
Byzak Contractors Limited
Financial Statements
for the year ended 1st November 1998



LATHAM CROSSLEY & DAVIS
CHARTERED ACCOUNTANTS
CHORLEY

Byzak Contractors Limited

Company Information

Company No: 1809458

Chairman	P J Byrne
Directors	P J Byrne N F Hayes
Secretary	S P N Smith
Registered Office	Unit 2 Unison Business Park Robson Avenue Urmston Manchester M41 7TG
Auditors	Latham Crossley & Davis Sumner House St. Thomas's Road Chorley PR7 1HP

Byzak Contractors Limited

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Byzak Contractors Limited

Directors' Report

for the Year ended 1st November 1998

The directors submit their report together with the audited financial statements for the year ended 1st November 1998.

Directors' Responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit 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; and

Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Results and Dividends

The profit on the ordinary activities of the company before taxation amounted to £976,506. After deducting taxation and dividends, the profit of £325,982 has been transferred to reserves.

The directors recommend dividends amounting to £250,000.

Principal Activity and Business Review

The principal activity of the company and the group is civil engineering and tunnelling.

The directors plan to continue with the management policies which have led to the satisfactory result achieved in the period.

Byzak Contractors Limited

Directors' Report

for the Year ended 1st November 1998

Directors and their Interests

The directors who served during the year and their interests in the share capital of the company were as follows:

	Ordinary shares of £1 each	
	1st November 1998	3rd November 1997
	No.	No.
P J Byrne	7,750	11,500

D R Forrest resigned as director on 31st August 1998.

The company is a 77% subsidiary undertaking of Globemile Limited and the interests in shares of P J Byrne who is a director of that company are disclosed in its directors' report.

N F Hayes did not have any interest in the share capital of the parent undertaking, Globemile Limited at any time during the year.

Year 2000

It is well known that many computers and digital storage systems express dates using only the last two digits of the year and will thus require modification or replacement to accommodate the Year 2000 and beyond in order to avoid malfunctions and resulting widespread commercial disruption. This is a complex and pervasive issue. The operation of our business depends not only on our own computer systems, but also to some degree on those of our suppliers and customers. This could expose us to further risk in the event that there is a failure by other parties to remedy their own Year 2000 issues.

The directors have begun a full review of the company's systems to assess the likely extent of the impact of the Year 2000 issue on the company, and the risks that it faces. Priority will be given to those systems which would have a significant financial or legal impact on the company's business if they were to fail. The directors are also considering the impact on our business of Year 2000 related failures by our significant suppliers and customers.

Given the complexity of the problem, it is not possible for any organisation to guarantee that no Year 2000 problems will remain, because at least some level of failure may still occur. However, the Board believes that it will achieve an acceptable state of readiness and has also provided resources to deal promptly with significant subsequent failures or issues that might arise.

The directors do not consider expenditure relating to the update of equipment for Year 2000 compliance to be significant.

Byzak Contractors Limited

Directors' Report

for the Year ended 1st November 1998

Auditors

The Auditors, Latham Crossley & Davis Chartered Accountants, have indicated that they are willing to be reappointed at the forthcoming Annual General Meeting.

By Order of the Board:



S P N Smith, Secretary

Date: 5 MARCH 1999

Byzak Contractors Limited

Auditors' Report to the Shareholders

on the Financial Statements for the year ended 1st November 1998

We have audited the financial statements on pages 5 to 17, which have been prepared under the historical cost convention and the accounting policies set out on pages 8 and 9.

Respective responsibilities of the directors and auditors

As described on page 1 the company's directors are responsible for the preparation of the 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, other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of the information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 1st November 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Latham Crossley & Davis

Latham Crossley & Davis
Registered Auditors and
Chartered Accountants

Sumner House
St. Thomas's Road
Chorley
PR7 1HP

Date: 5 March 1999

Byzak Contractors Limited**Profit and Loss Account****for the year ended 1st November 1998**

	Notes	1998 £	1997 £
Turnover		33,174,185	17,293,141
Cost of sales		(31,065,369)	(15,558,684)
Gross profit		2,108,816	1,734,457
Administrative expenses		(1,599,320)	(1,528,703)
Operating profit	2	509,496	205,754
Interest receivable		479,025	32,227
Interest payable	3	(12,015)	-
Profit on ordinary activities before taxation		976,506	237,981
Tax on profit on ordinary activities	5	(400,524)	(98,954)
Profit on ordinary activities after taxation		575,982	139,027
Dividends	6	(250,000)	(1,400,000)
Retained profit/(loss) transferred to/(from) reserves		325,982	(1,260,973)
Retained profit brought forward		723,829	1,984,802
Retained profit carried forward		1,049,811	723,829

All amounts relate to continuing activities.

