

**PJK INVESTMENTS
LIMITED**
and its subsidiaries

REPORT AND ACCOUNTS

29 October 1995

PJK INVESTMENTS LIMITED
and its subsidiaries

REPORT OF THE DIRECTORS

The Directors submit their report and the accounts for the year ended 29 October 1995.

PRINCIPAL ACTIVITIES

The Company is a holding Company. The principal activities of its subsidiaries comprise public works contracting, property investment and management and other ancillary activities.

REVIEW OF THE BUSINESS

The drop in both turnover and profits has been anticipated when reviewing the position last year although the fall in the level of profits is larger than expected as a result of one subsidiary suffering significant losses, attributable to one contract.

The Directors are pleased to report that all other operating companies within the Group were profitable despite the difficulties experienced in the market sector. The policy of investment in operating assets, property, plant and transport is ongoing and capital expenditure of £2.9 million was incurred in the year. In addition, a further £350,000 was spent on additions and improvements to our investment property portfolio.

The current year is progressing satisfactorily and it is expected that all operating companies will be in profit. Group turnover levels are likely to be similar to the previous year but some increase in group profits should be achieved.

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 £906,444 were paid during the year (1994 - £1,402,830). The Directors recommend that no final dividend be declared (1994 - £Nil).

DIRECTORS

The Directors who served during the year were as follows:

P J Kennedy
J C Parsons
Mrs K Kennedy
R S Boddington

Details of the Directors' interest in shares are shown in note 4 to the accounts.

PJK INVESTMENTS LIMITED
and its subsidiaries

REPORT OF THE DIRECTORS continued

DISABLED PERSONS

The Group has an established policy of encouraging the employment of disabled persons wherever this is practicable. In compliance with the current legislation the Group seeks to employ at least the quota of disabled persons required. The Group 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 £206,168 (1994 - £199,006).

AUDITORS

On 1st February 1996 our auditors changed the name under which they practise to Deloitte & Touche and, accordingly, have signed their report in their new name. A resolution to re-appoint Deloitte & Touche as auditors of the Company will be proposed at the Annual General Meeting.

By order of the Board



R W Kirkin

Secretary

14 November 1996

PJK INVESTMENTS 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 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 PJK INVESTMENTS LIMITED

We have audited the financial statements on pages 5 to 25 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 29 October 1995 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

14 November 1996

**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 29 October 1995

	Note	1995 £	1994 £
TURNOVER	1	70,190,669	81,848,607
Cost of sales		<u>(60,336,147)</u>	<u>(68,425,114)</u>
GROSS PROFIT		9,854,522	13,423,493
Administrative expenses		(7,171,244)	(7,529,216)
Other operating income	5	<u>8,342</u>	<u>10,568</u>
		<u>(7,162,902)</u>	<u>(7,518,648)</u>
OPERATING PROFIT	2	2,691,620	5,904,845
Loss on sale of fixed asset investments		-	(11,791)
Interest receivable and similar income	6	596,164	313,395
Amounts written off investments	7	(61,492)	(11,502)
Interest payable and similar charges	8	<u>(6,775)</u>	<u>(8,762)</u>
		<u>527,897</u>	<u>281,340</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		3,219,517	6,186,185
Tax on profit on ordinary activities	9	<u>(1,421,140)</u>	<u>(2,396,794)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		1,798,377	3,789,391
Equity minority interests		<u>(10,358)</u>	<u>(74,802)</u>
PROFIT FOR THE FINANCIAL YEAR ATTRIBUTABLE TO THE MEMBERS OF PJK INVESTMENTS LIMITED		1,788,019	3,714,589
Dividends on equity shares	11	(906,444)	(1,402,830)
RETAINED PROFIT FOR THE YEAR	21	<u>881,575</u>	<u>2,311,759</u>

There were no recognised gains and losses other than the retained profit for the year and the preceding year.

All the activities relate to continuing operations.

