

LAGAN CONSTRUCTION LIMITED

CONSOLIDATED FINANCIAL STATEMENTS  
YEAR ENDED  
31 MARCH 2009

T MURPHY & CO.  
CHARTERED ACCOUNTANTS  
43 LOCKVIEW ROAD  
BELFAST BT9 5FJ

DIRECTORS AND APPOINTMENTS

**DIRECTORS**

K Lagan  
M Lagan  
A Hanna  
D Jeffs  
C Loughran  
S Martin  
S McCann  
F Patterson  
A Dixon

**SECRETARY**

D Canavan

**PRINCIPAL BANKERS**

Northern Bank Limited  
Donegall Square West  
Belfast  
BT1 6JS

**AUDITORS**

T Murphy & Co.  
Chartered Accountants  
43 Lockview Road  
Belfast  
BT9 5FJ

**REGISTERED OFFICE**

Lagan House  
Clarendon Dock  
Belfast  
BT1 3BG

**REGISTERED NUMBER**

NI 05233

## LAGAN CONSTRUCTION LIMITED

### REPORT OF THE DIRECTORS

The directors present their annual report on the group together with the audited financial statements for the year ended 31 March 2009.

#### **MISSION STATEMENT**

*"To be a highly efficient and profitable construction and civil engineering group in the UK, Ireland and internationally by serving our customers to the highest standards of professionalism and quality with employees benefiting from the stability of the group in a harmonious and safe working environment in all countries in which we operate".*

#### **PRINCIPAL ACTIVITIES**

The companies within the group continue to be engaged primarily in civil engineering construction projects and related PFI investments.

#### **BUSINESS REVIEW AND TRADING RESULTS**

The financial statements and balance sheet are expressed in £ sterling.

The directors are pleased to report the continuing profitability of the group during the year under review with profit before taxation of £5.4m (2008 - £6.6m) on turnover of £142.9m (2008 - £120.0m).

#### **FUTURE DEVELOPMENTS**

During 2009-10 the group is well placed to maintain its impressive performance with a strong order book.

The group has undertaken a major investment in management training for its directors and senior team as part of its strategy of building a sustainable, successful business. The programme has been rolled out to senior management in 2008-09 and remaining management are receiving training in 2009-10.

#### **KEY PERFORMANCE INDICATORS**

The Board sets Key Performance Indicators (KPIs) at various levels throughout the company in the annual business plan. These KPIs are closely monitored each month to control the business, and include all the critical aspects of the group's performance, including health and safety, staff engagement and training delivered, as well as a comprehensive suite of financial data.

#### **FINANCIAL RISK MANAGEMENT**

The group's operations expose it to a variety of financial risks that include the effects of changes in debt market prices, credit risk, liquidity risk and interest rate risk. The group has in place a risk management programme that seeks to limit adverse effects on the financial performance of the group.

Given the size of the group, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set out by the board of directors are implemented by the group's finance department.

##### *Price risk*

The group is exposed to commodity price risk as a result of its operations. However, given the size of the group's operations, the costs of managing exposure to commodity price risk exceed any potential benefits. The directors will revisit the appropriateness of this policy should the group's operations change in size or nature. The group has no exposure to equity securities price risk as it holds no listed securities or other equity investments.

##### *Foreign exchange risk*

While the group's revenues and expenses are reported in sterling, the group is exposed to some foreign exchange risk in the normal course of business, principally in Euros and US Dollars. While the group is not currently using financial instruments to mitigate foreign exchange risk and exposure it closely monitors foreign currency cashflows to minimise this risk.

## LAGAN CONSTRUCTION LIMITED

### REPORT OF THE DIRECTORS (continued)

#### *Credit risk*

The group has implemented policies that require appropriate credit checks on potential customers before sales are made. The amount of exposure to individual customers is subject to a limit, which is reassessed regularly by the board.

#### *Liquidity risk*

The group actively maintains a mixture of long-term and short-term finance that is designed to ensure the group has sufficient available funds for operations and planned expansions.

#### *Interest rate cash flow risk*

The group has both interest bearing assets and interest bearing liabilities. Interest bearing assets include loans and cash balances which earn interest at both fixed and variable rates. The group debt is primarily maintained at variable rates although it also utilises a number of fixed rate loans.

### **DIVIDENDS**

The directors recommend that no dividend is paid and that post taxation profits be transferred to reserves.

### **FIXED ASSETS**

Details of movements in tangible fixed assets during the year under review are given at Note 6 to the financial statements and reveal the group's continuing expenditure and reinvestment in the upgrading of plant, equipment and vehicles.

### **EMPLOYMENT POLICY**

The group applies the principles of fairness and equality of opportunity to both able bodied and disabled persons in its employment and recruitment policies.

It is the policy of the group to encourage the employment, training and advancement of disabled persons wherever possible. In the event of an employee becoming disabled while in the employment of the group effort is made to provide a suitable alternative position.

### **EMPLOYEE PARTICIPATION**

The employees of the group are kept informed on matters through meetings and the publication of group and company newsletters.

The group maintains internal Human Resources Departments which provide induction, ongoing training and advice in all disciplines of employment policies, procedures, legislation and staff development. They also encourage and promote social interaction and competitive activities.

