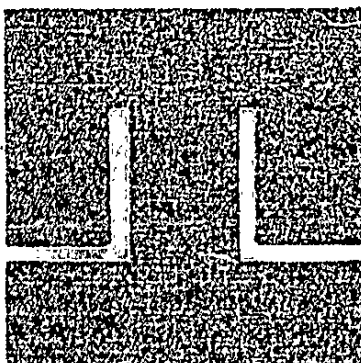


5

153368



E THOMAS & COMPANY LIMITED



REPORT AND ACCOUNTS

FOR THE YEAR ENDED

31ST DECEMBER 1986

E THOMAS & COMPANY LIMITED

CONTENTS

CORPORATE INFORMATION	-	Page 2
REPORT OF THE DIRECTORS	-	Page 3 - 5
REPORT OF THE AUDITORS	-	Page 6
PROFIT AND LOSS ACCOUNT	-	Page 7
BALANCE SHEET	-	Page 8
STATEMENT OF SOURCE AND APPLICATION OF FUNDS	-	Page 9
NOTES TO THE ACCOUNTS	-	Pages 10 - 23

E THOMAS & COMPANY LIMITED

CORPORATE INFORMATION

Registered Office: Ponsanooth  
Truro  
Cornwall TR3 7EG

Registered Number: 153368 England

Directors: TH Robinson FCIOB (Chairman and  
Managing)  
  
WJ Shaw FCIOB  
  
AR Skerriitt  
  
JN Armstrong-Taylor  
(Appointed 1st July 1986)  
  
G Whetman BSc(Eng) MICE

Secretary: AM Clark FCA

Bankers: National Westminster Bank PLC  
Falmouth, The Moor Branch  
4 Killigrew Street  
Falmouth  
Cornwall TR11 3RF

Auditors: Peat Marwick McLintock  
Chartered Accountants  
Provincial House  
Victoria Square  
Truro  
Cornwall TR1 2RS

Subsidiary Company: Ernest Farley & Son Ltd  
First Tower  
St Helier  
Jersey, CI.

E THOMAS & COMPANY LIMITED

REPORT OF THE DIRECTORS

The Directors present their annual report and the audited accounts of the Company for the year ended 31st December 1986.

PRINCIPAL ACTIVITIES

The principal activities of the Company and of its subsidiary during the year were building and civil engineering construction.

BUSINESS REVIEW

The construction market in the South West remained highly competitive during 1986 with better prospects occurring in the building sector whilst civil engineering continued to be depressed. Turnover has been secured for 1987 of approximately £11 million and there are indications that the workload for the industry is increasing. It is hoped that better opportunities will be available from the private sector through development, design or negotiation on building works and it is planned that the division which will carry on the long established business of the Company should concentrate on the creation of such prospects.

TURNOVER

The turnover of the Company during the trading year 1986 was £18,939,430 (1985 £17,447,247). All turnover was carried out within the United Kingdom.

E THOMAS & COMPANY LIMITED

REPORT OF THE DIRECTORS  
(CONTINUED)

PROFITS AND DIVIDENDS

The accounts of the Company show the following details:

	£
The 1986 trading profits of the Company were	351,830
The contribution towards Mowlem group overhead expenses was	(43,206)
	<hr/>
The profits of the Company before taxation were	308,624
Taxation provisions and adjustments totalled	(114,808)
	<hr/>
Leaving a profit available for distribution of	£ 193,816
	<hr/>

It is proposed that a dividend of £100,000 will be paid in respect of 1986, leaving £93,816 to be added to the Company's retained profits.

TANGIBLE FIXED ASSETS

Additions and disposals of tangible fixed assets during the year are set out in Note 9 to the accounts.

DIRECTORS

The names of the Directors are shown on page 2. Mr TH Robinson and Mr JN Armstrong-Taylor retire by rotation and being eligible, offer themselves for re-election at the forthcoming Annual General Meeting.

DIRECTORS' INTERESTS

The Directors had no interests in the Ordinary Shares of the Company, its subsidiary, or in the ultimate holding Company during the year ended 31st December 1986.

