

JOSEPH KENNEDY & CO (MANCHESTER)

LIMITED

REPORT AND ACCOUNTS

2 November 1997



JOSEPH KENNEDY & CO (MANCHESTER) LIMITED

REPORT OF THE DIRECTORS

The directors submit their report and the accounts for the year ended 2 November 1997.

PRINCIPAL ACTIVITY

The principal activity of the company is the laying of electricity cables and telephone ducting.

REVIEW OF THE BUSINESS

The fall in profits anticipated last year is reflected in the fall in gross profit. A new term contract which commenced in January 1998 together with improved prospects in the telecoms market are expected to contribute to increases in turnover and profits in the coming year.

RESULTS AND DIVIDENDS

The results of the company for the year are set out in detail on page 5.

No dividend was paid during the year (1996 - £3,500,000). The directors recommend that no final dividend be paid (1996 - £Nil).

FIXED ASSETS

Details of movement in fixed assets are set out in notes 8 and 9 to the accounts.

DIRECTORS

The directors who served during the year and who have been appointed since the year end are as follows:

P J Kennedy	-	resigned 29 May 1997
P G Comer		
J C Parsons	-	resigned 29 May 1997
K E Hunt		
R W Kirkin	-	resigned 29 May 1997
P V Carolan		
D W Kenyon		
M J Glover	-	appointed 12 November 1996
S E Atkinson	-	appointed 8 August 1997, resigned 5 January 1998

The following directors retire by rotation and, being eligible, offer themselves for re-election:

K E Hunt
P G Comer

The interests of P V Carolan and S E Atkinson in the ultimate parent company, Proby Limited, are shown in the accounts of the intermediate parent company Bertrem Limited. No other director had an interest in the shares of this company or the ultimate parent company at the year end.

JOSEPH KENNEDY & CO (MANCHESTER) LIMITED

REPORT OF THE DIRECTORS continued

DISABLED PERSONS

The company has an established policy of encouraging the employment of disabled persons wherever this is practicable. In compliance with the current legislation the company seeks to employ at least the quota of disabled persons required. The company endeavour that disabled employees benefit from training and career development programmes in common with all employees.

CHARITABLE DONATIONS

Contributions during the year to United Kingdom charitable organisations amounted to £2,195 (1996 - £1,720).

AUDITORS

A resolution to re-appoint Deloitte & Touche as auditors will be proposed at the annual general meeting.

By order of the Board



R W Kirkin

Secretary

26 February 1998

JOSEPH KENNEDY & CO (MANCHESTER) LIMITED**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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. They are also responsible for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit 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;
- * prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

Deloitte & Touche



Chartered Accountants

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AUDITORS' REPORT TO THE MEMBERS OF JOSEPH KENNEDY & CO (MANCHESTER) LIMITED

We have audited the financial statements on pages 5 to 14 which have been prepared under the accounting policies set out on pages 7 and 8.

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. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 2 November 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Chartered Accountants and Registered Auditors

26 February 1998

**Deloitte Touche
Tohmatsu
International**

Aberdeen, Bath, Belfast, Birmingham, Bournemouth, Bracknell, Bristol, Cambridge, Cardiff, Crawley, Dartford, Edinburgh, Glasgow, Leeds, Leicester, Liverpool, London, Manchester, Milton Keynes, Newcastle upon Tyne, Nottingham, St Albans and Southampton.

Principal place of business at which a list of partners' names is available:
Stonecutter Court, 1 Stonecutter Street, London EC4A 4TR.

Authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

PROFIT AND LOSS ACCOUNT
for the year ended 2 November 1997

	Note	53 weeks ended 2.11.97 £	52 weeks ended 27.10.96 £
TURNOVER	1	25,020,168	23,727,924
Cost of sales		<u>(21,149,380)</u>	<u>(19,635,178)</u>
GROSS PROFIT		3,870,788	4,092,746
Administrative expenses		(1,267,952)	(2,161,997)
Other operating income	5	<u>-</u>	<u>500,000</u>
		<u>(1,267,952)</u>	<u>(1,661,997)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2	2,602,836	2,430,749
Tax on profit on ordinary activities	6	<u>(830,313)</u>	<u>(635,950)</u>
PROFIT FOR THE FINANCIAL YEAR		1,772,523	1,794,799
Dividends on equity shares	7	-	(3,500,000)
RETAINED PROFIT/(LOSS) FOR THE YEAR	14	<u>1,772,523</u>	<u>(1,705,201)</u>

There are no recognised gains and losses other than the retained profit for the year and the retained loss for the preceding year.

