MORGAN SINDALL

Morgan Sindall plc
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Visit our website at www.morgansindall.co.uk

MORGAN SINDALL Annual Report & Accounts 1997

MORGAN SINDALL

Annual Report & Accounts 1997

Building *solutions*

specialist expertise

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Substantial loft conversion, Farringdon, London

Corporate Directory

Directors
Sir D P Hornby KB (Chairman)
J C Morgan MBA BSc ASVA (Chief Executive)
J M Bishop FCA FCT
J J C Lovell MBA BSc ASVA
B J Moorhouse MA (Oxon) FCMA
A M Stoddart FCIOB
B H Asher (Non-Executive) - to be appointed 1.3.98
G Gallacher BA MBA (Non-Executive)

Secretary
W R Johnston FCIS ASCA ACIB

Registered Office
77 Newman Street, London W1P 3LA

Solicitors
Charles Russell, 8-10 New Fetter Lane, London EC4 1RS

Auditors
Deloitte & Touche,
Leda House, Station Road, Cambridge CB1 2RN

Bankers
Lloyds Bank Plc, City Office, PO Box 17328,
11-15 Monument Street, London EC3V 9JA

Brokers
Peel, Hunt & Company Limited,
62 Threadneedle Street, London EC2R 8HP

Registrars
Connaught St Michaels Limited,
PO Box 30, CSM House, Victoria Street, Luton LU1 2PZ

Financial Calendar

Annual General Meeting:	15 April 1998
Ordinary shares	
Final dividend:	
Ex-dividend date:	23 March 1998
Record date:	27 March 1998
Payment date:	16 April 1998
Interim results announcement:	August 1998
Preference shares	
Dividend payment dates:	15 April 1998 15 October 1998
Next conversion date:	30 June 1998

Shareholder Communication
Contact with existing and prospective shareholders is welcomed by the Company. If you have any questions or enquiries about the Company or the activities of the Group, please contact: Jack Lovell, Client Director, 77 Newman Street, London W1P 3LA – telephone 0171 307 9200.

Share Prices (FT Cityline)
Current buying and selling prices of the Company's shares, together with recorded information on key dates, can be obtained by dialling 0336 434027.

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- MORGAN SINDALL operates in two core sectors, Fit Out and regional building contracting. The company originated in 1994 with the reverse takeover of William Sindall plc by Morgan Lovell.

- The reverse takeover combined Morgan Lovell's Fit Out skills with an established but loss making regional building contracting operation, being a step towards creating a balanced specialist construction group.

- The three ex William Sindall regional contracting companies have been returned to profitability, four further brands have been acquired, and all the MORGAN SINDALL regional building contracting companies are positioned for future growth.

- The 1997 financial results demonstrate three years of progress towards the objective of long-term enhancement of shareholder value through organic growth, plus careful acquisition and management of a property portfolio.

Financial Highlights

	1997	1996	INCREASE %
Turnover	**£331m**	£283m	+ 17
Profit on ordinary activities before taxation	**£7.260m**	£5.174m	+ 40
Profit on ordinary activities after taxation	**£5.848m**	£4.472m	+ 31
Earnings per share	**16.38p**	13.13p	+ 25
Dividends per ordinary share	**5.25p**	4.20p	+ 25
Net assets	**£17.5m**	£14.5m	+ 21
Net cash funds	**£18.4m**	£9.3m	+ 98

Striking Morgan Lovell reception design.

Sir Derek Hornby
Chairman

Opportunities *ahead*

1997 has been another successful year for the Group, with profit before tax of £7.26 million being 40% ahead of 1996. The Board is recommending an increased final ordinary dividend of 3.58p, making 5.25p for the year (1996: 4.20p) out of the earnings per share of 16.38p.

The strategic decision taken in 1994 to apply the Group’s proven expertise in the construction Fit Out business to regional building contracting may now be seen through the strong three-year track record. I believe that it clearly demonstrates that this policy has worked.

The Group has now established a substantial and increasingly profitable network of regional building contracting companies with exciting organic growth potential. At the same time, the original Fit Out business has once again performed very strongly, despite having to deal with some setbacks at the beginning of the year.

It will take time for the return from our recent investments to be fully reflected in profits, but the increasing margins in our more mature operating units gives us confidence in the future.

While trading conditions are at present as good as have been encountered for some time, we will not lose sight of the fact that long-term successful companies take advantage of these conditions to develop their people and businesses in readiness for a tighter trading environment, whenever that may occur.

Board membership

I am pleased to welcome Bernard Asher as a non-executive director. For the past five years Bernard has been a director of HSBC Holdings plc, Chairman of HSBC Investment Bank plc and a director of Midland Bank plc. His undoubted experience will be of great benefit in maximising the Group’s potential.

Future

The acquisition of Roberts in August 1997 and Wheatley in February 1998 substantially completes the network of regional building contracting companies. We now have a basis for expansion in the North East and the Midlands as part of a network covering most of England.

I am confident the same balance of entrepreneurial flair and financial rigour will enable these new brands to achieve demanding organic-growth targets similar to those achieved by their fellow companies.

The Group is now well placed, with two healthy growing construction businesses supported by income and trading returns from its property portfolio. More importantly, the Group comprises a talented team of people who passionately believe in their long-term vision and welcome new challenges, whether within the existing business or in new areas.

Derek Hornby

Sir Derek Hornby
Chairman

John Morgan
Chief Executive

Performance *culture*

Morgan Sindall has completed another successful year, expanding organically and by acquisition. We are continuing to invest in our people and our companies to position ourselves for long-term growth. We recognise that in order to be a significant public company we have a great deal more to achieve. It is our commitment to this challenge that makes Morgan Sindall a very exciting growth company.

The construction industry is mature, and has historically suffered from the variability of the economic cycle and relatively poor overall margins. I am often asked how Morgan Sindall can achieve growth, differentiation and satisfactory profit levels within the industry.

I believe the answer to this is the approach to customers, employees and suppliers which results from our fundamental business philosophy.

I am aware that "visions" and "mission statements" are often viewed with scepticism. However, I believe that the values of our business are crucial in ensuring that the company strategy is supported by all our staff. I regard the way all our people work together to shape decisions and implement policy as the key to the future success of Morgan Sindall.

Within Morgan Sindall, we are motivated by the will to win and to achieve the improbable. We have a track record of making things happen, and it is this can-do approach to life that drives our success.

Regional Contracting	**1997**	1996
Turnover	**£184m**	£90m
Profit	**£2.87m**	£1.31m
Operating margin	**1.6%**	1.5%

Turnover in regional building contracting doubled and operating profit increased by 119% year on year. Of this profit increase, 60% is organic growth from companies already within the Group and 40% arises from acquisitions.

Our more mature companies are now demonstrating margin improvement, while we continue to invest in the smaller brands and more recent acquisitions to strengthen their market positions.

In my report for the year ended 31 December 1996, I indicated that we would continue to monitor those geographic areas where we were not represented and respond to opportunities that might arise. We have subsequently made two acquisitions. In August 1997 we acquired Robert R. Roberts, based in Leeds and in February 1998 we acquired John E.B. Wheatley, based in Nottingham and Coventry.

In common with our earlier acquisitions these recent moves brought into the Group companies which met the following criteria:

- Long established, well-respected and technically competent
- Identified as regional contractors, not national and not local
- Wide customer base with regular repeat business
- Focused on relatively small projects (under £5 million) and preferably with small works activities
- Lacking a sound financial base

I believe that our success in business turnarounds is largely attributable to a clear implementation strategy. Typically the post-acquisition companies are transformed within Morgan Sindall and that change is likely to include most of the following:

- Strengthening of senior management
- Change of premises and working practices
- Introduction of meaningful bonus system
- Introduction of Morgan Sindall financial controls
- Change in relationships with subcontractors and suppliers
- Programme of expansion once the fundamentals are in place

These changes begin the process of bringing the management style into line with that found elsewhere in the Group.

Fit Out

	1997	1996
Turnover	**£140m**	£183m
Profit	**£3.58m**	£4.25m
Operating margin	**2.6%**	2.3%

The Fit Out companies returned a poor performance in the first half of the year but second half performance exceeded all previous levels.

The shortfall in the first half was attributable to problems within Morgan Lovell, which I first reported at the Annual General Meeting in April 1997. At that stage we were confident that second half performance would return to normal levels and I am pleased that this was confirmed by the year-end trading result.

Under its new management team Morgan Lovell is positioned as the "Workplace Specialist", developing design and build into a client-focused range of services from workplace consultancy, through design, implementation and maintenance of the workplace environment.

Late in 1997, all of the Overbury London operations moved to new offices in Newman Street, which is a showcase for Overbury's Fit Out expertise. Operating from only two bases will streamline the approach to customer service and consolidate the operations.

Overbury's success is founded on its approach to people - its customers and its staff. During the year the company has continued to invest in training and development to maintain the calibre of its teams. Our commitment to customer service has produced a steady improvement in client satisfaction levels, as measured by independent assessors.

Property

Property	1997	1996
Turnover	**£8m**	£1m
Profit	**£2.28m**	£0.89m

During the year we achieved good returns on our property portfolio from a mix of trading profits and rental income. The sale of Upper James Street provided an overall benefit to the Group of some £1.5 million. The sale proceeds from this project have been re-invested in commercial property. The Group will continue to manage a portfolio of property interests for income and trading returns, although our property interests will remain secondary to, and independent of, our construction activities.

Sindall Joinery

During the year we took the decision to close the Sindall Joinery operation. Although the local management team did an excellent job in reducing losses, we did not believe it was going to be a significant, consistent contributor to Group profits. The closure also enabled us to release freehold property for future sale.

