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WALTER LAWRENCE CONSTRUCTION LIMITED

Report of the Directors

The Directors submit their report for the year ended 31 December 1986 together with the audited accounts for the year.

Business Review The Company's principal activity is construction.

The Group Trading Results were as follows:-

	1986 £'000	1985 £'000
Turnover	<u>53,237</u>	<u>59,193</u>
Profit on ordinary activities before taxation	62	739
Taxation	<u>58</u>	<u>310</u>
Profit on ordinary activities after taxation	<u>4</u>	<u>429</u>

Dividends The Directors do not propose the payment of a dividend.

Directors The directors of the Company during the year were:

T. J. C. Mawby
J. A. Thompson
D. H. Brown
J. R. Dance (appointed 15 December 1986)
R. A. B. Turnbull
K. F. Wall

Mr. E.J. Howard was appointed as a director on 1 February 1986. Mr. Howard, together with Mr. P. Moayedl and Mr. M.F. Ponting, resigned as a director on 25th June as a result of restructuring. Mr. Howard, Mr. Moayedl and Mr. Ponting continue to hold senior executive positions within the group.

Mr. A.P.T. Heritage retired as a director on 30th April 1986 and Mr. K.E. Hill retired as a director on 22nd May, 1986.

Mr. H.E. Watkin was appointed as a director on 24th February, 1986. He resigned as a director on 31 December 1986 but continues to act on behalf of the Company in a consultative capacity.

Mr. J.A. Thompson and Mr. K.F. Wall retire as directors by rotation and, being eligible, offer themselves for re-election.

Mr. J.R. Dance, who was appointed since the last Annual General Meeting, retires and being eligible offers himself for re-election.



Report of the Directors (continued)

Employees

The Company gives full and fair consideration to applications for employment received from disabled persons, having regard to their particular aptitudes and abilities, and wherever possible the Company continues the employment of, and arranges appropriate training for, employees who become disabled persons while employed by the Company. Disabled employees are treated no differently from other employees as regards training, career development and promotion opportunities. This policy was operated by the Company, where appropriate, throughout the year.

Throughout the Company there is consultation between management and other employees on matters of concern. To encourage the involvement of employees in the Company's contribution to the Group's performance, the Ultimate Holding Company continues to operate an Employee Share Scheme through which employees of the Company can become shareholders in Walter Lawrence P.L.C.

Directors' interests in shares

None of the Directors has any interest in the shares of the Company. The beneficial interests of Directors and their families, other than those who are Directors of the Ultimate Holding Company, Walter Lawrence P.L.C., were as follows:

	31 December	Holding 1 January or date of appointment
D. H. Brown		
Ordinary Shares of 25p each	1,875	1,875
8.5% Convertible Cumulative Redeemable Preference Shares of £1 each	375	-

In addition the Directors held options on unissued shares in Walter Lawrence P.L.C. as follows:

	Note (1)	Note (2)	Note (3)
D.H. Brown	45,000	10,000	-
J.R. Dance	-	-	25,000

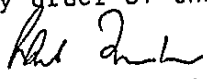
Note (1) Exercisable at 69.33p between 19th November 1987 & 18th November 1994
 Note (2) Exercisable at 87p between 2nd December 1988 & 1st December 1995
 Note (3) Exercisable at 106p between 9th February 1990 & 8th February 1997

The interests of T.J.C. Mawby, J.A. Thompson and K.F. Wall, who are also Directors of the Ultimate Holding Company, are shown in the Directors' report of that Company.

Auditors

At the Company's last Annual General Meeting, Peat, Marwick, Mitchell & Co. were re-appointed as Auditors. They now practice under the name of Peat Marwick McLintock and accordingly have signed the audit report in their new name. A resolution for their reappointment is to be proposed at the forthcoming Annual General Meeting in accordance with Section 384 of the Companies Act 1985.

