

# **The Mowlem Construction Company (East Africa) Limited**

## **Directors' report and financial statements**

**31 December 1995**

Registered number 775010



# The Mowlem Construction Company (East Africa) Limited

## Directors' report and financial statements

<i>Contents</i>	<i>Page</i>
Directors' report	1-2
Statement of directors' responsibilities	3
Auditors' report	4
Profit and loss account	5
Balance sheet	6
Statement of recognised gains and losses and reconciliation of movement in shareholders' funds	7
Notes to the accounts	8-16

# The Mowlem Construction Company (East Africa) Limited

## Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 1995.

### Principal activities and business review

The principal activity of the Company during the year was the carrying out of drilling and civil engineering contracts in Africa.

### Results

The results for the year ended 31 December 1995 are disclosed in the profit and loss account on page 5.

The directors do not recommend the payment of a dividend (1994: £nil).

### Fixed assets

Significant changes in fixed assets are set out in note 9 to the financial statements.

### Directors and directors' interests

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

WN Kenrick  
FAJ Tarrant  
DJ Ridley  
CR Evans (appointed 9 February 1995)

Directors' interests in the ordinary share capital of John Mowlem & Company PLC, the ultimate holding company, are as follows:

	Ordinary shares of 25p each			
	31 December 1995		31 December 1994	
	Beneficially held	Options	Beneficially held	Options
WN Kenrick	1,830	24,561	1,830	24,561
FAJ Tarrant	2,965	18,384	2,965	18,384
DJ Ridley	9,342	79,760	9,120	79,760
CR Evans	1,172	-	-	-

# The Mowlem Construction Company (East Africa) Limited

## Directors' report

### Directors and directors interests *(continued)*

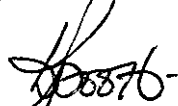
Except as noted above, none of the directors had an interest in the share capital of the Company or any other group company.

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 re-appointment of KPMG as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

  
**D Booth**  
Secretary

*19 November* 1996

# The Mowlem Construction Company (East Africa) 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 as at the end of the financial year and of the profit or loss of the company 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 are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



PO Box 695  
8 Salisbury Square  
London  
EC4Y 8BB

## Report of the auditors to the members of The Mowlem Construction Company (East Africa) Limited

We have audited the financial statements on pages 5 to 16.

### *Respective responsibilities of directors and auditors*

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

### *Basis of 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 1995 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

**KPMG**  
Chartered Accountants  
Registered Auditors

11 December 1996

# The Mowlem Construction Company (East Africa) Limited

## Profit and loss account

*for the year ended 31 December 1995*

	<i>Note</i>	<b>1995</b> £	1994 £
<b>Turnover</b>	2	<b>559,041</b>	447,401
<b>Operating costs</b>		<b>(598,885)</b>	(467,774)
		<hr/>	<hr/>
<b>Operating loss</b>	3	<b>(39,844)</b>	(20,373)
Other interest receivable and similar income	6	<b>14,716</b>	12,348
Interest payable and similar charges	7	<b>(3,494)</b>	(10,691)
		<hr/>	<hr/>
<b>Loss on ordinary activities before taxation</b>		<b>(28,622)</b>	(18,716)
Tax on loss on ordinary activities	8	<b>(107)</b>	71,097
		<hr/>	<hr/>
<b>Retained (loss)/profit carried forward</b>	16	<b>(28,729)</b>	52,381
		<hr/>	<hr/>

The notes on pages 8 to 16 form part of these financial statements.

# The Mowlem Construction Company (East Africa) Limited

## Balance sheet

at 31 December 1995

	Note	1995 £	1994 £
<b>Fixed assets</b>			
Tangible assets	9	58,394	55,112
<b>Current assets</b>			
Stocks	11	95,891	78,300
Debtors	12	870,319	1,023,355
Cash at bank and in hand		1,723	1,620
		<u>967,933</u>	<u>1,103,275</u>
<b>Creditors: amounts falling due within one year</b>	13	<u>(361,689)</u>	<u>(453,512)</u>
<b>Net current assets</b>		<u>606,244</u>	<u>649,763</u>
<b>Net assets</b>		<u>664,638</u>	<u>704,875</u>
<b>Capital and reserves</b>			
Called up share capital	15	100,000	100,000
Profit and loss account	16	564,638	604,875
		<u>664,638</u>	<u>704,875</u>

The notes pages 8 to 16 form part of these financial statements.

