

Trafalgar House Construction Limited

REPORT AND ACCOUNTS

30TH SEPTEMBER 1993



Trafalgar House Construction Limited

Directors' Report

The Directors have pleasure in submitting their report and statement of accounts for the year ended 30th September 1993.

PRINCIPAL ACTIVITIES

The company is a holding company and provides services to subsidiary and associated undertakings engaged in building and in civil and specialist engineering together with related activities.

BUSINESS REVIEW

During the year, the company held shares in and provided services to subsidiary and associated undertakings in the UK and overseas.

The Board considers that there is scope for further development of the company's activities.

SHARE CAPITAL

On 9th March 1993 and 25th May 1993 the directors allotted 59,070,200 and 37,376,641 shares of £0.05 each at par value respectively by way of a rights issue to the existing ordinary shareholders to reflect the capital requirements of the company.

RESULTS

The results for the year are set out in the Profit and Loss Account on Page 5.

DIVIDENDS

The Directors do not propose to recommend the payment of any dividends on the issued ordinary share capital of the company in respect of the year ended 30th September 1993 (1992 - £5,718,462).

FIXED ASSETS

Details of the movements in fixed assets during the year are given in notes 7, 8 and 9 to the accounts.

DIRECTORS

The following persons were directors of the Company during the year:

A.G.Gornly	Chairman - Appointed 17th November 1992
B. Myers	Managing Director
M.J. Allen	
K.W.Chambers	
D.E.Driver	
J.W.S. Fletcher	
D. Gawler	Appointed - 1st June 1993
A.J.Gay	Appointed - 5th April 1993
R. Heathfield	
Sir Gordon Manzie	
Sir Eric Parker	Resigned as Director and Chairman 16th November 1992
J.R.W Ansdell	Resigned 31st May 1993
J.R. Oldham	Died 26th December 1992

Since the year end the following change has occurred:

J.J. Beeton	Appointed - 1st October 1993
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During the period the ultimate holding company, Trafalgar House Public Limited Company, maintained insurance for directors and officers against liabilities in relation to subsidiary companies.

Trafalgar House Construction Limited

Directors' Report (continued)

DIRECTORS' INTERESTS

Given below are the interests in the shares and debentures of the ultimate parent company, Trafalgar House Public Limited Company, of those directors who at 30th September 1993 were not also directors of that company. No director had any interest in the shares of the Company.

	At 30th September 1993		At 30th September 1992 (or subsequent date of appointment)		
	Ordinary Shares	Share Options	'A' Ordinary Shares	Ordinary Shares	Share Options
M.J. Allen	6,424	114,729	1,599	4,510	109,074
K.W. Chambers	-	75,000	-	-	52,186
D.E. Driver	83,333	80,000	8,333	75,000	46,327
A.J. Gay	-	50,000	-	-	-
R. Heathfield	4,163	105,298	701	1,980	68,208
Sir Gordon Manzie	1,550	-	-	-	-

During the year the 'A' Ordinary shares of Trafalgar House Public Limited Company converted, in accordance with the terms of their issue, into Ordinary shares.

The above figures include interests acquired under the terms of the Trafalgar House Public Limited Company's profit sharing and share option schemes.

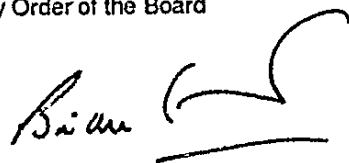
EMPLOYEE INVOLVEMENT

During the year the group maintained the practice of keeping employees informed about current activities and progress by various methods including in-house publications. Participation and involvement are encouraged including participation in the Trafalgar House share option and profit sharing schemes for eligible employees and through formal trade union channels. Special attention is given to health and safety and to the employment of disabled persons.

AUDITORS

Since the year end Touche Ross & Co. resigned as auditors of the Company and, in their place, KPMG Peat Marwick were appointed as auditors by the directors. Pursuant to Section 386 of the Companies Act 1985 an elective resolution to dispense with the obligation to appoint auditors annually was passed at an Extraordinary General Meeting of the Company held on 10th August 1991.

By Order of the Board



B.E. Tanner
Secretary
26th January 1994

Trafalgar House Construction 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;
- 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.

Trafalgar House Construction Limited

AUDITORS' REPORT

To the members of Trafalgar House Construction Limited

We have audited the financial statements on pages 5 to 13 which have been prepared under the accounting policies set out on page 7.

