

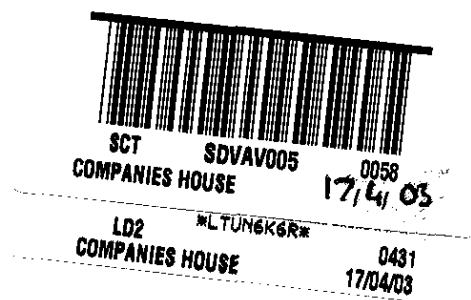
SC136349

MOWLEM UTILITY SERVICES LIMITED

Directors' report and financial
statements

Registered number 136349

31 December 2001



Contents

Directors' report	1
Statement of directors' responsibilities	3
Report of the independent auditors to the members of Mowlem Utility Services Limited	4
Profit and loss account	5
Balance sheet	6
Notes	7

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2001.

Principal activities

The company's principal activity during the year was as a multi-utility contractor in the UK.

Results

The results for the year ended 31 December 2001 are disclosed in the financial statements on pages 5 to 13.

The directors do not recommend payment of a dividend (2000: £nil).

Directors and directors' interests

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

Gilbert Ney Clelland

Philip Aloysius Doyle

Gordon Macdonald

William Brendan Smith

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

	Ordinary shares of 25p each 31 December 2001		Ordinary shares of 25p each 31 December 2000	
	Beneficially held	Options	Beneficially held	Options
William Brendan Smith	9,760	50,000	23,933	107,714
Philip Aloysius Doyle	-	1,937	3,421	3,713

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

Alain Gison
Authorized Representative
Mowlem Secretariat Ltd
Secretary

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.



Independent auditors' report to the members of Mowlem Utility Services Limited

We have audited the financial statements on pages 5 to 13.

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 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in black ink, appearing to read 'KPMG Auditor' followed by a stylized flourish.

KPMG Audit Plc
Chartered Accountants
Registered Auditors

17 April 2003

PO Box 695
8 Salisbury Square
London
EC4Y 8BB

Profit and loss account
for the year ended 31 December 2001

	Notes	2001 £	2000 £
Turnover	2	3,251,500	898,475
Cost of sales		(2,135,720)	(742,083)
Gross profit		1,115,780	156,392
Administration expenses		(618,640)	(573,904)
Operating profit / (loss)	3	497,140	(417,512)
Interest receivable and similar income		-	452
Interest payable	7	(56,805)	(2,194)
Profit / (loss) on ordinary activities before taxation		440,335	(419,254)
Taxation on profit on ordinary activities	8	19,253	-
Profit / (loss) on ordinary activities after taxation		459,588	(419,254)
Dividends		-	-
Retained profit / (loss) for the period	17	459,588	(419,254)

All activities are continuing.

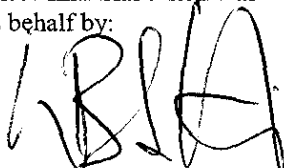
The company has no recognised gains or losses other than those shown in the profit and loss account.

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

Balance sheet
 at 31 December 2001

	Notes	2001	2000
		£	£
Fixed assets			
Tangible assets	9	49,810	79,014
Investments	10	100,000	100,000
		<hr/>	<hr/>
		149,810	179,014
Current assets			
Stocks – raw materials and consumables		71,454	10,200
Debtors	11	2,849,930	1,439,381
Cash at bank and in hand		85,636	36,143
		<hr/>	<hr/>
		3,007,020	1,485,724
Creditors: amounts falling due within one year	12	(2,746,571)	(1,578,406)
		<hr/>	<hr/>
Net current assets / (liabilities)		260,449	(92,682)
		<hr/>	<hr/>
Total assets less current liabilities		410,259	86,382
Creditors: amounts falling due after one year	13	(16,886)	(23,097)
Provisions for liabilities and charges	14	(20,550)	(150,000)
		<hr/>	<hr/>
Net assets / (liabilities)		372,823	(86,765)
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	16	200	200
Profit and loss account	17	372,623	(86,965)
		<hr/>	<hr/>
Equity shareholders' funds		372,823	(86,765)
		<hr/>	<hr/>

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


W Smith
 Director

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

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.

Under s228 of the Companies Act 1985, as a wholly owned subsidiary of Mowlem plc which prepares its own consolidated accounts, the Company is exempt from preparing its own consolidated accounts.

Turnover

Contracting turnover comprises the value of work executed during the period.

Profit

Operating profit comprises the results from carrying out utility 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:

Plant and machinery	-	3 to 7 years
---------------------	---	--------------

Deferred taxation

Deferred taxation is accounted for using the liability method in relation to timing differences in respect of which there is reasonable probability that they will reverse in the foreseeable future without being replaced by similar differences. It has been assumed that losses surrendered to other group companies will continue to be paid for at the corporation tax rate applicable at that time.

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.

