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Allen

Annual Report and Accounts

Contents

Calendar

Final Results for 1997/8

Preliminary Announcement	—	22nd June 1998
Annual General Meeting	—	29th July 1998
Payment of Final Dividend	—	31st July 1998

Interim Results for 1998/9

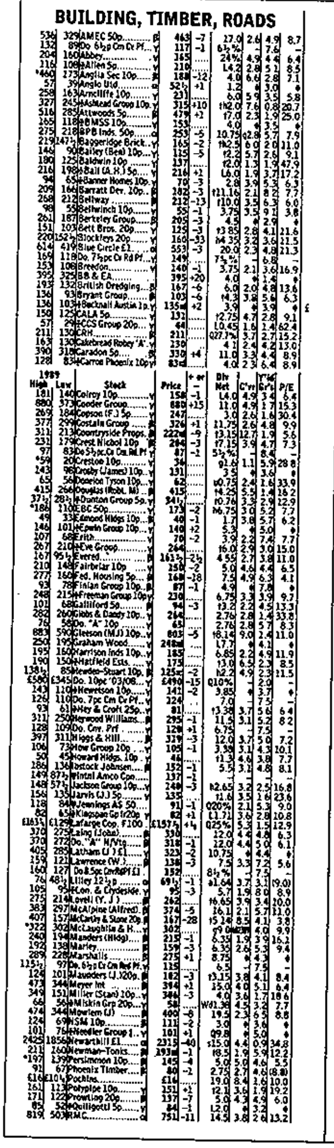
Interim Statement	—	December 1998
Payment of Interim Dividend	—	January 1999

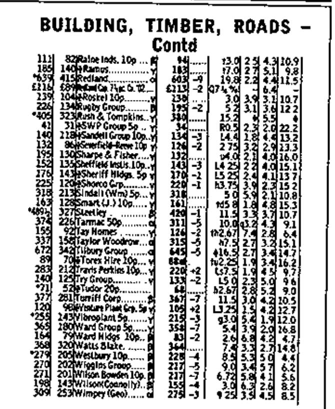
Shareholder Value League Table

Your directors continue to be dedicated to maximising shareholder value through increases in dividends and share price. This is the third successive year that we have printed this league table in our Annual Report and Accounts. In this table we compare Allen's progress with all of the other companies included in the "Building, Timber & Roads" table of the London Share Service of the *Financial Times* on 22.7.89 (the first time that Allen appeared in this table following flotation in June 1989) with those still remaining in the renamed "Building & Construction" table at 28.3.98. The company asked Datastream/ICV, the highly respected financial information company, to prepare tables (gross & net) showing what would have been the value at 28.3.98 of £100 invested at 22.7.89 in each of the 46 companies in the table.

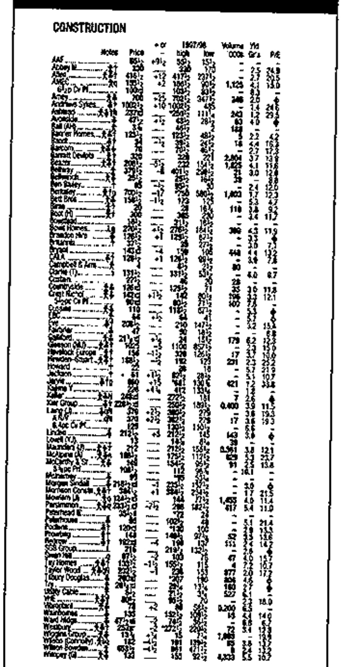
In the two previous years we made comparisons on a gross basis, i.e. assuming the reinvestment of the value of tax vouchers. However, in the July 1997 Budget the tax credit for institutional investors was removed. Consequently we have now produced two tables, "gross" and "net".

Extract from Financial Times 22.7.89





Extract from Financial Times 28.3.98



The tables have been divided into three zones relative to the "gross" column.

Blue Zone: 24 companies where the original investment had increased in real terms (last year 16 companies).

Grey Zone: 5 companies where the current value was over £100 but less than £139.22. This amount was needed to equal inflation since July 1989 as measured by the Retail Price Index (last year 6 companies).

Red Zone: 17 companies where the current value of the investment was less than the original £100 (last year 27 companies).

Comment

We are disappointed to have fallen from third place last year to fourth place this year despite some 44% increase in our "gross" value. Since last year we have risen above the Berkeley Group and almost caught up with Bellway, but have been overtaken by Ashtead, and also by Jarvis because of the recent explosive growth of its share price. We expect to maintain our consistent position near the top of the table.

At the lower end of the table it is highly significant that there are still 22 companies where investors since July 1989 are losing in real terms on a gross basis.

	Value of Initial £100 at 28.03.98 in £s Gross	Net
Jarvis	650.1	628.9
Ashtead Group	644.6	613.0
Bellway	604.3	548.6
Allen	577.3	527.5
Berkeley Group	494.3	474.2
Wilson Bowden	402.4	380.5
Maunders (John)	322.5	291.1
Barratt Developments	294.4	270.2
Hewden-Stuart	287.3	265.7
Persimmon	263.5	246.6
Banner Homes	252.0	238.7
Bryant Group	236.1	211.3
Ben Bailey	218.1	201.3
Pochin's	192.1	181.8
Westbury	188.7	169.9
Tilbury Douglas	186.2	163.7
Laing (John)'A'	181.3	163.2
Tay Homes	177.3	160.3
Laing (John)	173.4	158.9
Bett Bros	173.1	156.9
Wilson (Connolly)	155.0	147.6
Prowting	154.5	144.9
Gleeson (MJ)	153.7	142.5
Cala	143.5	131.0
Eve Group	114.5	108.1
Peterhouse	113.1	105.4
McCarthy & Stone	112.6	100.8
AMEC	110.5	100.0
Taylor Woodrow	104.1	97.4
Crest Nicholson	99.7	92.9
Countryside Props.	84.6	78.2
Wimpy (George)	81.0	72.2
McAlpine (Alfred)	80.1	71.9
Howard Holdings	77.5	70.1
Ward Holdings	70.8	67.2
Jackson Group	68.0	61.9
EBC Group	65.4	57.7
Vibroplant	57.6	52.1
Mowlem (John)	52.0	46.7
Swan Hill	45.1	40.4
Galliford	40.3	35.8
Try Group	40.3	35.4
Fairbriar Group	3.2	3.2
Ball (AH)	2.4	2.2
Costain Group	1.2	1.1
Lovell (YJ)	0.6	0.6

Assumptions

The index numbers have been calculated by using the opening and closing middle market share prices adjusted for scrip issues, subdivisions and consolidations.

If any of the companies have had rights issues, it has been assumed that the shareholders did not take up their full entitlements, but sold their nil paid rights at their theoretical price and invested the cash to buy more shares at the rights issue price.

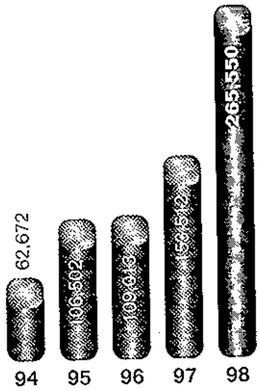
Dividends gross or net (as applicable to each table) of the standard rate of tax applicable to U.K. company dividends at the time of payment have been deemed to be reinvested on the ex dividend date associated with each dividend payment during the period under review.

No account has been taken of dealing costs, Stamp Duty, Capital Gains Tax or Income Tax apart from the assumption of reinvesting the value of Tax Vouchers in the "gross" table.

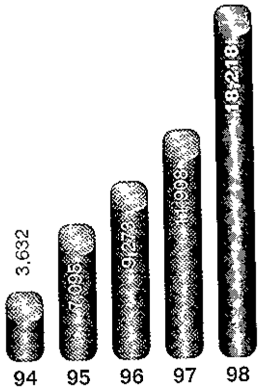
Abbey has been excluded because it is denominated in Irish currency.

5 Year Comparisons

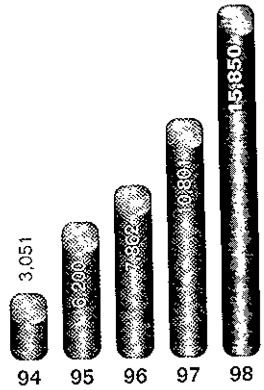
Turnover £'000



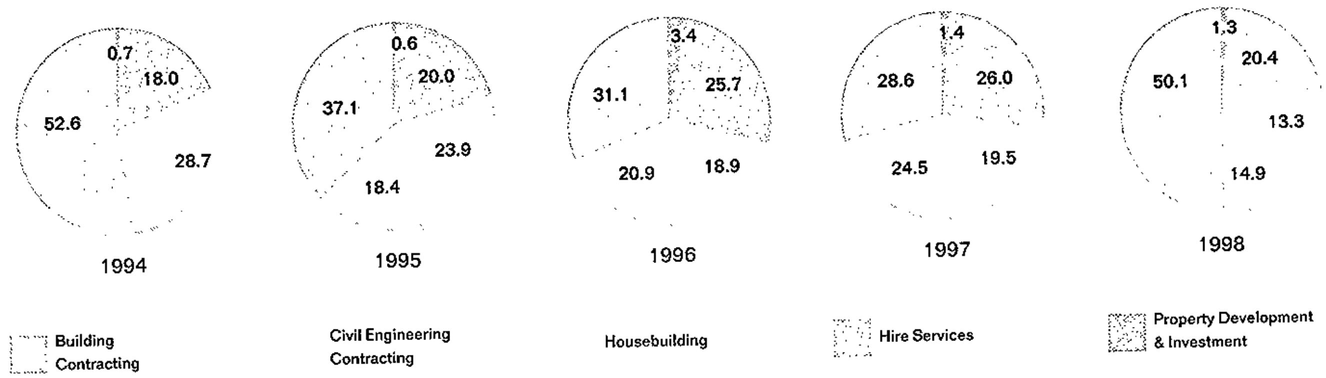
Operating Profit £'000



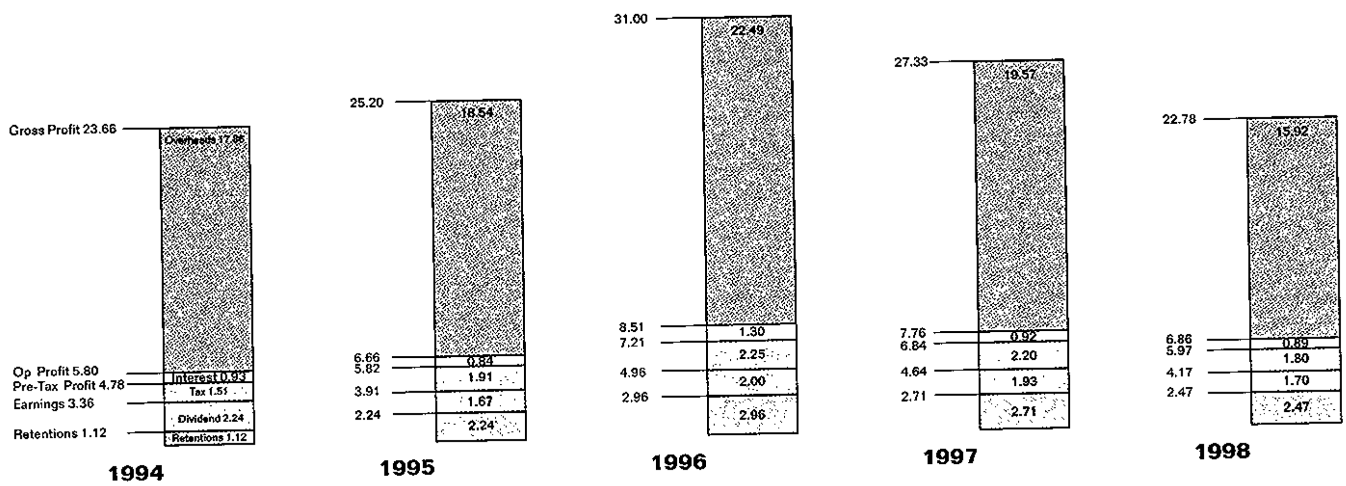
Pre-tax profit £'000



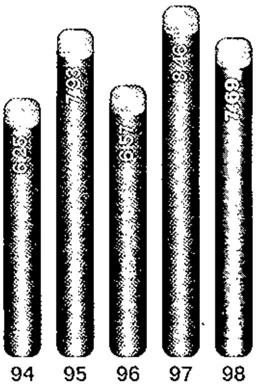
% Mix of Group Turnover



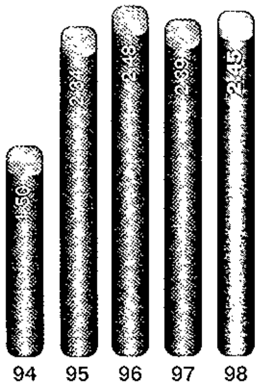
Results as a percentage of turnover



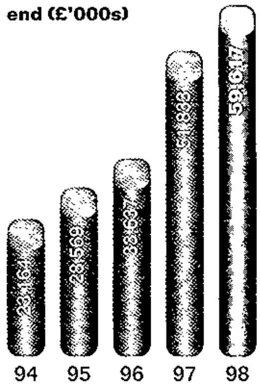
Interest Cover (times)



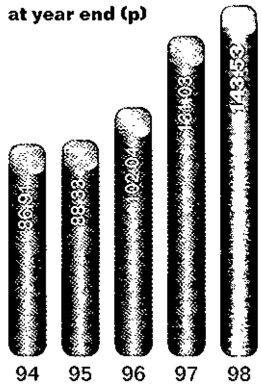
Dividend Cover (times)



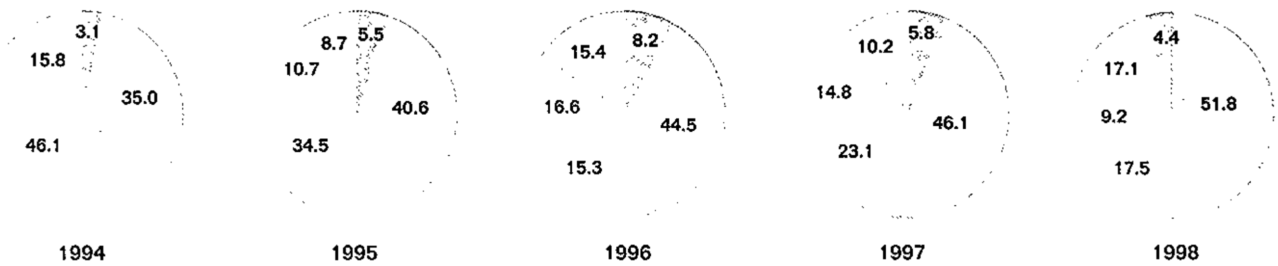
Net Tangible Assets at year end (£'000s)



