

# **Bethell Group Plc**

## **Annual Report & Accounts**

**Year Ended  
30 September 2007**

**INFRASTRUCTURE & POWER SERVICES  
THROUGHOUT THE UK**

REGISTERED NUMBER 02281508

COMPANIES HOUSE



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## Bethell Group Plc

### Infrastructure & Power Services throughout the UK

*"We pride ourselves on 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"*

## DIRECTORS

### Executive Directors:

#### **Tim A Kilroe, aged 43**

##### *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 ten years, both organically and by acquisition.

#### **Neil Hopkins-Coman FCA MA(Oxon), aged 45**

##### *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.

### Other Directors:

#### **David Young, Non Executive Director**

David 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.

#### **Karen (CM) Kilroe**

## REGISTERED OFFICE AND ADVISORS

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St. James' Court  
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Manchester M2 2JF

#### **Bankers:**

Lloyds TSB plc  
P O Box 349  
53 King Street  
Manchester M60 2LE

DLA LLP  
101 Barbirolli Square  
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#### **Auditors:**

Fairhurst  
Chartered Accountants and Registered Auditors  
Douglas Bank House, Wigan Lane  
Wigan  
Lancashire WN1 2TB

## CHAIRMAN'S STATEMENT continued

### Introduction

I am pleased to be able to report that during 2007 the Bethell Group has taken another significant and positive step forward as it continues to be re-shaped following the withdrawal in 2005 from major utility framework contracts with United Utilities in the areas of wastewater and electricity maintenance. Group turnover increased by 4% to £54.2m from £52.2m last year and operating profits were also increased to £308,000 from £89,000.

This progress has been achieved following considerable re-focussing of our efforts into areas where we can add value to our clients through the skills base within the Group, which in turn has continued to move the Group away from a north west based operation into a more national business. To drive this process the Group Board has made considerable changes to management structures within parts of the Group, particularly in 2007 the Power Services operation, which follows similar substantial changes made within the Construction business a year earlier. A number of significant director appointments have been made during 2007 within the operating subsidiaries and commercial and operational management strengthened whilst continuing to improve our business processes.

The progress during 2007 has been considerable and could not have been achieved without another year of hard work and application from our committed workforce. On behalf of the directors within all Group businesses, I would again like to thank them for their efforts.

### Business Overview

In reviewing the Group's performance in 2007 I have concentrated on the significant areas – leaving a more detailed review on a business-by-business basis for the Business Review set out on pages 6 to 8.

Bethell Power Services Limited ("Power Services"), which provides services to the electricity industry, primarily the distribution network operators and the National Grid, has experienced a tremendous year of progress. This business suffered considerably when its electricity frameworks with United Utilities ended during 2005. However, turnover was re-built during 2006 through securing medium-term contracts and new clients, such as CE Electric, United Utilities Networks, Scottish & Southern Energy and Scottish Power and new contracts with existing clients such as Western Power Distribution. The growth in 2006 and simultaneous mobilisation of a number of contracts meant Power Services reported a loss last year but this platform has been developed during 2007 with turnover in the year of £27.1m (2006: £27.7m) and I am pleased to be able to report that the business is again "in the black", with an operating profit of £78,000 (2006: operating loss £517,000). Furthermore, the progress during the second half of 2007 gives me confidence that the business can deliver a successful outcome in 2008. Importantly, Power Services has again enjoyed a safe year of working with no fatalities but has suffered with 8 HSE reportable incidents, giving a frequency indicator of 2,395 per 100,000 employees (2006: 1,320). In order to attack this vital area the management team has been strengthened and the focus on health and safety is at an all time high.

Bethell Construction Limited ("Construction") has enjoyed a successful year in 2007. Considerable changes were made during 2005 and 2006 with the establishment of a separate business unit focussed on the opportunities within the rail market, a restructuring of the civils business and the re-establishment of a building business (following the disposal of Bethell Building services in 2003). These changes were well timed and meant Construction could quickly expand and diversify following the withdrawal from the United Utilities wastewater maintenance contracts in 2005. The rail business is now well established, delivering a number of successful and high profile schemes for Network Rail and train operating companies. The civils business continues to go from strength to strength and has delivered an excellent performance in 2007 and its sphere of operations has been expanded to re-introduce a surfacing operation. Finally the building business, whilst being a net cost in 2007, has become established in the region, delivered turnover approaching £2m, and has secured a number of high quality projects for 2008. Overall Construction turnover in 2007 increased to £23.3m (2006: £20.6m) and the business generated an operating profit of £79,000 (2006: operating loss of £22,000). Construction has also had a safe working year, with no fatalities and 1 HSE reportable incident, giving a frequency indicator of 380 per 100,000 employees (2006: 1,676).

Bethell Lighting Services Limited ("Lighting Services") has had a mixed year of trading. Turnover was flat at £4.3m (2006: £4.3m) but the business has reported an operating loss of £394,000 (2006: operating

## CHAIRMAN'S STATEMENT continued

profit £299,000). As Lighting Services has expanded its external client across both new public and private sector clients it has heavily invested in senior management for business development, and this has come at a cost. The business has also formed a street lighting partnership with David Webster Limited to bid for street lighting PFI schemes. This consortium, called the Northern Lighting Partnership, has pre-qualified for two schemes that are currently going through procurement and during 2008 could move to detailed design stage. Substantial costs, both internal and external, have been written off in 2007 as part of the PFI bid process. Lighting Services has also had a safe working year, with no fatalities and no HSE reportable incidents, giving a frequency indicator of 0 per 100,000 employees (2006: 4,761).

The holding company, Bethell Group Plc, generated an operating profit in the year of £559,000 (2006: £344,000) and aside from head office management services it operates and hires out, mainly internally, a range of specialist plant and vehicles.

