

Grant Thornton 

**PDC CONSTRUCTION LIMITED**

DIRECTORS' REPORT AND  
FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 MAY 1997

COMPANY NUMBER 1168955



**PDC CONSTRUCTION LIMITED**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MAY 1997**

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**PDC CONSTRUCTION LIMITED**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MAY 1997**

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Company registration number: 1168955

Registered office: Yorkshire House  
Leeds Road  
Glasshoughton  
Castleford  
WF10 4PF

Directors: C Desmond  
D J Desmond  
J S Desmond  
M O Desmond

Secretary: J S Desmond

Bankers: Midland Bank plc  
PO Box 105  
33 Park Row  
Leeds  
LS1 1LD

Solicitors: Berg & Co  
Byrom Court  
7 Byrom Street  
Manchester  
M3 4PF

Auditors: Grant Thornton  
Registered Auditors  
Chartered Accountants  
St Johns Centre  
110 Albion Street  
Leeds  
LS2 8LA

# **PDC CONSTRUCTION LIMITED**

## **REPORT OF THE DIRECTORS**

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The directors present their report together with financial statements for the year ended 31 May 1997.

### **Principal activity**

The principal activity of the company is that of overhead line, electrical and civil engineering contracting.

### **Business review**

There was a loss for the year after taxation amounting to £121,863 (1996: profit of £274,105). The directors do not recommend payment of a dividend and the loss has therefore been retained.

Subsequent to the year end, the directors became aware that the finance director of the ultimate parent undertaking, PDC Engineering Limited, had been acting in a manner prejudicial to the interests of the company and its shareholders, and the group finance director left the company in February 1998. The impact of the director's actions was that irrecoverable payments were made to companies outside the Group and transactions were implemented which are currently under investigation by HM Customs & Excise.

Full provision has been made in these accounts against all known irrecoverable assets as 31 May 1997 arising from the actions of the group finance director.

The present directors of the company remain confident that the impact of the former group finance director's actions has been fully appraised and provisions made against irrecoverable assets as appropriate.

### **Directors**

The present membership of the Board is set out below. All directors served throughout the year.

C Desmond  
D J Desmond  
J S Desmond  
M O Desmond

The directors have no interest in the issued share capital of the company. The interests of the directors who are also directors of the parent company, PDC Engineering Limited, are disclosed in that company's accounts.

# **PDC CONSTRUCTION LIMITED**

## **REPORT OF THE DIRECTORS**

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### **Directors' responsibilities for the financial statements**

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

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for maintaining proper accounting records, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### **Employee involvement**

The company has continued its practice of keeping employees informed of matters affecting them as employees and the financial and economic factors affecting the performance of the company.

### **Disabled employees**

Applications for employment by disabled persons are given full and fair consideration for all vacancies in accordance with their particular aptitudes and abilities. In the event of employees becoming disabled, every effort is made to retrain them in order that their employment with the company may continue.

It is the policy of the company that training, career development and promotion opportunities should be available to all employees.

### **Charitable donations**

During the year charitable donations totalling £2,777 were made.

**PDC CONSTRUCTION LIMITED**

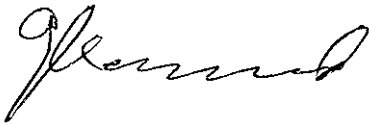
**REPORT OF THE DIRECTORS**

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**Auditors**

Grant Thornton offer themselves for re-appointment as auditors in accordance with section 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD

A handwritten signature in black ink, appearing to read 'D J Desmond', written in a cursive style.

D J Desmond

Director

24 June 1998

**REPORT OF THE AUDITORS TO THE MEMBERS OF  
PDC CONSTRUCTION LIMITED**

We have audited the financial statements on pages 5 to 20 which have been prepared under the accounting policies set out on page 5.

**Respective responsibilities of directors and auditors**

As described on page 2 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

**Basis of opinion**

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

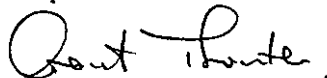
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity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

**Fundamental uncertainty - going concern**

In forming our opinion, we have considered the adequacy of the disclosures made in the financial statements concerning the uncertainty as to the raising of additional finance to secure the company's future. Failure to raise additional finance could result in the company being unable to settle liabilities as they fall due. Details of the circumstances relating to this fundamental uncertainty are described in note 1. Our opinion is not qualified in this respect.

**Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 May 1997 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**GRANT THORNTON  
REGISTERED AUDITORS  
CHARTERED ACCOUNTANTS  
LEEDS**

24 June 1998

## **PDC CONSTRUCTION LIMITED**

### **PRINCIPAL ACCOUNTING POLICIES**

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The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention except that certain freehold and leasehold properties are shown at their revalued amounts.

The principal accounting policies of the company have remained unchanged from the previous year and are set out below.

#### **TURNOVER**

Turnover is the total amount receivable by the company for goods supplied and services provided, excluding VAT and trade discounts.

#### **INTANGIBLE FIXED ASSETS**

Intangible fixed assets are amortised on a straight line basis over their expected useful economic life of between three and four years.

#### **DEPRECIATION**

Depreciation is calculated to write down the cost of all tangible fixed assets other than freehold land over their expected useful lives. The rates generally applicable are:

Freehold buildings	4% straight line
Leasehold buildings	Period of lease
Motor vehicles	25% reducing balance
Plant and machinery	10% straight line and 25% reducing balance
Office equipment	15% straight line and 25% reducing balance

#### **STOCKS**

Stocks are stated at the lower of cost and net realisable value.

#### **DEFERRED TAXATION**

Deferred tax is provided for under the liability method using the tax rates estimated to arise when the timing differences reverse and is accounted for to the extent that it is probable that a liability or asset will crystallise. Unprovided deferred tax is disclosed as a contingent liability.

#### **LEASED ASSETS**

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their expected useful lives. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease.

All other leases are regarded as operating leases and the payments made under them are charged to the profit and loss account on a straight line basis over the lease term.



**PDC CONSTRUCTION LIMITED**

**PROFIT AND LOSS ACCOUNT**

**FOR THE YEAR ENDED 31 MAY 1997**

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	Note	1997 £	1996 £
Turnover	2	15,003,481	15,458,248
Other operating income and charges	3	(15,072,845)	(14,972,372)
<b>Operating (loss)/profit</b>		<u>(69,364)</u>	<u>485,876</u>
Net interest	4	(53,379)	(48,125)
<b>(Loss)/profit on ordinary activities before taxation</b>		<u>(122,743)</u>	<u>437,751</u>
Tax on (loss)/profit on ordinary activities	6	880	(163,646)
<b>(Loss)/profit for the financial year</b>	18	<u>(121,863)</u>	<u>274,105</u>

There were no recognised gains or losses other than the loss for the financial year.

The accompanying accounting policies and notes form an integral part of these financial statements.

**PDC CONSTRUCTION LIMITED**

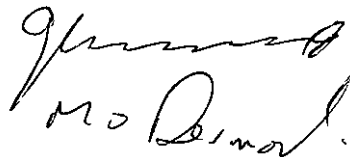
BALANCE SHEET AT 31 MAY 1997

	Note	1997 £	1996 £
<b>Fixed assets</b>			
Intangible assets	7	5,654	16,964
Tangible assets	8	<u>934,642</u>	<u>746,752</u>
		<u>940,296</u>	<u>763,716</u>
<b>Current assets</b>			
Stocks	9	790,351	510,050
Debtors: amounts falling due within one year	10	2,940,135	2,384,138
Debtors: amounts falling due after more than one year	10	441,230	410,629
Cash at bank and in hand		<u>3,571</u>	<u>134,884</u>
		<u>4,175,287</u>	<u>3,439,701</u>
<b>Creditors: amounts falling due within one year</b>	11	<u>(4,285,096)</u>	<u>(3,187,472)</u>
<b>Net current (liabilities)/assets</b>		<u>(109,809)</u>	<u>252,229</u>
<b>Total assets less current liabilities</b>	12	830,487	1,015,945
<b>Creditors: amounts falling due after more than one year</b>	14	(301,820)	(374,415)
<b>Provisions for liabilities and charges</b>	15	<u>(19,000)</u>	<u>(10,000)</u>
		<u>509,667</u>	<u>631,530</u>
<b>Capital and reserves</b>			
Called up share capital	16	90,500	90,500
Revaluation reserve	17	216,920	216,920
Profit and loss account	17	<u>202,247</u>	<u>324,110</u>
<b>Shareholders' funds</b>	18	<u>509,667</u>	<u>631,530</u>

The financial statements were approved by the Board of Directors on 24 June 1998.

