

Dar Al-Handasah Consultants
(Shair & Partners) (UK) Limited

Financial Statements 31 December 2001
together with directors' and auditors' reports

Registered number: 1209014



Directors' report

For the year ended 31 December 2001

The directors present their report on the affairs of the company, together with the financial statements and auditors' report, for the year ended 31 December 2001.

Principal activity and business review

The company's principal activity is the provision of consulting services to Dar Al-Handasah Consultants (Shair & Partners) E.C., whose ultimate parent is Dar Al-Handasah Consultants Shair & Partners Holdings Ltd, incorporated in Jersey, Channel Islands, in connection with engineering, urban development, town and regional planning and economic studies.

Turnover for the year was £2,712,304 (2000 - £2,670,000). The directors expect the current level of activity to continue for the forthcoming year.

The net profit after taxation for the year was £733,112 (2000 - £188,450). The directors do not recommend the payment of a dividend (2000 - £nil). The retained profit was added to retained earnings brought forward, resulting in retained earnings carried forward of £2,589,924 (2000 - £1,856,812).

Statement of directors' responsibilities

United Kingdom 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 year. 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 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 are also responsible for the system of internal control, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' report (continued)

Directors

The directors of the company throughout the year were as follows:

Mr S. Srinivasan (Chairman)

Dr R. Solomon (Managing Director)

Dr K.A. Shair

Dr T Searle (resigned 31 January 2001)

Mr Z Khuma (resigned 31 August 2001)

The directors held no beneficial interests in the shares of the company during the year requiring disclosure under Schedule 7 of the Companies Act 1985.

Auditors

Arthur Andersen resigned on 31 July 2002. Deloitte & Touche were appointed on 1 August 2002 to fill the casual vacancy.

Darpen House
Citadel Place
Tinworth Street
Vauxhall
London SE11 5EH

By order of the Board,



R. Kandasamy

Secretary

13 December 2002

Independent auditors' report**Independent auditors' report to the members of Dar Al-Handasah Consultants (Shair & Partners) (UK) Limited:**

We have audited the financial statements of Dar Al-Handasah Consultants (Shair & Partners) (UK) Limited for the year ended 31 December 2001 which comprise the profit and loss account, the balance sheet and the related notes numbered 1 to 15. These financial statements have been prepared under the accounting policies set out therein.

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 United Kingdom legal and regulatory requirements and 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 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.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements.

Basis of 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 circumstances of the company, 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 (continued)

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.

Deloitte & Touche

Deloitte & Touche

Chartered Accountants and Registered Auditors
London

13 December 2002

Profit and loss account

For the year ended 31 December 2001

	Notes	2001 £	2000 £
Turnover	1d&2	2,712,304	2,670,000
Cost of sales		<u>(2,579,658)</u>	<u>(2,540,728)</u>
Gross profit		132,646	129,272
Finance income (net)	3	<u>49,982</u>	<u>59,178</u>
Profit on ordinary activities before taxation	4	182,628	188,450
Tax on profit on ordinary activities	6	<u>550,484</u>	<u>-</u>
Profit on ordinary activities after taxation and for the financial year	11	733,112	188,450
Profit and loss account, brought forward		<u>1,856,812</u>	<u>1,668,362</u>
Profit and loss account, carried forward		<u>2,589,924</u>	<u>1,856,812</u>

The results relate to continuing operations.

There are no recognised gains or losses other than the retained profit of £733,112 for the year ended 31 December 2001 (2000 - £188,450).

Balance sheet

31 December 2001

	Notes	2001 £	2000 £
Fixed assets			
Tangible assets	7	<u>277,913</u>	<u>146,302</u>
Current assets			
Debtors	8	16,447,780	15,120,840
Cash at bank and in hand		<u>176,379</u>	<u>226,856</u>
		16,624,159	15,347,696
Creditors: Amounts falling due within one year	9	<u>(14,062,148)</u>	<u>(13,387,186)</u>
Net current assets		<u>2,562,011</u>	<u>1,960,510</u>
Net assets		<u>2,839,924</u>	<u>2,106,812</u>
Capital and reserves			
Called-up equity share capital	10	250,000	250,000
Profit and loss account		<u>2,589,924</u>	<u>1,856,812</u>
Equity shareholders' funds	11	<u>2,839,924</u>	<u>2,106,812</u>

