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PELL FRISCHMANN MILTON KEYNES LIMITED

ANNUAL REPORT

31 MARCH 1995

BERG KAPROW LEWIS

Chartered Accountants and
Registered Auditors



PELL FRISCHMANN MILTON KEYNES LIMITED

1.

ANNUAL REPORT

31 MARCH 1995

COMPANY REGISTRATION NUMBER

1811783

DIRECTORS

W W Frischmann CBE (Chairman)
S S Prabhu
C D Potter

S Lenssen
R S Frischmann
A W R Lines

SECRETARY

N W Carmichael

REGISTERED OFFICE

5 Manchester Square
London
W1A 1AU

AUDITORS

Berg Kaprow Lewis
London

BANKERS

National Westminster Bank Plc
London

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PELL FRISCHMANN MILTON KEYNES LIMITED

DIRECTORS' REPORT

31 MARCH 1995

The directors submit their report and financial statements for the year ended 31 March 1995.

1. RESULTS AND DIVIDENDS

The trading profit for the year before and after taxation was £ 191,127 and £ 146,127 respectively (1994:£ 156,037 and £ 110,280). The directors recommend no dividend be paid, resulting in a transfer to reserves of £ 146,127.

2. ACTIVITIES

The company's principal activity during the year was that of Consulting Engineers.

3. REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The directors are pleased to report a satisfactory trading year despite the continuation of difficult market conditions.

The Commission for the New Towns continues to be the company's major client. The company holds the Commission's Engineering Term Consultancy for the Central Region, comprising the New Towns of Milton Keynes, Northampton and Corby. The Commission recently appointed the company to continue to provide engineering consultancy services until the end of March 1998.

The company continues to pursue with vigour a policy to extend and diversify its client base. The range of current projects and clients underlines the success being achieved in the implementation of this policy.

Current projects include the design and construction supervision of the improvement to Principal Road standard of a section of A421 being carried out for Buckinghamshire County Council; a capital programme of public lighting schemes for Lincolnshire County Council, won by competitive tender for the second consecutive year; the implementation of waterproofing and remedial structural works at Wolfson College, Oxford; infrastructure design for further phases of the major residential development at Tattenhoe; the civil and structural engineering of a warehouse extension for Walker Greenbank plc at Tilbrook.

New commissions include feasibility studies and preliminary design for major retail developments and for an extensive residential development project.

The company continues to provide technical support to other Pell Frischmann Group of companies, including the M6 Motorway Widening project for the Highways Agency and infrastructure and drainage design for a range of development projects. Staff are also currently engaged in highway and infrastructure design based in the Abu Dhabi office of Conesco International Limited.

DIRECTORS' REPORT

31 MARCH 1995

3. REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS (Continued)

The company operates a Quality Management system assessed and registered as meeting the requirements of the current standard BS EN ISO 9001 : 1994 and subject to periodic surveillance assessments.

The company is a wholly owned subsidiary of Pell Frischmann Group Limited which files group financial statements. The group profit before taxation for the year ended 31 March 1995, including the group's share of the profit of associated undertaking, is expected to exceed £5 Million.

The number of staff currently employed by the group as a whole, including those of its associated undertaking is in excess of 2,200. The staff are available to any company within the group dependent upon the demand or resources of the constituent company.

4. DIRECTORS

The directors during the year and their beneficial interests, (including those of their families), were as follows:

	Ordinary shares	
	31:03:95	01:04:94
W W Frischmann CBE (Chairman)	-	-
S S Prabhu	-	-
A W R Lines	-	-
S Lenssen	-	-
C D Potter (Appointed 1.2.95)	-	-
R S Frischmann	-	-

Directors interests in ultimate parent undertaking are given in note 15 to the financial statements.

DIRECTORS' REPORT

31 MARCH 1995

5. 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 or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- 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 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 that 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.

6. FIXED ASSETS

Movements in fixed assets are shown in note 7 to the financial statements.

7. POLITICAL AND CHARITABLE DONATIONS

During the year donations made for charitable purposes totalled £333 (1994 : £ Nil). No contributions were made for political purposes.

8. STATUS

The company is a close company under the provisions of the Income and Corporation Taxes Act 1988.

9. DIRECTORS AND OFFICERS INSURANCE

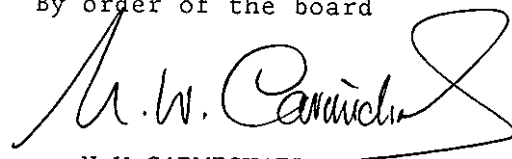
Directors' and officers' liability insurance has been maintained by the company during the year.

