288392

# VOLKER STEVIN LIMITED

## ANNUAL REPORT
## AND
## FINANCIAL STATEMENTS
## YEAR ENDED 31 DECEMBER 2005

Registered no. 00288392

**DIRECTORS**
P Roebuck
J McNeilly
A J de Jong
H Jannsen

**SECRETARY**
D. Webb (appointed 22nd September 2005)
F. Stevenson (resigned 22nd September 2005)

**AUDITORS**
KPMG LLP
Quayside House
110 Quayside
Newcastle upon Tyne
NE1 3DX

**BANKERS**
National Westminster Bank plc
Piccadilly & New Bond Street Branch
63-65 Piccadilly
London
W1J 0AJ

**REGISTERED OFFICE**
Springwell Road
Springwell
Gateshead
TYNE & WEAR
NE9 7SP

## DIRECTORS' REPORT

The Directors submit their annual report and group financial statements of Volker Stevin Limited for the year ended 31 December 2005.

### PRINCIPAL ACTIVITIES

The principal activities continued to be largely in civil engineering infrastructure, water process, building and related activities.

### REVIEW OF THE BUSINESS

Despite a significant drop in turnover, following the completion of the AMP3 water frameworks, the company achieved its goal of returning to profitability after two disappointing years. Operating profit for the financial year was £1.507m (2004: £0.589m loss) on a turnover of £52.879m (2004: £77.079m), producing a margin of 2.85% and putting the company back on track and close to the margins consistently achieved prior to 2002.

The two northern regions in the east and west, as with the previous year, performed particularly well. Following a difficult period of trading, the southern business underwent a year of consolidation and produced a much improved operational performance.

During 2005 the business was re-structured into more independently focussed business units and the outlook for 2006 is optimistic for all parts. The volume and quality of opportunities are well up compared to 12 months ago and the good balance of framework and non-framework business is expected to continue.

### DIVIDENDS

The Directors are recommending no dividend be paid. (2004: nil)

### FIXED ASSETS

The changes in fixed assets during the year are summarised in the notes to the financial statements.

In the opinion of the Directors, the book value of land as shown in the balance sheet is substantially lower than the market value at the balance sheet date. It is not considered practicable to value this difference.

### EMPLOYEES AND DISABLED EMPLOYEES

Throughout the group there is close consultation between management and other employees on matters of concern with a view to keeping employees well informed about the progress and position of the group's activities. It is the policy of the group to give full and fair consideration to the employment of applicants who are disabled persons with suitable aptitudes and abilities.

### HEALTH AND SAFETY

Once again this year our Health and Safety performance has continued to improve with the business posting the lowest Accident Frequency Rate in its history. This has been acknowledged by receiving a national award "Bronze" from The Royal Society for the Prevention of Accidents (ROSPA) for Occupational Health and Safety and a "Silver" under the Considerate Contractor Scheme for our project in Blackpool.
Health and Safety continues to be top of "Top of the Agenda" for Volker Stevin during 2006.

**DIRECTORS' REPORT** (Continued)

**ENVIRONMENT**

Our Environmental Management System received accreditation to ISO 14001: 2004 standard and we become one of only two contractors in the UK to achieve EMAS accreditation. Substantial training in environmental issues has been undertaken during the year as we strive to develop an "Environmental Culture" across the whole business. Once again we had a year with no environmental incidents or legal enforcements.
Progress has also been made towards meeting our Environmental Objectives and Targets as laid out in our EMAS Environmental statement. A series of internal Key Performance Indicators reflecting these have been developed and published to the business on a regular basis.

**CHARITABLE CONTRIBUTIONS**

During the year the group made various charitable contributions amounting to £1,138 (2004: £2,833).

**DIRECTORS**
The Directors throughout the year were as follows:-

| | |
|---|---|
| P Roebuck | |
| J McNeilly | |
| F Stevenson | (resigned 31st October 2005) |
| A J de Jong | (appointed 21st November 2005) |
| H Jansen | (appointed 21st November 2005) |

In accordance with the Company's Articles of Association J McNeilly retires and, being eligible, offers himself for re-election.