The financial statements on pages 5 to 14 were approved by the board of directors on 13 December 2002 and signed on its behalf by:



Dr R. Solomon

Director

Notes to financial statements

31 December 2001

1 Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the year and the preceding year, are:

a) Basis of accounting

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

The company is exempt from the requirement of FRS1 to present a cash flow statement as it is a wholly owned subsidiary of Dar Al-Handasah Consultants Shair & Partners Holdings Limited which prepares a consolidated cash flow which is publicly available.

b) Tangible fixed assets

Tangible fixed assets are stated at original historical cost less accumulated depreciation.

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight line basis over its expected useful life, as follows:

Leasehold improvements	-	15% per annum
Plant and machinery	-	20% per annum
Motor vehicles	-	25% per annum

c) Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred taxation is provided using the liability method on all timing differences only to the extent that they expect to reverse in the future without being replaced, except that the deferred tax effects of timing differences arising from pensions and other post-retirement benefits are always recognised in full.

d) Turnover

Turnover comprises the value of services billed in the normal course of business and is based on costs recharged to the parent company at a mark-up. Disbursements rebilled at cost are not included in turnover.

e) Cost of sales

Cost of sales represents expenditure incurred by the company in providing services to its ultimate parent company.

f) Foreign currency transactions

Transactions in foreign currencies are recorded at the rate of exchange at the date of transaction or, if hedged, at the forward contract rate. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date or, if appropriate, at the forward contract rate. All exchange differences are included in the profit and loss account.

Notes to financial statements (continued)

2 Segment information

The company provides engineering consulting services to its ultimate parent company only (see note 14).

3 Finance income (net)

	2001 £	2000 £
<i>Investment income</i>		
On bank deposits	4,217	2,348
On amounts owed by other group undertakings	45,841	57,876
Other income	-	246
	<u>50,058</u>	<u>60,470</u>
<i>Interest payable and similar charges</i>		
On bank overdrafts	<u>76</u>	<u>1,292</u>
<i>Finance income (net)</i>		
Investment income	50,058	60,470
Interest payable and similar charges	<u>(76)</u>	<u>(1,292)</u>
	<u>49,982</u>	<u>59,178</u>

4 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	2001 £	2000 £
Depreciation of tangible fixed assets	121,834	82,922
Operating lease rentals		
i. plant and machinery	35,461	39,882
ii. other	271,788	395,212
Auditors' remuneration		
i. audit services	12,000	15,000
ii. other services	8,135	27,000
Staff costs (see note 5)	<u>1,490,641</u>	<u>1,582,647</u>

Notes to financial statements (continued)

5 Staff costs

Particulars of employee costs (including executive directors) are shown below:

	2001 £	2000 £
Employee costs during the year amounted to:		
Wages and salaries	1,213,049	1,271,166
Social security costs	92,857	105,580
Other pension costs	158,816	174,362
Other benefits	25,919	31,539
	<u>1,490,641</u>	<u>1,582,647</u>

The average monthly number of persons employed by the company during the year was as follows:

	2001 Number	2000 Number
Production	24	25
Administration	7	10
	<u>31</u>	<u>35</u>

Directors' remuneration:

The employee costs shown above include the following remuneration in respect of directors of the company:

	2001 £	2000 £
Emoluments	132,408	167,657
Pension contributions	3,064	5,007
Compensation for loss of office	17,435	-
	<u>152,907</u>	<u>172,664</u>

2 (2000 – 2) of the directors were members of the defined benefit pension scheme during the year.

Notes to financial statements (continued)

6 Tax on profit on ordinary activities

The tax credit comprises:

	2001 £	2000 £
Adjustments in respect of prior years – UK corporation tax	550,484	-

The company has a deferred tax asset of £56,647 (2000- £59,915) arising from timing differences. The deferred tax asset has not been recognised.

The above adjustment relates to the release of the group relief payable balance included in creditors, and the reversal of an overprovision in the prior year.

