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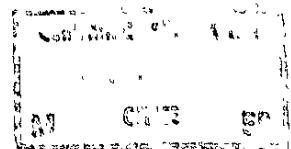
THE MOWLEM CONSTRUCTION COMPANY LIMITED

REPORT AND ACCOUNTS

31ST DECEMBER, 1986

Signed

PEAT MARWICK McLINTOCK
1 Puddle Dock, Blackfriars, London, EC4V 3PD.



THE MOWLEM CONSTRUCTION COMPANY LIMITEDDIRECTORS' REPORT

The directors submit their report together with the financial statements of the company in respect of the year ended 31st December, 1986.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

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

RESULTS

The results for the year ended 31st December, 1986 are disclosed in the annexed financial statements.

The directors propose a final dividend of £500,000 (1985: £Nil).

DIRECTORS AND DIRECTORS' INTERESTS

The directors, who served during the year were:

D.L. Poppy	
W.E. Bloomfield	(resigned 2nd February, 1987)
W.N. Kenrick	
F.F. Mead	(resigned 31st May, 1986)
R.H. Vincent	
F.A.J. Tarrant	
D.R. Barnes	(appointed 29th August, 1986)
D.J. Ridley	(appointed 29th August, 1986)
F.D.R. Yell	(appointed 29th August, 1986)

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

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

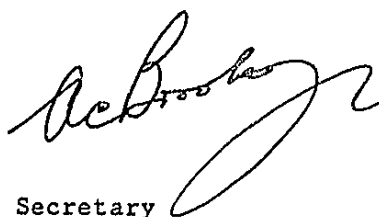
	<u>Ordinary shares of 25p each</u>			
	<u>31st, December, 1986</u>		<u>1st, January, 1986</u>	
			<u>(or date of appointment if later)</u>	
	<u>Beneficially held</u>	<u>Options</u>	<u>Beneficially held</u>	<u>Options</u>
W.N. Kenrick	-	1,126	225	1,126
R.H. Vincent	-	4,735	-	4,735
F.A.J. Tarrant	-	2,251	-	2,251
D.J. Ridley	-	3,737	-	3,737
D.R. Barnes	-	12,619	-	12,619
F.D.R. Yell	-	747	-	747

D.L. Poppy is also a director of John Mowlem & Company PLC, the ultimate holding company, and his interests in the share capital of that company are shown in the accounts thereof.

THE MOWLEM CONSTRUCTION COMPANY LIMITEDDIRECTORS' REPORT
(continued)AUDITORS

At the company's last annual general meeting, Peat, Marwick, Mitchell & Co. were reappointed as auditors of the Company. They are now practising under the name of Peat Marwick McLintock and accordingly they have signed the audit report in their new name. A resolution concerning their reappointment as auditors will be proposed at the forthcoming annual general meeting.

By order of the board



Secretary

REPORT OF THE AUDITORS TO THE MEMBERS OF
THE MOWLEM CONSTRUCTION COMPANY LIMITED

We have audited the financial statements on pages 4 to 14 in accordance with approved Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31st December, 1986 and of its loss and source and application of funds for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

LONDON

Paul Martin Robinson

10th April, 1987

Chartered Accountants.

THE MOWLEM CONSTRUCTION COMPANY LIMITEDPROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST DECEMBER, 1986

	<u>Note</u>	<u>1986</u> £	<u>1985</u> £
TURNOVER	2	2,130,322	1,150,794
Operating costs	3	(2,415,490)	(464,258)
		<hr/>	<hr/>
OPERATING (LOSS)/PROFIT		(285,168)	686,536
Interest receivable		18,485	28,019
		<hr/>	<hr/>
		(266,683)	714,555
Interest payable	6	(127)	(696)
		<hr/>	<hr/>
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(266,810)	713,859
Tax on (loss)/profit on ordinary activities	7	168,859	(139,175)
		<hr/>	<hr/>
(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		(97,951)	574,684
Extraordinary item	8	(78,121)	(482,051)
		<hr/>	<hr/>
(LOSS)/PROFIT FOR THE FINANCIAL YEAR		(176,072)	92,633
Proposed dividends		(500,000)	-
		<hr/>	<hr/>
RETAINED (LOSS)/PROFIT FOR THE FINANCIAL YEAR	17	(676,072)	92,633
		<hr/>	<hr/>


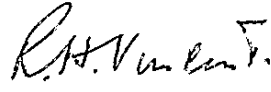
The notes on pages 7 to 14 form part of these financial statements.

