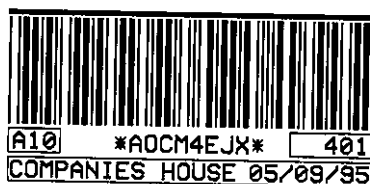


The Mowlem Construction Company (East Africa) Limited

Directors' report and financial statements

31 December 1994

Registered number 775010



The Mowlem Construction Company (East Africa) Limited

Directors' report and financial statements

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The Mowlem Construction Company (East Africa) Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 1994.

Principal activities and business review

The principal activity of the Company during the year was the carrying out of building and civil engineering contracts in Africa.

Results

The results for the year ended 31 December 1994 are disclosed in the profit and loss account on page 5.

The directors do not recommend the payment of a dividend (1993:£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:

WN Kenrick
FAJ Tarrant
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 1994		31 December 1993	
	Beneficially held	Options	Beneficially held	Options
WN Kenrick	1,830	24,561	1,430	17,165
FAJ Tarrant	2,965	18,384	2,965	15,273
DJ Ridley	9,120	79,760	4,928	65,880

The Mowlem Construction Company (East Africa) Limited

Directors' report

Directors and directors interests *(continued)*

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

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

On 6 February 1995 our auditors changed their name under which they practise to KPMG and, accordingly, have signed their report in their new name. In accordance with Section 385 of the Companies Act 1985, a resolution concerning the re-appointment of KPMG as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the board


D Booth
Secretary

14 AUG 1995
1995

The Mowlem Construction Company (East Africa) Limited

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.



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 16.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

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

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

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 1994 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Chartered Accountants
Registered Auditors

21 AUG 1995

The Mowlem Construction Company (East Africa) Limited

Profit and loss account

for the year ended 31 December 1994

	<i>Note</i>	1994 £	1993 £
Turnover	2	447,401	263,257
Operating costs		(467,774)	(412,121)
		<hr/>	<hr/>
Operating loss	3	(20,373)	(148,864)
Other interest receivable and similar income	6	12,348	9,978
Interest payable and similar charges	7	(10,691)	(4,229)
		<hr/>	<hr/>
Loss on ordinary activities before taxation		(18,716)	(143,115)
Tax on profit/(loss) on ordinary activities	8	71,097	(4,924)
		<hr/>	<hr/>
Retained profit/(loss) carried forward	16	52,381	(148,039)
		<hr/>	<hr/>

The notes on pages 8 to 16 form part of these financial statements.

The Mowlem Construction Company (East Africa) Limited

Balance sheet

at 31 December 1994

	Note	1994		1993	
		£	£	£	£
Fixed assets					
Tangible assets	9		55,112		55,574
Current assets					
Stocks	11	78,300		94,128	
Debtors	12	1,023,355		975,762	
Cash at bank and in hand		1,620		1,323	
		1,103,275		1,071,213	
Creditors: amounts falling due within one year	13	(453,512)		(495,573)	
Net current assets			649,763		575,640
Net assets			704,875		631,214
Capital and reserves					
Called up share capital	15	100,000		100,000	
Profit and loss account	16	604,875		531,214	
			704,875		631,214

The notes pages 8 to 16 form part of these financial statements.

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

and were signed

14 AUG 1995

W.N. Kenrick
Director

FAJ Tarrant
Director

The Mowlem Construction Company (East Africa) Limited

Statement of total recognised gains and losses for the year ended 31 December 1994

	1994 £	1993 £
Profit/(loss) for the financial year	52,381	(148,039)
Currency translation	21,280	(30,904)
	<hr/>	<hr/>
Total recognised gains and losses relating to the financial year	73,661	(178,943)
	<hr/>	<hr/>

Note of historical cost profits and losses for the year ended 31 December 1994

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

Reconciliation of movements in shareholders' funds for the year ended 31 December 1994

	1994 £	1993 £
Profit/(Loss) for the financial year	52,381	(148,039)
Other recognised gains and losses relating to the year	21,280	(30,904)
	<hr/>	<hr/>
Net increase/(decrease) to shareholders' funds	73,661	(178,943)
Opening shareholders' funds	631,214	810,157
	<hr/>	<hr/>
Closing shareholders' funds	704,875	631,214
	<hr/>	<hr/>

The Mowlem Construction Company (East Africa) Limited

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

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.