All the activities relate to continuing operations.

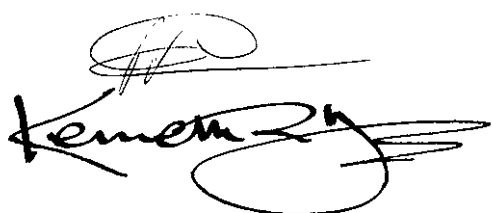
BALANCE SHEET
 2 November 1997

	Note	1997 £	1996 £
FIXED ASSETS			
Tangible assets	8	192,649	174,195
Investments	9	<u>172,698</u>	<u>172,698</u>
		365,347	346,893
CURRENT ASSETS			
Debtors	10	9,719,949	9,257,236
Cash at bank and in hand		<u>666,485</u>	<u>266,669</u>
		10,386,434	9,523,905
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	11	<u>(3,717,559)</u>	<u>(4,270,199)</u>
NET CURRENT ASSETS		<u>6,668,875</u>	<u>5,253,706</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		7,034,222	5,600,599
PROVISIONS FOR LIABILITIES AND CHARGES	12	<u>(1,012,600)</u>	<u>(1,351,500)</u>
		<u>6,021,622</u>	<u>4,249,099</u>
CAPITAL AND RESERVES			
CALLED UP SHARE CAPITAL	13	110,000	110,000
RESERVES			
Share premium account	14	75,000	75,000
Profit and loss account	14	<u>5,836,622</u>	<u>4,064,099</u>
		5,911,622	4,139,099
Equity Shareholders' Funds		<u>6,021,622</u>	<u>4,249,099</u>

APPROVED BY THE BOARD OF DIRECTORS

P V Carolan

K E Hunt



26 February 1998

NOTES TO THE ACCOUNTS

2 November 1997

1. ACCOUNTING POLICIES

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards. The principal accounting policies adopted are as follows:

TURNOVER

Turnover represents the value of work carried out.

FIXED ASSET INVESTMENTS

Fixed asset investments are stated at cost less a provision for any permanent diminution in value.

TANGIBLE FIXED ASSETS AND DEPRECIATION

Depreciation is provided at rates estimated to write off fixed assets over their anticipated lives and is applied from the month following that in which they are first brought into use.

The rates are as follows:

Plant and machinery	- 25% to 33⅓% per annum on cost
Freehold land	- Nil%

DEFERRED TAXATION

Deferred taxation is provided at the anticipated tax rates on differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements to the extent that it is probable that a liability or asset will crystallise in the future.

REINSTATEMENT PROVISION

The reinstatement provision represents the company's estimate for the cost of final road surfacing still to be incurred on individual contracts otherwise complete.

Particular estimates for individual contracts can prove to be incorrect. However, the directors consider that the provision as a whole is the best estimate of the eventual cost to the company which can be made.

PENSIONS

The group operates a contributory defined benefit pension scheme which covers a large proportion of its permanent staff employees. The scheme funds are administered by trustees and are independent of the group's finances. Contributions are paid to the scheme in accordance with recommendations of independent actuaries whose reports are compiled every three years. The company's contributions are charged against profits so as to spread the cost over the service lives of employees in the scheme.

NOTES TO THE ACCOUNTS

2 November 1997

1. ACCOUNTING POLICIES continued

CASH FLOW STATEMENTS

The company is exempt under FRS 1 (revised) from the requirement to produce a cash flow statement.

