's wholly owned subsidiary undertakings, SGE (Holst) Schools Limited, owns 50% of the ordinary share capital of Total School Solutions Limited, the other 50% is owned by P. F. Schools Limited (a subsidiary of Pell Frischmann Group Limited). During the year, the Company acquired 50% of the ordinary shares of Total School Solutions (Sandwell) Holdings Limited. Total School Solutions (Sandwell) Holdings Limited owns 100% of the ordinary share capital of Total School Solutions (Sandwell) Limited. The other 50% is owned by P.F. Schools (Sandwell) Limited (a subsidiary of Pell Frischmann Group Limited). In the Group, these have been accounted for under FRS 9 using the gross equity method.

Under its PFI joint ventures the Group has commitments of £11.6m that have been contracted but not provided for in the accounts.

Movements in the investments in these joint ventures are as follows:

	Shares in joint venture undertakings	Loans to joint venture undertakings	Post-acquisition reserves	Total
	£000	£000	£000	£000
Share of net assets				
At 1st January 2003	62	3,339	(267)	3,134
Additions	5	41	-	46
Disposals	(50)	(930)	-	(980)
Repayments	-	(1,818)	-	(1,818)
Profits for the year	-	-	254	254
At 31st December 2003	17	632	(13)	636
At 31st December 2002	62	3,339	(267)	3,134

On 14th August 2003, one of the Company's wholly owned subsidiary undertakings, Vinci (Holdings) Limited, sold its 50% interest in City Link (Cardiff) Limited to the Vinci Pension Fund for a cash consideration of £980,000 and a net profit of £nil.

Vinci (Holdings) Limited acquired 20% of the ordinary share capital of V.B. Investments Limited, a dormant company. Two hundred £1 ordinary shares were acquired, at par value. In the Group, this has been accounted for under FRS9 as an associated undertaking.

Notes to the Accounts (continued)
at 31st December 2003

10. Investments (continued)

Company

This comprises shares in Group undertakings:

	Total
Cost:	£000
At 1st January 2003 and 31st December 2003	113,628
Provisions for impairment :	
At 1st January 2003	68,958
Provided in the year	1,732
At 31st December 2003	70,690
Net book value:	
At 31st December 2003	42,938
At 31st December 2002	44,670

Details of the principal subsidiary undertakings appear on page 49.

Notes to the Accounts (continued)

at 31st December 2003

11. Stocks and work in progress

Group	2003 £000	2002 £000
Development land and properties	205	205
Raw materials and consumables	1,947	2,548
Items for resale	325	123
	2,477	2,876

12. Debtors: due within one year

Group	2003 £000	2002 £000
Trade debtors	38,532	44,005
Amounts recoverable on contracts	35,227	34,294
Due from parent and fellow subsidiary undertakings	5,408	1,201
Other debtors	6,541	5,902
Prepayments and accrued income	2,619	2,541
Tax recoverable	318	586
Deferred tax asset	784	69
	89,429	88,598

Company		
Trade debtors	211	283
Due from parent and fellow subsidiary undertakings	17,294	14,623
Other debtors	602	858
Prepayments and accrued income	1,421	794
Tax recoverable	227	181
Deferred tax asset	344	138
	20,099	16,877

12. Debtors: due within one year (continued)

Analysis of deferred tax asset balance :

Group	Deferred tax asset £000
At 1 January 2003	69
Transfer to profit and loss account	715
At 31 December 2003	784

The deferred tax asset comprises of :	Amounts recognised 2003 £000	2002 £000
Capital allowances	(1,048)	(547)
Other timing differences	1,830	616
Losses	2	-
	784	69

The Group also has tax losses of £854,000 as at 31st December 2003 (2002 : £1,313,000) which have not been recognised as these may only be set against certain profits arising in specific subsidiaries in future accounting periods.

Consequently the Group has unrecognised deferred tax assets of £256,000 as at 31st December 2003 (2002:£394,000).

Company	Deferred tax asset £000
At 1 January 2003	138
Transfer to profit and loss account	206
At 31st December 2003	344

Notes to the Accounts (continued)

at 31st December 2003

The deferred tax asset comprises of

	Amounts recognised	
	2003 £000	2002 £000
Capital allowances	55	22
Other timing differences	289	116
	344	138

13. **Debtors:** due after more than one year

Group	2003 £000	2002 £000
Trade debtors – contract retentions	2,920	3,377
Other debtors	467	-
Pension debtor (note 3c)	13,569	14,920
	16,956	18,297
Company		
Pension debtor (note 3c)	13,569	14,920

14. **Creditors:** amounts falling due within one year

Group	2003 £000	2002 £000
Bank loans and overdrafts (note 22)	23,564	26,420
Obligations under finance leases (note 15)	889	950
Payments on account	19,226	21,295
Trade creditors	39,046	41,266
Due to parent and fellow subsidiary undertakings	5,732	9,505
Taxation and social security	9,548	9,207
Other creditors	2,585	2,352
Accruals and deferred income	98,008	103,248
Dividends proposed	-	11,752
	198,598	225,995

Notes to the Accounts (continued)

at 31st December 2003

14. Creditors : amounts falling due within one year (continued)

	2003	2002
	£000	£000
Company		
Trade creditors	876	958
Due to parent and fellow subsidiary undertakings	20,247	23,678
Taxation and social security	2,898	3,888
Other creditors	1,052	1,392
Accruals and deferred income	3,150	3,023
Dividends proposed	-	11,752
	28,223	44,691

15. Creditors: amounts falling due after more than one year

	2003	2002
Group	£000	£000
Bank loans	13,895	14,854
Trade creditors – subcontract retentions	1,192	1,309
Obligations under finance leases	1,233	2,089
Accruals and deferred income	-	342
Other creditors	3	-
	16,323	18,594