EMPLOYMENT OF DISABLED PERSONS

The Company's policy on the employment of disabled persons is to give fair consideration to their applications for employment, having regard to safety and other relevant factors. The disabled persons employed by the Company share the training and other opportunities available to other staff and operatives.

E THOMAS & COMPANY LIMITED

REPORT OF THE DIRECTORS  
(CONTINUED)

POLITICAL AND CHARITABLE DONATIONS

Donations for charitable purposes during the year totalled £1455 (1985 - £1235) There were no contributions for political purposes.

POST BALANCE SHEET EVENTS

Details of post balance sheet events and their effect on the future trade of the Company and its subsidiary are set out in Note 23 to the accounts.

AUDITORS

The directors accepted the resignation of HE Boaden & Co., Certified Accountants after the 1986 Annual General Meeting and thereafter appointed Peat Marwick Mitchell & Co., Chartered Accountants as Auditors of the Company. They are now practising under the name of Peat Marwick McLintock and accordingly they have signed the audit report in their new name. A resolution concerning their reappointment as Auditors will be proposed at the forthcoming Annual General Meeting.

By order of the Board

AM Clark  
Secretary

10 April 1987

REPORT OF THE AUDITORS

TO THE MEMBERS OF E THOMAS & COMPANY LIMITED

We have audited the financial statements on pages 7 to 23 in accordance with approved auditing standards.

In our opinion the financial statements, which have been prepared under the historical cost convention as modified by the revaluation of land and buildings, give a true and fair view of the state of the Company's affairs at 31st December 1986 and of the profit and source and application of funds for the year then ended, and comply with the Companies Act 1985.

*Peat Marwick McLintock*

Peat Marwick McLintock  
Chartered Accountants  
Provincial House  
Victoria House  
Truro  
Cornwall TR1 2RS

10 April 1987

E THOMAS & COMPANY LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER 1986

		<u>1986</u>	<u>1985</u>
	<u>Notes</u>	£	£
TURNOVER	2	18,939,430	17,447,247
Operating costs	3	(18,762,159)	(17,306,631)
		<hr/>	<hr/>
OPERATING PROFIT	6	177,271	140,616
Net interest receivable	7	131,353	106,272
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		308,624	246,888
Taxation on profit on ordinary activities	8	(114,808)	(106,000)
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		193,816	140,888
Proposed dividend	14	(100,000)	(65,000)
		<hr/>	<hr/>
RETAINED PROFIT FOR THE YEAR	20	£ 93,816	£ 75,888
		<hr/> <hr/>	<hr/> <hr/>

The notes on pages 10 to 23 form part of these accounts.



E THOMAS & COMPANY LIMITED

BALANCE SHEET AS AT 31ST DECEMBER 1986

		<u>1986</u>	<u>1985</u>
	<u>Notes</u>	£	£
TANGIBLE FIXED ASSETS	9	726,334	822,899
		-----	-----
INVESTMENT IN SUBSIDIARY COMPANY	10	236,783	236,783
		-----	-----
CURRENT ASSETS :			
Stocks	11	243,485	229,173
Contract work in progress	12	1,593,779	1,792,123
Debtors	13	250,256	227,232
Amounts owed by group companies		886,811	296,913
Cash at bank and in hand		4,008	676,184
		-----	-----
		2,978,339	3,221,625
CREDITORS - AMOUNTS DUE WITHIN ONE YEAR:			
Creditors	14	(2,665,508)	(3,033,044)
Bank overdrafts	15	(28,869)	-
		-----	-----
NET CURRENT ASSETS	16	283,962	188,581
		-----	-----
TOTAL ASSETS LESS CURRENT LIABILITIES		1,247,079	1,248,263
PROVISIONS FOR LIABILITIES AND CHARGES	17	(117,000)	(212,000)
		-----	-----
NET ASSETS		£ 1,130,079	£ 1,036,263
		=====	=====
CAPITAL AND RESERVES :			
Called up share capital	18	15,000	15,000
Non Distributable reserve	19	327,251	327,251
Profit and loss account	20	787,828	694,012
		-----	-----
SHAREHOLDERS' FUNDS		£ 1,130,079	£ 1,036,263
		=====	=====

