

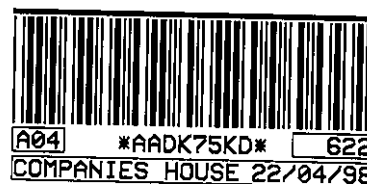


**PRATTEN CONSTRUCTION LIMITED**

**Report and Financial Statements**

**30 September 1997**

**Deloitte & Touche  
Queen Anne House  
69-71 Queen Square  
Bristol  
BS1 4JP**





**REPORT AND FINANCIAL STATEMENTS 1997**

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**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

D L Rebori  
D Madgwick  
D Martin  
N J Higgs

**SECRETARY**

G L Ballard

**REGISTERED OFFICE**

Stratton House  
Cater Road  
Bristol  
BS13 7UH

**BANKERS**

Midland Bank plc  
City Office  
49 Corn Street  
Bristol  
BS99 7PP

**SOLICITORS**

Lyons Davidson  
Bridge House  
48-52 Baldwin Street  
Bristol  
BS1 1QD

**AUDITORS**

Deloitte & Touche  
Queen Anne House  
69-71 Queen Square  
Bristol  
BS1 4JP



## **DIRECTORS' REPORT**

The directors present their report and the audited financial statements for the year ended 30 September 1997.

## **RESULTS**

The loss for the year is set out in the profit and loss account on page 5.

## **PRINCIPAL ACTIVITY OF THE COMPANY**

The company's principal activity continues to be that of building contractors, conducted in the United Kingdom.

## **REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS**

The results for the year are disappointing, with losses being recorded for a second year, despite a promising start to the year. The company is, however, entering its third year of trading with a large order book and there are signs that a reasonable profit will be recorded for the year ending 30 September 1998.

## **DIVIDENDS**

The directors do not recommend the payment of a dividend (1996: £nil) in respect of the year ended 30 September 1997.

## **DIRECTORS AND THEIR INTERESTS**

The directors of the company who held office during the year were:

D L Rebori (Chairman)

N J Higgs

D Martin

D Madgwick

Mr D Martin retires by rotation and, being eligible, offers himself for re-election.

None of the directors had any interest in the shares of the company during the year. The directors interests in the shares of the ultimate parent company, Cowlin Group Limited, are disclosed in that company's financial statements.

## **AUDITORS**

A resolution to reappoint Deloitte & Touche as the company's auditors will be proposed at the Annual General Meeting.

Approved by the Board of Directors  
and signed on behalf of the Board

G L Ballard  
Secretary



## **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 of the company 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; and
- 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. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



## Chartered Accountants

Deloitte & Touche  
Queen Anne House  
69-71 Queen Square  
Bristol BS1 4JP

Telephone: National 0117 921 1622  
International + 44 117 921 1622  
Fax (Gp. 3): 0117 929 2801

## AUDITORS' REPORT TO THE MEMBERS OF

## PRATTEN CONSTRUCTION LIMITED

We have audited the financial statements on pages 5 to 12 which have been prepared under the accounting policies set out on pages 7 and 8.

### Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

### Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30 September 1997 and of the loss of the company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Chartered Accountants and  
Registered Auditors

16 February 1998

**PROFIT AND LOSS ACCOUNT**  
**Year ended 30 September 1997**

	Notes	Continuing operations	
		1997 £	1996 £
<b>TURNOVER</b>		3,083,621	408,826
Cost of sales		(2,863,369)	(342,974)
<b>GROSS PROFIT</b>		220,252	65,852
Administration expenses		(256,128)	(164,626)
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	2	(35,876)	(98,774)
Tax (charge)/credit on loss on ordinary activities	5	(3,000)	31,000
<b>RETAINED LOSS FOR THE FINANCIAL YEAR</b>	11	(38,876)	(67,774)

The company has no recognised gains and losses other than the loss for the current financial year or preceding financial year. Accordingly, no separate statement of total recognised gains and losses has been prepared.

**BALANCE SHEET**  
**30 September 1997**

	Note	1997		1996	
		£	£	£	£
<b>FIXED ASSETS</b>					
Tangible assets	6		7,269		987
<b>CURRENT ASSETS</b>					
Debtors	8	723,146		285,940	
Cash at bank and in hand		24,342		-	
		<u>747,488</u>		<u>285,940</u>	
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	9	<u>(861,357)</u>		<u>(354,651)</u>	
<b>NET CURRENT LIABILITIES</b>			<u>(113,869)</u>		<u>(68,711)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>(106,600)</u>		<u>(67,724)</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	10		50		50
Profit and loss account	11		<u>(106,650)</u>		<u>(67,774)</u>
<b>EQUITY SHAREHOLDERS' FUNDS</b>	11		<u>(106,600)</u>		<u>(67,724)</u>

These financial statements were approved by the Board of Directors on 16 February 1998.