	53 weeks ended 2.11.97 £	52 weeks ended 27.10.96 £
2. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		

Profit on ordinary activities before taxation is arrived
at after charging/(crediting):

Depreciation - owned assets	77,242	83,915
Profit on sale of fixed assets	(34,736)	(18,631)
Auditors remuneration - audit fees	4,800	9,935
- non audit fees	2,450	5,040
	<u> </u>	<u> </u>

3. EMPLOYEES

The average number employed by the company, which
includes directors, within each category of persons was:

	No.	No.
Production staff	425	343
Administrative staff	44	40
	<u> </u>	<u> </u>
	469	383
	<u> </u>	<u> </u>

The costs incurred in respect of these employees were:

	£	£
Wages and salaries	7,909,021	6,708,128
Social security costs	1,027,726	871,678
Other pension costs	80,339	82,775
	<u> </u>	<u> </u>
	9,017,086	7,662,581
	<u> </u>	<u> </u>

4. DIRECTORS

Emoluments of directors who served during
the year included in employee costs were:

Management remuneration	<u>435,760</u>	<u>709,733</u>
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The highest paid director received emoluments of £121,016 (1996: £398,707) during the year. The accrued pension benefit of the highest paid director at 2 November 1997 is equivalent to £8,356 per annum.

Eight of the directors that served during the year were members of the Group's defined benefit pension scheme (1996 - seven).

NOTES TO THE ACCOUNTS

2 November 1997

	53 weeks ended 2.11.97 £	52 weeks ended 27.10.96 £
5. OTHER OPERATING INCOME		
Income from fixed asset investments	<u>-</u>	<u>500,000</u>
6. TAX ON PROFIT ON ORDINARY ACTIVITIES		
Taxation is based on the profit for the year and comprises:		
Corporation tax at 31.83% (1996 - 33%) of taxable profit	841,324	613,827
Prior year adjustments: Corporation tax	<u>(11,011)</u>	<u>22,123</u>
	<u>830,313</u>	<u>635,950</u>
The tax charge for the year has been increased/(decreased) by the following amounts as a result of:		
General disallowable expenditure	26,832	26,887
Deferred taxation not provided	(13,922)	(50,207)
Non taxable income	<u>-</u>	<u>(165,000)</u>
	<u>12,910</u>	<u>(188,320)</u>
7. DIVIDENDS ON EQUITY SHARES		
Paid - £Nil per ordinary shares (1996 - £31.82)	<u>-</u>	<u>3,500,000</u>

NOTES TO THE ACCOUNTS

2 November 1997

8. TANGIBLE FIXED ASSETS

	Freehold <u>land</u> £	Plant and <u>machinery</u> £	<u>Total</u> £
Cost:			
At 27 October 1996	3,000	431,205	434,205
Additions	-	98,700	98,700
Disposals	(3,000)	(88,795)	(91,795)
At 2 November 1997	-	441,110	441,110
Depreciation:			
At 27 October 1996	-	260,010	260,010
Charge for the year	-	77,242	77,242
On disposals	-	(88,791)	(88,791)
At 2 November 1997	-	248,461	248,461
Balance sheet value:			
At 2 November 1997	-	192,649	192,649
At 27 October 1996	3,000	171,195	174,195
Future capital expenditure:		1997 £	1996 £
Contracted for but not provided in the accounts		-	-

9. FIXED ASSET INVESTMENTS

	<u>Shares</u> £	<u>Loans</u> £	<u>Total</u> £
Cost:			
At 27 October 1996	454,583	114,708	569,291
Disposals	(125,200)	(114,708)	(239,908)
At 2 November 1997	329,383	-	329,383
Provisions:			
At 27 October 1996	281,885	114,708	396,593
On disposals	(125,200)	(114,708)	(239,908)
At 2 November 1997	156,685	-	156,685
Balance sheet value:			
At 2 November 1997	172,698	-	172,698
At 27 October 1996	172,698	-	172,698

NOTES TO THE ACCOUNTS

2 November 1997

9. FIXED ASSET INVESTMENTS continued

All fixed asset investments are in subsidiary companies. The subsidiary companies of which the company holds 100% of the ordinary shares issued are:

Kennedy Utility Services (Scotland) Limited	- public works contracting
Kendat Cabling Services Limited	- public works contracting
Kennedy Brooks Limited (incorporated in the Republic of Ireland)	- in voluntary liquidation

In accordance with Section 228(1) Companies Act 1985 group accounts have not been prepared on the basis that the Company is a wholly owned subsidiary of Kennedy Construction Group Limited, which is incorporated in Great Britain.

In the directors opinion the aggregate value of the shares in and amounts due from each subsidiary is not less than the aggregate value of the amounts at which they are stated in the accounts.

