

HALL & TAWSE MIDLANDS LIMITED

COMPANY NUMBER 1197246

REGISTERED IN ENGLAND

DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE 18 MONTH PERIOD ENDED 31 DECEMBER 1997



HALL & TAWSE MIDLANDS LIMITED

DIRECTORS' REPORT

FOR THE 18 MONTH PERIOD ENDED 31 DECEMBER 1997

The directors present their report on the affairs of the company, together with the financial statements and auditors' report for the 18 month period ended 31 December 1997.

Principal activity and business review

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

On 15th June 1997 Raine plc, the company's ultimate parent company, was acquired by Alfred McAlpine PLC and on 21st November 1997 Hall & Tawse Group Limited, the company's parent company, was sold to Mansell plc and the company adopted the Mansell plc accounting reference date.

The company has traded satisfactorily during the period.

The retained profit for the period is £1,247,031 (1996: £461,682).

Dividends

Dividends declared during the period amounted to £704,000 (1996: £330,000).

Directors and their interests

The directors of the company who served during the period were:

R F Barton	
D E Beardsmore	(Appointed 21 November 1997)
G D Bell	(Appointed 21 November 1997)
P A Cleaver	(Appointed 2 January 1997)
P H Coats	(Appointed 21 November 1997)
Mrs W A Courtman	
N W Davies	
G J Forster	(Appointed 18/11/97, Resigned 21/11/97)
E J Howard	(Resigned 31 December 1997)
D S Hurcomb	
R J Irving	(Resigned 31 December 1996)
R J Lusher	(Appointed 1 July 1997)
G M Morris	(Appointed 18/11/97, Resigned 21/11/97)
G F Schofield	(Appointed 2 January 1997)
D S Vincent	(Resigned 2 January 1997, Re-appointed 18/11/97, Resigned 21/11/97)
R V Walker	(Appointed 9 September 1996)

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

HALL & TAWSE MIDLANDS LIMITED

DIRECTORS REPORT (continued)

Directors and their interests (continued)

Certain directors held interests in the shares of Raine plc during the period that Raine plc was the ultimate parent company as follows.

	At 30 June 1996 or later date of appointment			At 15 June 1997 (see note below)			
	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 - May 1998
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 - May 1998
G F Schofield	-	10,223	-	-	10,223	10,223 @ 92.44p	Nov 1993 - Nov 2000
E J Howard	6,889	24,403	-	6,889	24,403	10,000 @ 75.50p 14,403 @ 75.50p	Nov 1995 - Nov 2002 Dec 1997 - May 1998

D S Hurcomb and P A Cleaver are directors of Hall & Tawse Group Limited, D S Vincent was a director of Raine plc ; their interest in the shares of Raine plc are disclosed in the directors' report for those respective companies.

On the acquisition of the whole of the share capital of Hall & Tawse Midlands Limited by Alfred McAlpine PLC on 15 June 1997 these options lapsed. There were no options held in the shares of Alfred McAlpine PLC or the current ultimate parent company, Mansell plc, during the period.

D E Beardsmore, P H Coats, G D Bell and P A Cleaver are directors of Mansell plc; their interest in the shares of Mansell plc are disclosed in the directors report for that company.

There are no other directors' interests requiring disclosure under the Companies Act 1985.

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 suitable 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.

Payment of creditors

It is the company's policy, for the year ending 31 December 1998, that it will place orders with suppliers on certain terms and conditions, which include terms of payment. Suppliers will then be paid accordingly, where goods and services have been provided in accordance with the relevant terms and conditions of contract.

The company's average creditor payment period at 31 December 1997 was 40 days.

Charitable donations

Charitable contributions made in the period amounted to £783 (1996: £Nil). The company made no political contributions in either period.

HALL & TAWSE MIDLANDS LIMITED

DIRECTORS REPORT (continued)

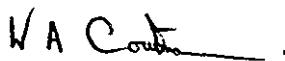
The "Elective Regime"

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 and the financial statements will not be laid before the members.

Auditors

During the period KPMG resigned as Auditors and were replaced by Price Waterhouse. Price Waterhouse have expressed their willingness to continue in office.

By order of the Board



W A Courtman
Secretary

This report was approved by the Board on 8 April 1998

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 that 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.

Price Waterhouse



HALL & TAWSE MIDLANDS LIMITED

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

We have audited the financial statements on pages 6 to 16 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on pages 8 and 9.