7 Tangible fixed assets

	Motor cars £	Leasehold improvements £	Plant and Machinery £	Total £
Cost				
1 January 2001	84,550	428,770	1,555,714	2,069,034
Additions	-	-	253,972	253,972
Disposals	-	-	(61,686)	(61,686)
31 December 2001	84,550	428,770	1,748,000	2,261,320
Depreciation				
1 January 2001	42,273	428,770	1,451,689	1,922,732
Charge	21,137	-	100,697	121,834
Disposals	-	-	(61,159)	(61,159)
31 December 2001	63,410	428,770	1,491,227	1,983,407
Net book value				
31 December 2001	21,140	-	256,773	277,913
31 December 2000	42,277	-	104,025	146,302

8 Debtors

	2001 £	2000 £
Amounts owed by other group undertakings	15,939,668	14,666,345
Other debtors	139,975	140,230
Prepayments	368,137	314,265
	16,447,780	15,120,840

Transactions with employees

Included within other debtors is an amount of £6,541 (2000 - £9,926) which represents advances due from 11 (2000 - 9) employees of the company.

Notes to financial statements (continued)

9 Creditors: Amounts falling due within one year

	2001 £	2000 £
Bank overdraft	26,166	-
Trade creditors	69,716	5,516
Amounts owed to other group undertakings	13,277,094	12,158,687
Amount owed to Dar Consultants (UK) Ltd	412,913	565,281
Other creditors		
- group relief payable	-	515,456
- VAT	173,355	20,553
- social security and PAYE	37,415	48,971
- other creditors	5,126	17
Accruals	60,363	72,705
	<u>14,062,148</u>	<u>13,387,186</u>

10 Called-up equity share capital

	2001 £	2000 £
<i>Authorised, allotted, called-up and fully paid</i>		
250,000 ordinary shares of £1 each (2000- 250,000)	<u>250,000</u>	<u>250,000</u>

11 Reconciliation of movements in shareholders' funds

	2001 £	2000 £
Shareholders' funds at beginning of year	2,106,812	1,918,362
Retained profit for the year	<u>733,112</u>	<u>188,450</u>
Shareholders' funds at end of year	<u>2,839,924</u>	<u>2,106,812</u>

Notes to financial statements (continued)

12 Lease commitments

Annual commitments under non-cancellable operating leases in respect of plant and machinery are as follows:

	2001 £	2000 £
Expiry date:		
- between two and five years	<u>35,461</u>	<u>39,882</u>

In addition, the company is committed to a non-cancellable property lease, signed in 1990 and expiring in 2015. The rent was reduced by £90,000 to £1,392,573 per annum following a rent review during 1996. Further rent reviews will be carried out in 2005 and at five-yearly intervals thereafter. The company pays all insurance, maintenance and repair costs. These premises and the associated lease commitments are shared with another group undertaking. The company sub-leased part of the property to the landlords at an annual rent of £350,141.

The company also signed a supplemental non-cancellable property lease to the above lease for an additional floor in the building with the same terms and conditions as the lease above. Supplementary rent is set at £6,750 per annum.

The company is also committed to a non-cancellable property lease expiring in 2015 with an annual rent of £40,400. Rent reviews will be carried out in 5 yearly intervals. The company pays all insurance, maintenance and repair costs.

13 Pensions

The company operates a defined benefit pension scheme, the Dar Al-Handasah Consultants (Shair & Partners) (UK) Limited Retirement and Death Benefits Plan. The scheme funds are administered by trustees and are independent of the company's finances. Contributions are paid to the scheme in accordance with the recommendations of an independent actuarial adviser.

In line with the requirements of FRS 17, published by the Accounting Standards Board in November 2000, details in respect of the scheme are provided below in accordance with both SSAP 24 and FRS 17. The company will not be adopting FRS 17 earlier than the mandatory requirement to do so and therefore the figures in the financial statements reflect the SSAP 24 details below.

i. SSAP 24

The company's charge to the profit and loss account for the year was £158,816 (2000: £174,362).