Future prospects

In the coming years we aim to:

- Retain our position amongst the market leaders in Fit Out. *This will require continuing reappraisal of the levels of service provided to a sophisticated and demanding client base*
- Deliver organic growth from the network of regional contracting companies. *This will be based on a real shift to a service-led approach to construction, and, in more recent acquisitions, continuing investment in management, marketing and systems*
- Manage our property portfolio to maximise the overall returns from rental income and trading profits
- Assess opportunities for Morgan Sindall to continue its expansion in the medium term

Morgan Sindall will continue to be an exciting growth company. As ever, we will not achieve this without attracting and retaining talented people who have the passion to win, the ability to initiate change, and a fear of complacency.

Although corporate culture is difficult for those outside the company to recognise or value, I believe that it is a key differentiator for Morgan Sindall.

Although we have made an impressive start towards our aims, we have a great deal to achieve and I know that the journey will be difficult at times but ultimately very rewarding, not only for all our shareholders, but also for all those people who participate in making it happen.

John Morgan.

John Morgan
Chief Executive

Barbara Moorhouse
Finance Director

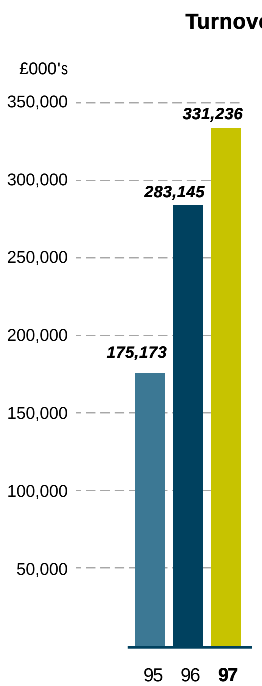
Turning skills into *results*

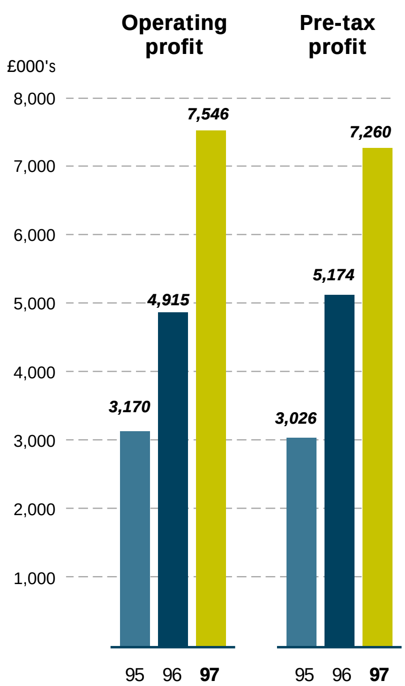
The 1997 financial results are the third full-year published accounts since the creation of Morgan Sindall. They show turnover increasing at 38% per annum, earnings by 43% and dividends at 39%. Over the same period the Group's net cash position has improved from £5.9 million to £18.4 million. At the end of 1997 the Group net assets totalled £17.5 million.

Profit performance

In Fit Out, the two brands – Overbury and Morgan Lovell – have continued to develop their market positions. The focus on customer service and rigorous operational management of the two companies has enabled them to increase operating margins from 2.3% to 2.6%.

In regional building contracting, increased profits from 1996 to 1997 of £1.6 million are attributable 60% to organic growth and 40% to acquisition. Our leading brands are achieving margins which compare well with the industry. In all the companies, we are making considerable investment in local area offices, management development, marketing, systems and processes to provide the framework for long-term growth in turnover and margin.





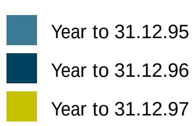
The company will continue to take advantage of selective property trading opportunities. Although the size and timing of returns must reflect the prevailing conditions in the property market, over the medium term profits such as those achieved in 1997 are a useful addition to the Group's mainstream construction activities.

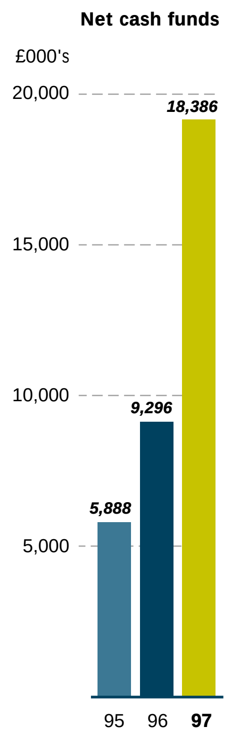
Cash management

The Group benefits from a strong cash position with net cash balances of £18.4 million at 31 December 1997.

- Operational activities are cash positive and monitoring of monthly cash performance is a key element of the management control system
- Acquisitions have had low cash cost and have provided a relatively rapid payback on initial investment

In 1997, the Group generated £9.1 million in cash from construction activities and £10.6 million (after loan repayments of £1.7 million) from property activities. Of this, some £6.7 million has been re-invested in property, £1.5 million in acquisitions and £1.3 million in net capital expenditure. After financing these investments and other costs of some £2.8 million the Group has improved its cash position by £7.4 million.





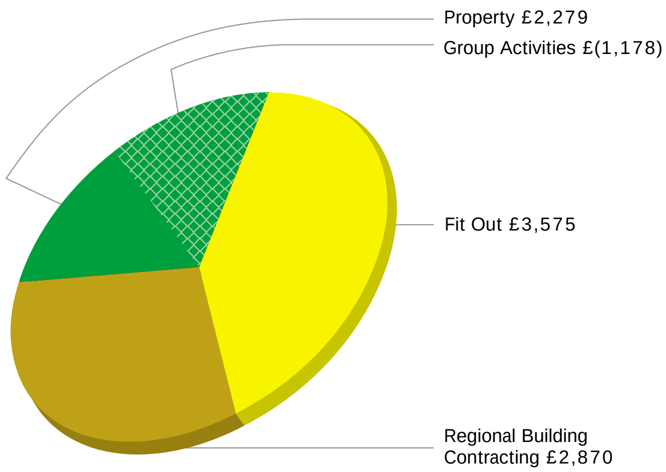
Balance sheet strengths

As a growth company, Morgan Sindall is conscious of the need to maintain appropriate asset backing for its operational activities. As at 31 December 1997 the Group balance sheet showed net assets of £17.5 million.

	1997 £'m	1996 £'m
Fixed assets	**17.5**	17.9
Current assets	**84.1**	75.2
Liabilities	**(84.2)**	(78.6)
Shareholders' funds	**17.4**	14.5

Resulting from its strong trading history and cash position, Morgan Sindall holds undistributed reserves. It is the Group's strategy to hold a significant proportion of these reserves in property rather than cash, where higher returns can be achieved.

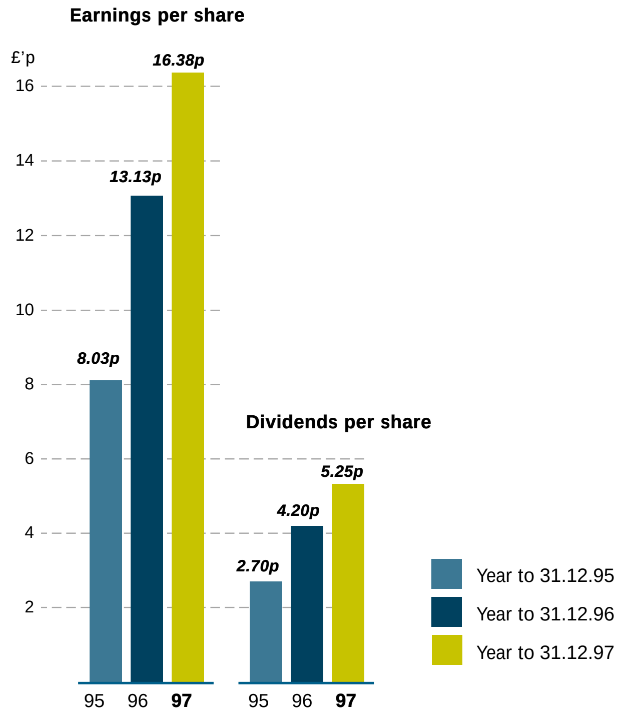
Segmental analysis (Profit – £'000)



Acquisitions

During the year Morgan Sindall completed the acquisition of Robert R. Roberts in Leeds. The consideration was £550,000 and goodwill arising of £1,671,000 has been written off to reserves.

In February 1998 the Group purchased John E.B. Wheatley for a consideration of £365,000. This has been commented on as a post balance sheet event.



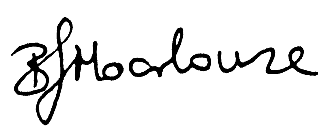
Financial control systems

The Morgan Sindall group of companies operates on an autonomous basis. This is complimented by a management control system directed by the Morgan Sindall Board. The main elements of this system are:

- Definition of types of work to be undertaken, avoiding contracts with undue levels of risk
- Annual business planning cycle setting the strategy, resources and investment for the medium term
- Budgeting and management accounting systems, monitoring strategic and operational progress
- Frequent focus on underlying contract profitability and cash generation

Dividend policy

It remains our intention to adopt a progressive dividend policy and to invest undistributed reserves in a property portfolio. In addition to property returns, this investment maintains an appropriate relationship between the balance sheet and turnover.



Barbara Moorhouse
Finance Director

Historical *growth*

1977	*Morgan Lovell formed*
1985	*Overbury acquired*
1994	*Reverse takeover of William Sindall plc*
1996	*Stansell acquired*
	Snape acquired
1997	*Robert R Roberts acquired*
1998	*Wheatley acquired*

Morgan Sindall has 35 offices in England and Wales.

Morgan Sindall is a top 20 UK construction company.

Morgan Sindall in 1998 forecasts turnover to exceed £400m.

Morgan Sindall employs 1760 people in total.

__Fit Out__

Morgan Lovell

The Workplace Specialist

- London
- Wokingham

Overbury

The Fitting Out and Refurbishment Specialist

- Kingston-upon-Thames
- London

__Regional Building Contracting__

- Stansell
- Sindall
- Hinkins & Frewin
- Snape
- Barnes & Elliot
- Roberts
- Wheatley

Performance *environments*

Office Fit Out is a fast-moving, dynamic market, where clients have high expectations of quality, speed and service. Success in this specialised environment requires sophisticated marketing, strong customer focus and project management which delivers results on time, to budget, with minimum disruption to the client.

