

solutions based on experience



Bethell Group plc
Annual Report and Accounts
Year ended 30 September 2008





Solutions Based On Experience

“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”

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DIRECTORS

Executive Directors:



Tim A Kilroe, aged 44

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 since then, both organically and by acquisition.



Neil Hopkins-Coman FCA MA(Oxon), aged 46

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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Manchester M60 2LE

CHAIRMAN'S STATEMENT

Introduction

On behalf of the board of directors I would like to start my statement this year by thanking all our staff for their hard work and efforts during 2008 which, I am pleased to be able to report, has allowed the Group to declare a substantial increase in activity and profits. Our top line growth was in excess of 40%, taking Group turnover up to £76.1m from £54.2m last year, and operating profits were increased by a factor of almost four to £1.13m from £0.3m. Equally pleasing is the fact that this has been achieved safely, with the Group's Accident Frequency Ratio ("AFR") being reduced to 0.26 from 0.64 last year.



Tim Kilroe
Group Chief Executive

It is satisfying to be able to report on this progress, and to be able to share a significant proportion of the Group's profits with those that have worked together to achieve this – all monthly staff participate in a profit sharing scheme that pays out in December each year. This is not just a "bonus" but a tangible demonstration of my personal appreciation, as the principal shareholder of the Group, and my philosophy that success is to be shared amongst those that create it. The growth in activities during 2008 has been delivered mainly through the expansion of our work in the rail and power services

sectors and the construction operations have also had a very successful year completing some high profile projects, on time and on budget, leading to very high levels of client satisfaction. The business review on pages 8 to 10 give a comprehensive analysis of the activities during the past year, however, I would like to focus below on some notable highlights of what has been a very busy period.

Trading Overview

Bethell Power Services Limited ("Power Services"), which provides services to the electricity industry, primarily the distribution network operators ("DNOs"), has enjoyed another strong year. Turnover in 2008 has increased by 15% to £31.3m and a number of notable contracts have been re-secured or won for the first time. Most significant have been a new five year framework contract with Scottish Power for underground electrical works in the east of Scotland and re-securing a five year contract for maintenance and refurbishment of overhead power lines with Western Power in south west England and south Wales. Power Services also secured a new two year contract with United Utilities Networks for single electricity connections ("SECC") in Cumbria and Lancashire. During the year two new operating bases have been established, one at Preston, Lancashire and the other at West Calder, West Lothian with approximately 200 employees transferring into the company under the "TUPE" employment protection regulations. Power Services has achieved an operating profit of £1.0m (2007: £0.1m) and a satisfactory operating margin of 3.2%.



Power Services' West Calder Depot

The management team within Power Services was strengthened in 2008 with additional director appointments and senior recruitments to assist in delivering on current contracts but also positioning the business for future opportunities. These are considerable as evidenced by the energy regulator Ofgem launching its electricity distribution price control review for 2010-2015 during the year. This price control

CHAIRMAN'S STATEMENT *continued*

sets the revenues DNOs can collect from their customers and places a number of incentives on DNOs – with distribution charges currently standing at around £3.5 billion a year.

Importantly, Power Services has again enjoyed a safe year of working with no fatalities, a reduced Accident Frequency Rate of 0.41 (2007: 1.0) and a frequency indicator of 968 per 100,000 employees (2007: 2,395). These are considerable improvements which the business is targeting to better again in 2009.



Bethell Construction
Aldi Stores, Colwyn Bay

Bethell Construction Limited (“Construction”) has also enjoyed a successful 2008. Turnover has increased by 39% to £32.5m with the building business, which was only established in 2007, accounting for more than a quarter of this. The rail business, which had a very successful period, contributed turnover of £7.3m during the first half of the year before being spun out into a separate legal entity with effect from 1 April 2008. The civil engineering operation generated the remainder of the turnover from a combination of small and medium sized projects, including

specialist mechanical and electrical works on a major water treatment facility for United Utilities Water Plc at Sandon Dock, Liverpool and also completing, just after the year end, a two year scheme of ground works on the redevelopment of Bury Town Centre for Thornfield Developments. Overall Construction generated an operating profit of £0.7m in the year (2007: £0.1m) and importantly has also had a safe working year, with no fatalities, a reduced Accident Frequency Rate of 0.18 (2007: 0.2) and a frequency indicator of 426 per 100,000 employees (2007: 380).

Bethell Lighting Services Limited (“Lighting Services”) has had a difficult year following a mixed performance last year. Turnover decreased by 10% to £3.9m with the business reporting an operating loss of £0.9m (2007: operating loss £0.4m). Despite renewing installation and maintenance contracts with Bolton Council and Adshell and gaining status as an independent connections provider, Lighting Services has suffered from a shortfall of profitable work. In 2008 considerable resources were expended on PFI activities, through the Northern Lighting Partnership, but the company has not been able to achieve a Preferred Bidder award in the face of stiff competition. Substantial internal and external costs have again been written off in 2008 as a result of this PFI bid process. Lighting Services has also had a safe working year, with no fatalities, an Accident Frequency Rate of 0.0 (2007: 0.0) and a frequency indicator of nil per 100,000 employees (2007: nil). Responding to the lack of work and the requirement to reduce the cost base, with effect from 1 October 2008 the Group’s lighting services activities transferred to Power Services and the legal entity Bethell Lighting Services Ltd became dormant.