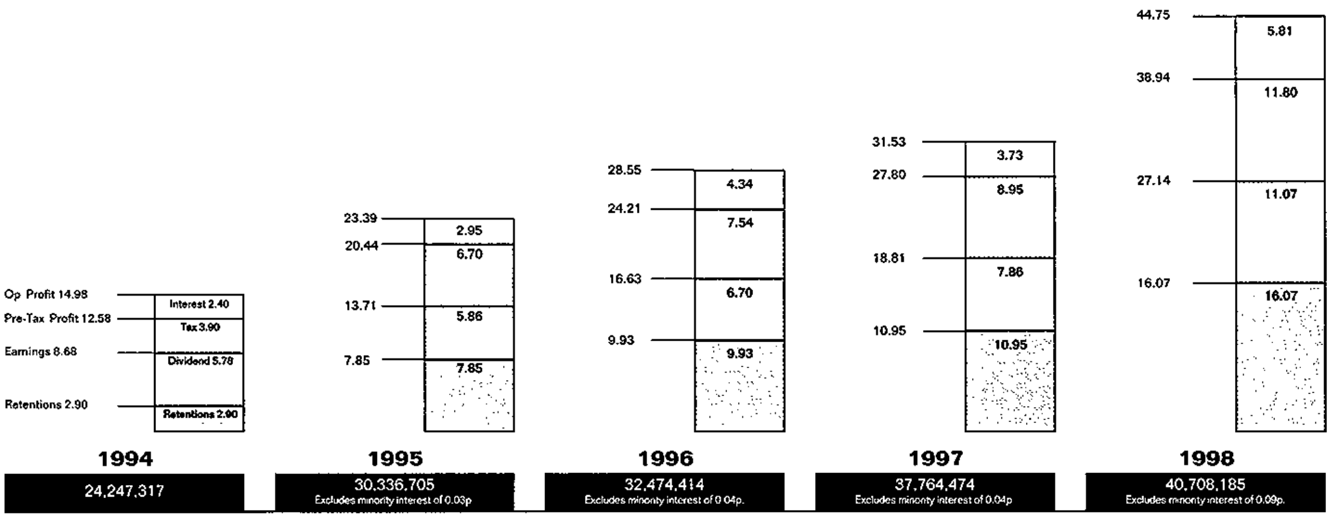
Net Tangible Assets per Share at year end (p)



% Mix of Operating Profit



Results per share (time weighted average) — pence

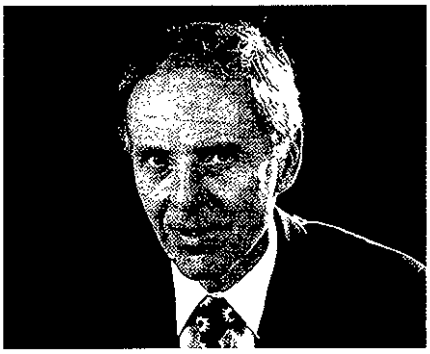


Directors and Advisers

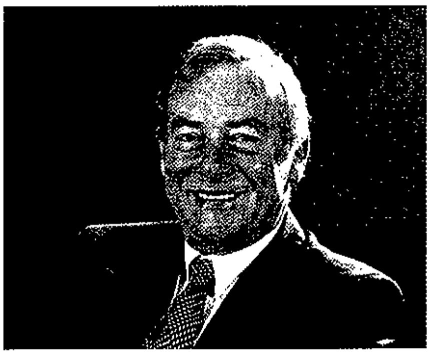
Donald Greenhalgh
CEng, MICE, MIHT
(Chairman)
Donald Greenhalgh, aged 65, joined the original Allen business in 1964 as Chief Engineer, progressed to Managing Director in 1968 and Chairman in 1981. He is also non-executive Chairman of Ultraframe plc and a non-executive director of MGF (Trench Construction Systems) Limited.

Kenneth Fox
(Managing Director)
Ken Fox, aged 53, joined the Allen Group in 1965 and was appointed Group Managing Director in 1995. He is also a member of the Regional Council of CBI in the North West and is a Board member of Wigan Borough Partnership.

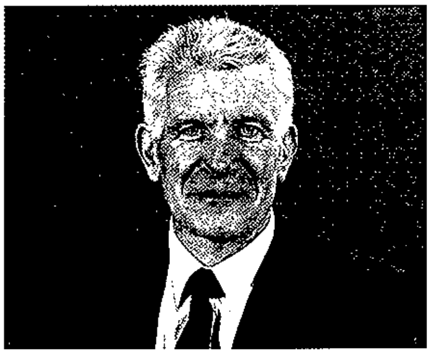
John Ernest Brown
FCCA, ATII
(Managing Director — Hire Services Division)
John Brown, aged 54, joined the Allen Group in 1973 as Finance Director and Company Secretary. In 1978, he started the Speedy business with one depot in Wigan and has masterminded its expansion since then. He was appointed Managing Director of the Hire Services Division in 1996.



Michael Robert Greenough
(Acquisitions Director)
Mike Greenough, aged 50, joined the Allen Group in 1974 and was Managing Director of Allen Building until 1994 when he became Acquisitions Director.



Ian John Hilton
CEng, MICE, MIHT, DipTE
(Managing Director — Homes Division)
Ian Hilton, aged 57, joined the Allen Group in 1967. He started the housing business in 1977 and became Managing Director of the Division in 1993.



Michael John Morgan
Director
Mike Morgan, aged 56, joined the Allen Group in 1972. He is Managing Director of Speedy Space Ltd.

Magnus Charles Mowat
FCA

(Non-executive Director)

Magnus Mowat, aged 58, joined the Allen Group in 1991 as non-executive director having previously been a director of Barclays de Zoete Wedd Limited. He is also a non-executive director of Ryalux Carpets Limited, Eton Hall Nursing Homes Limited, AF plc and Murray Lawrence Members Agency Limited.

Roger Jeremy Weston
BSc, FRICS

(Non-executive Director)

Jeremy Weston, aged 61, joined the Allen Group as a non-executive director in November 1995. He was previously Managing director of Barlows plc and Managing Partner of Dunlop Heywood, Chartered Surveyors.

Martin Freeman Smith
ACA, MA (Hons)

(Finance Director and Company Secretary)

Martin Smith, aged 36, joined the Allen Group in July 1995, having previously worked with KPMG for 12 years in Preston, London and Manchester.

Registered Office
Northern House,
Chorley Road,
Blackrod,
Bolton BL6 5JS
Tel: 01204 699277

Financial Advisers
Credit Suisse First
Boston (Europe) Limited
One Cabot Square
London E14 4QJ
Tel: 0171 888 8888

Joint Stockbrokers
Credit Suisse First Boston
de Zoete & Bevan Limited
One Cabot Square
London E14 4QJ
Tel: 0171 888 8888

BWD Rensburg Limited
100 Old Hall Street, Liverpool L3 9AB
Tel: 0151 227 2030

Auditors
Latham Crossley & Davis
Chartered Accountants
Sumner House, St Thomas's Road,
Chorley PR7 1HP
Tel: 01257 272441

Bankers
Barclays Bank PLC
51 Mosley Street
Manchester M60 3DQ
Tel: 0161 251 2000

Public Relations
Binns & Co. Public Relations Limited
16 St Helen's Place
London EC3A 6DG
Tel: 0171 786 9600

Registrars and Transfer Office
Independent Registrars Group Limited
Bourne House
34 Beckenham Road,
Beckenham,
Kent BR3 4TU
Tel: 0181 650 4866

Chairman's Statement

Results

Last year in the "Outlook" part of my statement I said "The outlook for the overall construction market continues to improve and I look forward to an excellent 1997/98". Yet again, our results have justified my predictions.

Profit before taxation rose by 50.94% to £15.850 million. Earnings per share on a time weighted basis has increased from 18.78p (restated) to 27.14p, an increase of 44.52%.

I thank all of our people for achieving such an excellent result.

Dividends

The directors are recommending a final dividend of 6.65p per share which will be paid on 31st July 1998 to those shareholders on the Register at 3rd July 1998.

This final dividend, together with the interim dividend of 4.20p per share, gives a total for the year of 10.85p per share. This is an increase of 44.67% on last year's dividend of 7.50p per share.

The total dividend is covered 2.45 times by earnings.

Management Succession

The gradual transfer of executive management from myself to Ken Fox has continued successfully.

In last year's Report & Accounts I predicted that I would work around 55% of full-time in 1997/98. The actual out-turn was 58%. This trend will continue in 1998/99 when I expect to work around 40% of full-time.

I intend to become non-executive from April 1999 and then spending between 10% and 15% of my time on company business.

In 1998/99 I will pass over my remaining day-to-day managerial duties to Ken to achieve a smooth management transition.

Acquisitions

In my interim statement I reported the major acquisition of P.S. Turner (Holdings) Ltd and the acquisition of two hire businesses.

In November 1997, we purchased the trade and assets of the hire business of J.T. Edwards & Sons Ltd for £269,000. This resulted in the addition of 3 depots in the West Midlands. In January 1998 we purchased the trade and assets of The Tool Hire Centre Ltd for £592,000, adding 2 depots in Kent.

You will note a slow-down in acquisition activity in the second half. We are still as keen as ever to be acquisitive **at the right prices**. However, we have bid for a number of tool hire businesses, most of which have been sold to others at prices much in excess of those that we were prepared to pay. As an alternative way of expansion we have opened a number of "greenfield" sites, as referred to in the Managing Director's Review. In 1998/99 this process will accelerate but we will still expand by acquisition if purchase prices are viable.

Outlook

The construction market continues to be strong and I again look forward to another excellent year.

Donald Greenhalgh
Chairman

Managing Director's Review

We have had another excellent year and I am again delighted to report record profits for the Group, which at operating level have increased by 53% to £18.2 million. This is a splendid achievement and I thank all our people for their dedication and considerable efforts in helping achieve this result.

Turnover from our five divisions has risen by 73% to £265.6 million. In our building contracting division, turnover is proportionately greater than in the previous year, with the result that our overall operating margin has fallen from 7.76% to 6.86%.

Record profits have been achieved by our Building Contracting, Hire Services and Housebuilding divisions.

In the Building Contracting division Mike Wormald, Managing Director of P.S. Turner, has been appointed Divisional Managing Director. The future augurs well as the benefits of work from "design & build" and "negotiated" contracts feed through. Work in hand was at a record level at year end.

In the Civil Engineering Contracting division, record results were produced by D.J. Ryan and Sheet Piling (UK) with both companies in a growth situation projecting improvement in the current year.

The performance in our Hire Services division has been outstanding with record profits in all companies. The division produced almost 52% of our operating profit. Our expansion is planned to continue with the expectation of an even better result in 1998/99.

The Housebuilding division has produced its best ever result with further improvement expected in the current year.

Our smallest operating division is Property Development and Investment where there has been profit improvement in the year despite frustrating delays to future projects outside our control. We expect further progress in the current year.

More detailed comment is provided on the results of each division on the following pages.

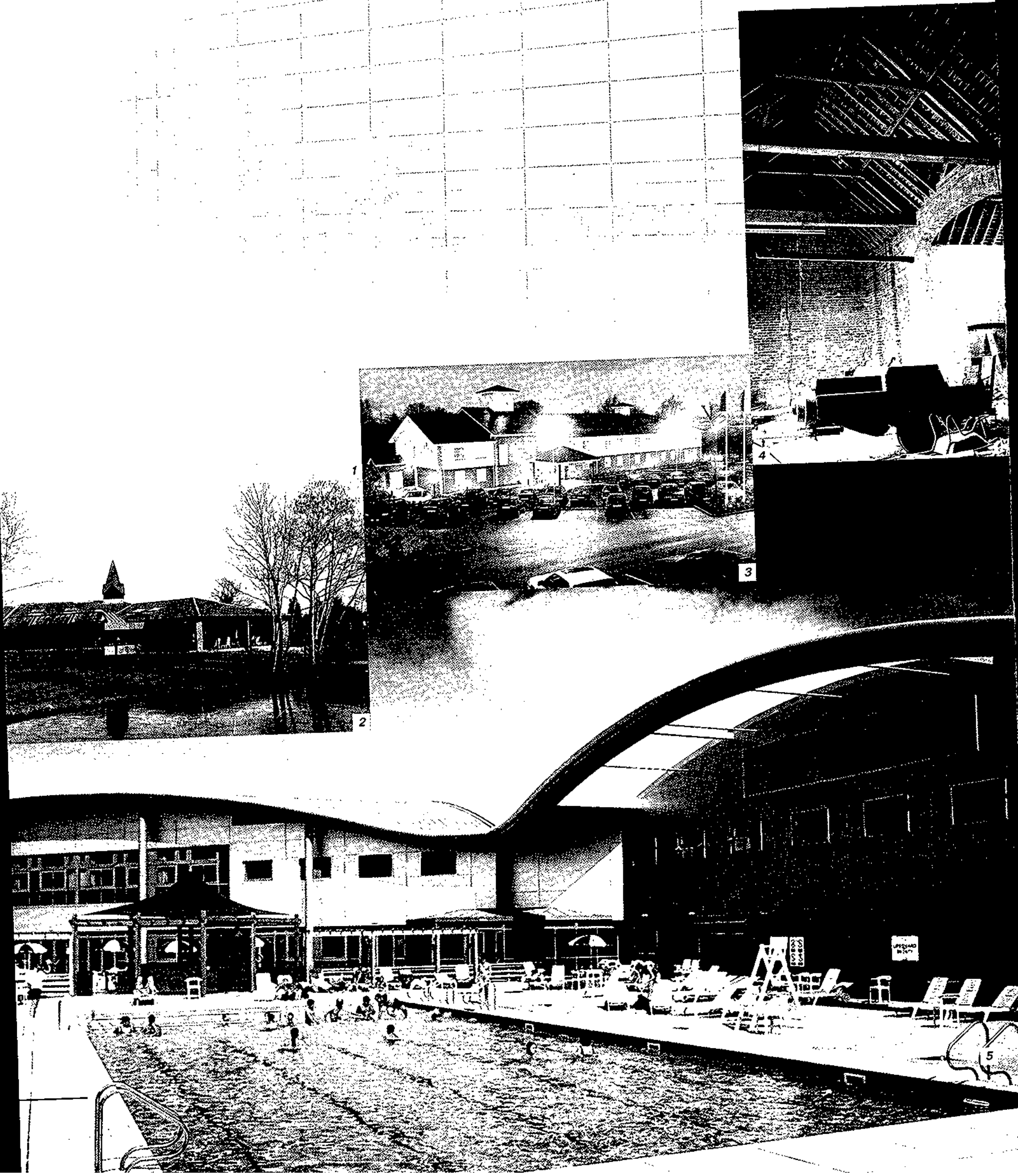
We remain risk averse, spreading our activities over five operating divisions with policies in place which govern the return we require from each activity.