◄ OVERBURY

One of the keys to success in this market is the calibre of the management on site. We believe our Fit Out companies employ some of the best site managers in the UK, whose skills lie in their commitment to the Morgan Sindall core values on each and every project. Our team is committed to:

- understanding clients' requirements
- exceeding clients' expectations
- pricing competitively
- finding solutions
- being helpful and responsive
- developing long term relationships

OVERBURY

The project at Bloomberg illustrates Overbury's management expertise in the successful completion of complex multi-million pound Fit Outs of occupied office space.

Throughout the contract the project programme was frequently re-scheduled to ensure uninterrupted broadcasting. Overbury's flexibility kept the project on plan.

MORGAN LOVELL

Protodigm asked Morgan Lovell to create a workplace environment to support their "virtual" staff. The purpose was to provide a place where they could meet, exchange ideas and relax. Workshops were used to explore various work styles. The chosen design incorporated a central hub using bright colours to reflect the dynamism of the organisation. Offering combined professional advice and construction expertise, Morgan Lovell delivered this high impact, fast track project to deadline.

MORGAN LOVELL

The office Fit Out market comprises many high profile clients. Our aims are to provide clients with the office environment that best supports their business, to anticipate problems and to provide innovative solutions.

Regional *loyalties*

The companies in the Morgan Sindall portfolio have a long-standing commitment to their individual regions. The decentralised management style gives each company the freedom to respond to their customers' needs and the demands of local circumstances. All the companies share a commitment to the Morgan Sindall management style and operate within the Group's management control systems.

All the companies within the Morgan Sindall portfolio are noted for their high quality construction work. Stansell, 175 years old this year, has extended its traditional skill base into the area of conservation work involving specialist repairs to historic buildings and restoration work to listed buildings.

Recent work has included fire-damaged St Michael's Church, Newquay, where months of work by Stansell's craftsmen and conservation experts were repaid with the restoration of various gilded figures.

Not all jobs require the painstaking expertise of intricate restoration, but commitment to quality is a consistent theme across the Group.

Sindall

The Sindall name has been synonymous with quality construction projects since the turn of the century.

The brand logo is often seen on important construction projects in London's West End, where the company's traditional skills and careful focus on customer requirements are in demand.

This picture shows part of the Cadogan Estate where Sindall is a preferred contractor.

HINKINS & FREWIN

Morgan Sindall focuses on the smaller end of the contracting market, with around a quarter of the Group's turnover in projects of less than £250,000 in value.

Hinkins & Frewin's capabilities include multi-million pound projects, but equally important are the myriad of smaller ones as well as a range of maintenance services.

Repeat orders and ongoing maintenance work with existing clients are crucial to the success of the company.

The client base consists of local, regional and national customers.

Regional *loyalties*

continued

WHEATLEY
CONSTRUCTION

Wheatley is the most recent addition to the Group, acquired in February 1998. The company's offices in Nottingham and Coventry will be expanded to provide a quality construction service across the East and West Midlands.

The company will benefit from the management expertise and financial strength of its new parent company and its future growth will reflect the benefits of combining strong regional expertise with the Morgan Sindall management philosophy - a combination that has already achieved success in other parts of the Group.

All-weather training centre at Worcester Rugby Club.

SNAPE

Situated at Salford Quays in Manchester, Snape is well positioned to respond to local business needs.

The project for Omega Technologies, completed in May 1997, illustrates the service philosophy and attention to detail given to every project.

The client's perspective is well expressed by Ralph S. Michel, Vice President, Omega Engineering Inc.

"Omega has a substantial property portfolio in the US and has been involved with the construction of many buildings, but we have never had a project with so few problems. The quality and workmanship of the building is a credit to all concerned."

Barnes & Elliott
Building Contractors

Although acquisitions have been an important part of the strategy, organic growth is the key to the achievement of Morgan Sindall's long term goals.

The progress at Barnes & Elliott illustrates this aspect of the Group's development. In 1994 it was loss making, with a very limited list of clients. Some three years later the company has been transformed - different culture, stronger management, new offices, new business systems.

Barnes & Elliott is now a leading contractor in the South East, providing a quality construction service to an increasing number of major clients.

ROBERTS

Morgan Sindall has developed its regional contracting network through regional companies which have a well-respected name, sound construction skills and a commitment to client service.

Roberts, acquired in July 1997, was a classic example. The recently completed contract to construct the School of Contemporary Dance in Leeds is evidence of both its construction skills and its standing within the local community.

Since acquisition, Morgan Sindall has invested in management - people and systems - and restored the financial strength of the company, enabling Roberts to fulfil its market potential.

Property *security*

The property portfolio produces an independent income stream which has a different economic profile from construction. Our property interests are managed within a defined risk profile and are not used to create construction opportunities. As our construction activities are cash generative, the Group strategy is to hold undistributed reserves substantially in property which provides a higher return than cash.

We are committed to achieving an above-average return from a mixture of rental and capital growth by pursuing an active, whilst cautious, approach to property investment. Over the last three years, this has involved a disinvestment of the inherited William Sindall property portfolio and reinvestment in a broader mix of properties where the Group has significant property expertise.

The property division profits more than doubled in 1997, reflecting increased rental income and profit taken on the sale of Upper James Street, a property bought in 1996 which was refurbished, let and sold institutionally within eighteen months. A similar-sized office building which was vacant and needing refurbishment, was bought in Newman Street in the West End. Overbury have decided to take this property as their main office in London allowing them to centralise staff that were previously spread through three smaller offices.

The market for selling industrial income-producing property has been strong, and the opportunity has been taken to sell the industrial estate in Avonmouth and one of the two industrial estates in Cambridge. The latter, due to its size, requires shareholders' approval as will be explained in a separate circular to shareholders to be sent out on 27 February 1998.

During the year we have invested in an office building in Lincoln's Inn Fields which is fully let and offers a good yield with the possibility of rental and capital growth in the longer term. Further property opportunities are being sought but we are prepared to leave funds in cash until the right opportunities arise.

Our associated company Primary Medical Property, while not fully recovering their overheads, have had an excellent year developing this new market. This company, where we share the equity with the executive management, specialises in the development of, and investment in, primary care properties. It has now built up a substantial portfolio of property and is fast becoming accepted as a market leader in this niche property sector. We have high expectations of capital growth on this property as rentals increase and the yields improve with the maturing of the market for this type of investment.

We see the management of our property portfolios as adding to shareholder value in the medium term. The returns will be commensurate with the limited risk profile determined by the Morgan Sindall Board.

Refurbished office investment,
Newman Street, London

Dales Manor Business Park,
Cambridge

Old Courthouse Surgery,
Sutton PMP Development

Recent Morgan Sindall
office investment in London

Jack Lovell (42)
Client Director

Andy Stoddart (51)
Operations Director

Geraldine Gallacher (38)
Non-executive

Founder and managing director of The Executive Coaching Consultancy having formerly been head of Group Management Development for Burton Group plc.

John Bishop (52)
Corporate Planning Director

Bernard Asher (62)
Non-executive

Most recently, Chairman of HSBC Investment Bank Plc and a director of HSBC Holdings Plc and Midland Bank Plc.

Sir Derek Hornby (68)
Chairman

Chairman of London & Continental Railways, former chairman of Rank Xerox (UK) Limited and the British Overseas Trade Board and Non-executive director of Sedgwick Group plc.

John Morgan (42)
Chief Executive

Barbara Moorhouse (39)
Finance Director

The directors have pleasure in submitting their report to the members together with the audited accounts for the year ended 31 December 1997.

Principal activities

Morgan Sindall is a specialist construction group with activities including Fit Out, regional building contracting and property investment. The principal subsidiary companies are shown on page 43. All activities are carried out in the United Kingdom and Channel Islands.

Results and dividends

The Group made a profit for the year, after taxation, of £5.848 million.

The final dividend for the year recommended by the directors is 3.58p per ordinary share, which together with the interim dividend of 1.67p per share gives a total dividend for the year of 5.25p per ordinary share. Preference dividends paid or accrued amounted to £0.278 million. After dividends, retained profits of £3.722 million have been transferred to reserves.

Review of business and future developments

A general review of the Group's activities, development and future prospects are included in the Chairman's Statement on page 2, the Chief Executive's Review on pages 3 to 5, and the Financial Review on pages 6 and 7.

Fixed assets

The directors have considered the carrying value of the Group's interests in property and consider that there is no substantial difference between market and balance sheet value. External professional valuations of the majority of the Group's properties were carried out in 1994 and the properties comprising the investment property portfolio were revalued during the year.

Directors

The directors at the date of this report are as set out on page 45. Details of the changes to Board membership noted below are given in the Chairman's Statement on page 2.

Further information on the Group Board's constitution, policies and procedures is set out under Corporate Governance on page 44.

Miss B J Moorhouse was appointed a director on 13 February 1997 following the resignation as a director on the same date of Mr A T Sloan. Mr J C Morgan and Mr J M Bishop are the directors to retire by rotation, and being eligible offer themselves for re-election as directors.

As noted in the Chairman's Statement, Mr B H Asher will be joining the Board on 1 March 1998. In accordance with the Articles of Association he will retire at the Annual General Meeting and being eligible offers himself for re-election.

Non-executive directors

A short biographical note on each independent non-executive director is shown on page 18. The role and responsibilities of the non-executive directors has been formally established by the Board. Further information on these matters may be found under Corporate Governance on page 44.

Directors' interests

The interests of the directors and their families in the shares of the company are shown in Note 31 in the financial statements.

Corporate Governance

The statement on corporate governance appears this year on page 44 immediately after the Notes to the accounts. This does not reflect any lessening in the degree of importance which the Board attaches to all aspects of this matter. The statement is, however, very substantially the same as the previous year and the Board feels that this change in format should assist in showing a clearer, less fragmented presentation of the Group's activities and its financial position.

