3749601

Cleveland Bridge UK Limited

Report and Financial Statements

31 December 2003

Company No: 3749601

Directors
S D Shetty
B Rogan
A R Grant

Secretary
I Hogarth

Auditors
Ernst & Young LLP
Citygate
St James' Boulevard
Newcastle upon Tyne
NE1 4JD

Bankers
Barclays Bank PLC
PO Box 544
London
EC3P 3AH

Saudi American Bank
Nightingale House
65 Curzon Street
London W1J 8PF

HSBC
27 – 32 Poultry
London
EC2P 2BX

Solicitors
Semple Fraser
10 Melville Crescent
Edinburgh
EH3 7LU

Walker Morris
Kings Court
12 King Street
Leeds LS1 2HL

Registered Office
Cleveland House
PO Box 27
Yarm Road
Darlington
Co Durham
DL1 4DE

Directors' report

The directors present their report and financial statements for the year ended 31 December 2003.

Results and dividends

The loss for the year, after taxation, amounted to £1,247,000 (2002: loss £13,661,000).

Principal activity and review of the business

The group's principal activities are the fabrication and erection of large bridges and high-rise buildings. The group's activities were driven largely by three projects, Tinsley Viaduct, Wembley Stadium and the Rion Antiron bridge deck project, Greece. Part of the Rion contract has been undertaken by the subsidiary company CB Hellas, which is incorporated in Greece. Activity levels beyond 2004 look relatively low due to market conditions and the business has carried out a redundancy plan to take account of the downturn in activity.

Of particular note is the current ongoing legal action pursued by the group against Multiplex Constructions (UK) Limited in respect of a contract for the fabrication and erection of steelwork for the Wembley Stadium. Details of the dispute are highlighted in Notes 1 and 21 of these financial statements.

Future Developments

The Directors intend that the group will focus on new road bridges, bridge refurbishment and commercial buildings, all within the UK and mainland Europe. The Director's are confident that a successful business will be maintained with a turnover of £30m - £40m expected for 2005.

Directors and their interests

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

I W Reeves	Appointed 28 February 2003 – Resigned 10 October 2003
S D Shetty	Appointed 8 August 2003
A Nightingale	Appointed 1 January 2003 – Resigned 4 October 2004
J E Child	Resigned 21 December 2004
D G Pattle	Resigned 28 February 2003
B Rogan	
P Gillford	Resigned 15 June 2004
A R Grant	Appointed 21 December 2004

No director has an interest in the shares of the company at the balance sheet date. The company is a subsidiary of Cleveland Bridge Dorman Long Engineering Limited, incorporated in Jersey, which in turn is a subsidiary of Al Rushaid Investment Corporation, incorporated in Saudi Arabia.

Employee involvement

During the year, the policy of providing employees with information about the group has been continued through regular circulation of financial and other information about the group.

Disabled employees

The group gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person.

Where existing employees become disabled, it is the group's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

Directors' report

Creditors payment policy

It is the group's policy that payments to suppliers, whenever possible, are made in accordance with those terms and conditions agreed between the group and its suppliers, provided that all trading terms and conditions have been complied with.

At 31 December 2003, the company had an average of 46 days purchases outstanding in trade creditors.

Political and charitable donations

During the year, the group made no political contributions and no charitable contributions.

Post balance sheet events

During 2004, the ultimate parent undertaking and controlling party has injected £13m into the group by way of the repayment of the sums due from the intermediate parent undertaking.

Auditors

A resolution to re-appoint Ernst & Young LLP as the group's auditors will be put to the forthcoming Annual General Meeting.

By Order of the Board

S D Shetty
Director
23 March 2005

Statement of directors' responsibilities in respect of the financial statements

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 group and of the profit or loss of the group 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group 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 group 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 group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

ERNST & YOUNG

Independent auditors' report

to the members of Cleveland Bridge UK Limited

We have audited the Group's financial statements for the year ended 31 December 2003 which comprise the Group Profit and Loss Account, Group Statement of Total Recognised Gains and Losses, Group Balance Sheet, Company Balance Sheet, Group Statement of Cash Flows and the related notes numbered 1 to 23. These financial statements have been prepared on the basis of the accounting policies set out therein.

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 auditors' 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

As described in the Statement of Directors' Responsibilities the Company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 Company has not kept proper accounting records or if we have not received all the information and explanations we require for our audit, or information specified by law regarding director's remuneration and transactions with the Group is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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.