### **HEALTH AND SAFETY**

The group exercises a strong commitment towards the maintenance of a healthy and safe working environment and training in safety procedures for its employees both in practical terms and in the issue of safety policies, notifications and publications to raise and maintain awareness of safety matters. To this end the group has achieved OHSAS 18001:2007 certification.

## LAGAN CONSTRUCTION LIMITED

### REPORT OF THE DIRECTORS (continued)

Employees have representation and involvement on the Health & Safety Committees of the various operating subsidiaries.

#### **ENVIRONMENT**

The group is conscious of the real and perceived effects upon the environment arising particularly from construction operations.

Operational managers are required to comply with all relevant environmental legislation. In the absence of such statutory legislation they are encouraged to apply best industry environmental practice, effect continuous improvement and to foster good relationships within the communities in which we operate.

The directors are committed to all relevant operating companies attaining accepted and approved environmental standards and to this end the group employs appropriately qualified staff dedicated to the establishment and maintenance of environmental management systems.

Arising from this all relevant companies within the group have now been awarded ISO 14001:2004 accreditation.

#### **QUALITY ASSURANCE**

In keeping with its Mission Statement of serving its customers to the highest standards of professionalism and quality the Quality Management Systems within the group have been upgraded and all relevant companies are now registered to the ISO 9001:2000 standard.

Relevant companies within the group have also committed, and already commenced, to achieve certification to various Highway Agency Sector Schemes in relation to the specific activities undertaken by them. Sector Schemes are Quality Management Schemes developed in partnership with the key organisations in the highways industry and complement ISO 9001:2000 specifying the training which operatives must receive to ensure that they work safely and to the highest standards in numerous disciplines in highway construction and maintenance.

#### **POLITICAL DONATIONS**

There were no political donations made during the year.

#### **DIRECTORS**

The directors who acted during the year under review are disclosed on page 1.

#### **INTERESTS OF DIRECTORS**

None of the directors who acted during the year ended 31 March 2009, or in office at that date, had an interest in the share capital of the company.

The interests of directors in the share capital of the ultimate holding company both at the beginning and end of the year under review were:-

K Lagan	44,398 ordinary shares
M Lagan	36,603 ordinary shares

#### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors' are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group for that period.

**LAGAN CONSTRUCTION LIMITED**

**REPORT OF THE DIRECTORS (continued)**

In preparing these financial statements the directors are required to:

Make 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 accounts

Prepare the accounts on a going concern basis unless it is inappropriate to presume 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 accounts comply with the Companies (Northern Ireland) Order 1986. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors' are responsible for the maintenance and integrity of the corporate and financial information included on the group's website. Legislation in Northern Ireland governing the preparation and dissemination of financial statements may differ from legislation of other jurisdictions.

**STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITORS**

In so far as the directors are aware:

- there is no relevant audit information (information needed by the company's auditors in connection with preparing their report) of which the company's auditors are unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

**AUDITORS**

T Murphy & Co., Chartered Accountants, acted as auditors for the year under review and offer themselves for reappointment in accordance with Article 392 of the Companies (Northern Ireland) Order 1986.

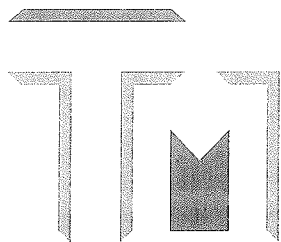
A resolution to re-appoint T Murphy & Co (Chartered Accountants) will be proposed at the Annual General Meeting.

**By Order of the Board**



Director

Date: 29/1/2012



# T. Murphy & Co.

Chartered Accountants - Registered Auditors - Forensic Accountants  
43 Lockview Road, Belfast, BT9 5FJ  
Tel: 028 9038 1755 - Fax: 028 9038 1744  
E-mail: enquiries@tmurphyandco.co.uk - Web: www.tmurphyandco.co.uk

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LAGAN CONSTRUCTION LIMITED

We have audited the financial statements of Lagan Construction Limited for the year ended 31 March 2009, which comprise the consolidated profit and loss account, the consolidated statement of total recognised gains and losses, the group and company balance sheets and the related notes. These financial statements have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and the accounting policies set out therein.

### **RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS**

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable Northern Ireland law and United Kingdom 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 the relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report is made solely to the company's members, as a body, in accordance with Article 243 of the Companies (Northern Ireland) Order 1986. Our audit work has been undertaken so that we might state to the group'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 group and the group's members as a body, for our audit work, for this report, or for the opinion we have formed.

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 (Northern Ireland) Order 1986. 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 are not disclosed.

We read other information contained in the annual report, and consider whether it is consistent with the audited financial statements. This other information comprises of the directors' report only. 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 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 judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and 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 consider 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.



Partners: T.G. Murphy F.C.A. - B. McKee A.C.A.

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
LAGAN CONSTRUCTION LIMITED (continued)

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 group's and the parent company's affairs as at 31 March 2009 and of the group's profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies (Northern Ireland) Order 1986; and
- the information given in the directors' report is consistent with the financial statements.

