
CLAUDE FENTON (HOLDINGS) LIMITED
CHAIRMAN'S REPORT
DIRECTORS' REPORT
AND
GROUP ACCOUNTS
FOR THE YEAR ENDED 30TH SEPTEMBER 1998

COMPANY NUMBER : 474108



CLAUDE FENTON (HOLDINGS) LIMITED

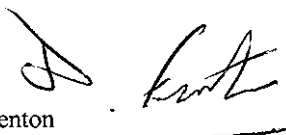
FORTY NINTH ANNUAL GENERAL MEETING

Notice is hereby given that the forty ninth Annual General Meeting of the Company will be held on 15th April 1999 at 12 noon at Wokefield Park, Mortimer.

The business of the meeting will be as follows:

1. To consider the minutes of the forty eighth Annual General Meeting held on 27th April 1998.
2. To consider the audited accounts for the year ended 30th September 1998 and to adopt the accounts and the reports of the Directors and Auditors.
3. To declare a dividend.
4. To re-elect the following Director – J S Fenton retires by rotation and being eligible offers himself for re-election.
5. To re-appoint BDO Stoy Hayward as Auditors and to authorise the Directors to fix their remuneration.
6. To transact any other ordinary business of the Company.

By Order of the Board


J S Fenton
Secretary

22nd March 1999

Arrowhead Road
Theale
Reading
RG7 4AE

A member of the Company entitled to attend and vote at the above mentioned meeting may appoint a proxy to attend and vote on a poll in their place. Such proxy need not be a member of the Company.

CLAUDE FENTON (HOLDINGS) LIMITED

DIRECTORS	D B Gammer (Chairman) P R Fenton (Managing Director) J S Fenton A J Harper (Non-executive)
SECRETARY	J S Fenton
BANKERS	National Westminster Bank Plc Reading
SOLICITORS	Ratcliffe, Duce and Gammer Reading
AUDITORS	BDO Stoy Hayward Reading
REGISTERED OFFICE	Arrowhead Road, Theale, Reading, RG7 4AE
SUBSIDIARY COMPANIES	Alan Hadley Limited Arrowhead Hire Limited Claude Fenton Limited Claude Fenton (Construction) Limited Claude Fenton (Plant Hire) Limited Claude Fenton (Plant) Limited Claw Scaffold Limited Fenton Hadley Contracts Limited Hill Industrial Limited Lafford & Leavey Builders Merchants Limited Lafford & Leavey Manufacturing Limited Sheerhire Limited

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CLAUDE FENTON (HOLDINGS) LIMITED

CHAIRMAN'S REPORT 1998

Although I am presenting this report to the 49th Annual General Meeting of the Company, 1999 brings the 50th Anniversary of its formation.

It therefore gives me particular pleasure to be able to report, once again, an improvement both in profits and the strength of the Balance Sheet.

For the period ended 30th September 1998 the Group had another satisfactory year's trading with a profit before tax of £831,282 compared with a pre-tax profit in the previous year of £668,865, an increase of £162,417. As you will see the provision for taxation for the year amounts to £287,122 (1997 £179,855) leaving a net profit of £544,160 (1997 £489,010). The provision for taxation is in proportion substantially more than last year as unfortunately, amongst other things, reliefs previously available have been used up.

You will be glad to note that the growth in pre-tax profits of some 24% has been achieved on a turnover of £14,972,389 an increase of only 9% over that for 1997 (£13,726,196).

Your Directors propose subject to the approval of the Company in General Meeting, the payment of a final dividend of 20% which, together with the interim dividend of 15% already paid, makes a total dividend for the year of 35% (1997 33%).

As a result an additional sum of £322,435 has been carried forward to the balance sheet by way of unappropriated profit for the year (1997 £279,955). It will be seen from the Group balance sheet that shareholders' funds now stand at £8,160,461.

Once again there have been no significant acquisitions or disposals by the Group during the year under review.

However we have proceeded with building on the site at Old Station Yard, Compton and three of the light industrial units have now been let with another three under construction.

We have also obtained planning consent for the development of the site at Poole Keynes, referred to in my last Report. This is for the construction of a new plant depot and three industrial units. Completion of the purchase of the freehold of this site has now been effected.

Reference is made in the Directors' Report to the steps taken by your Board to ensure, so far as possible, that the Group does not grind to a halt in the first few seconds of the year 2000 as the result of the notorious "Bug". I am no expert in these matters but believe that what has or is being done will enable your Group to survive and at a not unreasonable cost!

As to the individual companies within the Group, I have to report as follows:-

CLAUDE FENTON LIMITED

The principal activity during the year has been the building on the site at Compton referred to above.

CLAUDE FENTON (HOLDINGS) LIMITED

CHAIRMAN'S REPORT 1998

CLAUDE FENTON (CONSTRUCTION) LIMITED

Having had a good start to the year, enquiries tailed off and left the Company short of work towards the end. I am pleased to say, however, that the position has now improved considerably with the acquisition of one particularly large contract and a number of other reasonably substantial orders. In fact the value of work in hand is higher than it has been for some time although this may not be converted into profit in the current year.

CLAUDE FENTON (PLANT HIRE) LIMITED

The Company had a very good year's trading and appears to have benefitted from the move from Reading to Theale. However, whilst the current year's trading is satisfactory, we have suffered a wet winter and the Company is slightly below budget.

CLAW SCAFFOLD LIMITED

Once again the Company has had an excellent year's trading and in the current year is ahead of target both in turnover and profit. The opportunity has been taken to revalue the scaffolding. The life of the tubing, in particular, generally exceeds the depreciation period and it is important that the balance sheet should reflect a realistic value.

ALAN HADLEY LIMITED

The Company had a satisfactory year with increased turnover arising mainly from its two principal activities of "muck away" and skip hire. In connection with the latter the year saw the introduction of a "roll-on" "roll-off" system to enable larger commercial skips to be dealt with. This has proved successful and a further vehicle is being purchased to expand the facility. The transfer station operated as a joint activity continues to thrive and at the time of writing this report the appropriate waste licence for a recycling station at Ufton Nervet has at last been granted. Demand for straight tipping, however, remains low.

LAFFORD & LEAVEY BUILDERS MERCHANTS LIMITED

I am pleased to say that the Company has continued to improve its gross margin which has compensated for a slight reduction in overall turnover although there was an improvement in kitchen and bathroom sales. The Company is seeking to impose a yet tighter control on overheads.

FENTON HADLEY CONTRACTS LIMITED

The Company saw a substantial increase in turnover during the year but sadly this was not reflected by the profit. However it continues to provide additional work for Alan Hadley Limited and Claude Fenton (Plant Hire) Limited.

HILL INDUSTRIAL LIMITED

As referred to in my Report last year, the Company has not actively sought any work, but in the process of completing existing contracts it has shown a small profit.

CLAUDE FENTON (HOLDINGS) LIMITED


CHAIRMAN'S REPORT 1998

CONCLUSION

Pride often comes before a fall and with this in mind I do not propose to review the progress of the Company, and the Group of Companies it now represents, over the last 50 years. Suffice for me to say that, from modest beginnings, today's shareholders have the benefit of a Company with a balance sheet having a strong asset base and producing a reasonable return on those assets.

