

MILLER CONSTRUCTION LIMITED

REPORT OF THE DIRECTORS AND ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 1989

39676



MILLER CONSTRUCTION LIMITED

1.

REPORT OF THE DIRECTORS

The directors have pleasure in presenting their annual report together with the accounts for the year ended 31 December 1989.

PROFIT AND DIVIDEND

The results for the year are set out in the profit and loss account. It is proposed that a dividend of £938,945 be paid in respect of the year ended 31 December 1989.

DIRECTORS

The directors of the company during the year were:

MG Ballard
AW Clark
NCT Kelly
BB Reading
KJ Williams
JRT Carson
JA Evison
TA Talbott
MR Ashworth
AC Lamb
WD Scott
RS Mackie
B Guy

No director had interests in shares of the company or of the holding company during the year.

REVIEW OF BUSINESS

All regions benefited from an improvement in market conditions during the year leading to an increase in turnover of some 33% and a sound base workload for the future.

Overseas our work in the Falklands came to a successful close and in Botswana satisfactory progress continued.

During the year the company acquired the balance of the issued share capital in Demed Miller Limited which has now become a wholly owned subsidiary.

A new company, Miller Markham Limited, was formed during the year specialising in Micro Tunnelling. The company acquired 50% of the issued share capital of that company.

REPORT OF THE DIRECTORS (continued)

EMPLOYEES

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the company continues and the appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of a person who is fortunate enough not to suffer from a disability.

The company recognises the benefits of keeping employees informed of the progress of the business and of involving them in the company's performance. During the year employees were regularly provided with information regarding the financial and economic factors affecting the performance of the company and on other matters of concern to them as employees.

AUDITORS

On 1 January 1990 our auditors changed the name under which they practise to KPMG Peat Marwick McLintock and accordingly have signed their report in their new name. In accordance with Section 384 of the Companies Act 1985, a resolution for the reappointment of KPMG Peat Marwick McLintock as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By Order of the Board

C. K. Lawrence

Edinburgh
1 May 1990



Peat Marwick McLintock

33-34 Charlotte Square
Edinburgh EH2 4HF

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AUDITORS' REPORT TO THE MEMBERS OF
MILLER CONSTRUCTION LIMITED

We have audited the accounts on pages 4 to 13 in accordance with Auditing Standards.

In our opinion the accounts give a true and fair view of the state of the company's affairs at 31 December 1989 and of its profit and source and application of funds for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Peat Marwick McLintock

Chartered Accountants

1 May 1990

MULLER CONSTRUCTION LIMITED

4.

PROFIT AND LOSS ACCOUNTfor the year ended 31 December 1989

	<u>Notes</u>	<u>1989</u> £	<u>1988</u> £
Turnover	2	158,754,866	119,355,520
Cost of sales		150,135,919	114,130,703
Gross profit		8,618,947	5,224,817
Administrative expenses		(7,854,641)	(6,365,996)
Other operating income	3	48,100	61,942
Amounts written off investments		(50)	(202,500)
Interest receivable		3,559,327	1,876,777
Bank interest payable		(133,659)	(53,201)
Profit on ordinary activities before exceptional item		4,238,024	541,839
Exceptional item: Major provision for loss on long term contract		—	(2,338,000)
Profit(loss) on ordinary activities before taxation	5	4,238,024	(1,796,161)
Tax on profit(loss) on ordinary activities	6	(1,462,122)	464,644
Profit(loss) on ordinary activities after taxation		2,775,902	(1,331,517)
Proposed dividend		938,945	—
Profit(loss) for the year retained	14	1,836,957	(1,331,517)

The notes on pages 7 to 13
form part of the accounts.

MILLER CONSTRUCTION LIMITED

5.

BALANCE SHEET

at 31 December 1989

	Notes	1989 £	1988 £
FIXED ASSETS			
Tangible assets	7	2,124,052	1,126,980
Investments	8	11,505	5,505
		<u>2,135,557</u>	<u>1,132,485</u>
CURRENT ASSETS			
Stocks and work in progress	9	1,112,564	536,890
Debtors	10	23,659,801	17,373,958
Cash at bank and in hand		25,926,686	17,186,131
		<u>50,699,051</u>	<u>35,096,979</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	11	42,587,604	27,445,030
NET CURRENT ASSETS		<u>8,111,447</u>	<u>7,651,949</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		10,247,004	8,784,434
PROVISIONS FOR LIABILITIES AND CHARGES	12	1,963,613	2,338,000
NET ASSETS		<u>8,283,391</u> =====	<u>6,446,434</u> =====
CAPITAL AND RESERVES			
Called up share capital	13	250,000	250,000
Profit and loss account	14	8,033,391	6,196,434
		<u>8,283,391</u> =====	<u>6,446,434</u> =====

The notes on pages 7 to 13
form part of the accounts.