There have been no recognised gains or losses, other than the results for the financial year, and all profits or losses have been accounted for on an historical cost basis.

Byzak Contractors Limited

Balance Sheet

as at 1st November 1998

	Notes	1998 £	1998 £	1997 £	1997 £
Fixed Assets					
Tangible assets	7		484,297		238,032
Investments	8		204,000		10,000
			<u>688,297</u>		<u>248,032</u>
Current Assets					
Stocks	9	27,357		60,026	
Debtors	10	1,832,516		1,176,812	
Cash at bank and in hand		9,977,482		5,344,164	
		<u>11,837,355</u>		<u>6,581,002</u>	
Creditors:					
Amounts falling due within one year	12	(11,240,695)		(5,936,355)	
Net Current Assets			<u>596,660</u>		<u>644,647</u>
Total Assets Less Current Liabilities			<u>1,284,957</u>		<u>892,679</u>
Creditors:					
Amounts falling due after more than one year	13		(185,146)		(118,850)
			<u>1,099,811</u>		<u>773,829</u>
Capital and Reserves					
Called up share capital	15		50,000		50,000
Profit and loss account			1,049,811		723,829
Equity Shareholders' Funds	16		<u>1,099,811</u>		<u>773,829</u>

These financial statements were approved by the board on

5 MARCH 1999.

P J Byrne
N F Hayes
Directors

RS
NF Hayes

The notes on pages 8 to 17 form part of these financial statements.

Byzak Contractors Limited**Cash Flow Statement****for the year ended 1st November 1998**

	Notes	1998 £	1997 £
Cash flow from operating activities	23	5,464,277	6,655,427
Returns on investments and servicing of finance	24	467,010	32,227
Taxation		(37,208)	(135,916)
Capital expenditure and financial investment	24	(1,126,867)	(86,330)
Equity dividends paid		-	(1,400,000)
Financing	24	(133,894)	-
Increase in cash in the period	25	<u>4,633,318</u>	<u>5,065,408</u>
Reconciliation of net cash flow to movement in net funds			
Increase in cash in the period		4,633,318	5,065,408
Cash outflow from decrease in debt and lease financing	25	<u>133,894</u>	<u>-</u>
Change in net debt resulting from cash flows		4,767,212	5,065,408
New finance leases and hire purchase agreements	25	(485,029)	-
Net funds at 3rd November 1997		<u>5,344,164</u>	<u>278,756</u>
Net funds at 1st November 1998	25	<u>9,626,347</u>	<u>5,344,164</u>

The notes on pages 8 to 17 form part of the financial statements.

Byzak Contractors Limited
Notes to the Financial Statements
for the year ended 1st November 1998

1 Principal Accounting Policies

Accounting Convention

The Financial Statements have been prepared in accordance with applicable Accounting Standards under the historical cost convention.

Group Accounts

The company's subsidiary undertakings are considered to be immaterial by the directors. Consequently, they have not been consolidated and these accounts present information about the company as an individual undertaking rather than as a group.

Turnover

Turnover represents the invoiced amount of goods sold and services provided less returns and allowances, excluding value added tax. In the case of long term contracts, turnover represents the sales value of work done during the year, including estimates in respect of amounts not invoiced.

Tangible Fixed Assets and Depreciation

Tangible fixed assets are stated at cost less accumulated depreciation.

Depreciation is calculated to write down the cost, less estimated residual value, of all tangible fixed assets over their expected useful lives. The principal annual rates and method used are:

Plant and machinery	25% to 100% straight line
Office equipment	50% straight line

Leasing and Hire Purchase

Certain tangible fixed assets are held under finance leases and hire purchase agreements. These assets are included in the balance sheet and are depreciated accordingly. The capital element of the corresponding financing commitments is included in the balance sheet. The finance element of repayments is charged to the profit and loss account in proportion to the reducing capital element outstanding.

Fixed Asset Investments

Fixed asset investments are included at cost less amounts written off. Profits or losses arising from disposals of fixed asset investments are treated as part of the result from ordinary activities.