Bethell Rail Limited (“Rail”) commenced trading on 1 April 2008 and generated turnover in the six months to 30 September of £9.2m. Total rail turnover in the year (including that within Construction) was £16.6m, an increase of 255% over last year. Rail has worked on several high profile schemes directly for Network Rail in the year including platform extension works at Tamworth and Lichfield and the renewal of points heating devices at London Victoria and on the southern and eastern rail networks. Shortly after the end of the year Rail set up offices in York and Rugby to support activities in these regions.



Bethell Rail
Platform extension at Tamworth

CHAIRMAN'S STATEMENT *continued*

Overall Rail generated an operating profit of £0.4m in its first six month period and importantly has also had a safe working period, with no fatalities, an Accident Frequency Rate of 0.0 and a frequency indicator of nil per 100,000 employees.

The holding company, Bethell Group Plc, generated an operating profit in the year of £1k (2007: £559k) and aside from head office management services it operates and hires out, mainly internally, a range of specialist plant and vehicles.

Health, Safety, Quality and Environment

To support the growth in Group activities considerable additional resource has been added in the area of Health, Safety, Quality and Environment ("HSQE") during 2008. In addition, I decided the time was right to appoint a Group HSQE Director (Ian Madden). In accordance with the improvements in this area, each business stream (Construction, Power and Rail) now has a Head of HSQE reporting to the HSQE Director, who reports directly to me as Group Chief Executive.

In addition, and in accordance with good practice, all Directors, senior management and staff have been involved and contributed even more to the expansion and commitment to improving our record and culture. In 2008 investment in training and developing our employee qualifications across HSQE activities has been significant for all businesses. This investment has seen significant improvements in our work activities and underlined the Bethell ethos that "Safety Comes First". We have continued regular mandatory business wide health and safety briefings and our ability to regularly present a strong and relevant safety message ensures that safety is always at the forefront of our work and management activities.

Group wide safety data for 2008 shows no fatalities and HSE Reportable Accidents at 561 per 100,000 employed (2007: 1,378). It is encouraging that year on year we are having an instrumental effect on reducing this figure and we are still trending lower than our industry as a whole (based on the latest HSE Labour Force Survey, the rate of reportable injury in the UK construction industry was 1,550 per 100,000 workers). This makes us even more focused in targeting and endeavouring to improve our safety record. Our area of activity over the near term will be the introduction and continuing support of a behavioural

safety programme, expansion and improvement of our dedicated HSQE resource within the Group and continuing investment in training and our systems.



Business Review Meeting



Rebranding Bethell, 2008

Our People

In January 2008 the Group appointed an HR Director (Lisa Manzano) whose role is to ensure that the people strategies are in line with the business' core values and goals and to develop the strategic and operational HR function, positioning HR as a true business partner in order to retain and develop talent, drive engagement and energise the organisation. The training function

has now been restructured and forms part of HR to provide an effective learning and development service to the organisation, ensuring that its activities are embedded within the business and aligned with its cultural, professional, performance and technical development needs.

The business has continued to evolve and respond quickly to changing market demands and this responsiveness, combined with strong leadership and a total commitment to relationships with both its own people and its clients, continued to improve results throughout the Group's businesses. At the heart of this success is the continued commitment to developing people with middle management development a key priority area, which is largely as a result of nurturing talent and developing people from within. On the back of this I was delighted that the Group was reaccredited with Investors in People in June 2008. The Group employs almost 300 more people than it did a year ago, having transferred in a number of staff under TUPE legislation on the SECC 2008 and Scottish Power contracts, with the headcount currently at 850.

Future Strategy

The Group's strategy remains broadly unchanged with a continued focus on our core competencies, and expansion into a national operator. In 2008 this geographic expansion included new operating bases in Scotland, Lancashire, Yorkshire and Warwickshire and is being led by our rail and power services businesses. To underline our expansion we have modernised the "Bethell" brand with a new logo and considerably redeveloped our website.

The Group maintains a philosophy of continuous improvement and environmental sustainability, and we work continually with clients and other external stakeholders in this arena.

I am pleased with the financial outturn for 2008 and the Group enters the coming year in a strong financial position with a secured order book of £125m, a new record for Bethell. Although economic and market conditions have deteriorated since the year end, with the UK heading into recession, we are fortunate that the majority of our operations target necessary infrastructure improvements which is still an area of considerable public investment. Nevertheless we remain focussed on reducing our cost base and are not complacent. I am looking forward to another successful year in 2009.

T A Kilroe

Chairman and Group Chief Executive

Dated: __ December 2008

BUSINESS REVIEW

Bethell Construction Limited (“BCL”)

BCL is a long established infrastructure services business and operated during 2008 through three business streams focussed on Civils, Building and Rail. Due to its strong growth the Rail business stream was transferred to a separate legal entity, Bethell Rail Limited, with effect from 1st April 2008. The client base within BCL continues to be very 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. During 2008 more than ever a substantial proportion of work was secured as repeat business due to the high quality of project delivery.

Strong growth has been achieved in 2008 with turnover up by 39% to £32.5m and gross margins have been maintained at 7.2% (2007: 7.3%). During 2008 the BCL indirect overheads have been able to be decreased as a proportion of turnover, with a substantial reduction to 5.0% (2007: 6.9%). As a consequence the operating profit has been increased strongly to £0.7m from £0.1m last year. During 2008 headcount increased to an average of 235 from 200 for 2007.