### QUENSH

The Group consolidates its quality, environmental and health & safety reporting under the heading "QUENSH" with the Group Health & Safety Manager reporting directly to me as Group Chief Executive. Directors, senior management and personnel share and are aware of their individual and collective responsibility in health and safety and in 2007 we have introduced regular mandatory business wide health and safety briefings. At these sessions, as well as localised tool box talks, we reinforce the 'safety first' culture and that it is the responsibility of every employee or sub-contractor to put their safety and their colleagues safety ahead of all other considerations. Health and safety also continues to be the first agenda item at all management and board meetings. Group wide safety data for 2007 show Fatalities per 100,000 employed at nil (2006: nil) and HSE Reportable Accidents at 1,378 per 100,000 employed (2006: 1,714). Although these statistics are lower than the industry as an average (based on the latest HSE Labour Force Survey, the rate of reportable injury in construction industry as a whole was 1,790 per 100,000 workers) the Group is not becoming complacent. The dedicated resource within the central health and safety department has been expanded further and there is continued emphasis on frequent site based briefings and independent audits. During 2007 I have also personally introduced the requirement for daily method statement and risk assessment briefings before work commences.

### Our People

At the year-end the Group employed 583 people, a similar level to a year ago, albeit the average headcount during the year was 531. On 31 December 2006 we transferred out a number of staff under TUPE legislation following the withdrawal from non-profitable electrical connections work in parts of Manchester and just after the 2007 year-end we transferred in a small number of staff following a new street lighting maintenance contract being secured in Anglesey. We continually focus upon the development and training of both our staff and operatives and work closely with the Construction Industry Training Board.

In common with the industry we continue to suffer from a widespread skills shortage and to address this have expanded our recruitment of apprentices but also the importation of skills from overseas, in particular adding a second group of overhead lines workers from the Philippines to our resource. The Group continues to hold "Investors In People" accreditation and performance management and staff appraisals are used to identify relevant development issues.

### Future Strategy

The Group's strategy remains broadly unchanged with a continued focus on our core competencies, and a gradual move to becoming a national operator. This geographic expansion is being led by certain highly skilled businesses, particularly our rail and power services operations. This selective expansion has been well received by clients and potential clients. It is also our strategic aim to become more able to offer an integrated construction solution incorporating design, infrastructure and enabling works, above the ground building all backed up by multi utility connection services.

The Group maintains a philosophy of continuous improvement and also sustainability, with an increased focus on our carbon footprint and we now actively work with our supply chain to assist them to reduce their own impact on the environment. We also actively work with clients to assist them in achieving their targets in this area.

## CHAIRMAN'S STATEMENT continued

The financial outturn for 2007 was not what I would describe as "exciting" but nevertheless was positive progression from last year. More importantly, the financial position at the end of 2007 provides a springboard for profitable growth in 2008, and our financial targets for the coming year are more ambitious. The Group has already secured 70% of planned turnover for 2008 and the overall order book has increased from £70m a year ago to £76m. With these building blocks in place I am confident that 2008 will be a more rewarding and successful year for the Group.

**T A Kilroe**  
*Chairman and Group Chief Executive*

Dated: 14 December 2007

## BUSINESS REVIEW

### **Bethell Construction Limited (“Construction”)**

Construction is a long established infrastructure services business and operates through three business streams focussed on Civils, Building and Rail. The client base is diversified, with a wide range of public sector and private clients, and a mix of framework maintenance contracts, one-off tendered projects and negotiated schemes. A large proportion of work is secured as repeat business due to the high quality of project delivery. Good growth has been achieved in 2007 with turnover up by 13% to £23.3m, and gross margins have been increased to 7.3% (2006: 6.1%). Administration overheads have also increased as a proportion of turnover, although only marginally, to 6.9% (2006: 6.2%). As a consequence the operating loss of a year ago was turned into an operating profit for 2007 of £79,000 (2006: operating loss £22,000). To support the growth headcount increased to 227 staff by the year end from 196 at the start of the year.

Civils accounted for 64% of turnover in 2007, and major projects started and delivered in the year include ground works on three store extensions for Aldi and ground enabling works for HBG Construction at Liverpool University. Three substantial schemes started in earlier years were also successfully completed in the year, a £5m road and infrastructure scheme in Grove Village, Manchester for Gleeson, £2.4m of ground work packages for Taylor Woodrow at Whiston Hospital in Prescott, Merseyside and a £2.4m pedestrianisation in Chapel Street, Southport for Sefton Council. As these major projects ended in 2007 Civils commenced a £5m two-year project for London based developer Thornfield Properties at The Rock, in Bury, which is part of a major town centre regeneration programme, as well as a number of smaller projects.

Building accounted for 6% of turnover in 2007, having been established during the end of the previous financial year. Schemes secured in the first full year of trading included station building refurbishment at Scunthorpe and Barrow-in-Furness and a major renovation programme on a Mental Health Unit for Pennine Health Care Trust. Shortly after the year-end work commenced on the construction of an extension to a residential care home in Cleveleys, Lancashire for DAC Consultants and a £3m contract was won to construct a new training centre in Huyton, Liverpool. As a result of these new awards, and a strong pipeline of tender opportunities, Building is expected to enjoy considerable growth in 2008.

Rail accounted for 30% of turnover in 2007, and has grown significantly in the year. Activities have been varied with a specialism successfully developed in electrification and plant works for Network Rail. Work continued during 2007 on FTN/GSM-r survey and design works in various parts of the UK, and two schemes on the Merseyrail network - the replacement of 11Kv feeder cable and ducting and the construction and commissioning of a new substation at Bank Hall. New projects carried out in the year have included track improvements on the Blackpool tramway, works on the light maintenance depot at Manchester Longsight and further survey works for the London Crossrail link. In the last month of the year work commenced on a £2m platform extension programme for Network Rail at Tamworth and Lichfield station. The stream has also been successful in securing the design and subsequent installation of points heating at a number of locations, including London Victoria station.

At the start of 2008 the Construction business has a secured order book of £34m and will continue to focus on the delivery of high quality works, in a safe and efficient manner, on-time and on budget.