[Signature] Director

[Signature] Director

STATEMENT OF SOURCE AND APPLICATION OF FUNDSfor the year ended 31 December 1989

	<u>1989</u> £	<u>1988</u> £
SOURCE(APPLICATION) OF FUNDS:		
Profit(loss) on ordinary activities before taxation	4,238,024	(1,796,161)
Adjustments for items not involving the movement of funds:		
Depreciation	447,319	565,073
Amounts written off investments	50	202,500
(Release)provision for contract loss	(374,387)	2,338,000
Total generated from operations	<u>4,311,006</u>	<u>1,309,412</u>
APPLICATION OF FUNDS:		
Corporation tax paid	363,965	89,632
Purchase less sale of tangible fixed assets	1,444,391	695,144
Purchase of shares in related company	6,000	100,000
Purchase of shares in subsidiary company	50	-
Loan to related company	-	102,500
Dividend paid	-	51,156
	<u>1,814,406</u>	<u>1,038,432</u>
INCREASE IN WORKING CAPITAL	<u>2,496,600</u>	<u>270,980</u>
COMPONENTS OF INCREASE IN WORKING CAPITAL:		
Stocks	575,674	(3,150,104)
Debtors	6,507,245	8,579,686
Creditors falling due within one year	(14,241,730)	(3,973,029)
	<u>(7,158,811)</u>	<u>1,456,553</u>
MOVEMENT IN NET LIQUID FUNDS:		
Increase(decrease) in cash at bank and in hand	8,740,555	(491,225)
Decrease(increase) in bank overdraft	914,856	(694,348)
	<u>9,655,411</u>	<u>(1,185,573)</u>
	<u>2,496,600</u>	<u>270,980</u>

1. PRINCIPAL ACCOUNTING POLICIES

Format of accounts:

Format 1 has been adopted this year for the profit and loss account because the directors consider this will facilitate comparison with other similar companies. The previous year's figures have been restated on the same basis.

Change of presentation:

Long-term contracts are accounted for in accordance with the requirements of SSAP 9 (Revised). The 1988 balance sheet has been restated to reflect these changes which have no effect on the previously reported profit and loss account.

Basis of accounting:

All items are stated in the accounts under the historical cost accounting rules.

Group accounts:

Group accounts are not submitted as this company is a wholly owned subsidiary of The Miller Group Limited.

Stocks and work in progress:

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

Profits:

Profits in respect of long-term contracts are recognised on a percentage of completion basis where the ultimate outcome can be foreseen with reasonable certainty. Provision is made for all foreseeable contract losses.

Depreciation:

Depreciation is only provided on freehold properties where the directors consider that the remaining useful life is less than 50 years. Provision for depreciation of such properties where the estimated remaining life exceeds 50 years is not considered to be necessary as it is the company's policy to maintain its properties in good condition which prolongs their useful life and any depreciation involved would not be material. Costs of repairs and maintenance are charged against revenue in the year in which they are incurred.

Depreciation of plant, equipment and vehicles is provided on the straight-line method over the estimated useful lives of the assets concerned at annual rates between 10 and 33 per cent.

Leased assets:

Expenditure on operating leases is charged to the profit and loss account on a straight-line basis over the lease period.

Deferred taxation:

Deferred taxation is provided using the liability method in respect of timing differences if liability is likely to arise from reversal of such timing differences in the foreseeable future.

NOTES TO THE ACCOUNTS

2. TURNOVER

This comprises the value of work done and invoiced sales and includes £2,827,393 (1988, £1,862,179) in respect of work done for group companies.

Turnover and profit before taxation are attributable to one class of business - construction.

