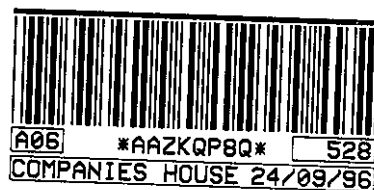


# **May Gurney (Construction) Limited**

**Directors' report and financial statements**

**31 March 1996**

Registered number 873179



# May Gurney (Construction) Limited

## Directors' report and financial statements

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# May Gurney (Construction) Limited

## Directors and officers

### Directors

AJ Korn - Chairman  
MG Duffield  
ICA Green  
DE Neale  
DR Pask

### Secretary

DB Elsey

### Registered office

Holland Court  
The Close  
Norwich

### Auditors

KPMG  
Chartered Accountants  
Norwich

### Bankers

Barclays Bank PLC  
Bank Plain  
Norwich

# May Gurney (Construction) Limited

## Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 March 1996.

### Principal activity

The principal activity of the company during the year was that of civil engineering contractors.

### Business review

	1996 £000	1995 £000
Turnover	<u>47,901.2</u>	<u>48,230.1</u>
Loss before taxation	<u>(273.3)</u>	<u>(805.6)</u>

The improvement in 1995 results was maintained during 1996 significantly reducing the loss.

Difficult trading conditions are unlikely to change in the current year.

### Dividend

The directors recommend that a final dividend of £1,095,000 be paid.

### Employee involvement

Within the bounds of commercial confidentiality, management disseminates information to all levels of staff about matters that effect the progress of the group and are of due interest and concern to them as employees.

### Disabled persons

The group encourages, where possible, the employment of disabled people and the retention of those who become disabled during their employment with the group by such means as may be appropriate to the circumstances of each situation.

### Directors

Mr SJ Hallett was appointed a director of the company on 1 April 1995.

Mr A Tasker was appointed a director of the company on 30 November 1995.

The other directors listed on page 1 were in office throughout the year.

Mr SJ Hallett resigned as a director of the company on 13 June 1996.

Mr A Tasker resigned as a director of the company on 23 July 1996.

# May Gurney (Construction) Limited

## Directors' report *(continued)*

### Directors *(continued)*

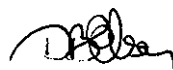
The interest of Mr AJ Korn in the shares of the ultimate holding company are disclosed in the financial statements of that company.

The interests of Mr DE Neale in the shares of the ultimate holding company are disclosed in the financial statements of May Gurney Holdings Limited.

The interests of the remaining directors in office on 31 March 1996 in the shares of the ultimate holding company are:

	1996 Beneficial and family	1995 Beneficial and family
<i>Ordinary shares</i>		
SJ Hallett	-	-
MG Duffield	6,045	6,045
ICA Green	12,592	12,592
DR Pask	2,015	2,015
A Tasker	-	-

By order of the board

  
DB Elsey  
Secretary

Holland Court  
The Close  
Norwich

14 August 1996

By written resolution passed on 18 January 1991 in accordance with Section 381A of the Companies Act 1985 the company dispensed with the holding of annual general meetings, laying of financial statements before the members and annual appointment of auditors.

# May Gurney (Construction) Limited

## Statement of 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 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 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.



Holland Court  
The Close  
Norwich  
NR1 4DY

## Auditors' report to the members of May Gurney (Construction) Limited

We have audited the financial statements on pages 6 to 15.

### *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 at 31 March 1996 and of the loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Chartered Accountants  
Registered Auditors

14.8.96

# May Gurney (Construction) Limited

## Profit and loss account for the year ended 31 March 1996

	<i>Note</i>	<b>1996</b> <b>£000</b>	<b>1995</b> <b>£000</b>
<b>Turnover</b>	<b>2</b>	<b>47,901.2</b>	48,230.1
Cost of sales		<u>(47,259.5)</u>	<u>(48,171.6)</u>
<b>Gross profit</b>		<b>641.7</b>	58.5
Net operating costs	<b>3</b>	<u>(913.3)</u>	<u>(864.1)</u>
<b>Operating loss</b>		<b>(271.6)</b>	(805.6)
Interest payable	<b>2</b>	<u>(1.7)</u>	<u>-</u>
<b>Loss on ordinary activities before taxation</b>	<b>2</b>	<b>(273.3)</b>	(805.6)
Tax on loss on ordinary activities	<b>7</b>	<u>100.6</u>	<u>343.6</u>
<b>Loss for the financial year</b>		<b>(172.7)</b>	(462.0)
Final dividend proposed - equity		<u>(1,095.0)</u>	<u>-</u>
<b>Retained loss for the year</b>	<b>19</b>	<u><u>(1,267.7)</u></u>	<u><u>(462.0)</u></u>

All recognised gains and losses are included in the profit and loss accounts above.