Whilst we anticipate growth in turnover in the current year, our emphasis remains on margins to ensure that we do not become "busy fools".

I am again confident that we will achieve further improvement in our 1998/1999 results.

Ken Fox

Ken Fox
Managing Director



Managing Director's Operating Review

BUILDING CONTRACTING

Turnover increased in the year by 203%, with some 83% of this increase being attributable to P.S. Turner which was acquired in May 1997. Our existing companies have increased turnover by some 35%, which was in line with expectations expressed in last year's review.

Operating profit increased by almost 150% with the margin at a very healthy 2.5%.

All companies produced highly satisfactory results with the exception of our smallest company, Allen Building (West Midlands), where senior management changes have been made to address this problem.

Work in hand at year end was £96 million. Another significant increase in turnover and operating profit is expected in the current year.

From April this year our building companies, other than P.S. Turner, have operated under the new Allenbuild name. As a positive move to extend our building activities we have now integrated "design & build" and "traditional" contracting in all companies, enabling us to benefit from more reciprocal work with construction professionals and to capitalise on the buoyant "design & build" market which to date we have benefited from predominantly in the North West. This will extend the benefit from relationships built up over many years with clients and their professional advisers which have resulted in the high level of repeat business enjoyed by our building companies.

On 30th March, Mike Wormald, Managing Director of P.S. Turner, was promoted to the new position of Managing Director of the Building Division.

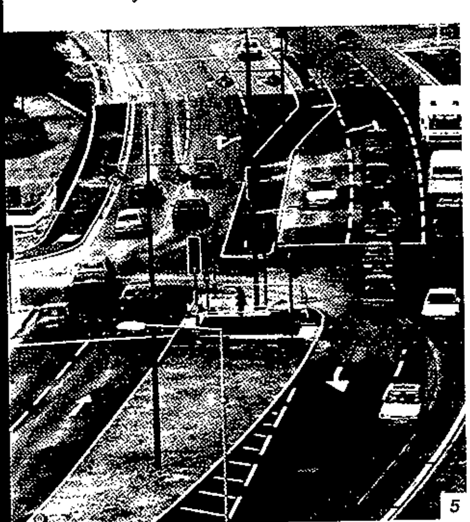
1. Call Centre at Sheffield for Sears Property Group.
2. Lea Marston Hotel and Leisure Centre in Warwickshire.
3. Holiday Inn Express, Rugby.
4. Conversion of barn to holiday cottages at Hunting Butts, Cheltenham.
5. David Lloyd Fitness Club, Manchester.
6. Leeds City Bus Station redevelopment.

6

	93-94	94-95	95-96	96-97	**97-98**
Turnover £'000	32,937	39,543	33,936	43,896	**132,915**
Operating Profit £'000	612	634	1,531	1,316	**3,273**
Operating Margin %	1.86	1.60	4.51	3.00	**2.46**

Managing Director's Operating Review

1. New bridge on A3206 Lugershall Railway Crossing for Wiltshire County Council.
2. Insertion of new water main by directional drilling for North West Water.
3. Piling to River Tees diversion channel for A19 widening.
4. M5 motorway bridge strengthening for Gloucestershire County Council/Highways Agency.
5. New road junction at West Quay Road, Southampton for Rank Organisation/Southampton City Council.



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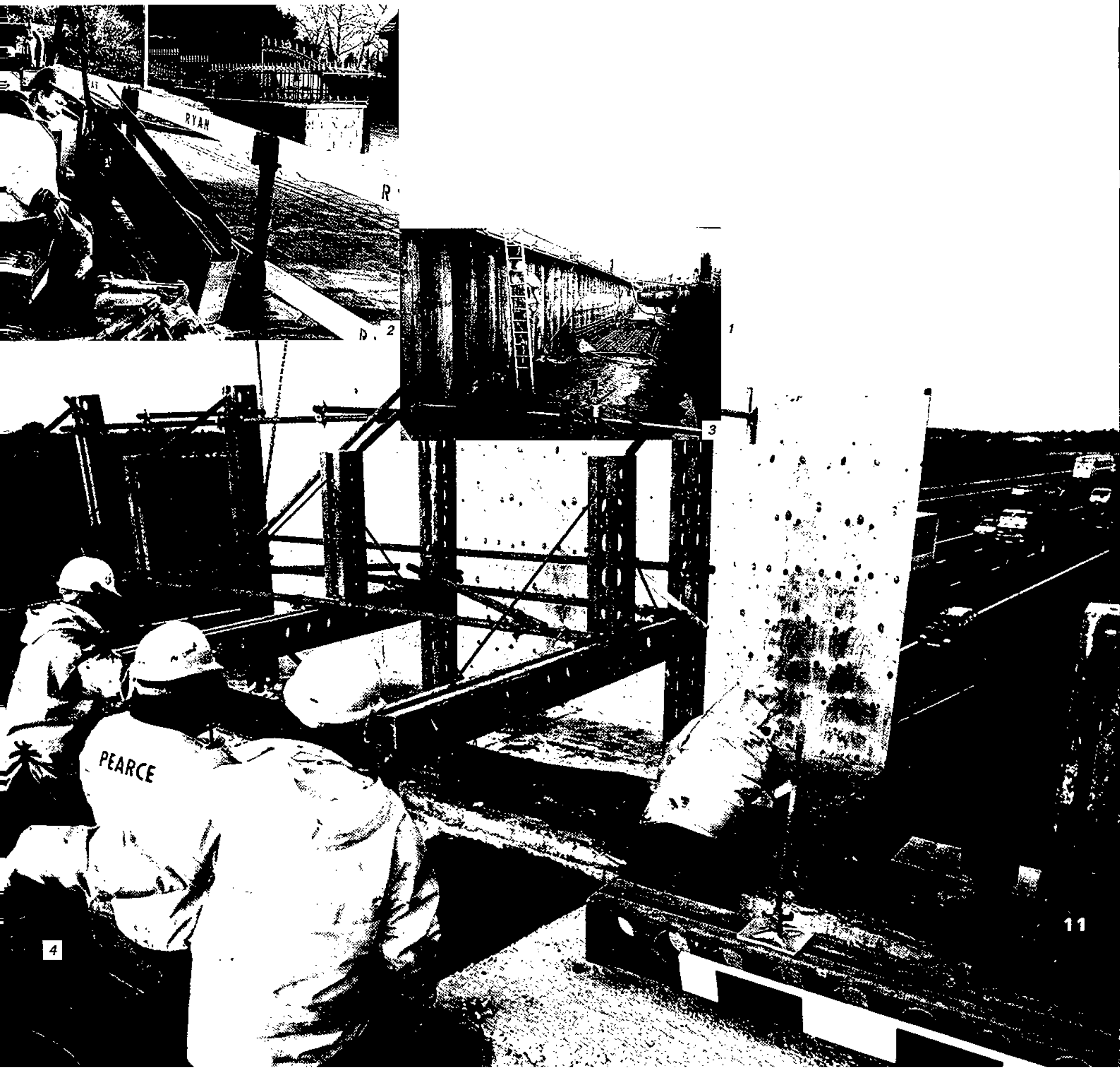
D.J. Ryan, our utilities contractor, which is responsible for over 70% of the division's turnover, produced a good result. New contracts have been won in the North West for North West Water and in the Midlands for Severn Trent Water. Opening work-load was at a record level and we expect to benefit from the ongoing expenditure by the utility companies across a wider area.

Sheet Piling (UK) produced another excellent result in its second operational year with an increase in operating profit. Its expertise is becoming increasingly recognised on a national basis in its specialist field.

G. Pearce suffered an operating loss following a significant fall in turnover on its civil engineering and surfacing contracts. A new Managing Director has been appointed and took up his position at the beginning of June.

Expansion in D.J. Ryan, the continuing success in Sheet Piling (UK) and actions taken to improve the position in G. Pearce, lead us to expect an improvement for 1998/99.

	94-95	95-96	96-97	**97-98**
Turnover £'000	19,534	22,754	37,582	**39,459**
Operating Profit £'000	782	1,657	1,916	**1,751**
Operating Margin %	4.00	7.28	5.10	**4.44**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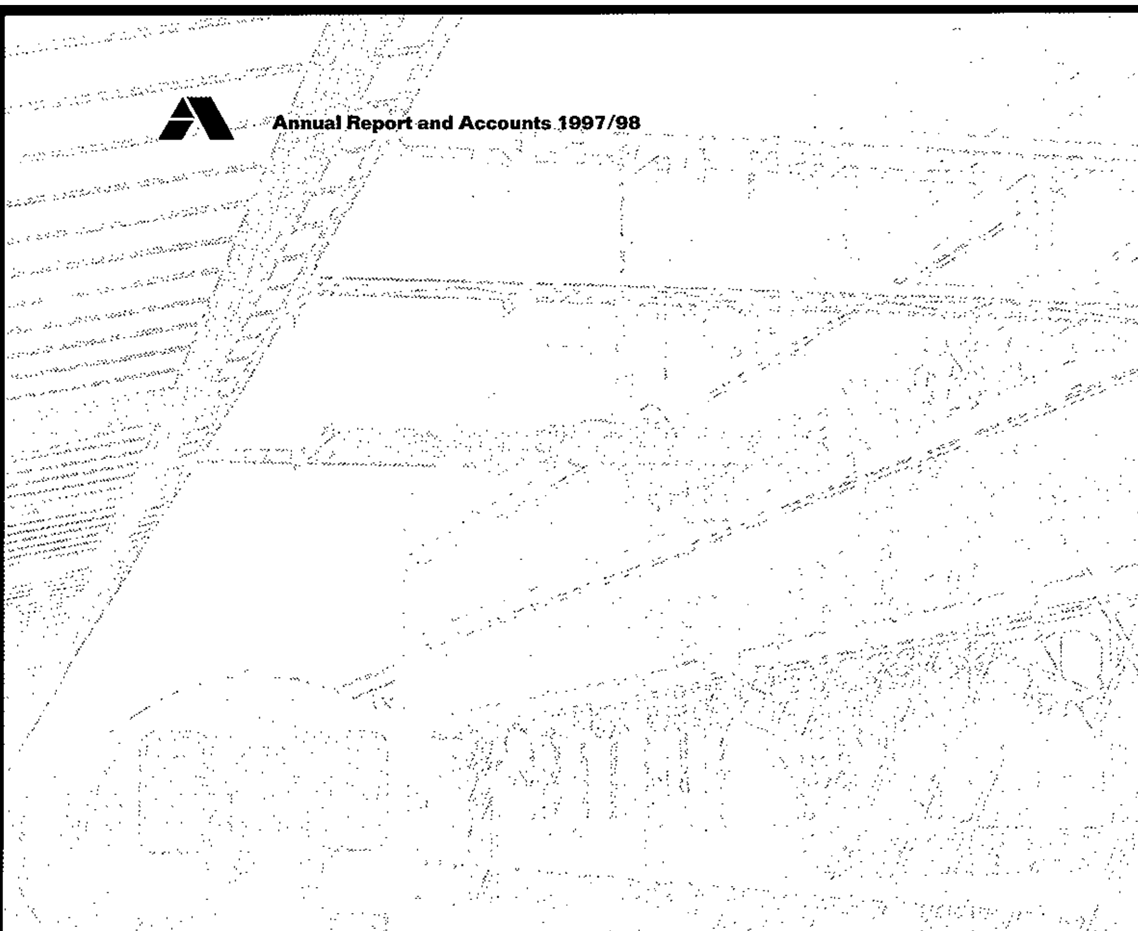

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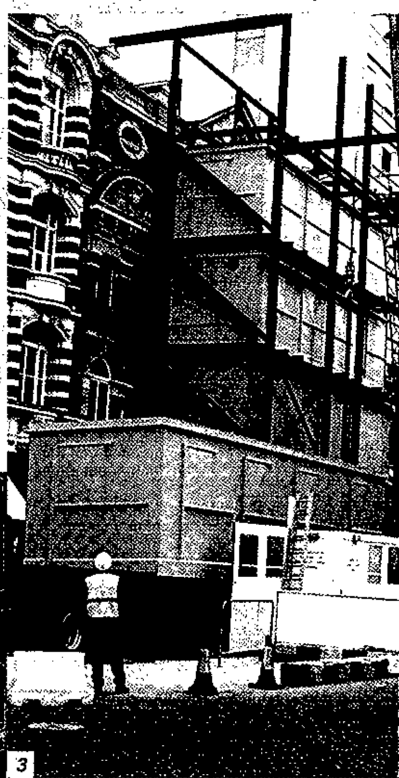

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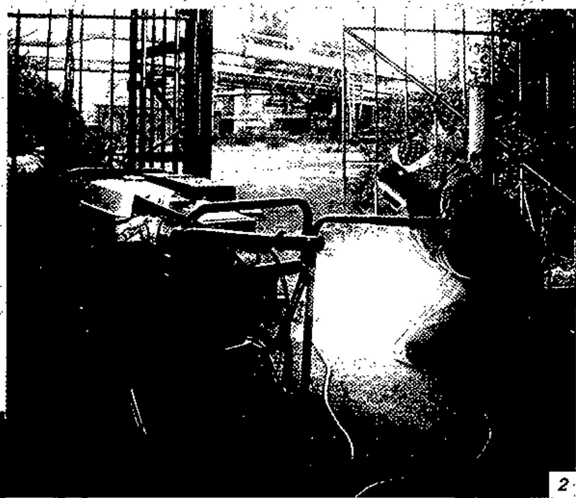

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Managing Director's Operating Review

Another tremendous year and record set of results in Hire Services, with increases in turnover and operating profit of 36% and 66% respectively. Profit in all seven companies was at record levels. Significantly this was achieved with an improved operating margin of 18.3% against the previous year's 14.9%.