Substantial shareholdings

Excluding directors, on 26 February 1998, the following shareholdings representing 3% or more of the Issued Ordinary Share capital has been notified to the Company:

	Number of Shares	Percentage Holding
Mercury Asset Management Limited	1,588,500	4.74
D S Atkinson	1,164,214	3.47

Employment policies

The Company insists that a policy of equal opportunity employment is demonstrably evident throughout the Group at all times. Selection criteria and procedures and training opportunities are designed to ensure that all individuals are selected, treated and promoted on the basis of their merits, abilities and potential. Subject to the nature of its businesses in the construction industry, the policy of the Company is to ensure that there are fair opportunities in the Group for the employment, training and career development of disabled persons, including continuity of employment with re-training where appropriate.

The Group recognises the need to ensure effective communication with employees. Policies and procedures, including in-house newsletters, have been developed, taking account of factors such as numbers employed and location.

Creditor payment policy

The Company does not adhere to any formal Code regarding payments to its trade creditors. Its current policy in this respect, which the Company endeavours to have its subsidiary and associated companies also follow, is to:

1. use unamended terms of Standard Forms of Contract widely recognised in, and drawn up by bodies representing the industry

2. clearly agree and set down the terms of payment with suppliers and subcontractors

3. make payments in accordance with its obligations.

Calculated in accordance with Regulations made under the Companies Act 1985, as at 31 December 1997, the Company's number of creditor days outstanding was fifty-nine.

Post balance sheet events

On 4 February 1998, the Company acquired John E.B. Wheatley Limited. Details of this addition to the Group's network of regional contracting companies is shown in Note 21 to the accounts.

The Property Portfolio report on page 16 includes a reference to the disposal of The Paddocks, a multi-let office and industrial estate of approximately 7 acres situated at 347 Cherry Hinton Road, Cambridge. The proceeds of £5.50 million net of costs means that the disposal is classified as a Super Class 1 transaction under the Listing Rules of the London Stock Exchange and therefore requires the approval of the Ordinary Shareholders. The sale contract which has been signed is conditional on this approval being given and a Circular to shareholders will be dispatched on 27 February 1998. The Circular will include notice of an Extraordinary General Meeting to be held on 16 March 1998.

Annual General Meeting

The Annual General Meeting will be held on 15 April 1998. The notice of the meeting is set out in the letter to the shareholders accompanying this Annual Report. The letter contains details of the items which are special business. These give authority to the Board to allot equity securities.

Political and charitable contributions

During the year charitable contributions amounted to £13,487. No contributions were made to any political parties during the year.

Auditors

A resolution for the reappointment of Deloitte & Touche as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the Board

W R Johnston
Company Secretary

26 February 1998

Report of the Remuneration Committee

Membership of the Remuneration Committee

Ms G Gallacher (Chairman)

Sir D P Hornby

Policy on Executive Directors' Remuneration

The remuneration of the executive directors is determined by the Remuneration Committee ("the Committee").

The Committee seeks to develop remuneration packages which satisfy the following principles:

- to attract, retain and motivate the best possible person for each position
- to recognise the importance of achieving the expectations of performance in short and long term
- to align the interests of executives with those of the shareholders

The Committee reviews salaries annually and seeks independent professional advice when appropriate.

The Committee considers that the Company complies with Section A of the Best Practice Provisions of the Stock Exchange Listing Rules. The Committee has also given full consideration to Section B of the Best Practice Provisions in framing its remuneration policy.

Bonus arrangements

The cash bonuses shown in Note 12 to the Accounts arise from a cash bonus scheme for executive directors under which an agreed scale was set to measure pre-tax profits achieved in relation to company performance and external expectations of results, of which the major factor of reference is the profit forecasts published by the Company's own broker.

In addition, an entitlement to an award of shares under the Long-Term Incentive Scheme adopted by the Company at last year's Annual General Meeting has arisen for each executive director. These awards are by the nature of the scheme provisional only, as an eventual allocation in each case will depend on a comparison of the Company's performance measured over a three-year period against a competitive peer group. A provisional award carries with it no legal rights of ownership in respect of such shares.

Service contracts

Executive directors' contracts are terminable on one year's notice.

Of the Directors who are seeking re-election at the Annual General Meeting, the service contracts of Mr J C Morgan and Mr J M Bishop do not have a notice period for termination which is in excess of one year's duration.

Directors' interests

The shareholdings of all directors are shown in Note 31 to the Accounts.

Pensions

The Company contributes 10% of base salary to defined contribution schemes of the individual director's choice. There are no arrangements for the provision of benefits in excess of the Inland Revenue cap.

G Gallacher
Chairman of the Committee

26 February 1998

Directors' Responsibilities

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit or loss of the Group for that period. In preparing those financial statements, the Directors are required to:

1. Select suitable accounting policies and then apply them consistently
2. Make judgements and estimates that are reasonable and prudent
3. State whether applicable accounting standards have been followed
4. Prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Group will continue in business

The Directors are responsible for keeping proper accounting records, for safeguarding the assets of the Group, for the Group systems of internal financial control and for the prevention and detection of fraud and other irregularities.

Report of the Auditors

to the Members of Morgan Sindall plc

We have audited the financial statements on pages 24 to 43, which have been prepared under the accounting policies set out on pages 30 and 31.

Respective responsibilities of directors and auditors

As described on page 21, the Company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 December 1997 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Chartered Accountants and Registered Auditors

Leda House
Station Road
Cambridge

26 February 1998

Review Report on Corporate Governance Matters

to Morgan Sindall plc by Deloitte & Touche

In addition to our audit of the financial statements, we have reviewed the directors' statements on page 44 on the Company's compliance with the paragraphs of the Code of Best Practice specified for our review by the London Stock Exchange and their adoption of the going concern basis in preparing the financial statements. The objective of our review is to draw attention to non-compliance with Listing Rules 12.43(j) and 12.43 (v).

Basis of opinion

We carried out our review in accordance with guidance issued by the Auditing Practices Board. That guidance does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of either the Group's system of internal financial control or the Company's corporate governance procedures or on the ability of the group to continue in operational existence.

Opinion

With respect to the directors' statement on internal financial control and going concern on page 44, in our opinion the directors have provided the disclosures required by the Listing Rules referred to above and such statements are not inconsistent with the information of which we are aware from our audit work on the financial statements.

Based on enquiry of certain directors and officers of the Company, and examination of relevant documents, in our opinion the directors' statement on page 44 appropriately reflects the Company's compliance with the other paragraphs of the Code specified for our review by Listing Rule 12.43 (j).

Deloitte & Touche

Chartered Accountants

Leda House
Station Road
Cambridge

26 February 1998

Group Profit and Loss Account

for the year ended 31 December 1997

	Notes	1997 £'000s	1997 £'000s	1996 £'000s	1996 £'000s
Turnover from continuing operations	1				
Ongoing			**325,637**		283,145
Acquisitions			**5,599**		–
			331,236		283,145
Cost of sales			**(293,085)**		(252,839)
Gross profit			**38,151**		30,306
Administrative expenses			**(32,218)**		(26,682)
Other operating income	2		**1,613**		1,291
Operating profit					
Ongoing		**7,576**		4,915	
Acquisitions		**(30)**		–	
Total operating profit	1,3		**7,546**		4,915
Share of (losses)/profits of associated undertakings			**(250)**		47
Net interest (payable)/receivable	4		**(36)**		212
Profit on ordinary activities before taxation			**7,260**		5,174
Tax charge on profit on ordinary activities	5		**(1,412)**		(702)
Profit on ordinary activities after taxation			**5,848**		4,472
Equity minority interest			**(88)**		–
Profit for the year attributable to members of the parent company			**5,760**		4,472
Dividends on equity and non-equity shares	6		**(2,038)**		(1,659)
Retained profit for the year			**3,722**		2,813
Earnings per ordinary share	8		**16.38p**		13.13p

Group Balance Sheet

at 31 December 1997

	Notes	1997 £'000s	1996 £'000s
Fixed assets			
Tangible assets	13	**17,035**	17,266
Investments	14	**504**	663
		17,539	17,929
Current assets			
Assets held for resale		**–**	735
Stocks	15	**6,464**	5,520
Debtors	16	**54,937**	53,594
Cash at bank and in hand		**22,720**	15,307
		84,121	75,156
Creditors: amounts falling due within one year	17	**(80,468)**	(73,532)
Net current assets		**3,653**	1,624
Total assets less current liabilities		**21,192**	19,553
Creditors: amounts falling due after more than one year	18	**(3,458)**	(5,085)
Provisions for liabilities and charges	19	**(218)**	–
Net assets		**17,516**	14,468
Capital and reserves			
Called up share capital	24	**6,616**	6,606
Share premium account		**3,219**	3,103
Goodwill reserve		**(7,102)**	(4,723)
Revaluation reserve	28	**6,321**	5,188
Profit and loss account		**8,344**	4,294
Total shareholders' funds		**17,398**	14,468
Equity minority interests		**118**	–
Total capital employed		**17,516**	14,468
Shareholders' funds are attributable to:			
Equity shareholders' funds		**12,460**	9,530
Non-equity shareholders' funds		**4,938**	4,938
		17,398	14,468