THE MOWLEM CONSTRUCTION COMPANY LIMITED

BALANCE SHEET AT 31ST DECEMBER, 1986

	<u>Note</u>	<u>£</u>	<u>1986</u> <u>£</u>	<u>£</u>	<u>1985</u> <u>£</u>
FIXED ASSETS					
Tangible assets	9		122,985		125,090
CURRENT ASSETS					
Stocks	11	67,307		4,787	
Contract work in progress	12	38,281		25,833	
Debtors	13	2,687,314		1,879,030	
Cash at bank and in hand		<u>150,495</u>		<u>69,294</u>	
		2,943,397		1,978,944	
CREDITORS: AMOUNTS FALLING					
DUE WITHIN ONE YEAR	14	<u>2,280,124</u>		<u>631,650</u>	
NET CURRENT ASSETS			663,273		1,347,294
TOTAL ASSETS LESS CURRENT					
LIABILITIES			<u>786,258</u>		<u>1,472,384</u>
CAPITAL AND RESERVES					
Called up share capital	16		100,000		100,000
Profit and loss account	17		686,258		1,372,384
			<u>786,258</u>		<u>1,472,384</u>

The financial statements were approved by the
Board of Directors on 10th April, 1987


) Directors


The notes on pages 7 to 14 form part of these financial statements.

THE MOWLEM CONSTRUCTION COMPANY LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE YEAR ENDED 31ST DECEMBER, 1986

	£	<u>1986</u> £	£	<u>1985</u> £
SOURCE OF FUNDS				
(Loss)/profit on ordinary activities before taxation		(266,810)		713,859
Adjustments for items not involving the movement of funds:				
Depreciation	26,498		75,917	
Profit on sale of fixed assets	(43,098)		(305,625)	
Foreign exchange differences	(9,092)		361,662	
Write-back of provision	-		(303,082)	
Extraordinary item	<u>(78,121)</u>		<u>(482,051)</u>	
		(103,813)		(653,179)
FUNDS (ABSORBED)/GENERATED FROM OPERATIONS				
		<u>(370,623)</u>		<u>60,680</u>
FUNDS FROM OTHER SOURCES				
Proceeds of sale of fixed assets	43,107		425,104	
Consideration received for group relief	<u>613,549</u>		-	
		656,656		425,104
		<u>286,033</u>		<u>485,784</u>
APPLICATION OF FUNDS				
Purchase of fixed assets	24,136		29,820	
Tax paid	388,665		84,900	
Consideration paid for group relief	<u>-</u>		<u>679,629</u>	
		(412,801)		(794,349)
DECREASE IN WORKING CAPITAL				
		<u>(126,768)</u>		<u>(308,565)</u>
COMPONENTS OF DECREASE IN WORKING CAPITAL				
Stocks	62,520		(54,146)	
Contract work in progress	12,448		(218,828)	
Debtors	55,092		158,163	
Group indebtedness	515,285		100,505	
Creditors falling due in less than one year	<u>(886,611)</u>		<u>466,600</u>	
		(241,266)		452,294
Movement in net liquid funds:				
Bank loans and overdrafts		33,297		(4,438)
Cash at bank and in hand		81,201		(756,421)
		<u>(126,768)</u>		<u>(308,565)</u>

THE MOWLEM CONSTRUCTION COMPANY LIMITEDNOTES TO THE FINANCIAL STATEMENTS1. ACCOUNTING POLICIES(i) Accounting convention

The financial statements are prepared under the historical cost convention and in accordance with the applicable Statements of Standard Accounting Practice.

(ii) 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 and trading results are translated at the average rate for the year. Exchange differences arising on the retranslation of the net assets of self-financing overseas branches 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 loss for the year. In previous years, trading results were translated at year end rates of exchange.

(iii) Turnover

Contracting turnover comprises the value of work executed during the year including the settlement of monetary claims on contracts completed in previous years.

(iv) Contract work in progress

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.