CONSOLIDATED BALANCE SHEET

29 October 1995

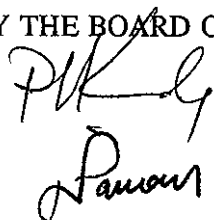
	Note	1995 £	1994 £
FIXED ASSETS			
Tangible assets	12	8,698,734	8,593,657
Investment properties	13	3,224,538	2,053,684
Investments	14	<u>500</u>	<u>500</u>
		11,923,772	10,647,841
CURRENT ASSETS			
Stock and long term contract balances	15	483,765	546,375
Debtors	16	12,740,817	13,731,207
Investments	17	111,960	173,452
Cash at bank and in hand		<u>10,976,405</u>	<u>11,691,632</u>
		24,312,947	26,142,666
CREDITORS:AMOUNTS FALLING DUE WITHIN ONE YEAR	18	<u>(16,376,212)</u>	<u>(19,162,087)</u>
NET CURRENT ASSETS		<u>7,936,735</u>	<u>6,980,579</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		19,860,507	17,628,420
PROVISIONS FOR LIABILITIES AND CHARGES	19	<u>(2,431,909)</u>	<u>(2,061,720)</u>
		<u>17,428,598</u>	<u>15,566,700</u>
CAPITAL AND RESERVES			
CALLED UP SHARE CAPITAL	20	39,041,000	39,041,000
RESERVES			
Revaluation reserve		735,729	-
Profit and loss account	21	5,297,253	4,412,572
Goodwill	21	<u>(28,631,882)</u>	<u>(28,631,882)</u>
		(22,598,900)	(24,219,310)
Equity Shareholders' funds		16,442,100	14,821,690
EQUITY MINORITY INTERESTS		<u>986,498</u>	<u>745,010</u>
TOTAL CAPITAL EMPLOYED		<u>17,428,598</u>	<u>15,566,700</u>

APPROVED BY THE BOARD OF DIRECTORS

P J Kennedy

J C Parsons

14 November 1996



PJK INVESTMENTS LIMITED**PARENT COMPANY BALANCE SHEET**

29 October 1995

	Note	1995 £	1994 £
FIXED ASSET INVESTMENTS	14	39,041,000	39,041,000
CURRENT ASSETS			
Debtors	16	50,000	50,000
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	18	<u>(50,000)</u>	<u>(50,000)</u>
NET CURRENT ASSETS		<u>-</u>	<u>-</u>
		<u>39,041,000</u>	<u>39,041,000</u>
CAPITAL AND RESERVES			
Called up share capital	20	<u>39,041,000</u>	<u>39,041,000</u>
EQUITY SHAREHOLDERS' FUNDS		<u>39,041,000</u>	<u>39,041,000</u>

APPROVED BY THE BOARD OF DIRECTORS

P J Kennedy



J C Parsons



14 November 1996

CONSOLIDATED CASH FLOW STATEMENT
for the year ended 29 October 1995

	Note	1995 £	1994 £
NET CASH INFLOW FROM OPERATING ACTIVITIES	(a)	<u>4,725,172</u>	<u>9,742,158</u>
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		596,164	269,174
Interest paid		(6,775)	(8,762)
Dividends paid		(906,444)	(1,402,830)
Dividends paid to minority shareholders in subsidiary undertakings		<u>(21,316)</u>	<u>(30,890)</u>
Net cash outflow from returns on investments and servicing of finance		<u>(338,371)</u>	<u>(1,173,308)</u>
TAXATION			
Corporation tax paid		<u>(2,347,803)</u>	<u>(1,277,431)</u>
Tax paid		<u>(2,347,803)</u>	<u>(1,277,431)</u>
INVESTING ACTIVITIES			
Payments to acquire tangible fixed assets		(2,905,872)	(3,595,983)
Payments to acquire and improve investment properties		(354,923)	(208,062)
Investment in associated company		-	(500)
Receipts from sale of tangible fixed assets		506,570	1,052,293
Receipts from sale of investment properties		-	293,750
Issue of loan		<u>-</u>	<u>(50,000)</u>
Net cash outflow from investing activities		<u>(2,754,225)</u>	<u>(2,508,502)</u>
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(c)	<u>(715,227)</u>	<u>4,782,917</u>

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT
for the year ended 29 October 1995

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

	1995 £	1994 £
Operating profit	2,691,620	5,904,845
Depreciation charge	2,679,739	2,640,443
Profit on sale of fixed assets	(385,514)	(453,913)
Profit on sale of investment property	-	(126,638)
Deficit on revaluation of investment property	211,467	
Exchange differences	(36,117)	39,492
Increase in reinstatement and other provisions	404,468	136,917
Decrease in stocks	62,610	42,996
Decrease/(increase) in debtors	990,390	(2,668,684)
(Decrease)/increase in creditors	(1,893,491)	4,226,700
Net cash inflow from operating activities	<u>4,725,172</u>	<u>9,742,158</u>