These financial statements were approved by the board of directors on 14 November 1996 and were signed on its behalf by:

DJ Ridley  
Director

FAJ Tarrant  
Director



# The Mowlem Construction Company (East Africa) Limited

## Statement of total recognised gains and losses for the year ended 31 December 1995

	1995 £	1994 £
(Loss)/profit for the financial year	(28,729)	52,381
Currency translation	(11,508)	21,280
<b>Total recognised gains and losses relating to the financial year</b>	<b>(40,237)</b>	<b>73,661</b>

## Note of historical cost profits and losses for the year ended 31 December 1995

Historical cost profits and losses are shown in the profit and loss account on page 5.

## Reconciliation of movements in shareholders' funds for the year ended 31 December 1995

	1995 £	1994 £
(Loss)/profit for the financial year	(28,729)	52,381
Other recognised gains and losses relating to the year	(11,508)	21,280
<b>Net (decrease)/increase to shareholders' funds</b>	<b>(40,237)</b>	<b>73,661</b>
Opening shareholders' funds	704,875	631,214
<b>Closing shareholders' funds</b>	<b>664,638</b>	<b>704,875</b>

# The Mowlem Construction Company (East Africa) 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 Company's financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

#### *Foreign currencies*

Assets and liabilities denominated or recorded in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date. Trading results are translated at the average rate for the year. Exchange differences arising on the retranslation of the net assets of overseas operations at the commencement of the year and of their retained results for the year are taken to reserves. Other exchange differences arising in the ordinary course of trading are included in the profit and loss account.

#### *Turnover*

Contracting turnover comprises of work executed during the year including the settlement of monetary claims arising from previous years, and includes the Company's share of joint venture turnover.

#### *Profit*

Operating profit comprises the results of carrying out of building and civil engineering contracts in Africa. 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.

#### *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:

Short leasehold land and buildings	-	life of lease
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 a 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.

# The Mowlem Construction Company (East Africa) Limited

## Notes (continued)

### 1 Accounting policies (continued)

#### *Stocks*

Stocks are stated at the lower of cost and net realisable value.

#### *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.

### 2 Turnover

The Company has only one class of business which is generated in East Africa.

### 3 Operating loss is stated after charging/(crediting)

	1995	1994
	£	£
Auditors' remuneration:		
Audit	5,704	5,484
Other services	-	5,361
Depreciation	12,168	15,888
Staff costs (note 5)	215,228	208,859
Raw materials and consumables	122,933	175,872
Profit on sale of fixed assets	(5,384)	(27,903)
Exchange losses	3,014	796

# The Mowlem Construction Company (East Africa) Limited

## Notes (continued)

### 4 Remuneration of directors

The directors of the Company are employed by John Mowlem & Company 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, analysed by category, was as follows:

	Number of employees	
	1995	1994
Direct labour and operations	43	50
Technical, supervisory and administrative staff	21	9
	<hr/>	<hr/>
	64	59
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows:

	1995	1994
	£	£
Wages and salaries	169,403	162,261
Social security costs	1,425	656
Other pension costs	44,400	45,942
	<hr/>	<hr/>
	215,228	208,859
	<hr/>	<hr/>

# The Mowlem Construction Company (East Africa) Limited

## Notes (continued)

### 6 Other interest receivable and similar income

	1995	1994
	£	£
Rental income	<u>14,716</u>	<u>12,348</u>

### 7 Interest payable and similar charges

	1995	1994
	£	£
On bank loans, overdrafts and other loans wholly repayable within five years	<u>3,494</u>	<u>10,691</u>

### 8 Taxation

	1995	1994
	£	£
UK corporation tax at 33% (1994:33%) on the loss for the year on ordinary activities	10,532	39,221
Deferred taxation (note 14)	(786)	(34,172)
Overseas taxation	(684)	19,503
UK adjustment relating to an earlier year	1,508	46,545
Overseas adjustment relating to an earlier year	<u>(10,677)</u>	<u>-</u>
	<u>(107)</u>	<u>71,097</u>

