

Company No: 338492

KIRBY MACLEAN LIMITED

REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 1997



Kirby MacLean Limited

Directors

Sir John Wickerson, LLB (Chairman)
D.E. Beardsmore, CEng AMCST FICE FCI0B FRSA
G.D. Bell, FCMA FIMgt FInstD FFB
P.H. Coats CA, FCT
D.J. O'Grady

Secretary and Registered Office

P.H. Coats CA, FCT
Roman House, 159 Ravenscroft Road, Beckenham, Kent BR3 4TN

Auditors

Moore Stephens
Chartered Accountants
St. Paul's House, Warwick Lane, London, EC4P 4BN

Report of the directors

The directors submit their report and the audited financial statements for the year ended 31 December 1997.

Review of activities

The company has continued its painting, contracting and decorating business.

Profit and loss account

The profit for the year after taxation was £52,857 (1996: £39,631). The directors propose to pay a dividend for the year of £25,000 (1996: £35,000). The surplus of £27,857 (1996: £4,631) remaining after deduction of the dividend for the year is taken to reserves.

Directors

Interests in the group

Sir John Wickerson, Mr. D.E. Beardsmore, Mr. G.D. Bell and Mr. P.H. Coats are directors of the parent company, MANSELL plc, and their interests in the group, as defined by the Companies Act 1985, are set out in the directors' report attached to the financial statements of that company for the year ended 31 December 1997.

The interests of the remaining director in the share capital of MANSELL plc at the beginning and end of the year were as follows:-

	<u>Ordinary Shares of 25p each</u>	
	<u>31 December 1997</u>	<u>1 January 1997</u>
D.J. O'Grady	14,050	14,050

Kirby MacLean Limited

Report of the directors (continued)

Directors (continued)

Interest in the group (continued)

In addition, Mr D.J. O'Grady has been granted options over the ordinary 25p shares of MANSELL plc as follows:

	<u>Share options</u>			
	At 1 January 1996	Granted during the year	At 31 December 1997	Exercise price
MANSELL Company Share Option Scheme The options are usually exercisable between 28 June 1999 and 28 June 2006.	25,000	-	25,000	32p
MANSELL Savings Related Share Option Scheme The options are usually exercisable between 1 September 1999 and 28 February 2000.	4,500	-	4,500	26p

No director had any direct interest in the share capital of the company at any time during the year.


Retirement of directors

The directors to retire by rotation are Mr G.D. Bell and Mr P.H. Coats, who being eligible, offer themselves for re-appointment at the annual general meeting.

Auditors

The auditors, Moore Stephens, are willing to continue in office. A resolution for their re-appointment and authorising the directors to fix their remuneration will be submitted to the annual general meeting.

By order of the board



P.H. COATS

Company Secretary

Kirby MacLean Limited

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

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

Kirby MacLean Limited

Auditors' report

We have audited the financial statements on pages 5 to 11 which have been prepared under the historical cost convention and in accordance with the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 December 1997 and of the profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

St. Paul's House,
Warwick Lane,
London,
EC4P 4BN.



Moore Stephens
Registered Auditors
Chartered Accountants

8 April 1998

Kirby MacLean Limited
Profit and loss account
for the year ended 31 December 1997

	<u>Note</u>	<u>1997</u>	<u>1996</u>
Turnover	1(b)	1,725,019	1,400,246
Cost of sales		1,389,756	1,091,857
		<hr/>	<hr/>
Gross profit		335,263	308,389
Net operating expenses	2	257,406	258,220
		<hr/>	<hr/>
Profit on ordinary activities before taxation	3	77,857	50,169
Tax on profit on ordinary activities	5	25,000	10,538
		<hr/>	<hr/>
Profit on ordinary activities after taxation		52,857	39,631
Dividends: 35.4p per share (1996: 49.6p per share)		25,000	35,000
		<hr/>	<hr/>
Retained profit for the financial year	12	£ 27,857	£ 4,631
		<hr/> <hr/>	<hr/> <hr/>

The company has no recognised gains or losses other than those included in the profit and loss account.

