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McTAY CONSTRUCTION LIMITED
DIRECTORS' REPORT AND ACCOUNTS
31ST DECEMBER, 1987



PEAT MARWICK McLINTOCK
1 Puddle Dock, Blackfriars, London EC4V 3PD

McTAY CONSTRUCTION LIMITEDDIRECTORS' REPORT

The directors submit to the shareholders their report and the accounts of the company in respect of the year ended 31st December, 1987.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

On 1st January, 1987 the trade of the company, together with all non-group assets and liabilities were transferred to a fellow subsidiary, Mowlem Regional Construction Limited. The trade of the company is now carried on as division of Mowlem Regional Construction Limited, a company wholly owned by John Mowlem & Company PLC.

DIRECTORS AND THEIR INTERESTS

The following served as directors during the year:

J. McBurney	(resigned on 31st December 1987)
D.E.A. Porter	
E.R. Wilson	
A.E. Bulkeley	
K.M. Jones	
P.F.M. Nicholson	
G.A. Waters	(resigned on 31st May 1987)
K.R. Bradford	
C. Randle	

D.E.A. Porter is also a director of John Mowlem & Company PLC, the ultimate holding company, and his interest in the share capital of that company and of other group companies are disclosed in the accounts of that company. The interests of other directors in the Ordinary share capital of John Mowlem & Company PLC were as follows:

	<u>Ordinary Shares of 25p each</u>			
	<u>31st December, 1987</u>		<u>1st January, 1987</u>	
	<u>Beneficially held</u>	<u>Options</u>	<u>Beneficially held</u>	<u>Options</u>
J. McBurney	200,000	115,247	223,350	82,297
E.R. Wilson	-	20,000	-	-
A.E. Bulkeley	-	1,502	-	1,502
K.M. Jones	-	1,878	-	1,878
P.F.M. Nicholson	-	3,746	-	3,746
K.R. Bradford	-	981	-	-

Except as detailed above none of the directors had an interest in the share capital of the company or in the shares of 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.

McTAY CONSTRUCTION LIMITED

DIRECTOR REPORT (continued)

FIXED ASSETS

Movements in tangible fixed assets are set out in note 10 to the accounts.

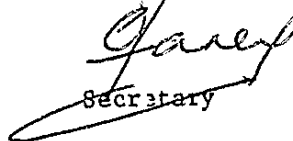
RESULTS

The company did not trade during the year. The company paid a dividend of £3,631,000 for the year, equivalent to £3,631 per share (1986: £235 per share).

AUDITORS

At the company's last Annual General Meeting, Peat Marwick McLintock were reappointed as auditors of the company. In accordance with Section 252 of the Companies Act 1985, a special resolution proposing that auditors shall not be reappointed will be put at the forthcoming Annual General Meeting.

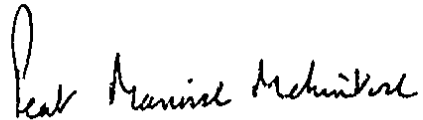
By order of the board


Secretary

REPORT OF THE AUDITORS TO THE MEMBERS OF
McTAY CONSTRUCTION LIMITED

We have audited the accounts on pages 4 to 15 in accordance with approved Auditing Standards.

In our opinion the accounts give a true and fair view of the state of the company's affairs at 31st December, 1987, and of its result and source and application of funds for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



LONDON

14th April, 1988

Chartered Accountants.

McTAY CONSTRUCTION LIMITEDPROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST DECEMBER, 1987

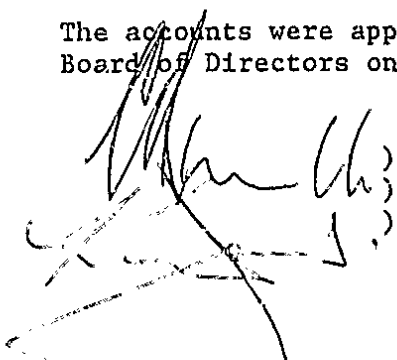
	<u>Note</u>	<u>1987</u> <u>£'000</u>	<u>1986</u> <u>£'000</u>
TURNOVER	2	-	24,971
Operating costs	3	-	(23,992)
OPERATING PROFIT		-	979
Other interest receivable and similar income	6	-	173
Interest payable and similar charges	7	-	(5)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		-	1,147
Tax on profit on ordinary activities	8	-	(405)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		-	742
Dividends paid	9	(3,631)	(235)
RETAINED (LOSS)/PROFIT FOR THE FINANCIAL YEAR	17	(3,631)	507

The notes on pages 7 to 15 part of these accounts.