*T Murphy & Co.*  
T Murphy & Co.  
Chartered Accountants &  
Registered Auditors

Date: *29 Jan 2010*

LAGAN CONSTRUCTION LIMITEDCONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2009

	Notes	<u>2009</u> £000's	<u>2008</u> £000's
<b>TURNOVER - continuing activities</b>	2	142,880	119,974
Cost of sales		<u>(122,965)</u>	<u>(108,039)</u>
<b>GROSS PROFIT</b>		<b>19,915</b>	<b>11,935</b>
Administration expenses		(13,215)	(8,563)
Other operating income		<u>179</u>	<u>6,547</u>
<b>GROUP OPERATING PROFIT - continuing activities</b>		<b>6,879</b>	<b>9,919</b>
Interest receivable and similar income		248	32
Interest payable and similar charges	4	<u>(1,691)</u>	<u>(3,388)</u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>5,436</b>	<b>6,563</b>
Tax on profit on ordinary activities	5	<u>(1,805)</u>	<u>(2,496)</u>
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>		<b>3,631</b>	<b>4,067</b>
Minority interests		<u>-</u>	<u>-</u>
<b>RETAINED PROFIT FOR THE FINANCIAL YEAR ATTRIBUTABLE TO SHAREHOLDERS</b>	16	<u><u>3,631</u></u>	<u><u>4,067</u></u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 MARCH 2009

Profit for the year attributable to shareholders		3,631	4,067
Exchange valuation difference on foreign assets		<u>1,629</u>	<u>732</u>
<b>TOTAL RECOGNISED GAINS AND LOSSES ATTRIBUTABLE TO SHAREHOLDERS FOR THE YEAR</b>	17	<u><u>5,260</u></u>	<u><u>4,799</u></u>


The notes on pages 11 to 22 form part of these financial statements.


LAGAN CONSTRUCTION LIMITED

CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2009

	Notes	<u>2009</u> £000's	<u>2008</u> £000's
<b>FIXED ASSETS</b>			
Tangible assets	6	12,610	8,195
Investments	7	2,121	2,497
		<u>14,731</u>	<u>10,692</u>
<b>CURRENT ASSETS</b>			
Stock	8	25,260	9,264
Debtors	9	35,903	60,815
Cash at bank		12,470	12,577
		<u>73,633</u>	<u>82,656</u>
<b>CREDITORS: amounts falling due within one year</b>	10	<u>(50,202)</u>	<u>(60,845)</u>
<b>NET CURRENT ASSETS</b>		<u>23,431</u>	<u>21,811</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>38,162</b>	<b>32,503</b>
<b>CREDITORS: amounts falling due after more than one year</b>	11	(6,728)	(6,020)
<b>PROVISION FOR LIABILITIES AND CHARGES</b>	14	<u>(1,088)</u>	<u>(1,397)</u>
<b>NET ASSETS BEFORE MINORITY INTERESTS</b>		<b>30,346</b>	<b>25,086</b>
Equity minority interests		<u>(428)</u>	<u>(428)</u>
<b>NET ASSETS</b>		<u><u>29,918</u></u>	<u><u>24,658</u></u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	15	81	81
Profit and loss account	16	29,837	24,577
<b>SHAREHOLDERS' FUNDS</b>	17	<u><u>29,918</u></u>	<u><u>24,658</u></u>

The financial statements were approved by the Board of Directors on 29/1/2010 and were signed on its behalf by:-

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Director

The notes on pages 11 to 22 form part of these financial statements.

LAGAN CONSTRUCTION LIMITED

COMPANY BALANCE SHEET AS AT 31 MARCH 2009

	Notes	<u>2009</u> £000's	<u>2008</u> £000's
<b>FIXED ASSETS</b>			
Tangible assets	6	12,231	7,756
Investments	7	3,000	3,019
		<hr/>	<hr/>
		15,231	10,775
<b>CURRENT ASSETS</b>			
Stocks	8	10,222	9,264
Debtors	9	46,568	49,164
Cash at bank		3,754	7,795
		<hr/>	<hr/>
		60,544	66,223
<b>CREDITORS: amounts falling due within one year</b>	10	<hr/>	<hr/>
		(37,267)	(44,860)
<b>NET CURRENT ASSETS</b>		<hr/>	<hr/>
		23,277	21,363
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		38,508	32,138
<b>CREDITORS: amounts falling due after more than one year</b>	11	(11,820)	(10,973)
<b>PROVISION FOR LIABILITIES AND CHARGES</b>	14	<hr/>	<hr/>
		(1,088)	(1,397)
<b>NET ASSETS</b>		<hr/>	<hr/>
		25,600	19,768
<b>CAPITAL AND RESERVES</b>			
Called up share capital	15	81	81
Profit and loss account	16	25,519	19,687
		<hr/>	<hr/>
<b>SHAREHOLDERS' FUNDS</b>		<hr/>	<hr/>
		25,600	19,768

The financial statements were approved by the Board of Directors on 29/1/2010 and were signed on its behalf by:-



Director



Director

The notes on pages 11 to 22 form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**1. PRINCIPAL ACCOUNTING POLICIES**

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the group financial statements.

**BASIS OF PREPARATION**

The financial statements are prepared in accordance with accounting standards generally accepted in the UK and Northern Irish statute comprising the Companies (Northern Ireland) Order, 1986. Accounting standards generally accepted in the UK in preparing financial statements giving a true and fair view are those published by the Institute of Chartered Accountants in Ireland and issued by the Accounting Standards Board.