D J Desmond

M O Desmond



DIRECTORS

The accompanying accounting policies and notes form an integral part of these financial statements.

**PDC CONSTRUCTION LIMITED**

**CASH FLOW STATEMENT**

**FOR THE YEAR ENDED 31 MAY 1997**

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	Note	1997 £	1996 £
<b>Net cash (outflow)/inflow from operating activities</b>	19	<u>(76,413)</u>	<u>215,370</u>
<b>Returns on investments and servicing of finance</b>			
Interest paid		(28,255)	(10,899)
Interest received		46	1,754
Finance lease interest paid		<u>(21,467)</u>	<u>(38,980)</u>
<b>Net cash outflow from returns on investments and servicing of finance</b>		<u>(49,676)</u>	<u>(48,125)</u>
<b>Taxation</b>			
UK corporation tax paid		-	-
<b>Capital expenditure and financial investment</b>			
Purchase of tangible fixed assets		(350,649)	(65,660)
Purchase of intangible fixed assets		-	(22,619)
Sale of tangible fixed assets		<u>34,453</u>	<u>136,954</u>
<b>Net cash (outflow)/inflow from capital expenditure and financial investment</b>		<u>(316,196)</u>	<u>48,675</u>
<b>Net cash (outflow)/inflow before financing</b>		<u>(442,285)</u>	<u>215,920</u>
<b>Financing</b>			
Repayment of borrowings		-	(99,000)
Capital element of finance lease rentals		<u>(70,857)</u>	<u>(164,411)</u>
<b>Net cash outflow from financing</b>	20	<u>(70,857)</u>	<u>(263,411)</u>
<b>Decrease in cash</b>	21	<u>(513,142)</u>	<u>(47,491)</u>

The accompanying accounting policies and notes form an integral part of these financial statements.

# PDC CONSTRUCTION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 1997

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### 1 GOING CONCERN

The company has net current liabilities and meets its day to day working capital requirements through an overdraft facility which is repayable on demand. Additionally, the company is in the process of finalising negotiated agreements with certain of its preferential creditors for phased payments of amounts due to them over a three year period from 1 June 1998.

The directors consider that additional finance is required in order to secure the future of the company. They are in discussion with a number of potential financiers to raise additional finance and are also negotiating with a third party to realise certain assets of the company. On the assumption of successful completion of some or all of these negotiations, the directors have prepared projected cash flow information for the Group for the period ending 12 months from the approval of these financial statements. The directors, who are also directors of the ultimate parent undertaking, remain confident that the company will be able to continue in operational existence, and therefore have prepared the accounts of the company on the going concern basis. The financial statements do not include any adjustments which would result from an inability to complete these negotiations.

### 2 TURNOVER

Turnover is attributable to overhead line, electrical and civil engineering contracting.

### 3 OTHER OPERATING INCOME AND CHARGES

	1997	1996
	£	£
Change in work in progress	(234,360)	52,566
Raw materials and consumables	1,301,876	1,174,537
Staff costs (note 5)	9,832,031	9,871,470
Depreciation of tangible fixed assets:		
Owned	106,779	118,486
Held under finance leases	15,215	30,570
Amortisation of intangible fixed assets	11,310	23,565
Other operating charges	3,528,632	3,382,693
Auditors' remuneration:		
Audit services	20,000	18,500
Non-audit services	3,000	2,735
Hire of plant and machinery	448,043	275,356
Other operating lease rentals	40,319	21,894
	<u>15,072,845</u>	<u>14,972,372</u>

**PDC CONSTRUCTION LIMITED**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 1997

**4 NET INTEREST**

	1997	1996
	£	£
On bank loans, overdrafts and other loans:		
Repayable within 5 years, otherwise than by instalments	25,561	7,129
Repayable within 5 years, by instalments	6,397	3,770
Finance charges in respect of finance leases	21,467	38,980
Interest receivable	(46)	(1,754)
	<u>53,379</u>	<u>48,125</u>

**5 DIRECTORS AND EMPLOYEES**

Staff costs during the year were as follows:

	1997	1996
	£	£
Wages and salaries	9,020,090	9,046,533
Social security costs	809,441	824,937
Other pension costs	2,500	-
	<u>9,832,031</u>	<u>9,871,470</u>