Approved by the Board on 26 February 1998

J C Morgan

B J Moorhouse

Company Balance Sheet

at 31 December 1997

	Notes	**1997 £'000s**	1996 £'000s
Fixed assets			
Tangible assets	13	**13,537**	12,502
Investments	14	**31,911**	24,813
		45,448	37,315
Current assets			
Assets held for resale		**–**	735
Stocks	15	**5,981**	4,891
Debtors	16	**1,926**	2,180
Cash at bank and in hand		**1,045**	17
		8,952	7,823
Creditors: amounts falling due within one year	17	**(12,824)**	(8,434)
Net current liabilities		**(3,872)**	(611)
Total assets less current liabilities		**41,576**	36,704
Creditors: amounts falling due after more than one year	18	**(3,458)**	(4,335)
Provisions for liabilities and charges	19	**(173)**	(616)
Net assets		**37,945**	31,753
Capital and reserves			
Called up share capital	24	**6,616**	6,606
Share premium account		**3,219**	3,103
Special reserve		**13,644**	13,644
Revaluation reserve	28	**6,321**	5,051
Profit and loss account		**8,145**	3,349
Shareholders' funds		**37,945**	31,753
Shareholders' funds are attributable to:			
Equity shareholders' funds		**33,007**	26,815
Non-equity shareholders' funds		**4,938**	4,938
		37,945	31,753

Approved by the Board on 26 February 1998

J C Morgan

B J Moorhouse

Combined Statement of Movements in Reserves and Shareholders' Funds

for the year ended 31 December 1997

Group	Share Premium Account £'000s	Goodwill Reserve £'000s	Revaluation Reserve £'000s	Profit & Loss Account £'000s	Total Reserves £'000s	Share Capital £'000s	1997 Share-Holders' Funds £'000s	1996 Share-Holders' Funds £'000s
Balance at 1 January	3,103	(4,723)	5,188	4,294	7,862	6,606	14,468	12,274
Retained profit for year	–	–	–	3,722	3,722	–	3,722	2,813
New shares issued	–	–	–	–	–	–	–	2,706
Options exercised	116	–	–	–	116	10	126	33
Transfer of realised revaluation reserve	–	–	(328)	328	–	–	–	–
Surplus on revaluation	–	–	1,461	–	1,461	–	1,461	–
Adjustments to fair values attributed on acquisition	–	(507)	–	–	(507)	–	(507)	–
Additional consideration for Snape Group Limited	–	(289)	–	–	(289)	–	(289)	–
Acquisition of subsidiary undertakings	–	(1,583)	–	–	(1,583)	–	(1,583)	(3,358)
Balance at 31 December	3,219	(7,102)	6,321	8,344	10,782	6,616	17,398	14,468

Company	Share Premium Account £'000s	Special Reserve £'000s	Revaluation Reserve £'000s	Profit & Loss Account £'000s	Total Reserves £'000s	Share Capital £'000s	1997 Share-Holders' Funds £'000s	1996 Share-Holders' Funds £'000s
Balance at 1 January	3,103	13,644	5,051	3,349	25,147	6,606	31,753	24,646
Retained profit for year	–	–	–	4,605	4,605	–	4,605	2,643
New shares issued	–	–	–	–	–	–	–	2,706
Options exercised	116	–	–	–	116	10	126	33
Transfer of realised revaluation reserve	–	–	(191)	191	–	–	–	–
Surplus on revaluation	–	–	1,461	–	1,461	–	1,461	–
Release of provisions against subsidiary undertakings	–	–	–	–	–	–	–	1,725
Balance at 31 December	3,219	13,644	6,321	8,145	31,329	6,616	37,945	31,753

Group Cash Flow Statement

for the year ended 31 December 1997

	Notes	**1997 £'000s**	1996 £'000s
Net cash inflow from operating activities	25	**11,584**	6,953
Returns on investments and servicing of finance			
Interest received		**711**	626
Interest paid		**(1,083)**	(558)
Dividends paid to preference shareholders		**(278)**	(278)
		(650)	(210)
Taxation			
Corporation tax paid		**(999)**	(217)
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		**(2,628)**	(1,629)
Receipts from sale of tangible fixed assets		**7,176**	726
Repayment of loans from associated undertakings		**450**	–
Payments to acquire fixed asset investments		**(500)**	–
		4,498	(903)
Acquisitions and disposals			
Purchase of subsidiary undertakings		**(916)**	(1,361)
Net overdrafts acquired with subsidiary undertakings		**(467)**	(2,574)
Sale of subsidiary undertaking		**390**	–
Net cash disposed of with subsidiary undertaking		**(32)**	–
		(1,025)	(3,935)
Equity dividends paid		**(1,510)**	(1,019)
Net cash inflow before financing		**11,898**	669
Financing			
Issue of shares, net of expenses		**126**	2,739
New loans acquired		**4,500**	2,200
Loans repaid		**(9,111)**	(932)
Net cash (outflow)/inflow from financing activities		**(4,485)**	4,007
Increase in cash	26,27	**7,413**	4,676

Other Primary Statements

Statement of Total Recognised Gains and Losses

for the year ended 31 December 1997

	1997	1996
	£'000s	£'000s
Profit for the financial year before dividends	**5,848**	4,472
Surplus on revaluation of investment property	**1,461**	–
Total recognised gains and losses	**7,309**	4,472

Note of Historical Cost Profits and Losses

for the year ended 31 December 1997

	1997	1996
	£'000s	£'000s
Profit on ordinary activities before taxation	**7,260**	5,174
Realisation of property valuation gains of prior years	**328**	–
Difference between the historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	**22**	7
Historical cost profit on ordinary activities before taxation	**7,610**	5,181
Historical cost profit on ordinary activities after taxation, minority interests and dividends	**4,072**	2,820

Principal Accounting Policies

Basis of accounting

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain fixed asset properties, and in accordance with applicable accounting standards.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and all its subsidiary undertakings.

Acquisitions and disposals

The results of subsidiaries acquired during the year are included in the consolidated profit and loss account from the date of acquisition. Goodwill arising on consolidation is written off directly to reserves in the year of acquisition. The profit or loss on the disposal of a previously acquired business includes the attributable amount of any purchased goodwill relating to that business.

Turnover

Turnover is defined as the value of goods and services rendered excluding VAT.

Fixed asset investments

Except as stated below, investments held as fixed assets are stated at cost less provision for any permanent diminution in value. In the consolidated accounts the Group's share of the results of the associated undertakings is shown each year in the profit and loss account and the Group's share of retained profits and reserves is added to the cost of the investment in the balance sheet.

Fixed assets and depreciation

No depreciation is provided on freehold land. On other assets depreciation is provided in equal annual instalments at rates calculated to write off the cost or valuation of fixed assets over their estimated useful lives as follows:

Freehold buildings	–	50 years
Leasehold property	–	period of the lease
Plant, machinery, motor vehicles and equipment	–	between 3 and 10 years

No depreciation is provided in respect of freehold investment properties which are revalued annually and the aggregate surplus or deficit is transferred to revaluation reserve. The Companies Act 1985 requires all properties to be depreciated. However, this requirement conflicts with the generally held accounting principle set out in SSAP 19. The Directors consider that, as these properties are not held for consumption, but for their investment potential, to depreciate them would not give a true and fair view, and that it is necessary to adopt SSAP 19 in order to give a true and fair view.

If this departure from the Act had not been made, the profit for the financial year would have been reduced by depreciation. However, the amount of depreciation cannot reasonably be quantified because depreciation is only one of many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

Principal Accounting Policies

Stocks

Stocks are valued at the lower of cost and net realisable value. Interest incurred on borrowings to finance specific development is capitalised.

Contract accounting

Contracts are accounted for as long term contracts. Anticipated net sales value of contracts include a proportion of attributable profit where a profitable outcome can be foreseen, provision being made for foreseeable losses. Turnover less progress payments is recorded in "amounts recoverable on contracts", within debtors. Where progress payments exceed turnover and other contract balances the excess is shown as "payments on account on contracts" in creditors.

Deferred taxation

Provision under the liability method is made for deferred taxation at the current rate of corporation tax on all timing differences, to the extent that they are expected to crystallise.

Leases

Rental costs under operating leases are charged to the profit and loss account in equal amounts over the period of the leases.

Pensions

Sindall Group Pension Fund

The Group operated a funded defined benefit scheme for permanent staff employees. This scheme is now a closed scheme as referred to in note 11. Accounting policy followed the funding policy except where an actuarial valuation gave rise to a surplus or deficiency; such surpluses or deficiencies being dealt with as advised by the actuary. Prior to the date of closure, costs of the pension scheme were charged to the profit and loss account over the expected service lives of the participating employees.

Other schemes

The Group contributes to The Morgan Sindall Retirement Benefits Plan and to other employees' personal pension arrangements which are of a defined contribution type. The annual costs are charged to the profit and loss account.

Notes to the Accounts

1 Analysis of turnover, operating profit and net assets

	1997 Turnover	**1997 Profits/ (losses)**	**1997 Net assets**	1996 Turnover	1996 Profits/ (losses)	1996 Net assets
	£'000s	**£'000s**	**£'000s**	£'000s	£'000s	£'000s
Regional building contracting	**184,027**	**2,870**	**(3,896)**	89,717	1,310	(8,773)
Fit out	**139,539**	**3,575**	**(6,622)**	183,162	4,252	(3,943)
Property	**7,670**	**2,279**	**17,777**	634	891	18,918
Group activities	**–**	**(1,178)**	**(8,129)**	–	(724)	(78)
Specialist services	**–**	**–**	**–**	9,632	(814)	(952)
	331,236	**7,546**	**(870)**	283,145	4,915	5,172
Net cash balances			**18,386**			9,296
Net assets			**17,516**			14,468

Net assets are stated after deducting interest bearing net cash balances. The comparative has been restated accordingly.

The analysis of operating profit for 1996 includes a Specialist Services segment, which consisted of Sindall Joinery Limited and a small engineering services operation. In 1997 the operations of Sindall Joinery Limited were closed, the closure costs being allocated to the property segment and the engineering services operation being allocated to regional contracting.

2 Other operating income

	1997	1996
	£'000s	£'000s
Rent receivable	**1,613**	1,291

3 Operating profit

Operating profit is stated after charging		**1997**	1996
		£'000s	£'000s
Depreciation		**1,554**	1,076
Hire of plant and machinery		**4,809**	3,244
Operating lease costs	Land and buildings	**826**	289
	Other	**1,007**	464
Auditors' remuneration	Audit	**149**	125
	Other	**4**	6

Further fees of £3,000 (1996: £9,000) paid to Deloitte & Touche in 1997 are included in the cost of investment in subsidiary undertakings.

