

**Mowlem Aqumen Managed Services
Limited
(formerly Aqumen Services Limited)**

Directors' report and financial statements

31 December 2004

Registered number 2684154



Mowlem Aqumen Managed Services Limited (formerly Aqumen Services Limited)

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Mowlem Aqumen Managed Services Limited (formerly Aqumen Services Limited)

Directors' report

The Directors present their annual report and the audited financial statements for the year ended 31 December 2004.

Principal activities

The principal activity of the Company during the year was the provision of support services primarily within facilities management.

Business Review

Mowlem Aqumen Management Services limited is the largest trading company in the Mowlem Group's Support Services business.

The company trades as Mowlem Asset Services (MAS) and Mowlem Aqumen Property Services (MAPS).

MAS added to its portfolio one of the highest profile service contracts awarded in 2004, a £60m contract for management and delivery of a range of services to Centrica for a minimum of five years. Other significant awards included a £25m negotiated contract extension to our existing relationship with AXA to supply a range of hard and soft services for an initial three year period with an option to extend.

MAPS, own public sector facilities management (FM) business, moved towards financial close on a £22m pa 3 year contract to supply FM services to Barts and the Royal London Hospitals as part of the largest healthcare PFI project in Europe.

The result for the year is set out on page 5.

Proposed dividend

The Directors paid a dividend of £7,500,000 on 22 December 2004 out of the profits of prior years. No final dividend is proposed (2003: £441,747).

Directors and Directors' interests

The Directors who held office during the year were as follows:

S J Day (resigned 17 August 2004)

J McGrory (resigned 12 March 2004)

Mowlem Management Limited (appointed 17 August 2004)

The interests of the Directors are disclosed in the Directors' report of the immediate parent company, Mowlem Managed Services Plc (formerly Aqumen Group Plc).

Supplier payment policy

Where contracts with clients specify terms of payment to suppliers it is Company policy to pay in accordance with those terms. Where no such contractual requirement exists it is Company policy to comply with suppliers terms and conditions.

As at 31 December 2004 the number of creditor days outstanding was 10 days (2003: 17 days). Creditor days have been calculated based on trade creditors as at the balance sheet date compared to direct cost of sales for the year.

Mowlem Aquamen Managed Services Limited (formerly Aquamen Services Limited)

Directors' report (continued)

Employment of disabled persons

The Company's policy on the employment of disabled persons is to give full and fair consideration to applications for employment made by disabled persons having regard to their particular aptitudes and abilities, as well as safety and environmental circumstances and, where practicable, to continue the employment of and arrange appropriate training for employees of the Company who become disabled during their employment. It is also policy to encourage the training and career development of all personnel employed by the Company, including disabled persons.

Employee involvement

Appropriate employment policies are developed to comply with the requirements of the law and to suit local conditions.

The Company recognises the importance of good communications and relations with employees and encourages the development of employee participation practices.

Political and charitable contributions

During the year ended 31 December 2004 the Company made no charitable donations (2003: £nil). The Company made no political contributions during the year.

Risk Management

AON Risk Services have continued to act as insurance brokers and risk managers and are assisting in a continuous programme to reduce progressively the direct and indirect costs in respect of those matters for which it is usual to carry insurance.

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for 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

Anthony Guan
Multinational Representative
Mowlem Management Ltd.

Director

14 November 2005

White Lion Court
Swan Street
Isleworth
Middlesex
TW7 6RN

Mowlem Aquamen Managed Services Limited (formerly Aquamen Services 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 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 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 Audit Plc

1, The Embankment, Neville Street, Leeds. LS1 4DW

Report of the independent auditors to the members of Mowlem Aquamen Managed Services Limited (formerly Aquamen Services Limited)

We have audited the financial statements on pages 5 to 17.

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 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 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 2004 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc
KPMG Audit Plc
Chartered Accountants
Registered Auditor

14 November 2005

Mowlem Aquamen Managed Services Limited (formerly Aquamen Services Limited)

Profit and loss account for the year ended 31 December 2004

	Notes	2004		2003	
		£'000	£'000	£'000	£'000
Turnover	2		196,877		175,107
Raw materials and consumables		(611)		(810)	
Other external charges		(177,949)		(143,476)	
Staff costs	5	(26,256)		(25,592)	
Depreciation	3	(1,049)		(1,062)	
Other operating charges		3,590		(1,568)	
			(202,275)		(172,508)
Operating (loss) / profit			(5,398)		2,599
Other interest receivable and similar income	6		127		6
Interest payable and similar charges	7		(441)		(274)
(Loss) / profit on ordinary activities before taxation	5		(5,712)		2,331
Tax on (loss) / profit on ordinary activities	8		1,709		(386)
(Loss) / profit on ordinary activities after taxation			(4,003)		1,945
Dividends on equity shares	9		(7,500)		(442)
Unrecovered (loss) / profit for the financial year			(11,503)		1,503
Retained profit brought forward			12,013		10,510
Retained profit carried forward			510		12,013

All the above relate to continuing activities.