10. DEBTORS	1997 £	1996 £
Trade debtors	4,572,666	4,165,799
Amounts owed by group companies	4,833,368	4,583,734
Other debtors	68,741	10,964
Prepayments and accrued income	103,116	115,785
Corporation tax recoverable	142,058	380,954
	<u>9,719,949</u>	<u>9,257,236</u>
11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR		
Trade creditors	2,122,107	1,968,992
Corporation tax	855,514	991,811
Other taxation and social security	357,359	386,704
Other creditors	121,127	108,533
Accruals and deferred income	261,452	814,159
	<u>3,717,559</u>	<u>4,270,199</u>

NOTES TO THE ACCOUNTS

2 November 1997

12. PROVISIONS FOR LIABILITIES AND CHARGES

1997
£1996
£

Reinstatement provisions	<u>1,012,600</u>	<u>1,351,500</u>
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(a) Reinstatement provisions:

Movement in the year

At 27 October 1996	1,351,500
Provided during the year	250,500
Utilised during the year	(237,041)
Released during the year	<u>(352,359)</u>

At 2 November 1997	<u>1,012,600</u>
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(b) Deferred taxation:

The source of the deferred taxation account for which provision has not been made is as follows:

Depreciation in excess of capital allowances	(11,150)	(17,230)
Other timing differences	(165,773)	(199,073)
Capital losses	<u>(6,275)</u>	<u>(6,680)</u>
	<u>(183,198)</u>	<u>(222,983)</u>

13. CALLED UP SHARE CAPITAL

Authorised and allotted:

Ordinary shares of £1 each fully paid	<u>110,000</u>	<u>110,000</u>
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14. RESERVES

	Share premium £	Profit and loss account £	Total £
At 27 October 1996	75,000	4,064,099	4,139,099
Retained profit for the year	<u>-</u>	<u>1,772,523</u>	<u>1,772,523</u>
At 2 November 1997	<u>75,000</u>	<u>5,836,622</u>	<u>5,911,622</u>

Of the total reserves at 2 November 1997 and 27 October 1996, the balance on the share premium account of £75,000 is not available for distribution.

NOTES TO THE ACCOUNTS

2 November 1997

15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1997 £	1996 £
Profit for the financial year	1,772,523	1,794,799
Dividends	-	(3,500,000)
Net addition to/(reduction in) shareholders' funds	1,772,523	(1,705,201)
Opening shareholders' funds	4,249,099	5,954,300
Closing shareholders' funds	6,021,622	4,249,099

16. CONTINGENT LIABILITIES

The company is liable under the group election scheme for the value added tax liabilities of other group companies. The contingent liability at 2 November 1997 amounted to £815,853 (1996 - £1,249,040).

Under the terms of a cross guarantee set up between Kennedy Construction Group Limited, its parent companies and its subsidiaries, the company has a contingent liability at 2 November 1997 of £18,758,880 for the bank borrowings of other group companies (1996 - £549,216).

17. PENSIONS

The Kennedy Construction Group operates a contributory defined benefit pension scheme which covers a large proportion of the company's permanent staff employees.

Pension costs are assessed in accordance with the advice of a professionally qualified actuary using the attained age method. Actuarial valuations of the pension scheme are performed triennially. The most recent such valuation was made as at 1 July 1995, and the assumptions which had the most significant effect on the results of the valuation were as follows:

	<u>% per annum</u>
Increase in present and future pensions	3
Excess of average rate of return on investments over average salary increases	1

The full regular cost of providing benefits for company employees within the scheme is charged in these accounts. In the opinion of the directors, variations to regular costs cannot be accurately allocated on a company by company basis, and accordingly the group's variations are dealt with on a group basis in the accounts of Kennedy Construction Group Limited. The cost for the company was £80,339 (1996 - £82,775).

Details of the actuarial valuation of the group scheme and the treatment of the actuarial surplus are given in the accounts of Kennedy Construction Group Limited.

NOTES TO THE ACCOUNTS

2 November 1997

17. ULTIMATE PARENT COMPANY

The company's parent company is Kennedy Construction Group Limited which is incorporated in Great Britain. The ultimate parent company is Proby Limited which is registered in England and Wales and incorporated in Great Britain.

The company has taken advantage of the exemption provided by FRS 8 not to disclose transactions with entities that are part of the same group.

Copies of the group financial statements of Kennedy Construction Group Limited are available from Companies House, Crown Way, Maindy, Cardiff, CF4 3UZ.