Geographical analysis of turnover:

	<u>1989</u> £	<u>1988</u> £
United Kingdom	158,008,821	117,528,291
Falkland Islands	677,219	1,641,327
Gibraltar	68,826	185,902
	<u>158,754,866</u>	<u>119,355,520</u>
	=====	=====

3. OTHER OPERATING INCOME

Gain on sale of fixed assets	48,100	12,280
Administration charges	-	49,662
	<u>48,100</u>	<u>61,942</u>
	=====	=====

4. STAFF NUMBERS AND COSTS

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

	<u>1989</u> Number	<u>1988</u> Number
Construction	906	950
Administration	251	228
	<u>1,157</u>	<u>1,178</u>
	=====	=====

The aggregate payroll costs of these persons were as follows:

	<u>1989</u> £	<u>1988</u> £
Wages and salaries	15,471,257	13,989,819
Social security costs	1,298,253	1,113,427
Other pension costs	632,595	483,090
	<u>17,402,105</u>	<u>15,586,336</u>
	=====	=====

NOTES TO THE ACCOUNTS

5. PROFIT(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION

	<u>1989</u> £	<u>1988</u> £
This is stated after charging the following:		
Depreciation	447,319	565,073
Operating lease rentals:		
Hire of plant and equipment	6,350,268	5,715,284
Other	233,678	198,971
Auditors' remuneration	34,000	31,000
	=====	=====
Directors' emoluments:		
Fees	1,300	1,200
Other emoluments	736,859	505,903
	738,159	507,103
Ex-gratia payment to former director	-	15,000
	738,159	522,103
	=====	=====
Chairman and highest paid director	78,404	65,533

	<u>1989</u> Number	<u>1988</u> Number		
Other directors' emoluments:				
Up to £5,000	-	1)		
£10,001 - £15,000	-	1)		
£15,001 - £20,000	-	2)		
£20,001 - £25,000	-	5)		
£35,001 - £40,000	-	1)	595,125	399,211
£40,001 - £45,000	1	2)		
£45,001 - £50,000	8	-)		
£50,001 - £55,000	1	1)		
£55,001 - £60,000	1	-)		
£65,001 - £70,000	1	-)		
			673,529	464,744
Pension and life assurance contributions			64,630	42,359
			738,159	507,103
			=====	=====

The number of employees of the company whose emoluments, excluding pension contributions, fell within the following ranges were:

	<u>1989</u>	<u>1988</u>
£30,001 - £35,000	2	2
£35,001 - £40,000	3	-
	=====	=====

NOTES TO THE ACCOUNTS

6. TAX ON PROFIT(LOSS) ON ORDINARY ACTIVITIES

	<u>1989</u> £	<u>1988</u> £
Based on the profit(loss) for the year:		
Corporation tax at 35%	(1,134,517)	(335,746)
Deferred taxation	(113,014)	818,300
	<u>(1,247,531)</u>	<u>482,554</u>
Adjustments for previous years:		
Amount payable for group relief	-	24,957
Corporation tax	37,695	(42,867)
Deferred taxation	(252,286)	-
	<u>(1,462,122)</u>	<u>464,644</u>
	=====	=====

7. TANGIBLE FIXED ASSETS

	<u>Freehold land and buildings</u> £	<u>Plant, equipment and vehicles</u> £	<u>Total</u> £
Cost:			
At 1 January 1989	72,697	2,156,240	2,228,937
Additions	-	1,543,970	1,543,970
Disposals	-	(332,604)	(332,604)
	<u>72,697</u>	<u>3,367,606</u>	<u>3,440,303</u>
At 31 December 1989			
Depreciation:			
At 1 January 1989	-	1,101,957	1,101,957
Charge for year	-	447,319	447,319
Eliminated on disposals	-	(233,025)	(233,025)
	<u>-</u>	<u>1,316,251</u>	<u>1,316,251</u>
At 31 December 1989			
Net book value:			
At 31 December 1989	72,697	2,051,355	2,124,052
	=====	=====	=====
At 31 December 1988	72,697	1,054,283	1,126,980
	=====	=====	=====

NOTES TO THE ACCOUNTS

8. INVESTMENTS

	Shares in subsidiary company £	Shares in related companies £	Loan to related company £	Total £
Cost:				
At 1 January 1989	-	105,505	102,500	208,005
Additions	50	6,000	-	6,050
Transfer on acquisition of related company	100,000	(100,000)	(102,500)	(102,500)
	<u>100,050</u>	<u>11,505</u>	<u>-</u>	<u>111,555</u>
Amounts provided:				
At 1 January 1989	-	100,000	102,500	202,500
Provided during year	50	-	-	50
Transfer on acquisition of related company	100,000	(100,000)	(102,500)	(102,500)
	<u>100,050</u>	<u>-</u>	<u>-</u>	<u>100,050</u>
Net book value:				
At 31 December 1989	-	11,505	-	11,505
	=====	=====	=====	=====
At 31 December 1988	-	5,505	-	5,505
	=====	=====	=====	=====

During the year the company acquired the remaining 50% of the issued ordinary share capital of Demed Miller Limited, a construction company registered in England and operating principally in the United Kingdom.

