



Bethell Group Plc

Annual Report &
Accounts

Year Ended
30 September 2003

REGISTERED NUMBER
02281508

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Bethell Group Plc

A truly multi-faceted construction company

"We pride ourselves upon our innovative thinking, dedication and commitment to delivering a quality, value for money service to our clients. At the same time we are continually raising our site presentation, technical skills, equipment and safety standards to ensure our Group meets the challenge of the millennium."

DIRECTORS

Tim Kilroe

Tim A Kilroe, aged 39

Chairman & Chief Executive

Tim was appointed Managing Director of Bethell in 1991 when the Kilroe Group acquired it. He trained in the family construction business starting as a Site Manager and eventually became Construction Director. In 1994 he led an MBO of Bethell and has substantially developed the business over the last nine years, both organically and by acquisition.

**Neil Hopkins-
Coman**

Neil Hopkins-Coman FCA MA(Oxon), aged 41

Group Finance Director & Company Secretary

Neil joined Bethell in September 2001 having spent the previous six years on the board of a public company including three years as Finance Director. Before that he was Senior Manager with KPMG in the North West working in corporate finance and acquisitions with both private and public companies. Neil is experienced in several sectors including construction and support services.

David Young

David Young, aged 61

Non Executive Director

David joined the Group in 1994 at the time of the MBO. He is a Chartered Civil Engineer by profession and has worked with contractors, Local Government and in the water industry both in the UK and abroad, ending his full time career with United Utilities as Managing Director of North West Water International.

REGISTERED OFFICE AND ADVISORS

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St James' Square
Manchester
M2 6DS

CHAIRMAN'S STATEMENT CONTINUED

Tim Kilroe

Introduction

I am pleased to report that 2003 has been a successful year for the Group. This followed a difficult period last year, which led to a re-think of our longer-term strategy. The problems we experienced in 2002 were partly due to the general economic climate and its impact on public sector and private clients, but also due to issues within the Group itself. We took a positive decision to consolidate the Group, dispose of certain businesses and to re-structure. The implementation of this strategy has allowed us to reinvest in the Group for the longer-term and beneficial results are already being seen.

This turnaround is demonstrated by the Group's profit before tax for the year of £1.1m. This takes into account considerable re-structuring costs, the write-off of a substantial irrecoverable debt from the Bethell Fleet group of businesses, which went into administration during the year, and a profit from the sale of Bethell Building Services. Most pleasing is the improvement in operating profit, up to £0.5m from £0.3m last year. Whilst not comparing favourably with some of our past years; it is a significant move forward. None of this could have been achieved without the support of all of our employees and my fellow Board members who have worked diligently to effect the changes required to restructure the business and improve our short-term performance and longer-term prospects. I am grateful to them all.

During the period of these changes some initiatives were necessarily left on hold. For example, Bethell Group itself has achieved Investors In People accreditation, as had Bethell Building Services, but the other businesses within the Group did not meet their accreditation target dates. They are now working towards accreditation in 2004, as we remain convinced of the value of this visible commitment to our staff.

Review of the year

As reported last year, due to the changes within the business the Group no longer plans to seek a stock market flotation but instead is focussed on creating enhanced shareholder value by rationalising operations and concentrating on core activities. To this end, we disposed of the Group's Building Services Division, which had been acquired in 1998. This disposal was completed in July 2003 and the sale proceeds were re-invested in the Group to aid future development and strengthen the balance sheet.

The leaner Group was able to base all of its activities on a single site in Kearsley and to reduce its cost base. This in turn led to a complete review of our core activities and it became clear that some of our traditional areas of work were not achieving reasonable returns. Despite popularly reported 'booming times' in the construction sector, procurement by clients has been honed to such an extent that capital new works projects are often being won at thin margins. We are not prepared to follow this trend and instead aim to achieve a sustainable business providing quality value for money services, executed safely and providing a reasonable return. The Group therefore refocused into a civil engineering and utility contractor with two business streams, Bethell Power Services (formerly Bethell EDS) and Bethell Infrastructure Services (our trading name for Bethell Construction).

Bethell Power Services, headed up by Mike Lane as managing director, is now one of the leading companies in its field in the UK. This was achieved through a complete restructuring of the business, strengthened but numerically reduced management and personnel, together with reductions in overheads and improvements in financial management. From losses in 2002 the company increased turnover and became profitable. At the same time new computerised management, customer and financial control systems were developed and installed to improve the business. Most significantly, the skilled resource within this business is regarded as a huge strength within its market and a key competitive differentiator.

**Bethell Power Services engaged in
substation refurbishment works**

Bethell Infrastructure Services historically sought opportunities in new construction, but over the last twelve months has been 'right-sized' with a slimmed down management team. More emphasis is being placed on term contracts that offer a reasonable return at predictable margins. In this context I have

CHAIRMAN'S STATEMENT CONTINUED

returned to a hands on role and taken over as managing director of Bethell Construction, replacing Joe Fitzgibbon who left the Group after ten years service. We wish him well for the future.

**Bethell Infrastructure Services engaged in
sewerage network maintenance**

Throughout the Group we have continued to invest in technology including a new management and financial control system implemented within Power Services. This bespoke system developed in conjunction with a software house, takes each individual job through from instruction to operations and completion, as well as cost recording and final billing. The system is particularly beneficial for term framework contracts, where numerous individual jobs are undertaken each day.

Human Resources continue to be important to the organisation, particularly in this year of change.

Inductions, apprenticeship and other skills training was carried out in the year, assisting us achieve our longer term plans. I would also like to congratulate and thank John Haeck, our Group Procurement Manager, who has completed 30 years of committed and dedicated service.

Turning to health and safety, during 2003 the Group has seen significant increases in its activities in the Utility sector, necessitating changes and improvements in our health, safety and environmental systems. The board of directors and all senior managers are attuned to the requirements of legislation in this area and have a proactive approach to providing a safe and healthy employment environment for all staff. In 2003 the Group invested significant resource in promoting health, safety and welfare and in return has attained a competent record, winning, for the eighth year in succession, the British Safety Council safety award. We have also maintained our already low lost time accident record. Throughout the year the board has focused on health & safety issues and continually reviews policy, funding and training needs.

The Health & Safety Executive has identified key performance indicators relating to safety as measures of a company's current status, including fatalities per 100,000 employed, where our data shows nil (2002: nil), and reportable accidents per 100,000 employed, where our data shows 3,992 (2002:1,508). The increase in the latter incident rate reflects the change in the nature of the Group's activities but is also an area where continued focus will be applied in 2004. We are confident that our safety management systems supported by keen, competent, well-trained staff and employees will help us continue to deliver the targets and results required.

Future strategy

Taking into consideration the changes in the economy and our market over recent years, it has become clear that we have been too diversified, thus over-diluting our management expertise. At the same time some of our core areas of work have become unattractive in terms of margin, or have been denied to us through policy changes in customers procurement patterns. We therefore will focus on our core strengths, seeking opportunities for longer-term work at predictable margins.