(v) Depreciation of tangible assets

Tangible assets are depreciated over their estimated useful lives, ranging mainly between 3-7 years with weighting where appropriate to recognise the impact of obsolescence. Leasehold properties are depreciated over a period not exceeding the term of the lease.

(vi) Contract work in progress

Contract work in progress is stated at net realisable value which includes attributable profit on contracts and is determined on the basis of measured work to the balance sheet date. 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.

THE MOWLEM CONSTRUCTION COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES (continued)

(vi) Contract work in progress (continued)

Payments received in excess of net realisable value on a contract are included in trade creditors.

The inclusion of attributable profit is in accordance with generally accepted accounting practice and constitutes a departure from the valuation requirements of the Companies Act 1985, but is required by Section 228(3) of that Act to enable the accounts to give a true and fair view. It is not practicable to allocate progress payments between cost and profit nor, therefore, meaningful to state the effect of this departure on contract work in progress.

(vii) Stocks

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

2. TURNOVER

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

3. OPERATING COSTS

	<u>1985</u>	<u>1985</u>
	£	£
Staff costs (note 5)	191,144	266,084
Change in stocks and work in progress	62,520	(54,146)
Raw materials and consumables	199,900	245,463
Depreciation	26,498	75,917
Other operating income	(106,285)	(385,195)
Other external charges	1,395,879	161,274
Other operating charges	651,945	287,343
Hire of plant and machinery	547	23,467
Auditors' remuneration	9,785	13,764
Foreign exchange translation differences	(5,132)	133,369
Write-back of provision against branch assets	(11,311)	(303,082)
	<u>2,415,490</u>	<u>464,258</u>

4. DIRECTORS' EMOLUMENTS

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.

THE MOWLEM CONSTRUCTION COMPANY LIMITEDNOTES TO THE FINANCIAL STATEMENTS5. EMPLOYEES

The average weekly number of employees during the year was 72 (1985: 124), made up as follows:

	<u>1986</u>	<u>1985</u>
Direct labour and operatives	56	94
Technical supervisory and administrative staff	<u>16</u>	<u>30</u>
	<u>72</u>	<u>124</u>

The aggregate payroll costs of these persons were:

	<u>1986</u> £	<u>1985</u> £
Wages	184,720	258,141
Social security costs	4,348	7,943
Other pension costs	2,076	-
	<u>191,144</u>	<u>266,084</u>

6. INTEREST PAYABLE

	<u>1986</u> £	<u>1985</u> £
On bank loans, overdrafts and other loans wholly repayable within five years	<u>127</u>	<u>696</u>

7. TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES

	<u>1986</u> £	<u>1985</u> £
U.K. Corporation tax at 36.25% (1985: 41.25%)	-	37,038
Overseas tax charge	246,874	127,020
Deferred tax credit	(236,642)	(49,150)
	<u>10,232</u>	<u>114,908</u>
Adjustments in respect of previous years	(179,091)	24,267
	<u>(168,859)</u>	<u>139,175</u>

THE MOWLEM CONSTRUCTION COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS8. EXTRAORDINARY ITEM

	<u>1986</u> £	<u>1985</u> £
Increase in provision against amounts owed by subsidiaries	<u>(78,121)</u>	<u>(482,051)</u>

9. TANGIBLE FIXED ASSETS

	<u>Short leasehold land and buildings</u> £	<u>Plant and machinery</u> £	<u>Total</u> £
Cost:			
At 1st January, 1986	98,763	507,074	605,837
Exchange difference	210	(9,110)	(8,900)
Additions	-	24,136	24,136
Disposals	-	(58,433)	(58,433)
	<u>98,973</u>	<u>463,667</u>	<u>562,640</u>
At 31st December, 1986			
Accumulated depreciation:			
At 1st January, 1986	3,951	476,796	480,747
Exchange difference	8	(9,174)	(9,166)
Charge for the year	990	25,508	26,498
Disposals	-	(58,424)	(58,424)
	<u>4,949</u>	<u>434,706</u>	<u>439,655</u>
At 31st December, 1986			
Net book value:			
At 31st December, 1986	<u>94,024</u>	<u>28,961</u>	<u>122,985</u>
At 31st December, 1985	<u>94,812</u>	<u>30,278</u>	<u>125,090</u>

