



**KENNEDY CONSTRUCTION GROUP
LIMITED**
and its subsidiaries

REPORT AND ACCOUNTS

27 October 1996

KENNEDY CONSTRUCTION GROUP LIMITED
and its subsidiaries

REPORT OF THE DIRECTORS

The directors submit their report and the accounts for the year ended 27 October 1996.

PRINCIPAL ACTIVITIES

The principal activities of the company and its subsidiaries comprise public works contracting, property investment and management and other ancillary activities.

REVIEW OF THE BUSINESS

The directors are pleased to report a 3.6% increase in group turnover to £72.7 million and a group profit before tax of £6.05 million for 1996. The result restores the group to the profit level it achieved two years ago in 1994 and more than makes up for the disappointment of last year. It is also better than had been anticipated last year.

All operating companies within the group were profitable despite difficult market conditions particularly in heavy civil engineering and roads and surfacing.

Investment in operation assets, property, plant and transport continues and relates to both new and replacement items. £3.4 million of capital expenditure was incurred during the year offset by almost £1 million of receipts from disposals. In addition £500,000 was spent on additions and improvements to our investment property portfolio offset by one disposal yielding £350,000. Opportunities to extend the portfolio continue to be actively sought.

The current year has started satisfactorily with all companies expected to contribute profitable results. A similar result to 1996 can be anticipated.

LAND AND BUILDINGS

The directors are of the opinion that the present market values of the group's properties for own use are in excess of the amounts at which they are stated in the accounts.

FIXED ASSETS

Details of movements in fixed assets are included in notes 12 to 14 to the accounts.

RESULTS AND DIVIDENDS

The results of the group for the year are set out in detail on page 5.

Dividends of £1,012,770 were paid during the year (1995 - £914,760). The directors recommend that no final dividend be paid (1995 - £Nil). Details of dividends payable in relation to each class of share in issue are disclosed in note 11 to the accounts.

KENNEDY CONSTRUCTION GROUP LIMITED
and its subsidiaries

REPORT OF THE DIRECTORS continued

DIRECTORS

The directors who served during the year were as follows:

P J Kennedy
J C Parsons
R W Kirkin
Mrs K Kennedy - retired 12 September 1996
R S Boddington
R E Hough
J G Kennedy - appointed 12 September 1996

J G Kennedy, who was appointed since the last annual general meeting, retires and, being eligible, offers himself for re-election. In addition, J C Parsons and R W Kirkin retire by rotation and, being eligible, offer themselves for re-election.

Details of the directors' interests in shares are shown in note 4 to the accounts.

DISABLED PERSONS

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

CHARITABLE CONTRIBUTIONS

Contributions during the year to United Kingdom charitable organisations amounted to £277,025 (1995 - £206,168).

AUDITORS

A resolution to re-appoint Deloitte & Touche as auditors will be proposed at the annual general meeting.

By order of the Board



R W Kirkin

Secretary

18 February 1997

KENNEDY CONSTRUCTION GROUP LIMITED
and its subsidiaries

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the company and the group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the group as at the end of the financial year and of the profit or loss of the group 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;
- * state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- * prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and the group will continue in business.

Deloitte & Touche



Chartered Accountants

Deloitte & Touche
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Manchester M60 2AT

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AUDITORS' REPORT TO THE MEMBERS OF KENNEDY CONSTRUCTION GROUP LIMITED

We have audited the financial statements on pages 5 to 28 which have been prepared under the accounting policies set out on pages 12 to 14.

Respective responsibilities of directors and auditors

As described on page 3 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 circumstances of the company and the group, 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 mis-statement, 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 and the group as at 27 October 1996 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche
Chartered Accountants and Registered Auditors

18 February 1997

**Deloitte Touche
Tohmatsu
International**

Aberdeen, Bath, Belfast, Birmingham, Bournemouth, Bracknell, Bristol, Cambridge, Cardiff, Crawley, Dartford, Edinburgh, Glasgow, Leeds, Leicester, Liverpool, London, Manchester, Milton Keynes, Newcastle upon Tyne, Nottingham, St Albans and Southampton.

Principal place of business at which a list of partners' names is available:
Stonecutter Court, 1 Stonecutter Street, London EC4A 4TR.

Authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

CONSOLIDATED PROFIT AND LOSS ACCOUNT
for the year ended 27 October 1996

	Note	1996 £	1995 £
TURNOVER	1	72,738,927	70,190,669
Cost of sales		<u>(59,205,138)</u>	<u>(60,336,147)</u>
GROSS PROFIT		13,533,789	9,854,522
Administrative expenses		(8,030,423)	(7,171,244)
Other operating income	5	<u>9,210</u>	<u>8,342</u>
		<u>(8,021,213)</u>	<u>(7,162,902)</u>
OPERATING PROFIT	2	5,512,576	2,691,620
Interest receivable and similar income	6	561,558	596,164
Amounts written off investments	7	8,723	(61,492)
Interest payable and similar charges	8	<u>(36,071)</u>	<u>(6,775)</u>
		<u>534,210</u>	<u>527,897</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		6,046,786	3,219,517
Tax on profit on ordinary activities	9	<u>(1,974,637)</u>	<u>(1,421,140)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		4,072,149	1,798,377
Equity minority interests		<u>(114,551)</u>	<u>5,707</u>
PROFIT FOR THE FINANCIAL YEAR ATTRIBUTABLE TO THE MEMBERS OF KENNEDY CONSTRUCTION GROUP LIMITED	10	3,957,598	1,804,084
Dividends on equity shares	11	<u>(1,012,770)</u>	<u>(914,760)</u>
RETAINED PROFIT FOR THE YEAR	21	<u>2,944,828</u>	<u>889,324</u>

All activities relate to continuing operations.

CONSOLIDATED BALANCE SHEET

27 October 1996


	Note	1996	1995
		£	£
FIXED ASSETS			
Tangible assets	12	9,322,156	8,698,734
Investment properties	13	3,362,262	3,224,538
Investments	14	-	500
		<u>12,684,418</u>	<u>11,923,772</u>
CURRENT ASSETS			
Stock and long term contract balances	15	560,902	483,765
Debtors	16	13,230,018	12,740,817
Investments	17	115,118	111,960
Cash at bank and in hand		<u>16,107,490</u>	<u>10,976,405</u>
		30,013,528	24,312,947
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	18	<u>(20,217,791)</u>	<u>(16,376,212)</u>
NET CURRENT ASSETS		<u>9,795,737</u>	<u>7,936,735</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		22,480,155	19,860,507
PROVISIONS FOR LIABILITIES AND CHARGES	19	<u>(2,044,402)</u>	<u>(2,431,909)</u>
		<u>20,435,753</u>	<u>17,428,598</u>
CAPITAL AND RESERVES			
CALLED UP SHARE CAPITAL	20	218,800	218,800
RESERVES			
Revaluation reserve	21	631,513	742,479
Profit and loss account	21	<u>18,687,087</u>	<u>15,632,667</u>
		<u>19,318,600</u>	<u>16,375,146</u>
Equity shareholders' funds		19,536,400	16,592,946
Non-equity shareholders' funds		<u>1,000</u>	<u>1,000</u>
TOTAL SHAREHOLDERS' FUNDS		19,537,400	16,593,946
MINORITY INTERESTS		<u>898,353</u>	<u>834,652</u>
TOTAL CAPITAL EMPLOYED		<u>20,435,753</u>	<u>17,428,598</u>

APPROVED BY THE BOARD OF DIRECTORS

P J Kennedy

J C Parsons

18 February 1997



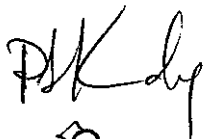
PARENT COMPANY BALANCE SHEET

27 October 1996

	Note	1996 £	1995 £
FIXED ASSETS			
Tangible assets	12	4,080,056	3,913,281
Investments	14	<u>2,490,288</u>	<u>2,339,368</u>
		6,570,344	6,252,649
CURRENT ASSETS			
Debtors	16	2,326,998	2,583,656
Investments	17	115,118	111,960
Cash at bank and in hand		<u>13,107,901</u>	<u>8,315,906</u>
		15,550,017	11,011,522
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	18	<u>(14,565,186)</u>	<u>(15,133,775)</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>984,831</u>	<u>(4,122,253)</u>
		<u>7,555,175</u>	<u>2,130,396</u>
CAPITAL AND RESERVES			
Called up share capital	20	218,800	218,800
Profit and loss account	21	<u>7,336,375</u>	<u>1,911,596</u>
TOTAL SHAREHOLDERS' FUNDS		<u>7,555,175</u>	<u>2,130,396</u>
Attributable to equity shareholders		1,000	1,000
Attributable to non-equity shareholders		<u>7,554,175</u>	<u>2,129,396</u>

APPROVED BY THE BOARD OF DIRECTORS

P J Kennedy



J C Parsons



18 February 1997

CONSOLIDATED CASH FLOW STATEMENT
for the year ended 27 October 1996

	Note	1996 £	1995 £
NET CASH INFLOW FROM OPERATING ACTIVITIES	(a)	<u>9,717,279</u>	<u>4,725,172</u>
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		531,558	596,164
Interest paid		(36,071)	(6,775)
Dividends paid		(1,012,770)	(914,760)
Dividends paid to minority shareholders in subsidiary undertakings		<u>(50,850)</u>	<u>(13,000)</u>
Net cash outflow from returns on investments and servicing of finance		<u>(568,133)</u>	<u>(338,371)</u>
TAXATION			
Corporation tax paid		<u>(1,403,188)</u>	<u>(2,347,803)</u>
Tax paid		<u>(1,403,188)</u>	<u>(2,347,803)</u>
INVESTING ACTIVITIES			
Payments to acquire tangible fixed assets		(3,423,680)	(2,905,872)
Payments to acquire and improve investment properties		(512,101)	(354,923)
Investment in former associated company, now a subsidiary		500	-
Receipts from sale of tangible fixed assets		964,843	506,570
Receipt from sale of investment property		<u>350,000</u>	<u>-</u>
Net cash outflow from investing activities		<u>(2,620,438)</u>	<u>(2,754,225)</u>
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(c)	<u>5,125,520</u>	<u>(715,227)</u>