## BUSINESS REVIEW continued

### **Bethell Lighting Services Limited (“Lighting Services”)**

Lighting Services was set up in 2004 and was transferred into a separate legal entity in February 2005. Lighting Services currently has operating depots at Kearsley in Greater Manchester, Blackpool and, after securing a new maintenance contract, in Anglesey. Further depots are planned to support the business’s growth plans. Its activities are focussed on both capital street lighting improvement schemes and a wide range of maintenance activities.

Modest turnover growth was achieved in 2007, up by just 1% to £4.34m. However, this growth did not translate into profit growth, partly because of considerable investment in market and tendering costs, but also because of the mix of projects undertaken in the year. Although the business has reported a gross loss in the year, development investment has been made for the long-term wealth of the undertaking and has included the formation of a formal bidding partnership with a multi-national construction group for three PFI street lighting and traffic signal replacement schemes. This bidding consortium, called the Northern Lighting Partnership, has passed a rigorous pre-qualification process and submitted outline solutions for schemes with Blackpool Council, Oldham Council and Rochdale Council. In the case of the former project, the consortium has been shortlisted to submit detailed solutions during the first half of 2008 whilst the outcome for the other schemes, which are being jointly procured, is still awaited.

Development investment also included widening of the business’ work scope to include street lighting connections as an Independent Connections Provider (“ICP”) following the gaining of Lloyds accreditation for such activities. This puts the business at the forefront of what is a substantial street lighting connections market and clients are already showing a very keen interest in the benefits this has brought to both maintenance and installation activities which include not only a reduction in cost, but more importantly a marked improvement in service delivery. A third area of investment during the year has been in the development of a lighting design operation offering lighting and technical support to the existing client base and it is also building a new clientele of its own.

Turnover through the Blackpool depot accounted for approximately 40% of total turnover in 2007. Here Lighting Services have carried out a number of lighting improvement and replacement schemes as part of a major regeneration programme that is underway in the resort. From this depot the business also maintains the public lighting infrastructure under a partnership arrangement with Blackpool Council and carries out the lighting maintenance for the Fylde Highways Maintenance Partnership under an arrangement with the Hanson Group. The Kearsley depot, which accounted for the balance of turnover, has been involved with a number of projects for main contractors engaged in highway maintenance works, stretching from Cumbria down to Staffordshire. Street lighting works were undertaken for a wide variety of clients with scheme values ranging from £450,000 downwards. Also from Kearsley the business operates a bus-shelter installation programme for Clear Channel UK, and this is another area for development of the ICP offering.

Following competitive tender the business was able to expand its maintenance operations with a new 18 month term contract working for the first time for the Isle of Anglesey council. Other work opportunities for 2008 are also encouraging, particularly as the achievement of ICP status has led to a number of test projects for local authorities where Lighting Services would take on connections work previously undertaken by the distribution network operators themselves.

The financial targets for 2008 reflect further investment in PFI tendering and business development activities generally but also show positive growth in both turnover and margins.

## BUSINESS REVIEW continued

### **Bethell Power Services Limited (“Power Services”)**

Power Services continues to be one of the UK’s largest independent contractors specialising in maintenance and construction on the electricity distribution network. The widespread client base includes the majority of the UK’s distribution network operators, National Grid Transco and an expanding range of private developers. Power Services’ activities embrace low and high voltage underground cables, emergency faults, meter board cut-outs, construction and maintenance of substations and overhead line networks, including high voltage transmission lines and tower maintenance. During 2007 Power Services has expanded its multi-utility installation offering, which is targeted at property developers, allowing clients to procure gas, water and electricity distribution services from a single contractor. Also in 2007 Power Services has gained accreditation as an independent connections provider allowing it to perform a range of electrical works that previously could only be carried out by distribution network operators themselves.

In carrying out such a varied range of specialist activities the board of directors recognise that safety and quality is paramount. Substantial investment has been made in internal resources in this area during 2007 and a rigorous monitoring regime has been continued using external bodies, including Lloyds of London, where the Company has a comprehensive range of accreditations against its various work streams up to and including 132Kv.

Following the strong growth in turnover last year Power Services has consolidated its top line for 2007, which was 3% lower than 2006 at £27.1m. This consolidation was a deliberate policy following the framework wins secured at the end of 2005 and early in 2006. As a large element of the growth has emanated in the North East of England a new regional office and depot has been opened in Stockton-on-Tess and around 120 of the Company’s employees now operate in this area.

During 2007 considerable attention has been focussed upon improving the operational performance and operating margins. The gross margin for the year was increased to 5.2% from 2.9% for the prior year, which enabled a break even result to be achieved. However, the margin being achieved during the latter part of 2007 was much higher than this average and it is this which has given management confidence for 2008 and beyond.

The turnaround in Power Services’ fortunes has been driven top down following significant changes to the composition of the board. Mike Lane left the business at the start of the year and Tim Kilroe took over as managing director. Following this change business processes were strengthened and new senior appointments made, with Jonathan Holden recruited as commercial director on 1st August 2007 and Ian Harding recruited as operations director on 3rd September 2007. Below board level a number of other key appointments were made giving the business more strength in depth to address some of the issues that were faced in 2006 following the rapid expansion in turnover. These changes have given Power Services solid foundations from which it can evolve in the future. Power Services has a forward order book of approximately £29m, of which £18m will be carried out in 2008.

## FINANCIAL REVIEW

Consolidated Group turnover in 2007 was up 3.9% over the prior year at £54,255,000 with both the Construction and Power Services business demonstrating good growth, and a year of consolidation for the Lighting Services operation. The Group's gross margin increased in 2007 from 5.3% last year to 5.7%, leading to an overall increase in gross profit of 10% to £3,098,000. Although the overall gross margin remained well below the level of 2005, this was not unexpected and is due to the re-building of activities following the withdrawal from major utility frameworks two years ago and continued investment in new business streams, including in 2007 the first full year of the building division within Construction. On a more positive note, gross margins being achieved in the latter part of the year were significantly above the average rate for the year.

