

HALL & TAWSE MIDLANDS LIMITED
(FORMERLY HALL & TAWSE EASTERN LIMITED)

COMPANY NUMBER 1197246

REGISTERED IN ENGLAND

DIRECTORS' REPORT AND ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 1995



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HALL & TAWSE MIDLANDS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 1995

The directors present their annual report on the affairs of the company, together with the accounts and auditors' report for the year ended 30 June 1995.

Principal activity and business review

The principal activity of the Company is that of building contracting, design and build, and building maintenance.

The Company has traded satisfactorily during the year.

The retained loss for the financial year of £892,437 (1994: profit of £285,923) after provisions for dividends as set out below, has been transferred to reserves.

POST BALANCE SHEET EVENTS

On 1st July 1995, consequent to the reorganisations within Hall & Tawse Group Limited, the Company changed its name to Hall & Tawse Midlands Limited and merged its activities with Hall & Tawse Western Limited and Hall & Tawse East Anglia Limited.

Dividends

Dividends provided during the year amounted to £904,487 (1994: £23,516)

Directors and their interests

The directors of the Company who served during the year were:

R F Barton

I S Beck

Mrs W A Courtman

R E Glibbery (Resigned 5 April 1995)

D S Vincent (Appointed 5 April 1995)

B Slater (Resigned 1 July 1995)

Mrs J M P Thomas (Resigned 1 July 1995)

N W Davies (Appointed 1 July 1995)

R G Dudgeon (Appointed 1 July 1995)

E J Howard (Appointed 1 July 1995)

D S Hurcomb (Appointed 1 July 1995)

R J Irving (Appointed 1 July 1995)

J M Smith (Appointed 1 July 1995)

The directors had no beneficial interest in the shares of the Company as it is a wholly-owned subsidiary of Raine plc.

HALL & TAWSE MIDLANDS LIMITED

DIRECTORS REPORT (continued)

Directors and their interests (continued)

The directors had the following interests (including family interests) in the shares of Raine plc according to the register kept under Section 325, Companies Act 1985.

	At 30 June 1994 or later date of appointment			At 30 June 1995			
	Shares	Options	Options granted	Shares	Options	Exercise Price	Exercise Dates
R F Barton	15,125	45,070	-	15,125	45,070	19,715 @ 82.17p 10,817 @ 81.19p 135 @ 94.90p 14,403 @ 75.50p	Dec 1990 - Dec 1997 Dec 1991 - Dec 1998 Dec 1992 - Dec 1999 Dec 1997 - Dec 1998
I S Beck	-	20,445	-	-	20,445	18,620 @ 81.19p 1,825 @ 94.90p	Dec 1991 - Dec 1998 Dec 1992 - Dec 1999
W A Courtman	-	26,980	-	-	26,980	11,682 @ 82.17p 5,696 @ 94.90p 9,602 @ 75.50p	Dec 1990 - Dec 1997 Dec 1992 - Dec 1999 Dec 1997 - Dec 1998
B Slater	500	22,716	-	500	22,716	14,603 @ 82.17p 8,113 @ 81.19p	Dec 1990 - Dec 1997 Dec 1991 - Dec 1998
J M P Thomas	-	10,000	-	-	10,000	10,000 @ 75.50p	Nov 1995 - Nov 2002

D S Vincent is a director of Raine plc; his interest in the shares of Raine plc are disclosed in the directors' report for that company.

No options lapsed during the year. The year end share price was 30p and the price ranged from 23p to 76p during the year.

No director had any interest in a contract with the Company or any other fellow subsidiary company of Raine plc in the course of the year.

A Directors and Officers Liability Insurance Policy has been effected in favour of the Company together with its officers. The premium attaching to the liability of the Directors and Officers covered has been met by the individuals concerned.

Employees

It is the Company's policy to employ, within the limitations of its trading activities, disabled persons on equal terms. Every effort is made to retain employees who become disabled during the period of their employment by arranging retraining. Promotional opportunities are open to all employees irrespective of disablement.