Included within operating profit for the year are costs relating to the closure of the operations of Sindall Joinery Limited totalling £427,000.

4 Net interest (payable)/receivable

	1997	1996
	£'000s	£'000s
Interest receivable	**789**	619
Interest payable on bank loans and overdrafts	**(1,123)**	(546)
	(334)	73
Add: Interest capitalised	**298**	139
	(36)	212

5 Tax charge on profit on ordinary activities

	1997	1996
	£'000s	£'000s
Corporation tax payable at 31% (1996: 33%)	**1,237**	1,192
Under/(over) provision in prior years	**158**	(483)
Share of tax of associated undertakings	**17**	(7)
	1,412	702

The tax charge for the year is lower than the standard rate due to the availability of tax losses brought forward.

6 Dividends on equity and non equity shares

		1997	1996
		£'000s	£'000s
Non equity dividends on preference shares			
Paid		**219**	219
Accrued		**59**	59
		278	278
Equity dividends on ordinary shares			
Interim paid	1.67p (1996: 1.35p)	**559**	430
Final proposed	3.58p (1996: 2.85p)	**1,201**	951
		1,760	1,381
		2,038	1,659

7 Profit of parent company

The Company has taken advantage of s230 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's retained profit for the financial year amounted to £4,605,000 (1996: £4,302,000).

8 Earnings per ordinary share

The calculation of the earnings per share is based on the weighted average number of 33,461,277 ordinary shares in issue during the year (1996: 31,952,410) and on the profits for the year attributable to ordinary shareholders of £5,482,000 (1996: £4,194,000).

9 Employees

	1997	1996
	No.	No.
The average number of people employed by the Group during the period was:	**1,237**	886

10 Staff costs

	1997	1996
	£'000s	£'000s
Wages and salaries	**30,395**	21,451
Social security costs	**2,905**	2,190
Pension costs	**769**	549
	34,069	24,190

11 Pensions

Defined Benefits Arrangements

The Sindall Group Pension Fund has been operated as a closed scheme since 1 June 1995. No contributions have been made to the Fund since that date and as a consequence, no amounts included in these accounts relate to the Fund. Since the date of the closure of the Fund, the liabilities for the accrued benefits of pensioners have been bought out by way of annuity policies. The liability for the accrued benefit rights of deferred pensioners was transferred, together with an actuarially assessed matching pool of assets, to The Morgan Sindall Retirement Benefits Plan. Details of this Plan and of the action taken in respect of former active members of the Fund are set out below.

The Accounts of the Fund as at 31 March 1997 consequently show that the Fund has neither assets or liabilities. On receipt of actuarial certification of that position, the Company will shortly be writing to the Trustees stating that the winding up process has now been completed. It is expected that the Trustees will confirm their agreement in a formal resolution and will then be discharged from their respective positions as Trustees.

Defined Contribution and Hybrid Schemes

The Morgan Sindall Retirement Benefits Plan was established on 31 May 1995 and is a Money Purchase arrangement which is now available to all permanent salaried staff in all Group companies. Pension costs represent the employer's contributions payable to the Plan together with employer's contributions to the personal pension plans of individuals, where applicable.

The Plan has, however, assumed responsibility for the final salary linked benefits of certain active members of the Sindall Group Pension Fund. The basis of service computation is limited to the period of membership up to 1 June 1995 but there will be a need for periodic actuarial review of the accrued liabilities and the assets allocated for this purpose. An actuarial bulk transfer valuation as at 1 November 1996 valued the liability for the accrued final salary linked benefits at £2.6 million. The main assumptions in the valuation were; rate of investment return 8.5% per annum compound, rate of earnings escalation 8.0% per annum compound, rate of growth in equity dividends 3.5% per annum.

12 Directors' remuneration

	Salary £'000s	Bonus £'000s	Benefits £'000s	Pension £'000s	Fees £'000s	**1997 Totals £'000s**	1996 Totals £'000s
J C Morgan (Highest paid director)	110	70	16	11	–	**207**	246
A M Stoddart	100	64	14	10	–	**188**	18
J M Bishop	95	61	13	9	–	**178**	212
J J C Lovell	95	61	11	9	–	**176**	212
B J Moorhouse	92	59	12	9	–	**172**	–
A T Sloan (*)	64	–	5	4	–	**73**	212
Executive directors	556	315	71	52	–	**994**	900
Sir D P Hornby (Chairman)	–	–	–	–	36	**36**	38
G Gallacher	–	–	–	–	20	**20**	15
R W Marshall	–	–	–	–	–	**–**	14
Non executive directors	–	–	–	–	56	**56**	67
Totals	556	315	71	52	56	**1,050**	967

The totals of directors' remuneration shown above include fees of £67,000 in 1996. Pension contributions made on behalf of the five executive directors are made to money purchase pension schemes. Further details of the directors' remuneration are contained in the Report of the Remuneration Committee on page 21.

* included within salary is £30,000 compensation for loss of office.

12 Directors' remuneration *(Continued)*

Long term incentive plan

A long term incentive plan ('the 1997 plan') has been established. Performance is measured over a rolling three year period by comparing the increase in total return to shareholders in Morgan Sindall plc to that of fourteen peer group companies listed in the Financial Times. All shares awarded to a participant will be allocated at the end of the three year period if Morgan Sindall plc is ranked first amongst the comparable companies and no shares will be awarded if the Company is ranked in the middle of the group. Shares will be allocated on a graduated level between these two positions. On allocation of shares to a participant, sale or transfer of the shares is restricted for a further two year period. No shares were awarded during the period. An amount of £125,000 has been accrued for potential future awards relating to 1997 which will be calculated based on the three year period ending 31 December 1999.

13 Tangible fixed assets

(a) Group

	Plant, machinery & equipment	Motor vehicles	Freehold property	Leasehold property	Total
	£'000s	£'000s	£'000s	£'000s	£'000s
Cost or valuation					
At 1 January 1997	6,471	2,805	10,225	4,488	23,989
Additions	2,231	274	26	97	2,628
Acquisition of subsidiary undertaking	489	101	795	3,000	4,385
Surplus on revaluation	–	–	1,461	–	1,461
Disposals	(2,701)	(1,136)	(484)	(5,264)	(9,585)
Disposal of subsidiary undertaking	(927)	(357)	–	–	(1,284)
At 31 December 1997	**5,563**	**1,687**	**12,023**	**2,321**	**21,594**
Depreciation					
At 1 January 1997	4,656	1,789	81	197	6,723
Provided in the year	989	409	50	106	1,554
Acquisition of subsidiary undertaking	397	100	–	–	497
Disposals	(2,524)	(647)	–	(64)	(3,235)
Disposal of subsidiary undertaking	(651)	(329)	–	–	(980)
At 31 December 1997	**2,867**	**1,322**	**131**	**239**	**4,559**
Net book value at 31 December 1997	**2,696**	**365**	**11,892**	**2,082**	**17,035**
Net book value at 31 December 1996	1,815	1,016	10,144	4,291	17,266

(b) Company

	Plant, machinery & equipment	Motor vehicles	Freehold property	Leasehold property	Total
Cost or valuation					
At 1 January 1997	817	–	8,505	4,152	13,474
Additions	221	–	–	–	221
Transfers from subsidiary undertaking	–	–	1,692	–	1,692
Surplus on revaluation	–	–	1,461	–	1,461
Disposals	(739)	–	–	(2,264)	(3,003)
At 31 December 1997	**299**	**–**	**11,658**	**1,888**	**13,845**
Depreciation					
At 1 January 1997	781	–	53	138	972
Provided in the year	24	–	28	39	91
Transfers from subsidiary undertaking	–	–	48	–	48
Disposals	(739)	–	–	(64)	(803)
At 31 December 1997	**66**	**–**	**129**	**113**	**308**
Net book value at 31 December 1997	**233**	**–**	**11,529**	**1,775**	**13,537**
Net book value at 31 December 1996	36	–	8,452	4,014	12,502

13 Tangible fixed assets *(Continued)*

The net book value of land and buildings comprises:	Group		Company	
	1997	1996	**1997**	1996
	£'000s	£'000s	**£'000s**	£'000s
Investment properties				
Freehold	**8,572**	7,111	**8,267**	6,806
Short leasehold	**1,499**	1,531	**1,499**	1,531
	10,071	8,642	**9,766**	8,337
Other properties				
Freehold	**3,320**	3,033	**3,262**	1,646
Long leasehold	**–**	2,483	**–**	2,483
Short leasehold	**583**	277	**276**	–
	3,903	5,793	**3,538**	4,129
	13,974	14,435	**13,304**	12,466

Land and buildings at cost or valuation are stated at:	Group		Company	
	1997	1996	**1997**	1996
	£'000s	£'000s	**£'000s**	£'000s
At valuation				
1994	**1,973**	1,973	**1,973**	1,973
1996	**–**	8,673	**–**	8,368
1997	**10,134**	–	**9,829**	–
At cost	**2,237**	4,067	**1,744**	2,316
	14,344	14,713	**13,546**	12,657

Comparable amounts determined according to the historical cost convention:	Cost	Accumulated depreciation	Net book value	Net book value
	1997	**1997**	**1997**	1996
	£'000s	**£'000s**	**£'000s**	£'000s
Land and buildings	**8,536**	**513**	**8,023**	9,643

The directors have revalued the Group's investment properties on 31 December 1997 at open market value. Based on their collective expertise and knowledge of both the sector and the individual properties, they consider that the carrying value is equivalent to current market value.