The notes on pages 8 to 15 form part of this account.



# May Gurney (Construction) Limited

## Balance sheet at 31 March 1996

	Note	1996 £000	1995 £000
<b>Fixed assets</b>			
Investments	8	0.1	0.1
<b>Current assets</b>			
Stocks and work in progress	9	2,911.8	1,947.0
Debtors	10	14,635.3	15,440.7
		<u>17,547.1</u>	<u>17,387.7</u>
<b>Creditors: amounts falling due within one year</b>	11	<u>(10,232.3)</u>	<u>(8,805.2)</u>
<b>Net current assets</b>		<u>7,314.8</u>	<u>8,582.5</u>
<b>Net assets</b>		<u>7,314.9</u>	<u>8,582.6</u>
<b>Capital and reserves</b>			
Called up share capital	16	1,500.0	1,500.0
Profit and loss account	19	5,814.9	7,082.6
<b>Equity shareholders' funds</b>	20	<u>7,314.9</u>	<u>8,582.6</u>

These financial statements were approved by the board of directors on 14 August 1996 and were signed on its behalf by:

AJ Korn  
Director



The notes on pages 8 to 15 form part of this balance sheet.

# May Gurney (Construction) Limited

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

#### *Accounting convention*

The financial statements are drawn up under the historical cost convention and in accordance with applicable accounting standards.

#### *Turnover*

Turnover represents the contract value of work done in the year on civil engineering contracts and variations on valuations of contracts completed in prior years excluding value added tax.

#### *Stocks and work in progress*

Stocks and work in progress of short term contracts are valued at the lower of cost and net realisable value. Cost consists of direct costs, determined on a first in, first out basis unless actual cost is identifiable, and appropriate overheads.

Long term contract work in progress is valued at cost plus attributable profit less foreseeable losses. Attributable profit is included when the outcome of a contract can be assessed with reasonable certainty. The value of contract work in progress is accounted for within turnover and in accordance with Statement of Standard Accounting Practice 9 (Revised). The excess of book value over amounts received is included in debtors as "amounts recoverable on contracts". Payments received in excess of book value on an individual contract basis are included in creditors.

#### *Fixed asset investments*

The investments in the companies in which the group has a consortium interest are valued at cost.

#### *Taxation*

The group provides deferred taxation at the rates at which liabilities are expected to crystallise to take account of timing differences between the treatment of certain items for accounts purposes and their treatment for taxation purposes.

Provision is not made for deferred tax assets unless there is a reasonable certainty of their recovery in the next accounting period.

#### *Foreign exchange*

Exchange differences on the conversion of foreign currencies are dealt with in the profit and loss account.

#### *Pension contributions*

Pension contributions are charged to the profit and loss account in accordance with the annual charge made by May Gurney Group Limited, based on the recommendation of the scheme's actuary.

#### *Operating lease commitments*

Rental charges are charged to the profit and loss account on a straight line basis over the life of the lease.

# May Gurney (Construction) Limited

## Notes (continued)

### 2 Turnover and loss before taxation

Turnover and loss on ordinary activity before taxation are derived wholly from the principal activities within the United Kingdom.