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

	£	£
Minority Interests		
At 30 October 1994	745,010	700,098
Share of profit after taxation	10,358	74,802
Share of revaluation surplus	252,446	-
Dividends	(21,316)	(30,890)
Issue of shares	-	1,000
At 29 October 1995	<u>986,498</u>	<u>745,010</u>

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

At 30 October 1994	11,765,084	6,993,670
(Decrease)/increase in cash and cash equivalents during the year	(715,227)	4,782,917
Movement in provisions against current asset investments	<u>(11,492)</u>	<u>(11,503)</u>
At 29 October 1995	<u>11,038,365</u>	<u>11,765,084</u>

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT
for the year ended 29 October 1995

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

	Cash at bank and in hand £	Amounts disclosed within Current asset investments £	<u>Total</u> £
At 31 October 1993	6,712,100	281,570	6,993,670
Change in year	4,979,532	(196,615)	4,782,917
Provisions created	-	(11,503)	(11,503)
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	<u>10,976,405</u>	<u>61,960</u>	<u>11,038,365</u>

STATEMENT OF RECOGNISED GAINS AND LOSSES
for the year ended 29 October 1995

	1995 £	1994 £
Profit for the financial year	1,788,019	3,714,589
Surplus on revaluation of investment properties	735,729	-
Foreigh exchange gain	3,106	339
Total recognised gains to the year	<u>2,526,854</u>	<u>3,714,928</u>

**RECONCILIATION OF MOVEMENTS
IN SHAREHOLDERS' FUNDS**
for the year ended 29 October 1995

Profit for the financial year	1,788,019	3,714,589
Dividends	(906,444)	(1,402,830)
	881,575	2,311,759
Other recognised gains relating to the year	738,835	339
Net addition to shareholders' funds	1,620,410	2,312,098
Opening shareholders' funds	14,821,690	12,509,592
Closing shareholders' funds	<u>16,442,100</u>	<u>14,821,690</u>

NOTES TO THE ACCOUNTS
29 October 1995

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 an 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 the 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
29 October 1995

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 re-valued 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 aggregate cost and valuation on individual properties which are charged to the profit and 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
29 October 1995

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
29 October 1995

2. TOTAL OPERATING PROFIT	1995 £	1994 £
Operating profit is arrived at after charging/(crediting):		
Depreciation	2,679,739	2,640,443
Profit on sale of tangible assets	(385,514)	(453,913)
Hire of plant and machinery	4,437,673	4,662,760
Auditors remuneration - audit fees	50,210	47,975
- non- audit fees	49,643	65,242
	<u> </u>	<u> </u>

3. EMPLOYEES

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

	No.	No.
Production staff	635	681
Administrative staff	<u>158</u>	<u>152</u>
	<u>793</u>	<u>833</u>

The costs incurred in respect of these employees were:

	£	£
Wages and salaries	15,635,565	16,463,212
Social security costs	1,588,552	1,664,104
Other pension costs	<u>468,311</u>	<u>573,522</u>
	<u>17,692,428</u>	<u>18,700,838</u>

4. DIRECTORS

(a) Directors' emoluments

Emoluments of Directors included in employee costs were:

Management remuneration	<u>892,392</u>	<u>1,148,872</u>
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The number of Directors whose emoluments (excluding pension contributions) fell into the following ranges was:

	No.	No.
Not more than £ 5,000	one	one
£25,001 - £30,000	one	none
£55,001 - £60,000	none	one
£315,001 - £320,000	one	none
£320,001 - £325,000	none	one
£510,001 - £515,000	one	none
£730,001 - £735,000	none	one

NOTES TO THE ACCOUNTS
29 October 1995

4. DIRECTORS (continued)

(a) Directors' emoluments (continued)

The Chairman received emoluments during the year of £318,933 (1994: £321,037) and the highest paid Director £511,990 (1994: £734,733).