To support the growth in activities Group administrative expenses increased by 2.7% but continue the year-on-year trend of reducing as a proportion of turnover, down to 5.1% from 5.2% for 2006. The Group continues to operate a number of business support functions through central shared services departments, namely HR and payroll, finance, plant, transport, buying, health & safety, quality & environmental and IT.

Operating profits have increased in the year by 246% to £308,000, representing an operating margin of 0.6% (2006: 0.2%). This margin remains below industry comparators but pleasingly the margins achieved during the second half of the year were much closer to this benchmark.

Net interest costs increased in 2007, as overall average debt levels increased to support the working capital requirements of the growing Group, and were £100,000 (2006: £38,000). The consolidated Group net profit for the year before taxation increased fourfold from £51,000 last year to £208,000.

Although average working capital levels during 2007 were higher than the previous year the Group was nevertheless able to generate cash from operations of £1,587,000, a significant turnaround from the operating cash outflow in 2006. Non-operating cash flows totalled an outflow of £379,000 (2006: £720,000) included a dividend of £149,000 (2006: £nil). The overall increase in cash during the year was £974,000 leaving the Group with cash in hand of £1,003,000 at 30 September 2007.

After including hire purchase obligations the Group was in a net funds position of £560,000 compared with a net debt position of £556,000 at 30 September 2006.

The Group's net assets at 30 September 2007 increased to £3,427,000 from £3,311,000 last year. Tangible fixed assets decreased by £106,000 with fixed asset additions of £432,000 in the year, representing 85% of the depreciation charge of £510,000. New hire purchase arrangements were put in place to fund £93,000 of the expenditure, mainly to expand the ownership of specialist operating plant.

In summary, the Group's balance sheet at the year end was in a healthy position and provides a sound financial platform for the 2008 business plan, which incorporates identified opportunities for further growth in turnover, planned improvements to operating margins and further cash generation. The Group's forward order currently stands at £76m and includes £55m that will be delivered in 2008.

**N Hopkins-Coman**  
*Group Finance Director*

Dated: 14 December 2007

## DIRECTORS' REPORT

The directors present the Company's annual report and the audited financial statements for the year ended 30 September 2007.

### 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 Group has had a year of transition and full details are included in the Chairman's Statement, Business Review and Financial Review set out on pages 3 to 9.

### DIVIDENDS AND TRANSFERS TO RESERVES

A dividend of £149,055 (£3 per "A" share) was paid during the year (2006: 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 encouraging.

### DONATIONS

During the year the Company and the Group made charitable donations of £19,244 and £16,846 respectively (2006: £1,300 and £2,762 respectively).

### DIRECTORS AND THEIR INTERESTS

The directors of the Company at the year-end are shown on page 2. 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:

	<b>Number of shares</b>	
	<b>2007</b>	<b>2006</b>
Deferred ordinary shares of £1 each	50,000	50,000
"A" ordinary shares of EURO 0.01 each	49,685	49,685
"B" ordinary shares of EURO 0.01 each	8,281	8,281
	<u>          </u>	<u>          </u>

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

	<b>Share options</b>	
	<b>2007</b>	<b>2006</b>
T A Kilroe	-	-
N Hopkins-Coman	1,380	1,380
D N Young	-	-
CM Kilroe	-	-
	<u>          </u>	<u>          </u>

### 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 2007 was 28 for the Company (2006: 15) and 72 for the Group (2006: 78).

## 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 and United Kingdom Generally Accepted Accounting Practice. 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.

### STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 234A of the Companies Act 1985) of which the company's auditors are unaware, and each director has taken all steps that he ought to have taken as director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

### EMPLOYEE RELATIONS

Formal regular meetings are held with employees 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.

### AUDITORS

The auditors, Fairhursts, have indicated their willingness to continue in office and will be proposed for reappointment at the Annual General Meeting.

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

**N Hopkins-Coman**  
*Secretary*

Dated: 14 December 2007

## **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 consolidated balance sheet, the company balance sheet, 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 the statement of accounting policies.

This report is made solely to the company's members as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report or the opinions we have formed.

### **Respective responsibilities of directors and auditors**

As set out in the statement of directors' responsibilities, the directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 Report of the Directors is 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 other 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 chairman's statement, the business review, the financial review and the directors' report.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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, in accordance with United Kingdom Generally Accepted Accounting Practice of the state of the company's and group's affairs as at 30 September 2007 and of the group's profit for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.

In our opinion, the information given in the directors' report is consistent with the financial statements.

**Fairhurst**  
*Chartered Accountants and Registered Auditors*  
Wigan

Dated: 14 December 2007

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

Year ended 30 September 2007

	Note	2007 £'000	2006 £'000
<b>Turnover</b>	2	<b>54,255</b>	52,214
Cost of sales		<u>(51,157)</u>	<u>(49,408)</u>
Gross profit		<b>3,098</b>	2,806
Administrative expenses		<b>(2,790)</b>	(2,717)
Other operating income		-	-
<b>Operating profit</b>	4	<b>308</b>	89
Interest receivable & similar income	5	<b>61</b>	22
Interest payable & similar charges	6	<u>(161)</u>	<u>(60)</u>
Profit on ordinary activities before taxation		<b>208</b>	51
Tax on profit on ordinary activities	7	<u>56</u>	<u>4</u>
<b>Profit on ordinary activities after taxation</b>		<b>264</b>	55
Minority interest		<u>1</u>	<u>40</u>
<b>Profit for the financial year</b>	19	<u><b>265</b></u>	<u>95</u>

There are no gains or losses other than the profit for the period.

The turnover and profits for 2007 and 2006 arose entirely from continuing activities.