By order of the board


 R.A.B. Turnbull
 Secretary

WALTER LAWRENCE CONSTRUCTION LIMITED

Auditors' Report

Report of the Auditors to the Members of Walter Lawrence Construction Limited

We have audited the accounts on pages 4 to 15 in accordance with approved Auditing Standards.

In our opinion, the accounts, which have been prepared on the basis of the accounting policies set out on pages 7 and 8, give a true and fair view of the state of affairs of the Company and of the Group at 31 December 1986 and of the profit and source and application of funds for the year to that date and comply with the Companies Act 1985.

Peat Marwick McLintock

Peat Marwick McLintock
Chartered Accountants

London
15 April 1987

WALTER LAWRENCE CONSTRUCTION LIMITED

Profit and Loss Account

Walter Lawrence Construction Limited and Subsidiary Companies

For the Year Ended 31 December		1986	1985
	Note	£'000	£'000
Turnover	2	53,237	59,193
Raw materials and consumables		10,634	11,790
Other external charges		32,269	35,891
Staff costs	3	9,763	10,373
Depreciation		509	529
		<u>53,175</u>	<u>58,583</u>
Interest	4	62	610
		-	129
Profit on ordinary activities before taxation	5	62	739
Taxation	6	58	310
Profit for the financial year		4	429
Dividend		-	650
(Loss)/retained profit for the financial year		4	(221)
Profit and loss account brought forward		1,934	2,155
Profit and loss account carried forward		<u>1,938</u>	<u>1,934</u>

The policies and notes on pages 7 to 15 form an integral part of these accounts.

WALTER LAWRENCE CONSTRUCTION LIMITED

Balance Sheets

Walter Lawrence Construction Limited and Subsidiary Companies.

At 31 December		1986	1986	1985	1985
		The Group	The Company	The Group	The Company
	Note	£'000	£'000	£'000	£'000
Fixed Assets					
Tangible Assets	7	1,486	1,027	1,495	1,013
Investment in subsidiaries	8	<u>-</u>	<u>819</u>	<u>-</u>	<u>819</u>
		<u>1,486</u>	<u>1,846</u>	<u>1,495</u>	<u>1,832</u>
Current Assets					
Stocks	9	5,460	4,772	7,472	6,771
Debtors	10	10,871	10,006	8,607	8,078
Cash at bank and in hand		<u>1,498</u>	<u>1,533</u>	<u>2,665</u>	<u>2,370</u>
		17,829	16,311	18,744	17,219
Creditors					
Amounts falling due within one year	11	<u>12,809</u>	<u>12,041</u>	<u>13,735</u>	<u>12,980</u>
Net Current Assets		<u>5,020</u>	<u>4,270</u>	<u>5,009</u>	<u>4,239</u>
Total Assets less Current Liabilities		6,506	6,116	6,504	6,071
Creditors					
Amounts falling due after more than one year	11	593	373	615	326
Provision for liabilities and charges	12	<u>40</u>	<u>-</u>	<u>20</u>	<u>-</u>
Net Assets		<u>5,873</u>	<u>5,743</u>	<u>5,869</u>	<u>5,745</u>
Capital and Reserves					
Called up share capital	13	1,000	1,000	1,000	1,000
Share premium account		2,935	2,935	2,935	2,935
Profit and loss account	14	<u>1,938</u>	<u>1,808</u>	<u>1,934</u>	<u>1,810</u>
		<u>5,873</u>	<u>5,743</u>	<u>5,869</u>	<u>5,745</u>

The policies and notes on pages 7 to 15 form an integral part of these accounts.