(b) Directors' interests

The interests of P J Kennedy and Mrs K Kennedy are shown in note 23 to the accounts. No other Director had an interest in the shares of the Company or its ultimate parent company during the year.

5. OTHER OPERATING INCOME	1995	1994
	£	£
Income from current asset investments	<u>8,342</u>	<u>10,568</u>
 6. INTEREST RECEIVABLE AND SIMILAR INCOME		
Interest receivable:		
Bank deposits	533,304	246,190
Other interest	36	22,984
Exchange differences	<u>42,824</u>	<u>44,221</u>
	<u>596,164</u>	<u>313,395</u>
 7. AMOUNTS WRITTEN OFF INVESTMENTS		
Movement in provisions against investments	<u>61,492</u>	<u>11,502</u>

NOTES TO THE ACCOUNTS
29 October 1995

8. INTEREST PAYABLE AND SIMILAR CHARGES	1995	1994
	£	£
On bank loans, overdrafts and other loans repayable within 5 years	<u>6,775</u>	<u>8,762</u>
9. TAX ON PROFIT ON ORDINARY ACTIVITIES		
Taxation is based on the profits for the year and comprises:		
Corporation tax at 33% (1994 - 33%) of taxable profit	1,434,972	2,384,034
Deferred taxation	(21,283)	(6,043)
Overseas taxation	3,892	-
Tax credits on UK dividends received	<u>-</u>	<u>2,113</u>
	1,417,581	2,380,104
Prior year adjustments:		
Corporation tax	16,555	24,572
Deferred taxation	(12,996)	(2,870)
Income Tax	<u>-</u>	<u>(5,012)</u>
	<u>1,421,140</u>	<u>2,396,794</u>
The tax for the year has been increased/(decreased) by the following amounts as a result of:		
Different overseas tax rates	(7,794)	(2,876)
General disallowable expenditure	144,812	97,867
Depreciation on assets not qualifying for capital allowances	-	16,795
Deferred taxation not provided	190,078	236,804
Non taxable income	(41,736)	-
Non tax allowable devaluation in investment property	<u>69,784</u>	<u>-</u>
	<u>355,144</u>	<u>348,590</u>
10. RESULT FOR THE FINANCIAL YEAR ATTRIBUTABLE TO THE MEMBERS OF PJK INVESTMENTS LIMITED	1995	1994
	£	£
Dealt with in the accounts of the parent Company	<u>906,444</u>	<u>1,402,830</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>906,444</u>	<u>1,402,830</u>

NOTES TO THE ACCOUNTS
29 October 1995

12. TANGIBLE ASSETS

	<u>Land and buildings</u> £	<u>Plant and machinery</u> £	<u>Total</u> £
THE GROUP			
Cost:			
At 30 October 1994	3,559,594	14,381,280	17,940,874
Additions	451,418	2,454,454	2,905,872
Disposals	-	(1,278,709)	(1,278,709)
At 29 October 1995	<u>4,011,012</u>	<u>15,557,025</u>	<u>19,568,037</u>
Depreciation:			
At 30 October 1994	290,897	9,056,320	9,347,217
Charge for the year	87,040	2,592,699	2,679,739
On disposals	-	(1,157,653)	(1,157,653)
At 29 October 1995	<u>377,937</u>	<u>10,491,366</u>	<u>10,869,303</u>
Balance sheet value:			
At 29 October 1995	<u>3,633,075</u>	<u>5,065,659</u>	<u>8,698,734</u>
At 30 October 1994	<u>3,268,697</u>	<u>5,324,960</u>	<u>8,593,657</u>
The balance sheet value of land and buildings comprises:		1995 £	1994 £
Freehold		2,241,559	1,854,066
Long leasehold		<u>1,391,516</u>	<u>1,414,631</u>
		<u>3,633,075</u>	<u>3,268,697</u>
Future capital expenditure:			
Contracted for but not provided in the accounts		140,000	-
Authorised by the Directors but not contracted for		<u>69,750</u>	<u>-</u>
		<u>209,750</u>	<u>-</u>

NOTES TO THE ACCOUNTS
29 October 1995

13. INVESTMENT PROPERTIES

THE GROUP

Freehold
land and
buildings
£

At 30 October 1994	2,053,684
Additions at cost	354,923
Surplus on revaluation	776,708
Exchange differences	<u>39,223</u>
At 29 October 1995	<u>3,224,538</u>

Investment properties are stated at open market valuation.