Kirby MacLean Limited

Balance sheet at 31 December 1997

	<u>Note</u>	<u>1997</u>	<u>1996</u>
Tangible fixed assets	6	19,743	25,262
		<hr/>	<hr/>
Current assets			
Stocks	7	17,550	18,243
Debtors	8	580,205	373,144
Cash at bank and in hand		70	19
		<hr/>	<hr/>
		597,825	391,406
Creditors: amounts falling due within one year	9	473,623	300,580
		<hr/>	<hr/>
Net current assets		124,202	90,826
		<hr/>	<hr/>
Total assets less current liabilities		£ 143,945	£ 116,088
		<hr/>	<hr/>
Capital and reserves			
Called up equity share capital	10	70,630	70,630
Profit and loss account	11	73,315	45,458
		<hr/>	<hr/>
Equity shareholders' funds		£ 143,945	£ 116,088
		<hr/>	<hr/>

These financial statements were approved by the board on 8 April 1998

John Wickerson
SIR JOHN WICKERSON

Director

Kirby MacLean Limited

Notes to the financial statements

1. Principal accounting policies

(a) Basis of accounting

The financial statements have been prepared under the historical cost convention, and in accordance with applicable accounting standards.

(b) Turnover

Turnover is the value of work executed during the year in respect of contracting together with the invoiced value of sales in respect of other activities excluding VAT.

(c) Recognition of contract profit

Profit on long term contracts is recognised over the life of each contract in proportion to the value of work carried out but only to the extent that the total eventual profit on the contract can be foreseen with reasonable certainty. Losses are provided for as soon as foreseen.

(d) Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation calculated to write off the cost over the estimated useful life using the following rates.

Plant and equipment	-	25% on cost
Motor vehicles	-	20% on cost
Office furniture and fixtures	-	25% on cost

(e) Stocks and long term contracts

Stocks and work in progress are stated at the lower of net realisable value or cost including attributable overheads where appropriate. Long term contracts are stated at cost, net of amounts transferred to cost of sales, after deducting provision for foreseeable losses and payments on account. Where turnover differs from invoiced progress payments the balance is included in debtors or creditors as appropriate.

(f) Deferred taxation

Provision for deferred taxation is made except where it can be shown that the taxation deferred will not be payable in the foreseeable future

Kirby MacLean Limited

Notes to the financial statements

2.	Net operating expenses	<u>1997</u>	<u>1996</u>
	Administrative expenses	263,005	263,045
	Less: other operating income	(5,599)	(4,825)
		<hr/>	<hr/>
		£ 257,406	£ 258,220
		<hr/>	<hr/>
3.	Profit on ordinary activities before taxation		
	Profit on ordinary activities before taxation is stated after charging/(crediting):-		
	Depreciation of tangible fixed assets	8,696	6,607
	Directors' emoluments (note 4)	47,868	43,383
	Auditors' remuneration	6,000	6,000
	Profit on disposals of fixed assets	-	(1,660)
		<hr/>	<hr/>
4.	Directors and employees		
	Staff costs during the year were as follows:-		
	Wages and salaries	427,656	287,715
	Social Security costs	34,458	23,816
	Other pension costs	8,185	7,148
		<hr/>	<hr/>
		£ 470,299	£ 318,679
		<hr/>	<hr/>

The weekly average number of persons employed by the company during the year was 32 (1996: 21).

Staff costs include the following emoluments in respect of directors of the company:

For management services	£ 47,868	£ 43,383
	<hr/>	<hr/>

Retirement benefits are accruing to one director under a defined benefits scheme.