Loss on ordinary activities before taxation is stated after charging:

	1996 £000	1995 £000
Directors' emoluments (note 5)	187.0	170.9
Auditors' remuneration	18.0	17.3
Other fees paid to auditors	4.5	8.9
Hire of plant and machinery	4,211.3	4,342.1
Interest payable to group companies	1.7	-
	<u>          </u>	<u>          </u>

### 3 Net operating cost

	1996 £000	1995 £000
Administrative expenses	<u>913.3</u>	<u>864.1</u>

### 4 Staff numbers and costs

The average number of persons (including directors) employed by the group during the year, categorised by function, was as follows:

	Number of employees	
	1996	1995
Management	7	6
Contracts, sales staff and all operatives	234	258
Administration	12	22
	<u>      </u>	<u>      </u>
	253	286
	<u>      </u>	<u>      </u>

The aggregate payroll costs of these employees were as follows:

	1996 £000	1995 £000
Wages and salaries	4,173.8	4,714.2
Social security costs	346.8	399.4
Other pension costs (note 6)	215.6	252.4
	<u>          </u>	<u>          </u>
	4,736.2	5,366.0
	<u>          </u>	<u>          </u>

# May Gurney (Construction) Limited

## Notes (continued)

### 5 Directors' emoluments

	1996 £000	1995 £000
As executives - salary and benefits	172.0	159.0
Pension contributions	15.0	11.9
	<u>187.0</u>	<u>170.9</u>

Emoluments and benefits, excluding pension contributions:

	1996	1995
Chairman	£Nil	£Nil
Highest paid director	£58,857	£57,374

Emoluments of all the directors fall within the following bands:

	Number of directors	
	1996	1995
£0 - £ 5,000	3	2
£10,001 - £15,000	-	1
£15,001 - £20,000	1	-
£40,001 - £45,000	-	1
£45,001 - £50,000	2	1
£55,001 - £60,000	1	1

### 6 Pension obligations

The group makes contributions in respect of employees who are members of the May Gurney Group Limited Pension Scheme, which is open to the salaried employees and supervisory foremen. The scheme funds are administered by trustees and are independent of the group's finances. The scheme provides defined benefits based upon final pensionable pay. Contribution levels are determined by a qualified actuary on the basis of periodic valuations using the projected unit costing method. The most recent valuation was at 1 April 1996. Full details of this valuation are contained in the financial statements of May Gurney Group Limited.

Pension contributions charged to the profit and loss account for the year ended 31 March 1996 amounted to £215,569 (1995:£252,400).

# May Gurney (Construction) Limited

## Notes (continued)

### 7 Taxation

The taxation credit on the loss for the year on ordinary activity is made up of:

	1996 £000	1995 £000
<i>Current year</i>		
Corporation tax at 33% (1995:33%)	97.3	521.3
Deferred taxation	1.3	(171.3)
	<u>98.6</u>	<u>350.0</u>
<i>Prior years</i>		
Corporation tax	26.7	(6.4)
Deferred taxation	(24.7)	-
	<u>100.6</u>	<u>343.6</u>

### 8 Investments

	1996 £000	1995 £000
Unlisted investments at cost	<u>0.1</u>	<u>0.1</u>

### 9 Stocks and work in progress

	1996 £000	1995 £000
Materials and consumables	84.0	92.9
Work in progress	2,827.8	1,854.1
	<u>2,911.8</u>	<u>1,947.0</u>

Work in progress is analysed as follows:

	1996 £000	1995 £000
Short term contracts	7,642.8	5,127.4
Payments on account	(4,815.0)	(3,273.3)
	<u>2,827.8</u>	<u>1,854.1</u>

# May Gurney (Construction) Limited

## Notes (continued)

10	<b>Debtors</b>	1996 £000	1995 £000
	Amounts recoverable on contracts	2,293.5	2,487.8
	Trade debtors	1,930.7	2,446.0
	Amounts owed by group companies (note 12)	10,128.1	9,839.0
	Prepayments and accrued income	96.8	64.5
	Deferred tax asset (note 15)	58.7	82.1
	Corporation tax	97.3	521.3
	Other debtors	30.2	-
		<u>14,635.3</u>	<u>15,440.7</u>
11	<b>Creditors: amounts falling due within one year</b>	1996 £000	1995 £000
	Payments received on account and provisions in excess of contract work in progress valuations	206.6	554.7
	Trade creditors	8,492.7	7,549.9
	Amounts owed to group companies (note 12)	127.8	132.8
	PAYE and social security	153.3	223.2
	Other creditors	114.9	255.4
	Accruals and deferred income	42.0	89.2
	Proposed dividend	1,095.0	-
		<u>10,232.3</u>	<u>8,805.2</u>
12	<b>Group companies</b>	1996 £000	1995 £000
	Amounts owed by group companies - parent company	18.0	-
	fellow subsidiaries	10,110.1	9,839.0
		<u>10,128.1</u>	<u>9,839.0</u>
	Amounts owed to group companies - fellow subsidiaries	(127.8)	(132.8)
		<u>10,000.3</u>	<u>9,706.2</u>
13	<b>Ultimate holding company</b>		

The ultimate holding company is May Gurney Group Limited which is incorporated in England.  
The parent company is May Gurney Holdings Limited.