**DIRECTORS' INTERESTS**
No Director has any beneficial interest in the company's share capital or any other group undertaking.

The ultimate parent company has effected and maintained insurance for the Directors against liabilities as officers in relation to the company.

**AUDITORS**
In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

Signed on behalf of the Board of Directors

P Roebuck

Director

Approved by the Board on 3rd May 2006

**Statement of directors' responsibilities in respect of the Directors' Report and the financial statements**

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

*Company law requires the directors to prepare financial statements for each financial year. Under that law the directors* have elected to prepare the group and the parent company financial statements in accordance with UK Accounting Standards.

The group and parent company financial statements are required by law to give a true and fair view of the state of affairs of the group and the parent company and of the profit or loss for that period.

In preparing these 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 group and the parent company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

KPMG LLP
Quayside House
110 Quayside
Newcastle upon Tyne
NE1 3DX

**Independent auditors' report to the members of Volker Stevin Limited**

We have audited the group and parent company financial statements (the "financial statements") of Volker Stevin Limited for the year ended 31 December 2005 which comprise the Consolidated Profit and Loss Account, the Consolidated and Company Balance Sheets, the Consolidated Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under 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 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' responsibilities for preparing the Directors' Report and the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 3.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 other transactions is not disclosed.

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

**Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 group's and 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, in accordance with UK Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 31 December 2005 and of the group's profit for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

**KPMG LLP**
Chartered Accountants
Registered Auditor

3 May 2006

## CONSOLIDATED PROFIT AND LOSS ACCOUNT
## FOR THE YEAR ENDED 31 DECEMBER 2005

| Note | | 2005 £'000 | As restated (note 26) 2004 £'000 |
|---|---|---|---|
| 2 | **TURNOVER** | 52,879 | 77,079 |
| | Cost of sales | (46,060) | (72,173) |
| | **GROSS PROFIT** | 6,819 | 4,906 |
| | Administrative expenses | (5,312) | (5,495) |
| | **OPERATING PROFIT / (LOSS)** | 1,507 | (589) |
| 6 | Interest receivable | 32 | 68 |
| 7 | Interest payable | (234) | (292) |
| 8 | Other finance costs | (95) | (152) |
| 3-5 | **PROFIT / (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION** | 1,210 | (965) |
| 9 | Tax on profit / (loss) on ordinary activities | (451) | 286 |
| | **PROFIT / (LOSS) FOR THE FINANCIAL YEAR** | 759 | (679) |

None of the company's activities were acquired or discontinued during the above two financial years.

The results for the year ended 31 December 2004 have been restated to reflect the adoption of FRS 17 'Retirement benefits'. The impact of this change is detailed in note 26.

# VOLKER STEVIN LIMITED

## CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2005

| Note | | 2005 | | As restated (note 26) 2004 | |
|---|---|---|---|---|---|
| | | £'000 | £'000 | £'000 | £'000 |
| | **FIXED ASSETS** | | | | |
| **12** | Tangible assets | | 3,131 | | 3,271 |
| | **CURRENT ASSETS** | | | | |
| **14** | Stocks | 893 | | 1,446 | |
| **15** | Debtors | 12,652 | | 15,688 | |
| | Cash at bank and in hand | 1,143 | | 1,934 | |
| | | 14,688 | | 19,068 | |
| **16** | **CREDITORS:** amounts falling due within one year | (10,074) | | (17,215) | |
| | **NET CURRENT ASSETS** | | 4,614 | | 1,853 |
| | **TOTAL ASSETS LESS CURRENT LIABILITIES** | | 7,745 | | 5,124 |
| **17** | ***CREDITORS:*** *amounts falling due* after more than one year | | 3,351 | | 4,123 |
| **19** | Provisions for liabilities | | 56 | | - |
| **22** | Net Pension Liability | | 3,023 | | 2,738 |
| | **CAPITAL AND RESERVES** | | | | |
| **20** | Called up share capital | 3,100 | | 300 | |
| **11** | Profit and loss account | (1,785) | | (2,037) | |
| | **SHAREHOLDERS' FUNDS / (DEFICIT)** | | 1,315 | | (1,737) |
| | | | 7,745 | | 5,124 |

The balance sheet at 31 December 2004 has been restated to reflect the adoption of FRS 17 'Retirement benefits'. The details of this change are disclosed in note 26.