14 Fixed assets – investments

(a) Group		Associated undertakings			
	Own shares at cost	Shares	Share of reserves	Loans	Total
	£'000s	£'000s	£'000s	£'000s	£'000s
At 1 January 1997	–	5	208	450	663
Acquisition of Ottervale Estates Limited	–	(1)	(176)	–	(177)
Loans repaid	–	–	–	(450)	(450)
Share of results for year	–	–	(250)	–	(250)
Reclassify as liabilities and charges	–	–	218	–	218
Additions	500	–	–	–	500
At 31 December 1997	**500**	**4**	**–**	**–**	**504**

The own shares represent 300,000 ordinary shares held by the Morgan Sindall Employee Benefits Trust in connection with the Long Term Incentive Plan. Based on the Company's share price on 31 December 1997 of £1.94, the market value of the shares held in the trust was £582,000.

14 Fixed assets – investments *(Continued)*

(b) Company	Other loans	Subsidiary undertakings Shares	Subsidiary undertakings Loans	Associated undertakings Shares	Associated undertakings Loans	Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Cost at 1 January 1997	–	22,243	5,058	4	150	27,455
Additions	500	6,827	1,921	–	–	9,248
Repaid during the year	–	–	(2,165)	–	(150)	(2,315)
Cost at 31 December 1997	**500**	**29,070**	**4,814**	**4**	**–**	**34,388**
Provisions at 1 January 1997	–	2,108	534	–	–	2,642
(Release of provisions)/ provisions created in year	–	(115)	(54)	4	–	(165)
Provisions at 31 December 1997	**–**	**1,993**	**480**	**4**	**–**	**2,477**
Net book value at 31 December 1997	**500**	**27,077**	**4,334**	**–**	**–**	**31,911**
Net book value at 31 December 1996	–	20,135	4,524	4	150	24,813

15 Stocks

	Group		Company	
	1997	1996	**1997**	1996
	£'000s	£'000s	**£'000s**	£'000s
Development works and building land	**3,728**	5,311	**3,353**	4,891
Trading properties	**2,628**	–	**2,628**	–
Materials and equipment	**108**	209	**–**	–
	6,464	5,520	**5,981**	4,891

Included within development works and building land is £15,000 (1996: £139,000) in respect of interest capitalised.

16 Debtors

	Group		Company	
	1997	1996	**1997**	1996
	£'000s	£'000s	**£'000s**	£'000s
Trade debtors	**23,810**	20,400	**165**	186
Amounts recoverable on contracts	**29,709**	30,976	**–**	–
Amounts owed by subsidiary undertakings	**–**	–	**710**	1,242
Amounts owed by associated undertakings	**74**	59	**74**	59
Corporation tax recoverable	**–**	–	**328**	111
Other debtors	**736**	1,624	**622**	522
Prepayments and accrued income	**608**	535	**27**	60
	54,937	53,594	**1,926**	2,180

17 Creditors: amounts falling due within one year

	Group		Company	
	1997	1996	**1997**	1996
	£'000s	£'000s	**£'000s**	£'000s
Bank loans	**876**	876	**876**	876
Other loan (see note 18)	**–**	50	**–**	–
Trade creditors	**58,236**	54,872	**49**	116
Amounts owed to subsidiary undertakings	**–**	–	**7,551**	4,468
Other creditors	**2,705**	1,731	**1,181**	655
Corporation tax	**886**	350	**–**	–
Other tax and social security	**2,387**	2,731	**63**	74
Accruals and deferred income	**14,118**	11,912	**1,844**	1,235
Dividend	**1,260**	1,010	**1,260**	1,010
	80,468	73,532	**12,824**	8,434

18 Creditors: amounts falling due after more than one year

	Group		Company	
	1997	1996	**1997**	1996
	£'000s	£'000s	**£'000s**	£'000s
Bank loans	**3,458**	4,335	**3,458**	4,335
Other loan	**–**	750	**–**	–
	3,458	5,085	**3,458**	4,335

There are two bank loans both bearing interest at 1.5% above bank base rate. One has an outstanding balance repayable in fifteen quarterly instalments of £164,000. The other has an outstanding balance repayable in thirty four quarterly instalments of £55,000. Security for the bank loans and overdrafts is described in note 23.

The other loan of £800,000 which was outstanding at 1 January 1997 was discharged during the year.

19 Provisions for liabilities and charges

	Group		Company	
	1997	1996	**1997**	1996
	£'000s	£'000s	**£'000s**	£'000s
Provisions for losses in Group undertakings:				
At 1 January 1997	**–**	–	**616**	–
Provision for losses of subsidiary undertakings	**–**	–	**111**	616
Share of associated company losses	**218**	–	**–**	–
Release to profit and loss account	**–**	–	**(554)**	–
At 31 December 1997	**218**	–	**173**	616

19 Provisions for liabilities and charges *(Continued)*

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

Group	Provided		Not provided	
	1997	1996	**1997**	1996
	£'000s	£'000s	**£'000s**	£'000s
Revaluation surplus	**–**	–	**–**	318
Capital allowances in excess of depreciation	**–**	142	**–**	–
Taxation loss relief and other timing differences	**–**	(142)	**–**	(318)
	–	–	**–**	–

Advance corporation tax amounting to £502,000 (1996: £511,000) written off within the accounts remains available to offset against future taxable profits. In addition there are taxation losses to carry forward of approximately £6 million (1996: £8 million).

20 Sale of business

On 28 October 1997, the group completed the sale of AK Plant Limited, for net consideration of £390,000. The loss on disposal was £155,000. The profit attributable to members of the parent company include losses of £41,000 incurred by AK Plant Limited up to its date of disposal.

During the year AK Plant Limited contributed £49,000 to the group's net operating cash flow, paid £18,000 in respect of net returns on investment and servicing of finance and paid £58,000 for capital expenditure and financial investment.

21 Acquisitions

Roberts R. Roberts (Leeds) Limited

On 1 August 1997 the Company acquired the whole of the issued share capital of Roberts R. Roberts (Leeds) Limited for a total consideration of £550,000 in cash. Additionally, acquisition expenses of £72,000 were incurred. The results, after taxation, of Roberts R. Roberts (Leeds) Limited were as follows:

Results prior to acquisition:	£'000's
1 August 1996 to date of acquisition	(871)
Preceding financial year ending 31 July 1996	19

The following table analyses the book value of the major categories of assets and liabilities acquired:

	Book value at date of acquisition	Accounting policy alignment	Provisional fair value adjustments	Fair value of net assets
	£'000	£'000	£'000	£'000
Tangible fixed assets	929	-	(47)	882
Current assets	2,953	(43)	(415)	2,495
Creditors	(3,499)	(143)	-	(3,642)
Net cash balances	(784)	-	-	(784)
Net liabilities	(401)	(186)	(462)	(1,049)
Cost of acquisition including expenses				(622)
Goodwill				(1,671)

The acquisition has been accounted for by the acquisition method of accounting.

21 Acquisitions *(Continued)*

Ottervale Estates Limited

On 28 February 1997 the Company acquired a further 3/7th share of the issued share capital of the associate undertaking, Ottervale Estates Limited for a total consideration of £1,000 in cash. The results, after taxation, of Ottervale Estates Limited were as follows:

Results prior to acquisition:	£'000's
1 January 1997 to date of acquisition	(93)
Preceding financial year ending 31 December 1996	116

The following table analyses the book value of the major categories of assets and liabilities acquired:

	Book value at date of acquisition	Fair value adjustments	Fair value of net assets
	£'000	£'000	£'000
Tangible fixed assets	3,200	(200)	3,000
Current assets	45	–	45
Creditors	(223)	–	(223)
Loans	(2,934)	–	(2,934)
Net cash balances	317	–	317
Net assets	405	(200)	205
3/7th share of net assets			88
Cost of acquisition including expenses			(1)
Negative goodwill			87

The acquisition has been accounted for by the acquisition method of accounting.

Cash Flow

During the year, acquisitions contributed £607,000 to the group's net operating cash flows, paid £378,000 in respect of net returns on investment and servicing of finance and received £4,332,000 from investing activities.

John E.B. Wheatley Limited

On 4 February 1998 the Company acquired the whole of the issued share capital of John E.B. Wheatley Limited for a total consideration of £365,000 in cash. Net liabilities acquired before adjustments for accounting policy alignment and fair values totalled £234,000.

Prior Year Acquisitions

The prior year financial statements did not disclose that fair values were provisional. In accordance with the Financial Reporting Statement 6, fair values and goodwill have been adjusted and are disclosed in the statement of movements in shareholders' funds on page 27.

22 Financial commitments

	Group		Company	
	1997	1996	**1997**	1996
Capital expenditure	**£'000s**	£'000s	**£'000s**	£'000s
Authorised and contracted	**104**	116	**43**	–

23 Contingent liabilities

Group and associated undertakings bank accounts are supported by cross-guarantees given by the Company and floating and fixed charges on certain Group properties. A performance bond facility is supported by cross-guarantees given by the Company and participating trading companies in the Group.

24 Called up share capital

Authorised	1997 No. '000s	1997 £'000s	1996 No. '000s	1996 £'000s
Ordinary shares of 5p each	**42,960**	**2,148**	42,960	2,148
5.625% Convertible cumulative redeemable preference shares of £1 each	**5,000**	**5,000**	5,000	5,000
	47,960	**7,148**	47,960	7,148
Issued and fully paid				
Ordinary shares of 5p each	**33,519**	**1,678**	33,377	1,668
5.625% Convertible cumulative redeemable preference shares of £1 each	**4,938**	**4,938**	4,938	4,938
	38,457	**6,616**	38,315	6,606

Ordinary Shares

The Ordinary Shares of 5p each of the Company issued during the year are shown below. Details of the share option schemes referred to are given later in this note.

1. 80,000 Ordinary Shares in respect of options exercised under the Company's 1988 Scheme (referred to below) for total consideration of £73,000.
2. 66,500 Ordinary Shares in respect of options exercised under the Company's 1995 Scheme (referred to below) for total consideration of £43,000.