Independent auditors' report

to the members of Cleveland Bridge UK Limited (continued)

Fundamental uncertainties

In forming our opinion, we have considered the adequacy of the disclosures made in the financial statements concerning their preparation on a going concern basis and the possible outcome of litigation between the company and Multiplex Constructions (UK) Limited. The validity of the going concern basis depends upon adequate financial support continuing to be available from the company's ultimate parent undertaking, Al Rushaid Investment Corporation. Any future settlement of the litigation with Multiplex Constructions (UK) Limited could result in additional liabilities of a material nature to the company. Details of the circumstances relating to these fundamental uncertainties are described in note 1 and note 21 to the financial statements. Our opinion is not qualified in these respects.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2003 and of the loss of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young

Ernst & Young LLP
Registered Auditor
Newcastle upon Tyne

29 March 2005

Group profit and loss account

for the year ended 31 December 2003

	Notes	*Total results for year ended 31 December 2003 £000*	*Total results for year ended 31 December 2002 £000*
Turnover	2	100,010	29,350
Cost of sales		94,887	38,028
Gross profit/(loss)		5,123	(8,678)
Selling and administrative expenses		5,914	4,722
Exchange difference		23	-
Operating loss	3	(814)	(13,400)
Interest receivable		74	168
Interest payable and similar charges	7	(507)	(429)
		(433)	(261)
Loss on ordinary activities before taxation		(1,247)	(13,661)
Tax on loss on ordinary activities	8	-	-
Loss for the financial year	14	(1,247)	(13,661)

Group statement of total recognised gains and losses

There are no recognised gains and losses other than the loss attributable to shareholders of the group of £1,247,000 in the year ended 31 December 2003 and the loss of £13,661,000 in the year ended 31 December 2002.

Group balance sheet

at 31 December 2003

	Notes	2003 £000	2002 £000
Assets			
Fixed assets			
Tangible assets	9	6,651	5,669
Current assets			
Stock	11	31	21
Debtors	12	45,442	31,508
Cash at bank and in hand		2,130	1,033
		47,603	32,562
Total assets		54,254	38,231

	Notes	2003 £000	2002 £000
Liabilities			
Capital and reserves			
Called up share capital	13	1,000	1,000
Share Premium account	14	4,447	4,447
Profit and loss account	14	(9,009)	(7,762)
Equity shareholders' deficit		(3,562)	(2,315)
Provisions for liabilities and charges	15	7,635	5,702
Creditors	16	50,181	34,844
Total liabilities and shareholders' deficit		54,254	38,231

S D Shetty
Director

B Rogan
Director

23rd March 2005

Company balance sheet
at 31 December 2003

	Notes	2003 £000	2002 £000
Assets			
Fixed assets			
Tangible assets	9	6,651	5,669
Investments	10	-	-
		6,651	5,669
Current assets			
Stock	11	31	21
Debtors	12	44,821	31,508
Cash at bank and in hand		2,109	1,033
		46,961	32,562
Total assets		53,612	38,231

	Notes	2003 £000	2002 £000
Liabilities			
Capital and reserves			
Called up share capital	13	1,000	1,000
Share Premium account	14	4,447	4,447
Profit and loss account	14	(8,833)	(7,762)
Equity shareholders' deficit		(3,386)	(2,315)
Provisions for liabilities and charges	15	7,635	5,702
Creditors	16	49,363	34,844
Total liabilities and shareholders' deficit		53,612	38,231

S D Shetty
Director

B Rogan
Director

23rd March 2005

Group statement of cash flows

for the year ended 31 December 2003

	Notes	2003 £000	2002 £000
Net cash outflow from operating activities	18(a)	(5,051)	(191)
Returns on investments and servicing of finance	18(b)	(433)	(261)
Taxation	18(b)	-	-
Capital expenditure and financial investment	18(b)	(685)	(1,907)
Financing	18(b)	-	2,000
Decrease in cash		(6,169)	(359)

Reconciliation of net cash flow to movement in net debt

		2003 £000	2002 £000
Decrease in cash		(6,169)	(359)
Cash inflow from increase in loans		-	(2,000)
Increase in net debt		(6,169)	(2,359)
Net debt at 1 January		(6,381)	(4,022)
Net debt at 31 December	18(c)	(12,550)	6,381)

Notes to the financial statements

at 31 December 2003

1. Accounting policies

Fundamental accounting concept

Litigation is ongoing between the company and Multiplex Constructions (UK) Limited in respect of a £60 million contract to carry out fabrication, supply, delivery and erection of structural steel and roofing works at the Wembley National Stadium. The Directors have assessed the likely outcome of this litigation when assessing the accounting position at the year end. However there is inherent uncertainty as to the outcome of this litigation which could potentially result in additional unprovided liabilities of a material nature to the group. This litigation is further described at note 21 below.