Signed on behalf of the Board of Directors

P Roebuck

Director

Approved by the Board on 3rd May 2006

# VOLKER STEVIN LIMITED

## PARENT UNDERTAKING BALANCE SHEET AT 31 DECEMBER 2005

| Note | | 2005 £'000 | 2005 £'000 | As restated (note 26) 2004 £'000 | 2004 £'000 |
|---|---|---|---|---|---|
| | **FIXED ASSETS** | | | | |
| 12 | Tangible assets | 3,112 | | 3,241 | |
| 13 | Investments | 2 | | 2 | |
| | | | 3,114 | | 3,243 |
| | **CURRENT ASSETS** | | | | |
| 14 | Stocks | 13 | | 44 | |
| 15 | Debtors | 12,266 | | 15,798 | |
| | Cash at bank and in hand | 1,143 | | 911 | |
| | | 13,422 | | 16,753 | |
| 16 | **CREDITORS:** amounts falling due within one year | (9,573) | | (16,021) | |
| | **NET CURRENT ASSETS** | | 3,849 | | 732 |
| | **TOTAL ASSETS LESS CURRENT LIABILITIES** | | 6,963 | | 3,975 |
| 17 | **CREDITORS:** amounts falling due after more than one year | | 3,351 | | 4,123 |
| 19 | Provisions for liabilities | | 55 | | - |
| 22 | Net Pension Liability | | 3,023 | | 2,738 |
| | **CAPITAL AND RESERVES** | | | | |
| 20 | Called up share capital | 3,100 | | 300 | |
| 11 | Profit and loss account | (2,566) | | (3,186) | |
| | **SHAREHOLDERS' FUNDS / (DEFICIT)** | | 534 | | (2,886) |
| | | | 6,963 | | 3,975 |

The balance sheet at 31 December 2004 has been restated to reflect the adoption of FRS 17 'Retirement benefits' and FRS 21 'Events after the Balance Sheet date'
The details of these changes are disclosed in note 26.

Signed on behalf of the Board of Directors

P Roebuck

Director

Approved by the Board on 3rd May 2006

## CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 2005

| | 2005 | As restated (note 26) 2004 |
|---|---|---|
| | £'000 | £'000 |
| Profit / (loss) for the financial year | 759 | (679) |
| Actuarial (loss) / gain recognised in the pension scheme | (724) | 72 |
| Tax arising on losses in the pension scheme | 217 | (21) |
| Total recognised gains and losses relating to the financial year | 252 | (628) |
| Prior year adjustments (as explained in note 26) | (2,738) | |
| Total recognised gains and losses since last annual report | (2,486) | |

## RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS FOR THE YEAR ENDED 31 DECEMBER 2005

| | Group 2005 | Group 2004 As restated (note 26) | Company 2005 | Company 2004 As restated (note 26) |
|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 |
| Profit / (Loss) for the financial year | 759 | (679) | 1,127 | (606) |
| Net gains and losses in respect of FRS17 | (507) | 51 | (507) | 51 |
| Share capital issued | 2,800 | - | 2,800 | - |
| Net addition to / (reduction in) shareholders' funds | 3,052 | (628) | 3,420 | (555) |
| Opening shareholders' funds at 1 January(as originally stated) | 1,001 | 1,645 | 197 | 733 |
| Prior year adjustment (note 26) | (2,738) | (2,754) | (3,083) | (3,064) |
| Opening shareholders' funds as restated | (1,737) | (1,109) | (2,886) | (2,331) |
| Closing shareholders' funds at 31 December | 1,315 | (1,737) | 534 | (2,886) |

## NOTES TO 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, except as noted below.

In the financial statements, the following new standards have been adopted for the first time:

- The presentation of FRS 25 'Financial Instruments: presentation and disclosure'; and
- FRS28 'Corresponding amounts'.