According to management accounts for the first four months of the current year profitability is below that for the same period last year but remains higher than that for the similar period over the last ten years. This may be accounted for by the wet autumn and winter and to the shortage of work initially affecting the Construction Company to which I have referred and which now appears to have been resolved. There is no reason why the Group should not match last year's results given stability in the market place and an improvement in the weather but it is too early to be confident.

Finally, as usual, I should like to take this opportunity of expressing my thanks to the individual employees and directors for their efforts and support throughout the year under review and their contribution to the success of the Group.



D B Gammer
Chairman

19th March 1999

CLAUDE FENTON (HOLDINGS) LIMITED

DIRECTORS' REPORT

For The Year Ended 30th September 1998

The Directors submit their Report and the accounts of the Group for the year ended 30th September 1998.

Company law requires the Directors to prepare accounts that give a true and fair view of the state of affairs of the Company and of the Group and of the profit or loss of the Group for the financial year. In doing so the Directors are required to:

- select suitable accounting policies and 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 accounts
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Company and Group will continue in business

The Directors are responsible for maintaining proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

PRINCIPAL ACTIVITIES AND RESULTS FOR THE YEAR

The principal activities of the Group continue to be that of building and civil engineering contractors, plant hirers, road hauliers, scaffolders, builders merchants and property developers. During the year certain group companies were relocated from central Reading to Theale.

There was a total profit before tax of £831,282 (1997 : £668,865). There is a taxation charge of £287,122 (1997 : £179,855) leaving a profit after tax of £544,160 (1997 : £489,010). A final dividend of £126,700 (1997 : £114,030) is proposed, which together with an interim dividend of £95,025 (1997 : £95,025) paid during the year, leaves a retained profit for the year of £322,435 (1997 : £279,955).

The contribution to turnover analysed over the different classes of activity are disclosed in Note 2 in the notes to the accounts. The Chairman, in his Report, has referred to the results of the business for the year and future developments.

YEAR 2000

The Directors assess the Business's vulnerability of failure to supply a product and/or service or the possibility of a compromise in product quality is as follows:

- a) The year 2000 compliance of the computer system both hardware and software (for the group) in that neither performance nor functionality of the computer system is affected by dates prior to during or after the year 2000. In particular:
 - 1) No value for current date will cause any interruption of the computer system;
 - 2) Date based functionality and performance of the computer system will behave consistently;
 - 3) In all interfaces and data storage of the computer system the century in any date is specified explicitly, or determined by computer logic;
 - 4) The year 2000 will be recognised as a leap year.

CLAUDE FENTON (HOLDINGS) LIMITED

DIRECTORS' REPORT

For The Year Ended 30th September 1998

YEAR 2000 (continued)

- b) The assessment of the year 2000 compliance of facilities such as hire and security alarms and heating systems is the responsibility of each subsidiary company within the group, although the Holding company has written to each company asking them to carry out an assessment. Assessment will take place at Claude Fenton (Holdings) Limited in the first six months of 1999.

In the event that the computer system proves not to be compliant:

- Hardware peripherals will be modified or upgraded after consultation with the hardware supplier and/or manufacturer.
- Software will be upgraded either by employing a company specialising in upgrading advanced 36 software applications using the IBM OCTDATE tool, or employing a company to re-host our existing system/36 applications to a windows NT or UNIX environment. Both options offer full guarantees of year 2000 compliance.

The Directors envisage that compliance conversion and testing for the computer system, if required, will take place in the first six months of 1999 and that the Directors will have completed all year 2000 compliance by the autumn of 1999.

In the event that any facilities prove not to be compliant action will be taken to upgrade or replace the systems according to manufacturers recommendations.

During the financial year ended 30th September 1998 £20,000 of costs relating to the year 2000 problem had passed through the profit and loss account. Additional costs will arise in the year ended 30th September 1999. At present the Directors do not consider that these costs are likely to exceed £30,000.

FIXED ASSETS

The last professional valuation of the Group's land and buildings was in September 1997, and these valuations have been adopted by the Directors for the purposes of the accounts.

During the year a subsidiary company has transferred land to fixed asset investment properties and has commenced the building of industrial units to be held as investment properties. At the year end the subsidiary had completed three units of which all have now been let on short leaseholds.

During the year the Group's scaffolding equipment was revalued by the Directors of a subsidiary company. In addition investment properties in a subsidiary company were revalued by the Directors as at 30th September 1998. These transactions are more fully described in Note 11c in the notes to the accounts.

CLAUDE FENTON (HOLDINGS) LIMITED

DIRECTORS' REPORT

For The Year Ended 30th September 1998

DIRECTORATE

The Directors who have served the Company during the year and their interests in the share capital of the Company are as follows:

	1998		1997	
	Beneficial Holdings	Family Holdings	Beneficial Holdings	Family Holdings
D B Gammer	14,000	123,638	13,250	123,630
P R Fenton	46,082	—	46,082	—
J S Fenton	39,832	—	38,582	—
A J Harper	—	3,500	—	2,500
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

D B Gammer is a consultant with Ratcliffe, Duce and Gammer, the Group's Solicitors.

CHARITABLE DONATIONS

Total charitable donations made by the Group during the year were £913 (1997 : £1,602).

DIVIDENDS AND RETAINED PROFIT

The Directors recommend a final dividend of £126,700 (1997 : £114,030), making a total of £221,725 (1997 : £209,055) of dividends for the year. Unappropriated profits of the Group carried forward at 30th September 1998 total £4,155,142 (1997 : £3,832,942).

POST BALANCE SHEET EVENTS

Subsequent to the year end the Directors decided it would be advantageous to capitalise the sum of £500,000 owed to the Company by Claude Fenton (Plant Hire) Limited, a subsidiary undertaking. Shares will be issued in consideration of this amount.

AUDITORS

On 1st March 1999 the auditors, Moores Rowland, merged their practice with that of BDO Stoy Hayward and are now practising under that name. A resolution will be proposed at the Annual General Meeting that BDO Stoy Hayward be reappointed as auditors to the Company for the ensuing year.

By Order of the Board



P R Fenton
Director

19th March 1999

AUDITORS' REPORT TO THE MEMBERS OF

CLAUDE FENTON (HOLDINGS) LIMITED

We have audited the accounts on pages 8 to 36.

Respective responsibilities of Directors and Auditors

As described in the Directors' Report the Company's Directors are responsible for the preparation of accounts. It is our responsibility as Auditors to form an independent opinion, based on our audit, on those accounts 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 accounts. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations that we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Company and of the Group as at 30th September 1998 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



BDO Stoy Hayward
Chartered Accountants
Registered Auditors

Reading

19th March 1999

CLAUDE FENTON (HOLDINGS) LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT
For The Year Ended 30th September 1998

	Note	1998 £000	1997 £000
Turnover	2	14,972	13,727
Cost of sales		11,366	10,556
Gross profit		<u>3,606</u>	<u>3,171</u>
Administrative expenses		3,175	2,879
		<u>431</u>	<u>292</u>
Other operating income	3b	517	436
Operating profit	3a,3b	<u>948</u>	<u>728</u>
Interest receivable	6	141	168
Interest payable	7	(258)	(227)
		<u>(117)</u>	<u>(59)</u>
Profit on ordinary activities before taxation		831	669
Tax on profit on ordinary activities	8	287	180
PROFIT FOR THE FINANCIAL YEAR		<u>544</u>	<u>489</u>
Dividends	9	(222)	(209)
RETAINED PROFIT FOR THE FINANCIAL YEAR	10	<u>322</u>	<u>280</u>

All disclosures relate only to continuing operations.