The directors recognise the importance of good communications and good relations with employees, including the provision of information to personnel and obtaining their views. The Company maintains employee relations appropriate to its own particular needs and environment and encourages awareness of financial and economic circumstances, reinforced by the use of a savings-related share option scheme.

Fixed assets

Details of the movements in fixed assets are contained in note 8 to the accounts.

Charitable donations

There were no charitable or political donations during the year.

HALL & TAWSE MIDLANDS LIMITED


DIRECTORS REPORT (continued)

The "Elective Regime"

At the Annual General Meeting held on 15 November 1990, the Company adopted a resolution under the terms of Section 379A, Companies Act 1985 (as amended) to take advantage of the full range of procedural relaxations permitted by that provision. Accordingly, no Annual General Meeting is to be held, the accounts will not be laid before the Members and the auditors, KPMG will continue to hold office without the necessity to seek re-election.

On 6 February 1995 our auditors changed the name by which they practice to KPMG and, accordingly, have signed their report in their new name.

By order of the Board

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W A Courtman
Secretary

This report was approved by the Board on 14 November 1995.

HALL & TAWSE MIDLANDS LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are required by law to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company and of the profit for the period.

The directors are responsible for ensuring that the financial statements are prepared using suitable accounting policies, which are consistently applied and judgements and estimates which are reasonable and prudent. They are required to prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are also responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company to enable them to ensure that the financial statements comply with the Companies Act 1985 and applicable accounting standards, for safeguarding the assets of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

REPORT OF THE AUDITORS, KPMG **TO THE MEMBERS OF HALL & TAWSE MIDLANDS LIMITED**

We have audited the financial statements on pages 5 to 15.

Respective responsibilities of directors and auditors

As described above, 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.

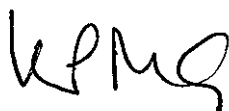
Basis of opinion

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 the affairs of the Company as at 30 June 1995 and of the loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Nottingham
14 November 1995

KPMG
Chartered Accountants
Registered Auditors

HALL & TAWSE MIDLANDS LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30 JUNE 1995

	Notes	1995 £	1994 £
Turnover	1	41,986,758	39,590,170
Cost of Sales		<u>(39,940,680)</u>	<u>(37,217,867)</u>
Gross Profit		2,046,078	2,372,303
Administrative Expenses		<u>(2,376,561)</u>	<u>(2,220,747)</u>
Operating (Loss)/Profit		(330,483)	151,556
Net Interest Receivable	2	<u>356,845</u>	<u>343,726</u>
Profit on ordinary activities before taxation	3	26,362	495,282
Tax on profit on ordinary activities	6	<u>(14,312)</u>	<u>(185,843)</u>
Profit for the Financial Year		12,050	309,439
Dividends	7	<u>(904,487)</u>	<u>(23,516)</u>
Retained (Loss)/Profit for the year	15	<u>(892,437)</u>	<u>285,923</u>

All amounts relate to continuing operations.

The Company has had no recognised gains or losses other than the retained profit/(loss) for the years as indicated above.

The retained loss for the year has been derived on an unmodified historical cost basis.

Movements on reserves are set out in note 15 to the accounts.

HALL & TAWSE MIDLANDS LIMITED

BALANCE SHEET

AT 30 JUNE 1995

	Notes	1995 £	1994 £
Fixed assets			
Tangible assets	8	129,285	144,358
Current assets			
Stocks	9		5,051
Debtors	10	8,808,398	9,111,489
Cash at bank and in hand		<u>5,003,410</u>	<u>5,479,384</u>
		13,811,808	14,595,924
Creditors: Amounts falling due within one year	11	(10,527,907)	(10,661,912)
Net Current Assets		<u>3,283,901</u>	<u>3,934,012</u>
Total assets less current liabilities		3,413,186	4,078,370
Creditors: Amounts falling due after more than one year	12	(544,599)	(317,346)
Net assets		<u>2,868,587</u>	<u>3,761,024</u>
Capital and Reserves			
Called up share capital	14	2,000,100	2,000,100
Profit and Loss Account	15	868,487	1,760,924
Shareholders' funds	16	<u>2,868,587</u>	<u>3,761,024</u>