**BASIS OF CONSOLIDATION**

The group financial statements consolidate the financial statements of the company and all of its subsidiary undertakings made up to 31 March 2009 except as indicated below.

If the financial year of a subsidiary undertaking ends at a date more than three months before that of the parent company, the group financial statements consolidate interim financial statements prepared by the subsidiary at the end of the parent's financial year. If a subsidiary's year ends no more than three months before that of the parent, the group financial statements are made up from the subsidiary's financial statements for the year last ending before that of the parent.

Joint ventures and associates are accounted for using the gross equity method and equity method respectively. The group's share of the profits less losses of joint ventures and associates are included in the consolidated profit and loss account.

**TURNOVER**

Turnover represents the invoice value (excluding value added tax and inter-group dealings) of external sales and work done falling within the group's ordinary activities.

**TANGIBLE ASSETS AND DEPRECIATION**

Tangible assets are shown at cost or valuation, which may include, finance costs and other directly attributable costs accruing during the period from initial expenditure to completion of material capital projects.

Depreciation is calculated to write off tangible assets over their useful lives. Items which are not in use are not depreciated. The various companies within the group use varying rates and methods of depreciation which are appropriate to their particular business. The main methods adopted and rates used are:

Land and buildings	1 to 10%	straight line
Plant and vehicles	5 to 33%	straight line
Office equipment	20 to 33%	straight line

The carrying values of tangible fixed assets are reviewed annually for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

**INVESTMENTS**

Investments are usually stated at cost but are written down to realisable value if there has been a permanent diminution in value. Income from investments, together with any related tax credit, is recognised in the profit and loss account in the year in which it is receivable.

**GOVERNMENT GRANTS**

Grants are credited to deferred income. Grants towards capital expenditure are released to the profit and loss account over the expected useful life of the assets, by equal annual instalments. Grants towards revenue expenditure are released to the profit and loss account as the related expenditure is incurred.

**STOCK AND WORK IN PROGRESS**

Stocks and short term work in progress are stated at the lower of cost and net realisable value. In the case of finished goods and work in progress, cost is defined as the aggregate cost of raw material, direct labour and the attributable proportion of the direct production overheads based on a normal level of activity. Net realisable value is based on normal selling price, less further costs expected to be incurred to completion and disposal.

**LONG TERM CONTRACTS**

Long term contracting work in progress is stated at net cost, less foreseeable losses and payments on account. Profits are not taken into account until such times as the outcome of a particular contract can be reasonably assessed.

**DIVIDENDS**

Dividends to the group's shareholders are recognised as a liability of the company when approved by the group's shareholders.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

**TAXATION**

Current tax represents the amount expected to be paid or recovered in respect of taxable profit for the year and is calculated using the tax rates and laws that have been enacted or substantially enacted at the balance sheet date.

Deferred tax, the estimated future tax consequences of transactions and events recognised in the financial statements of the current and previous years, is provided on all material timing differences which are expected to reverse in the foreseeable future using current tax rates. Deferred tax liabilities are not discounted.

**ASSET FINANCE OBLIGATIONS**

Assets held under finance leases and hire purchase contracts have been capitalised in the balance sheet under tangible assets with the future obligations under these contracts included in creditors in the balance sheet. The interest element of the rental obligations is charged to the profit and loss account over the period of the contract.

**FOREIGN EXCHANGE**

Where the accounts of subsidiaries are prepared in currencies other than sterling, their balance sheets have been converted at the exchange rate at the year end. Their profit and loss accounts have been converted at the average exchange rate prevailing throughout the period. Exchange differences resulting from the retranslation of the opening net assets of non-sterling subsidiary undertakings, joint-ventures and associates at closing rates, together with the differences on the translation of the profit and loss accounts, are dealt with through reserves and reflected in the statement of total recognised gains and losses.

**PENSION**

The group operates defined contribution schemes. Pension contributions are charged to the profit and loss account as they become payable in accordance with the rules of the schemes. The assets are held separately from those of the group and in independently administered funds. Differences between the amounts charged in the profit and loss account and payments made to pension funds are treated as assets or liabilities.

**DEBTORS**

Debtors are stated after all known bad debts have been written off and specific provisions have been made against all considered doubtful for collection.

**2. SEGMENT AND MARKET INFORMATION**

In accordance with Schedule 4 Section 55(5) of the Companies (NI) Order 1986, Segment and Market information has been omitted. The directors believe that to disclose such information would be seriously prejudicial to the interests of the group.