Signed on behalf of the Board of Directors

*D L Rebori*

D L Rebori  
 Director



**NOTES TO THE ACCOUNTS**  
**Year ended 30 September 1997**

**1. ACCOUNTING POLICIES**

The financial statements are prepared on a going concern basis, as there is continued financial support from the ultimate parent company, Cowlin Construction Limited, and in accordance with applicable accounting standards. A summary of the more important accounting policies is set out below.

**Basis of accounting**

The accounts are prepared in accordance with the historical convention.

**Turnover**

Sales values are credited to turnover, which excludes value added tax and trade discounts, when:

- (a) Contracts are finalised and the practical completion certificates issued.
- (b) Significant contracts in progress at the financial year end have reached a sufficiently advanced stage for the final outcome to be reasonably foreseen.

Specific provision is made for remedial work to be carried out at the expiry of the defects liability period.

**Stocks and work in progress**

Stocks and work in progress, including long term contracts, are valued at the lower of cost and net realisable value, less progress payments received and receivable on account. Cost, in the case of work in progress, consists of materials, labour and sub-contractors' charges, together with overheads directly chargeable to contracts. Net realisable value is the price at which stocks and work in progress can be sold in the normal course of business after allowing for the costs of realisation. Provision is made where necessary for obsolescent, slow moving and defective stocks.

A proportion of the profits earned on those long term contracts, which are in an advanced state of completion at the period end, is added to the value of turnover, together with a proportion of the costs associated with these contracts. In addition, full provision is made in the accounts for losses incurred, or expected to be incurred, on contracts entered into at the balance sheet date.

**Operating leases and lease purchase agreements**

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Leasing agreements which transfer to the company substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitments is shown as obligations under lease purchase agreements. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit in proportion to the reducing capital element outstanding. Assets held under lease purchase agreements are depreciated over the useful lives of the equivalent owned assets.

**Fixed assets**

The cost of fixed assets is their purchase cost, together with any incidental expenses of acquisition, if appropriate. Depreciation on plant and equipment is calculated to write off the cost of the assets by equal instalments over the estimated useful life of the relevant assets, the rates used being between 15% and 25%.

**NOTES TO THE ACCOUNTS**  
**Year ended 30 September 1997**

**1. ACCOUNTING POLICIES (continued)**

**Deferred taxation**

Deferred taxation is provided on timing differences, arising from the different treatment of items for accounting and taxation purposes, which are expected to reverse in the future, calculated at the rates at which it is expected that tax will arise.

**Pension costs**

The company operates a defined contribution pension scheme the assets of which are held separately from those of the company. The pension cost charge represents contributions payable by the company to the scheme.

**Related party transactions**

The company has taken advantage of the exemption contained in Financial Reporting Standard No 8 from the requirement to disclose related party transactions within the group.

**2. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION**

Loss on ordinary activities before taxation is arrived at after charging:	1997 £	1996 £
Auditors' remuneration	2,630	2,500
Depreciation of tangible fixed assets - owned	919	173
Operating leases - machinery	22,672	12,025
	<u>22,672</u>	<u>12,025</u>

**3. DIRECTORS' EMOLUMENTS**

	1997 £	1996 £
Emoluments (excluding pension contributions)	68,796	63,800
	<u>68,796</u>	<u>63,800</u>
	No.	No.
Number of directors who are members of the company's defined contribution pension scheme (1996: defined benefit pension scheme)	4	4
	<u>4</u>	<u>4</u>
	£	£
Contributions paid to the defined contribution pension scheme in respect of directors	1,365	-
	<u>1,365</u>	<u>-</u>

**NOTES TO THE ACCOUNTS**  
**Year ended 30 September 1997**

**4. EMPLOYEE INFORMATION**

The average number of persons employed by the company during the year, including executive directors, is analysed below:

	1997 No.	1996 No.
Production	6	4
Administration	4	1
	<u>10</u>	<u>5</u>
Employment costs of all the employees included above:	£	£
Gross wages and salaries	162,411	74,789
Employer's national insurance and state pension contributions	15,194	7,623
Employer's contributions under group pension scheme	1,365	-
	<u>178,970</u>	<u>82,412</u>

**5. TAX (CHARGE)/CREDIT ON LOSS ON ORDINARY ACTIVITIES**

	1997 £	1996 £
Amount receivable for group relief	<u>(3,000)</u>	<u>31,000</u>

**6. TANGIBLE FIXED ASSETS**

	Plant and equipment £
<b>Cost</b>	
At 1 October 1996	1,160
Additions	7,201
At 30 September 1997	<u>8,361</u>
<b>Depreciation</b>	
At 1 October 1996	173
Provided in year	919
At 30 September 1997	<u>1,092</u>
<b>Net book value</b>	
At 30 September 1997	<u>7,269</u>
At 30 September 1996	<u>987</u>