T.J.C. Mawby
Director

D.H. Brown
Director

15 April 1987

WALTER LAWRENCE CONSTRUCTION LIMITED

Statement of Source and Application of Funds

Walter Lawrence Construction Limited and Subsidiary Companies

For the year ended 31 December	1986 £'000	1985 £'000		
Source of Funds:				
Profit on ordinary activities before taxation	62	739		
Items not involving movement of funds:				
Depreciation	<u>509</u>	<u>529</u>		
Total generated from operations	571	1,268		
Funds from other sources:				
Net book value of fixed assets sold	90	59		
Reduction in loan to Holding Company	<u>-</u>	<u>224</u>		
	<u>661</u>	<u>1,551</u>		
Application of Funds:				
Loan to Holding Company	646	-		
Dividends paid	-	-		
Taxation paid	497	802		
Purchase of fixed assets	590	766		
Extraordinary item	<u>-</u>	<u>-</u>		
	1,733	1,568		
(Decrease) in working capital	<u>(1,072)</u>	<u>(17)</u>		
	<u>661</u>	<u>1,551</u>		
Working Capital Summary				
	Source	Application	Source	Application
Debtors	-	1,643	1,029	-
Stock and work-in-progress	2,012	-	-	1,256
Creditors	-	639	693	-
Group indebtedness	175	-	137	-
Liquid fund	<u>1,167</u>	<u>-</u>	<u>-</u>	<u>576</u>
	3,354	2,282	1,859	1,842
Working capital	<u>-</u>	<u>1,072</u>	<u>-</u>	<u>17</u>
	<u>3,354</u>	<u>3,354</u>	<u>1,859</u>	<u>1,859</u>

WALTER LAWRENCE CONSTRUCTION LIMITED

Notes to the Accounts Year Ended 31 December 1986

Walter Lawrence Construction Limited and Subsidiary Companies

1. Principal Accounting Policies

- a) Basis of Accounting The accounts have been prepared under the historical cost convention.
- b) Basis of Consolidation The Group accounts deal with the accounts of Walter Lawrence Construction Limited and its subsidiaries.
- A separate profit and loss account dealing with the results of the Company only has not been presented as provided by Section 228(7) of the Companies Act 1985.
- c) Turnover and Profits Contracting
- Contracting turnover comprises the total value of work executed in the year including the movement in work-in-progress. The profit includes the results of contracts completed during the year and the profits attributable to contracts in progress at the year end, in both cases after deducting any amounts brought into revenue in previous years.
- Housebuilding
- Housebuilding turnover represents the value of units sold in the year. Sales are recognised when contracts are exchanged provided the construction work is substantially complete at that time and legal completion has taken place within a reasonable period thereafter.
- d) Stock and Work-in-Progress Work-in-progress in respect of building and contracting work is stated at cost, including site and other appropriate overheads, plus attributable profit. Full provision is made for anticipated losses to date of completion. Extra-contractual claims by the Group arising on a contract are accounted for when agreed.
- Housing developments are stated at the lower of cost (including appropriate overheads) and net realisable value, less, where appropriate, provisions for estimated losses, and after deducting the estimated costs attributable to the units sold.
- Property held for and in course of development is stated at the lower of cost and net realisable value as estimated by the directors.
- Stock is stated at the lower of cost and net realisable value.
- e) Leased Assets Where fixed assets are financed by leasing agreements which give rights approximating to ownership the assets are treated as if they had been purchased and the capital element of the leasing commitments is shown as obligations under finance leases (see note 11). The rentals payable are apportioned between interest, which is charged in the profit and loss account and capital, which reduces the outstanding obligations.

WALTER LAWRENCE CONSTRUCTION LIMITED

Notes to the Accounts Year Ended 31 December 1986 (continued)
Walter Lawrence Construction Limited and Subsidiary Companies

1. Principal Accounting Policies (continued)

- f) Depreciation and Amortisation The cost of leases having an unexpired period of less than fifty years and of improvements thereto are amortised on a straight line basis over the residual life of the lease.
- The cost of plant and machinery, fixtures and fittings and motor vehicles is in general written off by equal annual instalments over the estimated economic life which for most items is between three and ten years.
- g) Deferred Taxation Deferred taxation is provided using the liability method in respect of the taxation effect of all timing differences to the extent that it is probable that liabilities will crystallise in the foreseeable future.
- h) Interest Interest is written off to the Profit and Loss Account as incurred.
- i) Pension Contributions Pension benefits are funded over the employees period of service. To ensure the schemes are fully funded contributions are based on the most recent actuarial valuation of the Pension Schemes of the Walter Lawrence P.L.C. Group and charged to Profit and Loss Account in the year in which they are incurred.