The company owns 50% of the issued ordinary share capital of Miller Civeeng (Botswana) Proprietary Limited, a construction company incorporated and operating in the Republic of Botswana. Its issued ordinary share capital is pula 30,000, aggregate reserves at 31 December 1989 pula 149,284 and profit for the year to that date pula 63,404.

The company owns 50% of the issued ordinary share capital of Miller Markham Limited, a company registered in England and operating in the United Kingdom. Its issued ordinary share capital is £10,000, deficiency of reserves at 31 December 1989 £28,052 and loss for the year to that date £38,052.

9. STOCKS AND WORK IN PROGRESS

	<u>1989</u> £	<u>1988</u> £
Long-term contract work in progress	457,520	85,968
Raw materials and consumables	655,044	450,922
	<u>1,112,564</u>	<u>536,890</u>
	=====	=====

The amount of long-term contracts represents net costs incurred.

NOTES TO THE ACCOUNTS

10. DEBTORS

	<u>1989</u> £	<u>1988</u> £
Amounts falling due within one year:		
Trade debtors	1,938,550	844,703
Amounts recoverable on contracts	20,104,663	14,651,675
Amounts owed by fellow subsidiary companies	58,420	103,865
Amounts owed by related companies	2,088	-
Other debtors	344,001	715,479
Corporation tax recoverable	143,898	-
Prepayments and accrued income	615,181	239,936
	<u>23,206,801</u>	<u>16,555,658</u>
Amounts falling due after more than one year:		
Deferred taxation	453,000	818,300
	<u>23,659,801</u>	<u>17,373,958</u>
	=====	=====

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

Bank overdraft	824,864	1,739,720
Payments received on account	2,350,261	1,926,071
Trade creditors	32,764,106	19,594,738
Amount owed to parent company	2,500,974	2,246,848
Amounts owed to fellow subsidiary companies	112,079	157,925
Amount owed to related company	198,153	-
Other creditors including tax and social security	1,307,223	414,299
Accruals	1,590,999	1,365,429
Proposed dividend	938,945	-
	<u>42,587,604</u>	<u>27,445,030</u>
	=====	=====
Other creditors including tax and social security comprises:		
Corporation tax	1,214,219	337,464
Other taxes	62,258	39,245
Social security	15,668	3,244
	<u>1,292,145</u>	<u>379,953</u>
Tax and social security	15,078	34,346
Other creditors	<u>1,307,223</u>	<u>414,299</u>
	=====	=====

12. PROVISIONS FOR LIABILITIES AND CHARGES

	£
Contract loss:	
At beginning of year	2,338,000
Utilised or released	(374,387)
	<u>1,963,613</u>
	=====
At end of year	

13. SHARE CAPITAL

	<u>1989</u> £	<u>1988</u> £
Authorised, allotted, called up and fully paid:		
Ordinary shares of 25p each	250,000	250,000
	=====	=====

NOTES TO THE ACCOUNTS

14. PROFIT AND LOSS ACCOUNT

	£
At beginning of year	6,196,434
Profit for the year retained	1,836,957
	<hr/>
At end of year	8,033,391
	=====

15. CONTINGENT LIABILITIES

- (a) There are contingent liabilities in respect of inter-group guarantees of bank borrowings. At 31 December 1989 the relevant borrowings amounted to £28,828,034 (1988, £20,569,555).
- (b) There are contingent liabilities in respect of guarantees under contracting agreements entered into in the normal course of business.
- (c) In terms of the Partnership Act 1890 there is an unlimited liability in connection with the company's membership of four joint venture partnerships.

16. COMMITMENTS

The company has a commitment under an operating lease in respect of land and buildings to make payments totalling £168,117 (1988, £144,414) in the year to 31 December 1990. The lease expires after more than five years.

Capital commitments contracted but not provided for in the accounts at 31 December 1989 amounted to £410,000 (1988, nil).

17. PENSIONS

The company participates in The Miller Group Limited Pension Scheme, a defined benefit pension scheme providing benefits based on final pensionable earnings. Contributions to the scheme are assessed in accordance with the advice of an independent qualified actuary, on the basis of triennial valuations, using the projected unit method and are based on pension costs across the group as a whole.

Further details of the most recent actuarial valuation and the main actuarial assumptions are disclosed in the accounts of The Miller Group Limited.

18. APPROVAL OF ACCOUNTS

These accounts were approved by the Board of Directors on 1 May 1990.

19. ULTIMATE HOLDING COMPANY

The company's ultimate holding company is The Miller Group Limited which is incorporated in Great Britain.