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 2007

	Note	2007		2006	
		£'000	£'000	£'000	£'000
<b>FIXED ASSETS</b>					
Positive goodwill	9	146		161	
Tangible assets	10	1,808		1,914	
Investment	11	400		400	
<b>CURRENT ASSETS</b>			<b>2,354</b>		<b>2,475</b>
Stocks	12	638		908	
Debtors	13	15,412		16,304	
Cash at bank and in hand		1,003		29	
		<b>17,053</b>		<b>17,241</b>	
<b>CREDITORS: amounts falling due within one year</b>					
	14	(15,776)		(16,045)	
<b>NET CURRENT ASSETS</b>			<b>1,277</b>		<b>1,196</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<b>3,631</b>		<b>3,671</b>
<b>CREDITORS: amounts falling due after more than one year</b>					
	15		(204)		(360)
<b>PROVISIONS FOR LIABILITIES</b>	16		-		-
<b>Equity minority interests</b>			-		-
<b>Net assets</b>			<b>3,427</b>		<b>3,311</b>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	17		50		50
Capital reserve	18		100		100
Profit and loss account	18		3,277		3,161
<b>Equity shareholders' funds</b>	19		<b>3,427</b>		<b>3,311</b>

The financial statements on pages 13 to 25 were approved by the Board of Directors on 14 December 2007 and were signed on its behalf by:

**T A Kilroe**  
Chairman and Group Chief Executive

**N Hopkins-Coman**  
Group Finance Director

## COMPANY BALANCE SHEET

As at 30 September 2007

		2007		2006	
	Note	£'000	£'000	£'000	£'000
<b>FIXED ASSETS</b>					
Tangible assets	10	1,244		1,305	
Investments	11	2,044		2,044	
			<b>3,288</b>		3,349
<b>CURRENT ASSETS</b>					
Stocks	12	19		12	
Debtors	13	219		229	
			<b>238</b>		241
<b>CREDITORS: amounts falling due within one year</b>	14	<b>(2,046)</b>		<b>(2,414)</b>	
<b>NET CURRENT LIABILITIES</b>			<b>(1,808)</b>		<b>(2,173)</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<b>1,480</b>		1,176
<b>CREDITORS: amounts falling due after more than one year</b>	15		<b>(143)</b>		<b>(212)</b>
<b>PROVISIONS FOR LIABILITIES</b>	16		-		-
<b>Net assets</b>			<b>1,337</b>		964
<b>CAPITAL AND RESERVES</b>					
Called up share capital	17		50		50
Profit and loss account	18		1,287		914
<b>Equity shareholders' funds</b>			<b>1,337</b>		964

The financial statements on pages 13 to 25 were approved by the Board of Directors on 14 December 2007 and were signed on its behalf by:

**T A Kilroe**  
*Chairman and Group Chief Executive*

**N Hopkins-Coman**  
*Group Finance Director*

## CONSOLIDATED CASH FLOW STATEMENT

Year ended 30 September 2007

	Note	2007		2006	
		£'000	£'000	£'000	£'000
<b>Net cash inflow / (outflow) from operating activities</b>	20		<b>1,587</b>		(1,731)
<b>Returns on investments &amp; servicing of finance</b>					
Interest received		<b>61</b>		22	
Interest paid		<b>(161)</b>		(60)	
Net cash outflow from returns on investments & servicing of finance			<b>(100)</b>		(38)
<b>Taxation</b>					
UK corporation tax received / (paid)			<b>103</b>		(248)
<b>Acquisitions &amp; disposals</b>					
Purchase of minority interest			-		-
<b>Capital expenditure and financial investment</b>					
Purchase of tangible fixed assets (net of hire purchase)		<b>(339)</b>		(145)	
Purchase of fixed asset investment		-		(400)	
Proceeds from sale of tangible fixed assets		<b>106</b>		111	
<b>Net cash outflow from investing activities</b>			<b>(233)</b>		(434)
<b>Equity dividends paid</b>			<b>(149)</b>		-
<b>Net cash inflow / (outflow) before financing</b>			<b>1,208</b>		(2,451)
<b>Financing</b>					
Capital element of hire purchase payments		<b>(234)</b>		(210)	
Net cash outflow from financing			<b>(234)</b>		
<b>Increase / (decrease) in cash</b>	21		<b>974</b>		(2,661)

## 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 2006 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	nil
Leasehold improvements	over the lease term of 20 years
Plant & machinery	over 4 or 5 years
Fixtures & fittings	over 3 or 4 years
Motor vehicles	over 18 months to 4 years

#### Stocks

Stocks are valued at the lower of cost and net realisable value. Cost includes materials, direct labour and overhead.

#### Amounts recoverable on contracts

Contracts are accounted for 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 in the period the loss is first foreseen. The difference between work done and invoices raised on a contract is recognised as amounts recoverable on contracts. Any excess payments on account over and above the value of work done are included within creditors. 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 won.

#### 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 accounted for in accordance with UITF 38 (accounting for ESOP trusts).

#### 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 defined contribution pension schemes and contributions payable for the year are charged to the profit and loss account.

#### Related parties

The Group has taken advantage of the exemption conferred by FRS8 "Related Party Disclosures" and has not disclosed transactions between subsidiaries where 90% or more of the votes are controlled within the Group.

### 2. TURNOVER

Turnover is based on the value of all goods despatched and services provided during the year, excluding VAT and other sales based taxes and net of trade discounts, and 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. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2007 £'000	2006 £'000
<b>Staff costs during the year (including directors)</b>		
Wages and salaries	16,383	15,690
Social security costs	1,671	1,485
Pension costs	113	79
	<u>18,167</u>	<u>17,254</u>
<b>Directors' emoluments</b>		
Remuneration	503	467
Pension contributions to money purchase schemes	25	14
	<u>528</u>	<u>481</u>
<b>Highest paid director</b>		
Remuneration	255	232
Pension contributions to money purchase scheme	-	-
	<u>255</u>	<u>232</u>
<b>Number of directors who are members of a money purchase scheme</b>	<u>Number</u> 3	<u>Number</u> 3
<b>Average number of persons employed</b>		
Contracting and direct labour	339	350
Management, supervision and administration	192	177
	<u>531</u>	<u>527</u>

### 4. OPERATING PROFIT

	2007 £'000	2006 £'000
<i>The operating profit is stated after charging / (crediting):</i>		
Depreciation on owned assets	314	410
Depreciation on financed assets	196	145
Profit on disposal of fixed assets	(78)	(79)
Amortisation of goodwill	15	15
Short term hire of plant and machinery	2,205	2,731
Release of accrual for guarantee liability*	(531)	-
Rentals under operating leases - land and buildings	198	198
Rentals under operating leases - other	41	56
Auditors' remuneration – audit services	20	18
Auditors' remuneration – non audit services	8	12
	<u>          </u>	<u>          </u>

\* In 2004 accounts the Company and Group made accruals totalling £531,000 to cover potential guarantee liabilities arising from the insolvency of an associated company in 2003. These accruals are no longer required and have been released during the year.