Stocks

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

Byzak Contractors Limited
Notes to the Financial Statements
for the year ended 1st November 1998

Long-Term Contracts

Profit on long term contracts is taken as the work is carried out, if the final outcome can be assessed with reasonable certainty. The profit included is calculated on a prudent basis to reflect the proportion of the work carried out by the year end by recording turnover and related costs as contract activity progresses. Turnover is calculated as that proportion of total contract revenue which costs incurred to date bear to total expected costs for that contract. Revenue derived from variations on contracts is only recognised when they have been accepted by the customers. Full provision is made for losses on all contracts in the year in which they are first foreseen.

Deferred Taxation

Deferred taxation is calculated under the liability method at the appropriate rate of tax in respect of timing differences between profits as computed for tax purposes and profits as stated in the financial statements to the extent that, in the opinion of the directors, those differences will give rise to tax liabilities in the foreseeable future.

Pension Costs

The cost of pension benefits are recognised on a systematic basis over employees working lifetimes. For further details see note 20.

2 Operating Profit

The operating profit is stated after charging or crediting:

	1998	1997
	£	£
Operating lease rentals - land and buildings	28,979	-
Amounts payable to the auditors in respect of audit services	10,600	8,750
Depreciation - owned assets	1,066,454	100,904
Depreciation - assets held under hire purchase or finance lease contracts	128,154	-
Profit on disposal of fixed assets	(22,977)	(6,651)
Exceptional moving and restructuring costs	(4,326)	215,135
Management charges	-	116,303
	<u> </u>	<u> </u>

3 Interest Payable

	1998	1997
	£	£
Hire purchase and finance lease interest	12,015	-
	<u> </u>	<u> </u>

Byzak Contractors Limited

Notes to the Financial Statements

for the year ended 1st November 1998

4 Directors and Employees

Staff costs during the year were as follows:

	1998 £	1997 £
Wages and salaries	4,501,269	3,090,588
Social security costs	461,619	285,723
Other pension costs	147,473	79,008
	<u>5,110,361</u>	<u>3,455,319</u>

The company has made payments totalling £147,473 (1997 : £79,008) to a defined benefit pension scheme, the assets of which are held in an independently administered fund. For further details see note 20.

The average monthly number of employees, including directors, during the period was as follows:

	1998 Number	1997 Number
Administration	56	46
Production	136	92
	<u>192</u>	<u>138</u>

Remuneration in respect of directors was as follows:

	1998 £	1997 £
Emoluments	224,861	165,382
Payments to defined defined pension scheme	17,315	16,167
Total remuneration	<u>242,176</u>	<u>181,549</u>

Remuneration in respect of the highest paid director was as follows:

	1998 £	1997 £
Total emoluments excluding pension contributions	108,839	57,420
Payments to defined benefit pension scheme	5,975	5,094

The number of directors accruing retirement benefits was as follows:

	1998 Number	1997 Number
Defined benefit pension scheme	<u>3</u>	<u>3</u>

Byzak Contractors Limited

Notes to the Financial Statements

for the year ended 1st November 1998

5	Tax on Profit on Ordinary Activities	1998 £	1997 £
	<i>Based on the profit for the period:</i>		
	U.K. Corporation tax at 31.00% (1997: 31.83%)	399,546	97,494
	Prior year adjustments - corporation tax	978	1,460
		<u>400,524</u>	<u>98,954</u>

The tax charge for the year has been increased by approximately £48,000 (1997 : £17,800) in respect of permanent timing differences and increased by approximately £48,800 (1997 : reduced by £4,500) in respect of deferred taxation not provided.

6	Dividends	1998 £	1997 £
	On equity shares		
	Ordinary shares - interim paid of £nil per share (1997: £28.00)	-	1,400,000
	Ordinary shares - final proposed of £5.00 per share (1997: £nil)	<u>250,000</u>	<u>-</u>

7	Tangible Fixed Assets	Plant and machinery £	Office equipment £	Total £
	Cost			
	At 3rd November 1997	3,006,147	-	3,006,147
	Additions	1,421,737	21,109	1,442,846
	Disposals	(147,578)	-	(147,578)
	At 1st November 1998	<u>4,280,306</u>	<u>21,109</u>	<u>4,301,415</u>
	Depreciation			
	At 3rd November 1997	2,768,115	-	2,768,115
	Charged for the year	1,183,859	10,749	1,194,608
	Eliminated on disposal	(145,605)	-	(145,605)
	At 1st November 1998	<u>3,806,369</u>	<u>10,749</u>	<u>3,817,118</u>
	Net Book Value			
	Owned assets	85,127	10,360	95,487
	Leased assets	388,810	-	388,810
	At 1st November 1998	<u>473,937</u>	<u>10,360</u>	<u>484,297</u>
	At 2nd November 1997	<u>238,032</u>	<u>-</u>	<u>238,032</u>