2. Turnover

Turnover was derived entirely from Construction activities within the United Kingdom.

3. Staff Numbers and Costs

The average number of persons employed by the Company, including directors, during the year was as follows:

	1986	1985
Management and Administration	330	334
Production	<u>643</u>	<u>706</u>
	<u>973</u>	<u>1,040</u>

The aggregate payroll costs of these persons were as follows:

	1986 £'000	1985 £'000
Wages and salaries	8,666	9,146
Social Security costs	<u>700</u>	<u>795</u>
Pension	<u>337</u>	<u>432</u>
	<u>9,763</u>	<u>10,373</u>

4. Interest

	1986 £'000	1985 £'000
Interest receivable - intra group	113	181
Other	<u>3</u>	<u>17</u>
	88	198
Interest payable - finance leases	<u>88</u>	<u>69</u>
	<u>-</u>	<u>129</u>

WALTER LAWRENCE CONSTRUCTION LIMITED

Notes to the Accounts Year Ended 31 December 1986 (continued)

Walter Lawrence Construction Limited and Subsidiary Companies

5. Profit On Ordinary Activities before Taxation

	1986 £'000	1985 £'000
The Operating profit has been arrived at:		
(a) After charging:		
Directors' emoluments:		
Fees	-	-
Other emoluments	158	185
Pension contributions	33	51
Compensation and ex-gratia payments	<u>97</u>	<u>-</u>
	<u>288</u>	<u>236</u>
Auditors' remuneration	38	37
Plant hire charges	<u>1,189</u>	<u>1,332</u>
(b) After crediting:		
Rental Income	<u>49</u>	<u>29</u>

Directors' emoluments were as follows:

	1986 £	1985 £
Chairman's emoluments	31,999	Nil
Highest paid director's emoluments	42,580	43,205

The number of other directors whose emoluments fell into the following ranges were:

	1986	1985
Up to £5,000	4	3
£5,001 to £10,000	1	1
£10,001 to £15,000	4	-
£15,001 to £20,000	-	1
£20,001 to £25,000	1	1
£25,001 to £30,000	-	1
£30,001 to £35,000	-	2

The Company had no employees paid over £30,001 (1985 - Nil).

WALTER LAWRENCE CONSTRUCTION LIMITED

Notes to the Accounts Year Ended 31 December 1986 (continued)

Walter Lawrence Construction Limited and Subsidiary Companies

6. Taxation

	1986 £'000	1985 £'000
Corporation tax at 36.25% on profits for the year (1985 - 41.25%)		
Group relief payable	20	323
Deferred taxation	20	7
Adjustment in respect of previous years	<u>18</u>	<u>(20)</u>
	<u>58</u>	<u>310</u>

There are tax losses carried forward available to be set off against certain future taxable profits amounting to £1,076,000, £111,000 of which has been incorporated in the deferred taxation provision.

WALTER LAWRENCE CONSTRUCTION LIMITED

Notes to the Accounts Year Ended 31 December 1986 (continued)