These accounts were approved by the Board on 14 November 1995 and signed on its behalf by:



R F Barton
Director

HALL & TAWSE MIDLANDS LIMITED

ACCOUNTING POLICIES

Basis of preparation

The financial statements are prepared using the historical cost convention and in accordance with applicable Accounting Standards.

Turnover

Turnover represents the invoiced value of goods and services supplied together with the value of contracting work executed during the year. No credit is taken for claims until there is firm agreement with the customer. Turnover is exclusive of VAT.

Stocks

Stocks are valued at the lower of cost and net realisable value.

Long term contracts

The amount of profit attributable to the stage of completion of a long term contract is recognised when the outcome of the contract can be foreseen with reasonable certainty. Turnover for such contracts represents the value of work done in the year. Full provision is made for any losses which are foreseen.

Long term contract balances are stated at costs incurred, less those transferred to the profit and loss account, after deducting payments on account not matched with turnover and any foreseeable losses. Amounts recoverable on contracts are included in debtors and represent turnover recognised in excess of payments on account.

Depreciation

Depreciation is calculated on a straight line basis to write off the cost or valuation less the estimated residual value of tangible assets over their expected useful lives as follows:-

Plant and Equipment	- 10% to 33% per annum
Motor Vehicles	- 25% per annum

Pension schemes

Contributions are made to the defined benefit pension schemes operated by the Group in accordance with the recommendations of independent actuaries.

Pension contributions are charged to the profit and loss account so as to spread the cost of pensions over the expected average remaining service lives of the scheme members.

HALL & TAWSE MIDLANDS LIMITED

ACCOUNTING POLICIES (Continued)

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 become payable in the foreseeable future.

Leased assets

Operating lease rentals are charged to the profit and loss account in the year to which they relate.

Cash flow statements

The ultimate parent undertaking, Raine plc, has adopted Financial Reporting Standard No.1, thus exempting the Company from the requirement to prepare a cash flow statement.

HALL & TAWSE MIDLANDS LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 1995

1 Turnover	1995	1994
	£	£
All attributable to contracting and all within the UK	<u>41,986,758</u>	<u>39,590,170</u>
2 Interest	£	£
Receivable:		
On bank balances	343,468	343,726
Group Loans	13,377	-
	<u>356,845</u>	<u>343,726</u>
3 Profit on ordinary activities before taxation	£	£
Profit is entirely attributable to contracting activities in the UK	<u>26,362</u>	<u>495,282</u>
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Depreciation	80,417	81,052
Directors' remuneration (see note 4)	274,949	278,412
Auditors' remuneration for audit services	15,090	13,905
Hire of Plant and Machinery	793,858	785,028
Operating lease rentals:		
- plant and machinery	405,188	401,319
- other	115,155	115,155
Profit on disposal of tangible assets	(4,995)	(20,629)
Exceptional Item (see below)	<u>134,000</u>	<u>-</u>

The exceptional item (which has been included in administration expenses) relates to expenses to be incurred as a result of the post balance sheet event referred to in the directors' report.

