

KENTON UTILITIES & DEVELOPMENTS LIMITED

Company No: 1062438

FINANCIAL STATEMENTS

- for the year ended -

30TH SEPTEMBER 1996



KENTON UTILITIES & DEVELOPMENTS LIMITED

DIRECTORS

D Cummins
C J M McKernan
E O'Hara
M B V C Hirschfield

SECRETARY

M B V C Hirschfield

BUSINESS ADDRESS

Kenton House
Springwell Road
Jarrow
Tyne & Wear. NE44 6AS

REGISTERED OFFICE

Kenton House
Springwell Road
Jarrow
Tyne & Wear. NE44 6AS

AUDITORS

Price Waterhouse
Chartered Accountants
89 Sandyford Road
Newcastle upon Tyne
NE99 1PL

PRINCIPAL BANKERS

Lloyds Bank PLC
Black Horse House
91 Sandyford Road
Newcastle-upon-Tyne
NE1 8HQ

KENTON UTILITIES & DEVELOPMENTS LIMITED

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KENTON UTILITIES & DEVELOPMENTS LIMITED

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements for the year ended 30th September 1996.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company is that of utility works.

The company reported a profit before tax for the year of £2,120,322 (1995 £2,005,816). The directors are very pleased with the results for the year and anticipate continued strong growth for the current year.

The company became a wholly owned subsidiary of Cruden Bay PLC on 23rd September 1996.

DIVIDEND AND TRANSFER TO RESERVES

The directors have paid an interim dividend amounting to £1,900,000, and they do not recommend payment of a final dividend.

It is proposed that the retained loss for the year of £512,007 is transferred from reserves.

FIXED ASSETS

Full disclosure of all matters relating to fixed assets is set out in the notes to the financial statements.

MARKET VALUE OF LAND AND BUILDINGS

In the opinion of the directors the market value of the land and buildings of the company significantly exceeds the book value.

DIRECTORS AND THEIR INTERESTS

The directors at the balance sheet date, including directors who were appointed or resigned during the year, are given below:-

The directors interests in the ultimate parent company, Cruden Bay PLC, are disclosed in that company's accounts.

D Cummins
C J M McKernan
E O'Hara
M B V C Hirschfield

K Grogan, C Gowland, C Grogan and E Bassarab resigned as directors on 1st July 1996. J P Leonard and A N Conway resigned as directors on 27th and 28th August 1996 respectively. R Grogan and D Grogan were appointed directors on 5th June 1996 and resigned as directors on 1st July 1996. M B V C Hirschfield was appointed a director on 1st July 1996.

KENTON UTILITIES & DEVELOPMENTS LIMITED

REPORT OF THE DIRECTORS (Continued)

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 the 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business;
- follow applicable accounting standards, subject to any material departures disclosed and explained in the financial statements.

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.

EMPLOYEES

The company actively encourages employees to participate in the continued success of the business by suitable training.

It is company policy to recruit disabled persons for appropriate vacancies. Once employed, whatever assistance is necessary in terms of training and career advancement is given.

AUDITORS

Price Waterhouse, Chartered Accountants were appointed auditors to the company and in accordance with section 385 of the Companies Act 1985 are willing to be reappointed.

By Order of the Board

Date: ..20..MARCH..1997..


Secretary

KENTON UTILITIES & DEVELOPMENTS LIMITED

AUDITORS' REPORT

AUDITORS' REPORT TO THE SHAREHOLDERS OF KENTON UTILITIES & DEVELOPMENTS LIMITED

We have audited the financial statements on pages 4 to 21 which have been prepared under the historical cost convention and the accounting policies set out on pages 8 and 9 to the financial statements.

