

18-07-97

KENNEDY ASPHALT LIMITED

REPORT AND ACCOUNTS

28 October 1990

1021187

REPORT OF THE DIRECTORS

The directors submit their report and the audited accounts for the year ended 28 October 1990.

PRINCIPAL ACTIVITIES

The principal activity of the company is the manufacture and sale of asphalt and laying road surfaces and is regarded by the directors as a single class of business.

REVIEW OF THE BUSINESS

The company has, as expected, continued to increase its level of operations and turnover has increased to just short of £16 million for 1990. However, market conditions remain extremely competitive and as a result profits have fallen back. The situation will continue throughout 1991 but the directors are confident that the results for 1991 will be similar to 1990.

RESULTS AND DIVIDENDS

The results of the company for the year are set out in detail on page 3.

The company recommend that a dividend of £100,000 (1989 - £ -) be paid for the year.

DIRECTORS

The directors who served during the year were as follows:

P J Kennedy
J R R Cassie
J C Parsons
J F Fox
P M N Fitzmaurice - appointed 16 November 1990

DISABLED PERSONS

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

AUDITORS

Spicer & Oppenheim merged their practice with Touche Ross & Co on 20 August 1990 and now practise in the name of Touche Ross & Co. Accordingly, they have signed their audit report in their new name. A resolution to re-appoint Touche Ross & Co as auditors will be proposed at the Annual General Meeting.

By order of the board

R W Kirkin

Secretary

25 January 1991

Touche Ross & Co.
Abbey House
(P.O. Box 500)
74 Mosley Street
Manchester M60 2AT

Telephone: National 061 228 3456
International +44 61 228 3456
Telex: 666040 TRAMAN G
Telecopier (Gp. 3): 061 228 2021

We have audited the financial statements on pages 3 to 11 in accordance with Auditing Standards,

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 28 October 1990, and of the profit and source and application of the company's funds for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

To the Row 46

Manchester, M60 2AT

25 January 1991

TOUCHE ROSS & CO

Chartered Accountants



MAGNET International

Atkinson, Bristol, Brighton, Bolton, Birmingham, Bournemouth, Bradford, Bristol, Cambridge, Cardiff, Chester, Colchester, Crawley, Croydon, Darford, Dudley, Edinburgh, Glasgow, Hull, Leeds, Lincoln, London, Luton, Manchester, Milton Keynes, Newcastle, Newcastle upon Tyne, Newport, Newark, Nottingham, Peterborough, Southampton, Swansea and Uxbridge.

b6
b7C

Author not to be engaged in stock/Commodity/ Futures trading & related activities or investment business

KENNEDY ASPHALT LIMITED

Page 3

PROFIT AND LOSS ACCOUNT
year ended 28 October 1990

| | <u>Note</u> | <u>1990</u> | <u>1989</u> |
|--|-------------|------------------|------------------|
| TURNOVER | 1 | 15,843,240 | 12,845,407 |
| Cost of sales | | (13,876,612) | (11,037,714) |
| GROSS PROFIT | | <u>1,966,628</u> | <u>1,807,693</u> |
| Administrative expenses | | (1,549,269) | (1,275,684) |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | 2 | <u>417,359</u> | <u>532,009</u> |
| Tax on profit on ordinary activities | 5 | (158,036) | (177,373) |
| PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION | | <u>259,323</u> | <u>354,636</u> |
| Dividend | 6 | (100,000) | - |
| RETAINED PROFIT FOR THE FINANCIAL YEAR | 14 | <u>£159,323</u> | <u>£354,636</u> |

The notes on pages 6 to 11 form an integral part of these accounts. A statement of movements on reserves is set out in note 14.

KENNEDY ASPHALT LIMITED

Page 4

BALANCE SHEET
28 October 1990

| | Note | 1990 | 1989 |
|---|------|------------------|------------------|
| FIXED ASSETS | | | |
| Tangible assets | 7 | 1,218,550 | 1,248,075 |
| Investment | 8 | 33,491 | 33,491 |
| | | <hr/> 1,252,041 | <hr/> 1,281,566 |
| CURRENT ASSETS | | | |
| Stock | 9 | 35,072 | 46,570 |
| Debtors | 10 | 3,664,058 | 3,422,451 |
| Cash at bank | | 349,426 | 45,374 |
| | | <hr/> 4,048,556 | <hr/> 3,514,395 |
| CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR | 11 | (2,950,645) | (2,688,036) |
| NET CURRENT ASSETS | | <hr/> 1,097,911 | <hr/> 826,359 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <hr/> 2,349,952 | <hr/> 2,107,925 |
| PROVISIONS FOR LIABILITIES AND CHARGES | 12 | (285,141) | (202,437) |
| | | <hr/> £2,064,811 | <hr/> £1,905,488 |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 13 | 100,000 | 100,000 |
| Profit and loss account | 14 | 1,964,811 | 1,805,488 |
| | | <hr/> £2,064,811 | <hr/> £1,905,488 |

APPROVED BY THE BOARD OF DIRECTORS

P J Kennedy

J R R Cassie

25 January 1991

The notes on pages 6 to 11 form an integral part of these accounts.