HALL & TAWSE MIDLANDS LIMITED

NOTES TO THE ACCOUNTS (Continued)

FOR THE YEAR ENDED 30 JUNE 1995

4	Directors' remuneration	1995 £	1994 £
	Emoluments in connection with the management of the company	249,947	254,138
	Pension contributions	25,002	24,274
	Emoluments, excluding pension contributions, of the chairman and highest paid director were:		
	Chairman	-	-
	Highest paid director	61,931	67,133
	The emoluments of the directors, excluding pension contributions, were within the following ranges:		
		Number	Number
	£0 - £5,000	2	1
	£35,001 - £40,000	-	1
	£40,001 - £45,000	1	-
	£45,001 - £50,000	3	2
	£50,001 - £55,000	-	1
	£60,001 - £65,000	1	-
	£65,001 - £70,000	-	1
5	Employees	Number	Number
	The average number of employees, including directors, during the year was:		
	Direct employees	70	86
	Administration	143	143
		<u>213</u>	<u>229</u>
	The associated employment costs were:	£	£
	Wages and salaries	3,324,514	3,377,289
	Social security costs	277,706	293,257
	Other pension costs	200,438	180,912
		<u>3,802,658</u>	<u>3,851,458</u>

HALL & TAWSE MIDLANDS LIMITED**NOTES TO THE ACCOUNTS** (Continued)**FOR THE YEAR ENDED 30 JUNE 1995**

6 Tax on profit on ordinary activities	1995 £	1994 £
UK corporation tax at 33% (1994: 33%)	3,967	173,040
Deferred taxation	13,311	3,827
Adjustments in respect of previous year	(2,966)	8,976
	<u>14,312</u>	<u>185,843</u>
Adjustments in respect of previous year consist of:		
Corporation tax	2,966	21,522
Deferred tax	-	(30,498)
	<u>2,966</u>	<u>(8,976)</u>
7 Dividends	£	£
Dividends proposed and paid on equity shares	<u>904,487</u>	<u>23,516</u>
8 Tangible assets		Plant and equipment £
Cost at 1 July 1994		675,161
Additions		68,091
Disposals		(72,798)
At 30 June 1995		<u>670,454</u>
Depreciation:		
At 1 July 1994		530,803
Charge for the year		80,417
Disposals		(70,051)
At 30 June 1995		<u>541,169</u>
Net book value at 30 June 1995		<u>129,285</u>
Net book value at 30 June 1994		<u>144,358</u>

HALL & TAWSE MIDLANDS LIMITED**NOTES TO THE ACCOUNTS** (Continued)**FOR THE YEAR ENDED 30 JUNE 1995**

9	Stocks	1995	1994
		£	£
	Raw materials and consumables	<u>-</u>	<u>5,051</u>
10	Debtors	£	£
	Trade debtors	3,168,437	3,258,908
	Amounts recoverable on contracts	1,264,545	1,765,304
	Retentions	1,584,609	1,192,718
	Amounts owed by ultimate parent undertaking	180	4,647
	Amounts owed by parent undertaking	2,668,000	2,762,000
	Amounts owed by fellow subsidiary undertakings	1,859	2,748
	Other debtors	32,561	19,562
	Prepayments and accrued income	88,207	105,602
		<u>8,808,398</u>	<u>9,111,489</u>
	Included in the above are the following amounts falling due after one year:		
	Retentions	682,894	381,401
	Deferred taxation (see note 13)	63,437	76,748
		<u>746,331</u>	<u>458,149</u>
11	Creditors: Amounts falling due within one year	£	£
	Trade creditors	8,054,692	9,080,940
	Amounts owed to ultimate parent undertaking	151,623	163,785
	Amounts owed to parent undertaking	1,087	23,685
	Amounts owed to fellow subsidiary undertakings	67,901	34,358
	Corporation tax	20,417	261,477
	Other taxes and social security	509,559	332,960
	Accruals and deferred income	507,048	421,892
	Payments received on account	331,321	207,550
	Proposed dividend	750,000	-
	Other creditors	134,259	135,265
		<u>10,527,907</u>	<u>10,661,912</u>
12	Creditors: Amounts falling due after more than one year	£	£
	Retentions	<u>544,599</u>	<u>317,346</u>

HALL & TAWSE MIDLANDS LIMITED

NOTES TO THE ACCOUNTS (Continued)

FOR THE YEAR ENDED 30 JUNE 1995

13 Provision for liabilities

Deferred taxation:	£
At 1 July 1994	(76,748)
Provided during the year	13,311
At 30 June 1995	<u>(63,437)</u>