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, and 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 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 30 September 1993 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Peat Marwick
KPMG Peat Marwick
Chartered Accountants &
Registered Auditors
1 Puddle Dock
Blackfriars
London
EC4V 3PD

27 January 1994

Trafalgar House Construction Limited

Profit & Loss Account for the year ended 30 September 1993

	Notes	1993 £	1992 £
Turnover			
Continuing Operations		11,240,197	10,252,845
 Cost of sales		 9,095,376	 7,952,957
Operating profit			
Continuing Operations		<u>2,144,821</u>	<u>2,299,888</u>
Income from shares in subsidiary undertakings		6,193,565	8,164,775
Amounts written off shares in subsidiary undertakings		(5,382,691)	(4,371,334)
Provision for losses in subsidiary undertakings		(3,438,000)	-
Provision for losses in associated undertakings		(701,000)	-
Loss on sale and liquidation of subsidiaries		(14,838)	(215,471)
Foreign exchange differences		(3,048,363)	-
(Loss)/profit on ordinary activities before interest		<u>(4,246,506)</u>	<u>5,877,858</u>
Interest receivable		666,842	767,843
Interest payable	2	(106,040)	(47,730)
(Loss)/profit on ordinary activities before taxation	3	<u>(3,685,704)</u>	<u>6,597,971</u>
Tax on loss/profit on ordinary activities	4	(219,498)	(686,558)
(Loss)/profit on ordinary activities after taxation		<u>(3,905,202)</u>	<u>5,911,413</u>
Dividend		-	5,718,462
Retained (loss)/profit for the financial year	17	<u>(3,905,202)</u>	<u>192,951</u>

The notes on pages 7 to 13 form part of these accounts.

The company has no recognised gains or losses other than the loss for the financial year. Accordingly a statement of total recognised gains and losses has not been prepared.

Trafalgar House Construction Limited

Balance Sheet at 30 September 1993

	Notes	30 September 1993 £	30 September 1992 £
FIXED ASSETS			
Tangible assets	7	1,711,972	1,411,816
Investments	9	<u>301,157,348</u>	<u>277,283,907</u>
		<u>302,869,320</u>	<u>278,695,723</u>
CURRENT ASSETS			
Stocks	10	1,530	2,549
Debtors	11	108,656,230	121,828,271
Dividends due from subsidiary undertakings		5,500,000	7,942,883
Cash at bank and in hand		<u>11,423,455</u>	<u>7,961,503</u>
		<u>125,581,215</u>	<u>137,735,206</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR			
Borrowings	12	2,780,350	-
Creditors	13	276,024,396	260,122,547
Dividend payable		-	5,718,462
		<u>278,804,746</u>	<u>265,841,009</u>
NET CURRENT LIABILITIES		<u>(153,223,531)</u>	<u>(128,105,803)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		149,645,789	150,589,920
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR			
	14	302,659	412,884
PROVISIONS FOR LIABILITIES AND CHARGES			
	15	4,095,000	5,846,496
		<u>145,248,130</u>	<u>144,330,540</u>
CAPITAL AND RESERVES			
Called up share capital	16	116,444,160	111,621,368
Profit and loss account	17	28,803,970	32,709,172
		<u>145,248,130</u>	<u>144,330,540</u>

The notes on pages 7 to 13 form part of these accounts.

These accounts were approved by the Board of Directors on 26th January 1994 and signed on its behalf by:


K.W. Chambers, Director

Trafalgar House Construction Limited

Notes to the Accounts

	1993 £	1992 £
<u>3. Loss/profit on ordinary activities before taxation</u>		
Loss/profit on ordinary activities before taxation is stated after charging:		
Auditors' remuneration		
Audit work	3,000	8,000
Non audit work	-	-
Depreciation:		
Owned assets	376,720	368,994
Leased assets	113,961	75,974
Hire costs including operating lease payments:		
Hire of plant and machinery	<u>244,182</u>	<u>103,664</u>

4. Tax on loss/profit on ordinary activities

The tax charge is based on the loss for the year.

Group relief payment/(receipt)	219,498	(79,648)
Adjustments to prior years		
Group relief (receipt)/payment - prior years	-	766,206
	<u>219,498</u>	<u>686,558</u>

There is no potential liability to deferred taxation.

5. Staff numbers and costs

The average weekly number of employees, engaged in the United Kingdom on the company's principal activity:

<u>Number</u>	<u>Number</u>
<u>78</u>	<u>79</u>

Staff costs including directors' emoluments

	£	£
Wages and salaries	2,235,133	2,305,122
Social security costs	180,643	203,837
Other pension costs (note 20)	154,050	165,590
	<u>2,569,826</u>	<u>2,674,549</u>

Trafalgar House Construction Limited

Notes to the Accounts

6. Directors' Emoluments

Directors' emoluments set out below include fees, taxable expense allowances, pension contributions and the estimated money value of benefits in kind.

