

**The Mowlem Construction Co (East Africa)
Limited**

**Directors' report and financial
statements**

Registered number 775010

31 December 2002



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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2002.

Principal activities and business review

The principal activity of the Company during the year was the carrying out of civil engineering and drilling contracts in Africa. No change in activity is foreseen for the following year. Operations in East Africa are in the process of being wound down.

Results

The results for the year ended 31 December 2002 are disclosed in the profit and loss account on page 5.

The directors do not recommend the payment of a dividend: (2001: £nil).

Fixed assets

Significant changes to fixed assets are set out in note 8 to the financial statements.

Directors and directors' interests

The directors who held office during the year were as follows:

DJ Booth
GT Brown
PA Doyle - Resigned 31 March 2003
CR Evans - Resigned 18 April, 2002
Mowlem Management Ltd
RD Nokes - Resigned 1 January, 2004
D Pilgrim - Resigned 30 January, 2003
DJ Ridley

The beneficial interest of the directors, including their wives, husband and children who have not attained majority, in the Ordinary shares of the ultimate holding company, Mowlem plc, required to be disclosed by the Companies Act 1985, except for GT Brown whose interests are disclosed in the publicly available Mowlem plc consolidated accounts, are as below:

	31 December 2002		31 December 2001	
	Beneficially held	Options held	Beneficially held	Options
DJ Booth	6,561	4,311	6,561	4,311
PA Doyle	-	1,937	-	1,937
CR Evans	-	-	3,814	2,460
RD Nokes	-	-	-	-
D Pilgrim	-	7,714	-	7,714
DJ Ridley	20,642	200,000	20,642	200,000

Directors' report (*continued*)

There were no contracts or arrangements in which the directors of the Company had interests which are required to be disclosed under the Companies Act 1985.

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution concerning the reappointment of KPMG Audit Plc as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the board


DJ Booth
Secretary

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 as at the end of the financial year and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

kpmg

Independent auditors' report to the members of Mowlem East Africa Limited

We have audited the financial statements on pages 5 to 14.

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

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



KPMG Audit Plc
Chartered Accountants
Registered Auditor



P O Box 695
8 Salisbury Square
London
EC4Y 8BB

Profit and loss account

for the year ended 31 December 2002

	<i>Note</i>	2002 £	2001 £
Turnover	2	31,917	502,249
Operating costs		(169,498)	(687,355)
		-----	-----
Operating loss	3	(137,581)	(185,106)
Profit from sale of fixed assets		139,712	-
		-----	-----
Profit / (loss) on ordinary activities before interest and taxation		2,131	(185,106)
Interest payable and similar charges	6	(548)	(2,510)
		-----	-----
Profit / (loss) on ordinary activities before taxation		1,583	(187,616)
Tax credit / (charge) on profit / (loss) on ordinary activities	7	13,696	(19,009)
		-----	-----
Retained profit / (loss) for the financial year	14	15,279	(206,625)
		=====	=====

All operations are continuing.

Reserve movements are given in note 14.

Balance sheet

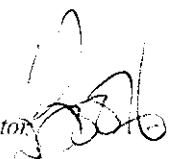
at 31 December 2002


	Note	2002		2001	
		£	£	£	£
Fixed assets					
Tangible assets	8		121,970		259,271
Current assets					
Stocks	9	16,093		114,782	
Debtors	10	746,258		692,628	
Current tax		91,676		83,103	
Cash at bank and in hand		38,710		124,082	
			<u>892,737</u>		<u>1,014,595</u>
Creditors: amounts falling due within one year	11	<u>(676,450)</u>		<u>(790,219)</u>	
Net current assets			<u>216,287</u>		<u>224,376</u>
Total assets less current liabilities			<u>338,257</u>		<u>483,647</u>
Provisions for liabilities and charges	12		-		(178,036)
Net assets			<u>338,257</u>		<u>305,611</u>
Capital and reserves					
Called up share capital	13		100,000		100,000
Profit and loss account	14		238,257		205,611
			<u>338,257</u>		<u>305,611</u>

The notes on pages 8 to 14 form part of these financial statements.