10. AUDITORS

A resolution to re-appoint the auditors, Berg Kaprow Lewis, will be proposed at the annual general meeting.

Dated 5.2.96

By order of the board



N W CARMICHAEL
Secretary

PELL FRISCHMANN MILTON KEYNES LIMITED

AUDITORS REPORT TO THE MEMBERS

31 MARCH 1995

We have audited the financial statements on pages 6 to 16 which have been prepared under the historical cost convention and 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 company's affairs as at 31 March 1995 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Dated 1st April 1996

35 Ballards Lane
London
N3 1XW

Berg Kaprow Lewis

BERG KAPROW LEWIS
Chartered Accountants and
Registered Auditors

PELL FRISCHMANN MILTON KEYNES LIMITED

PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 MARCH 1995

		1995	1994 (as restated) see note 18)
		£	£
	Notes		
TURNOVER	1	2,023,934	1,812,871
Cost of sales		1,289,102	1,156,564
GROSS PROFIT		734,832	656,307
Administrative expenses		561,223	500,431
OPERATING PROFIT		173,609	155,876
Other interest receivable and similar income	3	17,548	1,315
		191,157	157,191
Interest payable and similar charges	4	30	1,154
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5	191,127	156,037
Tax on profit on ordinary activities	6	45,000	45,757
PROFIT FOR THE FINANCIAL YEAR		146,127	110,280

None of the company's activities were acquired or discontinued during the above two financial years.

The company has no recognised gains or losses other than those dealt with in the profit and loss account.

The notes on pages 8 to 16 form part of these financial statements.

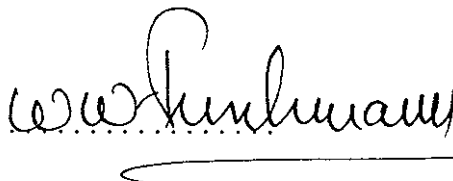
PELL FRISCHMANN MILTON KEYNES LIMITED

BALANCE SHEET

AS AT 31 MARCH 1995

			1995		1994
	Notes	£	£	£	£
FIXED ASSETS					
Tangible assets	7		18,295		31,569
CURRENT ASSETS					
Debtors	8	751,599		910,491	
Cash at bank and in hand		99,024		325,168	
		<u>850,623</u>		<u>1,235,659</u>	
CREDITORS - Amounts falling due within one year	9	302,657		847,094	
NET CURRENT ASSETS			547,966		388,565
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>566,261</u>		<u>420,134</u>
CAPITAL AND RESERVES					
Called up share capital	10		8,000		8,000
Profit and loss account	11a		558,261		412,134
			<u>566,261</u>		<u>420,134</u>

These financial statements were approved by the board on , 5 February 96
and signed on its behalf by:



W W Frischmann
Director

The notes on pages 8 to 16 form part of these financial statements

PELL FRISCHMANN MILTON KEYNES LIMITED

ACCOUNTING POLICIES

31 MARCH 1995

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

ACCOUNTING CONVENTION

The financial statements have been prepared under the historical cost convention and in accordance with applicable Accounting Standards.

TANGIBLE FIXED ASSETS AND DEPRECIATION

Depreciation is provided on fixtures and equipment and motor vehicles by the reducing balance method and on computer equipment by the straight line method at rates calculated to write off the cost less estimated residual value, of each asset over its expected useful life, as follows:-

Fixtures and equipment	- 25%
Motor vehicles	- 25%
Computer equipment	- 25%

LEASES AND HIRE PURCHASE CONTRACTS

Assets held under finance leases and hire purchase contracts are capitalised as tangible fixed assets and the resulting obligations to pay future instalments under such leases and hire purchase contracts are included in creditors.

Payments in respect of the finance charge element of the leases and hire purchase contracts are charged to profit and loss account so as to fairly apportion the charge over the duration of the leases and hire purchase contracts.

Rentals payable under operating leases are charged to the profit and loss account in the year in which they are incurred.

DEFERRED TAXATION

Deferred tax provision is made in respect of significant timing differences, using the liability method, to the extent that it is probable that a liability or an asset will crystallise in the foreseeable future.

TURNOVER

Turnover represents fees receivable and reimbursables for services rendered exclusive of Value Added Tax.