The financial statements have been prepared on a going concern basis, which the directors believe to be appropriate for the following reasons. The company and the group are dependent for their working capital on continuing financial support being made available by the ultimate parent company, the Al Rushaid Investment Corporation, Saudi Arabia. The ultimate parent company has agreed to endeavour to continue to provide sufficient financial support to the company for a period of at least 12 months from the date of approval of these financial statements. Since the year end the parent company has advanced sums to the intermediate parent undertaking in excess of £13 million for this purpose. These funds have been received by the company by way of repayment of amounts due from the intermediate parent undertaking. In the opinion of the directors, such ongoing financial support should enable the company and the group to continue in operational existence for the foreseeable future and to meet its liabilities as they fall due. On this basis, the directors consider it appropriate to prepare the financial statements on the going concern basis. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that adequate financial support will continue to be available, although as at the date of approval of these financial statements they have no reasons to believe that it will not be so. The financial statements do not include any adjustments that would result should continuing adequate financial support no longer be available from the ultimate parent company. However, should sufficient continuing financial support not be available, the going concern basis would be invalid and adjustments would have to be made to reduce the value of assets to their recoverable amount, to provide for any further liabilities which might arise and to reclassify fixed assets and long term liabilities as current assets and current liabilities respectively.

Accounting convention

The financial statements are prepared under the historical cost accounting rules, and according to applicable accounting standards.

Basis of consolidation

The group financial statements consolidate the financial statements of Cleveland Bridge UK Limited and all its subsidiary undertakings drawn up to 31 December each year.

No company profit and loss account is presented for Cleveland Bridge UK Limited, in accordance with section 230 of Companies Act 1985.

Depreciation

Land is not depreciated. Depreciation is provided on all tangible assets, at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition, of each asset on a straight line basis over its estimated useful life as follows:

Long leasehold buildings	-	over 50 years
Plant and machinery	-	over two to five years
Fixtures and fittings	-	over two to five years

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Notes to the financial statements

at 31 December 2003

1. Accounting policies (continued)

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition, as follows:

Raw materials and consumables - purchase cost on a first-in, first-out basis

Net realisable value is based on estimated selling price less any further costs incurred to completion and disposal.

Long-term contracts

Amounts recoverable on contracts (other than small works) are valued at anticipated net sales value. Amounts derived from variations, that is change instructions given by clients, are estimated and included in the valuation of contracts and credited to the profit and loss account only when entitlement has been established with reasonable certainty. No amounts are credited to the profit and loss account in respect of claims unless it is clear that agreement can be reached with the contract client.

Cash received on contracts is deducted from amounts which are recoverable on contracts. Such amounts which have been received and exceed amounts recoverable are included in creditors. Contract provisions in excess of amounts recoverable are included in provisions for liabilities and charges.

Profit on long term contracts is taken as work is carried out if the final outcome can be assessed with reasonable certainty. Full provision is made for losses on all contracts in the year in which they are first foreseen.

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more, or right to pay less tax in future have occurred at the balance sheet date. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of the underlying timing differences can be deducted. Timing differences are differences arising between the company's taxable profits and its results as stated in the financial statements, which are capable of reversal in one or more subsequent periods.

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Foreign currencies

Company

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

Group

The financial statements of overseas subsidiary undertakings are translated at the rate of exchange ruling at the balance sheet date. The exchange difference arising on the retranslation of opening net assets is taken directly to reserves. All other exchange differences are taken directly to the profit and loss account.

Notes to the financial statements

at 31 December 2003

1. Accounting policies (continued)

Leasing and hire purchase commitments

Assets held under finance leases and hire purchase contracts which are those where substantially all the risks and rewards of ownership of the asset have passed to the Company, are capitalised in the balance sheet and are depreciated over their useful lives.

The interest element of the rental obligations is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the term of the lease.

Pensions

The company operates a defined contribution pension scheme. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

Capital instruments

Shares are included in shareholders' funds. There are no other instruments utilised by the company.