The adoption of these standards has no material effect on the company's financial statements and the comparative figures have therefore not been restated.
The recognition and measurement requirements of FRS 17 'Retirement Benefits' have also been adopted, previously the transitional disclosures of that standard have been followed. In addition, FRS 21 'Events after the balance sheet date' has been adopted. The effects of adoption of these standards are set out in note 26.

**ACCOUNTING CONVENTION**

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

**BASIS OF CONSOLIDATION**

The group financial statements consolidate the accounts of Volker Stevin Limited and all its subsidiary undertakings made up to 31 December each year.
Where a group company is party to a joint arrangement which is not an entity, that company accounts directly for its part of the income and expenditure, assets, liabilities and cash flows. Such arrangements are reported in the consolidated financial statements on the same basis.
Under section 230 (4) of the Companies Act 1985 the company is exempt from the requirement to present its own profit and loss account.

**CASH FLOW**

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

**DEPRECIATION**

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost less estimated residual value, of each asset evenly over its expected useful life, as follows:-

| | | | |
|---|---|---|---|
| Freehold buildings | - | over | 10 to 50 years |
| Plant and equipment | - | over | 3 to 10 years |

**STOCKS**

Stocks are stated at the lower of purchase cost or average cost and net realisable value.
Net realisable value is based on estimated selling price less, where appropriate, further costs expected to be incurred to disposal. Work in progress is stated at production cost, which includes an appropriate proportion of attributable overhead.

**LONG TERM CONTRACTS**

Profit on individual long term contracts is taken when their outcome can be foreseen with reasonable certainty, based on the lower of the margin earned to date and that prudently forecast to completion.
Claims derived from variations on contract are not recognised until the outcome of the particular claim is certain, except in exceptional circumstances where the principles of the claim have been agreed with the client and the directors have made a considered assessment of the final outcome.
Full provision is made for all known or expected losses on individual contracts.

**DEFERRED TAXATION**

Deferred taxation is recognised in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

## NOTES TO THE FINANCIAL STATEMENTS

### 1. ACCOUNTING POLICIES (continued)

**LEASING COMMITMENTS**

Assets obtained under finance lease contracts are capitalised in the balance sheet and are depreciated over their useful lives. A corresponding amount is reflected in leasing indebtedness. The amount by which the payment to the leasing companies exceeds the depreciation charge is written off annually against profits.

**OPERATING LEASES**

Rentals applicable to operating leases where substantially all the benefits and risks of ownership remain with the lessor are charged against profit as incurred.

**POST- RETIREMENT BENEFITS**

The Company operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Company.

Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

The pension scheme surplus (to the extent to which it is recoverable) or the deficit is recognised in full. The movement in the scheme surplus / deficit is split between operating charges, finance items and, in the statement of total recognised gains and losses, actuarial gains and losses.

**DIVIDENDS ON SHARES PRESENTED WITHIN SHAREHOLDERS' FUNDS**

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

### 2. TURNOVER

Turnover represents the following:-

(a) The value of work executed on contracts during the year.

(b) The amount invoiced during the year for goods supplied and services provided.

This turnover is stated net of value added tax.

All of the group's turnover relates to work undertaken on its principal activities within the United Kingdom.