We do not intend to become busy fools and next year our turnover is likely to be lower than in 2003. Over 80% of 2004 budget turnover is already secured and the Group's total order book is £55m. Our budget does anticipate an improvement in profit margins, due to a known change in the mix of sales and a planned increase in productivity. At the same time we will continue to reduce overheads and operating costs. Several initiatives are underway including an operational culture of "right first time", reduced labour costs, better procurement and reduced insured and uninsured losses. These will help us become more competitive and give clients the cost savings they will be looking for in future tenders.

Bringing these factors together, alongside improved financial and management systems, will enable the Group to improve its market position further and regain the forward momentum lost last year. In summary, 2002 was a difficult year; 2003 was a year of change, consolidation and redirection but 2004 should see us outperform the last two years with the Group well positioned for the longer-term.

T A Kilroe
Chairman and Group Chief Executive

Dated: 21 January 2004.

BUSINESS REVIEW

Bethell Infrastructure Services

Bethell Infrastructure Services has consolidated its position in the current year with turnover of £25m, down from £30m last year. As reported in 2002, changes in the procurement strategies of many of our clients led to the business being restructured with a change in the operating focus of our activities. Strengths and weaknesses were reviewed and activities streamlined to concentrate, for the longer term, on profitable work where we could deliver quality and a value for money service to clients. The outcome of this was re-organising the business into two operating streams, the first concentrating on Capital Works and the second focussing on Term Maintenance. The business also now has fewer people and lower overheads than a year ago. We have also become more selective when tendering, looking at market gaps and identifying niches where clients can be given a service that is not readily available elsewhere. An example of this is the newly formed Street Scene operation, where from a standing start, profitable sales of over £1m were achieved in 2003.

The Term Maintenance operation represents almost half of Infrastructure Services turnover and its activities are going from strength to strength. It employs 20 staff and 150 specifically trained operatives supported by specialist vehicles and equipment. Principal clients include United Utilities, where we undertake sewer maintenance services in the Greater Manchester area, Yorkshire Water, where we provide pest control services and Cumbria County Council where we maintain and cleanse highway gulleys and drains. The operation also provides planned and reactive services to many local authorities in North West England as well as to select private sector clients. Activities also cover smaller capital projects that are spun off by our clients under the term framework contracts.

The Shambles, Deansgate, Manchester

An important part of the Term Maintenance operation is the 24-hour control room, which provides an interface between operational staff, clients and their customers. This was enhanced in 2003 with the installation of vehicle GPS tracking systems. These improvements mean the business operates with a two-hour response time for reactive work.

The Capital Works operation has seen considerable change within 2003, partly through expected opportunities not being available but also through a more selective approach to tendering. The business has been restructured and the changes have been fully taken on board by the dedicated workforce. The Capital Works operation is organised into five areas of Main Contracts, Air Mixing Systems, Surfacing, Small Works and the newly formed Street Scene. This latter area means Bethell Infrastructure Services now offers maintenance and construction services to its client base across street lighting, bus shelters, street furniture and signage.

The other operations within Capital Works cover the transport network (rail, road and air), water network and more specialised civil engineering activities. A number of prestigious contracts have been undertaken in the year, including new roads for Kirklees MBC and redevelopment of the Shambles area of Manchester city centre, allowing the timely opening of a new store for Harvey Nichols. A significant level of highway work continues including maintenance and surfacing contracts with local authorities, regional airports, retail developments and other public sector organisations. Opportunities within the rail network have been more limited, due to the re-structuring within that industry. However, the business continues to be engaged in rail station regeneration and maintenance work and light rail / tram projects, including the new GMPTE Shude Hill tram stop at the Manchester Arndale centre.

Versa lift lifting platform operating for Blackpool MBC within Street Scene

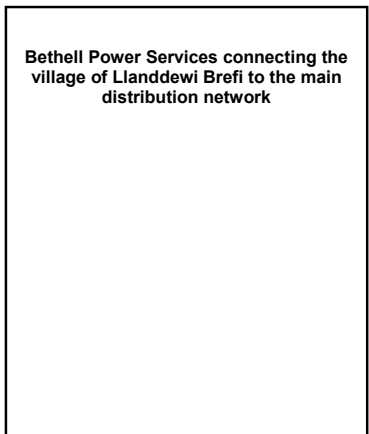
The business commences the new financial year with a strong order book of almost £20m and approximately 70% of its 2004 budgeted turnover already secured.

BUSINESS REVIEW CONTINUED

Bethell Power Services

Bethell Power Services is the new name for Bethell EDS, which has undergone a significant transformation. In 2002 the business had lost a substantial part of its turnover and was showing losses. In 2003 the business doubled its turnover to £16m, turned losses into profits, improved cash management and developed then implemented new computerised works management and customer information systems. All of this was against a background of improved customer service, higher efficiencies and quality, together with increased involvement in staff training to meet national skills shortages.

This leaves the business clearly focussed on providing services to electricity distribution network operators, covering excavation, cable laying, jointing and repair, substation refurbishment, overhead power line maintenance and gas and multi-utility work. Furthermore, as a result of market consolidation Power Services is one of only a few medium size specialist electrical utility contractors.

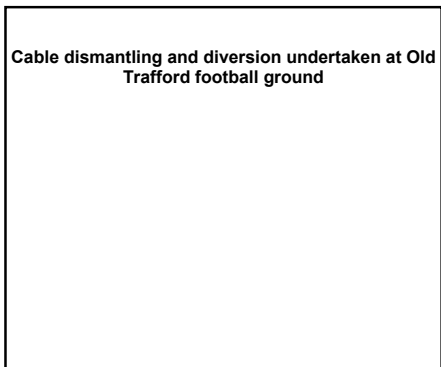


A key issue facing the industry is a national shortage of skilled personnel. To tackle this and gain competitive advantage, the business, in collaboration with United Utilities, has introduced an apprentice and general training school, increasing the technical capability of the business, which now has one of the UK's largest accredited holding of Senior Authorised Personnel, Jointers and Linesmen.

An equally important achievement during the year has been the development and introduction of a computerised works management, customer service and financial control system. The system allows us to process a job instruction from inception through operations and to signing-off, and includes costs, billing and customer information. This allows the operational control room to keep clients and their customers updated whilst enabling us to manage our own resources in a highly efficient manner.

The client base has been expanded during the year and alongside the term contracts with United Utilities we now have term contracts for overhead lines with Western Power, serving the South West, and substation work for Yorkshire Electricity. A recent success was achieved in partnership with Western Power, with the provision of a new 10km overhead service to the community of Llanddewi Brett, who previously had relied on individual private generators. This scheme was supported by EU project funding and featured on national television.

Much of our work is done on a turnkey basis and is different to the traditional role of contractors. Our Senior Authorised Personnel, in conjunction with project managers, switch and re-zone existing services or provide generation to reduce lost hours for customers. Work is often undertaken 'out of hours' to minimise customer disruption and our customer service system proves invaluable in ensuring standards and quality of delivery are achieved.