Approved by the Board :

.....  Director

.....  Director

10 April 1987

E THOMAS & COMPANY LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS  
FOR THE YEAR ENDED 31ST DECEMBER 1986

	<u>1986</u>	<u>1985</u>
	£000	£000
SOURCE OF FUNDS		
Profit on ordinary activities before taxation	309	247
Items not involving the movement of funds:		
Depreciation on tangible fixed assets	183	192
Other depreciation	25	17
Sale of tangible fixed assets	48	79
	—	—
FUNDS GENERATED FROM OPERATIONS	565	535
APPLICATION OF FUNDS		
Purchase of tangible fixed assets	(134)	(290)
Investment in subsidiary company	—	(300)
Taxation paid	(54)	(33)
Dividend paid	(65)	(30)
	—	—
INCREASE (DECREASE) IN WORKING CAPITAL	312	(118)
	==	==
COMPONENTS OF INCREASE (DECREASE) IN WORKING CAPITAL		
Stocks	39	38
Contract work in progress	(198)	871
Debtors	23	(10)
Creditors	559	(1113)
Movement in net liquid funds :		
Increase (decrease) in cash at bank and in hand	(701)	72
Increase in amounts owed by group companies	590	24
	—	—
	312	(118)
	==	==

E THOMAS & COMPANY LIMITED

31ST DECEMBER 1986

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

a. BASIS OF ACCOUNTING

The accounts have been prepared under the historical cost convention as modified by the revaluation of freehold properties.

b. TURNOVER

Contracting turnover has been calculated on the basis of the value of work executed during the year including the settlement of monetary claims on contracts completed in previous years. Trading turnover has been calculated on the basis of the invoiced value of sales during the year. Turnover excludes value added tax.

c. PROFIT

Profit reflects the net realisable value less attributable prime costs of work carried out in the year on construction contracts in progress, valued as defined in Note (h) below, and also balances from the settlement of monetary claims on contracts completed in previous years.

d. TANGIBLE FIXED ASSETS

(i) Freehold Property - this classification includes land and buildings occupied by the Company and these are shown at cost or periodic revaluation. Surpluses arising from revaluation are credited to revaluation reserve and adjustments to depreciation charges are transferred to profit and loss account.

(ii) Plant, Machinery, Motor Vehicles etc., - assets within this classification are shown at cost less government grants where applicable.

e. DEPRECIATION

(i) Freehold Property - the charge for depreciation on buildings is calculated to write off the net cost on a straight line basis over periods from 16 to 36 years.

(ii) Plant, Machinery, Motor Vehicles etc., - the charge for depreciation is calculated to write off the net cost of the assets on a straight line basis commencing in the month of purchase, and extending over their anticipated effective lives, which vary between 2 and 8 years.

E THOMAS & COMPANY LIMITED

31ST DECEMBER 1986

NOTES TO THE ACCOUNTS  
(CONTINUED)

f. INVESTMENT IN SUBSIDIARY COMPANY

The investment in the subsidiary company is shown at cost less amounts written off. Group accounts are not prepared as the Company is an intermediate holding Company.

g. STOCKS

Small plant and tools are valued on the basis of depreciated cost over their anticipated effective lives. Stocks and manufacturing work in progress are stated at the lower of cost or net realisable value.

h. 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.

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.

Payments received in excess of net realisable value on a contract are included in trade creditors.

The inclusion of attributable profit is in accordance with generally accepted accounting practice and constitutes a departure from the valuation requirements of the Companies Act 1985, but is required by section 228 (3) of that Act to enable the accounts to give a true and fair view. It is not practicable to allocate progress payments between cost and profit nor, therefore, meaningful to state the effect of this departure on contract work in progress.

i. OPERATING LEASES

Expenditure on operating leases is charged to profit and loss account on a basis representative of the benefit derived from the asset concerned, normally corresponding to the period during which rentals accrue.

j. DEFERRED TAXATION

Deferred taxation has been computed in accordance with the relevant current accounting standard based on the liability method.