The accounting policies and notes on pages 13 to 36 form part of these accounts.

CLAUDE FENTON (HOLDINGS) LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
For The Year Ended 30th September 1998

	1998 £000	1997 £000
Profit for the financial year after taxation	544	489
Unrealised surplus on revaluation of land and buildings	50	283
Unrealised surplus on revaluation of scaffolding	383	—
Total recognised gains and losses for the year	<u>977</u>	<u>772</u>
Total gains and losses recognised since last reported	<u>977</u>	<u>772</u>

NOTE OF HISTORICAL COST PROFITS AND LOSSES

Reported profit on ordinary activities before taxation	831	669
Difference between historical cost depreciation charge and the actual depreciation charge of the year calculated on the revalued amount	4	—
Historical cost profit on ordinary activities before taxation	<u>835</u>	<u>669</u>
Tax on profit on ordinary activities	(287)	(180)
Dividends	(222)	(209)
Historical cost retained profit for the financial year	<u>326</u>	<u>280</u>


CLAUDE FENTON (HOLDINGS) LIMITED

CONSOLIDATED BALANCE SHEET

As At 30th September 1998

	Note	1998 £000	1997 £000
FIXED ASSETS			
Tangible assets	1b,1c,11a	9,571	8,271
CURRENT ASSETS			
Stocks	1e,14	241	440
Debtors	1f,1n,1o,15	3,356	3,272
Cash at bank and in hand		201	213
Building society deposit		469	444
		<u>4,267</u>	<u>4,369</u>
CREDITORS			
Amounts falling due within one year	16	4,005	3,761
NET CURRENT ASSETS		<u>262</u>	<u>608</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>9,833</u>	<u>8,879</u>
CREDITORS			
Amounts falling due after more than one year	17	1,002	958
PROVISION FOR LIABILITIES AND CHARGES			
	1g,1p,19a	671	516
		<u>1,673</u>	<u>1,474</u>
		<u>8,160</u>	<u>7,405</u>
CAPITAL AND RESERVES			
Called up share capital	20	633	633
Revaluation reserve	21	3,373	2,940
Profit and loss account	21	4,154	3,832
EQUITY SHAREHOLDERS FUNDS			
	21	<u>8,160</u>	<u>7,405</u>

Approved by the Board on 19th March 1999


P. R. Fenton

D B Gammer)
P R Fenton) Directors

The accounting policies and notes on pages 13 to 36 form part of these accounts.



CLAUDE FENTON (HOLDINGS) LIMITED

BALANCE SHEET

As At 30th September 1998

	Note	1998 £000	1997 £000
FIXED ASSETS			
Tangible assets	1b,1c,11b	5,727	5,791
Investments	1d,12	1,983	1,788
		<u>7,710</u>	<u>7,579</u>
CURRENT ASSETS			
Debtors	15	1,078	882
Cash at bank and in hand		914	680
		<u>1,992</u>	<u>1,562</u>
CREDITORS			
Amounts falling due within one year	16	1,080	811
NET CURRENT ASSETS		<u>912</u>	<u>751</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>8,622</u>	<u>8,330</u>
CREDITORS			
Amounts falling due after more than one year	17	554	758
PROVISION FOR LIABILITIES AND CHARGES	1g,19b	516	311
		<u>1,070</u>	<u>1,069</u>
		<u>7,552</u>	<u>7,261</u>
CAPITAL AND RESERVES			
Called up share capital	20	633	633
Revaluation reserve	21	2,940	2,940
Profit and loss account	21	3,979	3,688
EQUITY SHAREHOLDERS FUNDS	21	<u>7,552</u>	<u>7,261</u>

Approved by the Board on 19th March 1999

D B Gammer)

P R Fenton)

) Directors

The accounting policies and notes on pages 13 to 36 form part of these accounts.

CLAUDE FENTON (HOLDINGS) LIMITED

CONSOLIDATED CASH FLOW STATEMENT
As At 30th September 1998

	Note	1998 £000	1997 £000
Net cash flow from operating activities	27	1,670	1,288
Returns on investments and servicing of finance	28	(117)	(59)
Taxation	28	(148)	(63)
Capital expenditure and financial investment	28	(536)	(251)
Equity dividends paid		<u>(209)</u>	<u>(222)</u>
Cash inflow before use of liquid resources and financing		660	693
Financing	28	<u>(648)</u>	<u>(488)</u>
Increase in cash		<u>12</u>	<u>205</u>

RECONCILIATION OF NET CASH FLOW
TO MOVEMENT IN NET DEBT

	1998 £000	1997 £000
Increase in cash in the period	12	205
Cash outflow from decrease in debt financing	648	488
Change in net debt resulting from cash flows	<u>660</u>	<u>693</u>
New finance leases	(734)	(642)
Movement in net debt in the period	<u>(74)</u>	<u>51</u>
Net debt at 1st October 1997	<u>(847)</u>	<u>(898)</u>
Net debt at 30th September 1998	29 <u>(921)</u>	<u>(847)</u>

The accounting policies and notes on pages 13 to 36 form part of these accounts.

NOTES TO THE ACCOUNTS
As At 30th September 1998

1. ACCOUNTING POLICIES

(a) Accounting convention

The accounts are prepared under the historical cost convention, which takes no account of the effects of inflation, modified to include the revaluation of certain land and buildings and scaffolding equipment. The accounts are prepared in accordance with applicable accounting standards.

(b) Depreciation

Depreciation is provided on all tangible fixed assets, other than freehold land and investment properties, at rates calculated to write off the cost or valuation of each asset less its estimated residual value evenly over its expected useful life, as follows:

Freehold buildings	1% to 2%
Leasehold land and buildings	Over the period of the lease
Other fixed assets	Between 2% and 33%

Scaffolding and related equipment acquired more than eight years before the balance sheet date, and which are fully depreciated, are eliminated from fixed assets. Subsequent to the revaluation of the scaffolding, and a review by the directors, the depreciation rate will be revised to 10% per annum on a straight line basis with effect from 1 October 1998.

(c) Investment properties

Investment properties are accounted for in accordance with SSAP19, Accounting for Investment Properties. The investment properties are revalued annually at their open market value by the Directors; such calculations are supported by periodic independent valuations. The surplus or deficit on revaluation is transferred to the revaluation reserve unless a deficit, or its reversal, on an individual property is expected to be permanent, in which case it is recognised in the profit and loss account for the year.

No depreciation is provided on investment properties except for short leaseholds. Although the Companies Act 1985 would normally require the systematic annual depreciation of fixed assets, the directors believe that the policy of not providing depreciation is necessary in order for the accounts to give a true and fair view, since the current value of investment properties, and changes to that current value, are of prime importance rather than a calculation of systematic annual depreciation. Depreciation is only one of the many factors reflected in the annual valuation, and the amount which might otherwise have been included cannot be separately identified or quantified.

(d) Fixed asset investments

Fixed asset investments, other than investment properties, are recorded at cost less any provision for possible diminution in value.

(e) Stocks and work in progress

Stocks and work in progress are stated at the lower of cost and net realisable value on a basis consistent with previous years and after taking account of slow moving and obsolete stock.

Development land has been valued by the Directors at the lower of cost and net realisable value.