	Provided		Full Potential Liability	
	1995	1994	1995	1994
	£	£	£	£
Accelerated capital allowances	(35,511)	(33,561)	(35,511)	(33,561)
Other timing differences	(27,926)	(43,187)	(27,926)	(43,187)
	<u>(63,437)</u>	<u>(76,748)</u>	<u>(63,437)</u>	<u>(76,748)</u>

No provision has been made for any taxation which may arise in the event of any assets included in the accounts at a figure in excess of their original cost being realised at that higher figure. In the opinion of the directors, any such notional liability would be subject to deferment under the provisions of the Capital Gains Tax Act 1992.

14 Share Capital

	1995		1994	
	Number	£	Number	£
Authorised				
Ordinary shares of £1 each	<u>2,500,000</u>	<u>2,500,000</u>	<u>2,500,000</u>	<u>2,500,000</u>
Allotted, called up and fully paid:				
Ordinary shares of £1 each	<u>2,000,100</u>	<u>2,000,100</u>	<u>2,000,100</u>	<u>2,000,100</u>

15 Reserves

	Profit and Loss Account
	£
At 1 July 1994	1,760,924
Retained loss for the year	(892,437)
At 30 June 1995	<u>868,487</u>

HALL & TAWSE MIDLANDS LIMITED

NOTES TO THE ACCOUNTS (Continued)

FOR THE YEAR ENDED 30 JUNE 1995

16 Reconciliation of movements in shareholders' funds

	1995	1994
	£	£
Profit for the financial year	12,050	309,439
Dividends	(904,487)	(23,516)
	(892,437)	285,923
Opening shareholders' funds	3,761,024	3,475,101
Closing shareholders' funds	2,868,587	3,761,024

All shareholders funds are attributable to equity interests.

17 Commitments and contingent liabilities

Future capital commitments for which no provision has been made in these accounts are as follows:

	1995	1994
	£	£
Contracted for but not provided for	25,000	-

Operating leases:

Annual commitments in respect of non-cancellable operating leases are as follows:

	1995		1994	
	Land & Bldgs	Other	Land & Bldgs	Other
	£	£	£	£
Expiring within one year	-	38,411	-	76,964
Expiring between two and five years	-	263,939	-	227,050
Expiring after five years	115,155	-	115,155	-
	115,155	302,350	115,155	304,014

Performance bonds amounting to £2,415,969 (1994: £3,545,235) have been entered into by the Company in the normal course of business.

The Company has a contingent liability in respect of guarantees given to support borrowings and performance bonds of fellow subsidiaries and subsidiary undertakings amounting to £nil (1994: £1,413,609).

The Company is a joint guarantor to a £50m multi-currency revolving credit facility entered into by Raine plc. At 30 June 1995, the amount drawn down on this facility was £49,169,000 (1994: £24,736,000).

The company has given guarantees in support of the \$40,000,000 of loan notes issued by Raine plc during the year.

NOTES TO THE ACCOUNTS (Continued)

FOR THE YEAR ENDED 30 JUNE 1995

18 Pensions

The Company is a member of the defined benefit pension scheme operated by the ultimate parent undertaking, Raine plc. Contributions are paid in accordance with the recommendations of independent actuaries, based on the regular cost of providing benefits across the group as a whole, without any recognition of fund surpluses or deficits which are dealt with by Raine plc. Particulars of the latest actuarial valuation of the principal schemes are given in the accounts of Raine plc. The latest actuarial valuation was performed on 1 July 1994.

19 Parent undertakings

The immediate parent undertaking is Hall & Tawse Group Limited, a company incorporated in Great Britain and registered in England and Wales.

The ultimate parent undertaking is Raine plc, a company incorporated in Great Britain and registered in England and Wales. Copies of the accounts of Raine plc can be obtained from Raine House, Ashbourne Road, Mackworth, Derby DE22 4NB.