Martech Services Limited

Directors' report and financial statements

For the year ended 31 December 1998
Registered number 2769370

Directors' report and financial statements

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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 1998.

Principal activities

The principal activities of the company during the year have been the hire and development of specialist equipment and the provision of technical and consultancy services to contractors operating in the electro chemical repair of reinforced concrete.

Business review and future developments

Overseas outlets for the services of the business decreased sharply in the year resulting in a reduction of turnover and returns.

Results for the year are as follows:

	1998	1997
	£000	£000
Turnover	**274**	417
(Loss)/profit on ordinary activities before taxation	**(67)**	75

Research and development

The company undertakes research and development work in support of its principal activities.

Payments to suppliers

Suppliers are paid on a timely basis having regard to common trade and industry practice. Cash discounts for prompt payment are usually taken where available.

Dividends

The directors recommend the payment of a dividend for the year of £69,000 *(1997: £Nil)*.

Directors and their interests

The directors who served during the year are as follows:

T Dobson
MWC Martin
K Whitehouse
JW Maker (resigned 31 December 1998)

Directors' report
(continued)

Mr T Dobson and Mr MWC Martin are also directors of the ultimate parent undertaking and their interests in Keller Group Limited are disclosed in the financial statements of that company.

Mr K Whitehouse is also a director of Keller Limited a fellow subsidiary undertaking and his interests in Keller Group Limited are disclosed in the financial statements of that company.

No other director had any beneficial interests in the company.

Employees

During the year, employees were provided with information relating to the performance of the company and on the progress of the business through regular consultation between employee representatives and the company.

Disabled persons

It is the policy of the company to make fullest use of the potential of all of its employees including those who are disabled. Employees are given the opportunity and encouragement to undertake training and career development to enable them to be considered as candidates for promotion.

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 year. 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 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Year 2000

The company has identified the key business risks relevant to Year 2000 compliance. Programmes have been established throughout the company to ensure that the business will not be adversely affected by problems associated with the date change in the new millennium, although no assurance can be given that these programmes will be successful. These programmes have identified those areas in which there is a need for the upgrading of computer software and hardware and, where appropriate, the replacement of relevant accounting, administration and operating systems. Additional costs of ensuring that systems are Year 2000 compliant have been calculated but are not considered to be material.

Directors' report
(continued)

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditors of the company is to be proposed at the forthcoming annual general meeting.

By order of the board

K Whitehouse
Secretary

Oxford Road
Ryton-on-Dunsmore
Coventry
CV8 3EG

3 March 1999

KPMG

KPMG Audit Plc

2 Cornwall Street
Birmingham
B3 2DL

Auditors' report to the members of Martech Services Limited

We have audited the financial statements on pages 5 to 13.

Respective responsibilities of directors and auditors

As described on page 2, 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 December 1998 and of the results for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

3 March 1999

Profit and loss account
for the year ended 31 December 1998

	Note	**Year ended 31 December 1998 £000**	11 months ended 31 December 1997 £000
Turnover - continuing operations	*2*	**274**	417
Operating (loss)/profit - continuing operations	*3*	**(66)**	75
Interest payable and similar charges	*4*	**(1)**	-
(Loss)/profit on ordinary activities before taxation		**(67)**	75
Taxation on profit on ordinary activities	*7*	**(2)**	(16)
(Loss)/profit on ordinary activities after taxation		**(69)**	59
Dividends		**(69)**	-
Retained profit for the year		**(138)**	59

The notes on pages 7 to 13 form part of these financial statements and the movement on reserves is set out in note 13 (a).

No operations were discontinued during the year and the company has no recognised gains or losses other than the retained profit for the financial year.

Balance sheet
at 31 December 1998

	Note	31 December 1998 £000	£000	31 December 1997 £000	£000
Fixed assets					
Tangible assets	*8*		**4**		23
Current assets					
Debtors	*9*	**36**		112	
Cash at bank and in hand		**31**		33	
		67		145	
Creditors: Amounts falling due within one year	*10*	**(135)**		(94)	
Net current liabilities			**(68)**		51
Total assets less current liabilities			**(64)**		74
Capital and reserves					
Called up share capital	*12*		**1**		1
Profit and loss account	*13(a)*		**(65)**		73
Shareholders' funds	13(b)		**(64)**		74

These financial statements were approved by the board of directors on 3 March 1999 and were signed on its behalf by:

MWC Martin

Director

Notes
(forming part of the financial statements)

1 **Principal accounting policies**

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements:

Basis of accounting

The financial statements have been prepared under the historical cost convention modified by the revaluation of certain freehold properties and in accordance with applicable Accounting Standards. Under Financial Reporting Standard 1, the company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary undertaking.

Turnover

Turnover represents the valuation of work done on contracts performed during the year on behalf of clients or the invoiced value of goods and services charged to clients, excluding value added tax.

Depreciation

Depreciation is provided on all other tangible fixed assets in order to write off the original cost or valuation less estimated residual value of those assets over their estimated useful lives at the following annual rates:

Plant and equipment	22% - 27% reducing balance
Computers	33% straight line
Motor vehicles	40% - 44% reducing balance

Taxation

Deferred taxation is provided using the liability method in respect of the taxation effect of timing differences between the treatment of certain items for taxation and accounting purposes to the extent that it is probable liabilities will actually crystallise in the foreseeable future.

Lease rentals

Operating lease rentals are charged to the profit and loss account on a straight line basis over the lease term.

Research and development

Expenditure on research and development is written off against profits as incurred.