**NOTES TO THE ACCOUNTS**  
 Year ended 30 September 1997

<b>7. STOCKS</b>	<b>1997</b>	<b>1996</b>
	<b>£</b>	<b>£</b>
Work in progress	106,589	79,852
Payments on account	(106,589)	(79,852)
	<u>-</u>	<u>-</u>
	<u><u>-</u></u>	<u><u>-</u></u>
<b>8. DEBTORS</b>	<b>1997</b>	<b>1996</b>
	<b>£</b>	<b>£</b>
Trade debtors	175,448	160,122
Amounts recoverable on contracts	469,848	90,222
Amounts due from group companies	35,360	1,346
Group relief receivable	-	31,000
Other debtors	35,978	-
Prepayments and accrued income	6,512	3,250
	<u>723,146</u>	<u>285,940</u>
	<u><u>723,146</u></u>	<u><u>285,940</u></u>
Included in trade debtors are retentions of £116,414 (1996: £8,809) some of which may be due after more than one year.		
<b>9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	<b>1997</b>	<b>1996</b>
	<b>£</b>	<b>£</b>
Bank loans and overdrafts	-	134,063
Payments on account	465	660
Trade creditors	732,324	170,105
Group relief payable	3,000	-
Amounts owed to group companies	66,154	32,546
Other creditors including taxation and social security	6,594	12,904
Accruals and deferred income	52,820	4,373
	<u>861,357</u>	<u>354,651</u>
	<u><u>861,357</u></u>	<u><u>354,651</u></u>
<b>10. CALLED UP SHARE CAPITAL</b>	<b>1997</b>	<b>1996</b>
	<b>£</b>	<b>£</b>
Authorised:		
Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
Called up, allotted, and fully paid:		
Ordinary shares of £1 each	<u>50</u>	<u>50</u>
	<u><u>50</u></u>	<u><u>50</u></u>



**NOTES TO THE ACCOUNTS**  
**Year ended 30 September 1997**

**11. COMBINED RECONCILIATION OF MOVEMENTS ON RESERVES AND EQUITY SHAREHOLDERS' FUNDS**

	Share capital £	Profit and loss account £	1997 £	1996 £
At 1 October	50	(67,774)	(67,724)	50
Retained loss for the financial year	-	(38,876)	(38,876)	(67,774)
<b>At 30 September</b>	<b>50</b>	<b>(106,650)</b>	<b>(106,600)</b>	<b>(67,724)</b>

**12. OPERATING LEASES**

At 30 September 1997 the company had annual commitments under non-cancellable operating leases as follows:

	1997 £	1996 £
Plant and machinery:		
Leases terminating between two and five years	22,690	12,916

**13. CONTINGENT LIABILITIES**

**Banking arrangements**

*Overdraft facilities*

The company participates in an arrangement with Midland Bank plc whereby the accounts of the seven companies in the Cowlin Group Limited group, 'the guarantors', are combined, with cleared debit and credit balances being offset for interest calculation purposes.

Each of the guarantors has provided a fixed and floating charge over all assets, first legal charges over freehold properties, and unlimited multilateral company guarantees securing the liabilities of each other. In addition, Cowlin Group Limited has an unlimited company cross guarantee with Cowlin Property Investments Limited to secure the liabilities of each other.

The net balance owing under this arrangement at 30 September 1997 was £184,810.



**NOTES TO THE ACCOUNTS**  
**Year ended 30 September 1997**

**13. CONTINGENT LIABILITIES (continued)**

**Banking arrangements (continued)**

***Secured loan***

The company has agreed to provide security for a loan to William Cowlin (Holdings) Limited. The guarantors for this loan are the companies of the Cowlin Property Investments Limited group and the Cowlin Group Limited group of companies.

Each of the guarantors has provided a fixed and floating charge over all assets, first legal charges over freehold properties, and unlimited multilateral company guarantees securing the liabilities of each other. In addition, Cowlin Group Limited has an unlimited company cross guarantee with Cowlin Property Investments Limited to secure the liabilities of each other.

The net balance owing on this loan at 30 September 1997 was £661,671.

**14. PENSION SCHEME**

The company participated in the group's self administered defined benefit scheme up until 31 December 1996. At this date the scheme discontinued accruing for the future and a replacement scheme operating on an insured money purchase basis was introduced with effect from 1 January 1997.

All assets and liabilities were transferred to the replacement scheme. All existing pensioners were subsequently bought out and assigned insurance policies issued by Standard Life. Those members who were active at the date of closure of the defined benefit scheme were offered the choice of retaining their accrued benefits in paid up form or converting them to a money purchase basis. Deferred members' liabilities are covered by assets and an actuarial valuation is being undertaken to determine the extent of any surplus which exists.

The pension charge for the year was £1,365.

**15. PARENT COMPANY**

In the opinion of the directors the ultimate parent company is Cowlin Group Limited, a company incorporated in Great Britain. Copies of the parent company's financial statements can be obtained from the company's registered office.

**16. COMPARATIVE BALANCES**

Certain comparative balances have been restated in order to agree with current year disclosures.