### 5. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	2007 £'000	2006 £'000
Interest receivable	61	22
	<u>          </u>	<u>          </u>

### 6. INTEREST PAYABLE AND SIMILAR CHARGES

	2007 £'000	2006 £'000
Bank interest	118	28
Hire purchase interest	35	29
Interest on late payment of taxation	8	3
	<u>161</u>	<u>60</u>

## NOTES TO THE ACCOUNTS continued

### 7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2007 £'000	2006 £'000
<b>Current tax:</b>		
UK corporation tax on profits of the period	27	(1)
Adjustment in respect of previous periods	(84)	(28)
Total current tax	(57)	(29)
<b>Deferred tax:</b>		
Origination and reversal of timing differences (capital allowances and other)	1	25
Tax credit	(56)	(4)

The tax assessed for the period is lower than the standard rate of corporation tax in the UK (2007 and 2006: 30%). The differences are explained below:

	2007 £'000	2006 £'000
Profit on ordinary activities multiplied by the standard rate in the UK	62	16
Effects of:		
Expenses not deductible for tax purposes	27	36
Non-taxable gains	(159)	(18)
Capital allowances for the period (more)/less than depreciation	-	(7)
Utilisation of tax losses by carry back	72	-
Losses not utilised carried forward	25	-
Utilisation of tax losses brought forward	-	(28)
Adjustment to tax charge in respect of prior periods	(84)	(28)
Tax credit for the year (as above)	(57)	(29)

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.

### 8. PROFIT 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 £373,000 (2006: profit of £249,000).

### 9. POSITIVE GOODWILL

	£'000
<b>Group:</b>	
<i>Cost</i>	
<b>At 1 October 2006 and 30 September 2007</b>	<b>291</b>
<i>Accumulated depreciation</i>	
At 1 October 2006	130
Charge for the year	15
<b>At 30 September 2007</b>	<b>145</b>
<i>Net book value</i>	
<b>At 30 September 2007</b>	<b>146</b>
At 30 September 2006	161

The goodwill arose on the acquisition Bethell Power Services Limited and is being written off over a useful life of 20 years.

## NOTES TO THE ACCOUNTS continued

### 10. TANGIBLE FIXED ASSETS

<b>Group:</b>	Leasehold improvements £'000	Motor Vehicles £'000	Plant & machinery £'000	Fixtures & Fittings £'000	<b>Total £'000</b>
<i>Cost:</i>					
At 1 October 2006	1,221	307	1,147	1,641	4,316
Additions	27	-	156	249	432
Disposals	(25)	(14)	-	(3)	(42)
<b>At 30 September 2007</b>	<b>1,223</b>	<b>293</b>	<b>1,303</b>	<b>1,887</b>	<b>4,706</b>
<i>Accumulated depreciation:</i>					
At 1 October 2006	364	137	620	1,281	2,402
Charge for the year	61	53	193	203	510
Disposals	-	(14)	-	-	(14)
<b>At 30 September 2007</b>	<b>425</b>	<b>176</b>	<b>813</b>	<b>1,484</b>	<b>2,898</b>
<i>Net book value:</i>					
<b>At 30 September 2007</b>	<b>798</b>	<b>117</b>	<b>490</b>	<b>403</b>	<b>1,808</b>
At 30 September 2006	857	170	527	360	1,914

The net book value of assets held under hire purchase agreements amounted to £492,000 (2006: £584,000).

<b>Company:</b>	Leasehold improvements £'000	Motor Vehicles £'000	Plant & machinery £'000	Fixtures & Fittings £'000	<b>Total £'000</b>
<i>Cost:</i>					
At 1 October 2006	1,221	255	196	788	2,460
Additions	27	-	71	89	187
Disposals	(25)	(14)	-	-	(39)
<b>At 30 September 2007</b>	<b>1,223</b>	<b>241</b>	<b>267</b>	<b>877</b>	<b>2,608</b>
<i>Accumulated depreciation:</i>					
At 1 October 2006	364	86	17	688	1,155
Charge for the year	61	51	44	67	223
Disposals	-	(14)	-	-	(14)
<b>At 30 September 2007</b>	<b>425</b>	<b>123</b>	<b>61</b>	<b>755</b>	<b>1,364</b>
<i>Net book value:</i>					
<b>At 30 September 2007</b>	<b>798</b>	<b>118</b>	<b>206</b>	<b>122</b>	<b>1,244</b>
At 30 September 2006	857	169	179	100	1,305

The net book value of assets held under hire purchase agreements amounted to £354,000 (2006: £361,000).

## NOTES TO THE ACCOUNTS continued

### 11. INVESTMENTS HELD AS FIXED ASSETS

<b>Group:</b>	<b>Other Investments £'000</b>
<i>Cost</i>	
At 1 October 2006 and 30 September 2007	400
<i>Amounts provided</i>	
At 1 October 2006 and 30 September 2007	-
<i>Net book value</i>	
<b>At 30 September 2007</b>	<b>400</b>
At 30 September 2006	400

<b>Company:</b>	<b>Shares in subsidiaries £'000</b>	<b>Other Investments £'000</b>	<b>Total £'000</b>
<i>Cost</i>			
At 1 October 2006	1,644	400	2,044
Additions	-	-	-
At 30 September 2007	1,644	400	2,044
<i>Amounts provided</i>			
At 1 October 2006 and 30 September 2007	-	-	-
<i>Net book value</i>			
<b>At 30 September 2007</b>	<b>1,644</b>	<b>400</b>	<b>2,044</b>
At 30 September 2006	1,644	400	2,044

During the year an additional 107 shares were issued by Bethell Lighting Services Limited and gifted to a director of that company, DS Jones. Also during the year the Company acquired 6,120 shares in Bethell Power Services Limited from the former managing director of that company, M Lane, for a consideration of £1.