The bank loan is drawn down under a non-recourse finance agreement. It is repayable within twenty-five years and four months in six-monthly instalments commencing 31 May 2002 at an interest rate of 7.07%. It may be analysed by maturity as follows:

	2003	2002
Repayable:	£000	£000
In more than five years	11,370	12,236
Between two and five years	1,967	2,163
Between one and two years	558	455
	13,895	14,854

Finance lease obligations are repayable as follows:

	2003	2002
Group	£000	£000
Due within one year	889	950
Between one and two years	616	839
Between two and five years	617	1,250
	2,122	3,039

Notes to the Accounts (continued)
at 31st December 2003

16. Provisions for liabilities and charges

	Provision for losses of subsidiary undertakings £000
Company	
At 1st January 2003	2,916
Provided	269
At 31st December 2003	3,185

17. Share capital

	Authorised, allotted, called up and fully paid			
Group and Company	2003	2002	2003	2002
	No. 000's	No. 000's	£000	£000
Ordinary shares of £1 each	18,956	18,956	18,956	18,956

18. Reserves

	Revaluation reserve	Capital redemption reserve	Profit and loss account
Group	£000	£000	£000
At 1st January 2003	311	300	28,077
Transfer to reserves	-	-	7,914
At 31st December 2003	311	300	35,991

Notes to the Accounts (continued)
at 31st December 2003

18. Reserves (continued)

Company	Capital redemption reserve £000	Other reserve £000	Profit and loss account £000
At 1st January 2003	300	10,657	21,414
Profit transfer for the year	-	-	8,469
At 31st December 2003	300	10,657	29,883

The other reserve is not distributable.

19. Reconciliation of movement in shareholders' funds

Group	2003 £000	2002 £000
Profit for the financial year	7,914	11,136
Dividends	-	(11,752)
Net movement in shareholders' funds	7,914	(616)
Opening shareholders' funds	47,644	48,260
Closing shareholders' funds	55,558	47,644

Company	2003 £000	2002 £000
Profits for the financial year	8,469	12,313
Dividends	-	(11,752)
Net increase in shareholders' funds	8,469	561
Opening shareholders' funds	51,327	50,766
Closing shareholders' funds	59,796	51,327

Notes to the Accounts (continued)

at 31st December 2003

20. Capital commitments

Capital expenditure	2003 £000	2002 £000
Contracted for but not provided in the accounts	826	275

21. Other financial commitments

Operating lease commitments

The Group has agreed to make payments in the year ending 31st December 2004 under operating leases expiring within the following periods of 31st December:

		2003 £000	2002 £000
Land and buildings	- between 2 and 5 years	65	65
Other assets	- within 1 year	1,121	1,508
	- between 2 and 5 years	2,174	2,218
		3,360	3,791

22. Contingent liabilities

The Company and certain Group undertakings have entered into guarantees relating to bonds, in the normal course of business, from which no losses are expected to arise.

Joint banking facilities available to the Company, its parent undertaking and certain fellow subsidiary undertakings are secured by cross guarantee. At 31st December 2003, the net Group borrowings were £nil (2002: £nil).

23. Related party transactions

The Group has taken advantage of the exemption in FRS 8 from disclosing related party transactions with other Group companies on the grounds that the consolidated accounts of the ultimate parent undertaking are publicly available. There are no other related party transactions other than those disclosed in note 10.

24. Ultimate parent undertaking

At 31st December 2003 the ultimate parent undertaking was VINCI (formerly Société Générale d'Entreprises) a company incorporated in France. Copies of the accounts of the above company can be obtained from the Company Secretary, VINCI, 1 cours Ferdinand-de-Lesseps, 92851 Rueil-Malmaison, Cedex, France. This is the parent undertaking of the smallest Group of which the Company is a member and for which Group accounts are prepared.

Principal Subsidiary Undertakings
at 31st December 2003

Construction

Norwest Holst Construction Limited
*John Jones (Excavation) Limited
*Norwest Holst Soil Engineering Limited
*Crispin & Borst Limited

Engineering Services and Facilities Management

Rosser & Russell Building Services Limited
VINCI Services Limited

Manufacturing

Conren Limited

PFI

VINCI (Holdings) Limited
VINCI Investments Limited
** Total School Solutions Limited
*DPA Support Services Limited

Group Administration and Services

*Haldan Indemnity Limited (Incorporated in Guernsey)
VINCI Fleet Services Limited
VINCI Property Limited
VINCI Insurance Services Limited

VINCI PLC holds 100% of the ordinary share capital and voting rights of the above companies (unless otherwise stated).

*100% of the ordinary share capital and voting rights held by a subsidiary undertaking
** 50% of the ordinary share capital and voting rights held by a subsidiary undertaking

Unless otherwise stated, the above companies are incorporated in Great Britain.

Principal Offices

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Rail Division
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Fax: 01623 632970

Simplex Foundations Ltd
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Fax: 01274 608100

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Fax: 01424 442299

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Fax: 020 8300 2440

Construction - South East
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Fax: 01622 686896

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Fax: 020 7253 4869

SERVICES

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MANUFACTURING

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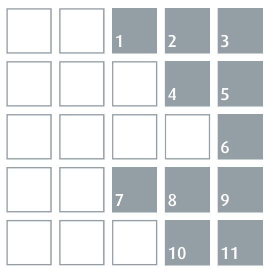

1. Type 45 Destroyer **2.** Stade de France **3.** National Portrait Gallery **4.** Birmingham MSCP **5.** Henley River & Rowing Museum **6.** Cambridge Business Park **7.** Luton Parkway Station **8.** Luxury Apartments, Brindleyplace **9.** VINCI PLC Project Development **10.** City & Islington College **11.** UCL Student Accommodation

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