SOURCE AND APPLICATION OF FUNDS
year ended 28 October 1990

| SOURCE OF FUNDS | <u>1990</u> | <u>1989</u> |
|---|------------------|--------------------|
| Profit on ordinary activities before taxation | 417,359 | 532,009 |
| Items not involving the movement of funds: | | |
| Depreciation | 257,261 | 137,777 |
| Profit on disposal of tangible assets | (12,756) | (8,794) |
| Movement on provisions | 65,934 | 67,472 |
| | <u>310,439</u> | <u>196,455</u> |
| FUNDS GENERATED FROM OPERATIONS | <u>727,798</u> | <u>728,464</u> |
| FUNDS FROM OTHER SOURCES | | |
| Proceeds of sale of tangible assets | 14,111 | 9,929 |
| Group relief | - | 4,501 |
| | <u>14,111</u> | <u>14,430</u> |
| | <u>741,909</u> | <u>742,894</u> |
| APPLICATION OF FUNDS | | |
| Capital expenditure | (229,091) | (1,103,636) |
| Tax paid | (71,725) | (110,000) |
| Group relief | - | (57,241) |
| | <u>(300,816)</u> | <u>(1,270,877)</u> |
| INCREASE/(DECREASE) IN WORKING CAPITAL | <u>£441,093</u> | <u>£(527,983)</u> |
| Representing/(funded by): | | |
| Stock | (11,498) | 12,310 |
| Debtors | 241,607 | 202,696 |
| Cash at bank | 304,052 | (90,053) |
| Creditors | (93,068) | (652,936) |
| | <u>£441,093</u> | <u>£(527,983)</u> |

NOTES TO THE ACCOUNTS
28 October 1990

1. ACCOUNTING POLICIES

CONVENTION

These financial statements are prepared on an historic cost accounting convention modified by the revaluation of certain items of plant and machinery.

TURNOVER

Turnover represents the value of work carried out.

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.

TANGIBLE FIXED ASSETS AND DEPRECIATION

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

The rates used are as follows:

Plant and machinery - 10% to 50% on cost

STOCK

Stock is valued at the lower of cost and net realisable value. Cost is calculated on the first in first out basis.

PENSIONS

The Kennedy Construction Group Limited operates a contributory defined benefit pension scheme covering 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 for the period to which they relate.

Details of the actuarial valuation of the Group scheme are included in the accounts of Kennedy Construction Group Limited.

2. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

19901989

Profit on ordinary activities before taxation is arrived
at after charging:

| | | |
|-----------------------------------|-----------|---------|
| Depreciation | 257,261 | 137,777 |
| Profit on sale of tangible assets | (12,756) | (8,794) |
| Hire of plant and machinery | 1,154,635 | 794,159 |
| Auditors' remuneration | 4,800 | 4,800 |
| | <hr/> | <hr/> |

NOTES TO THE ACCOUNTS
28 October 1990

3. EMPLOYEES

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

| | <u>1990</u> | <u>1989</u> |
|----------------------|------------------------|-------------|
| | <u>No of employees</u> | |
| Supervisory staff | 11 | 10 |
| Operatives | 136 | 135 |
| Administrative staff | 17 | 15 |
| | <u>164</u> | <u>160</u> |

The costs incurred in respect of these employees were:

| | | |
|-----------------------|-------------------|-------------------|
| Wages and salaries | 2,801,159 | 2,367,726 |
| Social security costs | 289,394 | 245,256 |
| Other pension costs | 54,900 | 45,345 |
| | <u>£2,145,453</u> | <u>£2,658,327</u> |

4. DIRECTORS

Emoluments of directors of the company included in employee costs were:

| | | |
|-------------------------|----------------|----------------|
| Management remuneration | <u>£76,409</u> | <u>£80,700</u> |
|-------------------------|----------------|----------------|

The emoluments (excluding pension contributions) of directors were as follows:

| | | |
|-----------------------|----------------|----------------|
| Chairman | <u>£ -</u> | <u>£ -</u> |
| Highest paid director | <u>£39,555</u> | <u>£45,504</u> |

No. of directors

Other directors:

| | | |
|----------------------|------|------|
| Not more than £5,000 | one | one |
| £25,001 - £30,000 | none | one |
| £30,001 - £35,000 | one | none |

NOTES TO THE ACCOUNTS
28 October 1990

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

19901989

Taxation is based on the profits for the year and comprises:

Corporation tax at 35% (1989 - 35%) of taxable profit
Deferred taxation

141,266
16,770

135,959
41,371

158,036177,330

Prior year adjustments:

Corporation tax
Group relief

-

-

4,544
(4,501)

£158,036£177,373

The tax charge for the year has been increased/(reduced)
by the following amounts as a result of:

General disallowable expenditure
Deferred taxation not provided

11,961
-

11,167
(20,041)

6. DIVIDEND

Proposed

£100,000£ -

7. TANGIBLE ASSETS

Cost

At 29 October 1989

Additions

Group company transfers

Disposals

1,913,981
229,091
(6,775)
(92,846)