### 3. PROFIT / (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION

| Is stated after charging / (crediting) | 2005 £'000 | 2004 £'000 |
|---|---|---|
| Auditors' remuneration - Group | 32 | 30 |
| - Company | 24 | 22 |
| - Non audit services | 3 | 2 |
| Depreciation of tangible fixed assets | 700 | 687 |
| Operating leases - Other assets | 242 | 311 |
| - Land | 61 | 61 |
| Profit on sale of tangible fixed assets | (36) | (45) |

## NOTES TO THE FINANCIAL STATEMENTS

### 4. REMUNERATION OF DIRECTORS

| | 2005 | 2004 |
|---|---|---|
| | £'000 | £'000 |
| Directors emoluments | 301 | 287 |
| Pension scheme contributions | 239 | 39 |
| | 540 | 326 |

Retirement benefits are accruing to two directors under a defined benefits scheme at 31 December 2005 (2004 - three) and to no directors under a defined contribution scheme (2004 - one).

| | | |
|---|---|---|
| Highest paid director | £'000 | £'000 |
| Emoluments | 110 | 95 |
| *Pension scheme contributions* | 223 | 19 |
| | 333 | 114 |

Accrued pension for the highest paid director at 31 December 2005 is £47,586 (2004 - £26,414)

### 5. STAFF NUMBERS AND COSTS

The average number of persons employed by the Group (including directors) during the year was made up as follows:

| | 2005 | 2004 |
|---|---|---|
| | No. | No. |
| Management and administrative | 182 | 198 |
| *Operational* | 191 | 181 |
| | 373 | 379 |

| | | As restated (note 26) |
|---|---|---|
| | 2005 | 2004 |
| | £'000 | £'000 |
| Wages and salaries | 10,810 | 10,658 |
| Social security costs | 1,139 | 1,100 |
| Other pension costs (note 22) | 559 | 732 |
| | 12,508 | 12,490 |

### 6. *INTEREST RECEIVABLE*

| | *2005* | *2004* |
|---|---|---|
| | £'000 | £'000 |
| Bank deposit interest | 32 | 68 |

### 7. INTEREST PAYABLE

| | 2005 | 2004 |
|---|---|---|
| | £'000 | £'000 |
| Group undertakings | 231 | 274 |
| Bank overdraft | - | 2 |
| Lease purchase interest | 3 | 16 |
| | 234 | 292 |

### 8. *OTHER FINANCE COSTS*

| | | As restated (note 26) |
|---|---|---|
| | 2005 | 2004 |
| | £'000 | £'000 |
| Expected return on pension scheme assets | 708 | 620 |
| Interest on pension scheme liabilities | (803) | (776) |
| Transfer values received | - | 4 |
| | (95) | (152) |

NOTES TO THE FINANCIAL STATEMENTS

## 9 TAX ON PROFIT / (LOSS) ON ORDINARY ACTIVITIES

| The taxation charge / (credit) is made up as follows: | | 2005 £'000 | As restated (note 26) | 2004 £'000 |
|---|---|---|---|---|
| *Current taxation* | | | | |
| UK Corporation Tax / (Group Relief) at 30% (2004: 30%) | 86 | | (254) | |
| Adjustment in respect of previous periods | (2) | | (287) | |
| | | 84 | | (541) |
| *Deferred taxation* | | | | |
| Transfer to deferred tax (see note 19) | 367 | | (10) | |
| Adjustment in respect of previous periods | - | | 265 | |
| | | 367 | | 255 |
| | | 451 | | (286) |

The current tax charge / (credit) for the period is lower (2004: lower) than the standard rate of corporation tax in the UK (30%, 2004 30%). The differences are explained below.

| Current tax reconciliation | 2005 £'000 | As restated (note 26) 2004 £'000 |
|---|---|---|
| Profit / (Loss) on ordinary activities before tax | 1,210 | (965) |
| Current tax at 30% (2004: 30%) | 363 | (289) |
| Expenses not deductible for tax purposes | 16 | 19 |
| Capital allowances less than depreciation | 18 | 1 |
| Tax losses utilised | (390) | - |
| Current taxation included in STRGL | 95 | - |
| Other timing differences | (16) | 15 |
| Adjustment in respect of previous periods | (2) | (287) |
| Total current tax charge / (credit) | 84 | (541) |

## 10. PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT UNDERTAKING

| | 2005 £'000 |
|---|---|
| Dealt with in the financial statements of: | |
| The parent undertaking | 1,127 |
| The subsidiary undertakings | (368) |
| | 759 |