Combined Civils and Building turnover accounted for 77% of activity during the year with the six months of Rail contributing the balance. At the end of the year the Building and Civils streams were consolidated into a single business unit to respond to the more challenging economic and market conditions expected for 2009. Notable schemes carried out in 2008 have included four projects with in excess of £1m turnover; MVSP Sludge Tanks works for United Utilities Water, The Rock at Bury for Thornfield Developments, Ramsbottom Reprovision for Tameside NHS Trust and Huyton Churches Training Centre, which is partly funded by Knowsley Council. The Civils and Building Streams worked on a further 130 projects during the year with an average value of £110,000.

During the first six months of the year the Rail business accounted for £7.3m of turnover. The business has grown significantly from 2007, with an increased specialism successfully developed in civils, electrification and plant works for Network Rail and other major rail contractors. A total of 25 projects were worked on during this six month with an average value just over £300,000. The largest single project being the continuation of works at Tamworth and Litchfield stations as part of platform extension works. From 1st April 2008 the Rail activities are reflected in the books of Bethell Rail Limited.

At the start of 2009 BCL is facing a more difficult year as there is no doubt that the “credit crunch” has had an adverse impact on this market sector. However, BCL’s strength include offering value for money at all times as by continuing to focus on the delivery of high quality works, in a safe and efficient manner, on-time and on budget the business can continue to be successful.

Bethell Rail Limited (“BRL”)

The Group’s rail activities were carried out within Bethell Construction Limited until 31 March 2008 after which BRL (formerly Bethell Industrial Services Limited) commenced trading. Total rail turnover in the year was £16.6m of which £9.3m has been since 1 April 2008. This is considerable growth, being an overall increase of 255% from 2007.

Underpinning this exceptional increase has been considerable recruitment of skilled resource at all levels within BRL including health and safety disciplines. It has not been easy locating individuals but the extensive personal network of existing employees has provided the bulk of the recruitment, and to focus

BUSINESS REVIEW *continued*

staff in this area a generous “internal bounty” finders’ fees have been paid (akin to external professional agency finders’ fees). Since 1 April this has amounted to almost £25,000 but has been instrumental in BRL’s headcount building to 125 directly employed staff together with specialist agency / subcontractor support.

Contract activities have been varied but the largest schemes have been station platform extension works on the West Coast mainline at Tamworth and Lichfield, 11KV cable renewal for Network Rail in Merseyside and points heating installation works at a number of locations including London Victoria and London Waterloo stations. Towards the end of the year BRL also commenced working on the Settle to Carlisle mainline carrying out a range of works and on major improvements at York station (platform 9). Unfortunately BRL stopped its survey and design works on the fixed telecommunications network early in the business year following a change in procurement strategy by Network Rail. Nevertheless, there remains considerable opportunity for Bethell Rail in the electrification and plant arena.

At the start of 2009 BRL has a secured order book of around £10m and a number of opportunities which mean further profitable growth is expected.

Bethell Power Services Limited (“BPS”)

BPS 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 as well as a number of private sector clients and developers. The major area of activity for the company include low and high voltage underground cables, emergency faults, construction and maintenance of substations and overhead line networks, including high voltage transmission lines and tower maintenance. Last year BPS expanded its multi-utility installation offering, which was targeted at property developers, with gas, water and electricity distribution services being single sourced from Bethell. However, as the UK residential and commercial property markets have slowed the work opportunities in this arena have become scarcer. BPS has therefore re-deployed transferrable skills into other sectors where activity continues to be strong.

Overall turnover for BPS has increased by 15% in 2008 to £31.2m due to several notable contract awards. During the first half year BPS re-secured a five-year framework contract for overhead lines maintenance and refurbishment working for Western Power Distribution in south Wales, Devon and Cornwall. In the summer an electrical connections contract was renewed with United Utilities Networks albeit covering slightly different work scopes but with an enlarged geographical footprint covering Lancashire and Cumbria. This particular framework runs through to the start of the next five year regulated spending period in March 2010. In September 2008 the company then commenced a five year framework for cable excavation and lay works, both planned and responsive works, for Scottish Power Energy covering their east of Scotland territory.

As a result of the additional term contracts, but also a reasonable level of one off projects, BPS achieved a much improved operating performance. The gross margin for the year was increased to 8.4% from 5.2% in 2008, and the operating profit jumped up to £1.0m (2007: £0.1m).

A substantial proportion of these profits were reinvested in fixed asset additions during the year with total expenditure in excess of £0.4m. The most substantial costs were incurred in setting up a new operating base in West Calder, West Lothian, to service the Scottish Power works and at Redscar in Preston, Lancashire as a base for the United Utilities contract. Both of these contracts also resulted in considerable

BUSINESS REVIEW *continued*

employee consultation as transfers in under the TUPE employment protection regulations were necessary. Average headcount increased from 280 staff to 310 but the number of employees at the end of the year was actually 462.

The prospects for BPS are very encouraging. Investment in the electrical distribution market remains buoyant despite the current difficult economic conditions and the energy regulator Ofgem, when it launched its fifth electricity distribution price control review in March 2008, is looking at spending plans for the next five year control period of 2010 to 2015. As part of this review process Ofgem sets the revenues DNOs can collect from their customers and places a number of incentives on DNOs – with distribution charges currently standing at around £3.5 billion a year.