(f) Long term contracts

Long term contracts are stated at total costs incurred, net of amounts transferred to the profit and loss account in respect of work carried out to date after deducting foreseeable losses if applicable and payments on account.

CLAUDE FENTON (HOLDINGS) LIMITED

NOTES TO THE ACCOUNTS

As At 30th September 1998

1. ACCOUNTING POLICIES (continued)

(f) Long term contracts (continued)

Amounts recoverable on contracts are included in debtors, net of payments received and receivable.

Payments made in excess of amounts (i) matched with turnover; and (ii) off-set against long term contract balances are classified as "Payments on Account" and disclosed under "Creditors: Amounts Falling Due Within One Year". Turnover has been based on valuation certificates issued and invoices raised excluding retentions which are recognised when received.

Attributable profit is taken on long term contracts when the profitable outcome of the contract can be assessed with reasonable certainty. Profit on other contracts is taken on the later of completion or sale after making provision for all costs of sales. Provision is made for any anticipated loss.

(g) Deferred taxation

Deferred taxation is provided on the liability method on all timing differences to the extent that it is probable that they will reverse in the future, calculated at the rate at which it is estimated that tax will be payable. Advance corporation tax which is expected to be recoverable in the future is deducted from the deferred taxation balance.

(h) Leases and hire purchase contracts

Assets obtained under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives.

The capital element of future obligations under the leases is included as a liability in the balance sheet.

The interest element of the rental obligations is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the term of the lease.

(i) Operating lease income

Income receivable from operating leases is recognised in the profit and loss account on a straight line basis over the period of the lease.

(j) Basis of consolidation

The Group accounts consolidate the accounts of Claude Fenton (Holdings) Limited and all its direct and indirect subsidiary undertakings made up to 30th September 1998. No profit and loss account is presented for Claude Fenton (Holdings) Limited as permitted by s230(3) of the Companies Act 1985.

(k) Goodwill

Goodwill arising on consolidation and acquired has been written off to reserves.

(l) Pension scheme contributions

Contributions to the Group defined benefit pension scheme are charged to the profit and loss account so as to spread the cost of the pensions over employees' working lives.

Contributions to the Company's money purchase pension scheme are charged to the profit and loss account as incurred.

NOTES TO THE ACCOUNTS

As At 30th September 1998

1. ACCOUNTING POLICIES – (Continued)

(m) Joint operations

A subsidiary undertaking has a joint operation involving a waste transfer station which is not a separate entity and accordingly the Group records its own assets, liabilities and cash flows according to the terms of the agreement governing the arrangement. The subsidiary undertaking is a joint tenant of the lease of the shared facility.

(n) Tipping royalties

Tipping royalties and set up costs are charged to the profit and loss account over the life of the tipping agreement based upon the amount of void space consumed.

(o) Deferred costs

Costs and fees incurred in respect of the Group's tipping arrangements in advance are carried forward and spread over the periods to which the agreements relate.

(p) Restoration costs

Provision is made for anticipated restoration costs of tips based on the void space consumed.

(q) Warranties and guarantees

Costs, if any, incurred in respect of warranty and guarantee claims are accounted for in the period in which they arise.

CLAUDE FENTON (HOLDINGS) LIMITED

NOTES TO THE ACCOUNTS

As At 30th September 1998

2. TURNOVER

Turnover represents the invoiced amounts of goods sold and services provided (stated net of VAT) and, in the case of long term contracts, the value of work completed during the year.

The turnover is attributable to the following activities after eliminating inter group transactions.

	TURNOVER			
	1998		1997	
	%	£000	%	£000
Construction and development	34.51	5,167	33.37	4,581
Scaffolding	11.99	1,795	11.48	1,576
Plant and lorry hire, waste management and related transport	37.25	5,577	36.57	5,020
Builders merchants and allied sales	16.25	2,433	18.58	2,550
	<u>100.00</u>	<u>14,972</u>	<u>100.00</u>	<u>13,727</u>

3. OPERATING PROFIT

	GROUP	
	1998	1997
	£000	£000
(a) This is stated after charging:		
Auditors' remuneration	30	30
Depreciation	702	612
Operating lease rentals:		
- Hire of plant and machinery	377	112
- Other operating lease payments	168	188
	<u> </u>	<u> </u>

Hire of plant and machinery includes the cost of operated plant.

The auditors also received £45,000 (1997 : £45,000) for non-audit services which included fees relating to the Profit Related Pay Schemes for the Group, taxation, accountancy and other financial advisory services.

CLAUDE FENTON (HOLDINGS) LIMITED

NOTES TO THE ACCOUNTS

As At 30th September 1998

3. OPERATING PROFIT (continued)

	GROUP	
	1998 £000	1997 £000
(b) This is stated after crediting:		
Rental income	517	436
Profit on sale of fixed assets	129	158
Aggregate amounts receivable in respect of operating leases and short term hire income	2,205	1,962
	<u> </u>	<u> </u>

4. STAFF COSTS (INCLUDING DIRECTORS)

	GROUP	
	1998 £000	1997 £000
Wages and salaries	3,164	2,645
Social security costs	305	255
Other pension costs	161	107
	<u>3,630</u>	<u>3,007</u>
	<u> </u>	<u> </u>

The average monthly number of employees during the year was made up as follows:

	GROUP	
	1998 No	1997 No
Office and management	70	73
Productive	89	73
	<u>159</u>	<u>146</u>
	<u> </u>	<u> </u>

CLAUDE FENTON (HOLDINGS) LIMITED

NOTES TO THE ACCOUNTS
As At 30th September 1998

5. DIRECTORS' REMUNERATION

	1998 £000	1997 £000
Emoluments	228	206
Money purchase pension contributions paid by the Company	-	5

Emoluments include an amount of £29,415 relating to payments made to a Director by a subsidiary undertaking in his capacity as an employee of that subsidiary (1997: £26,864).

Highest paid director:

Emoluments	110	105
Money purchase pension contribution paid by the Company	-	5

Amount of accrued pension at 30th September 1998 - £37,000 per annum (1997 : £34,000 per annum)

Amount of accrued lump sum at 30th September 1998 - £Nil (1997 : £Nil)

During the year two (1997 : two) directors were accruing benefits under the Company's defined benefit scheme, and one (1997 : one) director was accruing benefits under the Company's money purchase pension scheme.

6. INTEREST RECEIVABLE

	1998 £000	GROUP 1997 £000
Bank interest receivable	116	102
Building society interest receivable	25	21
Other interest receivable	-	45
	141	168

7. INTEREST PAYABLE

	1998 £000	GROUP 1997 £000
Bank loans and overdrafts repayable within five years	162	143
Hire purchase loans and finance leases	96	84
	258	227

CLAUDE FENTON (HOLDINGS) LIMITED

NOTES TO THE ACCOUNTS

As At 30th September 1998

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

The charge/(release) for the year is made up as follows:

	GROUP		COMPANY	
	1998	1997	1998	1997
	£000	£000	£000	£000
Corporation tax at 31% and 21%				
(1997: 31%, 24% and 21%)	204	140	93	87
Deferred taxation	83	40	18	(19)
	<u>287</u>	<u>180</u>	<u>111</u>	<u>68</u>
	==	==	==	==

The corporation tax charge/(release) for the year is after taking account of group relief surrenders which are expected to be available.

In the opinion of the Directors, the Company is a close company within the meaning of Section 414 of the Income and Corporation Taxes Act 1988.