# May Gurney (Construction) Limited

## Notes (continued)

### 14 Provisions for liabilities and charges

	1996 £000	1995 £000
<i>Other provisions - contract claims contingency provision</i>		
At 1 April 1995	-	200.0
Profit and loss account release	-	(200.0)
	<u>-</u>	<u>-</u>
At 31 March 1996	<u>-</u>	<u>-</u>

### 15 Deferred taxation

	1996 £000	1995 £000
<i>Deferred taxation asset</i>		
At 1 April 1995	82.1	253.4
Profit and loss account charge	(23.4)	(171.3)
	<u>58.7</u>	<u>82.1</u>
At 31 March 1996	<u>58.7</u>	<u>82.1</u>

As the deferred taxation asset is expected to crystallise within one year it is included in debtors (note 10).

Deferral of taxation at 33% (1995:33%), calculated using the liability method, is in respect of sundry timing differences.

### 16 Share capital

	1996 £000	1995 £000
<i>Authorised, issued and fully paid</i>		
Ordinary shares of £1 each - equity	<u>1,500.0</u>	<u>1,500.0</u>

# May Gurney (Construction) Limited

## Notes (continued)

### 17 Contingent liabilities

- (i) The company has given an unlimited guarantee, secured by fixed and floating charges over the company's assets in respect of the borrowings from Barclays Bank PLC, of all group companies.

At 31 March 1996, the net indebtedness of all other group companies amounted to £Nil (1995:£Nil).

- (ii) Indemnities outstanding at the 31 March 1996 in respect of performance bonds were £925,928 (1995:£662,269).

The company has given joint and several guarantees securing indemnities given by other group companies in respect of performance bonds. At 31 March 1996, indemnities outstanding for other group companies amounted to £303,850 (1995:£237,979).

- (iii) Indemnities outstanding at 31 March 1996 in respect of HM Customs and Excise bonds issued by Barclays Bank PLC in the normal course of business were £180,000 (1995:£140,000).

The company has given a joint and several guarantee securing indemnities given by other group companies in respect of HM Customs and Excise bonds issued by Barclays Bank PLC in the normal course of business. At 31 March 1996, the indemnities outstanding for other group companies amounted to £26,500 (1995:£26,650).

### 18 Cash flow statement

Under Financial Reporting Standard 1, the company is exempt from the requirements to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary of a UK parent company.

### 19 Reserves

	1996 £000	1995 £000
At beginning of year	7,082.6	7,544.6
Transfer from profit and loss account of the year	(1,267.7)	(462.0)
At end of year	<u>5,814.9</u>	<u>7,082.6</u>



# May Gurney (Construction) Limited

## Notes *(continued)*

### 20 Reconciliation of movements in equity shareholders' funds

	1996 £000	1995 £000
Loss for the financial year	(172.7)	(462.0)
Dividend	(1,095.0)	-
	<hr/>	<hr/>
Net decrease in equity shareholders' funds	(1,267.7)	(462.0)
Opening equity shareholders' funds	8,582.6	9,044.6
	<hr/>	<hr/>
Closing equity shareholders' funds	7,314.9	8,582.6
	<hr/>	<hr/>

### 21 Operating lease commitments

Annual commitments under operating leases for plant and machinery:

	1996 £000	1995 £000
Leases expiring between 2 and 5 years	131.0	-
	<hr/>	<hr/>

# **May Gurney & Co Limited**

## **Directors' report and financial statements**

**31 March 1996**

Registered number 1153210



# May Gurney & Co Limited

## Directors' report and financial statements

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# May Gurney & Co Limited

## Directors and officers

### Directors

AJ Korn - Chairman  
CJ Lingwood  
AA Livock  
DR Pask  
CJ Wallace

### Secretary

DB Elsey

### Registered office

Holland Court  
The Close  
Norwich

### Auditors

KPMG  
Chartered Accountants  
Norwich

### Bankers

Barclays Bank PLC  
Bank Plain  
Norwich

# May Gurney & Co Limited

## Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 March 1996.

