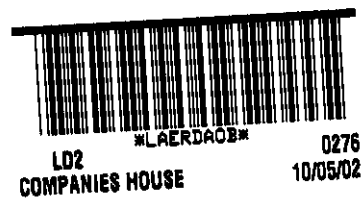


**The Mowlem Construction Company
(East Africa) Limited**

**Directors' report and financial
statements**

Registered number 775010

31 December 2000



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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2000.

Principal activities and business review

The principal activity of the Company during the year was the carrying out of drilling and civil engineering contracts in Africa. No change in activity is foreseen for the following year.

Results

The results for the year ended 31 December 2000 are disclosed in the profit and loss account on page 5.

The directors do not recommend the payment of a dividend (1999: £nil).

Fixed assets

Significant changes in fixed assets are set out in note 9 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
 CR Evans
 Mowlem Management Ltd
 RD Nokes
 D Pilgrim
 DJ Ridley

Directors' interests in the ordinary share capital of John Mowlem & Company PLC, the ultimate holding company, are as follows:

	Ordinary shares of 25p each			
	31 December 2000		31 December 1999	
	Beneficially held	Options	Beneficially held	Options
DJ Booth	2,465	7,240	-	9,705
GT Brown	20,925	297,971	17,283	301,613
PA Doyle	3,421	3,713	7,247	11,145
CR Evans	3,814	-	1,349	2,465
RD Nokes	-	8,000	-	8,000
D Pilgrim	-	7,714	-	15,714
DJ Ridley	-	83,491	-	233,491

Except as noted above, none of the directors had an interest in the share capital of the Company or any other group company.

Directors' report - *(continued)*

Directors and directors interests *(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 re-appointment 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

20/12/2001

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 Audit Plc

PO Box 695
8 Salisbury Square
London
EC4Y 8BB

**Report of the auditors to the members of The Mowlem Construction Company
(East Africa) Limited**

We have audited the financial statements on pages 5 to 15.

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. 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 2000 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

10 May 2002

Profit and loss account

for the year ended 31 December 2000

	Note	2000 £	1999 £
Turnover	2	3,590,361	1,733,295
Operating costs		(3,309,483)	(1,715,159)
Operating profit	3	280,878	18,136
Interest receivable and similar income	6	1,420	4,208
Interest payable and similar charges	7	-	(1,623)
Profit on ordinary activities before taxation		282,298	20,721
Tax on profit on ordinary activities	8	46,207	14,085
Retained profit for the year	16	328,505	34,806

All activities are continuing

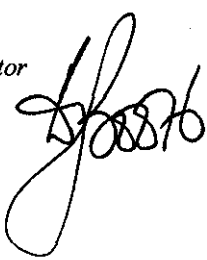
The notes on pages 8 to 15 form part of these financial statements.

Balance sheet

at 31 December 2000

	Note	2000	1999
		£	£
Fixed assets			
Tangible assets	9	242,567	267,163
Investments	10	-	-
Current assets			
Stocks	11	148,353	138,385
Debtors	12	2,156,498	737,891
Cash at bank and in hand		207,056	61,887
		<u>2,511,907</u>	<u>938,163</u>
Creditors: amounts falling due within one year	13	<u>(2,254,524)</u>	<u>(1,037,021)</u>
Net current assets/ (liabilities)		<u>257,383</u>	<u>(98,858)</u>
Net assets		<u>499,950</u>	<u>168,305</u>
Capital and reserves			
Called up share capital	15	100,000	100,000
Profit and loss account	16	399,950	68,305
		<u>499,950</u>	<u>168,305</u>

These financial statements were approved by the board of directors on 20/12/2001 and were signed on its behalf by:

Director 



The notes on pages 8 to 15 form part of these financial statements.

Statement of total recognised gains and losses

for the year ended 31 December 2000

	2000 £	1999 £
Profit for the financial year	328,505	34,806
Currency translation differences	3,140	(54,314)
	<hr/>	<hr/>
Total gains and losses recognised in year	331,645	(19,508)
	<hr/>	<hr/>

Note of historical cost profits and losses

for the year ended 31 December 2000

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

Movements in shareholders' funds

for the year ended 31 December 2000

	2000 £	1999 £
Profit for the financial year	328,505	34,806
Other recognised gains and losses relating to the year	3,140	(54,314)
	<hr/>	<hr/>
Net increase/ (decrease) to shareholders' funds	331,645	(19,508)
Opening shareholders' funds	168,305	187,813
	<hr/>	<hr/>
Closing shareholders' funds	499,950	168,305
	<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.

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.

Turnover

Contracting turnover comprises of work executed during the year including the settlement of monetary claims arising from previous years, and includes the Company's share of joint venture turnover.

Profit

Operating profit comprises the results of carrying out of building and civil engineering contracts in Africa. 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.

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:

Short leasehold land and buildings	-	life of lease
Plant and machinery	-	3 to 7 years

Leases

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

Notes (continued)

1 Accounting policies (continued)

Deferred taxation

Deferred taxation is accounted for using the liability method in relation to timing differences in respect of which there is a reasonable probability that they will reverse in the foreseeable future without being replaced by similar differences. It has been assumed that losses surrendered to other group companies will continue to be paid for at the corporation tax rate applicable at that time.

Investments

Investments in subsidiaries are stated at cost less provision for permanent diminution in value.