2. Turnover

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties, except in respect of long-term contracts. Turnover in respect of long-term contracts is calculated as that proportion of total contract value, including estimates in respect of variations arising in the course of construction, which represents a fair measure of physical progress made to date.

An analysis of turnover by geographic market is as follows:

	2003	*2002*
	£000	*£000*
USA	617	1,603
United Kingdom	82,365	13,890
China	2,351	2,909
Bahrain	1,676	2,120
Greece	11,258	7,573
Philippines	1,743	1,255
	100,010	29,350

An analysis of turnover by class of business is as follows:

	2003	*2002*
	£000	*£000*
Major bridges	59,010	25,240
Fabrication and high rise buildings	41,000	4,110
	100,010	29,350

Notes to the financial statements

at 31 December 2003

3. Operating profit/(loss)

This is stated after charging/(crediting):

	2003	*2002*
	£000	*£000*
Depreciation of owned fixed assets	774	1,025
Impairment of tangible fixed assets	115	-
Auditors' fees - audit services	116	50
- non-audit services	51	50
Operating lease rentals - motor vehicles	6	18

4. Exceptional items

Included within the results of the year are the following items which the directors regard as being exceptional items.

	2003	*2002*
	£000	*£000*
Results of exceptional long term contracts where significant costs have been Incurred or provided for as a result of negotiations with clients on claims and variations	(1,968)	(7,634)
Provision for non-recovery of intercompany receivables	(2,520)	(455)
Costs arising out of redundancy	(161)	-
	(4,649)	(8,089)

5. Directors' emoluments

	2003	*2002*
	£000	*£000*
Emoluments	248	509
Compensation for loss of office	-	45
Company contributions paid to money purchase pension scheme	9	17

	2003	*2002*
	No.	*No.*
Members of the money purchase pension scheme	2	6

Notes to the financial statements

at 31 December 2003

5. Directors' emoluments (continued)

The amounts in respect of the highest paid director are as follows:

	2003	2002
	£000	£000
Emoluments	144	143
Company contributions paid to money purchase pension scheme	5	-

6. Staff costs

	2003	2002
	£000	£000
Wages and salaries	28,555	18,075
Social security costs	2,736	1,557
Other pension costs (note 20)	358	307
	31,649	19,939

The monthly average number of employees during the year was as follows

	2003	2002
	No.	No.
Management and administration	214	177
Technical	633	416
	847	593

7. Interest payable and similar charges

	2003	2002
	£000	£000
Bank loans and overdrafts	507	429

Notes to the financial statements

at 31 December 2003

8. Tax on profit on ordinary activities

a) Current tax charge

	2003	2002
	£000	£000
UK corporation tax:		
UK corporation tax on profits of the period	-	-
Adjustments in respect of previous periods	-	-
Total current corporation tax (note 8(b))	-	-
Deferred tax:		
Originating and reversal of timing differences (note 15)	-	-
Total current tax	-	-

b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the period is lower than the standard rate of corporation tax in the UK of 30% (2002: 30%). The differences are reconciled below:

	2003	2002
	£000	£000
Loss on ordinary activities before tax	(1,247)	(13,661)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2002: 30%)	(374)	(4,098)
Effect of:		
Expenses not deductible for tax purposes	470	114
Depreciation in excess of capital allowances	261	248
Other timing differences	13	8
Group relief received for nil payment	(80)	-
Utilisation of brought forward tax losses	(380)	-
Unrelieved tax losses	90	3,728
Total current tax (note 8(a))	-	-

c) Factors that may affect future tax charges

As at 31 December 2003 there was unrecognised deferred tax assets amounting to £5,373,000 (2002: £5,480,000) which primarily relate to trading losses. The directors do not consider it more likely than not that there will be sufficient taxable profits from which reversal of timing differences can be deducted and these have therefore not been recognised in the statutory financial statements.