Preference shares

The Convertible Preference Shares are convertible at the option of the holder on 30 June in each of the years 1991 to 2003 inclusive on the basis of 40 Ordinary Shares for every 100 Convertible Preference Shares. After conversion of 75% of the Convertible Preference Shares the Company has the right to require the conversion of the outstanding balance. The Convertible Preference Shares are redeemable at par at the Company's option after the last date of conversion in 2003 and are finally redeemable on 30 June 2005. There is no premium payable on a return of capital on a winding up and the Convertible Preference Shares do not entitle the holders to any participation in the profits or assets of the Company beyond their preference dividend entitlement.

Options

The company currently has two share option schemes. The first scheme ('the 1988 Scheme') was introduced on 21 January 1988 and the second scheme ('the 1995 Scheme') received approval on 24 May 1995.

At 31 December 1997 the outstanding options for ordinary shares under both schemes were:

1988 Scheme:

Numbers		*Exercise price*	*Period for exercise*
18,000	(3 staff)	£1.85	12 May 1991 to 11 May 1998
180,250	(37 staff)	£0.73	9 August 1998 to 8 August 2005
69,100	(35 staff)	£0.97	28 March 1999 to 27 March 2006
167,800	(33 staff)	£1.47	17 August 1999 to 16 August 2006
231,750	(113 staff)	£1.71	24 September 2000 to 23 September 2007

1995 Scheme

Numbers		*Exercise price*	*Period for exercise*
240,000	(24 staff)	£0.73	9 August 2000 to 8 August 2002
101,000	(14 staff)	£0.97	28 March 2001 to 27 March 2003
262,800	(38 staff)	£1.47	17 August 2001 to 16 August 2003
255,000	(100 staff)	£1.71	24 September 2002 to 23 September 2004

No options have been granted to any present members of the Morgan Sindall plc Board.

25 Reconciliation of operating profit to net cash inflow from operating activities

	1997	1996
	£'000s	£'000s
Operating profit	**7,546**	4,915
Depreciation charges	**1,554**	1,076
Profit on sale of fixed assets	**(671)**	(95)
Decrease/(increase) in stocks and work in progress	**37**	(3,145)
Decrease/(increase) in debtors	**704**	(19,267)
Increase in creditors	**2,414**	23,469
Net cash inflow from operating activities	**11,584**	6,953

26 Analysis of net cash

	At 1 January 1997 £'000s	Cash flow	**At 31 December 1997 £'000s**
Cash at bank and in hand	15,307	7,413	**22,720**
Loans due within one year	(926)	50	**(876)**
Loans due after more than one year	(5,085)	1,627	**(3,458)**
	9,296	9,090	**18,386**

27 Reconciliation of net cash flow to movement in net cash

	1997	1996
	£'000s	£'000s
Increase in cash	**7,413**	4,676
Net cash flow from decrease/(increase) in loans	**1,677**	(1,268)
Movement in net cash	**9,090**	3,408
Net cash at 1 January	**9,296**	5,888
Net cash at 31 December	**18,386**	9,296

28 Revaluation reserve

	Group		Company	
	1997	1996	**1997**	1996
	£'000s	£'000s	**£'000s**	£'000s
Investment property revaluation reserve	**6,101**	4,640	**6,101**	4,640
Other property revaluation reserve	**220**	548	**220**	411
	6,321	5,188	**6,321**	5,051

29 Operating lease commitments

At 31 December 1997 the Group was committed to making the following payments during the next year in respect of operating leases

	Land and buildings	Other
Leases which expire:	£'000s	£'000s
Within one year	467	236
Within two to five years	959	1,197
After five years	326	–
	1,752	1,433

Notes to the Accounts

30 Additional information on subsidiaries and associated undertakings

The Company acts as a holding company for the Group and has the following principal subsidiary and associated undertakings which affected the Group's results or net assets.

Subsidiary undertakings	*Activity*
*Morgan Lovell London Limited	Office design, fitting out and refurbishment specialists
*Morgan Lovell Regions Limited	Office design, fitting out and refurbishment specialists
*Overbury plc	Fitting out and refurbishment contractor
*Overbury Projects Limited	(x) Fitting out and refurbishment contractor
*Overbury & Sons Limited	(x) Fitting out and refurbishment contractor
*Overbury Southern Limited	(x) Fitting out and refurbishment contractor
*Overbury Special Works Limited	(x) Fitting out and refurbishment contractor
*Overbury Construction Limited	(x) Fitting out and refurbishment contractor
*Sindall Construction Limited	Building contractors
*Sindall Joinery Limited	Joinery manufacturers
*Sindall Maintenance Limited	Property refurbishment and maintenance
*Sindall Norwich Limited	Building contractors
*Sotham Engineering Services Limited	Mechanical and electrical engineering contractors
Barnes & Elliott Limited	Building contractors
T. J. Braybon & Son Limited	Building contractors
Hinkins & Frewin Limited	Building contractors
Stansell Limited	Building contractors
*Stansell QVC Limited	Building contractors
The Snape Group Limited	Intermediate holding company
*Snape Limited	Building contractors
Ottervale Estates Limited (86%)	Ownership and management of investment properties
Robert R Roberts Limited	Building contractors
Associated undertakings	
Primary Medical Property Limited (50%)	Development of medical properties

All subsidiary undertakings are wholly owned unless shown otherwise and with the exception of companies marked * all shareholdings are in the name of Morgan Sindall plc. With the exception of Stansell QVC Limited, registered and operating in Jersey, all undertakings are registered in England and England is the principal place of business. The businesses and assets of the companies marked (x) have all been transferred to Overbury plc which is now a principal operating company. As part of the arrangements, the resources of Overbury plc are available to ensure that all of the residual contractual and other obligations of the transferring companies are fully and properly satisfied.

31 Directors' interests

According to the register maintained as required by the Companies Act 1985, the interests of the directors in office at 31 December 1997 and 1 January 1997 (or the date of appointment if later) were as follows:

	5p Ordinary Beneficial	
	31.12.97	1.1.97
Sir D P Hornby	5,452	5,452
J C Morgan	6,186,426	6,186,426
J M Bishop	20,000	16,666
J J C Lovell	6,183,706	6,183,706
B J Moorhouse	250	–
A M Stoddart	5,000	5,000
G Gallacher	–	–

No director had any non beneficial interest in the Ordinary Shares or any interest in the Preference Shares of the Company There have been no changes in the interests of the directors between the year end and 26 February 1998. No director had any material interest in any contract with the Company.

32 Related party transactions

During the year amounts totalling £10,000 were paid to The Executive Coaching Consultancy of which Ms G Gallacher is a director.

Corporate Governance

Policy statement

Morgan Sindall plc fully supports the Cadbury Code of Best Practice and has been in compliance with the Code during 1997 except paragraph 4.3, when following the resignation of Mr R W Marshall the number of non-executive directors was less than the Code's recommendation of three. The appointment on 1 March 1998 of Mr B H Asher, after a very careful search for a suitable candidate, will ensure that the Company is fully compliant with the Code.

Board constitution and procedures

After 1 March 1998 the Board will consist of eight directors of whom three are non-executives, the roles of Chairman and Chief Executive being separated. The Board meets a minimum of six times a year to review all significant aspects of the Group's activities, supervise the executive management and to make decisions on matters, which are specifically reserved, for decision of the full Board.

Directors are entitled to take independent professional advice where circumstances are appropriate.

Board committees

The Board has established an Audit Committee and a Remuneration Committee. Each Committee operates within defined terms of reference. Membership is comprised of the non-executive directors listed on page 18.

Audit Committee

The audit committee is responsible for reviewing the annual accounts before their submission to the board and for advising the board on the appointment and remuneration of external auditors. Meetings of the Committee, chaired by Sir D P Hornby, will normally be attended by the Finance Director and by a representative of the external auditors.

Remuneration Committee

The Remuneration Committee, chaired by Ms G Gallacher, is responsible for determining the contract terms, remuneration and other benefits for the executive directors including the long term incentive plan.

The Committee meetings are normally held twice in each year and are normally expected to be attended by the Chief Executive.

A report to the shareholders by the Remuneration Committee is shown on page 21.

Internal financial control

The Board has formally acknowledged that they are responsible for the Group's system of internal financial control. They consider that the system as a whole and its constituent elements are appropriate to the nature of the Group's activities and are designed and operated so as to provide reasonable, but not absolute, assurance that the Group's assets are correctly stated and are safeguarded against loss. The main features of the system are as follows:

Financial reporting systems

The Board recognises that an essential part of the responsibility for running a business is the effective safeguarding of assets, the proper recognition of liabilities and the accurate reporting of profits. The Group has a comprehensive system for monthly reporting to the Board of financial results with budget comparisons and the Board is represented at key subsidiary board meetings. Subsidiary companies prepare detailed annual budgets, which are reviewed by the Board and formally adopted.

Quality and integrity of personnel

The Board has established a set of Core Values for the Group. These are set out in its Business Plan and are actively communicated to Group personnel at all levels. Integrity is a key component of those values and this quality is regarded as a vital factor in maintaining the effectiveness of the Group's system of internal control.

Risk management

Formulation of risk management strategy is a matter specifically reserved for decision by the Board. Key areas of risk are identified and reviewed by the Board and by executive management on a regular basis. The Board also reserves to itself the evaluation of any risk arising from the acquisition or development of any new activities where size or nature of business is, or is likely to be, material to the Group's existing activities. Having regard to the nature of the Group's activities, particular care is taken to ensure that appropriate and adequate insurance arrangements are in place.

Investment and capital expenditure appraisal

There are clear policies, detailed procedures and defined levels of authority in relation to investment, capital expenditure, significant cost commitments and asset disposals.

Board review

The Board has reviewed the effectiveness of the system of internal controls for the accounting year and for the period up to the date of approval of the financial statements.

Going Concern

After making enquiries, the directors have formed a judgement at the time of approving the financial statements that there is a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, the directors continue to adopt a going concern basis in preparing the financial statements.