**3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION**

	<u>2009</u> £000's	<u>2008</u> £000's
<b>Group profit on ordinary activities before taxation is arrived at after charging:</b>		
Depreciation	3,357	2,858
Directors' emoluments	1,066	1,026
Auditors' remuneration for audit services	89	101
Auditors' remuneration for non-audit services	60	42
Interest payable - on bank and other borrowings	<u>1,691</u>	<u>3,388</u>
<b>and after crediting:</b>		
Profit on sale of fixed assets	378	143
Interest received	<u>248</u>	<u>32</u>

**4. INTEREST PAYABLE AND SIMILAR CHARGES**

	<u>2009</u> £000's	<u>2008</u> £000's
Bank loans and overdrafts	1,401	1,637
Interest on overdue taxation	38	1,529
Interest payable on asset finance obligations	<u>252</u>	<u>222</u>
	<u>1,691</u>	<u>3,388</u>

LAGAN CONSTRUCTION LIMITEDNOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

## 5. TAX ON PROFIT ON ORDINARY ACTIVITIES

	<u>2009</u>		<u>2008</u>	
	£000's	£000's	£000's	£000's
<b>a) Analysis of charge in period</b>				
<b>Current tax</b>				
UK Corporation Tax on profits of the period :-				
Group companies	1,467		2,629	
Adjustments in respect of previous periods	<u>444</u>		<u>(177)</u>	
		1,911		2,452
Foreign Tax		203		250
<b>Total current tax (note 5(b))</b>		<u>2,114</u>		<u>2,702</u>
<b>Deferred tax</b>				
Origination and reversal of timing differences		<u>(309)</u>		<u>(206)</u>
<b>Tax on profit on ordinary activities</b>		<u>1,805</u>		<u>2,496</u>

**b) Factors affecting tax charge for the period**

The tax assessed for the period is different from the standard rate of corporation tax in the UK of 28% (2008 - 30%). The differences are explained below:

	<u>2009</u>	<u>2008</u>
	£000's	£000's
Profit on ordinary activities before tax	<u>5,436</u>	<u>6,563</u>
Profit on ordinary activities before tax multiplied by standard rate of corporation tax in the UK of 28% (2008 - 30%)	1,522	1,969
<b>Effects of :-</b>		
Expenses not deductible for tax purposes	135	57
Depreciation for the period in excess of capital allowances	105	210
Higher rates on non-trading income	16	-
Lower tax rates on foreign earnings	(71)	(49)
Adjustments to tax charge in respect of previous periods	444	(1)
Overseas income taxed / (not taxed)	(127)	222
Trading losses carried forward	108	464
Group relief	58	(170)
Other	(76)	-
<b>Current tax charge for period (note 5 (a))</b>	<u>2,114</u>	<u>2,702</u>

**c) Factors that may affect future tax charges**

The group's foreign tax rates are lower than those in the UK primarily because the profits earned in the Republic of Ireland are taxed at rates below the UK standard rate of 28% (2008 - 30%).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

## 6. TANGIBLE ASSETS

Group	<u>Land &amp; buildings</u> £000's	<u>Equipment, plant &amp; vehicles</u> £000's	<u>Total</u> £000's
<b>COST OR VALUATION</b>			
At 1 April 2008	912	14,107	15,019
Additions	526	7,422	7,948
Currency movement	-	156	156
Disposals	-	(2,118)	(2,118)
<b>At 31 March 2009</b>	<u>1,438</u>	<u>19,567</u>	<u>21,005</u>
<b>DEPRECIATION</b>			
At 1 April 2008	7	6,817	6,824
Charge for the year	13	3,344	3,357
Currency movement	-	82	82
Eliminated on disposal	-	(1,868)	(1,868)
<b>At 31 March 2009</b>	<u>20</u>	<u>8,375</u>	<u>8,395</u>
<b>NET BOOK VALUE</b>			
<b>At 31 March 2009</b>	<u>1,418</u>	<u>11,192</u>	<u>12,610</u>
<b>At 31 March 2008</b>	<u>905</u>	<u>7,290</u>	<u>8,195</u>

Included in the above are assets (other than Land and Buildings) held under finance leases or hire purchase contracts with a total net book value of £8,415k (2008 - £3,777k) and total depreciation charge of £1,901k (2008- £1,212k).

## Company

	<u>Land &amp; buildings</u> £000's	<u>Equipment, plant &amp; vehicles</u> £000's	<u>Total</u> £000's
<b>COST OR VALUATION</b>			
At 1 April 2008	912	13,233	14,145
Additions	526	7,294	7,820
Disposals	-	(1,729)	(1,729)
<b>At 31 March 2009</b>	<u>1,438</u>	<u>18,798</u>	<u>20,236</u>
<b>DEPRECIATION</b>			
At 1 April 2008	7	6,382	6,389
Charge for the year	13	3,139	3,152
Eliminated on disposal	-	(1,536)	(1,536)
<b>At 31 March 2009</b>	<u>20</u>	<u>7,985</u>	<u>8,005</u>
<b>NET BOOK VALUE</b>			
<b>At 31 March 2009</b>	<u>1,418</u>	<u>10,813</u>	<u>12,231</u>
<b>At 31 March 2008</b>	<u>905</u>	<u>6,851</u>	<u>7,756</u>

Included in the above are assets (other than Land and Buildings) held under finance leases or hire purchase contracts with a total net book value of £8,149k (2008 - £3,469k) and total depreciation charge of £1,747k (2008- £1,056k).

**LAGAN CONSTRUCTION LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****7. INVESTMENTS**

	Group		Company	
	2009 £000's	2008 £000's	2009 £000's	2008 £000's
Shares in unquoted companies	56	56	-	-
Shares in group undertakings	-	-	2,741	2,760
Loans to group undertakings	-	-	259	259
Loans to related companies	2,065	2,441	-	-
	<u>2,121</u>	<u>2,497</u>	<u>3,000</u>	<u>3,019</u>

Details of the investments in which the group and the company holds 20% or more of the share capital are listed in Note 25 to the Financial Statements.

