

W Hocking & Company Limited

**Directors' report and financial
statements**

Registered number 1998173

31 December 2002



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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2002.

Principal activities

Until 31 August 2001, the company's principal activity was as railway engineering contractors in the UK. However, on 31 August 2001, the directors took the decision to transfer the trading activities into Mowlem Railways division, which is part of the Mowlem Plc Group. All assets were transferred at net book value.

Results

The results for the year ended 31 December 2002 are disclosed in the financial statements on pages 5 to 11.

The directors do not recommend payment of a dividend (2001: £nil).

Directors and directors' interests

The directors who held office during the period were as follows:

MJ Austin
DJ Booth
GT Brown
PJ George
TA Worster (resigned 1st January 2002)

Directors' interests in the ordinary share capital of Mowlem plc, the ultimate holding company, were as follows:

	Ordinary shares of 25p each 31 December 2002		Ordinary shares of 25p each 31 December 2001	
	Beneficially held	Options	Beneficially held	Options
DJ Booth	6,651	4,311	6,561	4,311
GT Brown	132,905	124,165	39,724	272,435
PJ George	7,385	-	5,655	-

Directors' report *(continued)*

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

In accordance with Section 385 of the Companies Act 1985, a resolution concerning the reappointment of KPMG Audit Plc as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

Therese Gison
Autonomous Representative
Mailin Secretariat Ltd.
Secretary

White Lion Court
Swan Street
Isleworth
Middlesex
TW7 6RN

Signed on this the *11th* day of *September*, 2003

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 and of the profit or loss 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

kpmg

Independent auditors' report to the members of W Hocking & Company Limited

We have audited the financial statements on pages 5 to 12.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 1, 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 1985. 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.

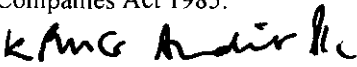
Basis of audit opinion

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 2002 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


KPMG Audit Plc
Chartered Accountants
Registered Auditor

29 September 2003

P O Box 695
8 Salisbury Square
London
EC4Y 8BB

Profit and loss account
for the year ended 31 December 2002

	<i>Notes</i>	2002 £	2001 £
Turnover	2	-	477,775
Cost of sales		-	(825,257)
		<hr/>	<hr/>
Operating loss	3	-	(347,482)
Net interest receivable	6	-	1,176
		<hr/>	<hr/>
Loss on ordinary activities before taxation		-	(346,306)
Taxation on loss on ordinary activities	7	-	102,886
		<hr/>	<hr/>
Retained loss for the period	11	-	(243,420)
		<hr/>	<hr/>

All activities are continuing.

The company has no recognised gains or losses other than those shown in the profit and loss account.

There is no difference between the loss on ordinary activities before taxation and the retained loss for the financial year and their historical equivalents.

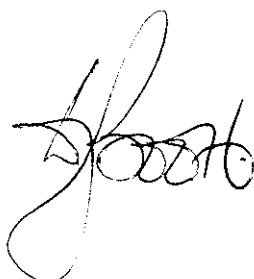
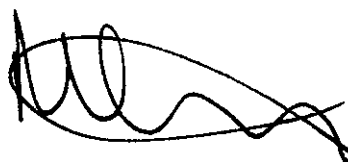
W Hocking & Company Limited
Directors' report and financial statements

Balance sheet
at 31 December 2002

		2002 £	2001 £
Current Assets			
Debtors	8	457,381	457,381
		<u> </u>	<u> </u>
Capital and reserves			
Called up share capital	10	15,000	15,000
Profit and loss account	11	442,381	442,381
		<u> </u>	<u> </u>
Equity shareholders' funds		457,381	457,381
		<u> </u>	<u> </u>

These financial statements were approved by the board of directors on 11/09/ 2003 and were signed on its behalf by:

Director

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, which are expressed in sterling, are prepared under the historical cost convention and in accordance with applicable accounting standards.

The company has applied the provisions of FRS19 'Deferred Tax' for the first time in the year

Turnover

Contracting turnover comprises of work executed during the period.

Profit

Operating profit comprises the results of carrying out of railway engineering contracts in the UK. 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.

Leases

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

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:

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

Foreign currencies

Transactions in foreign currencies are translated into sterling at the rates of exchange ruling at the date of the transaction. The resulting monetary assets and liabilities are translated at the balance sheet rate or the contracted rate and the exchange differences are dealt with in the profit and loss account.