	<u>1993</u> <u>£</u>	<u>1992</u> <u>£</u>
In respect of managing the affairs of the company	<u>499,168</u>	<u>523,347</u>
Remuneration of Chairman	<u>Nil</u>	<u>Nil</u>
Remuneration of highest paid director	<u>170,000</u>	<u>155,000</u>

Directors' emoluments (excluding pension costs) fell into the following bands:

	<u>Number</u>	<u>Number</u>
Not exceeding £5,000	7	4
£10,001 – £15,000	1	–
£40,001 – £45,000	1	–
£55,001 – £60,000	1	–
£65,001 – £70,000	1	–
£75,001 – £80,000	1	–
£80,001 – £85,000	–	1
£85,001 – £90,000	–	1
£100,001 – £105,000	–	2
£150,001 – £155,000	–	1
£165,001 – £170,000	<u>1</u>	<u>–</u>

7. Tangible fixed assets

	<u>Plant and Equipment</u>
Cost:	
At 1 October 1992	2,879,896
Additions	772,947
Transfers from group undertakings	32,477
At 30 September 1993	<u>3,685,320</u>
Accumulated depreciation:	
At 1 October 1992	1,468,080
Charge for the year	490,681
Transfers from group undertakings	14,587
	<u>1,973,348</u>
Net book value:	
At 30 September 1993	<u>1,711,972</u>
At 1 October 1992	<u>1,411,816</u>

The net book value of assets held under finance leases is £379,872 (1992 – £493,833).

Trafalgar House Construction Limited

Notes to the Accounts

8. Leased assets

Operating leases

Operating lease payments payable within one year are as follows:

	1993 £	1992 £
Plant and equipment:		
In respect of leases expiring –		
Within one year	17,194	39,443
Between two and five years	–	70,540
	<u>17,194</u>	<u>109,983</u>

9. Fixed asset investments

	Loans to associated undertakings	Shares in associated undertakings	Shares in subsidiary undertakings	Total
At 1 October 1992	2,500,000	11,624,589	263,159,318	277,283,907
Additions	2,536,000	1,000,000	40,983,732	44,519,732
Disposals	–	(11,621,368)	(441,232)	(12,062,600)
Reclassification	(2,500,000)	–	–	(2,500,000)
Revaluation	–	(701,000)	(5,382,691)	(6,083,691)
At 30 September 1993	<u>2,536,000</u>	<u>302,221</u>	<u>298,319,127</u>	<u>301,157,348</u>

Shares in subsidiary undertakings have been valued at cost less amounts written off.

Shares in associated undertakings have been stated at their net asset value.

In the directors' opinion the aggregate value of shares in subsidiary and associated undertakings and loans to associated undertakings is not less than the aggregate of the amounts at which they are stated in the balance sheet.

Listed below are the principal subsidiaries which unless otherwise stated are registered in England and Wales and unless marked * are directly owned. All companies have construction as their principal activity.

Agent Plant Group Limited

Cemindia Company Limited*(51%)

India

Cementation Construction Limited

Cementation International Construction Holdings Limited

Cementation Mining Limited

Cementation (Northern Ireland) Limited

Cementation Piling and Foundations Limited

Cementation Projects Limited.

The Cementation Company Zimbabwe Limited*

Zimbabwe

Clark & Fenn Limited

Cleveland Bridge and Engineering Middle East (Private) Ltd(80%)

United Arab Emirates

Cleveland Redpath Engineering Holdings Limited

*Cleveland Redpath Property Limited *

Cleveland Structural Engineering (China) Limited*

Trafalgar House Construction Limited

Notes to the Accounts

9. Fixed asset Investments (continued)

Subsidiary undertakings continued:	Country
Cleveland Structural Engineering Limited*	
Cleveland Structural Engineering (Hong Kong) Limited*	Scotland
Davy Mining Limited	
Davy Mining Services Limited*	
Dowsett Construction Limited	
Samuel Elliott & Sons Limited	
Maple Cross Holdings Limited	
Maple Cross International Limited	
Mine Engineering Services Limited	
Rashleigh Phipps Limited*	
Redpath Dorman Long Ltd*	
Richard Lees Steel Decking Limited*	
Trafalgar House Building Ltd	
Trafalgar House Construction (Asia) Limited*	
(the above includes 33% of Anglo Japanese Construction Joint Venture)	
Trafalgar House Construction (Indonesia) Limited	
Trafalgar House Construction (Iran) Limited	
Trafalgar House Construction Holdings B.V.*	Holland
Trafalgar House Construction International Limited	
Trafalgar House Construction International Holdings Limited	
Trafalgar House Construction (Major Projects) Limited	
Trafalgar House Construction (Malaysia) Limited	
Trafalgar House Construction Management Limited	
Trafalgar House Construction Offshore Holdings Limited	
Trafalgar House Construction Overseas Limited	
Trafalgar House Construction (Regions) Limited	
Trafalgar House Interiors Limited	
Trafalgar House Technology Limited	
The Cementation Company PLC	
Trollope & Colls Limited	
Trollope & Colls Cementation Overseas Limited	
Trollope & Colls (City) Limited	
Trollope & Colls Joinery Limited	
United Construction Company (UCAC)	Egypt
Willett Limited	

Listed below are the principal associates, their country of incorporation and details of the proportion of equity held. All associates have construction as their principal activity. Those not held directly are marked *.