Respective responsibilities of the directors and auditors

As described on page 2 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 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 30th September 1996 and of its profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse

PRICE WATERHOUSE
Chartered Accountants and
Registered Auditors

**89 Sandyford Road
Newcastle upon Tyne
NE99 1PL**

Date: *20 March 1997*

KENTON UTILITIES & DEVELOPMENTS LIMITED**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30TH SEPTEMBER 1996**

		1996		1995
	Notes	Pre- exceptional items £	Exceptional items £	As restated Total £
TURNOVER		24,384,446	-	19,415,482
Cost of sales		(18,807,237)	(402,742)	(14,132,769)
GROSS PROFIT		5,577,209	(402,742)	5,282,713
Administrative expenses		(3,261,896)	(240,877)	(3,422,772)
Other operating income		-	-	109,000
OPERATING PROFIT	2	2,315,313	(643,619)	1,968,941
Property disposals	2	-	434,242	-
Interest receivable	3	63,424	-	85,854
Interest payable	4	(49,038)	-	(48,979)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAX		2,329,699	(209,377)	2,005,816
Tax on profit on ordinary activities	7			(769,242)
PROFIT FOR THE FINANCIAL YEAR				1,236,574
Dividends	8			(350,000)
RETAINED (LOSS)/PROFIT FOR THE YEAR	19			886,574

None of the company's activities were acquired or discontinued during the above two financial years. Further details of the exceptional items are given in the notes to the accounts.

The notes on pages 8 to 21 form part of these financial statements.

KENTON UTILITIES & DEVELOPMENTS LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 30TH SEPTEMBER 1996

	Notes	1996 £	1995 As restated £
PROFIT FOR THE FINANCIAL YEAR		1,387,993	1,236,574
TOTAL RECOGNISED NET GAINS RELATING TO THE YEAR		<hr/> 1,387,993	<hr/> 1,236,574
Prior year adjustment	20	<hr/> (150,000)	<hr/> -
TOTAL NET GAINS RECOGNISED SINCE LAST ANNUAL REPORT		<hr/> <hr/> 1,237,993	<hr/> <hr/> 1,236,574

The notes on pages 8 to 21 form part of these financial statements.

KENTON UTILITIES & DEVELOPMENTS LIMITED**BALANCE SHEET AT 30TH SEPTEMBER 1996**

	Notes	1996 £	1995 As restated £
FIXED ASSETS			
Tangible fixed assets	9	1,167,634	1,722,032
Investments: related undertakings	11	1,602	1,142
Investments: other	10	10	10
		<u>1,169,246</u>	<u>1,723,184</u>
CURRENT ASSETS			
Stocks	12	176,613	150,000
Debtors	13	6,647,236	4,869,301
Cash at bank and in hand		82,353	991,521
		<u>6,906,202</u>	<u>6,010,822</u>
CREDITORS: Amounts falling due within one year	14	<u>(5,254,518)</u>	<u>(4,360,735)</u>
NET CURRENT ASSETS		<u>1,651,684</u>	<u>1,650,087</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,820,930</u>	<u>3,373,271</u>
CREDITORS: Amounts falling due after more than one year	15	(30,193)	(125,744)
PROVISIONS FOR LIABILITIES AND CHARGES	17	(228,534)	(173,317)
		<u>2,562,203</u>	<u>3,074,210</u>
CAPITAL AND RESERVES			
Called up share capital	18	25,167	25,000
Profit and loss account	19	2,537,036	3,049,210
Equity and non-equity shareholders funds	20	<u>2,562,203</u>	<u>3,074,210</u>

The financial statements were approved
by the board on ...20 March 1997... and
signed on its behalf by

D Cummins.....)
C M J McKernan.....) Directors

The notes on pages 8 to 21 form part of these financial statements.

KENTON UTILITIES & DEVELOPMENTS LIMITED**CASH FLOW STATEMENT FOR THE YEAR ENDED 30TH SEPTEMBER 1996**

	Notes	1996 £	1995 As restated £
NET CASH INFLOW FROM OPERATING ACTIVITIES	21	1,344,720	2,237,101
Return on investments and servicing of finance:			
Interest received		63,424	85,854
Interest paid		(23,849)	(17,921)
Dividends paid		(1,900,000)	(375,000)
Interest element on hire purchase contracts		(25,189)	(31,058)
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(1,885,614)	(338,125)
Taxation:			
Corporation tax paid		(766,833)	(100)
Corporation tax received		12,500	-
TAX PAID		(754,333)	(100)
Investing activities:			
Purchase of tangible fixed assets		(221,313)	(659,288)
Purchase of investments in subsidiary undertakings		-	(2)
Receipts from sale of tangible assets		747,685	99,346
NET CASHFLOW FROM INVESTING ACTIVITIES		526,372	(559,944)
NET CASH FLOWS BEFORE FINANCING		(768,855)	1,338,932
Financing:			
Repayment of capital on hire purchase contracts and finance leases rentals		140,313	240,594
NET CASH OUTFLOW FROM FINANCING	23	140,313	240,594
MOVEMENT IN CASH AND CASH EQUIVALENTS	22	(909,168)	1,148,338
		(768,855)	1,388,932

The notes on pages 8 to 21 form part of these financial statements.