The Mowlem Construction Company (East Africa) Limited

Notes (continued)

1 Accounting policies (continued)

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 loss is stated after charging/(crediting)

	1994	1993
	£	£
Auditors' remuneration:		
Audit	5,484	3,711
Other services	5,361	4,429
Depreciation	15,888	19,349
Staff costs (note 5)	208,859	170,407
Raw materials and consumables	175,872	85,203
Profit on sale of fixed assets	(27,903)	(28,400)
Exchange gains	796	(7,085)
	<hr/>	<hr/>

The Mowlem Construction Company (East Africa) Limited

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	
	1994	1993
Direct labour and operations	50	50
Technical, supervisory and administrative staff	9	9
	<hr/>	<hr/>
	59	59
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows:

	1994	1993
	£	£
Wages and salaries	162,261	123,866
Social security costs	656	649
Other pension costs	45,942	45,892
	<hr/>	<hr/>
	208,859	170,407
	<hr/>	<hr/>

The Mowlem Construction Company (East Africa) Limited

Notes (continued)

6 Other interest receivable and similar income

	1994 £	1993 £
Rental income	<u>12,348</u>	<u>9,978</u>

7 Interest payable and similar charges

	1994 £	1993 £
On bank loans, overdrafts and other loans wholly repayable within five years	<u>10,691</u>	<u>4,229</u>

8 Taxation

	1994 £	1993 £
UK corporation tax at 33% (1993:33%) on the loss for the year on ordinary activities	39,221	-
Deferred taxation (note 14)	(34,172)	(3,332)
Overseas taxation	19,503	(1,362)
UK adjustment relating to an earlier year	<u>46,545</u>	<u>(230)</u>
	<u>71,097</u>	<u>(4,924)</u>

The Mowlem Construction Company (East Africa) Limited

Notes (continued)

9 Tangible fixed assets

	Short leasehold land and buildings £	Plant and machinery £	Total £
<i>Cost</i>			
1 January 1994	47,162	203,480	250,642
Transfers to group companies	-	81,986	81,986
Disposals	-	(85,691)	(85,691)
Currency translation	20,562	59,098	79,660
	<u>67,724</u>	<u>258,873</u>	<u>326,597</u>
<i>Depreciation</i>			
1 January 1994	(13,471)	(181,597)	(195,068)
Transfers to group companies	-	(81,982)	(81,982)
Disposals	-	85,687	85,687
Currency translation	(6,242)	(57,992)	(64,234)
Charge for year	(1,728)	(14,160)	(15,888)
	<u>(21,441)</u>	<u>(250,044)</u>	<u>(271,485)</u>
<i>Net book value</i>			
At 31 December 1994	<u>46,283</u>	<u>8,829</u>	<u>55,112</u>
At 31 December 1993	<u>33,691</u>	<u>21,883</u>	<u>55,574</u>

The Mowlem Construction Company (East Africa) Limited

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 1994:	
Cost of shares	20,500
Provision against cost	(20,500)
	<hr/>
Net book value	-
	<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

	1994	1993
	£	£
Raw materials and consumables	78,300	94,128
	<hr/>	<hr/>

The Mowlem Construction Company (East Africa) Limited

Notes (continued)

12 Debtors: amounts due within one year

	1994 £	1993 £
Amounts recoverable on contracts	98,415	74,585
Amounts owed by holding company	846,624	791,372
Other debtors	6,835	6,242
Deferred tax (note 14)	67,476	101,648
Prepayments and accrued income	4,005	1,915
	<u>1,023,355</u>	<u>975,762</u>

13 Creditors: amounts falling due within one year

	1994 £	£	1993 £	£
Bank overdraft		20,189		3,061
Payments received on account		11,688		36,630
Credit balances on long term contracts		31,363		23,244
Other creditors including taxation and social security:				
Corporation tax	111,180		84,973	
Other creditors	<u>53,212</u>		<u>15,606</u>	
		164,392		100,579
Accruals and deferred income		<u>225,880</u>		<u>332,059</u>
		<u>453,512</u>		<u>495,573</u>

The Mowlem Construction Company (East Africa) Limited

Notes (continued)

14 Deferred taxation

	£
At beginning of year	(101,648)
Credit for the year in the profit and loss account	34,172
	<hr/>
At end of year	<u>(67,476)</u>

The amounts provided for deferred taxation:

	1994 Provided £	1993 Provided £
Difference between accumulated depreciation and amortisation and capital allowances	(804)	3,926
Other timing differences	<u>(66,672)</u>	<u>(105,574)</u>
	<u>(67,476)</u>	<u>(101,648)</u>

15 Called up share capital

	1994 £	1993 £
<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>

The Mowlem Construction Company (East Africa) Limited

Notes (continued)

16 Reserves

	Profit and loss account £
At beginning of year	531,214
Currency translation	21,280
Retained profit for the year	52,381
At end of year	<u>604,875</u>

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. The immediate parent company is John Mowlem Construction PLC which is registered in England and Wales. Copies of the accounts of the above companies may be obtained from White Lion Court, Swan Street, Isleworth, Middlesex TW7 6RN.