## 11. PROFIT & LOSS ACCOUNT

| | 2005 £'000 | £'000 |
|---|---|---|
| **Parent undertaking:** | | |
| At beginning of year as originally stated | (103) | |
| Prior year adjustment (note 26) | (3,083) | |
| At beginning of year as restated | (3,186) | |
| Profit for the financial year | 1,127 | |
| Net gains and losses in respect of FRS17 | (507) | |
| At end of year | | (2,566) |
| **Subsidiary undertakings:** | | |
| At beginning of year as originally stated | 804 | |
| Prior year adjustment (note 26) | 345 | |
| At beginning of year as restated | 1,149 | |
| Loss for the financial year | (368) | |
| At end of year | | 781 |
| Group total - At end of year | | (1,785) |

## NOTES TO THE FINANCIAL STATEMENTS

### 12. TANGIBLE FIXED ASSETS

| | | Plant and equipment | | | | |
|---|---|---|---|---|---|---|
| | Freehold land and buildings | Purchased | Leased/ Lease Purchase | Total The Company | Subsidiary Undertaking Plant | Total The Group |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Cost at 1.1.05 | 1,313 | 5,118 | 1,822 | 8,253 | 101 | 8,354 |
| Additions | 9 | 564 | - | 573 | - | 573 |
| Disposals | - | (253) | - | (253) | - | (253) |
| Cost at 31.12.05 | 1,322 | 5,429 | 1,822 | 8,573 | 101 | 8,674 |
| Depreciation at 1.1.05 | 425 | 3,375 | 1,212 | 5,012 | 71 | 5,083 |
| Charge for year | 54 | 559 | 76 | 689 | 11 | 700 |
| Disposals | - | (240) | - | (240) | - | (240) |
| Depreciation at 31.12.05 | 479 | 3,694 | 1,288 | 5,461 | 82 | 5,543 |
| **Net book value at 31.12.05** | **843** | **1,735** | **534** | **3,112** | **19** | **3,131** |
| Net book value at 31.12.04 | 888 | 1,743 | 610 | 3,241 | 30 | 3,271 |
| Depreciation charged in 2004 | 49 | 542 | 85 | 676 | 11 | 687 |

Depreciation has not been charged on freehold land which is stated at its cost of £90,155 (2003 - £90,155).

### 13. INVESTMENTS

| | 2005 | 2004 |
|---|---|---|
| | £'000 | £'000 |
| Share in group undertakings (at cost) | 2 | 2 |

The company holds 100% of the equity of the following subsidiary undertakings, which have been included in the consolidated accounts.

| Name of undertaking | Country of registration | Holding | Nature of business |
|---|---|---|---|
| Brooks Contracting Co. Limited | UK | 3,000 shares | Plant hire and steel fabrication |
| Steel Foundations Limited | UK | 100 shares | Civil engineering and pile trading |

### 14. STOCKS

| | Group | | Company | |
|---|---|---|---|---|
| | 2005 | 2004 | 2005 | 2004 |
| | £'000 | £'000 | £'000 | £'000 |
| Raw materials and consumables | 352 | 417 | 13 | 22 |
| Piling stock | 415 | 926 | - | - |
| Work in progress | 126 | 103 | - | 22 |
| | 893 | 1,446 | 13 | 44 |

## NOTES TO THE FINANCIAL STATEMENTS

### 15. DEBTORS

| | Group | As restated (note 26) | Company | As restated (note 26) |
|---|---|---|---|---|
| | 2005 | 2004 | 2005 | 2004 |
| | £'000 | £'000 | £'000 | £'000 |
| Amounts owed by group undertakings | 12 | 2,283 | 480 | 3,347 |
| Trade debtors | 9,385 | 6,910 | 8,977 | 6,315 |
| Amounts recoverable on contracts | 2,908 | 5,543 | 2,550 | 5,156 |
| Corporation tax recoverable from other group co.'s | - | 435 | - | 553 |
| Other debtors | 157 | 14 | 157 | 14 |
| Prepayments and accrued income | 190 | 192 | 102 | 101 |
| Deferred tax asset (see note 19) | - | 311 | - | 312 |
| | 12,652 | 15,688 | 12,266 | 15,798 |