Health and Safety results continue to be excellent in this challenging area and the business has successfully held and expanded accreditation for the Lloyds Register under the Contractor Evaluation Scheme. The base of accredited skills has been increased and the client base is expanding to additional distribution network operators. Investors In People accreditation is now a target for the business for 2004.

The business's forward order book is £35m and almost 95% of next year's budget turnover is already in place at predictable margins. Future plans involve continuing to move up the value chain, increasing skilled staff by training, overseas recruitment and further improvements in operating efficiency, whilst continuing to provide a quality and value for money service.

FINANCIAL REVIEW

Neil Hopkins-Coman

The Group has had a very successful 2003, having recovered well from the challenges of last year and the administration of a related party, Bethell Fleet Services Limited.

Total Group turnover declined by 2% in the year to £58.5m, but when discontinued activities are excluded the underlying Group turnover increased by 5%. More pleasingly, the Group's margins have been driven forward considerably – the gross margin on continuing operations has moved up to 9.5% from 8.4%, a relative increase of 13%. This is despite significant rises in some areas of direct costs, probably most significantly insurance premiums, which have escalated across the whole construction industry.

This improvement in gross margins has been achieved through operational efficiencies in the field in a number of areas, most notably within the Group's Power Services business. The full impact of the operational improvements is not seen in this set of results, however, but a full year of benefit will be seen in 2004. Our internal targets for the next financial year therefore show further significant gains in gross margins.

Group overheads have also been subject to careful scrutiny in the year, and this is illustrated by the fact that the Group's administrative expenses from continuing operations are only 1.2% higher than last year at £3.6m, which represents a real reduction of almost 2%. Further improvements in this area are also expected in 2004.

The combination of improved margins and tight control of expenditure has enabled us to increase total Group Operating Profit (before exceptional items) by 42% to £452,000 and the Operating Profit from continuing operations enjoyed a year-on-year increase of £378,000.

The Group's overall Net Profit Before Tax for 2003 was £1.1m, and this includes the benefit of a profit on sale of a non-core subsidiary but also takes account of losses arising from the administration of a related party and restructuring costs undertaken mid-way through the year to improve overall business performance.

The Exceptional Items included in the Net Profit figure above are:

- A loss of £1,033,000 from the administration of a related party in January 2003, being the write off of all outstanding indebtedness to the Bethell Fleet Holdings group of businesses;
- Restructuring costs of £263,000; and
- A profit arising from the sale of Bethell Building Services Limited (a non-core subsidiary) on 4th July 2003 of £2,231,000.

As result of the strong turn round in operating performance in 2003, and the successful disposal of Building Services, the Group's net assets have increased to £3.1m.

The Group has again enjoyed a positive cash flow, generating cash of £549,000 in the year. The Group's total debt at 30 September 2003, including a small amount of hire purchase finance, was £1.6m, and this is a reduction of almost 20% over the position at 30 September 2002. This reduced level of borrowing means that the Group has entered 2004 with a Gearing Ratio of 53%, well within our target range.

Looking forward to 2004, the Group has a current order book approaching £60m and a number of medium-term framework contracts with predictable margins. These factors allow us to plan confidently for the future.

N Hopkins-Coman
Group Finance Director

Dated: 21 January 2004

DIRECTORS' REPORT

The directors present the Company's annual report and the audited financial statements for the year ended 30 September 2003.

ACTIVITIES

The principal activity of the company is that of a holding company for the Bethell group of companies. The principal activities of the Group in the year under review were infrastructure and power services and related activities.

REVIEW OF BUSINESS

The year's highlights and developments are included in the Chairman's Statement, Business Review and Financial Review set out on pages 3 to 7.

DIVIDENDS AND TRANSFERS TO RESERVES

No dividends have been paid or are proposed this year (2002: nil).

The results for the year, financial position and the recommended transfer to reserves are shown in the annexed accounts.

FUTURE PROSPECTS

The directors consider that the future prospects for the Group are very encouraging.

FIXED ASSETS

The movement in fixed assets during the year is set out in notes 11, 12 and 13 to the accounts and arose out of normal expansion requirements.

DONATIONS

During the year the Company and the Group made charitable donations of £nil and £2,460 respectively (2002: £3,258 and £6,102 respectively).

DIRECTORS AND THEIR INTERESTS

The directors of the Company at the year-end are shown on page 2. Messrs Fitzgibbon, Tilbrook and Lane resigned as directors of the company on 27 November 2002, 10 December 2002 and 31 January 2003 respectively. The only director with an interest in the share capital of the Company, other than by way of share options, was Mr TA Kilroe, and his interest was as follows:

	Number of shares	
	2003	2002
Deferred ordinary shares of £1 each	50,000	50,000
"A" ordinary shares of IR£0.01 each	39,130	39,130
"B" ordinary shares of IR£0.01 each	6,522	6,522

The directors interest in the share capital of the Company, by way of share options over "C" Ordinary Shares of IR£0.01 each, was as follows:

	Share options	
	2003	2002
T A Kilroe	-	-
N Hopkins-Coman	-	157*
D N Young	-	250**

* Options surrendered on 7th March 2003

** Options lapsed on 30th April 2003

DIRECTORS' REPORT CONTINUED

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 Group and Company as at the end of the financial year and of the profit or loss of the Group and 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;
- state whether applicable accounting standards have been followed;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and 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 group and company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The maintenance and integrity of the Bethell Group website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

EMPLOYEE RELATIONS

Formal regular meetings are held with employee representatives to discuss the Group's performance. Opportunity is given at such meetings for questions regarding all matters concerning the employees, including any issues concerning health and safety. Employment policies provide equal opportunity, irrespective of sex, religion, race or marital status. Applications by persons with disabilities are given full and fair consideration and, wherever practicable, provision is made for their special needs. The same criteria for training and promotion apply to persons with disabilities as to any other employee. If employees become disabled, every effort is made to ensure their continued employment.

CREDITOR PAYMENT POLICY

Subsidiaries are responsible for agreeing terms and conditions under which transactions with their suppliers are conducted. It is group policy to ensure that payment terms are agreed with its suppliers and suppliers are aware of the relevant terms and include them in contracts (where appropriate). Such terms are then applied when goods or services have been satisfactorily provided in accordance with the contracts. The number of days purchases in creditors at 30 September 2003 was 68 for the Company (2002: 61) and 74 for the Group (2002: 84).

AUDITORS

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office, and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

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

N Hopkins-Coman
Secretary

Dated: 21 January 2004

PRICEWATERHOUSECOOPERS

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BETHELL GROUP PLC

We have audited the financial statements, which comprise the consolidated profit and loss account, the balance sheets, the consolidated cash flow statement, the statement of total recognised gains and losses and the related notes, which have been prepared using the accounting policies set out in note 1.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the business review, the financial review and the directors' report.

Basis of audit 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.

