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KENTLEY & DUNKIN GENERAL MORTGAGE AND
INDUSTRIAL TRUST CO.

Accounts

31 March 1918

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KENNEDY AND DONKIN GENERATION AND INDUSTRIAL LIMITED

REPORT OF THE DIRECTORS
FOR THE PERIOD ENDED 31 MARCH 1988

1 The directors present herewith the audited accounts for the company's first accounting period to 31 March 1988.

Results

2 The results for the year are shown in the profit and loss account on page 4.

Dividends

3 The directors recommend payment of a dividend for the period ended 31 March 1988 of £135,000.

Principal activity

4 The principal activity of the company is that of consulting engineers on a worldwide basis.

5 The company was incorporated on 1 October 1986 as Dovemaple Limited changing its name to Kennedy & Donkin Generation and Industrial Limited on 11 November 1986. On 30 December 1986 the authorised share capital of the company was increased from 1,000 to 100,000 ordinary shares of £1 each. The company commenced trading on 1 April 1987 and on the same date the company purchased certain business assets and liabilities from Kennedy & Donkin Group Limited. The cost of the business acquired was £958,579. The consideration for the purchase was payment of cash of £100,000 and a long term loan from the parent company of £858,579. On 23 September 1987 the company issued for cash 99,998 £1 ordinary shares at par to its parent company Kennedy & Donkin Group Limited.

Fixed assets

6 The company held no fixed assets during the year.

Directors

7 The directors of the company from incorporation to 31 March 1988, were:

* MN John	- Chairman	(Appointed 11 November 1986)
* TR Bateson	- Managing Director	(Appointed 1 January 1988)
JA Chapman	)	
JK Maxwell-Snape	)	(Appointed 30 December 1986)
* JS Oakes	)	
IF Douglas		(Appointed 30 December 1986, Resigned 31 March 1988)
M French		(Appointed 17 August 1987)
G Hattersley		(Appointed 13 January 1988)

COMPANIES REGISTRATION

28 JUL 1988

OFFICE

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Directors interests in shares and contracts of the company

8 The directors which are identified by an asterisk in paragraph 7 are also shareholders of the parent company, Kennedy & Donkin Group Limited. Those directors therefore had an interest, at the beginning and end of the year, in all the issued shares. No other directors held shares in the company at 31 March 1988.

9 No directors had any material interest during the year in any contract with the company requiring disclosure under section 317 of the Companies Act 1985.

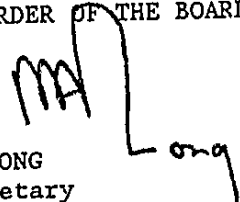
Close company provisions

10 The company is considered to be a close company under the provisions of the Income and Corporation Taxes Act 1970 (as amended).

Auditors

11 A resolution to reappoint the auditors, Coopers & Lybrand, will be proposed at the annual general meeting.

BY ORDER OF THE BOARD


DA LONG
Secretary

4 July 1988

REPORT OF THE AUDITORS TO THE MEMBERS OF
KENNEDY AND DONKIN GENERATION AND INDUSTRIAL LIMITED

We have audited the accounts on pages 4 to 11 in accordance with approved Auditing Standards.

In our opinion the accounts give a true and fair view of the state of affairs of the company at 31 March 1988 and of its profit and source and application of funds for the period ended on that date and comply with the Companies Act 1985.

Coopers & Lybrand

COOPERS & LYBRAND

Chartered Accountants

MANCHESTER,

4 July 1988

KENNEDY AND DONKIN GENERATION AND INDUSTRIAL LIMITED

PROFIT AND LOSS ACCOUNT FOR THE
PERIOD ENDED 31 MARCH 1988

	<u>Notes</u>	<u>1988</u>
		£
Turnover	2	3,348,181
Cost of sales		<u>2,109,537</u>
Gross profit		1,238,644
Administrative expenses		<u>1,096,465</u>
Profit on ordinary activities before taxation	3	142,179
Tax on profit on ordinary activities	6	<u>-</u>
Profit on ordinary activities after taxation and for the financial period		142,179
Dividends		<u>135,000</u>
Retained profit for the financial period		<u>£ 7,179</u>

STATEMENT OF ACCUMULATED SURPLUS

Retained profit for the period	<u>7,179</u>
Retained profit carried forward	<u>£ 7,179</u>

The notes on pages 7 to 11 form
part of these accounts.

Auditors' report, page 3.

KENNEDY AND DONKIN GENERATION AND INDUSTRIAL LIMITED

BALANCE SHEET - 31 MARCH 1988

	<u>Notes</u>	<u>1988</u> £
CURRENT ASSETS		
Stocks and work in progress	7	189,550
Debtors	8	1,523,594
Cash at bank and in hand		161,602
		<u>1,874,746</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	9	908,988
NET CURRENT ASSETS		<u>965,758</u>
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	10	858,579
		<u>£ 107,179</u>
CAPITAL AND RESERVES		
Called up share capital	11	100,000
Profit and loss account		7,179
		<u>£ 107,179</u>

TR Bateson)

) Directors

JA Chapman)

The notes on pages 7 to 11 form
part of these accounts.

Auditors' report, page 3.

KENNEDY AND DONKIN GENERATION AND INDUSTRIAL LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE 18 MONTHS ENDED 31 MARCH 1988

	1988
	£
SOURCE OF FUNDS	
Profit on ordinary activities before taxation	142,179
Funds generated from operations	142,179
Funds from other sources:	
Share capital issued *	100,000
Loan received from immediate parent company *	858,579
TOTAL SOURCE OF FUNDS	<u>£1,100,758</u>
INCREASE/(DECREASE) IN WORKING CAPITAL	
Stocks *	189,550
Debtors *	1,523,594
Creditors falling due within one year (excluding proposed dividends) *	(773,988)
	<u>939,156</u>
Movement in bank and cash balances *	161,602
	<u>£1,100,758</u>

* Summary of the effects of acquisition of the business from Kennedy & Donkin Group Limited.