### 16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | Group | | Company | |
|---|---|---|---|---|
| | 2005 | 2004 | 2005 | 2004 |
| | £'000 | £'000 | £'000 | £'000 |
| Amounts owed to group undertakings | 286 | - | 330 | - |
| Trade creditors | 6,444 | 11,232 | 6,109 | 10,003 |
| Obligations under finance leases (see note 18) | 72 | 72 | 72 | 72 |
| Payments on account | - | 3,208 | - | 3,208 |
| Provision for foreseeable losses | 61 | 410 | 61 | 410 |
| Corporation tax | 3 | - | - | - |
| Other taxes and social security costs | 2,135 | 1,932 | 1,954 | 2,019 |
| Other creditors | 379 | 51 | 372 | 44 |
| Accruals | 694 | 310 | 675 | 265 |
| | 10,074 | 17,215 | 9,573 | 16,021 |

### 17. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

| | Group | | Company | |
|---|---|---|---|---|
| | 2005 | 2004 | 2005 | 2004 |
| | £'000 | £'000 | £'000 | £'000 |
| Amounts owed to group undertakings | 3,300 | 4,000 | 3,300 | 4,000 |
| Obligations under finance leases | 51 | 123 | 51 | 123 |
| | 3,351 | 4,123 | 3,351 | 4,123 |

Amounts owed to group represent a subordinated loan with Volker Wessels UK Limited.

### 18. OBLIGATIONS UNDER FINANCE LEASES

The amount due in respect of obligations under finance leases is the same for the group and company and is made up as follows:-

| | 2005 | 2004 |
|---|---|---|
| Year ending | £'000 | £'000 |
| 31.12.2005 | - | 72 |
| 31.12.2006 | 72 | 72 |
| 31.12.2007 | 51 | 51 |
| | 123 | 195 |
| Current obligations | 72 | 72 |
| Non-current obligations | 51 | 123 |
| | 123 | 195 |

NOTES TO THE FINANCIAL STATEMENTS

## 19. DEFERRED TAXATION

| | As Originally stated | FRS 17 / SSAP 24 adjustment | As restated (note 26) At beginning of year | Profit and loss account (credit) / charge | Amounts included in STRGL | At end of year |
|---|---|---|---|---|---|---|
| **Group** | | | | | | |
| Difference between accumulated depreciation and capital allowances | 199 | - | 199 | (18) | - | 181 |
| Other timing differences | (19) | - | (19) | (5) | - | (24) |
| Tax losses | (491) | - | (491) | 390 | - | (101) |
| *Provisions for liabilities* | - | - | - | *56* | - | *56* |
| Deferred tax asset (see note 15) | (311) | - | (311) | 311 | - | - |
| Pensions (see note 22) | - | (1,174) | (1,174) | - | (122) | (1,296) |
| | (311) | (1,174) | (1,485) | 367 | (122) | (1,240) |
| **Company** | | | | | | |
| Difference between accumulated depreciation and capital allowances | 198 | - | 198 | (17) | - | 181 |
| Other timing differences | (19) | - | (19) | (6) | - | (25) |
| Tax losses | (491) | - | (491) | 390 | - | (101) |
| Provisions for liabilities | - | - | - | 55 | - | 55 |
| Deferred tax asset (see note 15) | (312) | - | (312) | 312 | - | - |
| Pensions (see note 22) | - | (1,174) | (1,174) | - | (122) | (1,296) |
| | (312) | (1,174) | (1,486) | 367 | (122) | (1,241) |

## 20. SHARE CAPITAL

| | Authorised | | Allotted, called up and fully paid | |
|---|---|---|---|---|
| | **2005** | **2004** | **2005** | **2004** |
| | No. | No. | £'000 | £'000 |
| Equity Ordinary shares of £1 each | 3,500,000 | 300,000 | 3,100 | 300 |