	Percentage Holding	Country
Kerjaya Balfour Beatty Cementation Sdn. Bhd*	50%	Malaysia
Balfour Beatty Cementation Joint Venture*	50%	England
Richard Lees Limited	50%	England
Gammon Construction Limited*	50%	Hong Kong
Gammon Construction Holdings Limited*	50%	British Virgin Islands
Grupo Sitra S.A de C.V.*	50%	Mexico

Trafalgar House Construction Limited

Notes to the Accounts

Notes to the Accounts

	1993 £	1992 £	
<u>10. Stocks</u>			
Raw materials and consumables	1,530	2,549	
<u>11. Debtors</u>			
Amounts falling due within one year:			
Trade debtors	1,969	-	
Amounts owed by subsidiary undertakings	18,895,479	164,971	
Amounts owed by associated undertakings	6,860	29,082	
Amounts owed by other group undertakings	88,641,008	120,453,877	
Prepayments and accrued income	1,110,914	1,180,341	
	108,656,230	121,828,271	
<u>12. Borrowings</u>			
Bank overdraft –unsecured and repayable on demand	2,780,350	-	
<u>13. Creditors: amounts falling due within one year</u>			
Amounts owed to subsidiary undertakings	234,282,014	235,278,256	
Amounts owed to associated undertakings	20,711,932	2,338	
Amounts owed to other group undertakings	19,644,702	23,728,438	
Accruals and deferred income	1,212,502	817,587	
Other creditors	63,022	200,653	
Finance leases	110,224	95,275	
	276,024,396	260,122,547	
<u>14. Creditors: amounts falling due after more than one year</u>			
Finance leases –due between two and five years	302,659	412,884	
<u>15. Provisions for liabilities and charges</u>			
	Provision for losses of associated undertakings £	Provision for losses of subsidiary undertakings £	Total £
At 1 October 1992	2,500,000	3,346,496	5,846,496
• Provisions raised during the year	-	3,438,000	3,438,000
Provisions released during the year	-	(2,673,704)	(2,673,704)
Reclassification	(2,500,000)	-	(2,500,000)
• Utilised in year	-	(15,792)	(15,792)
At 30 September 1993	-	4,095,000	4,095,000

Trafalgar House Construction Limited

Notes to the Accounts

	<u>1993</u> £	<u>1992</u> £
<u>16. Share capital</u>		
Authorised:		
2,400,000,000 ordinary shares of 5p each	<u>120,000,000</u>	<u>120,000,000</u>
Allotted, called up and fully paid:		
2,328,883,201 (1992 – 2,232,427,360) ordinary shares of 5p each	<u>116,444,160</u>	<u>111,621,368</u>

On 9th March 1993 and 25th May 1993 the directors allotted 59,079,200 and 37,376,641 shares of £0.05 each at par value respectively by way of a rights issue to the existing ordinary shareholders to reflect the capital requirements of the company.

	<u>Profit and Loss account</u> £
<u>17. Reserves</u>	
As at 1 October 1992	32,709,172
Retained loss for the financial year	(3,905,202)
As at 30 September 1993	<u>28,803,970</u>

	<u>1993</u> £	<u>1992</u> £
<u>18. Reconciliation of movements in shareholders' funds</u>		
(Loss)/profit for the financial year	(3,905,202)	5,911,413
Dividend	–	(5,718,462)
Rights issue	4,822,792	11,621,368
Net addition to shareholders' funds	917,590	11,814,319
Opening shareholders' funds	144,330,540	132,516,221
Closing shareholders' funds	<u>145,248,130</u>	<u>144,330,540</u>

19. Contingent liabilities

The company has contingent liabilities under joint and several guarantees given to the bankers in support of the borrowings of other group companies party to memorandum and joint bank accounts, of which this company is a member.

20. Pensions

The company's employees are members of defined benefit and defined contribution pension schemes operated by the Trafalgar House Group under which contributions are paid by the company and by employees. The assets of the schemes are held in trustee administered funds separate from the finances of the group.

The company's contributions are based on the expected cost of pensions across the Trafalgar House Group as a whole and are charged to the profit and loss account so as to spread the cost of pensions over the service lives of employees within group schemes. Details of the actuarial valuation of the group schemes are contained in the report and accounts of Trafalgar House Public Limited Company.

21. Ultimate parent company

The ultimate parent company is Trafalgar House Public Limited Company, which is registered in England and Wales. Copies of the Report and Accounts of Trafalgar House Public Limited Company are available from the Company Secretary's Office at 1 Berkeley Street, London W1A 1BY.