Speedy Hire Centres had another excellent year. They produced improved margins in all four companies and traded from 118 depots at year end, an increase of 8 on the previous year. In like-for-like depots, hire turnover rose by 25% on the previous year. Edwards Hire (3 depots) and The Tool Hire Centre (2 depots) have been added in the year and, whilst the number of depots acquired is fewer than expected because of excessive prices now prevailing, we have opened 3 new "greenfield" depots in the year. Activity is generally buoyant in all areas from Scotland to the South Coast and we confidently expect continued improvement.

Speedy Scaffolding produced a commendable result. Work in hand is good and prospects for the current year are encouraging.

Speedy Space has had a spectacular year. The number of depots has increased from six to nine, extending geographic coverage. Cabin numbers have increased by 78% to 7,293 following organic expansion and the acquisitions of Scanhire and Alliedacabin which have added the three new depots. Operating profits in the five depots held throughout each of the last 2 years have increased by 104%. Overall, the company's operating profit has increased by 132%. At the year end, utilisation was 91% and, with demand remaining high, the outlook is most encouraging.

I am confident that 1998/99 will see further progress in this division.

	93-94	94-95	95-96	96-97	**97-98**
Turnover £'000	11,304	21,331	28,024	39,919	**54,209**
Operating Profit £'000	1,359	2,957	4,430	5,955	**9,898**
Operating Margin %	12.02	13.86	15.81	14.92	**18.26**

1. Scaffolding work on the refurbishment of Chester Station.

2. Welder/generator in use at chemical plant.

3. Temporary accommodation on refurbishment contract at Royal Court Theatre, London.

4. Hire Centres depot at Newbury.

5. Site accommodation on motorway contract.

6. Pressure washer cleaning site plant.

6

Managing Director's Operating Review

1. Mixed development at Westcliffe Square, Lytham.
2. Typical show house kitchen.
3. Two bedroomed semi-detached house at Westhoughton.
4. Five bedroomed detached house at St James' Park, Orrell.
5. Three and four bedroomed houses at Rednall, West Midlands.
6. Typical showhouse dining room.


6

It is pleasing to report a 13% increase in operating profit on the previous year, which is at a record level. This is despite housebuilding conditions in the areas where we operate remaining far less favourable than in other parts of the country, particularly the South of England.

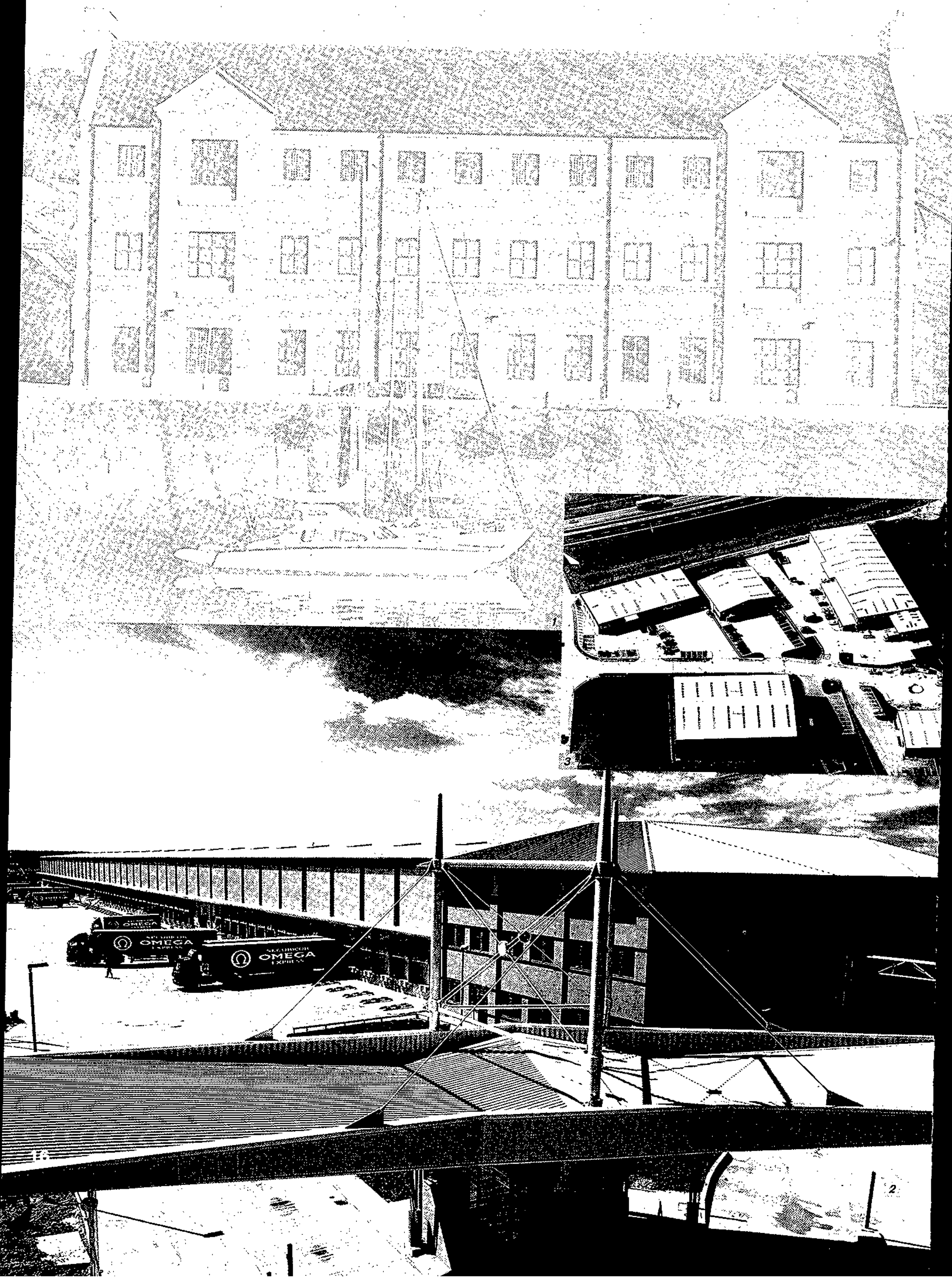
Our average house price has fallen slightly to £67,088, wholly as a result of a planned change in mix towards smaller houses.

Land used in the year cost £12,118 per plot which was 18% of average selling price compared with 16.5% for 1996/97. We expect this ratio to fall in the current year. Our landbank has increased over the year by 7.3% to 878 plots. Of these, 503 were on brownfield sites. At the year end we had 27 active sites.

We are predicting a similar number of completions in the current year. Indications are that profit and margins will continue to improve as the ripple (as opposed to wave) in house price increases continues to move northwards. A change in mix will occur in favour of detached houses with the resultant increase in average selling price.

I expect a further improvement in our housebuilding results for 1998/99.

	93-94	94-95	95-96	96-97	**97-98**
Turnover £'000	18,007	25,472	20,650	29,886	**35,450**
Operating Profit £'000	1,791	2,514	1,521	2,977	**3,353**
Operating Margin %	9.95	9.87	7.37	9.96	**9.46**
House completions	305	424	334	431	**518**
Average price per house (£)	59,039	60,079	61,826	68,169	**67,088**



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3

2

PROPERTY DEVELOPMENT AND INVESTMENT

Progress in the year on current developments was satisfactory with an increase in operating profit.

In the year we completed the sale of a 12,500 sq. ft. office block which is occupied by the Inland Revenue in Whitehaven. Our Penrith development progressed well. Agreement was reached with the Environment Agency for the lease of a 23,000 sq. ft. office block and we have subsequently negotiated an agreement to sell the £2.5 million investment on completion of construction this summer. Negotiations are at an advanced stage for the lease of two further office units totalling 10,000 sq. ft. on this site.

Whilst we are appraising several other small development opportunities in the North West, progress has been slow, in the main because of planning delays.

With increased activity in Turner Developments, I expect some improvement to the result for 1998/99.

1. 12,500 sq. ft. office development at Whitehaven for Inland Revenue.
2. Superhub at Hatfield for Securicor Omega Express.
3. Keighley Business Park, West Yorkshire.
4. Artist's impression of 23,000 sq. ft. office development for the Environment Agency at Penrith.

4

	93-94	94-95	95-96	96-97	**97-98**
Turnover £'000	424	622	3,649	2,229	**3,517**
Operating Profit £'000	122	398	822	746	**841**
Operating Margin %	28.77	63.99	22.53	33.47	**23.91**

Financial Review, Corporate Governance and Report of the Remuneration Committee

A. Financial Review

1. Share Capital
   The company increased the number of 5p Ordinary Shares during the year as shown below:

39,557,955	In issue at 31st March 1997
1,977,880	Placing on 17th September 1997
41,535,835	In issue at 29th March 1998

2. Borrowings
   (a) *Internal Limits*
   It is the directors' policy to keep total borrowings within the following limits:
   (i) Balance Sheet gearing not to exceed 70%. Actual at the year end was 48.22%.
   (ii) Interest cover such that group Operating Profit should be at least 4 times greater than net interest payable. Actual for the year was 7.69 times and the five year record can be seen on the chart on page 3.
   Both limits are more stringent than those imposed upon the company by its bankers' covenants.

   (b) *Types of Borrowings*
   They are:
   (i) Overdraft and medium-term loan facilities with Barclays Bank PLC.
   (ii) Hire-purchase facilities with a number of lenders who are themselves subsidiaries of major British or international banks.
   Our present facilities are more than adequate for our medium-term needs.

   (c) *Maturity of Debts*
   The directors' policy is to match as near as is practicable the maturity of the debt against the life of the appropriate asset. During the year, £5 million of overdraft was converted to medium-term loan.

   (d) *Other*
   We have no trading in foreign currencies and therefore have no exchange rate exposure. There are no financial derivatives.

3. Taxation
   The tax charge for the year to 29th March 1998 was £4,767,000 which is an effective tax rate of 30.08%.

4. Dividends
   We aim for a 2.5 times cover and to pay 40% of the estimated total dividend at the interim stage. It is our policy not to reduce dividends provided that they are covered by earnings.

B. Internal Financial Control

The Board of directors has overall responsibility for the group's system of internal financial control and for monitoring its effectiveness. It has considered the major business risks and has established, over a number of years, a system of internal financial control which is appropriate to the business of the group.
The structure of the group is designed to minimise the risk that any one part of the group could materially adversely affect the financial position of the group as a whole. This is achieved in the following ways:

- trading in five sectors of the construction industry, having considerable expertise and experience in each;
- subdividing the sectors into 26 subsidiary companies each with its own board of directors and dedicated management;
- subdividing subsidiary companies into branches and depots, each with separate local management; and
- ensuring that no housing or construction site is so large as to have a serious effect on the results of the subsidiary company if that site proved to be unprofitable.

The Board meets monthly throughout the year and reviews a schedule of matters which are required to be brought to its attention, and the effectiveness of internal financial control. This includes detailed monthly financial reporting for the whole group covering key historic and future performance indicators. This ensures that the Board maintains full and effective control over all significant strategic, financial and compliance issues.
The key elements of the system of internal financial control are:

- the creation of an organisational and managerial structure with appropriate delegation of responsibilities;
- review and appraisal of capital expenditure and acquisitions;
- monthly reporting and review of detailed consolidated historic and forecast financial information and key performance indicators;
- accounting and financial reporting policies to ensure the consistency, integrity and accuracy of the group's accounting records;
- specific financing policies relating to the sources of finance to be used; and
- strategic planning.

Financial Review, Corporate Governance and Report of the Remuneration Committee

The Board has delegated responsibility for the implementation of certain internal financial controls at subsidiary company level to the management of that subsidiary company. A Main Board director is a member of each subsidiary company board and is responsible for undertaking, with that board, a detailed monthly review of financial information, investigating adverse variances and taking appropriate corrective action.

During the course of the year, the group Finance Director, in conjunction with local management, reviews the control of individual subsidiary companies throughout the group, reporting on any weaknesses and recommending improvements where necessary.

During the course of the year, the Audit Committee meets with the external auditors to consider the planning of the interim and final audits and to receive and discuss the results of the auditors' review and testing of internal financial controls.

The directors believe that any system of internal financial control can only provide reasonable, but not absolute, assurance that the assets are safeguarded against material loss or unauthorised use, that transactions are properly authorised and recorded, and that material errors and irregularities are either prevented or would be discovered within a timely period. However, we believe that our system of internal financial control is superior to those of most of the construction groups of our size and larger.

C. Corporate Governance

The company has been in full compliance throughout the year with all aspects of the Code of Best Practice issued by the Committee on the financial aspects of Corporate Governance except that the company has only two non-executive directors (paragraph 1.3). The directors consider that this is adequate for a company of this size. Also, as explained in paragraph E2, Mr D. Greenhalgh is a member of the Remuneration Committee.

The following committees are in place:

Audit Committee
M.C. Mowat (Chairman), R.J. Weston
Nomination Committee
M.C. Mowat (Chairman), D. Greenhalgh, K. Fox
Remuneration Committee
M.C. Mowat (Chairman), R.J. Weston, D. Greenhalgh

D. Statement of Directors' Responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group 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, and prepare the financial statements on the 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 which disclose with reasonable accuracy at any time the financial position of the company and group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

E. Report of the Remuneration Committee

1. Composition of the Remuneration Committee
   The members of the Committee are Mr M.C. Mowat (Chairman), Mr R.J. Weston and Mr D. Greenhalgh.

2. Compliance
   The constitution and operation of the Committee are in compliance with Section A of the best practice provisions annexed to the Stock Exchange Listing Rules which are derived from the guidance issued by the Greenbury Study Group, except that Mr D. Greenhalgh is a member of the Committee to facilitate the consistent application of the group's integrated remuneration polices for all levels of management. The Committee also confirms that full consideration has been given to the best practice provisions set out in Section B, annexed to the Listing Rules, in determining the remuneration packages for directors for 1997–98. The Auditors' Report on the financial statements set out on page 23 covers the disclosures contained in this report that are specified for audit by The London Stock Exchange.

3. Remuneration of Executive Directors and Senior Executives
   Total Level of Remuneration
   The Remuneration Committee aims to ensure that remuneration packages offered are competitive and designed to attract, retain and motivate executive directors and senior executives of the right calibre.