Bethell Lighting Services Limited (“BLS”)

BLS operated from depots at Kearsley, Blackpool and Anglesey during the year, carrying out street lighting maintenance for Blackpool Council, Fylde Borough Council, Bolton Council and the Isle of Anglesey Council. Overall turnover declined in 2008 by 10% to £3.9m as the opportunity for profitable one off project works became scarce meaning BLS was forced to rely on principally only the above term maintenance contracts. Without these additional revenues to dilute BLS’s cost base a substantial operating loss of £0.7m was reported. This poor trading result follows on from an operating loss of £0.4m last year and also a disappointing outcome for BLS’s attempt to enter the PFI arena – the bidding consortium, called the Northern Lighting Partnership, having passed a rigorous pre-qualification process, submitted outline solutions for schemes with Blackpool Council, Oldham Council and Rochdale Council. Despite being selected to develop detailed solutions with Blackpool Council the consortium was not selected as preferred bidder. Substantial costs, both internal and external, were incurred during 2008 on these PFI projects which have been expensed in the year. When the final contract is awarded in Blackpool BLS’s current maintenance contract will end and staff deployed will be eligible to TUPE transfer to the successful bidder.

During 2008 BLS has carried out a number of successful pilot schemes after gaining accreditation as an Independent Connections Provider (“ICP”). However, in the short term the volume of work available has been limited but longer term prospects remain encouraging. More positively BLS has commenced a reasonable volume of works for Warrington Borough Council and successfully extended its maintenance contract with Bolton Council. BLS’s contract with Adshell (Clear Channel UK) for bus shelter electrical installation works was also re-negotiated during 2008 and extended for a further period.

As a result of the decline in activity, the forthcoming loss of the Blackpool Council term maintenance contract and the unsuccessful PFI bids the board decided it would make commercial sense to integrate the lighting services operations into another Bethell business allowing certain overhead cost reductions and a streamlined management and supervisory structure. Accordingly with effect from the start of the 2009 financial year BLS has become dormant and the lighting services activities transferred to Bethell Power Services Limited.

FINANCIAL REVIEW

Consolidated turnover has increased this year by 40% to £76.1m (2007: £54.2m) with strong growth from both Bethell Rail and Bethell Power Services. Gross margins were increased from 5.7% last year to 6.8%, leading to an overall increase in gross profit of 66% to £5.1m. This level of growth has required a considerable increase in overhead and administrative expenses were up by 44% at £4.0m, increasing slightly as a proportion of turnover at 5.3% (2007: 5.1%). Operating profits have risen by 367% to £1.13m, representing an operating margin of 1.4% (2007: 0.6%). The increased margin takes the Group closer to comparators but remains a focus in 2009. Net interest costs reduced in 2008 and were just £20,000 (2007: £0.1m), an interest cover of 57 (2007: 3). Pleasingly, the consolidated Group net pre-tax profits jumped by a factor of five to £1.1m (2007: £0.2m).



Neil Hopkins-Coman
Group Finance Director

The Group has again been able to turn profits into cash with £2.7m generated from operations. Non-operating cash flows totalled an outflow of £1.1m (2007: £0.6m) and included a dividend of £99,000 (2007: £147,000) and a net investment in tangible fixed assets (after hire purchase finance) of £679,000 (2007: £339,000). The overall increase in cash during the year was £1.6m leaving the Group with cash in hand of £2.6m at 30 September 2008. After including hire purchase obligations the Group was in a net funds position at the year-end of £1.7m (2007: £0.6m).

The Group's net assets at 30 September 2008 increased to £3.9m from £3.4m last year. Tangible fixed assets increased by £0.7m with fixed asset additions of £1.3m in the year, representing just over twice the depreciation charge of £0.6m. Significant costs were incurred setting up a large regional presence in Scotland following the award of a five year contract with Scottish Power and a depot in Preston to service United Utilities works in Lancashire and Cumbria. Much needed refurbishment was also carried out at the Groups head office in Kearsley. Hire purchase funding was put in place to cover 55% of this expenditure.

"Turnover has increased by 40% over 2007...and net profits jumped by a factor of five to £1.1m"

After the balance sheet date the Group has de-merged Bethell Power Services Ltd ("BPSL") via a dividend *in specie* to shareholders of Bethell Group Plc. As explained in note 12 this was done for *bona fide* commercial reasons and has no impact on the level of direct support given to BPSL by the Group and its shareholders. BPSL is therefore now a related undertaking but at an operational level there will be no practical impact from this change in ownership. For the benefit of external stakeholders we intend to still produce consolidated financial statements incorporating the activities of the Group and BPSL in addition to statutory accounts.

Finally it is pleasing to report that despite the hard general economic conditions the Group's forward secured order book is at a record high of £125m (2007: £76m) and reflects a considerable number of long term framework contracts secured the last year. 2009 will doubtless be a tougher trading climate than 2008 but we are entering the year in a solid financial position.

Neil Hopkins-Coman
Group Finance Director

Dated: __ December 2008

DIRECTORS' REPORT

The directors present the Company's annual report and the audited financial statements for the year ended 30 September 2008.

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 successful year 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 £99,370 (£2 per "A" share) was paid during the year (2007: £149,055, £3 per "A" share). 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 £5,080 and £13,782 respectively (2007: £19,244 and £16,846 respectively).