9. DIVIDENDS	1998	1997
	£000	£000
Interim dividend paid:		
15p per ordinary share (1997 : 15p)	95	95
Final proposed dividend:		
20p per ordinary share (1997 : 18p)	127	114
	<u>222</u>	<u>209</u>
	==	==

CLAUDE FENTON (HOLDINGS) LIMITED

NOTES TO THE ACCOUNTS

As At 30th September 1998

10. RETAINED PROFIT FOR THE FINANCIAL YEAR

The profit for the year, included within the accounts of the Company amounted to £290,585 (1997 : profit £292,693) after an exceptional release of net provisions of £37,747 (1997 : £132,720) in respect of diminution in investments and loans to and foreseeable losses in respect of subsidiary undertakings.

11a TANGIBLE FIXED ASSETS : GROUP

	Freehold Land & Buildings £000	Investment Properties £000	Other Assets £000	Total £000
COST OR VALUATION				
As at 1st October 1997	5,550	190	7,660	13,400
Additions	—	486	1,163	1,649
Disposals	—	—	(1,252)	(1,252)
Other movements	(500)	500	—	—
Revaluation surplus	—	50	172	222
As at 30th September 1998	<u>5,050</u>	<u>1,226</u>	<u>7,743</u>	<u>14,019</u>
DEPRECIATION				
As at 1st October 1997	—	—	5,129	5,129
Provided during the year	47	7	648	702
Disposals	—	—	(1,172)	(1,172)
Revaluation surplus	—	—	(211)	(211)
As at 30th September 1998	<u>47</u>	<u>7</u>	<u>4,394</u>	<u>4,448</u>
BALANCE SHEET VALUE				
As at 1st October 1997	<u>5,550</u>	<u>190</u>	<u>2,531</u>	<u>8,271</u>
As at 30th September 1998	<u>5,003</u>	<u>1,219</u>	<u>3,349</u>	<u>9,571</u>

Other assets include plant and machinery, equipment, computer equipment, fixtures and fittings and vehicles.

CLAUDE FENTON (HOLDINGS) LIMITED

NOTES TO THE ACCOUNTS

As At 30th September 1998

11b TANGIBLE FIXED ASSETS : COMPANY

	Freehold Land & Buildings £000	Investment Properties £000	Other Assets £000	Total £000
COST OR VALUATION				
As at 1st October 1997	5,550	190	654	6,394
Additions	—	—	3	3
Disposals	—	—	(266)	(266)
Other movements	(500)	500	—	—
As at 30th September 1998	<u>5,050</u>	<u>690</u>	<u>391</u>	<u>6,131</u>
DEPRECIATION				
As at 1st October 1997	—	—	603	603
Provided during the year	47	7	13	67
Disposals	—	—	(266)	(266)
As at 30th September 1998	<u>47</u>	<u>7</u>	<u>350</u>	<u>404</u>
BALANCE SHEET VALUE				
As at 1st October 1997	<u>5,550</u>	<u>190</u>	<u>51</u>	<u>5,791</u>
As at 30th September 1998	<u>5,003</u>	<u>683</u>	<u>41</u>	<u>5,727</u>

Other assets include equipment, computer equipment, fixtures and fittings.

CLAUDE FENTON (HOLDINGS) LIMITED

NOTES TO THE ACCOUNTS

As At 30th September 1998

11c TANGIBLE FIXED ASSETS : GROUP AND COMPANY

Included in other assets above are the following amounts relating to assets acquired under finance leases and hire purchase contracts where the term of those contracts has not yet come to an end:

	GROUP £000	COMPANY £000
NET BOOK VALUE		
As at 30th September 1998	1,853	6
	<u> </u>	<u> </u>
NET BOOK VALUE		
As at 30th September 1997	1,791	10
	<u> </u>	<u> </u>
DEPRECIATION		
Provided during the year	304	4
	<u> </u>	<u> </u>
Included in fixed assets are the following amounts held in respect of operating lease and short term hire income.		
COST OR VALUATION		
As at 30th September 1998	6,764	690
	<u> </u>	<u> </u>
ACCUMULATED DEPRECIATION		
As at 30th September 1998	3,274	7
	<u> </u>	<u> </u>

In addition to the above certain parts of the Group's land and freehold properties which are currently in excess of the Group's requirements are let on short operating leases. The directors do not consider it practicable to apportion the freehold properties where the element occupied on this basis is inseparable from the whole.

CLAUDE FENTON (HOLDINGS) LIMITED

NOTES TO THE ACCOUNTS

As At 30th September 1998

11c TANGIBLE FIXED ASSETS : GROUP AND COMPANY (continued)

Investment properties comprise:

	GROUP		COMPANY	
	1998	1997	1998	1997
	£000	£000	£000	£000
Freehold property	1,171	135	635	135
Short term leasehold	55	55	55	55
	<u>1,226</u>	<u>190</u>	<u>690</u>	<u>190</u>

For the freehold land and buildings and investment properties included at valuation:

	GROUP		COMPANY	
	1998	1997	1998	1997
	£000	£000	£000	£000
HISTORICAL COST				
As at 30th September 1998	<u>3,972</u>	<u>3,485</u>	<u>3,485</u>	<u>3,485</u>

DEPRECIATION BASED ON COST

As at 1st October 1997

Charge for the year

As at 30th September 1998

GROUP AND COMPANY

768

58

826

It is not practicable to provide an accurate analysis between buildings and land for both valuation or historical cost. A depreciation charge has been chosen to reflect a materially accurate position.

Certain freehold and leasehold land and buildings were revalued on an open market value basis at 30th September 1997 by Dunster and Morton, Chartered Surveyors, Reading. In addition, investment properties held by a subsidiary undertaking were revalued by the Directors on an open market value basis at 30th September 1998. Additions to investment properties consist of finished units, partly built units and land. Finished units are stated at open market value of £350,000 based on a directors valuation. Partly built units and land are valued at cost. If the land and buildings were sold at their valuation, a taxation liability would arise as referred to in note 19a.

Other assets of the Group include scaffolding which was revalued by the Directors of a subsidiary undertaking as at 30th September 1998 on the basis of second hand market value. In addition the Directors have reviewed the depreciation rate applied to these assets and have concluded that the rate should be 10% per annum with effect from 1st October 1998 to more accurately reflect the expected life of these assets. The historic cost of the scaffolding that remained in the balance sheet and had not been previously written off as at 30th September 1998 was £473,746 (1997 : £473,173) and the accumulated historic cost depreciation was £210,848 (1997 : £233,051).