Audit Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 30 September 2003 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

Dated: 21 January 2004

PricewaterhouseCoopers LLP
101 Barbirolli Square
Lower Mosley Street
Manchester M2 3PW

CONSOLIDATED PROFIT AND LOSS ACCOUNT

Year ended 30 September 2003

	Note	2003			2002 (as restated)		
		Before Exceptional Items £'000	Exceptional Items (Note 5) £'000	TOTAL £'000	Before Exceptional Items £'000	Exceptional Items (Note 5) £'000	TOTAL £'000
Turnover:							
Continuing operations		41,516	-	41,516	39,551	-	39,551
Discontinued operation		17,021	-	17,021	20,211	-	20,211
Total turnover	2,3	58,537	-	58,537	59,762	-	59,762
Cost of sales		(53,120)	-	(53,120)	(54,465)	-	(54,465)
Gross profit		5,417	-	5,417	5,297	-	5,297
Administrative expenses		(4,986)	(1,296)	(6,282)	(5,212)	(1,306)	(6,518)
Other operating income		21	-	21	233	-	233
Operating profit/(loss)							
Continuing operations		358	(1,296)	(938)	(20)	(1,306)	(1,326)
Discontinued operation		94	-	94	338	-	338
Total operating profit/(loss)	3,5	452	(1,296)	(844)	318	(1,306)	(988)
Amounts written off investments	5	-	-	-	-	(1,100)	(1,100)
Profit on the sale of a business	6	-	2,231	2,231	-	-	-
Interest receivable & similar income	7	22	-	22	-	-	-
Interest payable & similar charges	8	(263)	-	(263)	(121)	-	(121)
Profit/(loss) on ordinary activities before taxation		211	935	1,146	197	(2,406)	(2,209)
Tax on profit/(loss) on ordinary activities	9			110			(62)
Profit/(loss) on ordinary activities after taxation				1,256			(2,271)
Dividends				-			-
Retained profit/(loss) for the financial year	20			1,256			(2,271)

The financial statements for the year ended 30 September 2002 have been restated for the reasons set out in note 21

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

Total gains /(losses) relating to the financial year			1,256	(2,271)
Note on prior year adjustment:				
Total gains /(losses) relating to the financial year			1,256	
Prior year adjustment	21		(1,173)	
Profits recognised since last annual Report			83	

There are no material differences between the profit on ordinary activities before taxation and the retained profit for the year and their historical cost equivalents.

CONSOLIDATED BALANCE SHEET

As at 30 September 2003

		2003		2002 (As restated)	
	Note	£'000	£'000	£'000	£'000
FIXED ASSETS					
Intangible assets	11	204		393	
Tangible assets	12	1,773		2,161	
Investments	13	987		987	
CURRENT ASSETS			2,964		3,541
Stocks	14	476		563	
Debtors	15	12,756		13,824	
Cash at bank and in hand		7		3	
		13,239		14,390	
CREDITORS: amounts falling due within one year					
	16	(12,225)		(16,088)	
NET CURRENT ASSETS/(LIABILITIES)			1,014		(1,698)
TOTAL ASSETS LESS CURRENT LIABILITIES			3,978		1,843
CREDITORS: amounts falling due after more than one year			(914)		-
	17				
PROVISIONS FOR LIABILITIES AND CHARGES			-		(45)
	18				
MINORITY INTERESTS			(10)		-
Net assets			3,054		1,798
CAPITAL AND RESERVES					
Called up share capital	19	50		50	
Capital reserve	20	100		100	
Profit and loss account	20	2,904		1,648	
Equity shareholders' funds	22	3,054		1,798	

The financial statements for the year ended 30 September 2002 have been restated for the reasons set out in note 21

The financial statements on pages 11 to 25 were approved by the Board of Directors on 21 January 2004 and were signed on it's behalf by:

T A Kilroe
Chairman and Group Chief Executive

N Hopkins-Coman
Group Finance Director

COMPANY BALANCE SHEET

As at 30 September 2003

		2003		2002 (As restated)	
	Note	£'000	£'000	£'000	£'000
FIXED ASSETS					
Tangible assets	12	1,252		1,327	
Investments	13	2,617		1,639	
CURRENT ASSETS			3,869		2,966
Stocks	14	9		9	
Debtors	15	3,122		1,102	
		3,131		1,111	
CREDITORS: amounts falling due within one year	16	(5,626)		(5,415)	
NET CURRENT LIABILITIES			(2,495)		(4,304)
TOTAL ASSETS LESS CURRENT LIABILITIES			1,374		(1,338)
CREDITORS: amounts falling due after more than one year	17		(820)		-
PROVISIONS FOR LIABILITIES AND CHARGES	18		-		(11)
Net liabilities			554		(1,349)
CAPITAL AND RESERVES					
Called up share capital	19		50		50
Profit and loss account	20		504		(1,399)
Equity shareholders' deficit			554		(1,349)

The financial statements for the year ended 30 September 2002 have been restated for the reasons set out in note 21

The financial statements on pages 11 to 25 were approved by the Board of Directors on 21 January 2004 and were signed on it's behalf by:

T A Kilroe
Chairman and Group Chief Executive

N Hopkins-Coman
Group Finance Director

CONSOLIDATED CASH FLOW STATEMENT

Year ended 30 September 2003

		2003		2002	
	Note	£'000	£'000	£'000	£'000
Net cash inflow from operating activities	23		199		1,329
Returns on investments & servicing of finance					
Other income received		22		-	
Interest paid		(263)		(121)	
Net cash outflow from returns on investments & servicing of finance			(241)		(121)
Taxation					
UK corporation tax paid			(339)		(462)
Capital expenditure and financial investment					
Purchase of tangible fixed assets (net of hire purchase)		(102)		(593)	
Proceeds from sale of tangible fixed assets		66		-	
Net cash outflow from investing activities			(36)		(593)
Acquisitions and disposals					
Sale of subsidiary	26	2,616		-	
Cash at bank disposed of with subsidiary	26	(432)		-	
Net cash inflow from acquisitions and disposals			2,184		-
Equity dividends paid			-		-
Net cash inflow before financing			1,767		153
Financing					
Repayment of bank cross guarantee	5	(1,173)		-	
Capital element of hire purchase payments		(45)		-	
Net cash outflow from financing			(1,218)		-
Increase in cash	24		549		153

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable accounting standards. The accounting policies adopted by the directors are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Basis of accounting

The accounts of Bethell Group Plc and its subsidiaries are made up to 30 September 2003 and the consolidated profit and loss account includes the results of all subsidiary companies. The consolidated balance sheet includes the assets and liabilities of all subsidiary companies.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at historical cost. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Finance costs are not capitalised. Depreciation is provided on cost in equal annual instalments over the estimated useful lives of the assets. The rates of depreciation are as follows:

Freehold land	over 50 years
Leasehold improvements	over the lease term of 25 years
Plant & machinery	over 4 or 5 years
Fixtures & fittings	over 3 or 4 years
Motor vehicles	over 2 or 3 years

Work in progress and stocks

Work in progress and stocks are valued at the lower of cost and net realisable value. Cost includes materials, direct labour and appropriate overheads. Long-term contracts are dealt with in accordance with SSAP 9 (revised). The attributable profit is recognised once the final outcome can be assessed with reasonable certainty. The profit recognised reflects the proportion of work completed to date on the project. Full provision is made for losses on any contract of work in progress in a period that a loss is first foreseen.