McTAY CONSTRUCTION LIMITEDBALANCE SHEET AT 31ST DECEMBER, 1987

	Note	£'000	1987 £'000	£'000	1986 £'000
FIXED ASSETS					
Tangible assets	10		-		1,210
Investments	11		-		165
					<u>1,375</u>
CURRENT ASSETS					
Stock	12	-		1,327	
Contract work in progress	13	-		1,933	
Debtors	14	1		5,815	
Cash at bank and in hand		-		36	
		1		9,111	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	15	-		(6,803)	
NET CURRENT ASSETS			1		2,308
TOTAL ASSETS LESS CURRENT LIABILITIES			1		3,683
PROVISION FOR LIABILITIES AND CHARGES	16		-		(51)
			1		<u>3,632</u>
			=====		=====
CAPITAL AND RESERVES					
Called up share capital	17		1		1
Revaluation reserve	19		-		143
Profit and loss account	18		-		3,488
			1		<u>3,632</u>
			=====		=====

The accounts were approved by the
Board of Directors on 14th April 1988.

 Directors

The notes on pages 7 to 15 form part of these accounts.

McTAY CONSTRUCTION LIMITEDSTATEMENT OF SOURCES AND APPLICATION OF FUNDS
FOR THE YEAR ENDED 31ST DECEMBER, 1987

	£'000	<u>1987</u>	£'000	£'000	<u>1986</u>	£'000
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION			-			1,147
Adjustment to profit:						
Depreciation	-				203	
Loss on sale of fixed assets	-		-		29	232
FUNDS GENERATED BY TRADING OPERATIONS			-			1,379
FUNDS FROM OTHER SOURCES						
Transfer of non-current assets and liabilities to group company	1,324				115	
Proceeds on disposal of fixed assets	-		-		954	1,069
TOTAL FUNDS GENERATED			1,324			2,448
USE OF FUNDS						
Investments	-				(50)	
Tax paid	(639)				-	
Dividends paid	(3,631)				(235)	
Purchase of fixed assets	-				(466)	
Group taxation relief paid	-		-		(390)	(1,141)
			(4,270)			
			(2,946)			1,307
INCREASE/(DECREASE) IN WORKING CAPITAL						
Stock	1,327				(41)	
Long term contract work in progress	1,933				(142)	
Debtors	5,814				(3,454)	
Creditors	(5,904)				774	
			3,170			(2,863)
			224			(1,556)
			=====			=====
MOVEMENT IN NET LIQUID FUNDS:						
Increase/(decrease) in cash at bank			224			(1,556)
			=====			=====

McTAY CONSTRUCTION LIMITEDNOTES TO THE ACCOUNTS1. ACCOUNTING POLICIES

The following policies have been applied consistently in dealing with items that are considered material to the company's accounts.

(a) Basis of accounting

The company's accounts are prepared under the historical cost convention (incorporating the revaluation of certain freehold and short leasehold properties) and in accordance with the applicable Statements of Standard Accounting Practice.

(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 year, and includes the company's share of joint venture turnover. Trading turnover has been calculated on the basis of the invoiced value of sales during the year and, in respect of private houses, the proceeds of houses sold during the year.

(c) Profit

Operating profit comprises the results of contracting and property development. 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 payment, except that in estimating the amount of foreseeable losses a prudent and reasonable assessment of such claims is made. Development profits on disposal of properties which have been revalued are determined by reference to depreciated original cost rather than the valuation.

(d) Depreciation

The charge for depreciation of fixed assets is calculated as follows:

(i) Freehold properties (excluding investment properties)

Cost and revaluations of freehold properties are allocated between land and buildings. The building values are depreciated over their remaining useful lives on a straight line basis. Anticipated useful lives are 40 years.

(ii) Investment properties

No depreciation is charge upon freehold properties or leasehold properties with an unexpired term of 20 years or more.

(iii) Plant and machinery (excluding motor cars)

The depreciation is calculated to write off the net cost of the assets on a straight line basis over the anticipated useful lives by equal instalments commencing in the month of purchase over periods varying between 3 to 7 years.

McTAY CONSTRUCTION LIMITEDNOTES TO THE ACCOUNTS (continued)(d) Depreciation (continued)

(iv) Office equipment

The depreciation is calculated to write off the net costs of the assets on a straight line basis over the anticipated useful lives of 5 years by equal instalments.