CLAUDE FENTON (HOLDINGS) LIMITED

NOTES TO THE ACCOUNTS

As At 30th September 1998

12. FIXED ASSET INVESTMENTS

	NOTE	GROUP		COMPANY	
		1998 £000	1997 £000	1998 £000	1997 £000
Shares in subsidiary undertakings	13	—	—	621	410
Loans to subsidiary undertakings		—	—	1,362	1,378
		<u>—</u>	<u>—</u>	<u>1,983</u>	<u>1,788</u>
		<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

The Directors have reviewed the amounts attributed in the balance sheet of the Company to shares in and loans to subsidiary undertakings. The review has taken into account any deficiency in shareholders funds or where there was a shortfall in the net assets compared to the cost of the investment at 30th September 1998 and where the support of the Group is required to enable the subsidiary undertaking to continue as a going concern. Based on this review, provisions amounting to £1,353,420 (1997 : £1,339,070) against loans to five (1997 : five) subsidiary undertakings and £1,443,199 (1997 : £1,653,296) against the cost of shares in seven (1997 : eight) subsidiary undertakings have been made. In the case of two (1997 : two) subsidiary undertakings the shortfall in net assets exceeded the amounts due to the Group, the Directors have concluded that it is not appropriate to make provision for this shortfall as in the long term they consider the position will reverse. In connection with one of these subsidiary undertakings the parent company has guaranteed various bank and supplier liabilities, these are referred to in note 23, contingent liabilities, the most significant of these is the bank overdraft which at 30th September 1998 was £561,205 (1997 : £682,272). In addition a provision amounting to £158,000 has been made in respect of a subsidiary undertaking as in the opinion of the Directors it is anticipated the Company will meet this shortfall on behalf of the subsidiary in the foreseeable future. This has been included as a provision for foreseeable losses and is referred to in Note 19b.

13. SUBSIDIARY UNDERTAKINGS

	COMPANY	
	1998 £000	1997 £000
Cost of shares at 1st October 1997	2,089	2,089
Pre-acquisition profit paid as dividend	(26)	(26)
Provision for diminution	(1,442)	(1,653)
	<u>621</u>	<u>410</u>
Net book value of shares at 30th September 1998	<u>621</u>	<u>410</u>

CLAUDE FENTON (HOLDINGS) LIMITED

NOTES TO THE ACCOUNTS

As At 30th September 1998

13. SUBSIDIARY UNDERTAKINGS (continued)

The Company owns all of the ordinary shares, (representing 100% of the voting rights) and in addition in the case of Hill Industrial Ltd all the preference shares, of these subsidiary undertakings:

Arrowhead Hire Limited	– Dormant
Alan Hadley Limited	– Haulage and Waste Disposal
Claude Fenton Limited	– Property Development
Claude Fenton (Construction) Limited	– Construction
Claude Fenton (Plant Hire) Limited	– Plant Hire
Claude Fenton (Plant) Limited	– Dormant
Claw Scaffold Limited	– Scaffolding
Fenton Hadley Contracts Limited	– Earth Moving and Groundworks
Hill Industrial Limited	– Design and Build
Lafford & Leavey Builders Merchants Limited	– Builders Merchants
Lafford & Leavey Manufacturing Limited	– Dormant

Sheerhire Limited [Investment held by Claude Fenton (Plant) Limited] – Dormant

14. STOCKS

	GROUP	
	1998	1997
	£000	£000
Raw materials and consumables	16	26
Finished goods and goods for resale	198	217
Land and developments in progress	27	197
	<u>241</u>	<u>440</u>
	==	==

Land amounting to £170,279 was transferred to tangible fixed assets during the year.

15. DEBTORS

	GROUP		COMPANY	
	1998	1997	1998	1997
	£000	£000	£000	£000
Trade debtors	2,468	2,526	128	151
Amounts recoverable on contracts	245	209	–	–
Amounts due from subsidiary undertakings	–	–	682	458
Other debtors (see below)	219	240	157	159
Prepayments and accrued income (see below)	424	297	111	114
	<u>3,356</u>	<u>3,272</u>	<u>1,078</u>	<u>882</u>
	==	==	==	==

Amounts recoverable on contracts represent ascertained cumulative turnover transferred to the profit and loss account in current and prior years of £13,524,688 (1997 : £12,940,433) less payments on account of £13,280,129 (1997 : £12,730,989).

Included in other debtors is a deposit of £149,999 paid in respect of a property, the completion date for which was February 1999.

CLAUDE FENTON (HOLDINGS) LIMITED

NOTES TO THE ACCOUNTS As At 30th September 1998

15. DEBTORS (continued)

Included in other debtors for the Group in 1997 was a loan of £29,000 secured by a legal charge over a freehold property. This loan requires to be disclosed under Financial Reporting Standard No. 8 and additional details are given in Note 30 in the notes to the accounts.

Other debtors also include amounts due of £1,500 (1997: £10,500) payable after twelve months relating to the disposal of part of the trade of a subsidiary undertaking.

Included in prepayments and accrued income is £124,182 (1997 : £78,631) of deferred costs in respect of payments made in advance of their recognition in the profit and loss account in respect of certain of the Group's tipping arrangements.

16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

		GROUP		COMPANY	
	NOTE	1998 £000	1997 £000	1998 £000	1997 £000
Obligations under hire purchase and finance lease contracts	1h, 18	589	547	4	4
Payments received on account	1f	38	56	—	—
Trade creditors		1,761	1,768	121	108
Amounts due to subsidiary undertakings		—	—	367	220
Corporation tax		150	92	37	32
ACT payable		23	53	23	53
Other taxes and social security costs		368	338	9	7
Other creditors		20	36	1	1
Accruals and deferred income		929	757	391	272
Proposed dividend	9	127	114	127	114
		<u>4,005</u>	<u>3,761</u>	<u>1,080</u>	<u>811</u>

Bank loans and overdrafts are secured by fixed and floating charges over the Company's and Group's assets, specific charges on book debts, and a composite unlimited guarantee by subsidiary undertakings, and various rights of set off.

CLAUDE FENTON (HOLDINGS) LIMITED

NOTES TO THE ACCOUNTS

As At 30th September 1998

17. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	NOTE	GROUP		COMPANY	
		1998 £000	1997 £000	1998 £000	1997 £000
Bank loans	22	444	444	444	444
Obligations under hire purchase and finance lease contracts	1h,18	558	514	—	5
Amounts due to subsidiary undertakings		—	—	110	309
		<u>1,002</u>	<u>958</u>	<u>554</u>	<u>758</u>
		<u>==</u>	<u>==</u>	<u>==</u>	<u>==</u>

18. OBLIGATIONS UNDER FINANCE LEASES AND HIRE PURCHASE CONTRACTS

	GROUP		COMPANY	
	1998 £000	1997 £000	1998 £000	1997 £000
Amounts payable:				
Within one year	513	614	5	5
In second to fifth year inclusive	741	547	—	5
	<u>1,254</u>	<u>1,161</u>	<u>5</u>	<u>10</u>
Less: Finance charges allocated to future periods	107	100	1	1
	<u>1,147</u>	<u>1,061</u>	<u>4</u>	<u>9</u>
	<u>==</u>	<u>==</u>	<u>==</u>	<u>==</u>
Amounts payable:				
In the next year	589	547	4	4
In the second to fifth years	558	514	—	5
	<u>1,147</u>	<u>1,061</u>	<u>4</u>	<u>9</u>
	<u>==</u>	<u>==</u>	<u>==</u>	<u>==</u>

Obligations under finance leases and hire purchase contracts are secured upon the assets concerned. The finance companies have the right of repossession upon default.

CLAUDE FENTON (HOLDINGS) LIMITED

NOTES TO THE ACCOUNTS

As At 30th September 1998

19a PROVISIONS FOR LIABILITIES AND CHARGES

GROUP

	Provision for foreseeable losses on leases £000	Other provisions £000	Deferred taxation £000	Total £000
As at 1 October 1997	92	91	333	516
Charge/(release) arising during the year	-	43	83	126
Advance corporation tax	-	-	29	29
As at 30 September 1998	<u>92</u>	<u>134</u>	<u>445</u>	<u>671</u>

The other provisions include an estimate by the Directors, based on void space consumed, for re-instatement of land after tipping amounting to £99,058 (1997 : £91,000). The remainder of the balance amounting to £35,000 (1997 : £Nil) relates to provisions for foreseeable losses on long term contracts.