**8. STOCKS**

	Group		Company	
	2009 £000's	2008 £000's	2009 £000's	2008 £000's
Work in progress	<u>25,260</u>	<u>9,264</u>	<u>10,222</u>	<u>9,264</u>

**9. DEBTORS**

	Group		Company	
	2009 £000's	2008 £000's	2009 £000's	2008 £000's
Trade debtors	13,174	35,138	9,600	7,079
Due from group & related undertakings	22,076	24,684	36,339	41,480
Other debtors	581	768	558	577
Prepayments and accrued income	<u>72</u>	<u>225</u>	<u>71</u>	<u>28</u>
	<u>35,903</u>	<u>60,815</u>	<u>46,568</u>	<u>49,164</u>

**10. CREDITORS: amounts falling due within one year**

	Group		Company	
	2009 £000's	2008 £000's	2009 £000's	2008 £000's
Bank loans and overdrafts	15,236	25,998	4,258	16,891
Trade creditors	5,964	5,971	4,574	3,996
Due to group & related undertakings	12,732	3,985	14,727	5,606
Other creditors	3,177	2,693	3,005	2,553
Taxation and social security	2,160	7,827	1,863	5,649
Accruals and deferred income	<u>10,933</u>	<u>14,371</u>	<u>8,840</u>	<u>10,165</u>
	<u>50,202</u>	<u>60,845</u>	<u>37,267</u>	<u>44,860</u>

**LAGAN CONSTRUCTION LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****11. CREDITORS: amounts falling due after more than one year**

	Group		Company	
	2009 £000's	2008 £000's	2009 £000's	2008 £000's
Bank loans	2,218	4,292	2,218	4,292
Due to group & related undertakings	-	-	5,184	5,183
Other creditors	4,510	1,728	4,418	1,498
	<u>6,728</u>	<u>6,020</u>	<u>11,820</u>	<u>10,973</u>

**12. ASSET FINANCE OBLIGATIONS**

The future minimum asset finance payments to which the group is committed at 31 March 2009 are as follows:

	Group		Company	
	2009 £000's	2008 £000's	2009 £000's	2008 £000's
Within one year	3,169	2,693	3,006	2,554
Between one and two years	3,007	1,152	2,945	998
Between two and five years	1,503	576	1,472	499
	<u>7,679</u>	<u>4,421</u>	<u>7,423</u>	<u>4,051</u>

Asset finance obligations are secured by fixed and floating charges over the undertakings and assets of certain companies within the group.

**13. BANK BORROWINGS**

	Group		Company	
	2009 £000's	2008 £000's	2009 £000's	2008 £000's
<b>Repayments fall due as follows:-</b>				
Within one year	15,236	25,998	4,258	16,891
Between one and two years	1,360	1,586	1,360	1,586
Between two and five years	858	2,706	858	2,705
After more than five years	-	-	-	-
	<u>17,454</u>	<u>30,290</u>	<u>6,476</u>	<u>21,182</u>

Certain finance facilities within the group are secured by means of unlimited inter-company cross guarantees.

## NOTES TO THE CONSOLIDATED ACCOUNTS (continued)

## 14. PROVISION FOR LIABILITIES AND CHARGES - DEFERRED TAX

## Provision made / Full Liability

	Group		Company	
	2009 £000's	2008 £000's	2009 £000's	2008 £000's
Capital allowances in advance of depreciation	101	410	101	410
Other timing differences	987	987	987	987
	<u>1,088</u>	<u>1,397</u>	<u>1,088</u>	<u>1,397</u>

## 15. CALLED UP SHARE CAPITAL

	Group		Company	
	2009 £000's	2008 £000's	2009 £000's	2008 £000's
Allotted and fully paid up				
81,001 Ordinary shares of £1 each	<u>81</u>	<u>81</u>	<u>81</u>	<u>81</u>
Authorised				
100,000 Ordinary shares of £1 each	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

## 16. PROFIT AND LOSS ACCOUNT

	Group		Company	
	2009 £000's	2008 £000's	2009 £000's	2008 £000's
Opening balance	24,577	17,943	19,687	17,871
Reserves movement on group reorganisation	-	1,835	-	(2,689)
Profit for the year attributable to shareholders	3,631	4,067	4,516	3,904
Exchange valuation difference on foreign assets	1,629	732	1,316	601
	<u>29,837</u>	<u>24,577</u>	<u>25,519</u>	<u>19,687</u>
Closing balance	<u>29,837</u>	<u>24,577</u>	<u>25,519</u>	<u>19,687</u>

NOTES TO THE CONSOLIDATED ACCOUNTS (continued)**17. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	Group	
	<u>2009</u> <u>£000's</u>	<u>2008</u> <u>£000's</u>
Opening balance	24,658	18,024
Revenue reserves movement on group reorganisation	-	1,835
Recognised gains and losses for the year	5,260	4,799
	<hr/>	<hr/>
Closing balance	<u>29,918</u>	<u>24,658</u>