Respective responsibilities of directors and auditors

As described on page 4, 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 31 December 1997 and of the profit for the 18 month period then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse

8 April 1998

Southwark Towers
32 London Bridge Street
London
SE1 9SY

Price Waterhouse
Chartered Accountants
Registered Auditors

HALL & TAWSE MIDLANDS LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE 18 MONTH PERIOD ENDED 31 DECEMBER 1997

	Notes	18 Months Ended 31 Dec 1997 £	12 Months Ended 30 June 1996 £
Turnover	1	134,989,346	93,325,951
Cost of sales		<u>(126,272,988)</u>	<u>(87,994,992)</u>
Gross profit		8,716,358	5,330,959
Administrative expenses		<u>(7,480,718)</u>	<u>(5,062,053)</u>
Operating profit	2	1,235,640	268,906
Net interest receivable	3	1,369,990	888,547
Profit on ordinary activities before taxation		<u>2,605,630</u>	<u>1,157,453</u>
Tax on profit on ordinary activities	6	<u>(654,599)</u>	<u>(365,771)</u>
Profit on ordinary activities after taxation		<u>1,951,031</u>	<u>791,682</u>
Dividends	7	<u>(704,000)</u>	<u>(330,000)</u>
Retained profit for the period	16	<u><u>1,247,031</u></u>	<u><u>461,682</u></u>

All amounts relate to continuing operations.

The company has had no recognised gains or losses other than the retained profit for the periods as indicated above.

The retained profit for the 18 month period has been derived on an unmodified historical cost basis.

Movements on reserves are set out in note 16 to the financial statements.

HALL & TAWSE MIDLANDS LIMITED

BALANCE SHEET

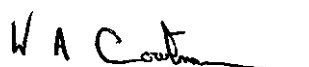
AT 31 DECEMBER 1997

	Notes	31 December 1997 £	30 June 1996 £
Fixed assets			
Tangible assets	8	405,820	351,974
Investments	9	<u>2,822,131</u>	<u>2,822,131</u>
		<u>3,227,951</u>	<u>3,174,105</u>
Current assets			
Stocks	10	55,365	460,197
Debtors	11	26,328,931	20,410,440
Cash at bank and in hand		<u>9,683,776</u>	<u>13,595,983</u>
		<u>36,068,072</u>	<u>34,466,620</u>
Creditors: amounts falling due within one year	12	(29,176,189)	(28,906,224)
Net current assets		<u>6,891,883</u>	<u>5,560,396</u>
Total assets less current liabilities		10,119,834	8,734,501
Creditors: amounts falling due after more than one year	13	(848,267)	(709,965)
Net assets		<u>9,271,567</u>	<u>8,024,536</u>
Capital and reserves			
Called up share capital	15	4,822,231	4,822,231
Capital contribution reserve	16	1,872,136	1,872,136
Profit and loss account	16	2,577,200	1,330,169
Equity shareholders' funds	17	<u>9,271,567</u>	<u>8,024,536</u>

These financial statements were approved by the Board on 8 April 1998 and signed on its behalf by:



R F Barton
Director



W A Courtman
Director

HALL & TAWSE MIDLANDS LIMITED

ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material to the company's financial statements.

Basis of preparation

The financial statements are prepared on a going concern basis, using the historical cost convention and in accordance with applicable Accounting and Financial Reporting Standards.

Turnover

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

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 period. 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
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Pension schemes

Contributions are made to the defined benefit pension scheme operated by Hall & Tawse Group Limited 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 assets/liabilities will become recoverable/payable in the foreseeable future.

Leased assets

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

Cash flow statement

The ultimate parent undertaking, Mansell plc, has adopted Financial Reporting Standard No.1(Revised 1996), thus exempting the company from the requirement to prepare a cash flow statement.

Group accounts

The financial information is presented about the company as an individual undertaking. The company is exempt from preparing group accounts under section 228 of the Companies Act 1985. The results are included in the consolidated financial statements of its ultimate parent undertaking, Mansell plc.

In the opinion of the directors the value of investments in subsidiary undertakings not dealt with in the group accounts is not less than the aggregate amounts shown in the balance sheet.

HALL & TAWSE MIDLANDS LIMITED

NOTES TO THE ACCOUNTS

FOR THE 18 MONTH PERIOD ENDED 31 DECEMBER 1997

	18 Months Ended 31 December 1997 £	12 Months Ended 30 June 1996 £
1 Turnover and Segmental Analysis		
Turnover – all arising within the U.K.		
Turnover, operating profit and capital employed are all in respect of the company's principal activity.	<u>134,989,346</u>	<u>93,325,951</u>
2 Operating Profit	£	£
Operating profit is stated after charging/(crediting):		
Depreciation	258,408	188,199
Directors' remuneration (including pension contributions to defined benefit scheme)	671,227	453,791
Auditors' remuneration - for audit services	18,000	35,500
- non audit services	36,000	0
Operating lease rentals:		
- plant and machinery	1,261,479	859,080
- other	396,982	264,655
Exceptional item	<u>0</u>	<u>270,000</u>
The exceptional item (which was included in administration expenses) related to the allocation of refinancing costs following the re-negotiation of Raine plc bank facilities.		
3 Interest	£	£
Payable:		
On bank loans and overdrafts	(11,382)	(21,126)
On finance leases	0	(1,668)
	<u>(11,382)</u>	<u>(22,794)</u>
Receivable:		
On bank balances	231,783	194,680
Group loans	1,149,589	716,661
	<u>1,369,990</u>	<u>888,547</u>