	£
Stocks	396,739
Debtors	743,038
Cash	2,307
Creditors	(183,505)
	<u>958,579</u>
Discharged by:	
Long term loan from	
Kennedy & Donkin Group Limited	858,579
Cash	100,000
	<u>958,579</u>

Auditors' report, page 3.

KENNEDY AND DONKIN GENERATION AND INDUSTRIAL LIMITED

NOTES TO THE ACCOUNTS - 31 MARCH 1988

1 Principal Accounting Policies

(a) Accounting Convention

The accounts have been prepared under the historical cost convention.

(b) Turnover

Turnover, which excludes value added and similar taxes, comprises the sales value of work done and services rendered on contracts calculated by reference to the total sales value of each contract and includes expenses recharged to clients. Revenue on time and expense contracts is included in sales as the work is done.

(c) Work in Progress

Work in Progress is valued at cost and attributable overheads, plus in the case of long term contracts a proportion of profits earned on sufficiently advanced contracts less foreseeable losses and less progress payments received and receivable. Any such amounts which have been received and exceed work in progress are included in creditors.

(d) Taxation

The charge for taxation is based on the profit for the year as adjusted for disallowable items. Provision is made for deferred taxation on all timing differences where it is considered that a liability may arise in the foreseeable future.

(e) Foreign Currencies

Revenue and costs expressed in foreign currencies are translated into sterling at rates of exchange ruling on the date on which the transaction occurs, or at fixed rates specified in contracts. Assets and liabilities in foreign currencies are translated into sterling at the rate ruling at the balance sheet date.

(f) Pension Arrangements

The Company funds pension liabilities on the advice of external actuaries, by payments to the Company Pension Fund. Payments made to the fund and charged in the accounts comprise current and past service liabilities. The fund is actuarially valued every three years.

KENNEDY AND DONKIN GENERATION AND INDUSTRIAL LIMITED

NOTES TO THE ACCOUNTS - 31 MARCH 1988 (CONTINUED)

2 Turnover

The geographical analysis of turnover is as follows:-

	<u>1988</u> £
United Kingdom	2,249,906
Middle East	391,622
Africa	706,653
	<u>£3,348,181</u>

3 Profit on ordinary activities before taxation

Profit on ordinary activities is stated after charging:-

Auditors remuneration	4,000
Directors emoluments (including pension contributions):	-
As directors	117,898
For management services	<u>117,898</u>

4 Directors Emoluments

Directors' emoluments (excluding pension contributions):

Emoluments of the chairman	<u>£Nil</u>
Emoluments of the highest paid director	<u>£32,259</u>

Number of other directors whose emoluments were within the ranges:-

	No.
£ Nil to £ 5,000	2
£ 5,001 to £10,000	1
£15,001 to £20,000	1
£25,001 to £30,000	2
	<u>6</u>

KENNEDY AND DONKIN GENERATION AND INDUSTRIAL LIMITED

NOTES TO THE ACCOUNTS - 31 MARCH 1988 (CONTINUED)

5 Employee Information

1988

- (a) The average number of persons employed by the company (including executive directors) during the year is analysed below:

No.

Technical	61
Administration	36
	97

- (b) Employment costs of all employees including executive directors included above:

£

Gross wages and salaries	1,150,106
Employers national insurance and state pension contributions	80,986
Employers pension contributions under the company pension scheme	84,239
	£1,315,331

6 Tax on profit on ordinary activities

No provision is necessary for corporation tax on the profits for the year as tax losses will be surrendered by another group company to cover the taxable profits of the company for nil consideration.

7 Stocks and Work in Progress

£

Total costs incurred plus attributable profits less foreseeable losses	405,050
Less payments received and receivable	(215,500)
	£189,550

KENNEDY AND DONKIN GENERATION AND INDUSTRIAL LIMITEDNOTES TO THE ACCOUNTS - 31 MARCH 1988 (CONTINUED)

	<u>1988-</u> <u>£</u>
8 <u>Debtors</u>	
Trade debtors	1,217,312
Amounts owed by group companies	225,555
Other debtors	24,727
Prepayments	56,000
	<u>£1,523,594</u>

All the above amounts are due within one year of the balance sheet date.

9 <u>Creditors: amounts falling due within one year</u>	
Trade creditors	164,837
Amounts owed to group companies	516,983
Other creditors including taxation and social security	44,914
Accruals and deferred income	47,254
Dividends	135,000
	<u>£908,988</u>

10 <u>Creditors: amounts falling due after more than one year</u>	
Loan from Kennedy and Donkin Group Limited	£858,579

This loan is not repayable within 12 months and is interest free.

KENNEDY AND DONKIN GENERATION AND INDUSTRIAL LIMITED

NOTES TO THE ACCOUNTS - 31 MARCH 1988 (CONTINUED)

	<u>1988</u>
	<u>£</u>
11 <u>Called up share capital</u>	
Authorised:	
100,000 shares of £1 each	£100,000
Alloted, called up and fully paid	<u> </u>
100,000 shares of £1 each	£100,000
	<u> </u>
12 <u>Contingent Liability</u>	
The Group's principal banker has a fixed and floating charge over the assets of the company.	
13 <u>Ultimate Holding Company</u>	
The ultimate holding company is Kennedy and Donkin Group Limited, which is incorporated in Great Britain.	

Auditors' report, page 3.