Kirby MacLean Limited

Notes to the financial statements

5. Tax on profit on ordinary activities

	<u>1997</u>	<u>1996</u>
Corporation tax payable based on the profits for the year as adjusted for taxation purposes at a rate of 31.5% (1996 : 33%)	25,000	12,000
Over provision in prior year	-	(1,462)
	<hr/>	<hr/>
	£ 25,000	£ 10,538
	<hr/> <hr/>	<hr/> <hr/>

6. Tangible fixed assets

	<u>Plant and equipment</u>	<u>Motor vehicles</u>	<u>Office furniture and fixtures</u>	<u>Total</u>
Cost				
At 1 January 1997	10,717	20,721	33,976	65,414
Additions	726	-	2,451	3,177
Disposals	-	-	(2,150)	(2,150)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 1997	11,443	20,721	34,277	66,441
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation				
At 1 January 1997	8,973	3,707	27,472	40,152
Charge for the year	1,162	4,210	3,324	8,696
On disposals	-	-	(2,150)	(2,150)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 1997	10,135	7,917	28,646	46,698
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 31 December 1997	£ 1,308	£ 12,804	£ 5,631	£ 19,743
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 December 1996	£ 1,744	£ 17,014	£ 6,504	£ 25,262
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Kirby MacLean Limited

Notes to the financial statements

7.	Stocks	<u>1997</u>	<u>1996</u>
	Loose tools and materials	£ 17,550	£ 18,243
		<u> </u>	<u> </u>
8.	Debtors		
	All amounts fall due within one year		
	Trade debtors	251,080	198,414
	Amounts recoverable on contracts	272,786	109,402
	Owed by group companies	50,669	58,689
	Other debtors	403	600
	Prepayments and accrued income	5,267	6,039
		<u> </u>	<u> </u>
		£ 580,205	£ 373,144
		<u> </u>	<u> </u>
9.	Creditors: amounts falling due within one year		
	Bank loans and overdrafts	1,003	10,593
	Trade creditors	375,285	205,354
	Other taxation and social security	36,886	52,542
	Other creditors	4,097	-
	Accruals and deferred income	31,352	20,091
	Corporation tax	25,000	12,000
		<u> </u>	<u> </u>
		£ 473,623	£ 300,580
		<u> </u>	<u> </u>
10.	Called up equity share capital		
	Ordinary equity shares of £1 each		
	Authorised	£ 100,000	£ 100,000
		<u> </u>	<u> </u>
	Allotted, called up and fully paid	£ 70,630	£ 70,630
		<u> </u>	<u> </u>
	All shares rank equally in respect of all shareholder rights.		

Kirby MacLean Limited

Notes to the financial statements

11.	Reserves	<u>Profit and loss account</u>
	At 1 January 1997	45,458
	Retained profit for the financial year	27,857
		<hr/>
	At 31 December 1997	£ 73,315
		<hr/>

12.	Reconciliation of movements in equity shareholders funds	<u>1997</u>	<u>1996</u>
	Profit on ordinary activities after taxation	52,857	39,631
	Dividend	(25,000)	(35,000)
		<hr/>	<hr/>
	Retained profit for the financial year	27,857	4,631
	Opening shareholders' funds	116,088	111,457
		<hr/>	<hr/>
	Closing shareholders' funds	£ 143,945	£ 116,088
		<hr/>	<hr/>

13. Pension arrangements

The Company participates in a group scheme, which operates a funded pension scheme with defined benefits. In general all full time employees over the age of 25 can join the scheme. They have the option of either being non-contributory members or contributing 5% of pensionable earnings in return for enhanced benefits. The scheme is administered by Sedgwick Noble Lowndes Limited and funds are held and invested by Legal and General Assurance (Pensions Management) Limited.

The most recent independent actuarial review of the scheme was carried out as at 1 August 1996 and utilised the projected unit method. It was assumed that investment returns would be 2% per annum higher than general pensionable earnings increases and 6% per annum greater than increases to pensions in payment. The valuation showed that the market value of the scheme's assets was £17.2m and that the actuarial value of those assets represented 117% of the benefits that had accrued to members on an ongoing funding basis.

It is estimated that the surplus at 1 August 1996 will be eliminated over a period of 5 years from that date, at the employer's current contribution rate of 5% of pensionable earnings.

The pension charge for the year ending 31 December 1997 was £8,185 (1996: £7,148).

14. Ultimate parent company

The company is a wholly-owned subsidiary of MANSELL plc which is incorporated in Great Britain. Copies of the group accounts may be obtained from the Company Secretary, MANSELL plc, Roman House, Grant Road, Croydon CR9 6BU.