The position at the balance sheet date is based on the latest known corporation tax and capital allowances rates.

E THOMAS & COMPANY LIMITED

31ST DECEMBER 1986

NOTES TO THE ACCOUNTS  
(CONTINUED)

2. TURNOVER

	<u>1986</u>	<u>1985</u>
	£	£
External Turnover	18,838,406	17,242,433
Inter Group Turnover	101,024	204,814
	<hr/>	<hr/>
	£ 18,939,430	£ 17,447,247
	<hr/>	<hr/>

Export turnover during the current year was Nil (1985 Nil).

3. OPERATING COSTS

	<u>1986</u>	<u>1985</u>
	£	£
Change in stocks and work in progress	(14,312)	(217)
Own work capitalised	(1,966)	(78,018)
Raw materials and consumables	4,398,745	3,850,485
Other external charges	10,522,915	9,810,414
Staff costs (see Note 4)	3,466,725	3,310,896
Depreciation on tangible fixed assets	182,787	192,320
Other operating charges	164,059	173,751
Group overhead charges	43,206	47,000
	<hr/>	<hr/>
	£ 18,762,159	£ 17,306,631
	<hr/>	<hr/>

E THOMAS & COMPANY LIMITED

31ST DECEMBER 1986

NOTES TO THE ACCOUNTS  
(CONTINUED)

4. STAFF COSTS

The average number of persons employed by the Company (including Directors) during the year was :

	<u>1986</u>	<u>1985</u>
Direct labour and operatives	247	242
Technical, supervisory and administrative	126	127
	—	—
	373	369
	==	==

The aggregate payroll cost of these persons was :

	<u>1986</u>	<u>1985</u>
	£	£
Wages and salaries	2,929,599	2,846,358
Social security costs	283,850	261,050
Other pension costs	79,491	72,097
Management fee (see Note 5) (combined costs)	173,785	131,391
	—	—
	£ 3,466,725	£ 3,310,896
	==	==

5. EMOLUMENTS OF DIRECTORS AND SENIOR EMPLOYEES

The Directors of the Company are employed by John Mowlem & Company PLC and are remunerated by that Company in respect of their services to the Group as a whole. The emoluments of the Directors and senior employees are included in a monthly management fee and are not part of the Group overhead charges.

E THOMAS & COMPANY LIMITED

31ST DECEMBER 1986

NOTES TO THE ACCOUNTS  
(CONTINUED)

6. OPERATING PROFIT

	<u>1986</u>	<u>1985</u>
	£	£
Operating profit is stated after charging :		
Direct hire of Plant and Machinery (excluding subcontracts)	1,176,295	1,015,818
Rental payments under operating leases	99,128	65,379
Auditors remuneration	7,473	6,184
	-----	-----

7. NET INTEREST RECEIVABLE

	<u>1986</u>	<u>1985</u>
	£	£
Interest receivable on short term deposits	28,941	81,630
Interest payable on bank overdrafts	(867)	(695)
Interest on loans to parent company	103,279	25,337
	-----	-----
	£ 131,353	£ 106,272
	=====	=====

8. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	<u>1986</u>	<u>1985</u>
	£	£
Corporation tax :		
Current year	211,002	142,000
Prior years	(1,194)	-
Deferred taxation (see Note 17)	(95,000)	(56,000)
	-----	-----
	£ 114,808	£ 106,000
	=====	=====

E THOMAS & COMPANY LIMITED

31ST DECEMBER 1986

NOTES TO THE ACCOUNTS  
(CONTINUED)