# The Mowlem Construction Company (East Africa) Limited

## Notes (continued)

### 9 Tangible fixed assets

	Short leasehold land and buildings £	Plant and machinery £	Total £
<b>Cost</b>			
1 January 1995	67,724	258,873	326,597
Additions	-	24,468	24,468
Disposals	-	(4,714)	(4,714)
Currency translation	(13,027)	(36,728)	(49,755)
	<u>54,697</u>	<u>241,899</u>	<u>296,596</u>
<b>Depreciation</b>			
1 January 1995	(21,441)	(250,044)	(271,485)
Released on disposal		4,714	4,714
Charge for year	(1,694)	(10,474)	(12,168)
Currency translation	4,124	36,613	40,737
	<u>(19,011)</u>	<u>(219,191)</u>	<u>(238,202)</u>
<b>Net book value</b>			
At 31 December 1995	<u>35,686</u>	<u>22,708</u>	<u>58,394</u>
At 31 December 1994	<u>46,283</u>	<u>8,829</u>	<u>55,112</u>

# The Mowlem Construction Company (East Africa) Limited

## Notes (continued)

### 10 Investments

The subsidiaries of the Company, both of which are wholly owned and were non-trading through the year, are:

	Country of incorporation
The Mowlem Construction Company (Kenya) Limited	Kenya
The Mowlem Construction Company (Uganda) Limited	Uganda

The interest in subsidiary companies comprises:

	£
At 1 January and 31 December 1995:	
Cost of shares	20,500
Provision against cost	20,500
	<hr/>
Net book value	-
	<hr/>

Group financial statements are not presented as the Company is itself a wholly owned subsidiary of another company incorporated in Great Britain. Group financial statements are prepared by the ultimate holding company, disclosed in note 19.

### 11 Stocks

	1995	1994
	£	£
Raw materials and consumables	95,891	78,300
	<hr/>	<hr/>

# The Mowlem Construction Company (East Africa) Limited

## Notes (continued)

### 12 Debtors: amounts due within one year

	1995	1994
	£	£
Amounts recoverable on contracts	68,130	98,415
Amounts owed by holding company	669,748	846,624
Other debtors	16,840	6,835
Deferred tax (note 14)	66,690	67,476
Prepayments and accrued income	-	4,005
UK Tax	48,911	-
	<u>870,319</u>	<u>1,023,355</u>

### 13 Creditors: amounts falling due within one year

	1995	1994
	£	£
Bank overdraft	22,187	20,189
Payments received on account	-	11,688
Credit balances on long term contracts	39,106	31,363
Other creditors including taxation and social security:		
Overseas tax	46,934	111,180
Other creditors	43,485	53,212
	<u>90,419</u>	<u>164,392</u>
Accruals and deferred income	209,977	225,880
	<u>361,689</u>	<u>453,512</u>



# The Mowlem Construction Company (East Africa) Limited

## Notes (continued)

### 14 Deferred taxation

	£
At beginning of year	(67,476)
Credit for the year in the profit and loss account (note 8)	786
	<hr/>
At end of year	(66,690)
	<hr/>

The amounts provided for deferred taxation:

	1995 Provided £	1994 Provided £
Difference between accumulated depreciation and amortisation and capital allowances	(18)	(804)
Other timing differences	(66,672)	(66,672)
	<hr/>	<hr/>
	(66,690)	(67,476)
	<hr/>	<hr/>

### 15 Called up share capital

	1995 £	1994 £
<i>Authorised</i>		
Ordinary shares of £1 each	100,000	100,000
	<hr/>	<hr/>
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	100,000	100,000
	<hr/>	<hr/>

# The Mowlem Construction Company (East Africa) Limited

## Notes (continued)

### 16 Reserves

	Profit and loss account £
At beginning of year	604,875
Currency translation	(11,508)
Retained profit for the year	(28,729)
	<hr/>
At end of year	564,638
	<hr/>

### 17 Trading indemnities and bonding arrangements

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

The Company is liable in the ordinary course of its business to liquidated and ascertained damages for delay in completion of contracts beyond the period specified in the contract plus certified extensions of time. Adjustment is made in valuing contract work in progress for any probable liability, account being taken of current and foreseen time delays against programme and extensions of time which may reasonably be anticipated.

### 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 19.

### 19 Ultimate holding company

The ultimate holding company is John Mowlem & Company PLC which is registered in England and Wales. The immediate parent company is John Mowlem Construction PLC which is registered in England and Wales. Copies of the accounts of the above companies may be obtained from White Lion Court, Swan Street, Isleworth, Middlesex TW7 6RN.