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT
for the year ended 27 October 1996

(a) **RECONCILIATION OF OPERATING PROFIT TO NET
CASH INFLOW FROM OPERATING ACTIVITIES**

	1996 £	1995 £
Operating profit	5,512,576	2,691,620
Depreciation charge	2,507,353	2,679,739
Profit on sale of fixed assets	(671,938)	(385,514)
Deficit on revaluation of investment property	-	211,467
Exchange differences	23,003	(36,117)
(Decrease)/increase in reinstatement and other provisions	(337,981)	404,468
(Increase)/decrease in stocks	(77,137)	62,610
Decrease in debtors	261,544	990,390
Increase/(decrease) in creditors	2,499,859	(1,893,491)
	<u>9,717,279</u>	<u>4,725,172</u>
Net cash inflow from operating activities	<u>9,717,279</u>	<u>4,725,172</u>

(b) **ANALYSIS OF CHANGES IN FINANCING**

Minority Interests

At 29 October 1995	834,652	607,663
Share of profit/(loss) after taxation	114,551	(5,707)
Share of revaluation surplus	(35,304)	245,696
Share of surplus on disposal of investment property transferred between reserves	35,304	-
Dividends paid	(50,850)	(13,000)
	<u>898,353</u>	<u>834,652</u>
At 27 October 1996	<u>898,353</u>	<u>834,652</u>

(c) **ANALYSIS OF CHANGES IN CASH AND
CASH EQUIVALENTS**

At 29 October 1995	11,038,365	11,765,084
Increase/(decrease) in cash and cash equivalents during the year	5,125,520	(715,227)
Movement in provisions against current asset investments	8,723	(11,492)
	<u>16,172,608</u>	<u>11,038,365</u>
At 27 October 1996	<u>16,172,608</u>	<u>11,038,365</u>

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT
for the year ended 27 October 1996

(d) ANALYSIS OF THE BALANCES OF CASH AND CASH
EQUIVALENTS AS SHOWN IN THE BALANCE SHEET

	Cash at bank and in hand £	Amounts disclosed within Current asset investments £	Total £
At 30 October 1994	11,691,632	73,452	11,765,084
Change in year	(715,227)	-	(715,227)
Provisions created	-	(11,492)	(11,492)
At 29 October 1995	10,976,405	61,960	11,038,365
Change in year	5,131,085	(5,565)	5,125,520
Provisions released	-	8,723	8,723
At 27 October 1996	16,107,490	65,118	16,172,608

	1996 £	1995 £
STATEMENT OF RECOGNISED GAINS AND LOSSES for the year ended 27 October 1996		
Profit for the financial year	3,957,598	1,804,084
Surplus on revaluation of investment properties	-	742,479
Foreign exchange (loss)/gain	<u>(1,374)</u>	<u>3,106</u>
Total recognised gains relating to the year	<u>3,956,224</u>	<u>2,549,669</u>

NOTE OF HISTORICAL COST PROFITS AND LOSSES

Reported profit on ordinary activities before taxation	6,046,786	3,219,517
Realisation of property revaluation gains of earlier years	<u>146,270</u>	<u>-</u>
Historical cost profit on ordinary activities before taxation	<u>6,193,056</u>	<u>3,219,517</u>
Historical cost profit for the year after taxation, minority interests and dividends	<u>3,091,098</u>	<u>889,324</u>

**RECONCILIATION OF MOVEMENTS
IN SHAREHOLDERS' FUNDS**
for the year ended 27 October 1996

Profit for the financial year	3,957,598	1,804,084
Dividends	<u>(1,012,770)</u>	<u>(914,760)</u>
	2,944,828	889,324
Other recognised (losses)/gains relating to the year	<u>(1,374)</u>	<u>745,585</u>
Net addition to shareholders' funds	2,943,454	1,634,909
Opening shareholders' funds	<u>16,593,946</u>	<u>14,959,037</u>
Closing shareholders' funds	<u>19,537,400</u>	<u>16,593,946</u>

NOTES TO THE ACCOUNTS
27 October 1996

1. ACCOUNTING POLICIES

The financial statements have been prepared under the historic cost convention as modified by the revaluation of investment properties and in accordance with applicable accounting standards. Compliance with SSAP 19, "Accounting for Investment Properties" requires departure from the requirements of the Companies Act 1985 relating to depreciation and explanation of the departure is given below. The principal accounting policies adopted by the group are as follows:

BASIS OF CONSOLIDATION

The consolidated profit and loss account includes the results of subsidiaries purchased during the year from the date of acquisition and excludes the results of subsidiaries sold from the date of sale. The accounts of subsidiaries are made up to the same date as the parent company. The group's share of profit and attributable taxation of the associated company is included in the consolidated profit and loss account. The group's interest in the net assets of that company is shown under Investments in the consolidated balance sheet.