Notes to the financial statements

at 31 December 2003

9. Tangible fixed assets

Group and company

	Long leasehold land and buildings £000	*Fixtures and fittings £000*	*Plant and machinery £000*	*Total £000*
Cost:				
At 1 January 2003	4,632	419	3,349	8,400
Additions	53	154	478	685
Disposals		(1)	-	(1)
Transfers from subsidiary undertakings	-	9	-	9
Transfer from group undertaking	1,177	-	-	1,177
At 31 December 2003	5,862	581	3,827	10,270
Accumulated depreciation:				
At 1 January 2003	85	223	2,423	2,731
Provided during the year	68	175	531	774
Impairment loss	-	-	115	115
Disposals	-	(1)	-	(1)
At 31 December 2003	153	397	3,069	3,619
Net book value:				
At 31 December 2003	5,709	184	758	6,651
At 1 January 2003	4,547	196	926	5,669

10. Investments

Company

	Subsidiary undertakings £000
Cost:	
At 1 January 2003	-
Additions	42
At 31 December 2003	42
Amounts provided:	
At 1 January 2003	-
Impairment	42
At 31 December 2003	42
Net book value:	
At 1 January and 31 December 2003	-

Notes to the financial statements

at 31 December 2003

10. Investments (continued)

Details of the investments in which the company holds 20% or more of the nominal value of any class of share capital are as follows:

Name of Company	*Country of incorporation*	*Holding*	*Proportion of voting rights and shares held*	*Nature of business*
Cleveland Bridge Hellas SA	Greece	Ordinary shares	100%	Bridge building company

The investment relates to the cash consideration for the entire share capital of Cleveland Bridge Hellas SA, a company incorporated in Greece on 13 August 2003.

11. Stock

	2003	*2002*
	£000	*£000*
Raw materials and consumables	31	21

12. Debtors

		Group		*Company*
	2003	*2002*	*2003*	*2002*
	£000	*£000*	*£000*	*£000*
Trade debtors	7,518	6,605	6,941	6,605
Amounts recoverable on long term contracts	17,872	6,246	17,546	6,246
Amounts owed by intermediate parent undertaking	11,907	7,087	11,907	7,087
Amount owed by fellow subsidiary undertakings	4,298	9,644	4,826	9,644
Amount owed by related undertakings	248	121	248	121
Prepayments	1,287	845	1,287	845
Other debtors	2,151	960	2,066	960
Other taxes	161	-	-	-
	45,442	31,508	44,821	31,508

The £11,907,000 amounts owed by the intermediate parent undertaking has been underwritten by the ultimate parent undertaking and controlling party Al Rushaid Investment Corporation, Saudi Arabia.

Included in trade debtors in the Group is an amount of £2,456,000 (2002: £1,070,000) which is due after more than one year.

Included in trade debtors in the Company is an amount of £2,393,000 (2002: £1,070,000) which is due after more than one year.

Notes to the financial statements

at 31 December 2003

13. Share capital

Authorised

	2003 £000	2002 £000
Ordinary shares of £1 each	1,000	1,000

Allotted, called up and fully paid

	No.	No.	2003 £000	2002 £000
Ordinary shares of £1 each	1,000,000	1,000,000	1,000	1,000

14. Reconciliation of shareholders' funds and movement on reserves

Group

	Share capital £000	Share premium account £000	Profit and loss account £000	Total share-holders' deficit £000
As 1 January 2002	1,000	4,447	5,899	11,346
Loss for the year	-	-	(13,661)	(13,661)
As at 1 January 2003	1,000	4,447	(7,762)	(2,315)
Loss for the year	-	-	(1,247)	(1,247)
As at 31 December 2003	1,000	4,447	(9,009)	(3,562)

Company

	Share capital £000	Share premium account £000	Profit and loss account £000	Total share-holders' deficit £000
As 1 January 2002	1,000	4,447	5,899	11,346
Loss for the year	-	-	(13,661)	(13,661)
As at 1 January 2003	1,000	4,447	(7,762)	(2,315)
Loss for the year	-	-	(1,071)	(1,071)
As at 31 December 2003	1,000	4,447	(8,833)	(3,386)

Notes to the financial statements

at 31 December 2003

15. Provisions for liabilities and other charges

Group and company	*Deferred taxation £000*	*Provision for foreseeable losses £000*	*Total £000*
As at 1 January 2003	-	5,702	5,702
Arising during the year	-	3,435	3,435
Utilised during the year	-	(1,502)	(1,502)
As at 31 December 2003	-	7,635	7,635

The provision for foreseeable losses on contract work in progress is estimated to be utilised within two years. This provision represents the forecast loss which is currently estimated to arise over the remaining duration of contracts in progress at the year end.