**18. DIRECTORS AND EMPLOYEES****(a) Directors**

The remuneration paid to directors of the company was:

	<u>2009</u> <u>£000's</u>	<u>2008</u> <u>£000's</u>
Fees	<u>1,066</u>	<u>1,026</u>

Directors' remuneration was as follows:

Highest paid director	<u>240</u>	<u>203</u>
-----------------------	------------	------------

**(b) Employees**

The average weekly number of persons, including directors employed by the group during the year was:

Administration	124	108
Supervision, operational and distribution	<u>557</u>	<u>550</u>
	<u>681</u>	<u>658</u>

Their total remuneration was:

	<u>£000's</u>	<u>£000's</u>
Salaries and wages	20,240	14,992
Social security costs	2,191	1,553
Other pension costs	<u>460</u>	<u>239</u>
	<u>22,891</u>	<u>16,784</u>

**19. PENSIONS**

Under the defined contribution schemes in operation amounts totalling £460k (2008 - £239k) were paid.

NOTES TO THE CONSOLIDATED ACCOUNTS (continued)

**20. CASHFLOW STATEMENT AND RELATED PARTY DISCLOSURES**

The company is a wholly owned subsidiary of Lagan Holdings Limited, a company incorporated in Northern Ireland, and is included in the consolidated financial statements of Lagan Holdings Limited which are publicly available for inspection. Consequently, the company has taken advantage of the exemption from preparing a cashflow statement under the terms of Financial Reporting Standard 1 (revised). The company is also exempt under the terms of Financial Reporting Standard 8 from disclosing related party transactions with entities that are part of the Lagan Holdings Limited group.

The following entities are regarded as related parties as defined by Financial Reporting Standard 8 due to their being:-

- 1) entities with common control to the Lagan Holdings group and;
- 2) joint ventures and arrangements in which member companies and related groups (under common control) of the Lagan Holdings Limited group participate.

	<u>2009</u> £000's	<u>2008</u> £000's
<b>Investments and loans by the group (joint ventures and arrangements - included in Note 7)</b>		
Direct Route Fermoy Holdings Limited	1,363	1,473
Coastal Industrial Limited	250	271
Coastal Clear Water (Holdings) Limited	452	452
Lagan RBR	-	244
<b>Amounts owed to the group (under common control - included in Note 9)</b>		
Lagan Homes Limited	245	241
J&T Plant Limited	-	2
<b>Amounts owed to the group (joint ventures and arrangements - included in Note 9)</b>		
Island Paving Limited	427	430
Direct Route (Limerick) Construction Limited	3,201	2,676
Direct Route (Fermoy) Construction Limited	-	1,062
Lagan Bilfinger Berger	-	116
Lagan Keltbray	116	-
Lagan Holleran	44	394
Lagan Denys	85	495
Murphy Lagan	475	572
Amey Lagan Roads Holdings Limited	207	28
Lagan Ferrovia	-	1,548
Sisk Lagan	1,477	92
Lagan Clare	1,429	-
<b>Amounts owed by the group (common control - included in Note 10)</b>		
J&T Plant Limited	119	65
Lagan Cement Group Limited	200	200
<b>Amounts owed by the group (joint ventures and arrangements - included in Notes 9 &amp; 10)</b>		
Coastal Industrial Limited	238	-
Coastal Clear Water (Holdings) Limited	1	-
Lagan Ferrovia	2,147	-
Direct Route (Fermoy) Construction Limited	14	-
Lagan Husnain	996	-

The above balances comprise trade, recharges and nominal balances due to / by the group.

Three of the directors - K Lagan, M Lagan and S McCann - are directors of the immediate and ultimate parent undertaking, Lagan Holdings Limited. Two of these directors had interest free loans with the company during the year (Note 21).

Buildings owned by a pension scheme operated for the benefit of certain directors are occupied by group companies. Rent is payable on a commercial basis to the pension scheme.

**LAGAN CONSTRUCTION LIMITED**

**NOTES TO THE CONSOLIDATED ACCOUNTS (continued)**

**21. TRANSACTIONS WITH DIRECTORS**

The following directors had interest free loans during the year. These amounts are included in debtors (Note 9). The movement on these loans are as follows:

	<b>Amount owing</b>		<b>Maximum</b>
	<b><u>2009</u></b>	<b><u>2008</u></b>	<b>in year</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
K Lagan	140	140	140
M Lagan	<u>191</u>	<u>288</u>	<u>288</u>

**22. CAPITAL COMMITMENTS**

No material capital expenditure was authorised and contracted for but not provided in the accounts at 31 March 2009 (2008 - nil)

**23. CONTINGENT LIABILITIES**

Litigation has been instigated against the group in relation to the supply of allegedly defective stone in the Republic of Ireland. The group are vigourously defending the litigation and do not accept that they have any liability.

The information normally required by FRS 12 is not disclosed, due to the fact that the directors believe that to do so would seriously prejudice the outcome of the litigation.

**24. COMPARATIVE FIGURES**

Certain figures relating to the previous year have been reclassified for comparative and presentational purposes only. These amendments have had no other impact on the financial statements.