GOODWILL ON CONSOLIDATION

Goodwill arising on consolidation is written off against reserves in the year of acquisition.

FOREIGN EXCHANGE

Exchange rates used to translate overseas profits and currency assets and liabilities (other than shares held in overseas subsidiaries) are at the rates ruling at the balance sheet date. The differences arising on the retranslation of the group's share at the beginning of the year of net assets of overseas subsidiaries are treated as movements on reserves. All other currency adjustments are included in the profit before taxation.

TURNOVER

Turnover represents the value of work carried out and goods and services provided during the year.

NOTES TO THE ACCOUNTS
27 October 1996

1. ACCOUNTING POLICIES continued

TANGIBLE FIXED ASSETS AND DEPRECIATION

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

The rates are as follows:

Land and buildings:	
Freehold land	- Nil%
Freehold buildings	- 2.5%
Leasehold	- equal annual instalments over the period of the lease
Plant and machinery	- 10% to 50% on cost
Wagons and other vehicles	- 25% to 100% on cost

INVESTMENT PROPERTIES

In accordance with Statement of Standard Accounting Practice No 19 investment properties are revalued annually by the directors and at least every five years by an external valuer. The aggregate surplus or deficit is transferred to revaluation reserve, except for permanent shortfalls between cost and valuation on individual properties which are charged to the profit and the loss account. No depreciation is provided in respect of investment properties.

The Companies Act 1985 requires all properties to be depreciated. However, this requirement conflicts with the generally accepted accounting principle set out in SSAP 19. The directors consider that, because these properties are not held for consumption but for their investment potential, to depreciate them would not give a true and fair view, and that it is necessary to adopt SSAP 19 in order to give a true and fair view.

If this departure from the Act had not been made, the profit for the financial year would have been reduced by depreciation. However, the amount of depreciation cannot reasonably be quantified because depreciation is only one of many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

INVESTMENTS

Investment income is included in the accounts of the year in which it is receivable. Fixed asset investments are stated at cost less provisions for permanent diminution in value, and current asset investments are stated at the lower of cost and net realisable value.

STOCK

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

NOTES TO THE ACCOUNTS

27 October 1996

1. ACCOUNTING POLICIES continued

LONG TERM CONTRACTS IN PROGRESS

Amounts recoverable on long term contracts are included in debtors and comprise any excess of cumulative turnover for a contract over cumulative payments on account for that contract.

Long term contract balances are stated, contract by contract, at cumulative costs less cumulative amounts transferred to cost of sales, less foreseeable losses and applicable payments on account. Any resulting excesses, for a particular contract, of foreseeable losses or payments on account are included in creditors.

Turnover and related costs on each long term contract are recorded in the profit and loss account as contract activity progresses. Turnover includes attributable profit when the outcome to the contract can be assessed with reasonable certainty. Full provision is made for losses on a contract and no credit is taken for claims by the company until there is a firm agreement with the client.

REINSTATEMENT PROVISION

The reinstatement provision represents the group's estimate of the cost of final road surfacing still to be incurred on individual contracts otherwise complete.

Particular estimates for individual contracts can prove to be incorrect. However, the directors consider that the provision as a whole is the best estimate of the eventual cost to the group which can be made.

DEFERRED TAXATION

Deferred taxation is provided at the anticipated tax rates on differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements to the extent that it is probable that a liability or asset will crystallise in the future.

PENSIONS

The group operates a contributory defined benefit pension scheme which covers a large proportion of its permanent staff employees. The scheme funds are administered by trustees and are independent of the group's finances. Contributions are paid to the scheme in accordance with recommendations of independent actuaries whose reports are compiled every three years. The company's contributions are charged against profits so as to spread the cost over the service lives of employees in the scheme.

NOTES TO THE ACCOUNTS

27 October 1996

2. OPERATING PROFIT

1996

1995

£

£

Operating profit is arrived at after charging/(crediting):

Depreciation	2,507,353	2,679,739
Profit on sale of tangible assets	(671,938)	(385,514)
Auditors remuneration - audit fees	72,369	50,210
- non-audit fees	70,295	49,643
	<u>70,295</u>	<u>49,643</u>

3. EMPLOYEES

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

No.

No.