HALL & TAWSE MIDLANDS LIMITED**NOTES TO THE ACCOUNTS** (Continued)**FOR THE 18 MONTH PERIOD ENDED 31 DECEMBER 1997**

4 Directors' remuneration	18 Month Period Ended 31 December 1997 £	12 Months Ended 30 June 1996 £
Aggregate emoluments, excluding pension contributions, in connection with the management of the company	606,185	410,498
Emoluments excluding pension contributions, of the highest paid director and which were all in connection with the management of the company	126,149	69,964
Benefits are accruing to 6 directors (1996: 5 directors) under the defined benefit scheme, there being no benefits accruing to any director under money purchase schemes. The highest paid director has an accrued annual pension under a defined benefit scheme of £25,000.		
5 Employees	Number	Number
The average number of employees, including directors, during the period was:		
Direct employees	261	200
Administration	340	347
	<u>601</u>	<u>547</u>
The associated employment costs were:	£	£
Wages and salaries	14,363,183	8,675,345
Social security costs	1,200,115	717,176
Other pension costs	823,813	555,407
	<u>16,387,111</u>	<u>9,947,928</u>
6 Tax on profit on ordinary activities	£	£
UK corporation tax at 32% (1996: 33%)	841,512	247,801
Deferred taxation	(408)	125,272
Adjustments in respect of previous year	(186,505)	(7,302)
	<u>654,599</u>	<u>365,771</u>
Adjustments in respect of previous year consist of:		
Corporation Tax	(190,615)	86,854
Deferred Tax	4,110	(94,156)
	<u>(186,505)</u>	<u>(7,302)</u>
7 Dividends	£	£
Dividends proposed and paid on equity shares	<u>704,000</u>	<u>330,000</u>

HALL & TAWSE MIDLANDS LIMITED

NOTES TO THE ACCOUNTS (Continued)

FOR THE 18 MONTH PERIOD ENDED 31 DECEMBER 1997

8	Tangible fixed assets		Plant and equipment £
	Cost:		
	At 1 July 1996		2,263,780
	Additions		315,548
	Disposals		(464,086)
	At 31 December 1997		<u>2,115,242</u>
	Depreciation:		
	At 1 July 1996		1,911,806
	Charge for the period		258,408
	Disposals		(460,792)
	At 31 December 1997		<u>1,709,422</u>
	Net book value at 31 December 1997		<u>405,820</u>
	Net book value at 30 June 1996		<u>351,974</u>
9	Fixed asset investments	1997 £	1996 £
	Shares in subsidiary undertakings at cost	<u>2,822,131</u>	<u>2,822,131</u>

The company held shares in dormant subsidiary undertakings at 31 December 1997 as follows:-

<u>Company</u>	<u>Proportion of ordinary shares held</u>
Hall & Tawse Western Limited	100%
Hall & Tawse East Anglia Limited	100%

10	Stocks	1997 £	1996 £
	Raw materials and consumables	55,365	94,572
	Work in progress	0	365,625
		<u>55,365</u>	<u>460,197</u>

HALL & TAWSE MIDLANDS LIMITED

NOTES TO THE ACCOUNTS (Continued)

FOR THE 18 MONTH PERIOD ENDED 31 DECEMBER 1997

	1997 £	1996 £
11 Debtors		
Trade debtors	7,108,353	7,757,051
Amounts recoverable on contracts	6,921,668	4,292,346
Retentions	3,861,821	4,006,431
Amounts owed by ultimate parent undertaking	0	1,948
Amounts owed by parent undertaking	8,154,474	4,014,062
Amounts owed by fellow subsidiary undertakings	238	27,361
Other debtors	58,493	49,156
Deferred taxation	137,677	141,379
Prepayments and accrued income	86,207	120,706
	<u>26,328,931</u>	<u>20,410,440</u>
Included in the above are the following amounts falling due after one year:		
Retentions	1,056,214	908,610
Deferred taxation (see note 14)	137,677	141,379
	<u>1,193,891</u>	<u>1,049,989</u>
12 Creditors: amounts falling due within one year	£	£
Payments received on account	303,877	594,132
Trade creditors	23,199,052	22,871,374
Amounts owed to ultimate parent undertakings	0	469,254
Amounts owed to parent undertaking	4,145	610
Amounts owed to fellow subsidiary undertakings	8,318	101,852
Amounts owed to subsidiary undertakings	2,822,131	2,822,131
Other creditors	323,135	452,028
Corporation tax	841,512	449,201
Other taxes and social security	819,816	299,115
Proposed dividend	0	90,000
Accruals and deferred income	854,203	756,527
	<u>29,176,189</u>	<u>28,906,224</u>
13 Creditors: amounts falling due after more than one year	£	£
Retentions	769,590	650,778
Accruals and deferred income	78,677	59,187
	<u>848,267</u>	<u>709,965</u>