These financial statements were approved by the board of directors on behalf by:

2004 and were signed on its

Director 



Statement of total recognised gains and losses

for the year ended 31 December 2002

	2002 £	2001 £
Profit / (loss) for the financial year	15,279	(206,625)
Currency translation	17,367	12,286
	<hr/>	<hr/>
Total recognised profit / (loss) relating to the financial year	32,646	(194,339)
	<hr/> <hr/>	<hr/> <hr/>

Note of historical cost profits and losses

for the year ended 31 December 2002

Historical cost profits and losses are shown in the profit and loss account for the year on page 5.

Reconciliation of movements in shareholders' funds

for the year ended 31 December 2002

	2002 £	2001 £
Profit / (loss) for the financial year	15,279	(206,625)
Other recognised gains relating to the year	17,367	12,286
	<hr/>	<hr/>
Net increase / (decrease) to shareholders' funds in the year	32,646	(194,339)
Opening shareholders' funds	305,611	499,950
	<hr/>	<hr/>
Closing shareholders' funds	338,257	305,611
	<hr/> <hr/>	<hr/> <hr/>

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

Basis of preparation

The Company's financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

The company has applied the provisions of FRS19 'Deferred Tax' for the first time in the year.

Turnover

Contracting turnover comprises the value of work executed during the year including the settlement of monetary claims on contracts completed in previous years.

Profit

Operating profit comprises the results of carrying out civil engineering contracts. It includes the results attributable to contracts completed and contracts in progress after deducting amounts recognised in previous years and after making provision for foreseeable losses. Claims receivable are recognised as income when received or certified for payments, except that in estimating the amounts of foreseeable losses, a prudent and reasonable assessment of such claims is made.

Leases

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

Fixed assets and depreciation

Depreciation is provided by the Company to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Leasehold land and buildings	-	life of lease
Plant and machinery	-	3 to 5 years

Taxation

The charge for taxation is based on the profit for the year and takes into account deferred taxation. In accordance with FRS 19 'Deferred Tax', deferred taxation is provided fully and on a non discounted basis at future corporation tax rates in respect of timing differences between profits computed for taxation and accounts purposes.

Contract work in progress

Contract work in progress is stated at net realisable value which includes attributable profit on contracts and is determined on the basis of measured work to the balance sheet date. Deductions are made for net foreseeable losses and progress payments received are deducted.

This policy is applied irrespective of the length of the contract since, in the opinion of the directors, it is not appropriate to adopt a separate accounting policy for short term contracts.

Notes (continued)

1 Accounting policies (continued)

Foreign currencies

Assets and liabilities denominated or recorded in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date. Trading results are translated at the average rate for the year. Exchange differences arising on the retranslation of the net assets of overseas operations at the commencement of the year and of their retained results for the year are taken to reserves. Other exchange differences arising in the ordinary course of trading, are included in the profit and loss account.

2 Turnover

The Company has only one class of business which is generated in East Africa.

3 Operating loss is stated after charging / (crediting)

	2002	2001
	£	£
Auditors – audit	2,404	-
Depreciation	15,388	120,613
Exchange gains	-	(1,403)
	<u> </u>	<u> </u>

In the current and prior year, the auditors remuneration was paid by Mowlem plc, the ultimate holding company.

4 Directors emoluments

The directors of the Company are employed by Mowlem plc and are remunerated by that company in respect of their services to the group as a whole. They receive no emoluments from Mowlem Construction Co (East Africa) Limited.

Notes (continued)

5 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year, analysed by category was as follows:

	2002	2001
	Number	Number
Direct labour and operatives	3	22
Technical, supervision and administrative staff	4	7
	<u>7</u>	<u>29</u>

The aggregate payroll of these persons was as follows:

	£	£
Wage and salaries	59,201	272,338
	<u>59,201</u>	<u>272,338</u>

6 Interest payable

	2002	2001
	£	£
On bank loans, overdrafts and other loans wholly repayable within five years	548	2,510
	<u>548</u>	<u>2,510</u>

7 Taxation on profit on ordinary activities

(i) Analysis of credit / (charge) for the year

	2002	2001
	£	£
Current tax		
UK corporation tax at 30% (2001: 30%)	43,826	60,229
Adjustments in respect of previous periods	25,146	(68,880)
	<u>68,972</u>	<u>(8,651)</u>
Total current tax		
Deferred tax		
Origination and reversal of timing differences	(55,276)	(10,358)
	<u>13,696</u>	<u>(19,009)</u>
Tax credit / (charge) for the year		