PELL FRISCHMANN MILTON KEYNES LIMITED

ACCOUNTING POLICIES

31 MARCH 1995

PENSION COSTS

The majority of the company's employees belong to a group pension scheme which is funded by both employer's and employees' contributions and which is of the defined benefit type. The pension cost is assessed in accordance with the advice of an independent qualified actuary.

Contributions are charged to the profit and loss account so as to spread the cost of pensions over the estimated working lives of employees. Any shortfalls or surpluses in the the pension fund are spread over the average remaining service lives of current employees.

PELL FRISCHMANN MILTON KEYNES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 1995

1. TURNOVER

The company engages in only one class of business and all sales were within the United Kingdom.

	1995	1994
	£	£
2. EMPLOYEES COSTS AND NUMBERS (INCLUDING DIRECTORS)		
Wages and salaries	934,920	896,376
Social security costs	77,914	76,818
Other pension costs	108,720	98,554
	<u>1,121,554</u>	<u>1,071,748</u>
	Number	Number
Average number employed in the year:		
Administration	7	7
Engineering	49	50
Management	2	1
	<u>58</u>	<u>58</u>

The number of staff currently employed by the group as a whole, including those of its associated undertaking is in excess of 2,200. The staff are available to any company within the group dependent upon the demand or resources of the constituent company.

Directors' emoluments:

Remuneration for management services	52,678	97,402
	<u>52,678</u>	<u>97,402</u>

Directors' emoluments excluding pension contributions, were as follows:

Chairman	1,500	1,500
Highest paid director	38,056	45,990

Emoluments of other directors fell within the following ranges:

NIL - £ 5,000	3	3
£ 5,001 - £10,000	1	-
£35,001 - £40,000	-	1

PELL FRISCHMANN MILTON KEYNES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 1995

	1995	1994
	£	£
3. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME		
Other interest	17,203	—
Bank deposit interest	345	1,315
	<u>17,548</u>	<u>1,315</u>
4. INTEREST PAYABLE AND SIMILAR CHARGES		
Bank Interest	30	23
Finance leases and hire purchase contracts	—	1,131
	<u>30</u>	<u>1,154</u>
5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		
The profit on ordinary activities before taxation is after charging:		
Auditors' remuneration	9,000	7,500
Depreciation written off tangible fixed assets	13,274	21,103
Loss on sale of fixed assets	—	1,572
Rentals under operating leases—other	9,401	9,440
—Land & buildings	30,882	69,891
	<u>52,557</u>	<u>109,906</u>
6. TAX ON PROFIT ON ORDINARY ACTIVITIES		
Corporation tax on the profit for the year at 33% (1994:33%)	45,000	49,945
Adjustments in respect of previous year	—	(4,188)
	<u>45,000</u>	<u>45,757</u>

PELL FRISCHMANN MILTON KEYNES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 1995

7. FIXED ASSETS - TANGIBLE

Cost or valuation	01:04:94 £	Additions £	Disposals £	31:03:95 £
Fixtures and equipment	30,354	—	—	30,354
Motor vehicles	52,064	—	—	52,064
Computer equipment	182,905	—	—	182,905
	<u>265,323</u>	<u>—</u>	<u>—</u>	<u>265,323</u>
		Charge for year	Eliminated on disposals	31:03:95
Depreciation	01:04:94			
Fixtures and equipment	23,984	1,591	—	25,575
Motor vehicles	34,045	4,503	—	38,548
Computer equipment	175,725	7,180	—	182,905
	<u>233,754</u>	<u>13,274</u>	<u>—</u>	<u>247,028</u>
Net book amounts	01:04:94			31:03:95
Fixtures and equipment	6,370			4,779
Motor vehicles	18,019			13,516
Computer equipment	7,180			—
	<u>31,569</u>			<u>18,295</u>

Details relating to assets held under finance leases or hire purchase agreements included above are as follows:-

	1995 £	1994 £
Net book amounts		
Motor vehicles	3,168	4,224
Computer equipment	—	6,250
	<u>3,168</u>	<u>10,474</u>
Depreciation charge for the year		
Motor vehicles	1,056	1,408
Computer equipment	6,250	11,774
	<u>7,306</u>	<u>13,182</u>

PELL FRISCHMANN MILTON KEYNES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 1995

	1995	1994
	£	£
8. DEBTORS		
Due within one year:		
Trade debtors	79,491	275,340
Amounts owed by group undertakings	573,703	563,450
Other debtors	24,385	33,040
Prepayments and accrued income	74,020	38,661
	<u>751,599</u>	<u>910,491</u>

Amounts owed by group undertakings are in respect of parent and fellow subsidiary undertakings.