Stocks

Stocks and work in progress are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Notes *(continued)*

1 **Accounting policies** *(continued)*

Taxation

The charge for taxation is based on the profit for the year and takes into account deferred taxation. In accordance with FRS 19 'Deferred Tax', deferred taxation is provided fully and on a non discounted basis at future corporation tax rates in respect of timing differences between profits computed for taxation and accounts purposes.

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.

Pension funding

The anticipated cost to the company in respect of the defined benefit pension scheme is charged to the profit and loss account so as to spread the cost over the members' expected scheme working service lives. For further details of the schemes, refer to the Mowlem plc Group accounts.

FRS 17

As the company is unable to identify its share of the Mowlem plc Group scheme assets and liabilities on a consistent and reasonable basis on full adoption of FRS 17 'Retirement Benefits', contributions to the Group scheme will be accounted for as it were a defined contributions scheme.

The latest full actuarial valuation of the Mowlem plc Group scheme was undertaken at 31 December 2001 and was updated for FRS 17 purposes to 31 December 2002 by a qualified independent actuary. Under FRS 17 the Group scheme shared a net deficit of £67 million after deduction of irrecoverable amounts and deferred taxation at 31 December 2002.

2 **Turnover**

The company has only one class of business which is generated in the UK.

Notes (continued)

3 Operating Profit

Operating profit is stated after charging / (crediting)

	2002 £	2001 £
Auditors' remuneration	-	3,000
Depreciation	-	7,924
Loss on disposal of fixed assets	-	7,704
	<u> </u>	<u> </u>

4 Remuneration of directors

Three directors of the company are employed by Mowlem 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 was nil (2001:26).

The aggregate payroll costs of these persons were as follows:

	2002 £	2001 £
Wages and salaries	-	743,742
Social Security costs	-	1,947
Other pension costs	-	3,031
	<u> </u>	<u> </u>
	-	748,720
	<u> </u>	<u> </u>

6 Interest receivable and similar income

	2002 £	2001 £
Interest receivable	-	1,176
	<u> </u>	<u> </u>

Notes (continued)

7 Tax on profit on ordinary activities

The tax charge on profit on ordinary activities for the year is as follows:

	2002 £	2001 £
Current tax		
UK corporation tax at 30% (2001: 30%)		
Adjustments in respect of previous periods	-	(104,171)
	<hr/>	<hr/>
Total current tax	-	(104,171)
Deferred tax		
Origination and reversal of timing differences	-	1,285
	<hr/>	<hr/>
Tax (credit) / charge for the year	-	(102,886)
	<hr/>	<hr/>

The tax assessed differs from the application of the standard rate of corporation tax in the UK (30%) to the company's profit / (loss) before taxation for the following reasons

	2002 £	2001 £
(Loss) / profit on ordinary activities before tax	-	(346,306)
	<hr/>	<hr/>
(Loss) / profit on ordinary activities multiplied by the standard rate of corporation tax in the UK (30%)	-	103,892
Effects of:		
Depreciation in excess of capital allowances	-	(2,377)
Capital allowances in excess of depreciation	-	5,622
Others		(2,966)
	<hr/>	<hr/>
Total current tax	-	104,171
	<hr/>	<hr/>

8 Debtors

	2002 £	2001 £
Trade debtors	-	4,938
Other debtors	-	13
Corporation tax	-	93,315
Amounts due by fellow subsidiary	457,381	359,115
	<hr/>	<hr/>
	457,381	457,381
	<hr/>	<hr/>

Notes (continued)

9 Provision for liabilities and charges

	2002 £	2001 £
Comprise:-		
Deferred taxation	-	-
	<hr/>	<hr/>
Deferred tax movement		
At the beginning of the year	-	1,285
Transferred to profit and loss account	-	(1,285)
	<hr/>	<hr/>
At the end of the year	-	-
	<hr/>	<hr/>

10 Called up share capital

	2002 £	2001 £
<i>Authorised</i>		
Equity: Ordinary shares of £ 1 each	25,000	25,000
	<hr/>	<hr/>
<i>Allotted, called up and fully paid</i>		
Equity: Ordinary shares of £ 1 each	15,000	15,000
	<hr/>	<hr/>

11 Reserves

	Profit and loss account £
At start of year	442,381
Result for the year	-
	<hr/>
At end of year	442,381
	<hr/>

12 Cash flow statement

Under FRS 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.

Notes *(continued)*

13 Related party transactions

As a wholly owned subsidiary of the Mowlem plc group, the company is exempt from the requirements of FRS 8, 'Related Party Transactions', to disclose transactions with entities that are part of the group or investees of the group qualifying as related parties.

14 Ultimate holding company

The ultimate holding company is Mowlem plc (formerly John Mowlem and 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.