9. TANGIBLE FIXED ASSETS

	Freehold Property	Plant, Machinery, Motor Vehicles etc	Total
	£	£	£
COST OR VALUATION			
At 1st January 1986	375,483	1,023,673	1,399,156
Additions	8,164	126,176	134,340
Disposals	-	(208,731)	(208,731)
	<hr/>	<hr/>	<hr/>
At 31st December 1986	383,647	941,118	1,324,765
	<hr/>	<hr/>	<hr/>
DEPRECIATION			
At 1st January 1986	49,137	527,120	576,257
Provided in year	11,653	171,134	182,787
Released on disposals	-	(160,613)	(160,613)
	<hr/>	<hr/>	<hr/>
At 31st December 1986	60,790	537,641	598,431
	<hr/>	<hr/>	<hr/>
NET BOOK VALUE			
At 31st December 1986	£ 322,857	£ 403,477	£ 726,334
	<hr/>	<hr/>	<hr/>
At 31st December 1985	£ 326,346	£ 496,553	£ 822,899
	<hr/>	<hr/>	<hr/>
COST OR VALUATION			
Cost	185,647	941,118	1,126,765
1979 Professional Valuation	198,000	-	198,000
	<hr/>	<hr/>	<hr/>
	£ 383,647	£ 941,118	£ 1,324,765
	<hr/>	<hr/>	<hr/>



E THOMAS & COMPANY LIMITED

31ST DECEMBER 1986

NOTES TO THE ACCOUNTS  
(CONTINUED)

10. INVESTMENT IN SUBSIDIARY COMPANY

In 1985 the Company acquired the whole of the ordinary, preference and deferred issued share capital of Ernest Farley & Son Ltd., incorporated and registered in Jersey, CI, who are engaged in building construction on the island of Jersey.

The directors consider that the aggregate value of the assets of Ernest Farley & Son Ltd., is not less than the amount at which the investment is included in the Company's balance sheet.

11. STOCKS

	<u>1986</u>	<u>1985</u>
	£	£
Small plant and tools	68,954	72,472
Furniture and fittings	38,008	35,280
Raw materials and consumables	116,111	101,085
Manufacturing work in progress	20,412	20,336
	<u>£ 243,485</u>	<u>£ 229,173</u>

E THOMAS & COMPANY LIMITED

31ST DECEMBER 1986

NOTES TO THE ACCOUNTS  
(CONTINUED)

12. CONTRACT WORK IN PROGRESS

	<u>1986</u>	<u>1985</u>
	£	£
Net realisable value of work to date	44,351,160	35,475,933
Less : attributable payments received	(42,785,417)	(33,790,829)
Cash received in excess of net receivable value of work to date	28,036	107,019
	<u>£ 1,593,779</u>	<u>£ 1,792,123</u>

13. DEBTORS

	<u>1986</u>	<u>1985</u>
	£	£
Trade debtors	115,906	61,208
Other debtors	109,864	134,264
Prepayments	24,486	31,760
	<u>£ 250,256</u>	<u>£ 227,232</u>

E THOMAS & COMPANY LIMITED

31ST DECEMBER 1986

NOTES TO THE ACCOUNTS  
(CONTINUED)

14. CREDITORS

	<u>1986</u>	<u>1985</u>
	£	£
Trade creditors	592,012	865,802
Proposed dividend	100,000	65,000
Corporation tax	315,991	160,113
Other tax and social security	41,682	56,519
Other creditors	106,438	103,826
Accruals and deferred income	1,509,385	1,781,784
	<u>£ 2,665,508</u>	<u>£ 3,033,044</u>

15. BANK OVERDRAFTS

The bank overdrafts have been secured by a guarantee, limited to £40,000, provided by John Mowlem & Company PLC.

16. NET CURRENT ASSETS

Net current assets include items relating to long term construction contracts which are subject to retention conditions spanning a period beyond twelve months from the balance sheet date.