Financial Review, Corporate Governance and Report of the Remuneration Committee

The Main Components

The group operates a system of performance related reward policies in which targets are measurable. These are designed to control the proportion of fixed remuneration and provide for a growing element of "at risk" pay, which is only paid when results better than target are achieved. In this way, shareholders and employees share in success.

(i) *Basic Remuneration*

Basic remuneration is determined by the Remuneration Committee and takes into account that part of the group's assets under the individual's control, past performance of the individual and information from independent sources on the rates of salary for similar jobs in a selected group of comparable companies. The group operates a flexible benefits system under which individuals may "purchase" benefits, such as company cars, pensions and health and life insurance out of total remuneration. There are no free benefits or "perks".

(ii) *Annual Bonus*

The directors strongly believe in the financial effectiveness of incentive bonuses. Therefore, every person in the group is in some form of incentive scheme and the directors believe that this is one of the major reasons why the group has, over many years, outperformed most other construction companies.

At the start of each financial year each subsidiary company is set a profit target. This target is relative to the amount of capital employed in the subsidiary company and to the degree of risk in that type of business. If the profits exceed target, then a progressively increasing proportion of the excess is allocated to a bonus pool relating to that company only.

The amount in the bonus pool is paid to all of the participating staff predominantly in proportion to their remuneration, multiplied by a weighting factor, which is greater for the higher paid than the lower paid. Individual bonuses are "capped", the "caps" varying from 30% of basic remuneration for the lower paid, to 100% for the higher paid.

The bonuses for executive directors are subject to the same principles as other staff.

Companies used for Comparison

In assessing all aspects of pay and benefits, Allen compares the packages offered by similar companies.

Service Contracts

All Main Board executive directors hold twelve month rolling service contracts.

Other matters

The group does not operate a share option scheme. Whilst it does not operate non-contributory pension schemes of any kind, it does operate a number of schemes which are wholly funded by employees.

4. Directors' Pay

	Remuneration (including fees)			Drawings				
Name	**Basic**	**Profit related bonus**	**Total**	**Salary and bonus**	**Benefits in kind**	**Pension con-tributions**	**Total**	**1997 Total**
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
D. Greenhalgh	102	102	204	196	8	—	204	206
K. Fox	159	142	301	282	19	—	301	266
J.E. Brown	125	125	250	183	15	52	250	222
M.R. Greenough	85	—	85	72	3	10	85	132
I.J. Hilton	98	53	151	93	13	45	151	131
M.J. Morgan	68	56	124	83	11	30	124	100
M.F. Smith	66	29	95	78	12	5	95	91
M.C. Mowat*	15	—	15	15	—	—	15	14
R.J. Weston*	14	—	14	14	—	—	14	14
Totals	732	507	1,239	1,016	81	142	1,239	1,176

* represents fees only

The figures above represent emoluments earned as directors during the relevant financial year. Such emoluments are paid in the same financial year with the exception of bonuses, which are, in part, paid in the year following that in which they were earned.

Financial Review, Corporate Governance and Report of the Remuneration Committee

F. Directors and their Interests

The directors of the company during the year and their interests in the 5p ordinary shares of the company were:

	At 29th March 1998		At 31st March 1997 and at 13th June 1997	
	Beneficial	**Non-Beneficial**	Beneficial	Non-Beneficial
D. Greenhalgh (Chairman)	**1,019,013**	**687,794**	1,016,136	688,794
K. Fox (Managing)	**1,781,712**	**331,130**	1,906,712	367,430
J.E. Brown	**167,880**	**102,530**	171,880	106,830
M.R. Greenough	**5,200**	—	7,200	—
I.J. Hilton	**956,513**	—	960,313	—
M.J. Morgan	**136,654**	—	139,954	—
M.C. Mowat (non-executive)	**31,200**	—	31,200	—
M.F. Smith	**500**	—	500	—
R.J. Weston (non-executive)	**10,302**	—	10,302	—

Between 30th March 1998 and 12th June 1998, the following directors' share transactions took place:

— Mr D. Greenhalgh sold 3,000 shares and bought 2,101 shares on 9th April;
— Mr J.E. Brown sold 3,600 shares on 7th April; and
— Mr R.J. Weston sold 1,800 shares on 31st March and bought 2,112 shares on 3rd April.

In accordance with the company's Articles of Association, D. Greenhalgh, M.J. Morgan and J.E. Brown retire by rotation and, being eligible, offer themselves and are recommended for re-election at the annual general meeting. The executive directors hold twelve month rolling service contracts.

No director had any interest, either during or at the end of the year, in any disclosable contracts or arrangements, other than a contract of service, with the company or any subsidiary company. No director had any interest in the shares of any subsidiary company during the year.

G. Year 2000 compliance

As is well known, many computer and digital storage systems express dates using only the last two digits of the year and will thus require modification or replacement to accommodate the year 2000 and beyond in order to avoid malfunctions and resulting widespread commercial disruption. This is a complex and pervasive issue. The operation of our business depends not only on our own computer systems, but also to some degree on those of our suppliers and customers. This could expose us to further risk in the event that there is a failure by other parties to remedy their own Year 2000 issues.

A group-wide programme, designed to address the impact of the Year 2000 on our business, has been commissioned by the Board and is under way. Resources have been allocated and the Board receives regular reports on progress.

A significant risk analysis has been performed to determine the impact of the issue on all our activities. From this, prioritised action plans have been developed which are designed to address the key risks in advance of critical dates and without disruption to the underlying business activities. Priority is given to those systems which could cause a significant financial or legal impact on the group's business if they were to fail. The plan also includes a requirement for the testing of systems changes, involving the participation of users.

The risk analysis also considers the impact on our business of Year 2000 related failures by our significant suppliers, including computer bureaux and customers. In appropriate cases we have initiated formal communication with these other parties.

Given the complexity of the problem, it is not possible for any organisation to guarantee that no Year 2000 problems will remain, because at least some level of failure may still occur. However, the Board believes that it will achieve an acceptable state of readiness and has also provided resources to deal promptly with significant subsequent failures or issues that might arise.

Much of the cost of implementing the action plans will be subsumed into the recurring activities of the subsidiary companies involved. The total cost of modifications to our computer hardware and software is presently estimated at £500,000, of which about £400,000 is new equipment that will be capitalised and the remainder will be expensed as incurred. Of this £500,000 total, expenditure of £104,000 has been incurred during the year and the remaining £396,000 is expected to be incurred in the next financial year.

In the 1997 Annual Report and Accounts, the Board felt it prudent to create an initial provision of £100,000 in respect of Year 2000 compliance costs. Since then, UITF Abstract 20 has been issued which precludes such general provisions. In order to comply with the spirit of the UITF Abstract, the provision has been released to the profit and loss account. Of the £104,000 expenditure incurred in the year, some £54,000 has been written off and £50,000 capitalised.

Directors' Report

The directors present their report and the audited consolidated accounts for the year ended 29th March 1998.

Review of the business and future developments

The principal activities of the group are building contracting, civil engineering contracting, housebuilding, hire services, and property development and investment. A review of these activities during the year and the prospects of the group for the future are given in the Chairman's Statement and Managing Director's Review on pages 6 to 17 which should be read as part of this report.

Results and dividends

The consolidated profit for the year was £15,850,000 before providing for taxation of £4,767,000. An interim dividend of 4.2 pence per share was paid during the year. The directors propose that a final dividend of 6.65 pence per share be paid, making a total dividend distribution for the year of 10.85 pence per share.

Share Capital

Details of changes in the authorised and issued share capital of the company are given in note 14 to the Financial Statements.

Going concern

After making enquiries, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

Employment of disabled persons

The group recognises its responsibilities towards disabled persons and gives full and fair consideration to applicants in positions suited to their own particular abilities where appropriate openings exist. Where employees become disabled in the course of their employment, every effort is made to provide them with continuing employment.

Equal opportunities

In the recruitment of staff and their subsequent career development, individuals are considered having regard to their aptitudes and abilities irrespective of race, sex, marital status or disability.

Employee involvement

The group aims to achieve a shared commitment from all employees to the success of the businesses in which they are employed. As a result of the diversity of the group's constituent businesses and the devolution of responsibility to local management, the nature and form of the arrangements for achieving this objective vary considerably.

Environmental issues

The group has continued to follow policies and procedures that take account of the need to preserve and protect the environment.

Substantial shareholders

At 12th June 1998, the directors had been advised that the following were interested in 3% or more of the company's ordinary share capital:

	Number of 5p ordinary shares	%
Morgan Grenfell Investment Management	5,000,483	12.04
Hill Samuel Asset Management	2,152,234	5.18
Framlington Investment Management	1,626,000	3.91
M & G Investment Management	1,542,773	3.71
Barclays Bank PLC	1,519,546	3.66
Funds managed by National Westminster Bank Group PLC	1,396,683	3.36
HSBC Asset Management	1,344,500	3.24

Taxation status

In the opinion of the directors, the company is not a close company within the provisions of ICTA 1988.

Payments to suppliers

It is the group's policy to make suppliers aware of the terms and conditions upon which the group will trade with them and to abide by those terms. In accordance with Statutory Instrument No. 571, the Companies Act 1985 (Directors' Report) (Statement of Payment Practice) Regulations 1997, the company had 50 days of purchases outstanding at the end of the financial year.

Special Business at the Annual General Meeting

Resolution 7 is to renew the directors' authority to allot and issue the authorised but unissued share capital of the company.

Resolution 8 is to renew for the period ending on the date of the Annual General Meeting the authority to disapply the statutory pre-emption provisions in order to allow small issues of shares for cash.

Resolution 9 renews the directors' power to purchase up to 5 per cent of the shares of the company as set out in that resolution. There is no present intention to purchase the company's shares and, if granted, the authority would only be used if a purchase of the company's shares was expected to enhance earnings per share.

Resolutions 10 and 11 are to adopt a savings-related share option scheme and a qualifying employee share ownership trust respectively. Further details of these resolutions are contained in a separate circular to shareholders which is being dispatched with the notice of Annual General Meeting.

Charitable donations

The group made charitable donations amounting to £8,085 (1997: £3,498) during the year.

Directors

The directors who served during the year and the interests of directors in the share capital of the company are set out on page 21.

Auditors

Latham Crossley & Davis offer themselves, and are recommended, for reappointment under the provisions of Section 385 of the Companies Act 1985.

MF Smith

By order of the Board

M.F. Smith, Secretary, 22nd June 1998

Auditors' Reports

To the shareholders of Allen Plc
We have audited the financial statements on pages 24 to 41, which have been prepared under the historical cost convention as modified by the revaluation of certain tangible fixed assets and the accounting policies set out on page 24 and the additional disclosures on pages 19 and 20 relating to remuneration of directors specified for our review by the London Stock Exchange.

Respective responsibilities of directors and auditors
As described on page 19, 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 circumstances of the company and the group, 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 29th March 1998 and of the group's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Latham Crossley & Davis

Latham Crossley & Davis,
Registered Auditors,
Chartered Accountants, Chorley
22nd June 1998

Auditors' Report to Allen Plc on Corporate Governance Matters
In addition to our audit of the financial statements, we have reviewed the directors' statements on pages 18, 19 and 22 on the company's compliance with the paragraphs of the Cadbury 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 company's system of internal financial control or its corporate governance procedures nor on the ability of the company to continue in operational existence.

Opinion
With respect to the directors' statements on internal financial control on pages 18 and 19, and going concern on page 22, 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 19 appropriately reflects the company's compliance with the other aspects of the Code specified for our review by Listing Rule 12.43(j).

Latham Crossley & Davis

Latham Crossley & Davis,
Chartered Accountants, Chorley
22nd June 1998

Statement of Accounting Policies

Accounting Convention
The financial statements are prepared under the historical cost convention, as modified by the revaluation of certain tangible fixed assets, and in accordance with applicable Accounting Standards.

Basis of Consolidation
The consolidated profit and loss account and balance sheet include the financial statements of the company and all of its subsidiaries made up to the balance sheet date. The results of subsidiary undertakings are included in the group financial statements from their effective date of acquisition, using the acquisition method of accounting, and up to their effective date of disposal.

Goodwill arising on consolidation, representing the excess of consideration paid over the fair values of the net assets acquired, is written off against reserves in the year of acquisition.

A separate profit and loss account for the company is not presented, as permitted by Section 230 of the Companies Act 1985.

Turnover
Turnover represents the value of work done and the invoiced amount of goods sold and hired less returns and allowances, exclusive of value added tax. Turnover on house sales represents amounts receivable on legal completions; it does not include amounts relating to the sale of part-exchange properties.

Investment properties
Investment properties are valued annually by an employee of the group and triennially by external valuers on an open market value for existing use basis. Changes in value are taken directly to the investment property revaluation reserve and any permanent deficits on cost are taken directly to the profit and loss account. In accordance with Statement of Standard Accounting Practice 19 ('SSAP 19') no depreciation is provided in respect of investment properties. The requirement of the Companies Act 1985 is to depreciate all tangible fixed assets, but that requirement conflicts with the generally accepted accounting principles set out in SSAP 19. The directors consider that adopting SSAP 19 results in the financial statements showing a true and fair view.

Tangible fixed assets and depreciation
Tangible fixed assets are stated at cost or valuation less accumulated depreciation.

Depreciation is provided so as to write off the cost or valuation of the assets over their expected useful economic lives, after taking account of estimated residual values. The principal annual rates and methods used are:

Short leasehold properties	— over the period of the lease
Fixtures, fittings, plant and equipment	— 25%–45% reducing balance
Motor vehicles	— 25% reducing balance
Accommodation units	— straight line over 12 or 15 years
Scaffolding	— 10%–15% reducing balance
Small tools and plant held for hire	— 10%–25% straight line

No depreciation is provided on freehold buildings, long leasehold properties and ground rents as it is the group's policy to revalue them on an annual basis and incorporate the valuations in the financial statements. Surpluses on revaluation are taken directly to the revaluation reserve. The Companies Act 1985 requires all tangible fixed assets to be depreciated, but the directors consider that the treatment adopted results in the accounts showing a true and fair view.

Leasing and Hire-Purchase
Certain tangible fixed assets are held under financing arrangements. These assets are included in the balance sheet and are depreciated accordingly. The capital element of the corresponding financing commitments is included in the balance sheet. The finance element of instalments is charged to the profit and loss account in proportion to the reducing capital element outstanding.