Any bid costs or tender costs are expensed as incurred until the stage is reached when it is virtually certain that the contract will be awarded to the Company.

Goodwill

Goodwill is the amount by which the purchase consideration for shares in subsidiary companies and business acquired exceeds the fair value to the Group of the net assets acquired. Goodwill carried in the balance sheet is amortised, on a straight-line basis, over periods not exceeding 20 years, such periods being chosen to reflect the expected useful economic lives. These periods are the periods over which the directors estimate that the values of the underlying businesses acquired are expected to match the value of the underlying assets.

Deferred taxation

Deferred taxation is recognised on all timing differences where the transaction or events that give rise to an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted by the balance sheet date.

Investments and Employment Benefit Trust

Investments held as fixed assets are stated at cost less any provision for any permanent diminution in value. Shares in the company held by the Bethell Group Plc Employee Benefit Trust ("EBT") are treated as fixed assets in accordance with UITF 13 (Accounting for ESOP Trusts). Until such time as shares held by the EBT vest unconditionally in specific employees they are held as assets in the company's balance sheet, and are included within fixed assets as Investments in Own Shares. The profit and loss account reflects charges for a permanent diminution in value, amortisation of the carrying value to residual value (where shares are conditionally gifted to employees or are under option at less than carrying value) and financing and administrative charges on an accruals basis.

Leases

Assets obtained under finance leases and hire purchase contracts are capitalised at the present value of the minimum lease payments on acquisition and depreciated over their estimated useful lives. The finance charges are allocated over the period of the lease in proportion to the capital element outstanding. Operating lease rentals are charged to income in equal annual amounts over the lease term.

Pension costs

The company operates a defined contribution pension scheme and contributions payable for the year are charged to the profit and loss account.

2. TURNOVER

Turnover is based on the invoiced value of all goods despatched and services provided prior to the year end, excluding VAT and other sales based taxes and net of trade discounts. Turnover also includes the proportion of the sales value of long-term contracts relevant to their state of completion. The turnover and pre-tax profit, all of which arises in the United Kingdom, is attributable to the principal activity of the Group.

NOTES TO THE ACCOUNTS CONTINUED

3. ANALYSIS OF CONTINUING AND DISCONTINUED OPERATIONS

	2003			2002 (as restated)		
	Continuing £'000	Discontinued £'000	Total £'000	Continuing £'000	Discontinued £'000	Total £'000
Sales	41,516	17,021	58,537	39,551	20,211	59,762
Cost of sales	(37,575)	(15,545)	(53,120)	(36,246)	(18,219)	(54,465)
Gross profit	3,941	1,476	5,417	3,305	1,992	5,297
Admin expenses (pre exceptional items)	(3,604)	(1,382)	(4,986)	(3,558)	(1,654)	(5,212)
Other operating income	21	-	21	233	-	233
Operating profit (pre exceptional items)	358	94	452	(20)	338	318
Exceptional items	(1,296)	-	(1,296)	(1,306)	-	(1,306)
Operating profit / (loss)	(938)	94	(844)	(1,326)	338	(988)

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2003 £'000	2002 £'000
Staff costs during the year (including directors)		
Wages and salaries	16,555	18,080
Social security costs	1,550	1,542
Pension costs	94	154
	18,199	19,776
Directors' emoluments		
Remuneration	401	383
Pension contributions to money purchase schemes	10	46
	411	429
Highest paid director		
Remuneration	227	174
Pension contributions to money purchase scheme	-	37
	227	211
Number of directors who are members of a money purchase scheme	Number 1	Number 2
Average number of persons employed		
Contracting and direct labour	493	481
Management, supervision and administration	220	234
	713	715

5. OPERATING PROFIT / (LOSS)

	2003 £'000	2002 £'000
<i>Operating profit stated is after charging:</i>		
Depreciation		
- owned assets	367	308
- financed assets	82	-
(Profit)/loss on disposal of fixed assets	(2)	6
Amortisation of goodwill	14	24
Short term hire of plant and machinery	3,426	4,338
Rentals under operating leases		
- land and buildings	172	150
- other	31	23
Auditors' remuneration		
- audit	30	34
- non audit work	25	10
Exceptional administrative expenses (see below)	1,296	1,306
Exceptional amount written off investments (see below)	-	1,100

In the current year, the exceptional items relate to restructuring costs incurred by the Group of £263,000 following the disposal of Bethell Building Services Limited (see note 6) and a write off of £1,033,000 to cover the full trading debt due from Bethell Fleet Holdings Limited ("BFHL") which is deemed to be irrecoverable due to that group of companies being placed in administration on 20 January 2003.

NOTES TO THE ACCOUNTS CONTINUED

5. OPERATING PROFIT / (LOSS) CONTINUED

In the prior year the exceptional administrative expenses relate to a provision of £133,000 against the debt due from BFHL and its subsidiaries at 30 September 2002 and a provision for £1,173,000 for a net payment to Lloyds TSB Bank plc under a cross guarantee entered into by the Company when BFHL's principal trading subsidiary was still part of the Group (see note 21). In the prior year the exceptional amount written off investments relates to the Group's preference share investment in BFHL of £1,100,000.

6. PROFIT ON THE SALE OF A BUSINESS

On 4 July 2003 the Company disposed of its interest in the share capital of Bethell Building Services Limited and the dormant company Bethell Property Services Limited. These businesses, which are based in Newton-Le-Willows, were sold to the management team and the disposal has allowed the Group to concentrate on its core activities of infrastructure and power services. The proceeds from the disposal have been re-invested for the future development of the Group. The terms of the sale provide for an initial consideration, which was paid at completion (see note 26), followed by additional consideration, contingent on the future performance of the business. The contingent consideration, which is capped at £1.2m, is dependant upon the future operating profit of Bethell Building Services Limited, is payable over three-years commencing in 2005 and is estimated to be £0.9m. The profit on disposal of £2,231,000 is stated after writing off goodwill arising on the acquisition with a net book value of £175,000.

7. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	2003 £'000	2002 £'000
Rental income	22	-

8. INTEREST PAYABLE AND SIMILAR CHARGES

	2003 £'000	2002 £'000
Bank interest	243	121
Hire purchase interest	8	-
Interest on late payment of taxation	12	-
	<u>263</u>	<u>121</u>

9. TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

	2003 £'000	2002 £'000
Current tax:		
UK corporation tax on profits of the period	17	(71)
Adjustment in respect of previous periods	(59)	(36)
Total current tax	42	(107)
Deferred tax:		
Origination and reversal of timing differences (capital allowances and other)	(152)	169
Tax (credit)/charge	<u>(110)</u>	<u>62</u>

The tax assessed for the period is lower than the standard rate of corporation tax in the UK (2003 and 2002: 30%). The differences are explained below:

	2003 £'000	2002 (as restated) £'000
Profit/(loss) on ordinary activities multiplied by the standard rate in the UK	343	(662)
Effects of:		
Expenses not deductible for tax purposes	43	39
Non-taxable gain on the sale of an operation	(669)	-
Exceptional item disallowed for tax purposes	-	721
Losses carried forward	232	-
Capital allowances for the period less / (more) than depreciation	152	1
Use of losses generated by prior year adjustment in the accounts	-	(170)
Adjustment to tax charge in respect of prior periods	(59)	(36)
Current tax charge for the year (as above)	<u>42</u>	<u>(107)</u>

There are many factors that will affect the Company's future tax charge, many of which are outside of the Company's control. The Company expects to be able to claim capital allowances in future years at a similar level to the current year.

NOTES TO THE ACCOUNTS CONTINUED

10. PROFIT/(LOSS) OF PARENT COMPANY

The Company has taken advantage of Section 230 of the Companies Act 1985 and consequently the profit and loss account of the parent company is not presented as part of these accounts. The parent company's profit for the financial year amounted to £1,903,000 (2002: restated loss of £2,408,000).

11. INTANGIBLE FIXED ASSETS

	Goodwill
	£'000
Group:	
<i>Cost</i>	
At 1 October 2002	541
Disposals	(250)
	<hr/>
At 30 September 2003	291
	<hr/> <hr/>
<i>Accumulated depreciation</i>	
At 1 October 2002	148
Charge for the year	14
Disposals	(75)
	<hr/>
At 30 September 2003	87
	<hr/> <hr/>
<i>Net book value</i>	
At 30 September 2003	204
	<hr/> <hr/>
At 30 September 2002	393
	<hr/> <hr/>

The disposal relates to the goodwill arising on the acquisition of Bethell Building Services Limited that was sold on 4 July 2003 (see note 6). The remaining goodwill arose on the acquisition Bethell Power Services Limited (formerly Bethell EDS Limited) and is being written off over a useful life of 20 years.

12. TANGIBLE FIXED ASSETS

Group:	Leasehold improvements £'000	Motor Vehicles £'000	Plant, machinery, fixtures and fittings £'000	Total £'000
<i>Cost:</i>				
At 1 October 2002	1,326	-	1,625	2,951
Additions	1	140	185	326
Disposals	-	(14)	(92)	(106)
Sale of an operation	(179)	-	(157)	(336)
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 September 2003	1,148	126	1,561	2,835
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<i>Accumulated depreciation:</i>				
At 1 October 2002	172	-	618	790
Charge for the year	69	20	360	449
Disposals	-	(14)	(28)	(42)
Sale of an operation	(47)	-	(88)	(135)
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 September 2003	194	6	862	1,062
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<i>Net book value:</i>				
At 30 September 2003	954	120	699	1,773
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 30 September 2002	1,154	-	1,007	2,161
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The net book value of assets held under hire purchase agreements amounted to £310,000 (2002: £142,000).

NOTES TO THE ACCOUNTS CONTINUED

12. TANGIBLE FIXED ASSETS CONTINUED

Company:	Leasehold improvements £'000	Motor Vehicles £'000	Plant, machinery, fixtures & fittings £'000	Total £'000
<i>Cost:</i>				
At 1 October 2002	1,170	-	621	1,791
Additions	-	104	5	109
Disposals	-	(14)	(7)	(21)
At 30 September 2003	1,170	90	619	1,879
<i>Accumulated depreciation:</i>				
At 1 October 2002	136	-	328	464
Charge for the year	58	14	107	179
Disposals	-	(14)	(2)	(16)
At 30 September 2003	194	-	433	627
<i>Net book value:</i>				
At 30 September 2003	976	90	186	1,252
At 30 September 2002	1,034	-	293	1,327

The net book value of assets held under hire purchase agreements amounted to £105,000 (2002: £19,000).

13. INVESTMENTS HELD AS FIXED ASSETS

Group:	Own Shares £'000	Other investments £'000	Total £'000
<i>Cost</i>			
At 1 October 2002 and 30 September 2003	1,000	1,100	2,100
<i>Amounts written off</i>			
At 1 October 2002 and 30 September 2003	13	1,100	1,113
<i>Net book value</i>			
At 30 September 2003	987	-	987
At 30 September 2002	987	-	987

The investment in Own Shares is held under The Bethell Group Plc Employee Benefit Trust and its current market value is estimated to be £877,000 (2002: £840,000). However, no permanent diminution in value is believed to have taken place. Other Investments represents an investment in 1.1m preference shares of £1 each in Bethell Fleet Holdings Limited. The market value of this investment is anticipated to be £nil and accordingly a full provision has been made against the carrying value.

Company:	Own Shares £'000	Shares in subsidiaries £'000	Other Investments £'000	Total £'000
<i>Cost</i>				
At 1 October 2002	1,000	652	1,100	2,752
Additions	-	1,500	-	1,500
Disposals	-	(522)	-	(522)
At 30 September 2003	1,000	1,630	1,100	3,730
<i>Amounts written off</i>				
At 1 October 2002	13	-	1,100	1,113
Disposals	-	-	-	-
At 30 September 2003	13	-	1,100	1,113
<i>Net book value</i>				
At 30 September 2003	987	1,630	-	2,617
At 30 September 2002	987	652	-	1,639

The investment in Own Shares is held under The Bethell Group Plc Employee Benefit Trust and its current market value is estimated to be £877,000 (2002: £840,000). However, no permanent diminution in value is believed to have taken place.

NOTES TO THE ACCOUNTS CONTINUED

13. INVESTMENTS HELD AS FIXED ASSETS CONTINUED

Shares in Subsidiaries represent the Company's ownership of the issued ordinary share capital of the following subsidiary undertakings, which are registered in England & Wales:

Bethell Construction Limited	100% owned	(engaged in infrastructure services)
Bethell Power Services Limited (<i>formerly Bethell EDS Ltd</i>)	97.8% owned	(engaged in power services)
Bethell M & E Services Limited	100% owned	(dormant)
Bethell Properties Limited	100% owned	(dormant)
Bethell Utilities Limited	100% owned	(dormant)
Bethell Civil Engineering Limited	100% owned	(dormant)
Bethell Homes Limited	100% owned	(dormant)
Bethell Industrial Services Limited	100% owned	(dormant)

On 30 September 2003 the Company made an equity investment in Bethell Power Services Limited of £1.5m, comprising £3.625 per share for 400,000 "A" Ordinary shares of £1 each and £1 per share for 50,000 "B" Ordinary Shares of £1 each. The existing 1,000 Ordinary Shares of Bethell Power Services Limited were re-designated as "B" Ordinary Shares. On the same day, 20% of the "B" Ordinary Shares, with a total cost of £10,200, were gifted to the executive management of Bethell Power Services Limited. On 4 July 2003 the Company sold its investment in Bethell Building Services Limited, which was recorded at a cost of £512,000 (see note 6).