Walter Lawrence Construction Limited and Subsidiary Companies

7. Tangible Fixed Assets:

	The Group					Total £'000
	Short Leasehold £'000	Plant & Machinery Owned £'000	Leased £'000	Fixtures & Fittings Owned £'000	Leased £'000	
Cost:						
At 1 January 1986	160	2,072	1,621	351	30	4,234
Additions - Third party	22	198	316	32	22	590
Additions - Intra group	-	1	-	-	-	1
Disposals - Third party	-	(207)	(258)	(1)	-	(466)
At 31 December 1986	182	2,064	1,679	382	52	4,359
Accumulated Depreciation:						
At 1 January 1986	68	1,640	741	269	21	2,739
Charge for the year	20	146	299	39	5	509
Additions - Intra group	-	1	-	-	-	1
Disposals - Third party	-	(176)	(200)	-	-	(376)
At 31 December 1986	88	1,611	840	308	26	2,873
Net Book Value						
At 31 December 1986	94	453	839	74	26	1,486
At 31 December 1985	92	432	880	82	9	1,495

	The Company					Total £'000
	Short Leasehold £'000	Plant & Machinery Owned £'000	Leased £'000	Fixtures & Fittings Owned £'000	Leased £'000	
Cost:						
At 1 January 1986	160	1,886	1,046	291	30	3,413
Additions - Third party	22	152	282	29	12	497
Additions - Intra group	-	1	-	-	-	1
Disposals - Third party	-	(204)	(180)	-	-	(384)
At 31 December 1986	182	1,835	1,148	320	42	3,527
Accumulated Depreciation:						
At 1 January 1986	68	1,493	597	221	21	2,400
Charge for the year	21	139	216	33	4	413
Additions - Intra group	-	1	-	-	-	1
Disposals - Third party	-	(172)	(142)	-	-	(314)
At 31 December 1986	89	1,461	671	254	25	2,500
Net Book Value						
At 31 December 1986	93	374	477	66	17	1,027
At 31 December 1985	92	393	449	70	9	1,013

WALTER LAWRENCE CONSTRUCTION LIMITED

Notes to the Accounts Year Ended 31 December 1986 (continued)

Walter Lawrence Construction Limited and Subsidiary Companies

8. Investment in Subsidiaries

	Shares £'000	Loans £'000	Total £'000
Cost:			
At 1 January 1986	150	669	819
Movement in year	<u>-</u>	<u>-</u>	<u>-</u>
31 December 1986	<u>150</u>	<u>669</u>	<u>819</u>

The subsidiary companies are:

Rock Asphalte Limited
The National Flooring Company Limited

Both the Companies are incorporated in Great Britain and are wholly owned by Walter Lawrence Construction Limited.

9. Stock and Work-in-progress

	1986 The Group £'000	1986 The Company £'000	1985 The Group £'000	1985 The Company £'000
Work-in-progress on uncompleted Contracts	34,131	32,832	55,738	53,272
Less amounts received and receivable on account	<u>29,502</u>	<u>28,793</u>	<u>48,947</u>	<u>47,100</u>
	4,629	4,039	6,791	6,172
Add payments received on account in excess of carrying value transferred to creditors	<u>132</u>	<u>132</u>	<u>127</u>	<u>127</u>
	4,761	4,171	6,918	6,299
Property held for or in the course of development	479	479	300	300
Stocks	<u>220</u>	<u>122</u>	<u>254</u>	<u>172</u>
	<u>5,460</u>	<u>4,772</u>	<u>7,472</u>	<u>6,771</u>

The inclusion of attributable profit in long term contract work-in-progress in accordance with SSAP9 constitutes a departure from the statutory valuation rules and is required by s.228 of the Companies Act 1985 to enable the accounts to give a true and fair view. As progress payments cannot meaningfully be allocated between cost and profit, it is impracticable to determine the effect of the departure on the balance sheet carrying amount of long term contract work in progress.