There is no material difference between the loss as disclosed in the profit and loss account and the loss on an unmodified historical cost basis.

There are no recognised gains or losses other than the loss for the year.

A reconciliation of movements in shareholders' funds is given in note 17 to the financial statements.

Mowlem Aquamen Managed Services Limited (formerly Aquamen Services Limited)

Balance sheet

at 31 December 2004

	Note	2004		2003	
		£'000	£'000	£'000	£'000
Fixed assets					
Tangible assets	10		1,372		1,704
Investments	11		-		-
			<u>1,372</u>		<u>1,704</u>
Current assets					
Debtors	12	56,497		52,299	
Cash at bank and in hand		3,583		1,656	
		<u>60,080</u>		<u>53,955</u>	
Creditors: amounts falling due within one year	13	<u>(60,942)</u>		<u>(42,882)</u>	
Net current (liabilities) / assets			(862)		11,073
Total assets less current liabilities			<u>510</u>		<u>12,777</u>
Creditors: amounts falling due after more than one year	14		-		(764)
Net assets			<u>510</u>		<u>12,013</u>
Capital and reserves					
Called up share capital	16		-		-
Profit and loss account			510		12,013
Equity shareholders' funds	17		<u>510</u>		<u>12,013</u>

These financial statements were approved by the board of Directors on 14 November 2005 and were signed on its behalf by:

Anthony Given
Authorized Representative
Mowlem Management Ltd.
 Director

Mowlem Aquamen Managed Services Limited (formerly Aquamen Services 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 financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

The financial statements have been prepared on the going concern basis which assumes that the company will be able to continue for the foreseeable future. The validity of this basis is dependant upon the continued support from the ultimate holding company.

Fixed assets and depreciation

Depreciation is provided 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:

Leasehold land and buildings	life of lease
Plant and machinery	3 to 5 years

Leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Pension costs

The company operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not resolved by the balance sheet date, except as otherwise required by FRS 19.

Turnover

Turnover is recognised according to the percentage of the estimated total contract value completed including a prudent proportion of profit as the contract progresses. Accrued and deferred income are shown separately in the balance sheet. Turnover is shown exclusive of value added tax and includes the settlement of claims on contracts completed in previous periods. All losses are recognised in full as soon as they are foreseen.

Cash flow statement

The Company is exempt from the requirement under Financial Reporting Standard 1 (Revised 1996) to prepare a cash flow statement on the grounds that it is a subsidiary undertaking of Mowlem plc and its cash flows are included within the consolidated cash flow statement of that Company. The accounts of Mowlem plc are publicly available.

Related party transactions

The company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group. The consolidated financial statements of Mowlem plc within which this company is included, can be obtained from the address given in note 20.

Mowlem Aqumen Managed Services Limited (formerly Aqumen Services Limited)

Notes (continued)

2 Analysis of turnover and (loss) / profit on ordinary activities before taxation

	2004		2003	
	Turnover	Attributable pre-tax loss	Turnover	Attributable pre-tax profit
	£'000	£'000	£'000	£'000
<i>By activity</i>				
Support services	196,877	(5,712)	175,107	2,331
	<hr/>	<hr/>	<hr/>	<hr/>
<i>By geographical market</i>				
United Kingdom	196,831	(5,726)	174,882	2,251
Europe	46	14	225	80
	<hr/>	<hr/>	<hr/>	<hr/>
	196,877	(5,712)	175,107	2,331
	<hr/>	<hr/>	<hr/>	<hr/>

3 (Loss) / profit on ordinary activities before taxation

	2004	2003
	£'000	£'000
<i>(Loss) / profit on ordinary activities before taxation is stated after charging</i>		
Auditors' remuneration	216	117
Depreciation	1,049	1,062
Hire of plant and machinery - rentals payable under operating leases	904	-
Land and buildings - rentals payable under operating leases	1,155	385
Profit on disposal of fixed assets	-	-
	<hr/>	<hr/>

The Company has borne the audit fee for the Mowlem Managed Services Plc group (formerly Aqumen Group plc) companies.