Other Investments represents an investment in 1.1m preference shares of £1 each in Bethell Fleet Holdings Limited. The market value of this investment is anticipated to be £nil and accordingly a full provision has been made against the carrying value.

14. STOCKS

	Group		Company	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Raw materials and consumables	476	286	9	9
Work in progress	-	277	-	-
	476	563	9	9

15. DEBTORS

	Group		Company	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Amounts recoverable on contracts	3,674	4,247	-	-
Trade debtors	7,427	9,304	32	-
Amounts owed by group undertakings	-	-	1,707	708
Amounts owed by related parties	-	-	-	213
Corporation tax	135	-	-	-
Deferred tax asset (see note 18)	107	-	33	-
Other debtors	1,207	118	1,200	55
Prepayments and accrued income	206	155	150	126
	12,756	13,824	3,122	1,102

Group and Company:

Included within Other debtors is £900,000 that is receivable in more than one year (2002: £nil).

16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Bank overdraft (see note 28)	1,324	1,869	3,630	2,264
Trade creditors	7,115	9,133	482	308
Obligations under hire purchase contracts	163	128	77	10
Amounts owed to group undertakings	-	-	1,063	1,153
Other creditors	268	1,559	-	1,173
Corporation tax	-	245	-	-
Other tax and social security	2,632	2,675	252	334
Accruals and deferred income	723	479	122	173
	12,225	16,088	5,626	5,415

NOTES TO THE ACCOUNTS CONTINUED

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

	Group		Company	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Obligations under hire purchase contracts	144	-	50	-
Other creditors – loan (see below)	770	-	770	-
	914	-	820	-
<i>Analysis of obligations under hire purchase contracts:</i>				
In one year or less	163	128	77	10
Between one and two years	141	-	50	-
Between two and five years	3	-	-	-
	307	128	127	10

The loan is owing to a former subsidiary company and is not due for repayment until between two to five years from the balance sheet date. The deferred consideration owing to the Group in respect of the sale of the former subsidiary (note 15) is secured over this liability.

18. PROVISIONS FOR LIABILITIES AND CHARGES

Deferred Taxation

Group:

At 1 October 2002 (included within Provisions)
Profit & loss account credit

Provision /
(Debtor)
£'000

45
(152)

At 30 September 2003 (included within Debtors)

(107)

Company:

At 1 October 2002 (included within Provisions)
Profit & loss account credit

Provision /
(Debtor)
£'000

11
(44)

At 30 September 2003 (included within Debtors)

(33)

The amounts provided in the accounts and the amounts not provided are as follows:

	Group Provided 2003 £'000	Group Provided 2002 £'000	Company Provided 2003 £'000	Company Provided 2002 £'000
Capital allowances in advance of depreciation - Provided within (Current Assets)/Current Liabilities	(107)	45	(33)	11

There are no amounts not provided in respect of deferred tax for the Group or the Company (2002: £nil).

19. SHARE CAPITAL

	2003 £'000	2002 £'000
<i>Authorised</i>		
70,000 deferred ordinary shares of £1 each (2002:70,000)	70	70
	IR£	IR£
39,130 "A" ordinary shares of IR£0.01 each (2002: 39,130)	391	391
6,522 "B" ordinary shares of IR£0.01 each (2002: 6,522)	65	65
4,348 "C" ordinary shares of IR0.01 each (2002: 4,348)	44	44
	500	500

NOTES TO THE ACCOUNTS CONTINUED

19. SHARE CAPITAL CONTINUED

	2003 £'000	2002 £'000
<i>Called up, allotted and fully paid:</i>		
50,000 deferred ordinary shares of £1 each (2002: 50,000)	50	50
39,130 "A" ordinary shares of IR£0.01 each (2002: 39,130)	-	-
6,522 "B" ordinary shares of IR£0.01 each (2002: 6,522)	-	-
4,348 "C" ordinary shares of IR0.01 each (2002:4,348)	-	-
	<u>50</u>	<u>50</u>

The Company's ordinary shares are currently denominated in Irish Punts, but following the Republic Of Ireland joining the single European currency appropriate resolutions are to be passed changing the share capital into Euros.

The "A", "B" and "C" Ordinary Shares of IR£0.01 each in the capital of the Company rank *pari passu* in all respects except that the "B" Ordinary Shares of IR£0.01 each have become deferred shares of IR£0.01 each pursuant to the provisions of the Company's articles of association following the dividend in specie of shares held by the Company in Bethell Fleet Services Limited. Deferred shares of IR£0.01 each carry no right to attend or vote at meetings of shareholders and share in a return of capital to members only after all other holders of shares have shared in an amount equal to the nominal value of the shares they hold plus £100m. The "C" Ordinary Shares held by employees of the Company or any subsidiary are deemed to be available for transfer to a person nominated by the Board if that employee ceases to be employed. They are transferable at market value at the time of the cessation of employment. Deferred shares of £1 each have the same rights as the other deferred shares.

An Employment Benefit Trust ("EBT") was established in 2000 to provide for future obligations of the Group in respect of shares awarded under an Enterprise Management Incentive ("EMI") scheme. No contributions were made during the year. The independent Trustees of the EBT purchased the Company's ordinary shares on the open market with financing provided by the Company, as required, on the basis of regular reviews of the anticipated share liabilities of the Group. The cost of the shares expected to be awarded under the scheme was amortised evenly over the period from date of the original grant to the date of vesting - a period of not less than five years.

At the start of the year options over 2,161 "C" Ordinary shares of IR£0.01 each had been granted to employees under the EBT and these were all cancelled during the year, as follows:

	Number of shares	Option price per share	Option period ending
Surrendered on 30 April 2003	250	Nil	28 June 2011
Cancelled on 7 March 2003	157	£73	7 June 2012
Cancelled on 26 November 2002	931	£73	7 June 2012
Cancelled on 26 November 2002	720	£75	28 June 2011
Cancelled on 31 December 2002	103	Nil	7 June 2012

20. RESERVES

	Company Profit and loss account £'000	Group Capital reserve £'000	Group Profit and loss account £'000
At 1 October 2002			
- as originally stated	(1,226)	100	2,821
- prior year adjustment (see note 21)	(1,173)	-	(1,173)
- reclassification of EBT reserves from Creditors (see below)	1,000	-	-
	<u>(1,399)</u>	<u>100</u>	<u>1,648</u>
- as restated	1,903	-	1,256
Profit/(loss) for the year	<u>1,903</u>	<u>-</u>	<u>1,256</u>
At 30 September 2003	<u>504</u>	<u>100</u>	<u>2,904</u>

The directors have reviewed the Company's balance sheet and have consolidated the assets and liabilities of the Employee Benefit Trust ("EBT") onto the Company balance sheet in accordance with UITF 13. The corresponding entry is between other creditors and the profit and loss account reserve.