Actuarial valuations are carried out triennially for funding purposes, using the Projected Unit method, the most recent being dated 31 July 2001. The most significant assumptions were an expected return on investments of 6.5% p.a. before retirement and average salary growth of 4.5% p.a. up to normal retirement age. After retirement, an interest rate of 5.0% p.a. was applied, with pension increases of 3.0% p.a. The results of that valuation show the scheme's assets (excluding insured pensions) at their market value of £4,366,000 represented 98% of the value of the benefits that had accrued to in-service and deferred pensioner members.

Notes to financial statements (continued)

13 Pensions (continued)

ii. FRS 17

The actuarial valuation was updated to 31 December 2001 by an independent qualified actuary in accordance with the transitional arrangements of FRS 17. As required by FRS 17, the defined benefit liabilities have been measured using the projected unit method and both the assets and liabilities include the value of pensions in payment, which are mostly secured with insured annuities.

The following table sets out the key FRS 17 assumptions used for the scheme. The table also sets out as at 31 December 2001 the fair value of assets, a breakdown of the assets into the main asset classes, the present value of the FRS 17 liabilities and the main asset classes, the present value of the FRS 17 liabilities and the surplus of assets above the FRS 17 liabilities (which equals the Gross pension asset).

Assumptions

Price inflation	2.5% p.a.
Discount rate	5.8% p.a.
Pension increases ("LPI" with a minimum of 3%)	3.3% p.a.
Salary growth	4.0% p.a.

Asset distribution and expected return

Components:	Expected return	Fair value £
• Equities	8.0% p.a.	2,338,700
• Bonds	4.8% p.a.	1,841,600
• Other	5.7% p.a.	1,651,300

Balance sheet

	£
Total fair value of assets	5,831,600
Present value of liabilities	5,638,800
Gross pension asset	192,800

Under FRS 17, the scheme would be represented on the balance sheet as an asset of £192,800 (£135,000 net of deferred tax).

Over the year to 31 December 2001, contributions by the Company of £158,816 were made to the scheme. A schedule of contributions has not yet been formalised, and in the meantime it has been agreed with the Trustees that Employer contributions will be at the level of 15.6% of annual pensionable salary.

The scheme is closed to new entrants for further benefit accrual and, under the method used to calculate pension costs in accordance with FRS 17, the cost as a percentage of covered pensionable payroll will tend to increase as the average age of the membership increases.

Notes to financial statements (continued)

14 Ultimate parent company

Dar Al-Handasah Consultants Shair & Partners Holdings Ltd, incorporated in Jersey, Channel Islands, is the ultimate parent company and controlling party.

The smallest group in which the results of the company are consolidated is that headed by Dar Al-Handasah (UK Holdings) Limited, the immediate parent company, incorporated in England & Wales. The consolidated accounts of the above company are available to the public and may be obtained from the registered office of the company, which is Darpen House, Tinworth Street, London SE11 5EH.

Dar Al-Handasah Consultants Shair & Partners Holdings Ltd is the parent company of the largest group of which the company is a member and for which group accounts are drawn up. The consolidated financial statements of the above company are available to the public and may be obtained from the registered office of the company, which is PO Box 87, 22 Granville Street, St Helier, Jersey JE4 8PX.

15 Related party transactions

The company has taken advantage of the exemption in FRS 8 not to disclose transactions with other members of the group headed by Dar Al-Handasah Shair & Partners Holdings Limited.

Other disclosures required by FRS 8 are given below:

Dar Al-Handasah Consultants (Shair & Partners) EC ("DarEC")

All of the company's turnover is in respect of services provided to DarEC. At the year end the company owed DarEC £13,277,094 (note 9) (2000- £12,158,687).

Dar Consultants (U.K.) Limited ("Dar Consultants")

The share capital of Dar Consultants is 25% owned by Dar Al-Handasah (UK Holdings) Limited, 27% owned by Dr R. Solomon (a director of the company) and 48% owned by two directors of other subsidiaries of Dar Al-Handasah Consultants Shair & Partners Holdings Limited.

The company recharges certain expenses to Dar Consultants, principally relating to the provision of human resources, premises and costs incurred for Dar Consultants' contracts. The total amount invoiced or recharged to Dar Consultants during the year was £152,368 (2000- £165,874) and the net amount due to Dar Consultants at the year end was £412,913 (note 9) (2000- £565,281).