16. Creditors

	Group 2003 £000	*2002 £000*	*Company 2003 £000*	*2002 £000*
Bank loans and overdrafts (note 17)	14,680	5,414	14,680	5,414
Shareholder's loan	-	2,000	-	2,000
Loan from fellow subsidiary undertaking	815	815	815	815
Trade creditors	12,075	7,550	11,260	7,550
Payments on account	2,262	10,450	2,262	10,450
Amounts owed to fellow subsidiary undertakings	1,691	1,460	1,691	1,460
Amounts owed to related undertakings	338	-	338	-
Other creditors	757	738	754	738
Other taxes and social security	2,161	2,104	2,161	2,104
Accruals and deferred income	15,402	4,313	15,402	4,313
	50,181	49,063	49,363	34,844

Amounts falling due after more than one year included above are:

	2003 £000	*2002 £000*
Loans (note 17)	1,694	4,706

Notes to the financial statements

at 31 December 2003

17. Loans and bank overdrafts

	Group 2003 £000	2002 £000	*Company* 2003 £000	2002 £000
Wholly repayable within five years:				
Bank loans and overdraft	12,501	3,039	12,501	3,039
Loans from fellow group undertakings	815	2,815	815	2,815
Other loan	2,179	2,375	2,179	2,375
	15,495	8,229	15,495	8,229
Amounts falling due:				
In one year or less or on demand	13,081	3,523	13,081	3,523
In more than one year but not more than two years	1,694	4,706	1,694	4,706
	15,495	8,229	15,495	8,229

The company is party to a cross guarantee and debenture with certain other group companies in relation to banking facilities. The bank loans and overdraft are secured by way of an ultimate Parent Company Guarantee. The other loan is secured on the company's long leasehold office property. The loans from fellow group undertakings are unsecured.

18. Notes to the statement of cash flows

(a) Reconciliation of operating loss to net cash outflow from operating activities

	2003 *£000*	*2002* *£000*
Operating loss	(814)	(13,400)
Depreciation	889	1,025
Increase in debtors	(15,809)	(10,396)
(Decrease)/increase in stocks	(10)	26
Increase in creditors	8,760	17,086
Increase in provisions	1,933	5,468
Net cash outflow from operating activities	(5,051)	(191)

(b) Analysis of cash flows for headings netted in the statement of cash flows

	2003 *£000*	*2002* *£000*
Returns on investments and servicing of finance		
Interest received	74	168
Interest paid	(507)	(429)
	(433)	(261)

Notes to the financial statements

at 31 December 2003

18. Notes to the statement of cash flows (continued)

	2003 £000	2002 £000
Taxation		
Corporation tax paid	-	-

	2003 £000	2002 £000
Capital expenditure and financial investment		
Payment to acquire tangible fixed assets	(685)	(1,907)

	2003 £000	2002 £000
Financing		
New unsecured loan from ultimate parent undertaking	-	2,000

(c)Analysis of changes in net debt

	At 1 January 2002 £000	Transfer £000	Cash Flow £000	At 31 December 2003 £000
Cash at bank and in hand	1,033	-	1,097	2,130
Bank loans and overdrafts	(5,414)	(2,000)	(7,266)	(14,680)
	(4,381)	(2,000)	(6,169)	(12,550)
Shareholders' loan	(2,000)	2,000	-	-
	(6,381)	-	(6,169)	(12,550)

19. Total commitments

Amounts contracted for but not yet provided in the financial statements amounted to £51,540 (2002: £390,801).

20. Pension commitments

The Company operates a defined contribution pension scheme, The Cleveland Bridge UK Pension Scheme, for its directors and employees. The assets of the scheme are held separately from those of the Company in an independently administered fund. The unpaid contributions outstanding at the year end included in 'Other creditors' (note 16) are £75,322 (2002: £61,274).

Notes to the financial statements

at 31 December 2003

21. Contingent liability

As at 31 December 2003 the Company has contingent liabilities in respect of performance bonds amounting to £30,881,000 (2002: £21,028,000).

The Company is party to a cross guarantee and debenture with certain other group companies in relation to banking facilities. Amounts outstanding under these facilities as at 31 December 2003 totalled £15m.

The Company has received notice of dispute over valuation of work on its Wembley contract. The Company considers that the dispute strikes at the heart of this contract, and in particular, agreements reached with its client as to the valuation of works up to 15 February 2004. The company has therefore accepted as repudiatory its client's breach of contract and is pursuing its client for monies due. The company's client has issued a counterclaim alleging that the Company has breached its contract. The dispute is scheduled to be heard in the Technical and Construction Court in the first half of 2006.