Byzak Contractors Limited

Notes to the Financial Statements

for the year ended 1st November 1998

8 Fixed Asset Investments

	Shares in Group Undertakings	Own shares	Total
Cost	£	£	£
At 3rd November 1997 and at 1st November 1998	10,000	-	10,000
Additions	-	194,000	194,000
At 1st November 1998	10,000	194,000	204,000
Net Book Value			
At 1st November 1998	10,000	194,000	204,000
At 3rd November 1997	10,000	-	10,000

The company owns the whole of the issued ordinary share capital of Byzak Construction (Scotland) Ltd (formerly Kennedy Contractors (Scotland) Ltd), which does not trade. Its results are therefore not material and consolidated accounts have not been prepared.

The investment in own shares relates to 7.5% of share capital which was acquired by the Byzak Contractors Limited Employee Benefit Trust for a consideration of £194,000.

9 Stocks

	1998	1997
	£	£
Raw materials and consumables	27,357	60,026

10 Debtors

	1998	1997
	£	£
Trade debtors	294,377	51,227
Amounts owed by group undertakings	172,510	28,697
Amounts recoverable on contracts	980,294	948,812
Corporation tax recoverable	81,736	19,236
Other debtors	71,525	16,592
Prepayments	232,074	112,248
	1,832,516	1,176,812

Included in debtors are the following amounts falling due more than one year after the balance sheet date:

Amounts recoverable on contracts	598,471	144,671
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Byzak Contractors Limited

Notes to the Financial Statements

for the year ended 1st November 1998

11 Cash at bank and in hand

Cash at bank and in hand includes £200,050 (1997 : nil) which is held in trust for the beneficiaries of the Employee Benefit Trust.

12 Creditors: Amounts falling due within one year

	1998	1997
	£	£
Net obligations under hire purchase and finance lease contracts	165,989	-
Payments received on account	3,128,827	2,239,779
Trade creditors	4,730,768	1,989,533
Amounts owed to group undertakings	17,062	-
Corporation tax	462,046	36,230
Other taxes and social security	795,563	655,359
Proposed dividends	250,000	-
Other creditors	74,006	52,156
Accruals	1,616,434	963,298
	<u>11,240,695</u>	<u>5,936,355</u>

13 Creditors: Amounts falling due after one year

	1998	1997
	£	£
Net obligations under hire purchase and finance lease contracts	185,146	-
Trade creditors	-	118,850
	<u>185,146</u>	<u>118,850</u>

Obligations under hire purchase and finance lease contracts are secured on the assets concerned.

14 Obligations Under Hire Purchase & Finance Leases

	1998	1997
	£	£
Obligations under finance leases and hire purchase contracts fall due for repayment as follows:		
Within one year	165,989	-
Between one and two years	165,989	-
Between two and five years	19,157	-
	<u>351,135</u>	<u>-</u>

Obligations under finance leases and hire purchase contracts are secured on the assets concerned.

Byzak Contractors Limited

Notes to the Financial Statements

for the year ended 1st November 1998

15 Share Capital

Authorised	1998 £	1997 £
50,000 Ordinary shares of £1 each	50,000	50,000
Allotted, called up and fully paid	1998 £	1997 £
50,000 Ordinary shares of £1 each	50,000	50,000

16 Reconciliation of the Movement in Shareholders' Funds

	1998 £	1997 £
Profit for the financial year	575,982	139,027
Dividends	(250,000)	(1,400,000)
Increase/(Decrease) in shareholders' funds	325,982	(1,260,973)
Opening shareholders' funds	773,829	2,034,802
Closing shareholders' funds	1,099,811	773,829

17 Capital Commitments

	1998 £	1997 £
Capital commitments as at 1st November 1998 are as follows:		
Capital expenditure authorised and contracted for but not provided in these financial statements	-	95,003

18 Ultimate Parent Undertaking

The directors consider the ultimate parent company to be Globemile Limited which is the only undertaking that prepares group accounts including the financial statements of the company.

19 Control

Throughout the whole of the period the company was a 77% subsidiary undertaking of Globemile Limited and was controlled by it. The company was ultimately controlled by the director of Globemile Limited, P J Byrne, (who is also a director of this company), who controlled the whole of its issued ordinary share capital.