The average number of employees of the company during the year was as follows:

	1997	1996
	Number	Number
Production	426	431
Administration	23	24
Technical	6	6
Management	21	21
	<u>476</u>	<u>482</u>

Remuneration in respect of directors was as follows:

	1997	1996
	£	£
Management remuneration	169,859	191,952
Payments to third parties for directors' services	-	8,000
	<u>169,859</u>	<u>199,952</u>

**PDC CONSTRUCTION LIMITED**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 1997

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**6 TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES**

The tax (credit)/charge is based on the results for the year and represents:

	1997 £	1996 £
Corporation tax @ 33% (1996: 33%)	-	200,000
Deferred tax (note 14)	<u>(500)</u>	<u>(20,000)</u>
	(500)	180,000
Adjustments in respect of prior years:		
Corporation tax	(9,880)	(16,354)
Deferred tax (note 14)	<u>9,500</u>	<u>-</u>
	<u>(880)</u>	<u>163,646</u>

**7 INTANGIBLE FIXED ASSETS**

	Company valuation £
Cost	
At 1 June 1996 and 31 May 1997	<u>22,619</u>
Amortisation	
At 1 June 1996	5,655
Provided in the year	11,310
At 31 May 1997	<u>16,965</u>
Net book amount at 31 May 1997	<u>5,654</u>
Net book amount at 31 May 1996	<u>16,964</u>

**PDC CONSTRUCTION LIMITED**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 1997

**8 TANGIBLE FIXED ASSETS**

	Freehold land and buildings £	Leasehold buildings £	Motor vehicles £	Plant and machinery £	Office equipment £	Total £
Cost or valuation						
At 1 June 1996	301,050	-	306,873	918,162	140,262	1,666,347
Additions	102,230	163,117	800	51,283	33,219	350,649
Disposals	-	-	(53,295)	(112,573)	-	(165,868)
At 31 May 1997	<u>403,280</u>	<u>163,117</u>	<u>254,378</u>	<u>856,872</u>	<u>173,481</u>	<u>1,851,128</u>
Depreciation						
At 1 June 1996	4,820	-	180,817	643,863	90,095	919,595
Provided in the year	6,894	3,209	25,912	67,220	18,759	121,994
Eliminated on disposals	-	-	(30,884)	(94,219)	-	(125,103)
At 31 May 1997	<u>11,714</u>	<u>3,209</u>	<u>175,845</u>	<u>616,864</u>	<u>108,854</u>	<u>916,486</u>
Net book amount at 31 May 1997	<u><u>391,566</u></u>	<u><u>159,908</u></u>	<u><u>78,533</u></u>	<u><u>240,008</u></u>	<u><u>64,627</u></u>	<u><u>934,642</u></u>
Net book amount at 31 May 1996	<u><u>296,230</u></u>	<u><u>-</u></u>	<u><u>126,056</u></u>	<u><u>274,299</u></u>	<u><u>50,167</u></u>	<u><u>746,752</u></u>

The figures stated above include assets held under finance leases as follows:

	Motor vehicles £	Plant and machinery £	Office equipment £	Total £
Net book amount at 31 May 1997	<u><u>-</u></u>	<u><u>37,700</u></u>	<u><u>1,414</u></u>	<u><u>39,114</u></u>
Net book amount at 31 May 1996	<u><u>22,017</u></u>	<u><u>50,266</u></u>	<u><u>4,063</u></u>	<u><u>76,346</u></u>
Depreciation provided in the year	<u><u>-</u></u>	<u><u>12,566</u></u>	<u><u>2,649</u></u>	<u><u>15,215</u></u>

**PDC CONSTRUCTION LIMITED**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 1997

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**TANGIBLE FIXED ASSETS (CONTINUED)**

The figures stated above for cost or valuation include a valuation as follows:

	Freehold land and buildings £
At cost	108,280
At 1994 valuation	295,000
	<u>403,280</u>

No provision has been made in the deferred taxation account for the estimated corporation tax that would be payable on disposal at this valuation because, in the opinion of the directors, the assets are unlikely to be disposed of in the foreseeable future.