Pensions

From 6 April 1998, the company was a participating employer in the group pension schemes Keller Group Pension Scheme (Makers Section). In the UK, the group operates two defined benefit schemes based upon final salary. Contributions have been made in line with the funding rates recommended by the actuary for the schemes as a whole. Pension costs charged to the profit and loss account are based on actuarial valuations and are calculated to spread the cost of providing pensions over the period of the employees' service.

Prior to 6 April, retirement benefits for employees of the company were provided by a defined contribution scheme, subject to guaranteed minimum benefits being available, which was operated by Midas Group Limited, a company registered in England and Wales and the ultimate parent undertaking prior to 26 November 1997, and funded by contributions from the company and employees. Payments were made to a pension trust which is financially separate from the company. These payments were made in accordance with yearly calculations by professionally qualified actuaries.

Notes *(continued)*

1 **Principal accounting policies** *(continued)*

Payments were charged against profits in order to provide for the expected pension costs over the service lives of employees in the scheme, such that the regular pension cost was a substantially level percentage of current and future pensionable payroll in the light of current actuarial assumptions.

Full details of this scheme are given in the Midas Group Limited accounts.

2 **Turnover**

In the opinion of the directors the company does not operate in more than one class of business.

The turnover of £274,000 primarily arose in the UK and Europe from the activity of the hiring of specialist equipment and the provision of technical consultancy services to contractors included in the electrochemical repair of reinforced concrete.

3 **Operating profit**

	1998	1997
	£000	£000
Operating (loss)/profit is stated after charging/(crediting):		
Raw materials and consumables	**34**	54
Other external operating charges	**171**	185
Wages and salaries	**131**	101
Social security costs	**10**	10
Other pension costs	**3**	3
Rental for hire of plant and vehicles under operating leases	**9**	-
(Gain) on fixed asset disposals	**(28)**	(35)
Auditors' remuneration	**2**	2
Depreciation on owned assets	**8**	22
	340	342

Fees in respect of other services provided by the auditors amounted to £Nil *(1997: £Nil).*

4 **Interest payable and similar charges**

	1998	1997
	£000	£000
Interest payable to group undertakings	**1**	-
	1	-

5 **Directors' emoluments**

The emoluments of directors in respect of executive services amounted to £Nil *(1997: £Nil).*

Notes *(continued)*

6 Staff numbers

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	1998 **Number**	1997 Number
Administration	**4**	4

7 Taxation on profit on ordinary activities

The charge for taxation is as follows:

	1998 **£000**	1997 £000
Corporation tax at 31% *(31 December 1997:31.5%)*	**-**	16
Underprovision in prior years	**2**	-
	2	16

Notes *(continued)*

8 Tangible fixed assets

	Plant, machinery and motor vehicles £000
Cost or valuation	
At beginning of year	180
Additions	-
Disposals	(42)
At end of year	138
Depreciation	
At beginning of year	157
Charge for year	8
Disposals	(31)
At end of year	134
Net book value	
At 31 December 1998	**4**
At 31 December 1997	23

Commitments

There were no capital commitments at 31 December 1998 *(1997: £Nil)*.

9 Debtors

	1998 £000	1997 £000
Trade debtors	**36**	112

Notes *(continued)*

10 Creditors: Amounts falling due within one year

	1998	1997
	£000	£000
Trade creditors	**29**	13
Amounts owed to fellow subsidiary undertakings	**87**	18
Taxation and social security	**6**	28
Other creditors	**10**	12
Accruals and deferred income	**3**	23
	135	94
Taxation and social security comprises:		
Corporation tax	**-**	18
Other taxes and social security	**6**	10
	6	28

11 Provisions for liabilities and charges

Deferred taxation

The full potential liability and amounts not provided calculated on the liability method at 31.5% *(1997: 31.5%)* are as follows:

	1998	1997
	£000	£000
Accelerated capital allowances	**41**	36
Other timing differences	**(41)**	(36)
Potential liability and amount not provided	**-**	-

12 Share capital

	1998	1997
	£000	£000
Authorised:		
Ordinary shares of £1 each	**100**	100
Allotted, called up and fully paid:		
Ordinary shares of £1 each	**1**	1

Notes *(continued)*

3 **(a) Reserves**

	Profit and loss account £000
At 31 December 1997	73
Retained loss for the year	(138)
At 31 December 1998	(65)

3 **(b) Reconciliation of movements in shareholders' funds**

	1998 £000	1997 £000
At beginning of year	**74**	15
Retained (loss)/profit for the year	**(138)**	59
At end of year	**(64)**	74

4 Contingent liabilities

(i) The company along with the ultimate parent undertaking and its fellow UK and US subsidiaries have given cross guarantees on each others borrowings. At 31 December 1998, the company's liability in respect of this amounted to £12,153,000 *(1997: £10,065,000)*. Legal charges exist over certain assets of the company to secure borrowings and bonding facilities.

(ii) Performance bonds have been entered into in the normal course of business.

(iii) There are claims arising in the normal course of trading which involve or may involve litigation. Full provision has been made in the financial statements for all amounts which the Directors consider will become payable on account of such claims.

5 Pension schemes

The company participates in two pension schemes providing benefits based on final pensionable pay, contributions being charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. The most recent valuation of these Group schemes was at 6 April 1997. Further particulars of these schemes are contained in the financial statements of the ultimate parent undertaking, Keller Group plc.

6 Related party transactions

Under Financial Reporting Standard 8, the company is exempt from the requirement to disclose transactions with entities that are part of Keller Group plc on the grounds that it is wholly owned by a parent undertaking which includes the company in its own published consolidated financial statements.

Notes *(continued)*

17 Ultimate parent company

The ultimate parent undertaking is Keller Group plc, a company registered in England and Wales. A copy of the group financial statements can be obtained from:

Aztec House
397-405 Archway Road
London
N6 4EY