At 28 October 1990

2,043,451

Depreciation

At 29 October 1989

Charge for the year

Group company transfers

Disposals

665,906
257,261
(6,774)
(91,492)

At 28 October 1990

824,901

Balance sheet value

28 October 1990

£1,218,550

29 October 1990

£1,248,075

NOTES TO THE ACCOUNTS
year ended 28 October 1990

7. TANGIBLE ASSETS continued

FUTURE CAPITAL EXPENDITURE

Contracted for but not provided in the accounts
Authorised by the directors but not contracted for

| | <u>1990</u> | <u>1989</u> |
|--|-------------|----------------|
| | - | 35,970 |
| | - | - |
| | <u>£ -</u> | <u>£35,970</u> |

8. FIXED ASSET INVESTMENT

Shares in subsidiary company, at cost

| | | |
|--|----------------|----------------|
| | <u>£33,491</u> | <u>£33,491</u> |
|--|----------------|----------------|

At 28 October 1990 the subsidiary of which the company held all of the only class of shares issued, was Kennedy Highways Limited. The subsidiary no longer trades.

Premium arising on acquisition

| | | |
|--|---------------|---------------|
| | <u>£8,165</u> | <u>£8,165</u> |
|--|---------------|---------------|

9. STOCK

Raw materials (see note 1)

| | | |
|--|----------------|----------------|
| | <u>£35,072</u> | <u>£46,570</u> |
|--|----------------|----------------|

The replacement value of stock is estimated to be the same as book value.

10. DEBTORS

Trade debtors
Amounts owed by group companies
Other debtors
Prepayments and accrued income

| | | |
|--|-------------------|-------------------|
| | 3,574,159 | 3,400,366 |
| | 73,944 | - |
| | 11,173 | 6,578 |
| | 4,782 | 15,507 |
| | <u>£3,664,058</u> | <u>£3,422,451</u> |

The following amounts which are included above are due after more than one year:

Trade debtors

| | | |
|--|----------------|----------------|
| | <u>£97,473</u> | <u>£94,269</u> |
|--|----------------|----------------|

NOTES TO THE ACCOUNTS

23 October 1990

| 11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR | <u>1990</u> | <u>1989</u> |
|--|-------------------|-------------------|
| Trade creditors | 2,243,964 | 1,919,238 |
| Amounts owed to group companies | - | 314,878 |
| Corporation tax | 141,376 | 71,835 |
| Other taxation and social security | 366,952 | 266,036 |
| Other creditors | 57,372 | 41,399 |
| Accruals and deferred income | 40,981 | 74,650 |
| Dividend | 100,000 | - |
| | <u>£2,950,645</u> | <u>£2,688,036</u> |

12. PROVISIONS FOR LIABILITIES AND CHARGES

| | | |
|-------------------------------|-----------------|-----------------|
| Deferred taxation | 58,141 | 41,371 |
| Remedial and other provisions | 227,000 | 161,066 |
| | <u>£285,141</u> | <u>£202,437</u> |

(a) Deferred taxation:

Movement in year:

| | |
|---------------------|----------------|
| At 29 October 1989 | 41,371 |
| Charge for the year | 16,770 |
| At 28 October 1990 | <u>£58,141</u> |

The source of the balance on the deferred tax account is as follows:

| | <u>1990</u> | <u>Provided</u> <u>1989</u> |
|--|----------------|--------------------------------|
| Capital allowances in excess of depreciation | 98,741 | 79,544 |
| Short-term timing differences | (40,600) | (38,173) |
| | <u>£58,141</u> | <u>£41,371</u> |

(b) Remedial and other provisions:

Movement in the year:

| | |
|--------------------------|-----------------|
| At 29 October 1989 | 161,066 |
| Created during the year | 269,748 |
| Utilised during the year | (203,814) |
| At 28 October 1990 | <u>£227,000</u> |

KENNEDY ASPHALT LIMITED

NOTES TO THE ACCOUNTS
28 October 1990

| | <u>1990</u> | <u>1989</u> |
|---------------------------------------|-----------------|-------------------|
| 13. CALLED UP SHARE CAPITAL | | |
| Authorised and issued: | | |
| Ordinary shares of £1 each fully paid | <u>£100,000</u> | <u>£100,000</u> |
| 14. PROFIT AND LOSS ACCOUNT | | |
| At 29 October 1989 | | 1,805,488 |
| Retained profit for the year | | <u>159,323</u> |
| At 28 October 1990 | | <u>£1,964,811</u> |

All of the reserves are available for distribution.

15. CONTINGENT LIABILITY

The company is liable under the group election scheme for the value added tax liabilities of other group companies. The contingent liability at 28 October 1990 amounted to £430,771 (1989 - £722,526).

16. PENSIONS

The company is a member of the Kennedy Construction Group Pension Scheme. The Kennedy Construction Group operates a defined benefits contributory pension scheme which covers a large proportion of the company's permanent staff employees.

The full regular costs of providing benefits to the company's members of the Group pension 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.

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.

17. ULTIMATE HOLDING COMPANY

The company's ultimate holding company in the United Kingdom is Kennedy Construction Group Limited. This company is itself owned by Bertrem Limited which is incorporated in the Isle of Man.