THE MOWLEM CONSTRUCTION COMPANY LIMITEDNOTES TO THE FINANCIAL STATEMENTS10. INVESTMENTS

The subsidiaries of The Mowlem Construction Company Limited, all of which are wholly owned and were non trading through the year, are:

	<u>Country of incorporation</u>
The Mowlem Construction Company (Kenya) Limited	Kenya
The Mowlem Construction Company (Uganda) Limited	Uganda
Mowlem Construction (Plant Hire) Limited	Great Britain

The interest in subsidiary companies comprises:

	£
At 1st January and 31st December, 1986:	
Cost of shares	180,868
Provision against cost	(180,868)
	<hr/>
Net book value	Nil
	<hr/>

Group financial statements are not presented as the company is itself a wholly owned subsidiary of another company incorporated in Great Britain.

THE MOWLEM CONSTRUCTION COMPANY LIMITEDNOTES TO THE FINANCIAL STATEMENTS11. STOCKS

	<u>1986</u>	<u>1985</u>
	£	£
Raw materials and consumables	<u>67,307</u>	<u>4,787</u>

12. CONTRACT WORK IN PROGRESS

	<u>1986</u>	<u>1985</u>
	£	£
Net realisable value of work to date	1,305,963	474,447
Deduct: attributable payments received	<u>1,267,682</u>	<u>448,614</u>
	<u>38,281</u>	<u>25,833</u>

13. DEBTORS

	<u>1986</u>	<u>1985</u>
	£	£
Trade debtors	196,491	128,369
Amounts owed by group companies	2,225,191	1,708,641
Other debtors	9,450	23,280
Prepayments and accrued income	2,890	2,090
Deferred tax (Note 15)	<u>253,292</u>	<u>16,650</u>
	<u>2,687,314</u>	<u>1,879,030</u>

The above amounts owed by group companies are shown net of a provision of £1,245,026 (1985: £1,166,905), and trade debtors net of a provision of £Nil (1985: £82,200).

THE MOWLEM CONSTRUCTION COMPANY LIMITEDNOTES TO THE FINANCIAL STATEMENTS14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>1986</u>	<u>1985</u>
	<u>£</u>	<u>£</u>
H.P. creditors	6,439	-
Bank loans and overdrafts	-	33,297
Payments received on account	-	7,676
Trade creditors	361,570	217,288
Amounts owed to group companies	2,075	810
Corporation tax	533,492	239,598
Dividend payable	500,000	-
Accruals and deferred income	876,548	132,981
	<u>2,280,124</u>	<u>631,650</u>

15. DEFERRED TAXATION

Deferred taxation provided in the accounts and the full potential asset, (which includes the amounts for which provision has been made) are as follows:

	<u>Provision</u>		<u>Potential</u>	
	<u>1986</u>	<u>1985</u>	<u>1986</u>	<u>1985</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
Capital allowances	4,908	3,000	4,908	3,000
Other short term timing differences	(258,200)	(19,650)	(379,700)	(231,900)
	<u>(253,292)</u>	<u>(16,650)</u>	<u>(374,792)</u>	<u>(228,900)</u>

Movement during the year:

Balance at 1st January, 1986
Profit and loss account (note 7)

16,650
236,642

Balance at 31st December, 1986 (note 13)

253,292

16. SHARE CAPITAL

Authorised
allotted, issued
and fully paid
£

At 1st January and 31st December, 1986:
ordinary shares of £1 each

100,000

THE MOWLEM CONSTRUCTION COMPANY LIMITEDNOTES TO THE FINANCIAL STATEMENTS17. PROFIT AND LOSS ACCOUNT

	£
At 1st January, 1986	1,372,384
Loss for the financial year	(676,072)
Exchange loss on translation of branches	(10,054)
	<hr/>
At 31st December, 1986	<u>686,258</u>

Of the above reserve £122,688 (1985: £112,634) is non-distributable and relates to foreign exchange differences arising in previous years on the translation of subsidiaries' assets.

18. 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.

19. ULTIMATE HOLDING COMPANY

The ultimate holding company is John Mowlem & Company PLC, a company incorporated in Great Britain.