(v) Motor cars

Depreciation is calculated on a straight line basis over a period up to 5 years.

(e) Deferred taxation

Deferred taxation has been computed in accordance with the requirements of Statement of Standard Accounting Practice No.15 on the liability method.

(f) Fixed assets

- (i) Company occupied properties are shown at cost or periodic revaluation. Surpluses arising from revaluation are credited to non-distributable revaluation reserves and any resultant adjustments to depreciation charges are transferred to distributable reserves. Deficits arising from revaluations are charged to the profit and loss account.

(ii) Investment properties

This classification comprises properties held as disposable investments generating rental income from outside sources. Surpluses on revaluation are treated in the same manner as noted in f(i) above. Deficits arising from revaluation are charged to the revaluation reserves and only when deficits exceed the revaluation reserves are they dealt with in the profit and loss account. Profits and losses on disposals are dealt with in the profit and loss account.

(g) Land and development properties

Land and development properties are stated at the lower of cost or valuation.

McTAY CONSTRUCTION LIMITEDNOTES TO THE ACCOUNTS (continued)(h) Contract work in progress

The net realisable value includes attributable profit on contracts and is determined on the basis of measured work to the balance sheet date incorporating net foreseeable losses, from the total of which is deducted 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 (which are a relatively insignificant part of the Company's activity).

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) Pension funding

The Company participates in the McTay Group pension scheme which is operated through a separate Trustee administered fund. The company's contributions are charged against profit.

2. TURNOVER

The company has only one class of business and all turnover is to the United Kingdom market.

3. OPERATING COSTS

Operating costs include:

	<u>1987</u> £'000	<u>1986</u> £'000
Raw materials and consumables	-	5,864
Other external charges	-	11,794
Staff costs (note 5)	-	4,526
Depreciation and loss on sale of fixed assets	-	232
Other operating charges	-	253
Charge for hire of plant and machinery	-	1,316
Auditors' remuneration	-	7
	<u> </u>	<u>23,992</u>
	=====	=====

McTAY CONSTRUCTION LIMITEDNOTES TO THE ACCOUNTS (continued)4. DIRECTORS' EMOLUMENTS

	<u>1987</u> £	<u>1986</u> £
As executives	- =====	196,588 =====
Chairman	-	-
Highest paid director	- =====	43,887 =====

The emoluments of the other directors fell within the following ranges:

	<u>Number</u>	<u>Number</u>
£ nil - £ 5,000	7	3
£20,001 - £25,000	-	1
£25,001 - £30,000	- ===	3 ===

5. EMPLOYEES

The average number of persons employed by the company (including directors) during the year was as follows:

	<u>1987</u>	<u>1986</u>
Technical, administrative and management	-	177
Direct labour and operatives	-	284
	- =====	461 =====

Staff costs during the year amounted to:

	<u>1987</u> £'000	<u>1986</u> £'000
Wages and salaries	-	4,079
Social security costs	-	354
Other pension costs	-	93
	- =====	4,526 =====

McTAY CONSTRUCTION LIMITEDNOTES TO THE ACCOUNTS (continued)6. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	<u>1987</u> £'000	<u>1986</u> £'000
Income from property	~	109
Interest from loans to group companies	-	29
Interest receivable	-	35
	<u>-</u>	<u>173</u>
	=====	=====

7. INTEREST PAYABLE AND SIMILAR CHARGES

	<u>1987</u> £'000	<u>1986</u> £'000
On bank loans and loans wholly repayable within five years	-	5
	<u>-</u>	<u>5</u>
	=====	=====

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

	<u>1987</u> £'000	<u>1986</u> £'000
Corporation tax at 35% (1986: 36.25%) based on the adjusted profit for the year	-	491
Deferred tax	-	124
Prior year adjustments	-	(210)
	<u>-</u>	<u>405</u>
	=====	=====

9. DIVIDENDS

	<u>1987</u> £'000	<u>1986</u> £'000
Ordinary-paid	3,631	235
	=====	=====

McTAY CONSTRUCTION LIMITEDNOTES TO THE ACCOUNTS (continued)10. TANGIBLE FIXED ASSETS

	<u>Land and buildings</u>		<u>Vehicles, plant machinery and equipment</u>	<u>Total</u>
	<u>Company occupied</u>	<u>Investment properties</u>		
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
<u>Cost or Valuation</u>				
At 1st January, 1987	698	250	914	1,862
Transfer to group company	(698)	(250)	(914)	(1,862)
At 31st December, 1987	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	=====	=====	=====	=====
<u>Depreciation</u>				
At 1st January, 1987	65	-	587	652
Transfer to group company	(65)	-	(587)	(652)
At 31st December, 1987	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	=====	=====	=====	=====
Net book amounts at 31st December, 1987	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	=====	=====	=====	=====
Net book amounts at 1st January, 1987	633	250	327	1,210
	=====	=====	=====	=====
Representing items:				
At cost	328	250	914	1,492
1979 professional valuation	370	-	-	370
	<u>698</u>	<u>250</u>	<u>914</u>	<u>1,862</u>
	=====	=====	=====	=====