Stocks

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

Contract work in progress

Amounts recoverable on contracts, which include attributable profit on contracts determined on the basis of measured work to the balance sheet date, are included in debtors. 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 amounts recoverable on contracts are included in credit balances on long term contracts.

2 Turnover

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

3 Operating profit is stated after charging/(crediting)

	2000 £	1999 £
Auditors' remuneration:		
Audit	1,000	(3,348)
Depreciation	182,197	76,950
Hire of plant & machinery	406,636	72,881
Exchange (gains)/ losses	(17,533)	-
	<hr/>	<hr/>

Notes (continued)

4 Remuneration of directors

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. They receive no emoluments from this Company.

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:

	Number of employees	
	2000	1999
Direct labour and operations	32	75
Technical, supervisory and administrative staff	9	12
	<hr/>	<hr/>
	41	87
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows:

	2000	1999
	£	£
Wages and salaries	618,973	425,041
Social security costs	-	1,053
Other pension costs	36,814	31,022
	<hr/>	<hr/>
	655,787	457,116
	<hr/>	<hr/>

Notes (continued)

6 Interest receivable and similar income

	2000 £	1999 £
Rental income	-	4,208
Interest receivable	1,420	-
	<u>1,420</u>	<u>4,208</u>

7 Interest payable

	2000 £	1999 £
On bank loans, overdrafts and other loans wholly repayable within five years	-	1,623
	<u>-</u>	<u>1,623</u>

8 Taxation on profit on ordinary activities

	2000 £	1999 £
United Kingdom		
- corporation tax at 30% (1999 : 31%)	4,194	14,085
- prior year adjustments	44,316	-
Overseas Tax (credit)	(2,303)	-
	<u>46,207</u>	<u>14,085</u>

Notes (continued)

9 Tangible fixed assets

	Freehold land and buildings £	Plant and machinery £	Total £
Cost			
1 January 2000	40,497	610,235	650,732
Additions	-	156,800	156,800
Disposals	-	(3,005)	(3,005)
Currency translation	257	682	939
	<hr/>	<hr/>	<hr/>
	40,754	764,712	805,466
	<hr/>	<hr/>	<hr/>
Depreciation			
1 January 2000	(19,091)	(364,478)	(383,569)
Released on disposal	-	3,005	3,005
Credit/(charge) for year	1,275	(183,472)	(182,197)
Currency translation	(134)	(4)	(138)
	<hr/>	<hr/>	<hr/>
	(17,950)	(544,949)	(562,899)
	<hr/>	<hr/>	<hr/>
Net book value			
At 31 December 2000	22,804	219,763	242,567
	<hr/>	<hr/>	<hr/>
At 31 December 1999	21,406	245,757	267,163
	<hr/>	<hr/>	<hr/>

Notes (continued)

10 Investments

The subsidiaries of the Company, both of which are wholly owned and were non-trading through the year, are:

	Country of incorporation
The Mowlem Construction Company (Kenya) Limited	Kenya
The Mowlem Construction Company (Uganda) Limited	Uganda

The interest in subsidiary companies comprises:

	£
At 1 January and 31 December 2000:	-
Cost of shares	20,500
Provision against cost	(20,500)
	<hr/>
	-
	<hr/> <hr/>

Group financial statements are not presented as the Company is itself a wholly owned subsidiary of another company incorporated in Great Britain. Group financial statements are prepared by the ultimate holding company, disclosed in note 19.

11 Stocks

	2000 £	1999 £
Raw materials and consumables	148,353	138,385
	<hr/> <hr/>	<hr/> <hr/>

12 Debtors: amounts falling due within one year

	2000 £	1999 £
Amounts recoverable on contracts	1,698,547	538,538
Other debtors	221,251	99,468
Deferred tax (note 14)	68,438	68,438
UK tax credit	5,926	28,706
Prepayments and accrued income	162,336	2,741
	<hr/>	<hr/>
	2,156,498	737,891
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

13 Creditors: amounts falling due within one year

	2000 £	1999 £
Bank overdraft	31,404	5,666
Trade creditors	440,870	337,328
Amounts owing to holding company	1,630,477	438,705
Other creditors	1,000	13,432
Overseas corporation tax	25,163	23,113
Accruals and deferred income	125,610	218,777
	<u>2,254,524</u>	<u>1,037,021</u>

14 Deferred taxation

	2000 £	1999 £
At beginning of year	(68,438)	(68,438)
Credit for the year in the profit and loss account (note 8)	-	-
	<u>(68,438)</u>	<u>(68,438)</u>

The amounts provided for deferred taxation:

	2000 £	1999 £
Difference between accumulated depreciation and amortisation and capital allowances	(5,807)	(5,807)
Other timing differences	(62,631)	(62,631)
	<u>(68,438)</u>	<u>(68,438)</u>

15 Called up share capital

	2000 £	1999 £
<i>Authorised</i>		
Ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>

Notes (continued)

16 Reserves

	Profit and loss account £
At beginning of year	68,305
Currency translation	3,140
Retained profit for the year	328,505
	<hr/>
At end of year	399,950
	<hr/> <hr/>

17 Trading indemnities and bonding arrangements

The foregoing financial statements include contracts entered into by John Mowlem & Company PLC, the ultimate holding company, which, 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 be anticipated.

18 Cash flow statement

Under Financial Reporting Standard 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 19.

19 Ultimate holding company

The ultimate holding company is John Mowlem & 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.