All other leases held are operating leases and the rentals are charged to the profit and loss account as incurred.

Stocks and work in progress
Stocks are valued at the lower of cost and net realisable value. Cost includes an appropriate proportion of production overheads, where applicable.

Part-exchange properties are valued at the lower of cost and net realisable value.

Long-term contracts
Profit on long-term contracts is taken as the work is carried out, if the final outcome can be assessed with reasonable certainty. The profit included is calculated on a prudent basis to reflect the proportion of the work carried out by the year end by recording turnover and related costs as contract activity progresses. Turnover is calculated as that proportion of total contract value which costs incurred to date bear to total expected costs for that contract. Revenue derived from variations on contracts is recognised only when they have been accepted by the customers. Full provision is made for losses on all contracts in the year in which they are first foreseen. Amounts recoverable on contracts are included in debtors.

Deferred taxation
Deferred taxation is provided under the liability method at the appropriate rate of tax in respect of timing differences between profits as computed for tax purposes and profits as stated in the financial statements to the extent that, in the opinion of the directors, those differences may give rise to tax liabilities in the foreseeable future.

Group Profit and Loss Account

For the year ended 29th March 1998	Note	1998 £'000	1998 £'000	1997 £'000	1997 £'000
Turnover	1				
Continuing operations		**190,775**		153,512	
Acquisitions		**74,775**		—	
			265,550		153,512
Cost of sales			**(205,050)**		(111,553)
Gross profit			**60,500**		41,959
Distribution costs			**(10,676)**		(7,419)
Administrative expenses			**(26,374)**		(19,830)
Other operating charges			**(7,097)**		(5,053)
Other operating income			**1,865**		2,251
Operating profit	3				
Continuing operations		**16,077**		11,908	
Acquisitions		**2,141**		—	
			18,218		11,908
Interest payable (net)	4		**(2,368)**		(1,407)
Profit on ordinary activities before taxation	1		**15,850**		10,501
Taxation	5		**(4,767)**		(3,381)
Profit on ordinary activities after taxation			**11,083**		7,120
Equity minority interests			**(35)**		(16)
Profit for the year attributable to the group			**11,048**		7,104
Dividends on equity shares	6		**(4,507)**		(2,967)
Retained profit for the financial year	15		**6,541**		4,137
			pence		pence
Profit on ordinary activities before taxation per share — adjusted	7		**38.94**		27.75
— unadjusted			**38.94**		27.80
Earnings per share — adjusted	7		**27.14**		18.78
— unadjusted			**27.14**		18.81
Dividends per share — adjusted	6		**10.85**		7.49
— unadjusted			**10.85**		7.50

All activities are continuing.

Statement of Total Recognised Gains and Losses

For the year ended 29th March 1998	1998 £'000	1997 £'000
Profit for the year attributable to the group	**11,048**	7,104
Unrealised surplus on revaluation of properties	—	233
Total recognised gains and losses relating to the year	**11,048**	7,337

Note of Historical Cost Profits and Losses

For the year ended 29th March 1998	1998 £'000	1997 £'000
Reported profit on ordinary activities before taxation	**15,850**	10,501
Realisation of property revaluation gains of previous years	**33**	—
Difference between the historical cost depreciation charge and actual depreciation charge for the year calculated on the revalued amount	**(15)**	(15)
Historical cost profit on ordinary activities before taxation	**15,868**	10,486
Historical cost profit for the year retained after taxation, minority interests and dividends	**6,559**	4,122

Reconciliation of Movements in Shareholders' Funds

For the year ended 29th March 1998	1998 £'000	1997 £'000
Profit for the year attributable to the group	**11,048**	7,104
Dividends	**(4,507)**	(2,967)
	6,541	4,137
Other recognised gains and losses relating to the year (net)	—	233
New share capital subscribed	**6,549**	15,961
Goodwill written off on acquisition	**(5,341)**	(2,185)
Net increase in shareholders' funds	**7,749**	18,146
Opening shareholders' funds	**51,783**	33,637
Closing shareholders' funds	**59,532**	51,783

Group Balance Sheet

As at 29th March 1998	Note	1998 £'000	1998 £'000	1997 £'000	1997 £'000
Fixed assets					
Tangible assets	8		**63,306**		46,790
Current assets					
Stocks and work in progress	10	**36,264**		30,178	
Debtors	11	**58,661**		34,310	
Cash at bank and in hand		**4,104**		—	
		99,029		64,488	
Creditors: amounts falling due within one year	12	**(78,642)**		(46,443)	
Net current assets			**20,387**		18,045
Total assets less current liabilities			**83,693**		64,835
Creditors: amounts falling due after more than one year	12		**(21,922)**		(11,321)
Provisions for liabilities and charges	13		**(2,154)**		(1,681)
			59,617		51,833
Capital and reserves					
Called up share capital	14		**2,077**		1,978
Share premium account	15		**30,119**		23,669
Merger reserve	15		**3,660**		3,660
Revaluation reserve	15		**390**		390
Investment property revaluation reserve	15		**645**		678
Capital redemption reserve	15		**26**		26
Profit and loss account	15		**22,615**		21,382
Equity shareholders' funds			**59,532**		51,783
Equity minority interests			**85**		50
			59,617		51,833

Approved by the Board on 22nd June 1998

D. Greenhalgh

M.F. Smith

Directors

Company Balance Sheet

As at 29th March 1998	Note	1998 £'000	1998 £'000	1997 £'000	1997 £'000
Fixed assets					
Investments	9		**38,661**		29,034
Current assets					
Debtors	11	**23,817**		26,562	
Creditors: amounts falling due within one year	12	**(15,394)**		(18,941)	
Net current assets			**8,423**		7,621
Total assets less current liabilities			**47,084**		36,655
Creditors: amounts falling due after more than one year	12		**(2,914)**		(69)
			44,170		36,586
Capital and reserves					
Called up share capital	14		**2,077**		1,978
Share premium account	15		**30,119**		23,669
Merger reserve	15		**8,586**		8,586
Capital redemption reserve	15		**26**		26
Profit and loss account	15		**3,362**		2,327
Equity shareholders' funds			**44,170**		36,586

Approved by the Board on 22nd June 1998

D. Greenhalgh

M.F. Smith

Directors

Group Cash Flow Statement

For the year ended 29th March 1998	Note	**1998 £'000**	1997 £'000
Cash flow from operating activities	18	**18,603**	13,606
Returns on investments and servicing of finance			
Interest received		**12**	42
Interest paid		**(754)**	(672)
Interest element of hire-purchase and finance lease rental payments		**(1,626)**	(777)
Net cash outflow from returns on investments and servicing of finance		**(2,368)**	(1,407)
Taxation		**(4,074)**	(1,425)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		**(4,863)**	(5,626)
Sale of tangible fixed assets		**5,688**	2,738
Net cash inflow/(outflow) for capital expenditure and financial investment		**825**	(2,888)
Acquisitions and disposals			
Purchase of subsidiary undertakings	17	**(9,261)**	(3,331)
Net cash/(overdrafts) acquired with subsidiary undertakings	17	**3,159**	(448)
Purchase of businesses	16	**(2,157)**	(5,015)
Net cash outflow from acquisitions and disposals		**(8,259)**	(8,794)
Equity dividends paid		**(3,604)**	(2,476)
Financing			
Issue of shares		**6,549**	15,961
Decrease in debt due within one year — repayment of amounts borrowed		**(726)**	(10,133)
Increase in debt due beyond one year — new secured loans		**3,571**	—
Increase in debt due within one year — new secured loans		**1,429**	—
Capital element of hire-purchase and finance lease rental payments	19	**(7,304)**	(3,520)
Net cash inflow from financing		**3,519**	2,308
Increase/(decrease) in cash in the year	19	**4,642**	(1,076)
Reconciliation of net cash flow to movement in net debt			
Increase/(decrease) in cash in the period		**4,642**	(1,076)
Cash outflow from decrease in debt and hire-purchase and lease financing		**3,030**	13,653
Change in net debt resulting from cash flows		**7,672**	12,577
New hire-purchase and finance lease contracts		**(20,151)**	(11,765)
Hire-purchase and finance lease contracts arising on acquisition		**—**	(638)
Movement in net debt in the year		**(12,479)**	174
Net debt at 31st March 1997		**(16,270)**	(16,444)
Net debt at 29th March 1998	19	**(28,749)**	(16,270)

Notes to the Financial Statements

For the year ended 29th March 1998

1. Turnover, Profit on Ordinary Activities before Taxation and Net Operating Assets

Turnover, profit on ordinary activities before taxation and net operating assets are analysed by class of business as follows:

	1998		1997	
	£'000	**%**	£'000	%
Turnover				
Building contracting	**132,915**	**50.1**	43,896	28.6
Civil engineering contracting	**39,459**	**14.9**	37,582	24.5
Hire services	**54,209**	**20.4**	39,919	26.0
Housebuilding	**35,450**	**13.3**	29,886	19.5
Property development and investment	**3,517**	**1.3**	2,229	1.4
	265,550	**100.0**	153,512	100.0
Operating profit on ordinary activities				
Building contracting	**3,273**	**17.1**	1,316	10.2
Civil engineering contracting	**1,751**	**9.2**	1,916	14.8
Hire services	**9,898**	**51.8**	5,955	46.1
Housebuilding	**3,353**	**17.5**	2,977	23.1
Property development and investment	**841**	**4.4**	746	5.8
Operating profit before central overheads	**19,116**	**100.0**	12,910	100.0
Central overheads	**(898)**		(1,002)	
Operating profit before interest payable	**18,218**		11,908	
Interest payable (net)	**(2,368)**		(1,407)	
Profit on ordinary activities before taxation	**15,850**		10,501	

Net Operating Assets

Net operating assets are defined as shareholders' funds adjusted for cash balances or overdrafts, liabilities under hire-purchase and finance lease contracts and internal loans:

	1998	1997
	£'000	£'000
Building contracting	**1,858**	(3,484)
Civil engineering contracting	**1,966**	901
Hire services	**55,438**	41,839
Housebuilding	**22,852**	23,398
Property development and investment	**8,109**	5,177
Gross capital employed in operating divisions	**90,223**	67,831
Holding company and consolidation adjustments	**(1,857)**	272
Net debt	**(28,749)**	(16,270)
Group net assets	**59,617**	51,833

All group activities are carried out in the United Kingdom.

2. Cost of sales and net operating costs

The total figures for continuing operations in 1998 include the following amounts relating to acquisitions: cost of sales £69,327,000 and net operating costs £3,307,000 (namely distribution costs £516,000, administrative expenses £2,664,000, other operating charges of £133,000 and other operating income £6,000).

Notes to the Financial Statements

3. Operating Profit	**1998 £'000**	1997 £'000
This is stated after charging/(crediting):		
a. Directors' emoluments		
Fees	**29**	28
Management remuneration (including pension contributions)		
— basic remuneration	**703**	644
— performance related bonuses	**507**	504
— pension to former director	**16**	15
	1,255	1,191
Emoluments of the highest paid director		
— basic remuneration	**159**	143
— performance related bonus	**142**	123
	301	266
b. Staff costs	**Number**	Number
The average monthly number of employees during the year was:		
Building contracting	**510**	231
Civil engineering contracting	**547**	445
Housebuilding	**103**	124
Hire services	**1,074**	818
Property development and investment	**6**	3
Central	**9**	8
	2,249	1,629
Staff costs during the year (including directors) amounted to:	**£'000**	£'000
Wages and salaries	**41,111**	26,861
Social security costs	**3,741**	2,475
Other pension costs	**318**	99
	45,170	29,435
c. Other items	**£'000**	£'000
Depreciation		
— of owned tangible fixed assets	**3,973**	3,038
— of tangible fixed assets held under hire-purchase and finance lease contracts	**3,878**	2,707
Operating lease rentals		
— plant and machinery	**1,737**	1,444
— other assets	**2,278**	1,987
Auditors' remuneration		
— audit services	**120**	90
Profit on sale of tangible fixed assets	**(1,627)**	(1,173)

Auditors' remuneration for audit services includes £11,400 (1997: £11,250) in respect of the company. Amounts paid to the auditors during the year in respect of non-audit services amounted to £50,000 (1997: £111,000).

Notes to the Financial Statements

4. Interest payable (net)

	1998 £'000	1997 £'000
On bank loans and overdrafts	**750**	667
On other loans	**4**	5
Hire-purchase interest and finance lease charges	**1,626**	777
	2,380	1,449
Less: Interest receivable	**(12)**	(42)
	2,368	1,407

5. Taxation

	1998 £'000	1997 £'000
On the profit on ordinary activities for the year		
— corporation tax at 31% (1997: 33%)	**3,837**	2,702
— deferred taxation charge	**902**	531
	4,739	3,233
Adjustments in respect of previous years		
— corporation tax	**42**	156
— deferred taxation	**(14)**	(8)
	4,767	3,381

The taxation charge for the year has been increased by approximately £417,000 (1997: £302,000) in respect of permanent timing differences and reduced by approximately £591,000 (1997: £534,000) in respect of deferred taxation not provided on current year timing differences.

6. Dividends on equity shares

		1998 £'000	1997 £'000
First Interim	— 4.20 pence (1997: 2.80 pence) per share on 41,535,835 (1997: 39,557,955) shares paid	**1,745**	1,108
Second Interim	— nil pence (1997: 4.70 pence) per share on nil (1997: 39,557,955) shares paid on 30th June 1997	**—**	1,859
Final	— 6.65 pence (1997: nil) per share on 41,535,835 (1997: 39,557,955) shares proposed to be paid on 31st July 1998	**2,762**	—
		4,507	2,967

7. Profit on ordinary activities before taxation per share and earnings per share

Profit on ordinary activities before taxation per share is based on the profit on ordinary activities before taxation and the average number of 5 pence ordinary shares in issue during the year of 40,708,185 (1997: 37,828,673 restated).

Earnings per share is based on the profit after taxation and minority interests of £11,048,000 (1997: £7,104,000) and the average number of 5 pence ordinary shares in issue during the year as noted above.

Earnings per share, profit on ordinary activities before taxation per share and dividends per share for the year ended 30th March 1997 have been adjusted to take account of the bonus element of the placing in September 1997.