There is a potential liability to deferred taxation amounting to approximately £118,420 on the unrealised surplus on the revaluation of the scaffolding which has not been provided in the accounts. In the opinion of the Directors no provision is required as there is no intention to sell the scaffolding in the foreseeable future.

There is a potential liability to deferred taxation amounting to approximately £180,500 on the unrealised surplus on revaluation, and capital allowances in connection with, the Group's properties which has not been provided for in these accounts which would crystallise if the properties were sold at valuation and no other taxation reliefs were available.

CLAUDE FENTON (HOLDINGS) LIMITED

NOTES TO THE ACCOUNTS

As At 30th September 1998

19b PROVISIONS FOR LIABILITIES AND CHARGES

COMPANY

	Provision for foreseeable losses on leases £000	Provision for foreseeable losses on subsidiary £000	Deferred taxation £000	Total £000
As at 1 October 1997	92	-	219	311
Charge/(release) arising during the year	-	158	18	176
Advance corporation tax	-	-	29	29
As at 30 September 1998	<u>92</u>	<u>158</u>	<u>266</u>	<u>516</u>

Deferred taxation is calculated at 31% (1997 : 31%) analysed as follows:

	GROUP		COMPANY	
	1998 £000	1997 £000	1998 £000	1997 £000
Capital allowances in excess of depreciation	514	397	301	276
Short term timing differences	(69)	(35)	(35)	(28)
	<u>445</u>	<u>362</u>	<u>266</u>	<u>248</u>
Advance corporation tax recoverable	-	(29)	-	(29)
	<u>445</u>	<u>333</u>	<u>266</u>	<u>219</u>

There is a potential liability to deferred taxation amounting to approximately £165,000 on the unrealised surplus on revaluation, and capital allowances in connection with, the Company's properties which has not been provided for in these accounts which would crystallise if the properties were sold at valuation and no other taxation reliefs were available.

20. SHARE CAPITAL

	1998 £000	1997 £000
Authorised:		
1,000,000 (1997 : 1,000,000)		
Ordinary shares of £1 each	1,000	1,000
Issued and fully paid:	<u> </u>	<u> </u>
633,500 (1997 : 633,500)		
Ordinary shares of £1 each	633	633
	<u> </u>	<u> </u>

CLAUDE FENTON (HOLDINGS) LIMITED

NOTES TO THE ACCOUNTS
As At 30th September 1998

21. RESERVES : GROUP

	Revaluation Reserve £000	Profit and Loss Account £000	Total £000
As at 1st October 1997	2,940	3,832	6,772
Profit for the year after taxation	-	544	544
Dividends	-	(222)	(222)
Revaluation surplus	433	-	433
As at 30th September 1998	<u>3,373</u>	<u>4,154</u>	<u>7,527</u>

Of the total revaluation reserve, a surplus of £466,429 (1997 : deficit £56,496) relates to investment properties. The amount of cumulative goodwill written off to reserves in respect of acquisitions prior to 23rd December 1989 has not been disclosed as exemption has been taken under SI 1990/355 on the basis that the information cannot be obtained without undue expense. Note 19a in the notes to the accounts refers to unprovided taxation in respect of the revaluation surplus.

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS: GROUP

	1998 £000	1997 £000
Profit for the financial year	544	489
Dividends	(222)	(209)
Revaluation surplus	433	283
Net additions to shareholders' funds	<u>755</u>	<u>563</u>
Opening shareholders' funds	7,405	6,842
Closing shareholders' funds	<u>8,160</u>	<u>7,405</u>

RESERVES : COMPANY

	Revaluation Reserve £000	Profit and Loss Account £000	Total £000
As at 1st October 1997	2,940	3,688	6,628
Profit for the year after taxation	-	513	513
Dividends	-	(222)	(222)
As at 30th September 1998	<u>2,940</u>	<u>3,979</u>	<u>6,919</u>

Of the total revaluation reserve, a surplus of £416,429 (1997 : deficit £56,496) relates to investment properties. Note 19b refers to unprovided deferred taxation in respect of the revaluation surplus.

CLAUDE FENTON (HOLDINGS) LIMITED

NOTES TO THE ACCOUNTS

As At 30th September 1998

21. RESERVES : COMPANY (continued)

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS : COMPANY

	1998	1997
Profit for the financial year	513	501
Dividends	(222)	(209)
Revaluation surplus	-	283
Net addition to shareholders' funds	291	575
Opening shareholders' funds	7,261	6,686
Closing shareholders' funds	7,552	7,261

22. BANK LOANS

Included in bank loans is a loan for £2,000,000 which was taken up in March 1988. There were no repayments for the first twenty four months, after that period the repayment terms are variable by the Company over the existence of the loan which was for a maximum period of ten years. To the balance sheet date £1,555,554 had been repaid. The loan bears interest of 1.5% over the bank's base rate and is variable after five years. By agreement with the Group's bankers the loan has been extended for a further twelve months without any repayment during that period. For the analysis below it has been assumed that the loan will be repaid after that date.

	GROUP		COMPANY	
	1998	1997	1998	1997
	£000	£000	£000	£000
Analysis of bank loan repayments:				
Within one year	-	-	-	-
Between one and two years	444	444	444	444
Between two and five years	-	-	-	-
	444	444	444	444

The current portion of the loans amounting to £Nil for the Group (1997: £Nil) and £Nil for the Company (1997 : £Nil) are shown in creditors : amounts falling due within one year.

The bank loans are secured by fixed and floating charges over the Company's and the Group's assets (Note 24) and are payable over a fixed term and are only repayable on demand on a breach of normal banking covenants.

CLAUDE FENTON (HOLDINGS) LIMITED

NOTES TO THE ACCOUNTS

As At 30th September 1998

23. CONTINGENT LIABILITIES AND GUARANTEES

As at 30th September 1998, there exist contingent liabilities and guarantees of the Group in respect of the following:

- (a) Bonds given to various authorities in respect of construction work as is the usual practice in this industry amounting to £120,281 (1997 : £215,992).
- (b) The Directors are of the opinion, that adequate provision has been made within these accounts to meet the Group's obligations to re-instate land after tipping. In addition to the obligation to re-instate land after tipping, for which a provision has been made, the Group has tipping arrangements, one of which is currently subject to negotiation, which may include an obligation to re-instate land after tipping. A provision has been made in these accounts towards the costs of this re-instatement. It is the intention of the Directors that any remaining costs will be provided for in future accounting periods, over the remaining life of the tip.
- (c) A joint and several liability in respect of a lease of premises for its joint operations amounting in total to £15,000 (1997 : £36,000).
- (d) An option given to the licensors of a tip to require the Group to purchase the site after tipping for an amount of £40,000 (1997 : £40,000).
- (e) A bond given to the licensors of Poors Allotment Ufton Nerver tip in respect of a tipping agreement amounting to £40,000 (1997 : £40,000).
- (f) Ten year guarantees under NHBC, the costs are accounted for as and when they arise, as the amounts cannot be quantified.