Production staff	726	635
Administrative staff	163	158
	<u>889</u>	<u>793</u>

The costs incurred in respect of these employees were:

£

£

Wages and salaries	18,453,806	15,635,565
Social security costs	2,158,397	1,588,552
Other pension costs	497,736	468,311
	<u>21,109,939</u>	<u>17,692,428</u>

4. DIRECTORS

- (a) Directors' emoluments
Emoluments of directors included in employee costs were:

Management remuneration	<u>893,094</u>	<u>975,786</u>
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NOTES TO THE ACCOUNTS

27 October 1996

4. DIRECTORS (continued) **1996** **1995**

(a) Director's emoluments (continued)

The number of directors whose emoluments (excluding pension contributions) fell into the following ranges was:

	No.	No.
Not more than £ 5,000	two	one
£5,001 - £10,000	one	one
£25,001 - £30,000	one	one
£70,001 - £75,000	one	one
£120,001 - £125,000	one	none
£315,001 - £320,000	none	one
£510,001 - £515,000	none	one
£620,001 - £625,000	one	none

The chairman received emoluments during the year of £124,792 (1995: £318,933) and the highest paid director £623,360 (1995: £511,990).

(b) Directors' interests

In respect of the 1,000 £1 "A" Ordinary shares the following are held:

P J Kennedy	280	£1 "A" ordinary shares
Mrs K Kennedy	280	£1 "A" ordinary shares

The balance of 440 £1 "A" ordinary shares is held for the benefit of members of the family of Mr P J Kennedy and Mrs K Kennedy.

Mr P J Kennedy, Mrs K Kennedy and Mr J G Kennedy have interests in the shares of the ultimate parent company as disclosed in note 24 to the accounts. No other director had an interest in the shares of the company or its ultimate parent company during the year.

(c) Directors' current accounts

Two of the directors have drawings accounts with the company. The nature of the transactions on these accounts is such that the balances may switch between debit and credit during the year.

The balances at the year end, which are included in other debtors and other creditors, and the highest debit balance during the year were:

	<u>Highest debit balance</u>	1996 £	1995 £
P J Kennedy	4,305	(3,375)	(4,130)
J C Parsons	12,144	(441)	(381)
		<u>(3,816)</u>	<u>(4,511)</u>

NOTES TO THE ACCOUNTS
27 October 1996

5. OTHER OPERATING INCOME	1996	1995
	£	£
Income from current asset investments	7,206	8,342
Profit on sale of current asset investments	<u>2,004</u>	<u>-</u>
	<u>9,210</u>	<u>8,342</u>
 6. INTEREST RECEIVABLE AND SIMILAR INCOME		
Interest receivable:		
Bank deposits	554,827	553,304
Other interest	6,731	36
Exchange differences	<u>-</u>	<u>42,824</u>
	<u>561,558</u>	<u>596,164</u>
 7. AMOUNTS WRITTEN OFF INVESTMENTS		
Movement in provisions against investments	<u>(8,723)</u>	<u>61,492</u>
 8. INTEREST PAYABLE AND SIMILAR CHARGES		
On bank loans, overdrafts and other loans repayable within 5 years	7,929	6,775
Other interest	1,569	-
Exchange differences	<u>26,573</u>	<u>-</u>
	<u>36,071</u>	<u>6,775</u>
 9. TAX ON PROFIT ON ORDINARY ACTIVITIES		
Taxation is based on the profit for the year and comprises:		
Corporation tax at 33% of taxable profit	2,063,563	1,434,972
Deferred taxation	(51,510)	(21,283)
Overseas taxation	16,123	3,892
Tax credits on UK dividends received	<u>1,441</u>	<u>-</u>
	2,029,617	1,417,581
Prior year adjustments:		
Corporation tax	(55,262)	16,555
Deferred taxation	1,984	(12,996)
Overseas taxation	<u>(1,702)</u>	<u>-</u>
	<u>1,974,637</u>	<u>1,421,140</u>

NOTES TO THE ACCOUNTS

27 October 1996

9. TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)	1996	1995
	£	£
The tax for the year has been increased/(decreased) by the following amounts as a result of:		
General disallowable expenditure	124,475	144,812
Depreciation on assets not qualifying for capital allowances	28,363	-
Deferred taxation not provided	(51,533)	190,078
Tax rate differences	-	(7,794)
Non taxable income	(68,567)	(41,736)
Non tax allowable devaluation in investment property	-	69,784
Tax on franked investment income	1,441	-
	<u>34,179</u>	<u>355,144</u>
10. RESULT FOR THE FINANCIAL YEAR ATTRIBUTABLE TO THE MEMBERS OF KENNEDY CONSTRUCTION GROUP LIMITED		
Dealt with in the accounts of the parent Company	<u>6,437,549</u>	<u>934,189</u>
The company has taken advantage of Section 230 of the Companies Act 1985 and consequently a profit and loss account for the company alone is not presented.		
11. DIVIDENDS ON EQUITY SHARES		
Paid - ordinary shares	<u>1,012,770</u>	<u>914,760</u>