KENTON UTILITIES & DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH SEPTEMBER 1996

1. ACCOUNTING POLICIES

1.1 BASIS OF ACCOUNTING

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

1.2 TURNOVER

Turnover represents the value of work invoiced to customers and work done but not invoiced but which may be assessed with reasonable certainty, net of Value Added Tax.

1.3 FORMAT OF PROFIT AND LOSS ACCOUNT

The profit and loss account has been prepared by reference to format 1 of Schedule 4 to the Companies Act 1985. In prior years the profit and loss account has been prepared by reference to format 2 of Schedule 4. In the opinion of the directors format 1 gives more relevant information with regard to the operations of the company. Certain comparative information has been reclassified to conform to the current years presentation.

1.4 DEPRECIATION

Depreciation is provided using the following rates and bases to reduce by annual instalments the cost, less estimated residual value, of the tangible assets over their estimated useful lives:-

Freehold buildings	Straight line over one hundred years
Plant and machinery	20% Straight line
Motor vehicles	20% - 25% Straight line

1.5 STOCKS

Stocks are valued at the lower of cost and net realisable value. Cost is calculated as follows:

Raw materials	- cost of purchase on first in, first out basis
Finished goods	- cost of raw materials and labour together with attributable overheads.

Net realisable value is based on estimated selling price less further costs to completion and disposal.

1.6 DEFERRED TAXATION

Provision is made on a liability basis for tax deferred by timing differences to the extent that there is reasonable probability that the tax deferral will crystallise in the foreseeable future.

KENTON UTILITIES & DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH SEPTEMBER 1996

1.7 LEASING AND HIRE PURCHASE

Assets acquired under finance leases or hire purchase contracts are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Finance charges and interest are taken to the profit and loss account in constant proportion to the remaining balance of capital repayments or net obligations outstanding.

1.8 PENSIONS

Company pension contributions are charged to the profit and loss account so as to spread the cost of the pensions over the employees' working lives with the company. The contributions are invested separately from the company's assets.

1.9 PROVISIONS

Provision is made against future remedial costs relating to existing work to the extent that there is a reasonable probability such costs will be incurred.

KENTON UTILITIES & DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH SEPTEMBER 1996

2.	OPERATING PROFIT AND EXCEPTIONAL ITEMS	1996 £	1995 £
	The operating profit is stated after charging:		
	Depreciation	497,686	370,985
	Auditors' remuneration	15,000	14,732
	Amounts written off investments	-	50,000
	and after crediting:		
	Rents receivable	-	57,000
	Management charge	-	52,000

A detailed analysis of the exceptional items is given below:-

Cost of sales

Non recurring costs with regard to a main laying contract between Brayton and Kirkhamgate	388,992
Costs with regard to boundary box failures	13,750

402,742

Administrative expenses

Costs associated with the change in ownership of the company	77,049
Directors' remuneration on termination of employment	163,828

240,877

Disposal of properties

Profit on disposal of properties	434,242
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The profit on disposal of properties is disclosed as exceptional income, representing the sale of two material assets.

3.	INTEREST RECEIVABLE	1996 £	1995 £
	Bank and other interest receivable	63,424	85,854

KENTON UTILITIES & DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH SEPTEMBER 1996

4.	INTEREST PAYABLE	1996 £	1995 £
	On bank loans and overdrafts and on loans repayable in full within five years	23,724	17,921
	On overdue tax	125	-
	Hire purchase interest	25,189	31,058
		<u>49,038</u>	<u>48,979</u>

KENTON UTILITIES & DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH SEPTEMBER 1996