HALL & TAWSE MIDLANDS LIMITED

NOTES TO THE ACCOUNTS (Continued)

FOR THE 18 MONTH PERIOD ENDED 31 DECEMBER 1997

14 Deferred taxation (asset)

	£
At 1 July 1996	(141,379)
Provided during the period	(408)
Adjustments to prior years	4,110
At 31 December 1997 (see note 11)	<u>(137,677)</u>

	Recognised		Full potential (asset)	
	1997	1996	1997	1996
	£	£	£	£
Accelerated capital allowances	(73,440)	(99,705)	(73,440)	(99,705)
Other timing differences	(64,237)	(41,674)	(64,237)	(41,674)
	<u>(137,677)</u>	<u>(141,379)</u>	<u>(137,677)</u>	<u>(141,379)</u>

15 Share capital

	1997	1996
	£	£
Authorised 5,000,000 ordinary shares of £1 each	<u>5,000,000</u>	<u>5,000,000</u>
Allotted, called up and fully paid 4,822,131 ordinary shares of £1 each	<u>4,822,231</u>	<u>4,822,231</u>

16 Reserves

	Capital contribution reserve	Profit and loss account	Total
	£	£	£
At 1 July 1996	1,872,136	1,330,169	3,202,305
Retained profit for the period	-	1,247,031	1,247,031
At 31 December 1997	<u>1,872,136</u>	<u>2,577,200</u>	<u>4,449,336</u>

HALL & TAWSE MIDLANDS LIMITED

NOTES TO THE ACCOUNTS (Continued)

FOR THE 18 MONTH PERIOD ENDED 31 DECEMBER 1997

17 Reconciliation of movements in shareholders' funds

	1997 £	1996 £
Profit for the period	1,951,031	791,682
Dividends	(704,000)	(330,000)
	<u>1,247,031</u>	<u>461,682</u>
Capital contribution	0	1,872,136
Shares issued during the period	0	2,822,131
Net addition to shareholders' funds	<u>1,247,031</u>	<u>5,155,949</u>
Opening shareholders' funds	8,024,536	2,868,587
Closing shareholders' funds	<u>9,271,567</u>	<u>8,024,536</u>

All shareholders' funds are attributable to equity interests.

18 Commitments and contingent liabilities

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

	1997 £	1996 £
Contracted for but not provided for	<u>Nil</u>	<u>Nil</u>

Operating leases:

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

	1997		1996	
	Land & Buildings £	Other £	Land & Buildings £	Other £
Expiring within one year	-	142,631	-	138,175
Expiring between two and five years	17,500	542,054	-	562,630
Expiring after five years	247,155	-	264,655	-
	<u>264,655</u>	<u>684,685</u>	<u>264,655</u>	<u>700,805</u>

Performance bonds amounting to £3,373,542 (1996: £4,548,320) 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 its ultimate parent company, fellow subsidiaries and subsidiary undertakings amounting to £22,000,000 (1996: £84,290,483).

HALL & TAWSE MIDLANDS LIMITED

NOTES TO THE ACCOUNTS (Continued)

FOR THE 18 MONTH PERIOD ENDED 31 DECEMBER 1997

19 Pensions

The company is a member of the defined benefit pension scheme operated by an intermediate holding company, Hall & Tawse Group Limited. Contributions are paid in accordance with the recommendations of independent actuaries, based on the regular cost of providing benefits across all participating companies, without any recognition of fund surpluses or deficits which are dealt with by Hall & Tawse Group Limited. Particulars of the latest actuarial valuation of the scheme which was performed on 1 July 1997 are given in the financial statements of Hall & Tawse Group Limited.

20 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 Mansell plc, a company incorporated in Great Britain and registered in England and Wales. Copies of the financial statements of Mansell plc (which is the smallest and largest group for which group accounts are prepared) can be obtained from The Company Secretary, Mansell plc, Roman House, Grant Road, Croydon CR9 6BU.

21 Related party transactions

The company has taken advantage of the exemptions provided by FRS 8 (Related Party Disclosures) in not disclosing transactions with other group companies where there is a common ownership interest in excess of 90%.