No provision has been made for any liability in respect of this dispute as the directors believe that this financial responsibility lies with the client. The directors have relied to a certain degree on the successful outcome of Adjudications of Disputes heard in September 2004 as a result of which Multiplex Constructions (UK) Limited has paid the Company £5.1m plus VAT. The range of potential outcomes of this litigation is very substantial and the nature of the associated claims and counter claims means that it has been impractical to make a reliable estimate of the potential financial effects should any financial responsibility be ultimately attributed to the company.

Due to the nature of the Company's activities, the Company is exposed at any one time to contractual and health and safety risks in the ordinary course of business. The directors have applied judgement to the likely impact of such risks and made suitable provisions in accordance with SSAP 9 and FRS 12 where they feel it is appropriate. Such estimates are necessarily based on an assessment of the outcome of a range of future events which are inherently uncertain.

22. Related party transactions

During the year the company entered into transactions in the ordinary course of business, with other related parties. Transactions entered into, and trading balances outstanding at 31 December, are as follows:

	Sales to related party	*Purchases from related party*	*Amounts owed from related party*	*Provision against irrecoverable amounts owed from related party*	*Amounts owed to related party*
	£000	*£000*	*£000*	*£000*	*£000*
Cleveland Bridge Dorman Long Engineering Ltd					
2003	26	443	11,907	-	-
2002	510	498	7,087	-	-
Dorman Long Ltd (Jersey)					
2003	-	-	50	50	-
2002	-	-	50	-	-
Cleveland Bridge Engineering Ltd					
2003	-	-	-	-	-
2002	-	-	2,849	-	-
Cleveland Bridge International Limited					
2003	79	-	280	-	423
2002	-	-	-	-	228

Notes to the financial statements

at 31 December 2003

22. Related party transactions (continued)

	Sales to related party £000	*Purchases from related party £000*	*Amounts owed from related party £000*	*Provision against irrecoverable amounts owed from related party £000*	*Amounts owed to related party £000*
Cleveland Bridge USA Inc					
2003	343	-	2,211	160	934
2002	128	-	3,615	-	881
Dorman Long UK Limited					
2003	373	1	1,295	91	14
2002	138	13	942	-	13
Dorman Long Access Systems Limited					
2003	378	-	935	527	61
2002	208	55	1,059	-	61
Dorman Long Cold Form Sections Limited					
2003	6	(9)	333	333	-
2002	168	-	331	322	9
Dorman Long Design Limited					
2003	91	21	280	140	48
2002	84	24	209	132	27
Dorman Long Hordaland					
2003	21	-	743	526	-
2002	51	-	121	-	-
Cleveland Bridge & Engineering Company Sdn Bhd					
2003	35	18	882	861	21
2002	22	5	858	-	22
OKI Investments Limited					
2003	-	-	-	-	1,027
2002	-	-	-	-	973
Cleveland Bridge & Engineering Middle East (PVT) Ltd					
2003	3,012	2,263	69	-	-
2002	-	-	32	-	-
Dorman Long Technology Ltd					
2003	255	2,310	-	-	338
2002	307	1,632	213	-	122
SIAC/Cleveland JV*					
2003	128	-	1,433	1,425	-
2002	-	-	1,230	-	-
Al Rushaid Investment Corporation**					
2003	-	-	179	-	-
2002	-	-	199	-	2,000

Notes to the financial statements

at 31 December 2003

22. Related party transactions (continued)

Unless otherwise indicated, all above companies are entities within the group Cleveland Bridge Dorman Long Engineering Limited.

* Joint Venture between fellow group undertaking Cleveland Bridge & Engineering Company Limited and SIAC

** Ultimate parent undertaking and related by virtue of common directors

During the year, in addition to the provisions against irrecoverable amounts owed from related parties, £275,000 was written off with respect to a loan waiver of amounts due from Dorman Long Access Systems Limited.

23. Parent undertaking and controlling party

The Company's immediate parent undertaking is Cleveland Bridge BVI Limited, which is a company incorporated in the British Virgin Islands. It has not included the company in its group financial statements.

In the directors' opinion the company's intermediate parent undertaking is Cleveland Bridge Dorman Long Engineering Limited, which is incorporated in Jersey, and which does not publish group accounts.

In the director's opinion, the company's ultimate parent undertaking and controlling party is the Al Rushaid Investment Corporation, which is incorporated in Saudi Arabia.