Notes to the Financial Statements

8. Tangible Fixed Assets

Group	Land and buildings £'000	Plant machinery and hire equipment £'000	Motor vehicles £'000	Total £'000
Cost or valuation				
At 31st March 1997	5,888	53,779	4,537	64,204
Additions	647	22,821	1,546	25,014
Disposals	(2)	(5,492)	(1,405)	(6,899)
Arising on acquisition of subsidiary undertakings and businesses	568	2,138	708	3,414
At 29th March 1998	7,101	73,246	5,386	85,733
At valuation in 1997	5,378	—	—	5,378
At cost	1,723	73,246	5,386	80,355
	7,101	73,246	5,386	85,733
Depreciation				
At 31st March 1997	137	16,208	1,069	17,414
Charge for the year	142	6,553	1,156	7,851
Disposals	—	(2,061)	(777)	(2,838)
At 29th March 1998	279	20,700	1,448	22,427
Net book value				
At 29th March 1998	**6,822**	**52,546**	**3,938**	**63,306**
At 30th March 1997	5,751	37,571	3,468	46,790

The net book value of tangible fixed assets includes an amount of £33,499,000 (1997: £21,913,000) in respect of assets held under financing arrangements.

	Group		Company	
Land and Buildings	**1998 £'000**	1997 £'000	**1998 £'000**	1997 £'000
Freehold land and buildings	**4,886**	4,303	—	—
Long leasehold properties	**1,059**	1,059	—	—
Ground rents	**15**	17	—	—
Short leasehold properties	**862**	372	—	—
	6,822	5,751	—	—

Included in land and buildings are investment properties with a net book value and open market value of £2,973,000 (1997: £2,973,000). The net book value of short leasehold properties consists of cost of £1,141,000 (1997: £506,000) less accumulated depreciation of £279,000 (1997: £134,000).

Notes to the Financial Statements

8. Tangible Fixed Assets (continued)

The group's land and buildings (excluding short leasehold properties) were revalued on 30th March 1997 on an open market basis by Messrs Dunlop Heywood, Consultant Surveyors. The valuation has been incorporated into the financial statements except that in certain cases a lower valuation has been incorporated where, in the opinion of the directors, a more prudent valuation is considered necessary. Ground rents were revalued by P.J. Anderton, an employee of the group, on an open market basis on the same date. This valuation has been incorporated into the financial statements.

On a historical cost basis, land and buildings would be stated at:

	Group		Company	
	1998	1997	**1998**	1997
	£'000	£'000	**£'000**	£'000
Cost	**6,052**	4,839	**—**	—
Accumulated depreciation	**(279)**	(137)	**—**	—
Net book value	**5,773**	4,702	**—**	—

9. Investments in subsidiary undertakings

	£'000
Cost	
At 31st March 1997	29,180
Additions	9,627
At 29th March 1998	38,807
Permanent diminution in value	
At 31st March 1997 and 29th March 1998	146
Net book value	
At 29th March 1998	**38,661**
30th March 1997	29,034

On 29th March 1998 the parent company owned the entire called up equity share capital (and in the case of D.J. Ryan & Sons Limited the entire called-up non-equity preference share capital) of the principal subsidiaries listed below, with the exception of (i) Sheet Piling (UK) Limited where the company owns 82.5% of the issued ordinary share capital and (ii) P.S. Turner (Holdings) Limited where the company directly owns 25.43% and indirectly holds 74.57% of the issued ordinary share capital:

	Principal Activity
Allen Building Limited	Building Contracting
Allen Building (West Midlands) Limited	Building Contracting
Allen Design + Build Limited	Building Contracting
P.S. Turner (Holdings) Limited	Building Contracting
Allen Homes Limited	Provision of Central Services
Allen Homes (Central Midlands) Limited	Housebuilding
Allen Homes (East Midlands) Limited	Housebuilding
Allen Homes (North Midlands) Limited	Housebuilding
Allen Homes (North Wales) Limited	Housebuilding
Allen Homes (North West) Limited	Housebuilding
Allen Homes (West Midlands) Limited	Housebuilding
Allen Homes (Yorkshire) Limited	Housebuilding
D.J. Ryan & Sons Limited	Civil Engineering Contracting
G. Pearce Civil Engineering Limited	Civil Engineering Contracting
Sheet Piling (UK) Limited	Civil Engineering Contracting

Notes to the Financial Statements

9. Investments in subsidiary undertakings

Investments in subsidiary undertakings	Principal Activity
Speedy Hire Centres (Midlands) Limited	Hire services
Speedy Hire Centres (Northern) Limited	Hire services
Speedy Hire Centres (Southern) Limited	Hire services
Speedy Hire Direct Limited	Hire services
Speedy Plant Hire Limited	Hire services
Speedy Scaffolding Limited	Hire services
Speedy Space Limited	Hire services
Ebor Estates Limited	Commercial Property Development
Allen Investments Limited	Property Investment
Chestview (North-East) Limited	Commercial Property Development
Allen Commercial Developments Limited	Commercial Property Development
Allen Group Services Limited	Provision of Group Services

The company holds voting rights in each subsidiary undertaking in the same proportion to its holdings in the ordinary share capital of the respective subsidiaries. All subsidiary undertakings operate within the United Kingdom.

10. Stocks and Work in Progress

	Group		Company	
	1998 £'000	1997 £'000	**1998 £'000**	1997 £'000
Raw materials and consumables	**3,405**	1,427	—	—
Development land	**17,433**	10,688	—	—
Part-exchange houses	**3,774**	3,334	—	—
Work in progress	**11,652**	14,729	—	—
	36,264	30,178	—	—

11. Debtors

	Group		Company	
	1998 £'000	1997 £'000	**1998 £'000**	1997 £'000
Trade debtors	**23,888**	18,684	—	—
Amounts owed by subsidiary undertakings	—	—	**21,836**	25,350
Amounts recoverable on contracts	**29,016**	10,959	—	—
Other debtors	**3,785**	2,870	**1,971**	1,197
Prepayments	**1,972**	1,797	**10**	15
	58,661	34,310	**23,817**	26,562
Included in other debtors are the following amounts due more than one year after the balance sheet date:				
ACT recoverable	—	—	**690**	465

Notes to the Financial Statements

12. Creditors

a. Amounts falling due within one year

	Group		Company	
	1998	1997	**1998**	1997
	£'000	£'000	**£'000**	£'000
Bank loans and overdrafts	**1,429**	538	**11,200**	15,998
Other loans	**24**	24	**24**	24
Progress payments in excess of contract value	**593**	367	**—**	—
Trade creditors	**44,097**	24,351	**57**	36
Amounts owed to subsidiary undertakings	**—**	—	**344**	247
Corporation tax	**4,024**	2,711	**691**	465
Other taxation and social security	**3,013**	3,507	**—**	—
Hire-purchase and finance lease contracts	**9,478**	4,562	**—**	—
Other creditors	**3,895**	2,713	**—**	203
Accruals	**9,327**	5,811	**316**	109
Dividends payable and proposed	**2,762**	1,859	**2,762**	1,859
	78,642	46,443	**15,394**	18,941

b. Amounts falling due after more than one year

	Group		Company	
	1998	1997	**1998**	1997
	£'000	£'000	**£'000**	£'000
Bank loans	**2,857**	—	**2,857**	—
Other loans	**57**	69	**57**	69
Hire-purchase and finance lease contracts	**19,008**	11,077	**—**	—
Other creditors	**—**	175	**—**	—
	21,922	11,321	**2,914**	69

The bank loans and overdrafts are secured by cross guarantees and debentures given by all group companies in favour of Barclays Bank PLC. Hire purchase and finance lease contracts are secured on the assets concerned.

c. Repayment of borrowings

	Group		Company	
	1998	1997	**1998**	1997
Bank loans and overdrafts are repayable as follows:	**£'000**	£'000	**£'000**	£'000
In one year or less	**1,429**	538	**11,200**	15,998
Between one and two years	**1,429**	—	**1,429**	—
Between two and five years	**1,428**	—	**1,428**	—
After more than five years	**—**	—	**—**	—
	4,286	538	**14,057**	15,998
Other loans are repayable as follows:				
In one year or less	**24**	24	**24**	24
Between one and two years	**35**	35	**35**	35
Between two and five years	**22**	34	**22**	34
	81	93	**81**	93
Obligations under financing arrangements are repayable as follows:				
In one year or less	**9,478**	4,562	**—**	—
Between one and two years	**9,050**	5,285	**—**	—
Between two and five years	**9,958**	5,792	**—**	—
	28,486	15,639	**—**	—

Notes to the Financial Statements

13. Provisions for liabilities and charges

Group	Deferred Taxation £'000	Other Provisions £'000	Total £'000
At 31st March 1997	1,491	190	1,681
Transfer from/(to) profit and loss account	888	(190)	698
Advance corporation tax movement	(225)	—	(225)
At 29th March 1998	**2,154**	**—**	**2,154**

The other provisions at 29th March 1998 relate to reorganisation costs on the acquisition of a business in 1993–94.

The deferred taxation provision comprised:

	1998 Provided £'000	**1998 Potential £'000**	1997 Provided £'000	1997 Potential £'000
Accelerated capital allowances	**2,844**	**6,574**	1,956	4,784
Advance corporation tax	**(690)**	**—**	(465)	—
Capital gains on revaluation surpluses	**—**	**311**	—	353
	2,154	**6,885**	1,491	5,137

Provision for capital gains tax on revaluation surpluses has not been made in the financial statements as there is no intention to dispose of the properties in the foreseeable future.

14. Share Capital

	1998 £'000	1997 £'000
Authorised 50,000,000 (1997: 50,000,000) ordinary shares of 5p each	**2,500**	2,500
Allotted, called up and fully paid 41,535,835 (1997: 39,557,955) ordinary shares of 5p each	**2,077**	1,978

On 17th September 1997, 1,977,880 ordinary shares of 5p each were issued for cash at a price of 335 pence per share.

Notes to the Financial Statements

15. Reserves

Group	Share premium account £'000	Merger reserve £'000	Revaluation reserve £'000	Investment property revaluation reserve £'000	Capital redemption reserve £'000	Profit and loss account £'000
At 31st March 1997	23,669	3,660	390	678	26	21,382
Net premium on issue of shares	6,450	—	—	—	—	—
Goodwill written off	—	—	—	—	—	(5,341)
Retained profit for the year	—	—	—	—	—	6,541
Released on disposal	—	—	—	(33)	—	33
Revaluation	—	—	—	—	—	—
At 29th March 1998	**30,119**	**3,660**	**390**	**645**	**26**	**22,615**

The net premium on issue of shares is stated after deduction of £77,000 being the costs of the issue.

The cumulative amount of goodwill written off in respect of subsidiary undertakings held at 29th March 1998 was £13,041,000 (1997: £7,700,000).

Company	Share premium account £'000	Merger reserve £'000	Capital redemption reserve £'000	Profit and loss account £'000
At 31st March 1997	23,669	8,586	26	2,327
Profit on ordinary activities after taxation	—	—	—	5,542
Dividends	—	—	—	(4,507)
Net premium on issue of shares	6,450	—	—	—
29th March 1998	**30,119**	**8,586**	**26**	**3,362**

16. Purchase of businesses

In June 1997, Speedy Space Limited acquired the trade and certain assets of Scanhire Limited. In August 1997, Speedy Space Limited acquired the trade and certain assets of Alliedacabin Limited. In November 1997, Speedy Hire Centres (Midlands) Limited acquired the tool hire trade and certain assets of J.T. Edwards & Sons Limited. In January 1998, Speedy Hire Centres (Southern) Limited acquired the trade and certain assets of The Tool Hire Centre Limited. The consideration was satisfied as follows:

	Total £'000
Book values on acquisition:	
Tangible fixed assets	1,955
Stocks	148
Net assets acquired and fair value to the group	2,103
Goodwill	54
Total purchase price	2,157
Satisfied by:	
Cash consideration	2,113
Acquisition costs	44
	2,157

All of the above purchases represented businesses which were part of larger companies and, therefore, separate information on profit after taxation is not available.

Notes to the Financial Statements

17. Acquisition of subsidiary undertakings

On 16th May 1997, the company acquired the entire issued share capital of P.S. Turner (Holdings) Limited for a cash consideration of £9,064,000. In the year to 28th February 1997, P.S. Turner (Holdings) Limited reported a profit after taxation of £671,000. In the period from 1st March 1997 to the date of acquisition, P.S. Turner (Holdings) Limited reported a loss after taxation of £29,000. Additional consideration of up to £268,000 may become payable in the event that the profit before taxation of P.S. Turner (Holdings) Limited for the twelve months ending 28th April 1998 exceeds £2.7 million.

	P.S. Turner (Holdings) Limited £'000	Others £'000	Total £'000
Book values on acquisition:			
Tangible fixed assets	1,459	—	1,459
Stocks and work in progress	4,437	—	4,437
Debtors	6,743	—	6,743
Cash at bank and in hand	3,159	—	3,159
Other creditors and accruals	(12,024)	—	(12,024)
Net assets acquired	3,774	—	3,774
Fair value adjustments — revaluation of stocks and work in progress	200	—	200
Fair value to the group	3,974	—	3,974
Goodwill	5,183	104	5,287
Total purchase price	9,157	104	9,261
Satisfied by:			
Cash consideration	9,064	—	9,064
Acquisition costs	93	104	197
	9,157	104	9,261

Included in "others" above are certain expenses relating to acquisitions arising in the previous financial year.

Notes to the Financial Statements

18. Reconciliation of operating profit to cash inflow from operating activities

	1998 £'000	1997 £'000
Operating profit	**18,218**	11,908
Depreciation charges	**7,851**	5,745
Profit on sale of tangible fixed assets	**(1,627)**	(1,173)
Increase in stocks	**(1,301)**	(5,939)
Increase in debtors	**(16,548)**	(4,440)
Increase in creditors	**12,200**	7,405
(Decrease)/increase in other provisions	**(190)**	100
	18,603	13,606

Included in net cash flow from operating activities is a net outflow of £2,278,000 relating to P.S. Turner (Holdings) Limited.

The businesses acquired during the year, as set out in note 16, have been absorbed into existing group companies and therefore separate cash flow information is not available.