LAGAN CONSTRUCTION LIMITEDNOTES TO THE CONSOLIDATED ACCOUNTS (continued)

## 25. INVESTMENTS DETAILS

The company holds directly or indirectly more than 20% of the share capital in the following companies:-

## (I) SUBSIDIARY UNDERTAKINGS

Principal Name	Activities	Country of Incorporation or Registration	Country of Principal Activities	%
Kennedy Quarries Ltd.	Quarrying	Northern Ireland	Northern Ireland	100 ^
Whitemountain Construction Ltd.	Building	Northern Ireland	Northern Ireland	100 ^
Whitemountain Aggregates Ltd.	Quarrying	Northern Ireland	Northern Ireland	100 ^
Whitemountain Civils Ltd.	Civil engineering	Northern Ireland	Northern Ireland	100 ^
W'mountain Civils (Ireland) Ltd. *	Civil engineering	Republic of Ireland	Republic of Ireland	100 ^
Whitemountain Investments Ltd.	Holding company	Northern Ireland	Northern Ireland	100
Lagan Projects Ltd. *	Project development	Northern Ireland	Northern Ireland	100
Lagan Projects Ltd. *	Project development	Republic of Ireland	Republic of Ireland	100
Coastal Industrial Ltd.*	Water treatment	Northern Ireland	Northern Ireland	50
Coastal Clearwater Holdings Ltd.*	Holding company	Northern Ireland	Northern Ireland	50
Coastal Clearwater Ltd.*	P F I concession company	Northern Ireland	Northern Ireland	50
Lagan Bitumen Ltd.	Bitumen manufacturers	England	Northern Ireland	100 ^
Lagan Services Ltd.	Service company	Northern Ireland	Northern Ireland	100 ^
Armagh Asphalt Ltd.	Bitmac & asphalt manufacturers	Northern Ireland	Northern Ireland	100 ^
Charles Brand Group Ltd.	Holding company	Northern Ireland	Northern Ireland	100 ^
Charles Brand Ltd. *	Building & civil engineering	Northern Ireland	Northern Ireland	100 ^
Lagan Construction (IOM) Ltd. *	Civil engineering	Isle of Man	Isle of Man	100
Eldufgar Construction Ltd. *	Civil engineering	Northern Ireland	Northern Ireland	100 ^
H Jensen Asfalt A/S.	Surfacing contractors	Denmark	Denmark	100
Lagan International Holdings Ltd.	Overseas contracting	Northern Ireland	Northern Ireland	80
Lagan International Ltd. *	Overseas contracting	Northern Ireland	Northern Ireland	100
Lagan Caribbean Ltd. *	Overseas contracting	Cayman Islands	Caribbean region	100
Lagan Asia Ltd. *	Overseas contracting	Hong Kong	Asia	100
Lagan Maldives Private Ltd. *	Overseas contracting	Maldives	Maldives	100
Lagan Hong Kong Ltd. *	Overseas contracting	Hong Kong	Hong Kong	100
Lagan Puerto Rico LLC. *	Overseas contracting	Puerto Rico	Puerto Rico	100
LSM Joint Venture Ltd. *	Overseas contracting	Jamaica	Jamaica	60
Asek Sp.Z.o.o. *	Overseas contracting	Poland	Poland	100
Lagan Gibraltar Limited *	Overseas contracting	Gibraltar	Gibraltar	100 ^
Lagan 101 Ltd.	Surfacing contractors	England	England	100 ^
Lagan 102 Ltd.	Surfacing contractors	England	England	100 ^
PJ Lagan Contracts Ltd.	Quarrying	Northern Ireland	Northern Ireland	100 ^
Lagan US Inc. *	Overseas contracting	United States	United States	100
Lagan Florida LLC *	Overseas contracting	United States	United States	100
Lagan Virginia LLC *	Overseas contracting	United States	United States	100

## (II) JOINT VENTURES, JOINT VENTURE ARRANGEMENTS AND ASSOCIATES

Amey Lagan Roads Holdings Ltd. *	Civil engineering	Northern Ireland	Northern Ireland	50
LSM JV Limited *	Surfacing contractors	Jamaica	Jamaica	48
Lagan RBR LLC. *	Overseas contracting	Puerto Rico	Puerto Rico	40
Island Paving/Lagan J V Ltd. *	Surfacing contractors	Cayman Islands	Cayman Islands	48
Lagan Holleran	Construction	n/a	Northern Ireland	n/a
Lagan Keltbray	Construction	n/a	England	n/a
Charles Brand Bilfinger Berger	Construction	n/a	Republic of Ireland	n/a
Sisk Lagan	Construction	n/a	Republic of Ireland	n/a
Lagan Ferrovia	Construction	n/a	Northern Ireland	n/a
Murphy Lagan	Construction	n/a	Northern Ireland	n/a
Lagan Husnain	Overseas contracting	n/a	Pakistan	n/a
Lagan Clare	Construction	n/a	Republic of Ireland	n/a

\* Held by subsidiary undertaking.

^ Dormant in activity as at 31 March 2009.

LAGAN CONSTRUCTION LIMITED

NOTES TO THE CONSOLIDATED ACCOUNTS (continued)

**26. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTIES**

Both the parent and ultimate holding undertaking is Lagan Holdings Limited, a company incorporated in Northern Ireland. The ultimate controlling parties are the shareholders of Lagan Holdings Limited.