5. DIRECTORS AND EMPLOYEES	1996 £	1995 £
Staff costs:		
Wages and salaries	7,618,649	6,794,488
Social security costs	682,067	619,059
Other pension costs	2,197	26,252
	<u>8,302,913</u>	<u>7,439,799</u>
The average weekly number of employees during the year was made up as follows:		
	Number	Number
Administration	39	45
Construction	337	317
	<u>376</u>	<u>362</u>
	£	£
Directors' emoluments:		
Remuneration for management services	<u>711,889</u>	<u>795,124</u>
The division of directors' emoluments, excluding pension contributions, is as follows:		
Chairman	<u>186,431</u>	<u>226,388</u>
Highest paid directors (2)	<u>211,500</u>	<u>-</u>
Directors' remuneration fell within the following ranges:		
	Number	Number
£Nil - £5,000	5	3
£5,001 - £10,000	1	-
£10,001 - £15,000	-	1
£15,001 - £20,000	1	-
£20,001 - £25,000	1	-
£25,001 - £30,000	-	1
£30,001 - £35,000	1	-
£35,001 - £40,000	-	1
£40,001 - £45,000	1	-
£45,001 - £50,000	-	1
£50,001 - £55,000	1	-
£55,001 - £60,000	2	-
£60,001 - £65,000	-	2
£65,001 - £70,000	-	1
	<u>-</u>	<u>-</u>

KENTON UTILITIES & DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH SEPTEMBER 1996

6. PENSION COSTS

The company operates a final pensionable pay pension scheme. The assets of the scheme are held separately from those of the company, being invested with an insurance company. Contributions payable by the company amounted to £2,197 (1995: £1,774). All contributions were paid in the year.

The scheme commenced on 17 August 1995 and an actuarial valuation was carried out in May 1996.

Contributions to the scheme are based on investment returns of 9% per annum, salary increases of 7% per annum and that present and future pensions would increase at 4% per annum. Employee contributions are 6% of earnings with the company contributing the balance to fully fund the scheme.

Pension contributions paid during the year to non company pension schemes were £Nil (1995 £24,478).

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1996 £	1995 £
The taxation charge based on the profit before tax comprises:		
U.K. corporation tax at 33% (1995 - 32.7%)	720,484	760,205
Transfer to deferred taxation	5,217	8,936
Payment in respect of group relief	-	101
	<hr/> 725,701	<hr/> 769,242
Adjustment in respect of prior years	6,628	-
	<hr/> 732,329	<hr/> 769,242

8. DIVIDENDS

	1996 £	1995 £
Equity interests		
Ordinary:-		
Interim dividend paid during the year	<hr/> 1,900,000	<hr/> 350,000

KENTON UTILITIES & DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH SEPTEMBER 1996

9. TANGIBLE FIXED ASSETS

	Plant & machinery £	Land and buildings £	Motor vehicles £	Total £
<u>Cost</u>				
At 1st October 1995	1,219,674	318,734	2,194,287	3,732,695
Additions	116,563	-	104,750	221,313
Disposals	(40,740)	(162,599)	(241,040)	(444,379)
At 30th September 1996	<u>1,295,497</u>	<u>156,135</u>	<u>2,057,997</u>	<u>3,509,629</u>
<u>Depreciation</u>				
At 1st October 1995	1,062,927	17,438	930,298	2,010,663
Charge for year	63,585	1,316	432,785	497,686
On disposals	(10,948)	(8,542)	(146,864)	(166,354)
At 30th September 1996	<u>1,115,564</u>	<u>10,212</u>	<u>1,216,219</u>	<u>2,341,995</u>
<u>Net book value at 30th September 1996</u>	<u>179,933</u>	<u>145,923</u>	<u>841,778</u>	<u>1,167,634</u>
<u>Net book value at 30th September 1995</u>	<u>156,747</u>	<u>301,296</u>	<u>1,263,989</u>	<u>1,722,032</u>
			1996 £	1995 £
Analysis of net book value of land and buildings:				
Freehold			<u>145,923</u>	<u>301,296</u>
Included above are assets held under finance leases or hire purchase contracts as follows:				
			1996 £	1995 £
Net book values:				
Motor vehicles			<u>193,624</u>	<u>311,061</u>
			<u>193,624</u>	<u>311,061</u>
Depreciation charge for the year:				
Motor vehicles			<u>98,343</u>	<u>97,805</u>
			<u>98,343</u>	<u>97,805</u>

Net obligations under finance leases and hire purchase contracts are secured on the assets acquired.