If freehold land and buildings had not been revalued, they would have been included on the historical cost basis at the following amounts:

	Freehold land and buildings £
Cost	196,621
Accumulated depreciation	(17,999)
Net book amount at 31 May 1997	<u>178,622</u>
Net book amount at 31 May 1996	<u>82,158</u>

**9 STOCKS**

	1997 £	1996 £
Raw materials and consumable stores	476,823	430,882
Work in progress	313,528	79,168
	<u>790,351</u>	<u>510,050</u>



**PDC CONSTRUCTION LIMITED**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 1997

**10 DEBTORS**

Amounts falling due within one year:

	1997 £	1996 £
Trade debtors	2,219,790	1,838,284
Amounts owed by group undertakings	242,683	260,399
Other debtors	325,433	36,257
Prepayments and accrued income	152,229	249,198
	<u>2,940,135</u>	<u>2,384,138</u>

Included within other debtors is the following loan to a director of the company:

	Maximum during the year £	1997 £	1996 £
D J Desmond	<u>13,586</u>	<u>13,586</u>	<u>1,581</u>

The loan is repayable on demand and is interest free.

Amounts falling due after more than one year:

	1997 £	1996 £
Other debtors	<u>441,230</u>	<u>410,629</u>

**11 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	1997 £	1996 £
Bank overdraft	381,829	-
Trade creditors	1,113,838	480,819
Amounts owed to group undertakings	43,059	65,976
Corporation tax	345,766	355,646
Social security and other taxes	1,840,786	1,737,567
Other creditors	250,685	237,498
Accruals and deferred income	265,852	239,350
Amounts due under finance leases	43,281	70,616
	<u>4,285,096</u>	<u>3,187,472</u>

The bank overdraft is secured by a fixed and floating charge over the company's freehold property.

**PDC CONSTRUCTION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MAY 1997**

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**12 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	1997	1996
	£	£
Social security and other taxes	287,328	316,399
Amounts due under finance leases	<u>14,492</u>	<u>58,016</u>
	<u><u>301,820</u></u>	<u><u>374,415</u></u>

**13 BORROWINGS**

Borrowings are repayable as follows:

	1997	1996
	£	£
Within one year:		
Bank overdraft	381,829	-
Finance leases	43,281	70,616
After one and within two years:		
Finance leases	13,391	45,329
After two and within five years:		
Finance leases	<u>1,101</u>	<u>12,687</u>
	<u><u>439,602</u></u>	<u><u>128,632</u></u>

**14 PROVISIONS FOR LIABILITIES AND CHARGES**

	Deferred taxation (note 15) £
At 1 June 1996	10,000
Transfer to profit and loss account	(500)
Adjustment in respect of prior years	<u>9,500</u>
At 31 May 1997	<u><u>19,000</u></u>

**PDC CONSTRUCTION LIMITED**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 1997

**15 DEFERRED TAXATION**

Provision for deferred taxation has been made at the rate of 31% (1996: 33%) as follows:

	Amount provided	
	1997	1996
	£	£
Accelerated capital allowances	<u>19,000</u>	<u>10,000</u>

There is no deferred taxation which has not been provided (1996: £Nil)

**16 SHARE CAPITAL**

	1997 and 1996
	£
Authorised:	
1,000,000 Ordinary shares of £1 each	<u>1,000,000</u>
Allotted, called up and fully paid:	
90,500 Ordinary shares of £1 each	<u>90,500</u>

**17 RESERVES**

	Revaluation reserve	Profit and loss account
	£	£
At 1 June 1996	216,920	324,110
Loss for the year	-	(121,863)
At 31 May 1997	<u>216,920</u>	<u>202,247</u>

**18 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	Total shareholders' funds	
	1997	1996
	£	£
(Loss)/profit for the year	(121,863)	274,105
Shareholders' funds at 1 June 1996	<u>631,530</u>	<u>357,425</u>
Shareholders' funds at 31 May 1997	<u>509,667</u>	<u>631,530</u>

**PDC CONSTRUCTION LIMITED**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 1997

**19 NET CASH INFLOW FROM OPERATING ACTIVITIES**

	1997	1996
	£	£
Operating (loss)/profit	(69,364)	485,876
Depreciation and amortisation	133,304	172,621
Loss on sale of tangible fixed assets	6,312	39,775
(Increase)/decrease in stocks	(280,301)	136,412
Increase in debtors	(586,598)	(272,465)
Increase/(decrease) in creditors	720,234	(346,849)
Net cash (outflow)/inflow from operating activities	<u>(76,413)</u>	<u>215,370</u>