Mowlem Aquamen Managed Services Limited (formerly Aquamen Services Limited)

Notes (continued)

4 Remuneration of Directors

	2004	2003
	£'000	£'000
Directors' emoluments in respect of qualifying services	193	402

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid Director was £104,750 (2003: £202,723). The accrued pension benefit of the highest paid Director was £6,210 (2003: £9,673)

Retirement benefits are accruing to the following number of Directors under:

	2004	2003
	Number	Number
Defined benefit schemes	-	2

Interests in the long term incentive plan is disclosed in the financial statements of Mowlem Managed Services Plc. (formerly Aquamen Group Plc)

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	
	2004	2003
Direct labour and operatives	38	69
Managerial and administrative staff	784	952
	822	1,021

The aggregate payroll costs of these persons were as follows:

	2004	2003
	£'000	£'000
Wages and salaries	21,915	21,654
Social security costs	2,178	1,732
Other pension costs (note 19)	2,163	2,206
	26,256	25,592

Mowlem Aquamen Managed Services Limited (formerly Aquamen Services Limited)

Notes (continued)

6 Other interest receivable and similar income

	2004	2003
	£'000	£'000
Bank interest	127	6

7 Interest payable and similar charges

	2004	2003
	£'000	£'000
Interest payable to group undertakings	441	274

8 Taxation

Analysis of (credit) / charge in the year:

	2004	2003
	£'000	£'000
<i>UK corporation tax</i>		
Current tax on income for the year	(1,735)	1,017
Adjustment in respect of prior years	(19)	(53)
Current tax (credit) / charge	(1,754)	964
Deferred tax (note 15)	45	(578)
Tax on (loss) / profit on ordinary activities	(1,709)	386

Mowlem Aquamen Managed Services Limited (formerly Aquamen Services Limited)

Notes (continued)

8 Taxation (continued)

Factors affecting the tax credit for the current year

The current tax credit for the year is lower (2003: higher) than the standard rate of corporation tax in the UK 30% (2003: 30%). The differences are explained below:

	2004 £'000	2003 £'000
<i>Current tax reconciliation</i>		
(Loss) / profit on ordinary activities before tax	(5,712)	2,331
	<hr/>	<hr/>
Current tax at 30% (2003: 30 %)	(1,714)	699
<i>Effects of:</i>		
Expenses not deductible for tax purposes	11	234
Capital allowances for period in excess of depreciation	66	72
Other	(98)	12
Adjustment in respect of prior years	(19)	(53)
	<hr/>	<hr/>
Total current tax (credit) / charge (see above)	(1,754)	964
	<hr/>	<hr/>

9 Dividends

	2004 £'000	2003 £'000
Equity shares:		
Interim dividend paid	7,500	-
Final dividend proposed	-	442
	<hr/>	<hr/>
	7,500	442
	<hr/>	<hr/>

Mowlem Aquamen Managed Services Limited (formerly Aquamen Services Limited)

Notes (continued)

10 Tangible fixed assets

	Land and buildings £'000	Plant and Machinery £'000	Total £'000
Cost			
At beginning of year	545	8,510	9,055
Additions	-	717	717
Group Transfers	(77)	77	-
At end of year	468	9,304	9,772
Depreciation			
At beginning of year	390	6,961	7,351
Charge for year	24	1,025	1,049
Group Transfers	(77)	77	-
At end of year	337	8,063	8,400
Net book value			
At 31 December 2004	131	1,241	1,372
At 31 December 2003	155	1,549	1,704

Mowlem Aquamen Managed Services Limited (formerly Aquamen Services Limited)

Notes (continued)

11 Fixed asset investments

	Shares in Group undertakings £
Ordinary shares of £1 each	
Cost at beginning and end of year:	6

	Nature of business	Country of incorporation, registration and operation	Percentage held at 31 December 2004
Noreast BM Ltd	Dormant	England	100%
Aquamen Investments Ltd	Dormant	England	100%
Aquamen Defence Ltd	Dormant	England	100%

In the opinion of the Directors the investments in subsidiary undertakings are worth at least the amounts for which they are stated in the balance sheet.