KENTON UTILITIES & DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH SEPTEMBER 1996

10. INVESTMENTS - OTHER

<u>Cost</u>	Beginning of year £	Additions £	End of year £
Other investments other than loans	10	-	10
	<u>10</u>	<u>-</u>	<u>10</u>
<u>Net book value</u>	<u>10</u>		<u>10</u>
<u>Other investments other than loans</u>	1996		1995
	Cost £		Cost £
Unlisted	10		10
	<u>10</u>		<u>10</u>

KENTON UTILITIES & DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH SEPTEMBER 1996

11. INVESTMENTS - RELATED UNDERTAKINGS

<u>Cost</u>	<u>Beginning of year</u> £	<u>Additions</u> £	<u>Adjustment</u> £	<u>End of year</u> £
Shares:				
Group undertaking	1,142	-	460	1,602
	<u>1,142</u>	<u>-</u>	<u>460</u>	<u>1,602</u>
<u>Net book value</u>	<u>1,142</u>			<u>1,602</u>

The following were the trading subsidiaries at the balance sheet date:

Subsidiary undertakings	Description and proportion of share capital owned	Country of incorporation	Nature of business
Helgar (Plant Hire) Limited	Ordinary shares 100%	England	Plant hire
Kenton Utilities & Developments (Ireland) Limited	Ordinary shares 100%	Republic of Ireland	Utility works contracting

The company is exempt from the obligations to prepare group financial statements as it is itself a subsidiary undertaking and its immediate parent undertaking is established under the law of a member state of the European Economic Area.

The adjustment of £460 disclosed above reflects the amount necessary to ensure the value of the investments disclosed in the shares of the subsidiary companies is the nominal value of these shares. The shares were acquired at their nominal value.

12. STOCKS

	<u>1996</u> £	<u>1995</u> £
Raw materials and consumables	26,613	-
Finished goods and goods for resale	150,000	150,000
	<u>176,613</u>	<u>150,000</u>

KENTON UTILITIES & DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH SEPTEMBER 1996

13. DEBTORS	1996 £	1995 £
Trade debtors	6,120,583	4,351,509
Amounts owed by subsidiary undertakings	391,928	373,634
Other debtors	76,630	125,519
Advance corporation tax	38,516	-
Prepayments and accrued income	19,579	18,639
	<u>6,647,236</u>	<u>4,869,301</u>
14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	1996 £	1995 £
Trade creditors	760,198	1,686,834
Amounts owed to subsidiary undertakings	1,813,008	566,727
Corporation tax	759,000	760,205
Other taxes and social security costs	596,563	824,212
Net obligations under finance lease and hire purchase contracts	117,995	162,757
Other creditors	565,642	-
Accruals and deferred income	642,112	360,000
	<u>5,254,518</u>	<u>4,360,735</u>
15. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	1996 £	1995 £
Net obligations under finance leases and hire purchase contracts	30,193	125,744
	<u>30,193</u>	<u>125,744</u>
16. NET OBLIGATIONS UNDER FINANCE LEASES AND HIRE PURCHASE CONTRACTS	1996 £	1995 £
<u>The company's net obligations under finance leases and hire purchase contracts are repayable as follows:</u>		
In one year, or less or on demand	117,995	162,757
Between one and two years	18,563	100,650
Between two and five years	11,630	25,094
	<u>148,188</u>	<u>288,501</u>
Included in current liabilities	(117,995)	(162,757)
	<u>30,193</u>	<u>125,744</u>

KENTON UTILITIES & DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH SEPTEMBER 1996

17. PROVISIONS FOR LIABILITIES AND CHARGES

Deferred Tax

Deferred tax is calculated at 33% (1995 - 32.7%) analysed over the following timing differences:

	1996 £	Fully Provided 1995 £
On the excess of capital allowances over depreciation	28,534	23,317
	<u>28,534</u>	<u>23,317</u>

Movements on the provision for deferred taxation are:

	£
At 1st October 1995	23,317
Transferred from profit and loss account	<u>5,217</u>
At 30th September 1996	<u>28,534</u>

Damages provision

At 1st October 1995 as restated	150,000
Transferred from profit and loss account	<u>50,000</u>
At 30th September 1996	<u>200,000</u>

The damages provision relates to possible future remedial work against existing or completed work.