### Principal activities

The principal activities of the company during the year were road surfacing, pipe and cable laying, fencing, dredging and plant hire.

### Business review

	1996 £000	1995 £000
Turnover	<u>22,294.1</u>	<u>17,061.1</u>
Profit before taxation	<u>1,489.1</u>	<u>1,447.7</u>

Satisfactory results were obtained in difficult trading conditions.

### Dividend

No interim dividend was paid during the year (1995:£275,153). The directors recommend a final dividend of £479,000 (1995:£95,699).

### Employee involvement

Within the bounds of commercial confidentiality, management disseminates information to all levels of staff about matters that effect the progress of the group and are of due interest and concern to them as employees.

### Disabled persons

The group encourages, where possible, the employment of disabled people and the retention of those who become disabled during their employment with the group by such means as may be appropriate to the circumstances of each situation.

# May Gurney & Co Limited

## Directors' report *(continued)*

### Directors

Mr CJ Wallace was appointed a director of the company on 1 April 1995.

The other directors listed on page 1 were in office throughout the year.


The interests of Mr AJ Korn in the shares of the ultimate holding company are disclosed in the financial statements of that company.

The interests of Mr AA Livock and Mr CJ Lingwood in the shares of the ultimate holding company are disclosed in the financial statements of May Gurney Holdings Limited.

The beneficial interest of the remaining directors in the ordinary shares of the ultimate holding company is:

	1996	1995
DR Pask	2,015	2,015
CJ Wallace <i>(1995:at date of appointment)</i>	6,045	6,045

By order of the board

  
DB Elsey  
Secretary

Holland Court  
The Close  
Norwich

14 August 1996

By written resolution passed on 18 January 1991 in accordance with Section 381A of the Companies Act 1985 the company dispensed with the holding of annual general meetings, laying of financial statements before the members and annual appointment of auditors.

# May Gurney & Co Limited

## Statement of 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 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 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.



Holland Court  
The Close  
Norwich  
NR1 4DY

## Auditors' report to the members of May Gurney & Co Limited

We have audited the financial statements on pages 6 to 16.

### *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 at 31 March 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Chartered Accountants  
Registered Auditors

14.8.96



# May Gurney & Co Limited

Profit and loss account  
for the year ended 31 March 1996

	Note	1996 £000	1995 £000
Turnover	2	22,294.1	17,061.1
Cost of sales		(20,622.1)	(15,330.0)
<b>Gross profit</b>		<b>1,672.0</b>	<b>1,731.1</b>
Net operating costs	3	(143.3)	(259.0)
<b>Operating profit</b>		<b>1,528.7</b>	<b>1,472.1</b>
Net interest	2	(39.6)	(24.4)
<b>Profit on ordinary activities before taxation</b>	2&3	<b>1,489.1</b>	<b>1,447.7</b>
Tax on profit on ordinary activities	7	(462.5)	(462.9)
<b>Profit for the financial year</b>		<b>1,026.6</b>	<b>984.8</b>
Interim dividend paid - equity		-	(275.2)
Final dividend proposed - equity		(479.0)	(95.7)
<b>Retained profit for the financial year</b>	20	<b>547.6</b>	<b>613.9</b>

All recognised gains and losses are included in the profit and loss accounts above.

The notes on pages 8 to 16 form part of this account.