DIRECTORS AND THEIR INTERESTS

The directors of the Company at the year-end are shown on page 3. 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	
	2008	2007
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

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:

	Share options	
	2008	2007
T A Kilroe	-	-
N Hopkins-Coman	2,208	1,380
D N Young	-	-
CM Kilroe	-	-

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 represented by trade creditors at 30 September 2008 was 40 for the Company (2007: 28) and 79 for the Group (2007: 72).

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: __ December 2008

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 2008 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: __ December 2008

CONSOLIDATED PROFIT AND LOSS ACCOUNT

Year ended 30 September 2008

	<i>Note</i>	Continuing operations 2008 £'000	Discontinued operations 2008 £'000	Total 2008 £'000	2007 £'000
Turnover	2, 7	41,009	35,116	76,125	54,255
Cost of sales		(37,813)	(33,165)	(70,978)	(51,157)
Gross profit		3,196	1,951	5,147	3,098
Administrative expenses		(2,124)	(1,892)	(4,016)	(2,790)
Other operating income		-	-	-	-
Operating profit	4, 7	1,072	59	1,131	308
Interest receivable & similar income	5			95	61
Interest payable & similar charges	6			(115)	(161)
Profit on ordinary activities before taxation				1,110	208
Tax on profit on ordinary activities	8			(455)	56
Profit on ordinary activities after taxation				656	264
Minority interest				(35)	1
Profit for the financial year	19			621	265

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

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 2008

		2008		2007	
	Note	£'000	£'000	£'000	£'000
FIXED ASSETS					
Positive goodwill	10	132		146	
Tangible assets	11	2,601		1,808	
Investments	12	487		400	
CURRENT ASSETS			3,220		2,354
Stocks	13	918		638	
Debtors	14	23,500		15,412	
Cash at bank and in hand		2,600		1,003	
		27,018		17,053	
CREDITORS: amounts falling due within one year					
	15	(25,746)		(15,776)	
NET CURRENT ASSETS			1,272		
TOTAL ASSETS LESS CURRENT LIABILITIES			4,492		3,631
CREDITORS: amounts falling due after more than one year					
	16		(509)		(204)
PROVISIONS FOR LIABILITIES			-		-
	17				
Equity minority interests			(35)		-
Net assets			3,948		3,427
CAPITAL AND RESERVES					
Called up share capital	18		50		50
Capital reserve	19		100		100
Profit and loss account	19		3,798		3,277
Equity shareholders' funds			3,948		3,427
	20				

The financial statements on pages 14 to 28 were approved by the Board of Directors on __ December 2008 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 2008

		2008		2007	
	Note	£'000	£'000	£'000	£'000
FIXED ASSETS					
Tangible assets	11	1,613		1,244	
Investments	12	2,132		2,044	
			3,745		3,288
CURRENT ASSETS					
Stocks	13	23		19	
Debtors	14	670		219	
Cash at bank and in hand		2,441		-	
			3,134	238	
CREDITORS: amounts falling due within one year	15	(4,281)		(2,046)	
NET CURRENT LIABILITIES			(1,147)		
TOTAL ASSETS LESS CURRENT LIABILITIES			2,598		1,480
CREDITORS: amounts falling due after more than one year	16		(405)		(143)
PROVISIONS FOR LIABILITIES	17		-		-
Net assets			2,193		1,337
CAPITAL AND RESERVES					
Called up share capital	18		50		50
Profit and loss account	19		2,143		1,287
Equity shareholders' funds			2,193		1,337

The financial statements on pages 14 to 28 were approved by the Board of Directors on __ December 2008 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 2008

	Note	2008		2007	
		£'000	£'000	£'000	£'000
Net cash inflow from operating activities	21		2,673		1,587
Returns on investments & servicing of finance					
Interest received		95		61	
Interest paid		(115)		(161)	
Net cash outflow from returns on investments & servicing of finance			(20)		(100)
Taxation					
UK corporation tax received			38		103
Acquisitions & disposals					
(Sale)/purchase of minority interest			-		-
Capital expenditure and financial investment					
Purchase of tangible fixed assets (net of hire purchase)		(679)		(339)	
Purchase of fixed asset investment		(87)		-	
Proceeds from sale of tangible fixed assets		27		106	
Net cash outflow from investing activities			(739)		(233)
Equity dividends paid			(99)		(149)
Net cash inflow before financing			1,853		1,208
Financing					
Capital element of hire purchase payments		(256)		(234)	
Net cash outflow from financing			(256)		(234)
Increase in cash	22		1,597		974

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 2008 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:

Leasehold improvements	over the unexpired lease term (originally 20 years)
Plant & machinery	over 4 or 5 years
Fixtures & fittings	over 3 or 4 years
Motor vehicles	over 3 to 5 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 ("EBT")

Investments held as fixed assets are stated at cost less provision for any permanent diminution in value. Shares in the company held by the Bethell Group 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.

NOTES TO THE ACCOUNTS *continued*

1. ACCOUNTING POLICIES *continued*

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.