The other investment of £400,000 was made in TAK Developments Limited during 2006, and this company is a property development business which is a related party

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, and are 100% owned unless stated otherwise:

Bethell Construction Limited	(engaged in infrastructure services)
Bethell Power Services Limited (98.6% owned)	(engaged in power services)
Bethell Lighting Services Limited (97.5% owned)	(engaged in lighting services)
Bethell Properties Limited	(dormant)
Bethell Utilities Limited	(dormant)
Bethell Civil Engineering Limited	(dormant)
Bethell Homes Limited	(dormant)
Bethell Rail Limited (formerly Bethell Industrial Services Limited)	(dormant)

## NOTES TO THE ACCOUNTS continued

### 12. STOCKS

	Group		Company	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Raw materials and consumables	638	908	19	12

### 13. DEBTORS

	Group		Company	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Amounts recoverable on contracts	5,049	5,259	-	-
Trade debtors	9,991	10,748	5	10
Amounts owed by group undertakings	-	-	103	124
Corporation tax	-	1	-	-
Deferred tax asset (see note 18)	86	87	5	10
Other debtors	98	50	29	12
Prepayments and accrued income	188	159	77	73
	<b>15,412</b>	<b>16,304</b>	<b>219</b>	<b>229</b>

### 14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2007 £'000	2006 £'000	2006 £'000	2006 £'000
Bank overdraft (see note 28)	-	-	1,443	1,230
Trade creditors	8,544	10,250	275	265
Excess payments on account on contracts	1,618	835	-	-
Obligations under hire purchase contracts	239	225	152	139
Amounts owed to group undertakings	-	-	-	2
Other creditors	801	1,117	-	531
Corporation tax	46	-	42	52
Other tax and social security	2,077	2,032	22	21
Accruals and deferred income	2,451	1,586	112	174
	<b>15,776</b>	<b>16,045</b>	<b>2,046</b>	<b>2,414</b>

The bank overdraft is secured by a fixed charge over certain fixed assets and all book debts of the Group and a floating charge over all other assets of the Group.

The obligations under hire purchase contracts are secured on the assets subject to the finance.

### 15. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Company	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Obligations under hire purchase contracts	204	360	143	212
<i>Analysis of obligations under hire purchase contracts:</i>				
In one year or less	239	225	152	139
Between one and two years	161	213	100	123
Between two and five years	43	147	43	89
	<b>443</b>	<b>585</b>	<b>295</b>	<b>351</b>

## NOTES TO THE ACCOUNTS continued

### 16. PROVISIONS FOR LIABILITIES AND CHARGES

#### Deferred Taxation

	Group Debtor £'000	Company Debtor £'000
At 1 October 2006 (included within Debtors)	(87)	10
Profit & loss account charge	1	5
	<u>(86)</u>	<u>5</u>

#### At 30 September 2007 (included within Debtors)

The amounts provided in the accounts are as follows:

	Group Provided 2007 £'000	Group Provided 2006 £'000	Company Provided 2007 £'000	Company Provided 2006 £'000
Depreciation in advance of capital allowances: Provided within Current Assets	<u>(86)</u>	<u>(87)</u>	<u>(5)</u>	<u>(10)</u>

There are no amounts not provided in respect of deferred tax for the Group or the Company (2005: £nil).

### 17. SHARE CAPITAL

	2007 £'000	2006 £'000
<i>Authorised</i>		
70,000 deferred ordinary shares of £1 each (2005: 70,000)	<u>70</u>	<u>70</u>
	<b>2007</b>	<b>2006</b>
	<b>EURO</b>	<b>EURO</b>
49,685 "A" ordinary shares of EURO 0.01 each (2005: 49,685)	<u>497</u>	<u>497</u>
8,281 "B" ordinary shares of EURO 0.01 each (2005: 8,281)	<u>83</u>	<u>83</u>
5,521 "C" ordinary shares of EURO 0.01 each (2005: 5,521)	<u>55</u>	<u>55</u>
	<u>635</u>	<u>635</u>
	<b>2007</b>	<b>2006</b>
	<b>£'000</b>	<b>£'000</b>
<i>Called up, allotted and fully paid:</i>		
50,000 deferred ordinary shares of £1 each (2005: 50,000)	<u>50</u>	<u>50</u>
49,685 "A" ordinary shares of EURO 0.01 each (2005: 49,685)	-	-
8,281 "B" ordinary shares of EURO 0.01 each (2005: 8,281)	-	-
5,521 "C" ordinary shares of EURO 0.01 each (2005: 5,521)	-	-
	<u>50</u>	<u>50</u>

The "A", "B" and "C" Ordinary Shares of EURO 0.01 each in the capital of the Company rank *pari passu* in all respects except that the "B" Ordinary Shares of EURO £0.01 each have become deferred shares of EURO 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 EURO 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. During 2004 options over 2,760 "C" Ordinary shares of EURO 0.01 each have been granted to employees under the EBT and these are exercisable 30 months after the date of grant as follows:

	Number of shares	Option price per share	Option period ending
Issued on 18 June 2004	<u>2,760</u>	<u>£17.50</u>	<u>17 June 2014</u>

## NOTES TO THE ACCOUNTS continued

### 18. RESERVES

	<b>Company</b> Profit and loss account £'000	<b>Group</b> Capital reserve £'000	<b>Group</b> Profit and loss account £'000
At 1 October 2006	914	100	3,161
Retained profit for the year	373	-	116
<b>At 30 September 2007</b>	<b>1,287</b>	<b>100</b>	<b>3,277</b>

### 19. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<b>2007</b> £'000	2006 £'000
Profit for the financial year	265	95
Dividends	(149)	-
Net increase in shareholders' funds	116	95
Opening shareholders' funds	3,311	3,216
Closing shareholders' funds	3,427	3,311