19. Analysis of net debt

	At 31st March 1997 £'000	Cash flow £'000	Other non-cash changes £'000	At 29th March 1998 £'000
Cash at bank and in hand	—	4,104	—	**4,104**
Overdraft	(538)	538	—	**—**
	(538)	4,642	—	**4,104**
Debt due after one year	(69)	(2,845)	—	**(2,914)**
Debt due within one year	(24)	(1,429)	—	**(1,453)**
Hire-purchase and finance less contracts	(15,639)	7,304	(20,151)	**(28,486)**
	(15,732)	3,030	(20,151)	**(32,853)**
	(16,270)	7,672	(20,151)	**(28,749)**

20. Analysis of changes in share capital and share premium during the year

	Share capital and share premium £'000
At 2nd April 1996	18,272
Shares issued (net of expenses)	15,961
At 30th March 1997	34,233
Shares issued (net of expenses)	6,549
At 29th March 1998	**40,782**

Notes to the Financial Statements

21. Contingent Liabilities

The group has given indemnities to local authorities and the National House Building Council on contracts in progress and completed contracts which at 29th March 1998 amounted to £7,000,617 (1997: £7,701,000).

22. Financial Commitments

At 29th March 1998 the group had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	1998	1997	**1998**	1997
	£'000	£'000	**£'000**	£'000
Leases which expire				
— within one year	**267**	189	**1,322**	971
— between one and five years inclusive	**452**	352	**1,772**	1,487
— over five years	**1,240**	1,198	**24**	26
	1,959	1,739	**3,118**	2,484

23. Capital Commitments

			Group	Company
	1998	1997	**1998**	1997
	£'000	£'000	**£'000**	£'000
Contracted for but not yet provided	—	51	—	51

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the company will be held at the Portland Hotel, Portland Street, Manchester on Wednesday the 29th day of July 1998 at 12.00 noon for the following purposes:

Ordinary Business

1 To receive and adopt the Directors' Report and the Audited Accounts for the year ended 29th March 1998.

2 To declare a final dividend of 6.65 pence per share in respect of the year ended 29th March 1998.

3 To re-elect Donald Greenhalgh as a director of the company (who retires by rotation pursuant to Article 75 of the Articles of Association).

4 To re-elect Michael John Morgan as a director of the company (who retires by rotation pursuant to Article 75 of the Articles of Association).

5 To re-elect John Ernest Brown as a director of the company (who retires by rotation pursuant to Article 75 of the Articles of Association).

6 To reappoint Messrs Latham Crossley & Davis as Auditors and to authorise the directors to fix their remuneration.

Special Business

To consider and if thought fit pass the following resolutions, of which resolutions numbered 7, 10 and 11 will be proposed as Ordinary Resolutions and resolutions numbered 8 and 9 will be proposed as Special Resolutions:

7 That, for the purposes of and pursuant to Section 80 of the Companies Act 1985 ("the Act"), the directors of the company be and they are hereby generally and unconditionally authorised and empowered in substitution for any previous authority to exercise all the powers of the company to allot relevant securities (as defined in the said Section 80) up to an aggregate nominal amount of £685,341 (representing, in any case, not more than 33 per cent of the company's issued share capital) to such persons at such times and upon such terms and conditions as they may determine (subject always to the Articles of Association of the company) provided that this authority and power shall, unless renewed, varied or revoked, expire at the conclusion of the Annual General Meeting of the company to be held in 1999 and provided further that the company may before such expiry make any offer, agreement or arrangement which would or might require relevant securities to be allotted after such expiry and the directors of the company may then allot relevant securities pursuant to such offer, agreement or arrangement as if the authority and power hereby conferred had not expired.

8 That in accordance with Section 95(1) of the Act the directors be and they are hereby empowered to make allotments of equity securities as defined in Section 94(2) of the Act for cash pursuant to Section 80 of the Act as if Section 89(1) of the Act did not apply to any such allotment and so that:

(a) reference to allotment in this Resolution shall be construed in accordance with Section 94(3) of the Act; and

(b) the power conferred by this Resolution shall enable the company to make any offer or agreement before the expiry of the said power which would or might require equity securities to be allotted after the expiry of the said power and the directors may allot equity securities in pursuance of any such offer or agreement notwithstanding the expiry of such power.

Provided, however, that the power conferred by this Resolution shall be limited:

(a) to the allotment of equity securities in connection with an offer (whether by way of rights issue, open offer or otherwise) to the holders of ordinary shares where the equity securities respectively attributable to the interests of all such holders of ordinary shares are proportionate (as nearly as may be) to the respective number of ordinary shares held by them but subject to the directors having the right:

  (i) to sell, for the benefit of those holders of ordinary shares who are citizens of or resident in any overseas territory where in the opinion of the directors it would be at the time of the offer illegal or unduly costly for the company to make, or for those holders of ordinary shares to accept, an offer of equity securities of the company, the equity securities to which they would otherwise be entitled;

  (ii) to aggregate and sell for the benefit of the company all fractions of a share which may arise in apportioning the equity securities among the holders of ordinary shares; and

(b) to the allotment (otherwise than pursuant to subparagraph (a) of this resolution) of equity securities up to an aggregate nominal value of £103,839 (2,076,780 ordinary shares)

and shall expire at the conclusion of the Annual General Meeting of the company to be held in 1999 except to the extent that the same is renewed or extended on or before that date.

9 That the company be unconditionally and generally authorised to make market purchases (as defined in Section 163 of the Act) of ordinary shares of 5p each in the capital of the company on the London Stock Exchange provided that:

(a) the maximum number of ordinary shares hereby authorised to be acquired is 2,076,780, being approximately 5 per cent of the issued share capital of the company;

(b) the minimum price which may be paid for such shares is 5p per share (exclusive of expenses);

(c) the maximum price which may be paid for such shares in respect of a share contracted to be purchased on any day is an amount equal to 105 per cent of the average of the upper and lower prices shown in the quotations for the ordinary shares of the company as derived from the London Stock Exchange Daily Official List on the five business days immediately preceding the day on which the share is contracted to be purchased (exclusive of expenses);

(d) the authority hereby conferred shall expire at the conclusion of the Annual General Meeting to be held in 1999;

(e) the company may make a contract to purchase its own shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority, and make a purchase of its own shares in pursuance of any such contract.

10 That the Allen plc savings-related share option scheme ("the SAYE Scheme"), described in the letter to shareholders of Allen plc dated 6th July 1998 and to be constituted by the rules produced in draft to this meeting and for the purpose of identification initialled by the Chairman thereof, be adopted, subject to such amendments thereto as the directors of the company consider necessary or desirable to obtain the approval of the Inland Revenue thereto, and the directors be and are hereby authorised to make such amendments and do all such things as are necessary or desirable to obtain the approval of the Inland Revenue thereto and to carry the SAYE Scheme into effect.

11 That the Allen plc qualifying employee share ownership trust ("the QUEST"), described in the letter to shareholders of Allen plc dated 6th July 1998 and to be constituted by the trust deed produced in draft to this meeting and for the purpose of identification initialled by the Chairman thereof, be approved, subject to such amendments thereto as the directors of the company may consider necessary or expedient for the purpose of ensuring that the QUEST is a qualifying share ownership trust within the meaning of section 74 and Schedule 5 Finance Act 1989, and the directors be and are hereby authorised to make such amendments and do all such things as are necessary or desirable for the purpose of establishing and carrying into effect the QUEST.

22nd June 1998

By Order of the Board

M.F. Smith
Secretary

Registered Office:
Northern House, Chorley Road,
Blackrod, Bolton,
Lancashire, BL6 5JS

Notes:

1. A Form of Proxy is enclosed for your use.
2. A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and, on a poll, to vote in his place. A proxy need not be a member of the company.
3. To be valid, the Form of Proxy together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power of authority must be deposited at the offices of the company's Registrars, IRG plc, Bourne House, 34 Beckenham Road, Beckenham, Kent, BR3 4TU not later than 12.00 noon on Monday, 27th July 1998.
4. Completion of the Form of Proxy will not preclude a member from attending and voting in person at the meeting should he so wish.
5. Pursuant to Regulation 34 of the Uncertificated Securities Regulations 1995, the company specifies that only those shareholders registered in the register of members of the company as at 12.00 noon on Monday, 27th July 1998 (or in the case of an adjournment as at 48 hours before the time of the adjourned meeting) shall be entitled to attend or vote at the above meeting and that the number of votes which any shareholder may cast, on a poll, will be determined by reference to the number of shares registered in such shareholder's name at that time. Changes to entries on the register after that time will be disregarded in determining the rights of any person to attend or vote at the meeting.
6. Copies of Directors' Service Contracts and a Statement of Directors' share interests will be available for inspection at the registered office of the company during business hours on any weekday from the date of this notice until the date of the Annual General Meeting and at The Portland Hotel, Portland Street, Manchester for at least fifteen minutes prior to and during the meeting.

Companies and Locations

Allenbuild
Ken Fox *Chairman* Mike Wormald *Managing Director*
Tel: 01942 273918 Fax: 01942 295820
Branches Cheltenham, Derby, Manchester

Allenbuild (West Midlands)
Ken Fox *Chairman* Martin R. Smith *Managing Director*
Tel: 0121 321 2010 Fax: 0121 321 1660

Allenbuild (North West)
Ken Fox *Chairman* Jeff Sawyer *Managing Director*
Tel: 01942 246265 Fax: 01942 821573

PS Turner (Constructions)
Ken Fox *Chairman* Mike Wormald *Managing Director*
Tel: 01535 636116 Fax: 01535 630816

D J Ryan & Sons
Ken Fox *Chairman* Phil Brookes *Managing Director*
Tel: 01772 783545 Fax: 01772 782308

Sheet Piling (UK)
Ken Fox *Chairman* John Hull *Managing Director*
Tel: 01772 794141 Fax: 01772 795151

G Pearce Civil Engineering
Ken Fox *Chairman* Peter Dew *Managing Director*
Tel: 01380 729260 Fax: 01380 729129

Allen Homes
Ian Hilton *Chairman and Managing Director*
Tel: 01942 825555 Fax: 01942 826731

Allen Homes (Central Midlands)
Ian Hilton *Chairman* Geoff Booth *Managing Director*
Tel: 0116 269 6114 Fax: 0116 269 6115

Allen Homes (East Midlands)
Ian Hilton *Chairman* Craig Stevenson *Managing Director*
Tel: 0115 929 6266 Fax: 0115 929 1902

Allen Homes (North Midlands)
Ian Hilton *Chairman* Neil Goodwin *Managing Director*
Tel: 01782 209988 Fax: 01782 209999

Allen Homes (North Wales)
Ian Hilton *Chairman* Shaun Kerfoot *Managing Director*
Tel: 01352 750225 Fax: 01352 755831

Allen Homes (North West)
Ian Hilton *Chairman* Phil James *Managing Director*
Tel: 01942 825555 Fax: 01942 826731

Allen Homes (West Midlands)
Ian Hilton *Chairman* Gavin Warr *Managing Director*
Tel: 01384 442447 Fax: 01384 444933

Allen Homes (Yorkshire)
Ian Hilton *Chairman* Stephen Haigh *Managing Director*
Tel: 01132 390239 Fax: 01132 584832

Speedy Hire Centres (Midlands)
John Brown *Chairman* Simon Atherton *Managing Director*
Tel: 01332 380493 Fax: 01332 291172
Branches
CENTRAL Ashbourne, Belper, Burton, Derby (2), Nottingham (2), Stoke-on-Trent, Uttoxeter.
BIRMINGHAM Birmingham, Bordsley Green, Brierley Hill, Darlaston, Kidderminster, Lichfield, Redditch, Smethwick, Stirchley.
EASTERN Boston, Corby, Grantham, Leicester (2), Northampton, Peterborough (2).

Speedy Hire Centres (Northern)
John Brown *Chairman* Colin Brindle *Managing Director*
Tel: 0151 430 7974 Fax: 0151 430 0665
Branches
NORTH EAST Consett, Gateshead, Newcastle upon Tyne, Newton Aycliffe, Peterlee, Sunderland.
NORTH WEST Ashton-under-Lyne, Birkenhead, Blackpool, Bolton, Liverpool, Manchester, Oldham, Openshaw, Prescot, Preston, Stockport, Trafford Park, Wigan.
SCOTLAND Dundee, Dunfermline, Edinburgh (2), Glasgow, Grangemouth, Paisley, Perth, Stirling.
YORKSHIRE Bradford, Colne, Huddersfield, Leeds, Rawtenstall, Rotherham, Sheffield, Wakefield.

Speedy Hire Centres (Southern)
John Brown *Chairman* Steve Corcoran *Managing Director*
Tel: 01284 760842 Fax: 01284 764932
Branches
EAST ANGLIA Bury St Edmunds, Cambridge, Colchester, Huntingdon, Ipswich, King's Lynn, Norwich (2).
HOME COUNTIES Banbury, Basildon, Bedford, Heathrow, Hertford, Milton Keynes, St Albans, Slough, Stevenage, West Drayton, Weybridge.
KENT Dartford (2), Folkestone, Gillingham, Hastings, Hythe, Rochester, Swanley, Tunbridge Wells.
LONDON Acton, Bermondsey, City, Croydon, Docklands, Edmonton, Park Royal, Stockwell, Walthamstow, Wandsworth.
SOUTH COAST Chichester, Fareham, Gosport, Havant, Poole, Portsmouth, Ringwood, Southampton, Waterlooville, Worthing.
SOUTH WEST and WALES Basingstoke, Bristol, Caerphilly, Cardiff, Crowthorne, Gloucester, Newbury, Newport, Reading, Winchester.

Speedy Hire Direct
John Brown *Chairman* Ian Weston *Managing Director*
Tel: 0345 730730 Fax: 0800 413125

Speedy Plant Hire
John Brown *Chairman* Dennis Lawless *Managing Director*
Tel: 01772 705000 Fax: 01772 704509
Branches
Preston, Kendal, Manchester.

Speedy Scaffolding
John Brown *Chairman* John Bate *Managing Director*
Tel: 01942 231227 Fax: 01942 824091

Speedy Space
John Brown *Chairman* Mike Morgan *Managing Director*
Tel: 01942 246265 Fax: 01942 494311
Branches
Brierley Hill, East Peckham, Ilkley, Ipswich, Northampton, Oldham, Swindon, Teesside, Wigan.

Allen Commercial Developments
Ken Fox *Chairman and Managing Director*
Tel: 01942 246911 Fax: 01942 821573

P.S. Turner Developments
Ken Fox *Chairman* Mike Wormald *Managing Director*
Tel: 01535 636116 Fax: 01535 630816

Allen Investments
Ken Fox *Chairman and Managing Director*
Tel: 01942 246265 Fax: 01942 824325