# May Gurney & Co Limited

## Balance sheet at 31 March 1996

	Note	1996		1995	
		£000	£000	£000	£000
<b>Fixed assets</b>					
Tangible assets	8		2,266.4		2,079.6
<b>Current assets</b>					
Stocks and work in progress	9	2,691.3		1,281.1	
Debtors	10	10,824.7		10,669.2	
Cash at bank and in hand		217.6		398.2	
			<u>13,733.6</u>		<u>12,348.5</u>
<b>Creditors: amounts falling due within one year</b>	11	<u>(13,363.5)</u>		<u>(12,809.1)</u>	
<b>Net current assets/(liabilities)</b>			<u>370.1</u>		<u>(460.6)</u>
<b>Total assets less current liabilities</b>			<u>2,636.5</u>		<u>1,619.0</u>
<b>Creditors: amounts falling due after more than one year</b>	12		<u>(656.4)</u>		<u>(186.5)</u>
<b>Net assets</b>			<u><u>1,980.1</u></u>		<u><u>1,432.5</u></u>
<b>Capital and reserves</b>					
Called up share capital	15		2.0		2.0
Profit and loss account	20		<u>1,978.1</u>		<u>1,430.5</u>
<b>Equity shareholders' funds</b>	21		<u><u>1,980.1</u></u>		<u><u>1,432.5</u></u>

These financial statements were approved by the board of directors on 14 August 1996 and were signed on its behalf by:

AJ Korn  
Director



The notes on pages 8 to 16 form part of this balance sheet.

# May Gurney & Co Limited

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

#### *Accounting convention*

The financial statements are drawn up under the historical cost convention and in accordance with applicable accounting standards.

#### *Turnover*

Turnover represents the contract value of work done in the year on civil engineering contracts and variations on valuations of contracts completed in prior years excluding value added tax.

#### *Depreciation*

Depreciation of tangible fixed assets is calculated so as to write off their cost or valuation over their expected economic lives.

The annual rates of depreciation are as follows:

Plant, machinery and vehicles	-	between 10% and 25% straight line
Fixtures, fittings and equipment	-	between 20% and 25% straight line

#### *Stocks and work in progress*

Stocks and work in progress of short term contracts are valued at the lower of cost and net realisable value. Cost consists of direct costs, determined on a first in, first out basis unless actual cost is identifiable, and appropriate overheads.

#### *Finance leases and hire purchase contracts*

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a 'finance lease'. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Assets acquired under hire purchase contracts are depreciated over their useful lives. Future instalments under leases and hire purchase contracts, net of finance charges, are included with creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments.

All other leases are accounted for as 'operating leases' and the rental charges are charged to the profit and loss account on a straight line basis over the life of the lease.

# May Gurney & Co Limited

## Notes (continued)

### 1 Accounting policies (continued)

#### *Taxation*

The company provides deferred taxation at the rates at which liabilities are expected to crystallise to take account of timing differences between the treatment of certain items for accounts purposes and their treatment for taxation purposes.

Provision is not made for deferred tax assets unless there is a reasonable certainty of their recovery in the next accounting period.

#### *Research and development*

Research and development expenditure is charged to the profit and loss account in the year in which it is incurred.

#### *Foreign exchange*

Exchange differences on the conversion of foreign currencies are dealt with in the profit and loss account.

#### *Pension contributions*

Pension contributions are charged to the profit and loss account in accordance with the annual charge made by May Gurney Group Limited, based on the recommendation of the scheme's actuary.

### 2 Turnover and profit before taxation

Turnover and profit on ordinary activities before taxation are derived wholly from the principal activities within the United Kingdom.

Profit on ordinary activities before taxation is stated after charging/(crediting):

	1996 £000	1995 £000
Directors' emoluments (note 5)	142.0	156.6
Depreciation (note 8) - owned	407.6	773.0
- finance lease and hire purchase	327.9	84.2
Auditors' remuneration	4.3	4.3
Other fees paid to auditors	4.4	5.5
Hire of plant and machinery	1,605.8	774.6
Surplus on disposal of assets	(246.9)	(156.5)
Interest payable - finance lease	54.6	24.4
Interest receivable from group companies	(15.0)	-

# May Gurney & Co Limited

## Notes (continued)

### 3 Net operating costs

	1996 £000	1995 £000
Administrative expenses	390.2	415.5
Other operating income	(246.9)	(156.5)
	<u>143.3</u>	<u>259.0</u>

### 4 Staff numbers and costs

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

	Number of employees	
	1996	1995
Management	5	5
Contracts, sales staff and all operatives	143	156
Administration	6	6
	<u>154</u>	<u>167</u>

The aggregate payroll costs of these employees were as follows:

	1996 £000	1995 £000
Wages and salaries	2,175.9	2,466.4
Social security costs	184.0	208.9
Other pension costs (note 6)	62.4	50.5
	<u>2,422.3</u>	<u>2,725.8</u>