As at 30th September 1998, there exists contingent liabilities and guarantees of the Company in respect of the following:

- (a) A composite unlimited guarantee on all subsidiary undertakings' bank overdrafts which amounted to £1,468,107 (1997 : £1,150,649).
- (b) A statutory guarantee for value added tax due by all subsidiary undertakings under the group election amounting to £277,262 (1997 : £260,946).
- (c) The Company has guaranteed hire purchase and finance lease agreements for subsidiary undertakings. The outstanding balances due under such agreements amount to £1,141,526 (1997: £1,052,146) at the balance sheet date.
- (d) The Company has guaranteed amounts owed by one of its subsidiary undertakings to suppliers through a merchant buying society scheme. The outstanding balances due under the scheme at the balance sheet date, amount to £36,561 (1997 : £26,587).
- (e) The Company has guaranteed amounts owed by its subsidiary undertakings to suppliers of up to £516,547 (1997 : £488,000). The Company also has unlimited guarantees in respect of certain of its subsidiary undertakings to suppliers.

24. SECURED LIABILITIES

National Westminster Bank Plc holds a number of debentures secured by various fixed and floating charges over the assets of the Group and the Company, specific charges on freehold and leasehold land and buildings and fixed charges on book debts of the Group and the Company, and various rights of set-off.

NOTES TO THE ACCOUNTS

As At 30th September 1998

25. LEASE COMMITMENTS

The amounts payable in the next year in respect of operating leases and similar agreements are shown below, analysed according to expiry date of the leases or agreements and include the Group's tipping arrangements. The analysis of lease commitments by expiry date is as follows:

	1998		1997	
	Land and Buildings £000	Other £000	Land and Buildings £000	Other £000
Expiry date:				
Within 1 year	7	16	-	-
Between one and five years	-	192	16	94
More than five years	85	-	85	-
	<u>92</u>	<u>208</u>	<u>101</u>	<u>94</u>

26. PENSIONS

The Company is a member of Claude Fenton (Holdings) Limited Group pension scheme.

The scheme is a defined benefit scheme and contributions are based on pension costs across the Group as a whole. The scheme provides benefits on final pensionable pay and the scheme's assets are held independently in trustee administered funds. Contributions are charged to the profit and loss account so as to spread the cost of pensions over employees working lives with the Company and the Group.

The contributions to the scheme are determined by a qualified actuary on the basis of triennial valuations using the 'Attained Age' method. The most recent actuarial valuation was at 6th April 1997.

At the date of the latest completed actuarial valuation the market value of those assets amounted to £2,329,155. The actuarial value of the scheme assets represented 126% of the liabilities for benefits that had accrued to members, after allowing for expected future increases in salaries.

The most significant assumptions were:

Investment return	8.5%
Salary inflation	7.5%
Future pensions growth	4.0%

With effect from April 1997, the following funding rates are being applied.

	% of Pensionable Salaries	
	Members	Company
Category 1	3.5	12.9
Category 2	4.5	6.5
Category 3	Nil	1.7

CLAUDE FENTON (HOLDINGS) LIMITED

NOTES TO THE ACCOUNTS

As At 30th September 1998

26. PENSIONS (continued)

Due to a surplus in the fund, the Actuaries have recommended that company contributions be reduced to the following levels from 1st October 1998:

Category 1	8.8%
Category 2	4.9%
Category 3	1.1%

The Company also operates a defined contribution scheme in respect of certain of its employees. Contributions are charged in the accounts as incurred.

The pension charge for the year was £160,724 (1997 : £98,797) in respect of the defined benefit scheme and £Nil (1997 : £4,500) in respect of the defined contribution scheme and at 30th September 1998 there were no outstanding or prepaid contributions in respect of either scheme.

27. RECONCILIATION OF OPERATING PROFIT TO NET CASH FLOW FROM OPERATING ACTIVITIES

	GROUP	
	1998	1997
	£000	£000
Operating profit	948	728
Depreciation charges	702	612
Fixed assets non-cash movements	(170)	(8)
Total profit on sale of tangible fixed assets	(129)	(158)
Decrease in stocks	199	192
Increase in debtors	(84)	(84)
Increase in creditors	161	8
Increase/(Decrease) in provision for liabilities and charges	43	(2)
	<u>1,670</u>	<u>1,288</u>
	<u><u>1,670</u></u>	<u><u>1,288</u></u>

CLAUDE FENTON (HOLDINGS) LIMITED

NOTES TO THE ACCOUNTS
As At 30th September 1998

28. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	1998		1997	
	£000	£000	£000	£000
Returns on investments and servicing of finance				
Interest received	141		168	
Interest paid	(162)		(143)	
Interest element of hire purchase borrowings	(96)		(84)	
	<u> </u>	(117)	<u> </u>	(59)
		<u> </u>		<u> </u>
Taxation				
Corporation tax paid	(95)		(15)	
Advance corporation tax paid	(53)		(48)	
	<u> </u>	(148)	<u> </u>	(63)
		<u> </u>		<u> </u>
Capital expenditure				
Payments to acquire tangible fixed assets	(745)		(478)	
Receipts from the sale of tangible fixed assets	209		227	
	<u> </u>	(536)	<u> </u>	(251)
		<u> </u>		<u> </u>
Financing				
Capital element of hire purchase borrowings	(648)		(488)	
	<u> </u>	(648)	<u> </u>	(488)
		<u> </u>		<u> </u>

CLAUDE FENTON (HOLDINGS) LIMITED

NOTES TO THE ACCOUNTS

As At 30th September 1998

29. ANALYSIS OF CHANGES IN NET DEBT

	At 1st October 1997 £000	Cash flows £000	Non-Cash flows £000	At 30th September 1998 £000
Cash in hand, at bank	658	12	-	670
	<u>658</u>	<u>12</u>	<u>-</u>	<u>670</u>
Debt due after one year	(444)	-	-	(444)
Finance leases and hire purchase	(1,061)	648	(734)	(1,147)
	<u>(1,505)</u>	<u>648</u>	<u>(734)</u>	<u>(1,591)</u>
Total	<u>(847)</u>	<u>660</u>	<u>(734)</u>	<u>(921)</u>

Major non-cash transactions:

During the year the Group entered into finance leases and hire purchase contracts with a total capital value of £733,658.

30. RELATED PARTIES

Related party transactions which require to be disclosed under Financial Reporting Standard No. 8 are as follows:

During the current year P R Fenton repaid a remaining amount of £3,805 outstanding from a transaction which occurred in the previous year amounting to £173,805 in total. Current year transactions amounted to £NIL. The maximum amount outstanding during the year was £3,805 and no balance was outstanding at the balance sheet date.

Claude Fenton (Holdings) Limited paid a rental of £32,500 (1997 : £32,500) in respect of a 25 year lease of a property owned by the Claude Fenton (Holdings) Limited Pension Fund. No amounts were outstanding at the year end (1997 : £Nil).

During the year, a director of Claw Scaffold Limited, (a subsidiary undertaking), B J Dormer, considered to be key management of a material subsidiary, repaid a loan of £29,000 outstanding at the end of the previous year advanced by Claude Fenton Limited.

31. POST BALANCE SHEET EVENTS

Subsequent to the year end the Directors have decided it would be advantageous to capitalise the sum of £500,000 owed to the Company by Claude Fenton (Plant Hire) Limited, a subsidiary undertaking. Shares will be issued in consideration of this amount.