The amount of land and buildings (included above at a valuation) determined according to the historical cost accounting rules is as follows:

	<u>1987</u>	<u>1986</u>
	<u>£'000</u>	<u>£'000</u>
Cost	-	663
Depreciation	-	(58)
Net book value	<u>-</u>	<u>605</u>
	=====	=====

McTAY CONSTRUCTION LIMITEDNOTES TO THE ACCOUNTS (continued)11. INVESTMENT

The investment consists of an interest in an associated company and represents:

	<u>1987</u> £'000	<u>1986</u> £'000
Favergate Limited 50% acquired in 1979		
Shares at cost £1 (1986: £1)	-	-
Net advances	-	165
Balance sheet at 31st December	<u>-</u> =====	<u>165</u> =====

The investment in the associated company was transferred to the ultimate holding company, John Mowlem & Company PLC, at book value.

12. STOCK

	<u>1987</u> £'000	<u>1986</u> £'000
Land and development properties	-	1,327
	=====	=====

Stock includes an amount for interest of nil (1986: £75,000).

13. CONTRACT WORK IN PROGRESS

	<u>1987</u> £'000	<u>1986</u> £'000
Net realisable value of work to date	-	12,273
Less attributable payments received	-	(10,340)
	<u>-</u> =====	<u>1,933</u> =====

14. DEBTORS

	<u>1987</u> £'000	<u>1986</u> £'000
Trade debtors	-	2,283
Amounts owed by group companies	1	2,630
Other debtors	-	571
Prepayments and accrued income	-	331
	<u>1</u> =====	<u>5,815</u> =====

McTAY CONSTRUCTION LIMITEDNOTES TO THE ACCOUNTS (continued)15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>1987</u> <u>£'000</u>	<u>1986</u> <u>£'000</u>
Bank loans and overdrafts	-	260
Trade creditors	-	4,829
Amounts owed to group companies	-	776
Other creditors including taxation and social security	-	937
Accruals and deferred income	-	1
	<u>-</u>	<u>6,803</u>
	=====	=====

16. PROVISION FOR LIABILITIES AND CHARGES

Deferred taxation provided in the accounts and the potential liability are as follows:

	<u>1987</u> <u>£'000</u>	<u>Provided</u> <u>1986</u> <u>£'000</u>	<u>Potential</u> <u>1987</u> <u>£'000</u>	<u>1986</u> <u>£'000</u>
Capital allowances	-	51	-	51
Revaluation reserve	-	-	-	10
	<u>-</u>	<u>51</u>	<u>-</u>	<u>61</u>
	=====	=====	=====	=====

The deferred tax balance was transferred to Mowlem Regional Construction Limited.

17. CALLED UP SHARE CAPITAL

	<u>1987</u> <u>£</u>	<u>1986</u> <u>£</u>
Authorised, allotted, called up and fully paid 1,000 ordinary shares of £1 each	1,000	1,000
	=====	=====

18. PROFIT AND LOSS ACCOUNT

	<u>1987</u> <u>£'000</u>	<u>1986</u> <u>£'000</u>
Balance at 1st January	3,488	2,981
Transfer from revaluation reserve	143	-
Retained (loss)/profit for the year	(3,631)	507
Balance at 31st December	<u>-</u>	<u>3,488</u>
	=====	=====

McTAY CONSTRUCTION LIMITED

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NOTES TO THE ACCOUNTS (continued)19. REVALUATION RESERVE

	<u>1987</u> £'000	<u>1986</u> £'000
Balance at 1st January	143	143
Realised on transfer of fixed assets	(143)	-
Balance at 31st December	<u>-</u> =====	<u>143</u> =====

20. ULTIMATE HOLDING COMPANY

The ultimate holding company is John Mowlem & Company PLC, a company incorporated in Great Britain.

21. TRADING INDEMNITIES AND BONDING ARRANGEMENTS

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