	1995 £ As restated
<u>SUMMARY OF PROVISIONS</u>	
Deferred Tax	28,534
Damages provision	<u>200,000</u>
	<u>228,534</u>
	<u>173,317</u>

KENTON UTILITIES & DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH SEPTEMBER 1996

18. SHARE CAPITAL	1996 £	1995 £
<u>Authorised</u>		
Equity and non-equity interests:		
25,000 Deferred ordinary shares of £1 each	25,000	25,000
25,000 Ordinary shares of \$0.01 each	167	-
	<u>25,167</u>	<u>25,000</u>
<u>Allotted, called up and fully paid</u>		
Equity and non-equity interests:		
25,000 Deferred ordinary shares of £1 each	25,000	25,000
25,000 Ordinary shares of \$0.01 each	167	-
	<u>25,167</u>	<u>25,000</u>

On 23 August 1996 the ordinary £1 shares were redesignated as deferred ordinary £1 shares. The authorised share capital was increased by \$250 by the creation of 25,000 shares of \$0.01. These shares were issued at par on 23 August 1996.

Class rights of shares

The \$0.01 ordinary shares carry full voting rights, full rights to dividends and preferential rights in the event of a winding up. The £1 deferred ordinary shares carry no voting, no rights to dividends and limited rights in the event of a winding up.

19. PROFIT AND LOSS ACCOUNT	1996 £	As restated 1995 £
Retained profits at 1st October 1995	3,199,210	2,162,636
Prior year adjustment	(150,000)	-
	<u>3,049,210</u>	<u>2,162,636</u>
Retained profits at 1st October 1995 as restated	3,049,210	2,162,636
(Loss)/profit for the year	(512,007)	886,574
Bonus issue of shares	(167)	-
	<u>2,537,036</u>	<u>3,049,210</u>
Retained profits at 30th September 1996	2,537,036	3,049,210

KENTON UTILITIES & DEVELOPMENTS LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH SEPTEMBER 1996****20. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	1996 £	As restated 1995 £
Profit for the financial year	1,387,993	1,236,574
Dividends	(1,900,000)	(350,000)
	(512,007)	886,574
Shareholders' funds at 1st October 1995	3,224,210	2,187,636
Prior year adjustment	(150,000)	-
Shareholders' funds at 1st October 1995 as restated	3,074,210	2,187,636
Shareholders' funds at 30th September 1996	2,562,203	3,074,210
Represented by:-		
Equity and non-equity interests	2,562,203	3,074,210
	2,562,203	3,074,210

The prior year adjustment relates to the change in accounting policy arising as a result in accounting for retentions on contracts as they arise and for future remedial work relating to existing contracts.

Non equity shareholders funds comprise £25,000, relating to the issued deferred ordinary share capital.

21. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	1996 £	As restated 1995 £
Operating profit	1,671,694	1,968,941
Depreciation	497,686	370,985
Profit on disposal of fixed assets	(35,418)	(14,341)
Increase in stocks	(26,613)	-
Increase in debtors	(1,751,919)	(1,880,814)
Increase in creditors due within one year	939,290	1,692,330
Provisions regarding damages/investments	50,000	100,000
	1,344,720	2,237,101
<u>Provisions regarding damages/investments</u>		
Increase in damages provision	50,000	150,000
Amounts written off investment	-	(50,000)
	50,000	100,000

KENTON UTILITIES & DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH SEPTEMBER 1996

22. ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS

	1996 £	1995 £
Cash at bank and in hand at 1st October 1995	991,521	3,000
Cash at bank and in hand at 30th September 1996	82,353	991,521
Net movement	(909,168)	988,521
Bank overdraft at 1st October 1995	-	(159,817)
Bank overdraft at 30th September 1996	-	-
Net movement	-	159,817
Total net movements	(909,168)	1,148,338

23. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	1996 £	1995 £
Share capital at 1st October 1995	25,000	25,000
Shares issued for non-cash consideration	167	-
Share capital at 30th September 1996	25,167	25,000
Finance lease obligations at 1st October 1995	288,501	529,095
Cash outflow from financing	(140,313)	(240,594)
Finance lease obligations at 30th September 1996	148,188	288,501

24. ULTIMATE PARENT COMPANY

The ultimate parent company is Cruden Bay PLC a company incorporated in Great Britain. Copies of the accounts of the parent company may be obtained from The Seventh Floor, 3 London Wall Buildings, London Wall, London. EC2M 5PP.