12 Debtors

	2004 £'000	2003 £'000
Trade debtors	11,176	11,183
Amounts owed by group undertakings	33,651	30,826
Other debtors	391	1,238
Prepayments and accrued income	9,698	8,469
Deferred taxation (note 15)	538	583
Current tax asset	1,043	-
	<u>56,497</u>	<u>52,299</u>

13 Creditors: amounts falling due within one year

	2004 £'000	2003 £'000
Trade creditors	5,426	9,044
Amounts owed to group undertakings	38,581	19,574
Other creditors	2,211	46
Other taxes and social security	3,326	4,313
Corporation tax	-	967
Dividend proposed	-	442
Accruals and deferred income	11,398	8,496
	<u>60,942</u>	<u>42,882</u>

Mowlem Aquamen Managed Services Limited (formerly Aquamen Services Limited)

Notes (continued)

14 Creditors: amounts falling due after more than one year

	2004 £'000	2003 £'000
Other creditors	-	764
	<u> </u>	<u> </u>

15 Deferred taxation

	Deferred Taxation £'000
At beginning of year	(583)
Credit to the profit and loss account for the year	45
	<u> </u>
At end of year	(538)
	<u> </u>

The deferred tax asset has been recognised in debtors (see note 12)

The amounts recognised for deferred taxation are set out below:

	2004 Tax Asset £'000	2003 Tax Asset £'000
Difference between accumulated depreciation and capital allowances	(407)	(354)
Other timing differences	(131)	(228)
	<u> </u>	<u> </u>
	(538)	(583)
	<u> </u>	<u> </u>

16 Called up equity share capital

	2004 £'000	2003 £'000
<i>Authorised:</i>		
100,000 ordinary shares of £1 each	100	100
	<u> </u>	<u> </u>
<i>Allotted called up and fully paid:</i>		
2 Ordinary shares of £1 each	-	-
	<u> </u>	<u> </u>

Mowlem Aquamen Managed Services Limited (formerly Aquamen Services Limited)

Notes (continued)

17 Reconciliation of movements in equity shareholders' funds

	2004 £'000	2003 £'000
(Loss) / profit for the financial year	(4,003)	1,945
Dividends	(7,500)	(442)
Net (reduction) / addition to shareholders' funds	(11,503)	1,503
Opening shareholders' funds	12,013	10,510
Closing shareholders' funds	510	12,013

18 Commitments and contingent liabilities

Annual commitments under non-cancellable operating leases are as follows:

	2004		2003	
	Land and buildings £'000	Plant and machinery £'000	Land and buildings £'000	Plant and machinery £'000
Operating leases which expire:				
Within one year	8	34	-	-
In the second to fifth years inclusive	95	198	-	-
Over five years	89	382	413	-
	192	614	413	-

Mowlem Aquamen Managed Services Limited (formerly Aquamen Services Limited)

Notes (continued)

19 Pensions

The Company contributes to the Mowlem Staff Pension and Life Assurance Scheme and the Mowlem (1993) Pension Scheme. The cost for the Mowlem schemes operated by the Group was £2,163,000 (2003: £2,206,000).

The latest actuarial valuations of the Mowlem Staff Pension and Life Assurance Scheme and the Mowlem (1993) Pension Scheme were conducted as at 31 December 2002 and were projected forward to 31 December 2003. The valuations at these dates reflected sufficient assets to cover 87% and 77% respectively of the benefits that had accrued to members (based on the SSAP 24 assumptions below) after allowing for future increase in earnings. The market value of the aggregate assets of the two schemes as at 31 December 2003 was £299.5 million.

The principal actuarial assumptions used as at 31 December 2003 for the SSAP 24 calculations are shown below:

	Mowlem Staff Pension and Life Assurance Scheme	Mowlem (1993) Pension Scheme
	%	%
Investment return before retirement	7.75	7.75
Investment return after retirement	4.75	5.25
Salary Increases	4.25	4.25
Increases on pension in excess of guaranteed minimum pension	2.75	2.75

Because the company is unable to identify its share of the schemes assets and liabilities on a consistent and reasonable basis, as permitted by FRS 17 'Retirement benefits' the schemes will be accounted for by the company when the accounting standard is fully adopted by the company as if the schemes are defined contribution schemes. It has been agreed that an employer contribution rate of 18.5% of pensionable pay for the Mowlem Staff Pension and Life Assurance Scheme and an average of 25.8% for the Mowlem (1993) Pension Scheme will apply in future years.

20 Ultimate parent company

The Company is a subsidiary undertaking of Mowlem plc registered in England and Wales.

The smallest group into which the results of the Company are consolidated is that headed by Mowlem Managed Services plc (formerly Aquamen Group Plc) registered in England and Wales and the largest is Mowlem plc.

The consolidated accounts of these groups are available to the public and may be obtained from:

The Company Secretary
Mowlem plc
White Lion Court
Swan Street
Isleworth
Middlesex
TW7 6RN