NOTES TO THE ACCOUNTS CONTINUED

21. PRIOR YEAR ADJUSTMENT

Group and company:

A prior year adjustment of £1,173,000 before and after tax has been made to provide at 30 September 2002 for a guarantee payment made to Lloyds TSB Bank Plc in the current year due to the administration of Bethell Fleet Holdings Limited and its subsidiaries ("BFHL"). The provision has been included within Other Creditors within Creditors: Amounts falling due within one year. No provision was made when the 2002 accounts were prepared as the directors' were of the opinion that certain events that occurred after the last year end were the trigger for BFHL being placed into administration and therefore crystallising the guarantee payment. However, since the signing of the 2002 accounts the Company has been working with forensic accountants to investigate, amongst other things, why the administration occurred. This investigation is not complete but it is evident that the financial position of BFHL at 30 September 2002 was much worse than had been thought and it is unlikely that BFHL would have been able to continue to trade even without the occurrence of the certain events referred to above. The directors are therefore now of the opinion that the guarantee payment should have been provided for in the 2002 accounts and a prior year adjustment has accordingly been made.

	2003 £'000	2002 £'000
Profit/(loss) for the financial year as previously reported	1,256	(1,098)
Prior year adjustment	-	(1,173)
	<hr/>	<hr/>
Profit/(loss) for the financial year as re stated	1,256	(2,271)
Opening shareholders' funds		
As originally stated	2,971	4,069
Prior year adjustment	(1,173)	-
As restated	1,798	4,069
	<hr/>	<hr/>
Closing shareholders' funds	3,054	1,798
	<hr/> <hr/>	<hr/> <hr/>

22. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2003 £'000	2002 £'000
Profit/(loss) for the financial year (2002: as restated)	1,256	(2,271)
Dividends	-	-
	<hr/>	<hr/>
Net increase / (decrease) in shareholders' funds	1,256	(2,271)
Opening shareholders' funds		
As originally stated	2,971	4,069
Prior year adjustment	(1,173)	-
As restated	1,798	4,069
	<hr/>	<hr/>
Closing shareholders' funds	3,054	1,798
	<hr/> <hr/>	<hr/> <hr/>

23. RECONCILIATION OF OPERATING PROFIT/(LOSS) TO NET CASH FLOW FROM OPERATING ACTIVITIES

	2003 £'000	2002 (as restated) £'000
Operating profit /(loss) before exceptional items	452	318
Exceptional items	(1,296)	(1,306)
	<hr/>	<hr/>
Operating profit /(loss)	(844)	(988)
Depreciation on tangible fixed assets	449	308
Movement in accrual for bank cross guarantee payment included within Other Creditors (note 5)	1,173	-
(Profit)/loss on disposal of tangible fixed assets	(2)	6
Goodwill amortisation	14	24
Decrease/(increase) in stock and work-in-progress	71	(148)
(Increase)/decrease in debtors	(2,585)	1,040
Increase in creditors	1,923	1,192
Decrease in contract provisions	-	(105)
	<hr/>	<hr/>
Net cash inflow from operating activities	199	1,329
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE ACCOUNTS CONTINUED

24. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2003 £'000	2002 £'000
Increase in cash in the year	549	153
Net inflow from decrease in debt and hire purchase financing	45	-
Change in net debt	594	153
New hire purchase contracts	(224)	(128)
Movement in net debt for the year	370	25
Net debt at start of year	(1,994)	(2,019)
Net debt at end of year	(1,624)	(1,994)

25. ANALYSIS OF NET DEBT

	At start of year £'000	Cash flow £'000	Non cash items £'000	At end of year £'000
Cash at bank and in hand	3	4	-	7
Bank overdraft	(1,869)	545	-	(1,324)
Obligations under hire purchase contracts and finance leases	(1,866) (128)	549 45	- (224)	(1,317) (307)
	(1,994)	594	(224)	(1,624)

26. OTHER CASH FLOW ITEMS

	£'000
Sale of subsidiary	£'000
<i>Net assets disposed of:</i>	
Fixed assets	201
Stock	16
Debtors	4,795
Cash	432
Creditors	(4,251)
Taxation	(83)
	1,110
Profit on disposal (before goodwill write off of £175,000)	2,406
	3,516
<i>Satisfied by:</i>	
Pre-sale dividend	715
Cash	2,078
Costs of disposal	(177)
	2,616
Deferred consideration (included within Debtors)	900
	3,516

The business sold contributed £73,000 to the Group's net operating cash flows, received £66,000 in respect of net returns on investments and servicing of finance, paid £56,000 in respect of taxation and utilised £12,000 for capital expenditure.

NOTES TO THE ACCOUNTS CONTINUED

27. FINANCIAL COMMITMENTS

	2003 £'000	2002 £'000
<i>Capital commitments:</i>		
Contracted for but not provided	-	-
<i>Hire purchase commitments:</i>		
Gross obligations repayable (All within 2 to 5 years)	342	151
Finance charges repayable (All within 2 to 5 years)	35	23
Net obligations payable (All within 2 to 5 years)	307	128
<i>Operating lease commitments:</i>		
Land and buildings (Lease ending after 5 years)	197	203

Pension commitments:

The Group operates a defined contributions pension scheme for its directors and senior employees. The assets of the Scheme are held separately from those of the Group in an independently administered fund. The amount owing to the pension scheme at the year-end by the Group and Company was £9,782 and £1,674 respectively (2002: £7,694 and £2,200), including employer contributions of £4,931 and £1,212 (2002: £3,953 and £1,255), and this represented contributions for the last month of the year, paid over monthly in arrears

28. CONTINGENT LIABILITIES

The bank borrowings are secured by a fixed charge over the freehold properties and all book debts and a floating charge over all other assets of the Group. At the year-end the Company & Group had contingent liabilities amounting to £nil and £nil respectively (2002: £354,000 and £1,729,000 respectively) under these cross guarantees.

29. RELATED PARTY TRANSACTIONS

During the year the Group and Company transacted sales of £72,000 and £63,000 respectively (2002: £434,000 and £380,000) and purchases of £582,000 and £5,000 respectively (2002: £2,152,000 and £27,000), at normal trade prices with Bethell Fleet Holdings Limited and its subsidiaries, being a related party due to common ownership. There were no outstanding balances with Bethell Fleet Holdings Limited or its subsidiaries at the year-end or the prior year-end.

During the year the Group and Company occupied premises that were owned by The Bethell Directors Pension Scheme until 20 December 2002 and paid a market rent of £37,000 and £8,500 respectively (2002: £150,000 and £34,000). There were no outstanding balances with the pension scheme at the year-end or the prior year-end.

During the year the Group and Company entered into a contract to construct a private residence for Mr Kilroe on a cost plus basis. The Group and Company incurred costs of £8,000 that were reimbursed during the year (2002: £nil).

30. ULTIMATE CONTROLLING PARTY

The ultimate controlling party of Bethell Group Plc is Mr TA Kilroe.

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Bethell Group Plc

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