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2008 £'000	2007 £'000
Staff costs during the year (including directors)		
Wages and salaries	21,647	16,383
Social security costs	2,204	1,671
Pension costs	134	113
	23,985	18,167
Directors' emoluments		
Remuneration	542	503
Pension contributions to money purchase schemes	26	25
	568	528
Highest paid director		
Remuneration	272	255
Pension contributions to money purchase scheme	-	-
	272	255
	Number	Number
Number of directors who are members of a money purchase scheme	3	3
Average number of persons employed		
Contracting and direct labour	409	339
Management, supervision and administration	252	192
	661	531
4. OPERATING PROFIT	2008	2007
	£'000	£'000
<i>The operating profit is stated after crediting:</i>		
Release of accrual for guarantee liability	-	(531)
Profit on disposal of fixed assets	-	(78)

In 2004 the Company and Group made accruals of £531,000 to cover potential liabilities arising from the insolvency of an associated company in 2003. These accruals are no longer required and were released during 2007.

NOTES TO THE ACCOUNTS *continued*

4. OPERATING PROFIT <i>continued</i>						
				2008	2007	
<i>The operating profit is stated after charging:</i>				£'000	£'000	
Depreciation on owned assets				346	314	
Depreciation on financed assets				221	196	
Amortisation of goodwill				14	15	
Short term hire of plant and machinery				4,385	2,205	
Rentals under operating leases - land and buildings				295	198	
Rentals under operating leases - other				37	41	
Auditors' remuneration – audit services				24	20	
Auditors' remuneration – non audit services				21	8	
				<u> </u>	<u> </u>	
5. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME				2008	2007	
				£'000	£'000	
Interest receivable				95	61	
				<u> </u>	<u> </u>	
6. INTEREST PAYABLE AND SIMILAR CHARGES				2008	2007	
				£'000	£'000	
Bank interest				5	118	
Hire purchase interest				29	35	
Interest on late payment of taxation				81	8	
				<u> </u>	<u> </u>	
				115	161	
				<u> </u>	<u> </u>	
7. DISCONTINUED OPERATION						
		2008			2007	Total
	Continuing	Discontinued	Total	Continuing	Discontinued	£'000
	£'000	£'000	£'000	£'000	£'000	
Turnover	41,009	35,116	76,125	27,114	27,141	54,255
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Cost of sales	37,813	33,165	70,978	24,440	25,717	51,157
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<i>Net operating expenses</i>						
Administrative expenses	2,124	1,892	4,016	1,444	1,346	2,790
Other operating income	-	-	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	2,124	1,892	4,016	1,444	1,346	2,790
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Operating profit	1,072	59	1,131	230	78	308
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
8. TAX ON PROFIT ON ORDINARY ACTIVITIES				2008	2007	
Current tax:				£'000	£'000	
UK Corporation Tax on profits of the period				401	27	
Adjustment in respect of prior periods				66	(84)	
				<u> </u>	<u> </u>	
				467	(57)	
Deferred tax – origination and reversal of timing differences				(12)	1	
				<u> </u>	<u> </u>	
Tax charge / (credit)				455	(56)	
				<u> </u>	<u> </u>	

NOTES TO THE ACCOUNTS *continued*

8. TAX ON PROFIT ON ORDINARY ACTIVITIES *continued*

The tax assessed for the period is lower than the standard rate of corporation tax in the UK (2008: 29% and 2007: 30%). The differences are explained below:

	2008	2007
	£'000	£'000
Profit on ordinary activities multiplied by the standard rate in the UK	322	62
Effects of:		
Expenses not deductible for tax purposes	35	27
Non-taxable gains	10	(159)
Capital allowances for the period (more)/less than depreciation	34	-
Utilisation of tax losses by carry back	-	72
Losses not utilised carried forward	-	25
Adjustment to tax charge in respect of prior periods	66	(84)
	<u>467</u>	<u>(57)</u>
Tax charge /(credit) for the year (as above)	<u>467</u>	<u>(57)</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.

9. 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 £856,000 (2007: profit of £373,000).

10. POSITIVE GOODWILL

Group:	£'000
<i>Cost</i>	
At 1 October 2007 and 30 September 2008	<u>291</u>
<i>Accumulated depreciation</i>	
At 1 October 2007	145
Charge for the year	14
At 30 September 2008	<u>159</u>
<i>Net book value</i>	
At 30 September 2008	<u>132</u>
At 30 September 2007	<u>146</u>

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

NOTES TO THE ACCOUNTS *continued*

11. TANGIBLE FIXED ASSETS

Group:	Leasehold improvements £'000	Motor vehicles £'000	Plant & machinery £'000	Fixtures & fittings £'000	Total £'000
<i>Cost</i>					
At 1 October 2007	1,223	293	1,303	1,887	4,706
Additions	441	6	493	436	1,376
Disposals	-	(69)	-	-	(69)
At 30 September 2008	1,664	230	1,796	2,323	6,013
<i>Accumulated depreciation</i>					
At 1 October 2007	425	176	813	1,484	2,898
Charge for the year	63	38	250	216	567
Disposals	-	(53)	-	-	(53)
At 30 September 2008	488	161	1,063	1,700	3,412
<i>Net book value</i>					
At 30 September 2008	1,176	69	733	623	2,601
At 30 September 2007	798	117	490	403	1,808

The net book value of assets held by the Group under hire purchase agreements amounted to £1,057,000 (2007: £492,000).