### 20. RECONCILIATION OF OPERATING PROFIT TO NET CASH FLOW FROM OPERATING ACTIVITIES

	<b>2007</b> £'000	2006 £'000
Operating profit	307	89
Depreciation on tangible fixed assets	510	555
Profit on disposal of tangible fixed assets	(77)	(79)
Goodwill amortisation	15	15
Decrease / (increase) in stock and work-in-progress	270	(580)
Decrease / (increase) in debtors	891	(6,914)
(Decrease) / increase in creditors	(329)	5,183
Net cash (outflow)/inflow from operating activities	1,587	(1,731)

### 21. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	<b>2007</b> £'000	2006 £'000
Increase / (decrease) in cash in the year	974	(2,661)
Net inflow from decrease in debt and hire purchase financing	235	210
Change in net debt	1,209	(2,451)
New hire purchase contracts	(93)	(402)
Movement in net debt for the year	1,116	(2,853)
Net cash in hand / (debt) at start of year	(556)	2,297
Net cash in hand / (debt) at end of year	560	(556)

### 22. ANALYSIS OF NET FUNDS / (DEBT)

	At start of year £'000	Cash flow £'000	Non cash items £'000	At end of year £'000
Cash at bank and in hand	29	974	-	1,003
Bank overdraft	-	-	-	-
Obligations under hire purchase contracts and finance leases	29 (585)	974 235	- (93)	1,003 (443)
	(556)	1,209	(93)	560

## NOTES TO THE ACCOUNTS continued

### 23. FINANCIAL COMMITMENTS

		2007 £'000	2006 £'000
<i>Capital commitments:</i>			
Authorised but not contracted		105	-
Contracted for but not provided		17	71
<i>Hire purchase commitments:</i>			
Gross obligations repayable	- all within 5 years	474	638
Finance charges repayable	- all within 5 years	31	53
Net obligations payable	- all within 5 years	443	585
<i>Annual operating lease commitments:</i>			
Land and buildings	- leases ending after more than 5 years	197	197
	- leases ending within 2 to 5 years	4	57
	- leases ending in less than 1 year	57	3
		258	257
Plant and equipment	- agreements ending after more than 5 years	2	2
	- agreements ending within 2 to 5 years	61	19
	- agreements ending in less than 1 year	4	8
		67	29
Total	- ending after more than 5 years	199	199
	- ending within 2 to 5 years	65	76
	- ending in less than 1 year	61	11
		325	286

*Pension commitments:*

The Group operates a defined contributions pension scheme for eligible monthly paid staff and a stakeholder scheme through the B&CE for all other employees. The assets of the schemes are held separately from those of the Group in independently administered funds. The amount owing to the pension schemes at the year-end by the Group and Company was £16,090 and £2,354 respectively (2006: £13,461 and £2,096), including employer contributions of £8,251 and £1,417 respectively (2006: £7,340 and £1,356).

### 24. CONTINGENT LIABILITIES

The Group's bankers secure their lending to the Group by a fixed charge over relevant fixed assets and all book debts and a floating charge over all other assets of the Group. At the year-end the Company and Group had contingent liabilities amounting to £nil and £nil respectively (2006: £nil and £nil respectively) under these cross guarantees.

During the years to 30 September 2000 and 2001, companies within the Group made contributions amounting to £1,000,709 into an employee share ownership trust. The Inland Revenue are currently challenging the deduction of these contributions by the company in arriving at profits chargeable to corporation tax. Management have received professional advice which considers that payments are eligible for corporation tax relief. If the challenge were successful, the maximum liability would amount to £300,213 and would be subject to interest.

### 25. RELATED PARTY TRANSACTIONS

In 2003 the Group and Company entered into a contract to construct a private residence for Mr TA Kilroe on a cost plus basis. The Group and Company generated sales of £30,000 and £nil respectively during the year on this contract (2006: £69,000 and £nil) and the amount of £3,000 and £nil respectively was outstanding at the year-end (2006: £2,000 and £nil) and is included within Trade Debtors in note 13. This debtor represented the value of work undertaken towards the end of the year, and was paid after the year-end.

In 2007 the Group entered into contracts with TAK Developments Limited, a related party, to design and build two residential developments. The Group generated sales of £209,000 during the year on these contracts (2006: £nil) and the amount of £115,000 is included within Trade Debtors in note 13. This debtor represented contract work in progress not yet billed.

### 26. ULTIMATE CONTROLLING PARTY

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

## THREE YEAR RECORD

Year ended 30 September

	<b>2007</b> <b>£'000</b>	2006 £'000	2005 £'000
<b>PROFIT &amp; LOSS ACCOUNT</b>			
Turnover (all continuing activities)	<b>54,255</b>	52,214	47,001
Operating profit (all continuing activities)	<b>308</b>	89	1,217
Net interest	<b>(100)</b>	(38)	(65)
Profit before taxation	<b>208</b>	51	1,152
Taxation	<b>56</b>	4	(398)
Profit after taxation	<b>264</b>	55	754
Minority interest	<b>1</b>	40	(18)
Dividends	<b>-</b>	-	(250)
Profit for the financial year	<b>265</b>	95	486
<b>BALANCE SHEET</b>			
Share capital	<b>50</b>	50	50
Reserves	<b>3,377</b>	3,261	3,166
Minority interests	<b>-</b>	-	40
Capital employed	<b>3,427</b>	3,311	3,256
Net cash in hand / (debt)	<b>560</b>	(556)	2,297
<b>FINANCIAL RATIOS</b>			
Year end gearing (%) (excluding hire purchase)	<b>Nil</b>	Nil	Nil
Continuing operations operating margin (%)	<b>0.6%</b>	0.1%	2.6%
Return on average capital employed (%)	<b>9%</b>	3%	78%



# **Bethell Group Plc**

**INFRASTRUCTURE AND  
POWER SERVICES  
THROUGHOUT THE UK**

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