NOTES TO THE ACCOUNTS
27 October 1996

12. TANGIBLE ASSETS	Land and buildings £	Plant and machinery £	Total £
(a) THE GROUP			
Cost:			
At 29 October 1995	4,011,012	15,557,025	19,568,037
Additions	306,576	3,117,104	3,423,680
Disposals	-	(2,175,555)	(2,175,555)
	<u>4,317,588</u>	<u>16,498,574</u>	<u>20,816,162</u>
At 27 October 1996			
Depreciation:			
At 29 October 1995	377,937	10,491,366	10,869,303
Charge for the year	95,275	2,412,078	2,507,353
On disposals	-	(1,882,650)	(1,882,650)
	<u>473,212</u>	<u>11,020,794</u>	<u>11,494,006</u>
At 27 October 1996			
Balance sheet value:			
At 27 October 1996	<u>3,844,376</u>	<u>5,477,780</u>	<u>9,322,156</u>
At 29 October 1995	<u>3,633,075</u>	<u>5,065,659</u>	<u>8,698,734</u>

NOTES TO THE ACCOUNTS

27 October 1996

12. TANGIBLE ASSETS continued	Land and buildings £	Plant and machinery £	Total £
(b) THE COMPANY			
Cost:			
At 29 October 1995	4,002,891	901,940	4,904,831
Additions	306,576	69,098	375,674
Disposals	-	(25,065)	(25,065)
	<u>4,309,467</u>	<u>945,973</u>	<u>5,255,440</u>
At 27 October 1996			
	<u>4,309,467</u>	<u>945,973</u>	<u>5,255,440</u>
Depreciation:			
At 29 October 1995	372,816	618,734	991,550
Charge for the year	95,275	113,624	208,899
Disposals	-	(25,065)	(25,065)
	<u>468,091</u>	<u>707,293</u>	<u>1,175,384</u>
At 27 October 1996			
	<u>468,091</u>	<u>707,293</u>	<u>1,175,384</u>
Balance sheet value:			
At 27 October 1996	<u>3,841,376</u>	<u>238,680</u>	<u>4,080,056</u>
At 29 October 1995	<u>3,630,075</u>	<u>283,206</u>	<u>3,913,281</u>

	GROUP		COMPANY	
The balance sheet value of land and buildings comprises:	1996 £	1995 £	1996 £	1995 £
Freehold	2,484,918	2,241,559	2,481,918	2,238,559
Long leasehold	<u>1,359,458</u>	<u>1,391,516</u>	<u>1,359,458</u>	<u>1,391,516</u>
	<u>3,844,376</u>	<u>3,633,075</u>	<u>3,841,376</u>	<u>3,630,075</u>

Future capital expenditure:

Contracted for but not provided in the accounts	<u>-</u>	<u>140,000</u>	<u>-</u>	<u>140,000</u>
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NOTES TO THE ACCOUNTS
27 October 1996

13. INVESTMENT PROPERTIES

THE GROUP

Freehold
land and
buildings
£

At 29 October 1995	3,224,538
Additions	512,101
Disposal	(350,000)
Exchange differences	(24,377)
	<u>3,362,262</u>
At 27 October 1996	<u>3,362,262</u>

Investment properties are stated at open market valuation.

At 27 October 1996 the properties were valued by the directors and considered to have an open market value of £3,362,262. The historical cost of properties owned at 27 October 1996 was £2,520,358 (1994 - £2,447,830).

14. FIXED ASSET INVESTMENTS

(a) THE GROUP

	<u>Subsidiaries</u> £	Associate - Share of <u>net assets</u> £	<u>Total</u> £
Cost:			
At 29 October 1995	156,685	500	157,185
Investment in Kendat (see note 14 (d))	-	(500)	(500)
	<u>156,685</u>	<u>-</u>	<u>156,685</u>
At 27 October 1996	<u>156,685</u>	<u>-</u>	<u>156,685</u>
Provisions:			
At 29 October 1995 and 27 October 1996	<u>156,685</u>	<u>-</u>	<u>156,685</u>
Balance sheet value:			
At 27 October 1996	<u>-</u>	<u>-</u>	<u>-</u>
At 29 October 1995	<u>-</u>	<u>-</u>	<u>500</u>

NOTES TO THE ACCOUNTS

27 October 1996

14. FIXED ASSET INVESTMENTS continued

(b) THE COMPANY	Shares in Subsidiaries £	Loans to Subsidiary company £	Total £
Cost:			
At 29 October 1995	1,360,761	1,287,228	2,647,989
Transfer from debtors	-	177,345	177,345
Exchange difference	-	(26,425)	(26,425)
	<u>1,360,761</u>	<u>1,438,148</u>	<u>2,798,909</u>
At 27 October 1996	<u>1,360,761</u>	<u>1,438,148</u>	<u>2,798,909</u>
Provisions:			
At 29 October 1995 and 27 October 1996	<u>308,621</u>	<u>-</u>	<u>308,621</u>
Balance sheet value:			
At 27 October 1996	<u>1,052,140</u>	<u>1,438,148</u>	<u>2,490,288</u>
At 29 October 1995	<u>1,052,140</u>	<u>1,287,228</u>	<u>2,339,368</u>