# May Gurney & Co Limited

## Notes (continued)

### 5 Directors' emoluments

	1996 £000	1995 £000
As executives - salary and benefits	133.0	145.8
Pension contributions	9.0	10.8
	<u>142.0</u>	<u>156.6</u>

Emoluments and benefits, excluding pension contributions:

	1996	1995
Chairman	£Nil	£Nil
Highest paid director	£57,969	£55,957

Emoluments of all the directors fall within the following bands:

	Number of directors	
	1996	1995
£0 - £ 5,000	2	1
£35,001 - £40,000	2	1
£50,001 - £55,000	-	1
£55,001 - £60,000	1	1

### 6 Pension obligations

The company makes contributions in respect of employees who are members of the May Gurney Group Limited Pension Scheme, which is open to the salaried employees and supervisory foremen. The scheme funds are administered by trustees and are independent of the company's finances. The scheme provides defined benefits based upon final pensionable pay. Contribution levels are determined by a qualified actuary on the basis of periodic valuations using the projected unit costing method. The most recent valuation was at 1 April 1996. Full details of this valuation are contained in the financial statements of May Gurney Group Limited.

Pension contributions charged to the profit and loss account for the year ended 31 March 1996 amounted to £62,416 (1995:£50,498).

# May Gurney & Co Limited

## Notes (continued)

### 7 Taxation

The taxation (charge) on the profit for the year on ordinary activities comprises:

	1996 £000	1995 £000
<i>Current year</i>		
Corporation tax at 33% (1995:33%)	(462.5)	(463.0)
<i>Prior year</i>		
Corporation tax	-	0.1
	<u>(462.5)</u>	<u>(462.9)</u>

### 8 Tangible fixed assets

	Plant, machinery and vehicles £000	Fixtures, fittings and equipment £000	Total £000
<i>Cost</i>			
At beginning of year	10,484.1	854.5	11,338.6
Additions - external	1,134.8	83.3	1,218.1
- group	30.2	-	30.2
- reinstatements	20.1	-	20.1
Disposals - external	(1,654.6)	-	(1,654.6)
- group	(1,165.6)	-	(1,165.6)
At end of year	<u>8,849.0</u>	<u>937.8</u>	<u>9,786.8</u>
<i>Accumulated depreciation</i>			
At beginning of year	8,604.7	654.3	9,259.0
Charge for year	650.1	85.4	735.5
Additions - group	30.2	-	30.2
- reinstatements	20.1	-	20.1
On disposals - external	(1,637.3)	-	(1,637.3)
- group	(887.1)	-	(887.1)
At end of year	<u>6,780.7</u>	<u>739.7</u>	<u>7,520.4</u>
<i>Net book value</i>			
At 31 March 1996	<u>2,068.3</u>	<u>198.1</u>	<u>2,266.4</u>
At 31 March 1995	<u>1,879.4</u>	<u>200.2</u>	<u>2,079.6</u>

Included in the total net book value is £1,236,143 (1995:£474,509) in respect of assets acquired under hire purchase and finance lease agreements. Depreciation for the period on these assets was £327,809 (1995:£84,221).

# May Gurney & Co Limited

## Notes (continued)

### 9 Stocks and work in progress

	1996 £000	1995 £000
Materials and consumables	270.5	268.8
Work in progress	2,420.8	1,012.3
	<u>2,691.3</u>	<u>1,281.1</u>

Work in progress is analysed as follows:

	1996 £000	1995 £000
Short term contracts	4,907.9	5,859.6
Payments on account	(2,487.1)	(4,847.3)
	<u>2,420.8</u>	<u>1,012.3</u>

### 10 Debtors

	1996 £000	1995 £000
Trade debtors	1,012.0	1,650.0
Amounts owed by group companies (note 13)	9,518.0	8,894.5
Prepayments and accrued income	235.6	100.8
ACT recoverable (due after one year)	45.0	23.9
Other debtors	14.1	-
	<u>10,824.7</u>	<u>10,669.2</u>