9. CREDITORS

Amounts falling due within one year:		
Trade creditors	43,148	63,773
Amounts owed to group undertakings	17,242	497,665
Corporation tax	45,000	55,048
Other taxation and social security	64,396	80,352
Other creditors	20,690	378
Accruals and deferred income	112,181	149,878
	<u>302,657</u>	<u>847,094</u>

Amounts owed to group undertakings are in respect of parent and fellow subsidiary undertakings.

10. CALLED UP SHARE CAPITAL

Equity interests

There was no change in share capital during the year.

	Authorised £	Allotted & fully paid £
Ordinary shares of £ 1 each	<u>10,000</u>	<u>8,000</u>

PELL FRISCHMANN MILTON KEYNES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 1995

11a. RESERVES

	Profit and loss account	
	1995	1994
	£	£
Opening balance	412,134	301,854
Retained profit for the year	146,127	110,280
Closing balance	558,261	412,134

11b. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	1995	1994
	£	£
Profit for the financial year	146,127	110,280
Opening shareholders' funds	420,134	309,854
Closing shareholders' funds:-equity interests	566,261	420,134

12. FINANCIAL COMMITMENTS

Annual commitments under non-cancellable operating leases payable in the year following the balance sheet date, and analysed according to the period in which each lease expires are:

Ending within one year:

Land and buildings

Other

—
— 3,504

Ending within two to five years:

Land and buildings

Other

35,000 —
6,628 —

Ending in more than five years:

Land and buildings

— 59,035

41,628 62,539

PELL FRISCHMANN MILTON KEYNES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 1995

13. ULTIMATE PARENT UNDERTAKING

The ultimate parent undertaking is Pell Frischmann Group Limited, a company incorporated in England and Wales, which is the only company within the group which prepares group financial statements.

Copies of the group financial statements of Pell Frischmann Group Limited may be obtained from Mr N W Carmichael, the Company Secretary, at the following address:

5 Manchester Square
London W1A 1AU
Tel: 0171 486 3661

14. PENSION SCHEMES

The company is a member of a defined benefit group pension scheme, covering the majority of its employees, which is funded through a separate trustee-administered fund.

The most recent formal actuarial valuation of the scheme was carried out as at 1 April 1992 using the discontinuance and prospective valuation methods. The principal assumptions used in these valuations were:

<u>Annual compound rate of</u>	<u>Discontinuance valuation</u>	<u>Prospective valuation</u>
Investment return	9.5%	9.5%
Pensionable salary growth	Nil	8%

At the date of the valuation, the market value of the scheme's assets was £ 9,770,715, and the actuarial valuation of the assets was sufficient overall to cover all the benefits that had accrued to the members at that date, after allowing for assumed future increases in earnings and subject to improvements in benefits.

The actuary has recommended that for the year under review the company contributes to the scheme at the rate of 16.3% of the pensionable salaries of the members.

The pension contributions payable by the company for the year ended 31 March 1995 was £108,720 (1994:£98,554). All contributions were paid within the year.

PELL FRISCHMANN MILTON KEYNES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 1995

15. DIRECTORS INTERESTS IN ULTIMATE PARENT UNDERTAKING

W W Frischmann, S S Prabhu and R S Frischmann were directors of Pell Frischmann Group Limited during the year, and details of their interests in shares of that company are disclosed in its report and financial statements. No other directors of this company had any interests in the shares of any of the Pell Frischmann Group of companies.

16. TRANSACTIONS INVOLVING DIRECTORS

W W Frischmann and S S Prabhu are the constituent partners in Pell Frischmann & Partners which supplied administration and other services to the company during the year, totalling £ 75,000. (1994 : £ 45,000).

17. CONTINGENT LIABILITIES

- (a) There are unquantified contingent liabilities in the normal course of business arising under engineering contracts.
- (b) The company is a member of a group for Value Added Tax (VAT) purposes and is accordingly jointly and severally liable for VAT due and unpaid. The amount outstanding for the group at 31 March 1995 was £536,548 (1994 : £521,279).
- (c) The company has provided to its principal bankers a mortgage debenture re its own borrowing facilities and a guarantee in respect of one of its fellow subsidiaries.

18. COMPARATIVE FIGURES

Prior year's figures in respect of cost of sales and administrative expenses have been restated in respect of reclassification in that year.