Notes (continued)

(ii) Factors affecting the tax credit / (charge) for the year

	2002 £	2001 £
Profit / (loss) on ordinary activities before tax	1,583	(187,616)
Profit / (loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK (30%)	(475)	56,285
Effects of:		
Depreciation in excess of capital allowances	-	(3,016)
Capital allowances in excess of depreciation	7,625	(68,880)
Sale of fixed assets	41,914	-
Adjustments in respect of previous periods	25,146	-
Other	(5,238)	6,960
Total current tax credit/ (charge)	<u>68,972</u>	<u>(8,651)</u>

8 Tangible fixed assets

	Freehold Land and Buildings £	Plant and Machinery £	Total £
<i>Cost</i>			
At 1 January 2002	41,534	888,986	930,520
Currency translation	(2,372)	(13,724)	(16,096)
Disposals	(21,117)	(751,221)	(772,338)
At 31 December 2002	<u>18,045</u>	<u>124,041</u>	<u>142,086</u>
<i>Depreciation</i>			
At 1 January 2002	(19,579)	(651,670)	(671,249)
Currency translation	1,152	9,770	10,922
Charge for the period	-	(15,388)	(15,388)
Release on disposal	9,291	646,308	655,599
At 31 December 2002	<u>(9,136)</u>	<u>(10,980)</u>	<u>(20,116)</u>
<i>Net book value</i>			
At 31 December 2002	<u>8,909</u>	<u>113,061</u>	<u>121,970</u>
At 1 January 2002	<u>21,955</u>	<u>237,316</u>	<u>259,271</u>

Notes (continued)

9 Stocks

	2002 £	2001 £
Raw materials and consumables	16,093	114,782

10 Debtors

	2002 £	2001 £
<i>Amounts falling due within one year</i>		
Amounts recoverable on contracts	699,625	525,804
Other debtors	128,534	105,740
Bad debt allowance	(125,910)	-
Prepayments and accrued income	-	3,004
Amounts owed by fellow subsidiaries	41,205	-
Deferred tax asset	2,804	58,080
	<u>746,258</u>	<u>692,628</u>

The deferred tax asset in respect of the Company arises from short term timing differences.

11 Creditors: amounts falling due within one year

	2002 £	2001 £
Bank overdraft	-	19,992
Amounts owing to holding company	352,931	737,942
Other creditors	37,736	32,285
Accruals and deferred income	285,783	-
	<u>676,450</u>	<u>790,219</u>

12 Provision for liabilities and charges

	2002 £	2001 £
Provision for closure	-	178,036

Notes (continued)

13 Called up share capital

	2002 £	2001 £
<i>Authorised</i>		
Ordinary shares of £1 each	100,000	100,000
	<hr/>	<hr/>
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	100,000	100,000
	<hr/> <hr/>	<hr/> <hr/>

14 Reserves

	Profit and loss account £
At 1 January 2002	205,611
Currency translation	17,367
Retained profit for the year	15,279
	<hr/>
At 31 December 2002	238,257
	<hr/> <hr/>

15 Trading indemnities and bonding arrangements

The foregoing accounts may include contracts entered into by Mowlem plc, the ultimate holding company that, by arrangement, are executed directly by this Company, for which the appropriate third party counter-indemnities are issued by the ultimate holding company in the normal course of business.

The Company is liable in the ordinary course of its business to liquidated and ascertained damages for delay in completion of contracts beyond the period specified in the contract plus certified extensions of time. Adjustment is made in valuing contract work in progress for any probable liability, account being taken of current and foreseen time delays against programme and extensions of time which may reasonably anticipated.

16 Cash flow statement

Under FRS 1, the Company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary undertaking. A cash flow statement is prepared by the ultimate holding company, disclosed in note 18.

Notes *(continued)*

17 Related party transactions

As a wholly owned subsidiary of the Mowlem plc group, the company is exempt from the requirements of FRS 8, 'Related Party Transactions', to disclose transactions with entities that are part of the group or investees of the group qualifying as related parties.

18 Ultimate holding company

The ultimate holding company is Mowlem plc (formerly John Mowlem and Company PLC), which is registered in England and Wales. Copies of the accounts of the company may be obtained from White Lion Court, Swan Street, Isleworth, Middlesex, TW7 6RN.