- (c) The principal subsidiary companies of which the company holds the following proportions of Ordinary shares issued, being the only class of shares in issue, as at 27 October 1996 are:

Joseph Kennedy & Co (Manchester) Limited	100%
Kennedy Asphalt Limited	100%
Kennedy Construction Limited	77%
Kennedy Pipelining Services Limited	90%
STH Plant Limited	100%
North Cheshire Properties Limited	75%
Hale Brooks Insurance Company Limited (incorporated in the Isle of Man)	100%
Greythorn Limited (incorporated in Ireland)	100%
JDM (Diamondmasters) Limited	90%

In addition to the above, the following companies are owned by subsidiaries:

Kennedy Utility Services (Scotland) Limited (registered in Scotland)	100%
Astley Self Drive Limited	90%
Kendat Cabling Services Limited	100%
Kennedy Construction (Scotland) Limited (registered in Scotland)	100%
Kennedy Brooks Limited (registered in Ireland)	100%

Kennedy Brooks Limited is in voluntary liquidation and has not been consolidated as in the opinion of the directors the amounts involved are not material.

Except as stated above all the subsidiaries are incorporated in Great Britain and registered in England and Wales.

The total value of goodwill written off on consolidation of the above subsidiaries is £111,291 (1995 - £111,291).

NOTES TO THE ACCOUNTS

27 October 1996

14. FIXED ASSET INVESTMENTS continued

- (d) On 30 October 1995, the 50% shareholding of Dätwyler (UK) Limited in associated company Kendat Cabling Services Limited was acquired by Joseph Kennedy & Co (Manchester) Limited making the company a wholly owned subsidiary.
- (e) Unless otherwise stated the principal activities of subsidiary companies is public works contracting, property investment and management and other ancillary services.

15. STOCK AND LONG TERM CONTRACT BALANCES

THE GROUP	1996	1995
	£	£
Raw materials and consumables	<u>560,902</u>	<u>483,765</u>

The replacement value of stock and work in progress is estimated to be the same as book value.

NOTES TO THE ACCOUNTS
27 October 1996

16. DEBTORS

	<u>GROUP</u>		<u>COMPANY</u>	
	1996 £	1995 £	1996 £	1995 £
Trade debtors	9,591,964	10,101,593	-	-
Amounts recoverable on long term contracts	2,054,484	1,495,387	-	-
Amounts owed by group companies	-	-	1,752,730	1,236,335
Other debtors	404,745	715,042	108,666	401,187
Prepayments and accrued income	458,080	428,795	112,506	81,116
Dividends receivable	-	-	329,608	865,018
Corporation tax recoverable	720,745	-	23,488	-
	<u>13,230,018</u>	<u>12,740,817</u>	<u>2,326,998</u>	<u>2,583,656</u>

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

Trade debtors	127,980	394,698	-	-
Amounts recoverable on long term contracts	364,721	-	-	-
	<u>492,701</u>	<u>394,698</u>	<u>-</u>	<u>-</u>

17. CURRENT ASSET INVESTMENTS

At Cost:

Listed on a recognised stock exchange	65,118	61,960	65,118	61,960
Unlisted shares	50,000	50,000	50,000	50,000
	<u>115,118</u>	<u>111,960</u>	<u>115,118</u>	<u>111,960</u>
Market value of listed shares	<u>66,144</u>	<u>65,232</u>	<u>66,144</u>	<u>65,232</u>

18. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

Trade creditors	10,519,808	9,989,619	-	55,528
Payments on account of long term contracts	36,597	69,443	-	-
Amounts owed to group companies	-	-	11,138,690	13,219,211
Corporation tax	2,838,759	1,497,039	311,969	489,539
Other taxation and social security	2,066,071	1,347,042	977,044	153,245
Other creditors	1,549,291	995,701	848,043	287,024
Accruals and deferred income	3,207,265	2,477,368	1,289,440	929,228
	<u>20,217,791</u>	<u>16,376,212</u>	<u>14,565,186</u>	<u>15,133,775</u>

NOTES TO THE ACCOUNTS
27 October 1996

19. PROVISION FOR LIABILITIES AND CHARGES	<u>GROUP</u>		<u>COMPANY</u>	
	1996	1995 £	1996 £	1995 £
Deferred taxation	-	49,526	-	-
Reinstatement and other provisions	<u>2,044,402</u>	<u>2,382,383</u>	<u>-</u>	<u>-</u>
	<u>2,044,402</u>	<u>2,431,909</u>	<u>-</u>	<u>-</u>

(a) Deferred taxation

Movement in year:

At 29 October 1995	49,526
Credit for the year	<u>(49,526)</u>
At 27 October 1996	<u>-</u>

The source of the deferred taxation account and the amounts for which provision has not been made are as follows:

	<u>Provided</u>		<u>Unprovided</u>	
	1996 £	1995 £	1996 £	1995 £
i) THE GROUP				
Capital allowances in excess of depreciation	86,966	94,175	(297,574)	(367,288)
Short term timing differences	(86,966)	(44,649)	(464,385)	(416,359)
Capital losses	<u>-</u>	<u>-</u>	<u>(132,897)</u>	<u>(153,379)</u>
	<u>-</u>	<u>49,526</u>	<u>(894,856)</u>	<u>(937,026)</u>
ii) THE COMPANY				
Capital allowances in excess of depreciation	(280)	(2,160)	(41,135)	(35,095)
Short term timing differences	280	2,160	-	-
Capital losses	<u>-</u>	<u>-</u>	<u>(123,924)</u>	<u>(144,406)</u>
	<u>-</u>	<u>-</u>	<u>(165,059)</u>	<u>(179,501)</u>

NOTES TO THE ACCOUNTS

27 October 1996

19. PROVISION FOR LIABILITIES
AND CHARGES continued

(b) Reinstatement and other provisions

THE GROUP	Reinstatement and remedial £	Plant repairs £	Total £
Movement in the year:			
At 29 October 1995	2,273,721	108,662	2,382,383
Provided in the year	774,444	954,937	1,729,381
Utilised in the year	(1,273,709)	(793,653)	(2,067,362)
At 27 October 1996	<u>1,774,456</u>	<u>269,946</u>	<u>2,044,402</u>

20. CALLED UP SHARE CAPITAL

Authorised, allotted and fully paid:	Ordinary shares of £1 each	"A" Ordinary shares of £1 each	Total
At 27 October 1996 and 29 October 1995	<u>217,800</u>	<u>1,000</u>	<u>218,800</u>

The ordinary shares of £1 each are equity shares.

The "A" Ordinary shares of £1 each are non equity shares.

The holders of the "A" Ordinary Shares:

- (i) have no rights to dividends other than those recommended by the directors in respect of "A" Ordinary shares;
- (ii) have no redemption rights;
- (iii) rank parri-passu with the holders of the Ordinary shares in respect of repayment of paid-up capital on a winding-up but have no further right to participate in distribution of surplus assets;
- (iv) have no voting rights.

NOTES TO THE ACCOUNTS
27 October 1996

21. RESERVES

	Revaluation <u>reserve</u> £	Profit and <u>loss account</u> £	<u>Total</u> £
(a) THE GROUP			
At 29 October 1995	742,479	15,632,667	16,375,146
Exchange differences	-	(1,374)	(1,374)
Transfer on disposal of investment property	(146,270)	146,270	-
Minority interests in transfer between reserves	35,304	(35,304)	-
Retained profit for the year	-	2,944,828	2,944,828
	<u>631,513</u>	<u>18,687,087</u>	<u>19,318,600</u>
At 27 October 1996			

The revaluation reserve relates to investment properties.

(b) THE COMPANY

At 29 October 1995	1,911,596
Profit for the year	<u>5,424,779</u>
At 27 October 1996	<u>7,336,375</u>

The balance on the profit and loss account is all available for distribution.

22. CONTINGENT LIABILITIES

The company is liable under the group election scheme for the value added tax liabilities of other group companies. The contingent liability at 27 October 1996 amounted to £662,928 (1995 - £806,046).

Under the terms of a cross guarantee set up between Kennedy Construction Group Limited and its subsidiaries, the company has a contingent liability at 27 October 1996 of £549,216 for the bank overdrafts of other group companies (1995 - £437,261).

NOTES TO THE ACCOUNTS
27 October 1996

23. PENSIONS

The Kennedy Construction Group operates a contributory defined benefit pension scheme which covers a large proportion of its permanent staff employees and directors.

Pension costs are assessed in accordance with the advice of a professionally qualified actuary using the attained age method. Actuarial valuations of the pension scheme are performed triennially. The most recent such valuation was made as at 1 July 1995, and the assumptions which had the most significant effect on the results of the valuation were as follows:

	<u>% per annum</u>
Increase in present and future pensions	3
Excess of average rate of return on investments over average salary increases	1

The total market value of pension scheme assets was £8,386,910 and, based on the above method and assumptions, was sufficient to cover 111% of the benefits which had accrued to pension scheme members after allowing for future increases in earnings. This surplus is being eliminated for funding purposes by maintaining the contributions of the employees at 5% of earnings and by restricting the contributions of the group to 11.2%. Following the actuarial valuation a special contribution of £200,000 was made to fund agreed benefit improvements.

The total pension cost for the group was £497,736 (1995 - £468,311). £5,847 (1995 - £11,545) is included within debtors, this being the excess of the cumulative amounts paid over the accumulated pension cost.

24. ULTIMATE PARENT COMPANY

The company's ultimate parent company is Bertrem Limited, a company incorporated and registered in the Isle of Man.

Copies of the group financial statements of Bertrem Limited are available from Companies House, Crown Way, Maindy, Cardiff, CF4 3UZ.

The interests of P J Kennedy, Mrs K Kennedy and Mr J G Kennedy in the ultimate parent company are shown in that company's accounts.