Byzak Contractors Limited

Notes to the Financial Statements

for the year ended 1st November 1998

20 Pensions - Final Salary Scheme

The company operates a defined benefit pension scheme which is administered under a separate trust. The scheme was established on 1st January 1998 and is funded by contributions from the employees and company. Company contributions are based on advice from an independent qualified actuary who assessed the rates using the attained age method, together with the following principal assumptions:

Investment return	8.5% per annum
Earnings increases	7.0% per annum
Increases to future pensions in payment	4.5% per annum

The first actuarial valuation of the scheme will be undertaken as at 1st November 1998, and will take into account receipt of a transfer payment from the Kennedy Construction Group Retirement Benefits Scheme.

The pension cost charge for the period was £147,473 which equated to the actual contributions paid.

21 Related Party Transactions

During the year Byzak Software Limited, a related party made sales of £70,374 (1997 : nil) to the company. In addition the company made recharges to other group companies of £105,936 (1997 : £nil). The aggregate amount of recharges and rent from other group companies during the period ended 1st November 1998 were £nil (1997 : £4,564,031).

Included in amounts owed to fellow group undertakings was a trading balance for the year ended 1st November 1998 of £17,062 (1997 : nil).

Included in amounts owed from fellow group undertakings were loan balances for the year ended 1st November 1998 of £172,510 (1997 : £28,697).

22 Transactions With Directors

Included in other debtors are loans to the directors as follows:

	Amounts outstanding	
	1st November 1998 £	3rd November 1997 £
N F Hayes	58,000	-
Maximum amount outstanding during the period		£
N F Hayes		60,000

The amounts outstanding are interest free and monthly repayments of £500 are currently being made.

Byzak Contractors Limited
Notes to the Financial Statements
for the year ended 1st November 1998

23 Reconciliation of Operating Profit to Operating Cash Flows

	1998	<i>1997</i>
	£	<i>£</i>
Operating profit	509,496	205,754
Depreciation charges	1,194,608	100,904
Profit on disposal of fixed assets	(22,977)	(6,651)
Decrease/(Increase) in stocks	32,669	(32,671)
(Increase)/decrease in debtors	(593,204)	4,075,008
Increase in creditors	4,343,685	2,313,083
Net Cash Inflow from Operating Activities	<u>5,464,277</u>	<u>6,655,427</u>

24 Gross Cash Flows

Returns on investments and servicing of finance	1998	<i>1997</i>
	£	<i>£</i>
Interest received	479,025	32,227
Interest element of finance lease rental payments	(12,015)	-
Net cash inflow for returns on investments and servicing of finance	<u>467,010</u>	<u>32,227</u>

	1998	<i>1997</i>
Capital expenditure	£	<i>£</i>
Purchase of tangible fixed assets	(957,817)	(102,328)
Purchase of fixed asset investments	(194,000)	-
Proceeds from the sale of fixed assets	24,950	15,998
Net cash outflow for capital expenditure and financial investment	<u>(1,126,867)</u>	<u>(86,330)</u>

Financing	1998	<i>1997</i>
	£	<i>£</i>
Capital elements of finance lease rental payments	<u>(133,894)</u>	<u>-</u>

Byzak Contractors Limited

Notes to the Financial Statements

for the year ended 1st November 1998

25 Analysis of changes in Net Funds

	At 3rd November 1997	Cashflows	Other non-cash changes	At 1st November 1998
	£	£	£	£
Cash at bank and in hand	5,344,164	4,633,318	-	9,977,482
Finance leases and hire purchase agreements	-	133,894	(485,029)	(351,135)
Total	5,344,164	4,767,212	(485,029)	9,626,347

26 Contingent Liabilities

At 1st November 1998 the company had performance bonds amounting to £1,500,000 (1997 : 1,500,000), £750,000 of which expired post year end.

27 Operating lease commitments

Financial commitments under non-cancellable operating leases will result in the following payments falling due in the next financial year:

	1998 Land and buildings £	1997 Land and buildings £
Expiring: Within two to five years	28,979	-

28 Employee Benefit Trust

During the year the company established an Employee Benefit Trust with the object of promoting employee loyalty and goodwill. Contributions for the year totalled £200,050.

In accordance with FRS 5 - Reporting the Substance of Transactions, trust assets of £394,050 have been incorporated into the company's balance sheet. As the contributions should be wholly deductible for tax purposes for this year, provision has been made for deferred tax on the contributions relating to those assets.