### 11 Creditors: amounts falling due within one year

	1996 £000	1995 £000
Payments received on account in excess of contract work in progress valuations	22.6	92.8
Trade creditors	2,109.1	1,392.7
Amounts owed to group companies (note 13)	9,635.9	10,185.8
Corporation tax	438.6	394.3
PAYE and social security	124.0	86.1
ACT payable	33.5	80.7
Other creditors	92.6	181.9
Accruals and deferred income	53.8	51.5
Net obligations under finance lease and hire purchase agreements	374.4	247.6
Proposed dividend	479.0	95.7
	<u>13,363.5</u>	<u>12,809.1</u>



# May Gurney & Co Limited

## Notes (continued)

### 12 Creditors: amounts falling due after more than one year

Net obligations under finance lease and hire purchase agreements:

	1996 £000	1995 £000
Repayable within 2-5 years	<u>656.4</u>	<u>186.5</u>

The net obligations under finance lease and hire purchase agreements are secured on the assets acquired.

### 13 Group companies

	1996 £000	1995 £000
Amounts owed by group companies -		
ultimate holding company	9,338.7	8,894.5
fellow subsidiaries	<u>179.3</u>	<u>-</u>
	<u>9,518.0</u>	<u>8,894.5</u>
Amounts owed to group companies -		
parent company	(8.3)	(164.3)
fellow subsidiaries	<u>(9,627.6)</u>	<u>(10,021.5)</u>
	<u>(9,635.9)</u>	<u>(10,185.8)</u>
	<u>(117.9)</u>	<u>(1,291.3)</u>

### 14 Ultimate holding company

The ultimate holding company is May Gurney Group Limited which is incorporated in England. The parent company is May Gurney Holdings Limited.

### 15 Share capital

	1996 £000	1995 £000
<i>Authorised, issued and fully paid</i>		
Ordinary shares of £1 each - equity	<u>2.0</u>	<u>2.0</u>

# May Gurney & Co Limited

## Notes (continued)

### 16 Operating lease commitments

Annual commitments under operating leases expiring:

	Land and buildings £000	Other £000	1996 £000	1995 £000
Within one year	12	-	12	39
2 to 5 years	-	59	59	21
	—	—	—	—
	12	59	71	60
	—	—	—	—

### 17 Capital commitments

#### *Tangible fixed assets*

Future capital expenditure authorised by the directors but not provided for in these financial statements is as follows:

	1996 £000	1995 £000
Contracts placed	447.7	90.9

### 18 Contingent liabilities

- (i) The company has given an unlimited guarantee, secured by fixed and floating charges over the company's assets in respect of the borrowings from Barclays Bank PLC, of all group companies.

At 31 March 1996, the net indebtedness of all other group companies amounted to £Nil (1995:£Nil).

- (ii) Indemnities outstanding at 31 March 1996 in respect of performance bonds were £35,264 (1995:£87,694).

The company has given joint and several guarantees securing indemnities given by other group companies in respect of performance bonds. At 31 March 1996, indemnities outstanding for other group companies amounted to £1,194,541 (1995:£812,554).

- (iii) Indemnities outstanding at 31 March 1996 in respect of HM Customs and Excise bonds issued by Barclays Bank PLC in the normal course of business were £Nil (1995:£Nil).

The company has given a joint and several guarantee securing indemnities given by other group companies in respect of HM Customs and Excise bonds issued by Barclays Bank PLC in the normal course of business. At 31 March 1996, the indemnities outstanding for other group companies amounted to £206,500 (1995:£166,650).

# May Gurney & Co Limited

## Notes *(continued)*

### 19 Cash flow statement

Under Financial Reporting Standard 1, the company is exempt from the requirements to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary of a UK parent company.

### 20 Reserves

	1996 £000	1995 £000
At beginning of year	1,430.5	816.6
Transfer from profit and loss account of the year	547.6	613.9
	<hr/>	<hr/>
At end of year	1,978.1	1,430.5
	<hr/>	<hr/>

### 21 Reconciliation of movements in equity shareholders' funds

	1996 £000	1995 £000
Profit for the financial year	1,026.6	984.8
Dividends	(479.0)	(370.9)
	<hr/>	<hr/>
Net increase in equity shareholders' funds	547.6	613.9
Opening equity shareholders' funds	1,432.5	818.6
	<hr/>	<hr/>
Closing equity shareholders' funds	1,980.1	1,432.5
	<hr/>	<hr/>