**20 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS/(DEBT)**

	1997	1996
	£	£
Decrease in cash in the year	(513,142)	(47,491)
Cash outflow from borrowings	-	99,000
Cash outflow from finance leases	70,857	164,411
Change in net funds/(debt) resulting from cash flows	<u>(442,285)</u>	<u>215,920</u>
Inception of finance leases	-	(56,737)
Movement in net funds/(debt) in the year	<u>(442,285)</u>	<u>159,183</u>
Net funds/(debt) at beginning of year	6,252	(152,931)
Net (debt)/funds at end of year	<u>(436,033)</u>	<u>6,252</u>

**21 ANALYSIS OF CHANGES IN NET FUNDS/(DEBT)**

	At 31 May 1996	Cash flows	At 31 May 1997
	£	£	£
Cash at bank and in hand	134,884	(131,313)	3,571
Bank overdraft	-	(381,829)	(381,829)
	<u>134,884</u>	<u>(513,142)</u>	<u>(378,258)</u>
Finance leases	(128,632)	70,857	(57,775)
	<u>6,252</u>	<u>(442,285)</u>	<u>(436,033)</u>

**PDC CONSTRUCTION LIMITED**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 1997

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**22 CAPITAL COMMITMENTS**

The company had no capital commitments at 31 May 1997 or 31 May 1996.

**23 CONTINGENT LIABILITIES**

The company had no contingent liabilities at 31 May 1997 or 31 May 1996.

**24 LEASING COMMITMENTS**

Operating lease payments amounting to £92,297 (1996: £22,719) are due within one year. The leases to which these amounts relate expire as follows:

	1997		1996	
	Land and buildings £	Other £	Land and buildings £	Other £
In one year or less	-	-	-	-
Between two and five years	-	34,041	-	13,705
In five years or more	50,000	8,256	-	9,014
	<u>50,000</u>	<u>42,297</u>	<u>-</u>	<u>22,719</u>

**25 ULTIMATE PARENT UNDERTAKING**

PDC Engineering Limited is the company's ultimate parent undertaking and controlling related party. The largest group of undertakings of which the company is a member and for which group accounts are drawn up is that headed by PDC Engineering Limited, registered in England and Wales.

**PDC CONSTRUCTION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MAY 1997**

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**26 RELATED PARTY TRANSACTIONS**

The company entered into sales credit transactions during the year with the following related parties, in which the company's parent undertaking, PDC Engineering Limited, has a controlling interest:

	Sales credit transactions £	Year end debtor balance £	Nature of relationship
PDC Construction International Limited	11,037	12,968	Fellow subsidiary undertaking
CDM Associates Limited	1,701	969	Fellow subsidiary undertaking
Structured Hygiene Limited	5,052	4,848	Fellow subsidiary undertaking
Trenchline (Civil Engineering) Limited	<u>190,861</u>	<u>212,634</u>	Fellow subsidiary undertaking

Provisions of £12,968 and £27,000 have been made against amounts owing from PDC Construction International Limited and Trenchline (Civil Engineering) Limited respectively for the reasons described in the report of the directors.

The company entered into purchase credit transactions during the year with the following related parties, in which the company's parent undertaking, PDC Engineering Limited, has a controlling interest:

	Purchase credit transactions £	Year end creditor balance £	Nature of relationship
PDC Rentals Limited	325,124	50,873	Involvement of directors
Yorkshire Engineering Partnership	25,580	-	Involvement of directors
PDC Engineering Limited	108,455	2,001	Parent undertaking
Trenchline (Civil Engineering) Limited	<u>20,565</u>	<u>21,479</u>	Fellow subsidiary undertaking

**PDC CONSTRUCTION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MAY 1997**

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**RELATED PARTY TRANSACTIONS (CONTINUED)**

The following non-trading balances also existed at the year end:

	Year end balance £	Nature of relationship
Structured Hygiene Limited	(2,746)	Fellow subsidiary undertaking
CDM Associates Limited	15,864	Fellow subsidiary undertaking
PDC Construction International Limited	268,665	Fellow subsidiary undertaking
PDC Rentals Limited	<u>42,601</u>	Involvement of directors

Provision of £268,665 has been made against the amount owing from PDC Construction International Limited for the reasons described in the report of the directors.