Notes (continued)

Accounting policies (continued)

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 FRS17 'Retirement Benefits', contributions to the Group scheme will be accounted for as if it were a defined contribution scheme.

The latest full actuarial valuation of the Mowlem plc Group scheme was undertaken at 31 December 2000 and was updated for FRS17 purposes to 31 December 2001 by a qualified independent actuary. Under FRS17 the Group scheme shared a net deficit of £10.0 million after deduction of irrecoverable amounts and deferred taxation at 31 December 2001.

2 Turnover

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

3 Operating profit

Operating profit is stated after charging:

	2001 £	2000 £
Auditors' remuneration	2,000	6,000
Depreciation	26,970	34,118

4 Remuneration of directors

All the 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 41 (2000 : 13)

The aggregate payroll costs of these persons were as follows:

	2001 £	2000 £
Wages and salaries	620,584	445,206
Social security costs	34,027	43,041
Other pension costs	44,651	15,016
	<hr/>	<hr/>
	699,262	503,263
	<hr/>	<hr/>

Notes (continued)

6 Interest receivable and similar income

	2001 £	2000 £
Interest receivable - bank	-	452
	<u> </u>	<u> </u>

7 Interest Payable

	2001 £	2000 £
Hire purchase interest	2,194	2,194
Head office loan account interest	54,611	-
	<u> </u>	<u> </u>
	56,805	2,194
	<u> </u>	<u> </u>

8 Taxation on profit on ordinary activities

	2001 £	2000 £
UK corporation tax at 30% (2000: 30:25%)	(50,111)	-
Deferred tax released	(1,646)	-
Group tax relief not recognised in 2000	71,010	-
	<u> </u>	<u> </u>
	19,253	-
	<u> </u>	<u> </u>

Notes (continued)

9 Tangible fixed assets

	Plant and Machinery £	Fixtures & Fittings £	Motor Vehicles £	Total £
Cost				
At 1 January 2001	6,992	64,134	67,134	138,260
Additions	19,608	8,167	-	27,775
Disposals	-	(33,514)	-	(33,514)
At 31 December 2001	26,600	38,787	67,134	132,521
Depreciation				
At 1 January 2001	6,462	29,276	23,508	59,246
Charge for year	5,153	12,025	9,792	26,970
Disposals	-	(3,505)	-h	(3,505)
At 31 December 2001	11,615	37,796	33,300	82,711
Net book value				
At 31 December 2001	14,985	991	33,834	49,810
At 1 January 2001	530	34,858	43,626	79,014

10 Fixed asset investment

In the opinion of the directors, the aggregate value of the company's investment in subsidiary undertakings is not less than the amount included in the balance sheet.

Holdings of more than 20%

The company holds more than 20% of the share capital of the following companies:

Company	Country of registration or Incorporation	Shares held Class	%
Subsidiary undertakings			
AH Ball & Company Limited	England	Ordinary	100

Notes *(continued)*

11 Debtors

	2001 £	2000 £
Trade debtors	184,095	318,812
Deferred tax asset (refer to note 15)	5,952	-
Amounts due from group companies	2,659,883	1,120,569
	<u>2,849,930</u>	<u>1,439,381</u>

12 Creditors: amounts falling due within one year

	2001 £	2000 £
Trade creditors	486,904	73,507
Amounts due to fellow subsidiary	1,949,483	1,282,582
Other creditors	35,363	48,127
Corporation tax	110,977	-
Finance lease and hire purchase contracts	6,210	6,210
Other taxes and social security costs	-	55,705
Accruals and deferred income	157,634	112,275
	<u>2,746,571</u>	<u>1,578,406</u>

13 Creditors : amounts falling due after one year

	2001 £	2000 £
Finance lease and hire purchase contracts	16,886	23,097
	<u>16,886</u>	<u>23,097</u>

14 Provisions for liabilities and charges

	£
Balance as at 1 January 2001	150,000
Release of provision in the year	(129,450)
Balance as at 31 December 2001	<u>20,550</u>

Notes (continued)

15 Deferred tax

	£
Balance as at 1 January 2001	-
Provision made in the year	(7,598)
Release of provision in the year	1,646
	<hr/>
Balance as at 31 December 2001	(5,952)
	<hr/>

16 Called up share capital

	2001 £	2000 £
<i>Authorised</i>		
Equity: Ordinary shares of £ 1 each	200	200
	<hr/>	<hr/>
<i>Allotted, called up and fully paid</i>		
Equity: Ordinary shares of £ 1 each	200	200
	<hr/>	<hr/>

17 Reserves

	Profit and loss account £
At 1 st January 2001	(86,965)
Retained profit for the year	459,588
	<hr/>
At end of year	372,623
	<hr/>

18 Cash flow statement

Under Financial Reporting Standard 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, disclosed in note 16.

19 Related party transactions

As a wholly owned subsidiary of John Mowlem and Company PLC, 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.

Notes *(continued)*

20 Ultimate holding company

The ultimate holding company is Mowlem 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.