Company:	Leasehold improvements £'000	Motor vehicles £'000	Plant & machinery £'000	Fixtures & fittings £'000	Total £'000
<i>Cost</i>					
At 1 October 2007	1,223	241	267	877	2,608
Additions	474	6	3	116	599
Disposals	-	(69)	-	-	(69)
At 30 September 2008	1,697	178	270	993	3,138
<i>Accumulated depreciation</i>					
At 1 October 2007	425	123	61	755	1,364
Charge for the year	63	38	54	58	213
Disposals	-	(52)	-	-	(52)
At 30 September 2008	488	109	115	813	1,525
<i>Net book value</i>					
At 30 September 2008	1,209	69	155	180	1,613
At 30 September 2007	798	118	206	122	1,244

The net book value of assets held by the Company under hire purchase agreements amounted to £711,000 (2007: £354,000).

NOTES TO THE ACCOUNTS *continued*

12. INVESTMENTS HELD AS FIXED ASSETS

Group:	Other investments £'000		
<i>Cost</i>			
At 1 October 2007			400
Additions			87
			<hr/>
At 30 September 2008			487
			<hr/> <hr/>
<i>Amounts provided</i>			
At 1 October 2007 and 30 September 2008			-
			<hr/> <hr/>
<i>Net book value</i>			
At 30 September 2008			487
			<hr/> <hr/>
At 30 September 2007			400
			<hr/> <hr/>
Company:	Shares in subsidiaries £'000	Other investments £'000	Total £'000
<i>Cost</i>			
At 1 October 2007	1,644	400	2,044
Additions	1	87	88
Disposals	-	-	-
	<hr/>	<hr/>	<hr/>
At 30 September 2008	1,645	487	2,132
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<i>Amounts provided</i>			
At 1 October 2007 and 30 September 2008	-	-	-
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<i>Net book value</i>			
At 30 September 2008	1,645	487	2,132
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 30 September 2007	1,644	400	2,044
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Other investments includes an addition of £87,000 made in TAK Developments Limited, 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	(engaged in power services)
Bethell Rail Limited (85% owned)	(engaged in rail works)
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 Lighting Services Limited became dormant on 1st October 2008 and activities in respect of lighting services are to be carried out by Bethell Power Services Limited from that date. For commercial reasons Bethell Power Services Limited itself was de-merged from the Group on 16th October 2008 through a dividend *in specie* to the shareholders of Bethell Group Plc.

NOTES TO THE ACCOUNTS *continued*

13. STOCKS

	Group 2008 £'000	Group 2007 £'000	Company 2008 £'000	Company 2007 £'000
Raw materials and consumables	918	638	23	19

14. DEBTORS

	Group 2008 £'000	Group 2007 £'000	Company 2008 £'000	Company 2007 £'000
Amounts recoverable on contracts	11,132	6,683	-	-
Trade debtors	11,298	8,357	28	5
Amounts owed by group undertakings	-	-	318	103
Corporation tax	-	-	-	-
Deferred tax asset (see note 19)	98	86	7	5
Other debtors	643	98	141	29
Prepayments and accrued income	329	188	176	77
	23,500	15,412	670	219

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 2008 £'000	Group 2007 £'000	Company 2008 £'000	Company 2007 £'000
Bank overdraft (see note 29)	-	-	-	1,443
Trade creditors	14,145	8,544	569	275
Amounts owed to group undertakings	-	-	3,017	-
Excess payments on account on contracts	2,760	1,618	-	-
Obligations under hire purchase contracts	376	239	270	152
Corporation tax	551	46	85	42
Other taxes and social security	1,461	2,077	20	22
Other creditors	1,383	801	-	-
Accruals and deferred income	5,070	2,451	320	112
	25,746	15,776	4,281	2,046

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.

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

	Group 2008 £'000	Group 2007 £'000	Company 2008 £'000	Company 2007 £'000
Obligations under hire purchase contracts	509	204	405	143

The obligations under hire purchase contracts are secured on the assets subject to the finance, and fall due as follows:

	Group 2008 £'000	Group 2007 £'000	Company 2008 £'000	Company 2007 £'000
In one year or less	376	239	270	152
Between one and two years	261	161	211	100
Between two and five years	248	43	214	43
	885	443	695	295

NOTES TO THE ACCOUNTS *continued*

17. PROVISIONS FOR LIABILITIES AND CHARGES

	Group Debtor £'000	Company Debtor £'000
At 1 October 2007 (included within Debtors)	86	5
Profit and loss account credit	12	2
	98	7

At 30 September 2008 (included within Debtors)

The amounts provided in the accounts are as follows:

	Group Provided 2008 £'000	Group Provided 2007 £'000	Company Provided 2008 £'000	Company Provided 2007 £'000
Depreciation in advance of capital allowances:				
Provided within Current Assets	98	86	7	5

There are no amounts not provided in respect of deferred tax for the Group or the Company (2007: £nil).