Certain properties which have now been held for five years were valued on an open market basis by Roger Hannah & Co, Chartered Surveyors, on 2 August 1996 and the values incorporated into the balance sheet at 29 October 1995. In the directors' opinion this valuation is the best evidence of the open market value of the properties at 29 October 1995. The historical cost of properties owned at 29 October 1995 was £2,447,830 (1994 - £2,053,684).

14. FIXED ASSET INVESTMENTS

(a) THE GROUP

	<u>Subsidiaries</u> £	Associate- Share of <u>Net Assets</u> £	<u>Total</u> £
Cost:			
At 30 October 1994 and 29 October 1995	<u>156,685</u>	<u>500</u>	<u>157,185</u>
Provisions:			
At 30 October 1994 and 29 October 1995	<u>156,685</u>	<u>-</u>	<u>157,185</u>
Balance sheet value:			
At 30 October 1994 and 29 October 1995	<u>-</u>	<u>500</u>	<u>500</u>

NOTES TO THE ACCOUNTS

29 October 1995

14. FIXED ASSET INVESTMENTS continued

(b) THE COMPANY

Shares in
Subsidiary
£

Cost:

At 30 October 1994 and 29 October 1995

39,041,000

Balance sheet value:

At 30 October 1994 and 29 October 1995

39,041,000

- (c) The subsidiary company of which the Company holds 99.091% of the ordinary shares issued as at 29 October 1995 is Kennedy Construction Group Limited. The following companies are owned by Kennedy Construction Group Limited:

Joseph Kennedy & Co (Manchester) Limited	99.091%
Kennedy Asphalt Limited	99.091%
Kennedy Construction Limited	76.300%
Kennedy Pipelining Services Limited	89.182%
STH Plant Limited	99.091%
North Cheshire Properties Limited	74.328%
Hale Brooks Insurance Company Limited (incorporated in the Isle of Man)	99.091%
Greythorn Limited (incorporated in Ireland)	99.091%
JDM (Diamondmasters) Limited	89.182%

In addition to the above, the following companies are owned by subsidiaries of Kennedy Construction Group Limited:

Kennedy Utility Services (Scotland) Limited (registered in Scotland)	99.091%
Astley Self Drive Limited	89.180%
Kennedy Construction (Scotland) Limited (registered in Scotland)	99.091%
Kennedy Brooks Limited (registered in Ireland)	99.091%

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 £28,783,173 (1994 - £28,783,173).

NOTES TO THE ACCOUNTS

29 October 1995

14. FIXED ASSET INVESTMENTS continued

- (d) On 22 September 1992, a subsidiary company, Joseph Kennedy and Co (Manchester) Limited entered into a joint venture agreement with Dätwyler (UK) Limited and subscribed for 50% of the ordinary share capital of Kendat Cabling Services Limited. The results of Kendat Cabling Limited for the year ended 29 October 1995 have been equity accounted for. The Group's share of profit was £nil and its share of net assets at 29 October 1995 was £500.

On 30 October 1995, the shareholding of Dätwyler (UK) 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 and associated companies is public works contracting, property investment and management and other ancillary services.

15. STOCK AND LONG TERM CONTRACT BALANCES

THE GROUP	1995 £	1994 £
Raw materials and consumables	483,765	329,943
Long terms contract balances	<u>-</u>	<u>216,432</u>
	<u>483,765</u>	<u>546,375</u>

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

NOTES TO THE ACCOUNTS

29 October 1995

16. DEBTORS

	<u>GROUP</u>		<u>COMPANY</u>	
	1995	1994	1995	1994
	£	£	£	£
Trade debtors	10,101,593	11,580,014	-	-
Amounts recoverable on long term contracts	1,495,387	1,344,604	-	-
Other debtors	715,042	425,195	50,000	50,000
Prepayments and accrued income	428,795	381,394	-	-
	<u>12,740,817</u>	<u>13,731,207</u>	<u>50,000</u>	<u>50,000</u>

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

Trade debtors	<u>394,698</u>	<u>218,676</u>	<u>-</u>	<u>-</u>
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17. CURRENT ASSET INVESTMENTS

At Cost:

	<u>GROUP</u>	
Listed on a recognised stock exchange	61,960	73,452
Unlisted	50,000	50,000
Other loans	-	-
	<u>50,000</u>	<u>50,000</u>
	<u>111,960</u>	<u>173,452</u>
Market value of listed shares	<u>65,232</u>	<u>73,452</u>

18. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>GROUP</u>		<u>COMPANY</u>	
Trade creditors	9,989,619	10,436,692	-	-
Payments on account of long term contracts	69,443	40,048	-	-
Amounts owed to group companies	-	-	50,000	50,000
Corporation tax	1,497,039	2,389,423	-	-
Other taxation and social security	1,347,042	2,199,752	-	-
Other creditors	995,701	1,329,496	-	-
Accruals and deferred income	2,477,368	2,766,676	-	-
	<u>16,376,212</u>	<u>19,162,087</u>	<u>50,000</u>	<u>50,000</u>

NOTES TO THE ACCOUNTS

29 October 1995

GROUP

**19. PROVISION FOR LIABILITIES
AND CHARGES**

	1995	1994
	£	£
Deferred taxation	49,526	83,805
Reinstatement and other provisions	<u>2,382,383</u>	<u>1,977,915</u>
	<u>2,431,909</u>	<u>2,061,720</u>

(a) Deferred taxation

Movement in year

At 30 October 1994	83,805
Credit for the year	(21,283)
Prior year adjustment	<u>(12,996)</u>
At 29 October 1995	<u>49,526</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>	
	1995	1994	1995	1994
	£	£	£	£
Capital allowances in excess of depreciation	94,175	107,457	(367,288)	(276,830)
Short term timing differences	(44,649)	(23,652)	(416,359)	(318,637)
Capital losses	-	-	(153,379)	(211,735)
	<u>49,526</u>	<u>83,805</u>	<u>(937,026)</u>	<u>(807,202)</u>

(b) Reinstatement and other provisions

	<u>Reinstatement and remedial</u>	<u>Plant repairs</u>	<u>Total</u>
	£	£	£
Movement in the year:			
At 30 October 1994	1,918,051	59,864	1,977,915
Provided in the year	1,297,034	595,781	1,892,815
Utilised in the year	<u>(941,364)</u>	<u>(546,983)</u>	<u>(1,488,347)</u>
At 29 October 1995	<u>2,273,721</u>	<u>108,662</u>	<u>2,382,383</u>

NOTES TO THE ACCOUNTS
29 October 1995

20. CALLED UP SHARE CAPITAL

	Ordinary shares of <u>£1 each</u>
Authorised:	
At 29 October 1995 and 30 October 1994	<u>£50,000,000</u>
Allotted and fully paid:	
At 29 October 1995 and 30 October 1994	<u>£39,041,000</u>

The Ordinary shares of £1 each are equity shares.

21. RESERVES

THE GROUP	Revaluation <u>reserve</u> £	Profit and <u>loss account</u> £	<u>Goodwill</u> £	<u>Total</u> £
At 30 October 1994	-	4,412,572	(28,631,882)	(24,219,310)
Exchange differences	-	3,106	-	3,106
Surplus on revaluation of properties	988,175	-	-	988,175
Transfer to minority interests	(252,446)	-	-	(252,446)
Retained profit for the year	-	881,575	-	881,575
At 29 October 1995	<u>735,729</u>	<u>5,297,253</u>	<u>(28,631,881)</u>	<u>(22,598,900)</u>

The revaluation reserve relates to investment properties.

NOTES TO THE ACCOUNTS

29 October 1995

22. PENSIONS

The 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 will be eliminated for funding purposes by maintaining the contributions of the employees at 5% of earnings and by maintaining the contributions of the Group at 10% of earnings until 30 June 1996 increasing to 11.2% thereafter.

The total pension cost for the Group was £468,311 (1994 - £573,610). Since the actuarial valuation a special contribution of £200,000 has been made to fund agreed benefit improvements.

£11,545 (1994 -£8,019) is included within debtors, this being the excess of the cumulative amounts paid over the accumulated pension cost.

23. ULTIMATE PARENT COMPANY

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

The entire issued share capital of Bertrem Limited is held directly by or in trust for the benefit of certain individuals which include Mr P J Kennedy, Mrs K Kennedy and other members of their family.

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