WALTER LAWRENCE CONSTRUCTION LIMITED

Notes to the Accounts Year Ended 31 December 1986 (continued)

Walter Lawrence Construction Limited and Subsidiary Companies

10. Debtors

	1986 The Group £'000	1986 The Company £'000	1985 The Group £'000	1985 The Company £'000
Amounts falling due within one year:				
Trade debtors	5,866	5,010	4,111	3,672
Group debtors	47	44	72	73
Other debtors	346	346	445	403
Prepayments	<u>147</u>	<u>141</u>	<u>160</u>	<u>118</u>
	6,406	5,541	4,788	4,266
Amounts falling due after more than one year:				
Loan to Holding Company	<u>4,465</u>	<u>4,465</u>	<u>3,819</u>	<u>3,812</u>
	<u>10,871</u>	<u>10,006</u>	<u>8,607</u>	<u>8,078</u>

11. Creditors

	1986 The Group £'000	1986 The Company £'000	1985 The Group £'000	1985 The Company £'000
Amounts falling due within one year:				
Amounts due under finance lease agreements	296	196	336	203
Payments received on account	132	132	127	127
Trade creditors	6,384	5,782	6,883	6,481
Group creditors	272	307	122	122
Taxation & Social Security	177	141	182	142
Other creditors	561	561	505	505
Accruals	4,873	4,814	5,027	4,966
Corporation Tax	62	62	75	75
Group relief payable	<u>52</u>	<u>46</u>	<u>478</u>	<u>359</u>
	<u>12,809</u>	<u>12,041</u>	<u>13,735</u>	<u>12,980</u>
Amounts falling due after more than one year:				
Amounts due under finance lease agreements	<u>593</u>	<u>373</u>	<u>615</u>	<u>326</u>

WALTER LAWRENCE CONSTRUCTION LIMITED

Notes to the Accounts Year Ended 31 December 1986 (continued)

Walter Lawrence Construction Limited and Subsidiary Companies

12. Provision for Liabilities and Charges

	The Group £'000
Deferred Taxation	
At 1 January 1986	20
Charge for the year	<u>20</u>
At 31 December 1986	<u>40</u>

The actual and potential provision for deferred taxation comprises:

	1986 The Group £'000	1986 The Company £'000	1985 The Group £'000	1985 The Company £'000
Accelerated capital allowances and other timing differences	151	111	133	113
Unused taxation relief carried forward	<u>(111)</u>	<u>(111)</u>	<u>(113)</u>	<u>(113)</u>
	<u>40</u>	<u>-</u>	<u>20</u>	<u>-</u>

13. Share Capital

	1986 The Company £'000	1985 The Company £'000
Authorised issued and fully paid ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

14. Profit of the Company

	1986 £'000	1985 £'000
Profit and loss account brought forward	1,810	2,069
Profit dealt with in the accounts of the Company	(2)	391
Dividend	<u>-</u>	<u>(650)</u>
Profit and loss account carried forward	<u>1,808</u>	<u>1,810</u>

15. Ultimate Holding Company

The Company's Ultimate Holding Company is Walter Lawrence P.L.C., a Company incorporated in Great Britain.

WALTER LAWRENCE CONSTRUCTION LIMITED

Notes to the Accounts Year Ended 31 December 1986 (continued)

Walter Lawrence Construction Limited and Subsidiary Companies

16. Contingent Liabilities

The Group is contingently liable in the sum of £808,000 (1985 - £3,393,000) for counter indemnities given in respect of performance bonds relating to the contracts of other Group Companies.

The Company is liable under a guarantee with certain other subsidiary Companies of Walter Lawrence P.L.C. in respect of certain loans and overdrafts. At 31 December 1986 these amounted to £8,043,000 (1985 - £7,326,000).

17. Capital Commitments.

The Group had capital commitments at 31 December 1986 of £3,000 (1985 - £11,000) none of which related to the Company (1985: £11,000). The Directors had not authorised any other capital expenditure at 31 December 1986 (1985: £20,000, £7,500 of which related to the Company).

18. Operating Lease Commitments

At 31 December 1986 there were annual commitments under non-cancellable operating leases as set out below :-

	Land and Building £'000	Other Assets £'000	Total £'000
Expiring within one year	-	33	33
Expiring within the second and fifth year inclusive	117	267	384
	<hr/> 117	<hr/> 300	<hr/> 417
	<hr/>	<hr/>	<hr/>