18. SHARE CAPITAL

		2008	2007
<i>Authorised</i>			
70,000 deferred ordinary shares of £1 each	(2007: 70,000)	£70,000	£70,000
49,685 "A" ordinary shares of EURO 0.01 each	(2007: 49,685)	€49,685	€49,685
8,281 "B" ordinary shares of EURO 0.01 each	(2007: 8,281)	€8,281	€8,281
5,521 "C" ordinary shares of EURO 0.01 each	(2007: 5,521)	€5,521	€5,521
		2008	2007
<i>Called up, allotted and fully paid:</i>			
		£'000	£'000
50,000 deferred ordinary shares of £1 each	(2007: 50,000)	50	50
49,685 "A" ordinary shares of EURO 0.01 each	(2007: 49,685)	-	-
8,281 "B" ordinary shares of EURO 0.01 each	(2007: 8,281)	-	-
5,521 "C" ordinary shares of EURO 0.01 each	(2007: 5,521)	-	-
		50	50

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 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 group companies, 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 and 2008 options over a number of "C" Ordinary shares of EURO 0.01 were granted to employees and these are exercisable 30 months after the date of grant as follows:

	Number of shares	Price per share 2008	Option period ending
Issued on 18 June 2004	2,760	£17.50	17 June 2014
Issued on 30 January 2008	1,380	£11.80	29 January 2018

NOTES TO THE ACCOUNTS *continued*

19. RESERVES

	Company Profit and loss Account £'000	Group Capital reserve £'000	Group Profit and loss Account £'000
At 1 October 2007	1,287	100	3,277
Retained profit for the year	856	-	521
At 30 September 2008	2,143	100	3,798

20. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2008 £'000	2007 £'000
Profit for the financial year	620	265
Dividends	(99)	(149)
Net increase in shareholders' funds	521	116
Opening shareholders' funds	3,427	3,311
Closing shareholders' funds	3,948	3,427

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

	2008 £'000	2007 £'000
Operating profit	1,131	307
Depreciation on tangible fixed assets	567	510
Profit on disposal of tangible fixed assets	(11)	(77)
Goodwill amortisation	14	15
(Increase) / decrease in stock and work-in-progress	(280)	270
(Increase) / decrease in debtors	(8,076)	892
Increase / (decrease) in creditors	9,328	(329)
Net cash inflow from operating activities	2,673	1,587

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

	2008 £'000	2007 £'000
Increase in cash in the year	1,597	974
Net inflow from decrease in debt and hire purchase financing	256	235
Change in net debt	1,853	1,209
New hire purchase contracts	(699)	(93)
Decrease in net debt for the year	1,154	1,116
Net cash in hand at start of year	560	(556)
Net cash in hand at end of year	1,714	560

NOTES TO THE ACCOUNTS *continued*

23. 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	1,003	1,597	-	2,600
Bank overdraft	-	-	-	-
	<u>1,003</u>	<u>1,597</u>	<u>-</u>	<u>2,600</u>
Obligations under hire purchase contracts and finance leases	(443)	256	(699)	(886)
	<u>560</u>	<u>1,853</u>	<u>(699)</u>	<u>1,714</u>

24. FINANCIAL COMMITMENTS

<i>Capital commitments</i>			2008	2007
			£'000	£'000
Authorised but not contracted			9	105
Contracted for but not provided			25	17
			<u>2008</u>	<u>2007</u>
<i>Hire purchase commitments:</i>				
Gross obligations repayable	- all within 5 years		985	474
Finance charges repayable	- all within 5 years		99	31
Net obligations payable	- all within 5 years		886	443
			<u>2008</u>	<u>2007</u>
			Total	Total
	£'000	£'000	£'000	£'000
<i>Annual operating lease commitments:</i>				
Agreements ending after more than 5 years	230	1	231	199
Agreements ending within 2 to 5 years	173	147	320	65
Agreements ending in less than 1 year	31	11	42	61
	<u>434</u>	<u>159</u>	<u>593</u>	<u>325</u>

Pension commitments:

The Group operates a defined contribution 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 £22,250 and £2,324 respectively (2007: £16,090 and £2,354), including employer contributions of £11,638 and £1,421 respectively (2007: £8,251 and £1,417).

25. 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 (2007: £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.

NOTES TO THE ACCOUNTS *continued*

26. 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 £11,000 and £nil respectively during the year on this contract (2007: £30,000 and £nil) and the amount of £8,000 and £nil respectively was outstanding at the year-end (2007: £3,000 and £nil) and is included within Debtors (note 14).

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 £997,000 during the year on these contracts (2007: £209,000) and the amount of £470,000 was outstanding at the year-end (2007: £115,000) and is included within Debtors (note 14).

27. ULTIMATE CONTROLLING PARTY

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

THREE YEAR RECORD

Year ended 30 September

	2008 £'000	2007 £'000	2006 £'000
PROFIT & LOSS ACCOUNT			
Turnover - continuing activities	41,009	27,114	20,176
Turnover - discontinued activities	35,116	27,141	32,038
Total turnover	76,125	54,255	52,214
Operating profit - continuing activities	1,072	230	307
Operating profit - discontinued activities	59	78	(218)
Total operating profit	1,131	308	89
Net interest	(20)	(100)	(38)
Profit before taxation	1,111	208	51
Taxation	(455)	56	4
Profit after taxation	656	264	55
Minority interest	(35)	1	40
Profit for the financial year	621	265	95
BALANCE SHEET			
Share capital	50	50	50
Reserves	3,898	3,377	3,261
Minority interests	35	-	-
Capital employed	3,983	3,427	3,311
Net cash in hand / (debt)	1,716	560	(556)
FINANCIAL RATIOS			
Year end gearing (%) (excluding hire purchase)	Nil	Nil	Nil
Continuing operations operating margin (%)	2.6%	0.8%	1.5%
Return on average capital employed (%)	44%	9%	3%



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