E THOMAS & COMPANY LIMITED

31ST DECEMBER 1986

NOTES TO THE ACCOUNTS  
(CONTINUED)

17. PROVISIONS FOR LIABILITIES AND CHARGES

a. CHARGE FOR DEFERRED TAXATION

Deferred taxation payable in future years relates to:

	<u>1986</u>	<u>1985</u>
	£	£
Accelerated capital allowances	118,000	152,000
Other timing differences	(104,000)	(43,000)
Property revaluation surplus	3,000	3,000
	<u>£ 17,000</u>	<u>£ 112,000</u>

There is a full potential liability to deferred taxation relating to :

Accelerated capital allowances	161,000	192,000
Other timing differences	(104,000)	(43,000)
Property revaluation surplus	24,000	24,000
	<u>£ 81,000</u>	<u>£ 173,000</u>

b. LIABILITY FOR FUTURE PAYMENT OF GOODWILL

A liability exists for payments to former shareholders of Ernest Farley & Son Ltd to be made by the Company in respect of future post-tax profits earned. In the opinion of the Directors the liability payable in respect of future financial years is restricted to :

<u>1986</u>	<u>1985</u>
£	£
100,000	100,000
<u>100,000</u>	<u>100,000</u>

E THOMAS & COMPANY LIMITED

31ST DECEMBER 1986

NOTES TO THE ACCOUNTS  
(CONTINUED)

18. SHARE CAPITAL

	<u>1986</u>	<u>1985</u>
	£	£
Ordinary shares of £1 each :		
Authorised	15,000	15,000
	<u>          </u>	<u>          </u>
Called up and fully paid	£ 15,000	£ 15,000
	<u>          </u>	<u>          </u>

19. NON DISTRIBUTABLE RESERVE

	<u>1986</u>	<u>1985</u>
	£	£
Revaluation	95,524	95,524
Other	231,727	231,727
	<u>          </u>	<u>          </u>
	£ 327,251	£ 327,251
	<u>          </u>	<u>          </u>

E THOMAS & COMPANY LIMITED

31ST DECEMBER 1986

NOTES TO THE ACCOUNTS  
(CONTINUED)

20. PROFIT AND LOSS ACCOUNT

	<u>1986</u>	<u>1985</u>
	£	£
At 1st January 1986	694,012	780,965
Retained profit for the year	93,816	75,888
Amounts written off as goodwill following the acquisition of shares of Ernest Farley & Son Ltd :		
a. prior to 31st December 1985	-	(62,841)
b. provision for payments in future years	-	(100,000)
At 31st December 1986	<u>£ 787,828</u>	<u>£ 694,012</u>

E THOMAS & COMPANY LIMITED

31ST DECEMBER 1986

NOTES TO THE ACCOUNTS  
(CONTINUED)

21. CAPITAL AND LEASING COMMITMENTS

- a. Capital expenditure that has been contracted for, but has not been provided for in these accounts :

<u>1986</u>	<u>1985</u>
Nil	Nil
<u>      </u>	<u>      </u>

- b. Future maximum payments to which the Company was committed as at 31st December in respect of non cancellable operating leases, were as follows :

<u>1986</u>	<u>1985</u>
£	£

Leases which expire :

- within one year	47,456	5,810
- in two to five years	267,016	233,652
	<u>      </u>	<u>      </u>
	£ 314,472	£ 239,462
	<u>      </u>	<u>      </u>

22. CONTINGENT LIABILITIES

Performance bonds have been provided in respect of current construction contracts and counter indemnity has been given to banks and insurance companies by John Mowlem & Company PLC for the following amounts :

<u>1986</u>	<u>1985</u>
£ 350,765	£ 676,431
<u>      </u>	<u>      </u>

E THOMAS & COMPANY LIMITED

31ST DECEMBER 1986

NOTES TO THE ACCOUNTS  
(CONTINUED)

23. POST BALANCE SHEET EVENTS

On 1st January 1987 the trade of the Company, together with all assets and liabilities were transferred to another John Mowlem & Company PLC subsidiary company - Mowlem Regional Construction Limited.

It is intended that the trade of the Company will from that date be carried on as a division of Mowlem Regional Construction Limited. The Company will act as an agent for Mowlem Regional Construction Limited until formalities are resolved.

24. ULTIMATE HOLDING COMPANY

E Thomas and Company Limited is a wholly owned subsidiary of :

John Mowlem & Company PLC  
Registered Office  
Westgate House  
Ealing Road  
Brentford  
Middlesex TW8 0QZ