## 21. COMMITMENTS

| | Group | | Company | |
|---|---|---|---|---|
| | **2005** | **2004** | **2005** | **2004** |
| | £'000 | £'000 | £'000 | £'000 |
| Land and buildings | | | | |
| Expiring within one year | 31 | - | 31 | - |
| Expiring within two to five years inclusive | - | 42 | - | 42 |
| Expiring in over five years | 19 | 19 | 19 | 19 |
| Other - contract hire vehicles | | | | |
| Expiring within one year | 28 | 9 | - | - |
| Expiring within two to five years inclusive | 128 | 131 | - | - |
| | 206 | 201 | 50 | 61 |

## NOTES TO THE FINANCIAL STATEMENTS

### 22. PENSION SCHEME

The group operates a funded defined benefits pension scheme based on final pensionable salary. The scheme covers the group and its subsidiaries and also Visser & Smit Hannab UK Ltd, a subsidiary of Volker Wessels UK Ltd. The scheme is closed to new members. The assets of the scheme are held separately from those of the group, in an independently administered fund.

The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit credit method.

The most recent valuation was at 1 January 2005 and was based on the projected unit credit method. The principal assumptions used were:-

| | |
|---|---|
| Interest Rate | - 6.75% p.a. compound |
| Salary Growth Rate | - 3.75% p.a. compound |
| Inflation | - 2.50% p.a. compound |
| Pension Increases: Limited Price Indexation | - 2.50% p.a. compound |

Assets have been valued at current market price.

Following the full valuation it was agreed that Company contributions with effect from 1 July 2005 would be 9.6% of pensionable salaries with an additional £625,000 per annum payable in quarterly instalments until the results of the next formal actuarial are known.

The total cost included within operating profit was £464,201 (2004: £579,942 (restated))

A full actuarial valuation was carried out at 1 January 2005 by a qualified independent actuary. This valuation was updated on a FRS 17 basis as at 31 December 2005.

| The major assumptions used by the actuary were: | 2005 |
|---|---|
| Investment Return | 6.26% |
| Rate of increase in salaries | 2.50% |
| Rate of increase in pension payments | 2.50% |
| Discount rate | 4.75% |
| Inflation assumption | 2.50% |

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the time scale covered, may not be borne out in practice.

**Scheme Assets**

The fair value of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain, were:

| | 2005 Long term rate of return | 2005 Value £'000 | 2004 Long term rate of return | 2004 Value £'000 | 2003 Long term rate of return | 2003 Value £'000 |
|---|---|---|---|---|---|---|
| Equities | 7.50% | 7,503 | 7.50% | 5,975 | 7.50% | 5,289 |
| Bonds | 5.00% | 4,317 | 5.00% | 3,690 | 5.00% | 3,240 |
| Other | 4.00% | 1,733 | 4.00% | 1,434 | 4.00% | 1,242 |
| | | 13,553 | | 11,099 | | 9,771 |
| Present value of scheme liabilities | | (17,872) | | (15,011) | | (13,705) |
| Deficit in the scheme- Pension liability | | (4,319) | | (3,912) | | (3,934) |
| Related deferred tax asset | | 1,296 | | 1,174 | | 1,180 |
| Net pension liability | | (3,023) | | (2,738) | | (2,754) |

## NOTES TO THE FINANCIAL STATEMENTS

### 22. PENSION SCHEME (Cont.)

| Movement in deficit during the year | 2005 £'000 | 2004 £'000 |
|---|---|---|
| Deficit in scheme at the beginning of year | (3,912) | (3,934) |
| Current service cost | (464) | (580) |
| Contributions paid | 876 | 682 |
| Other finance costs | (95) | (152) |
| Actuarial (loss) / gain | (724) | 72 |
| Deficit in scheme at end of year | (4,319) | (3,912) |

| Analysis of other pension costs charged in arriving at operating profit | 2005 £'000 | 2004 £'000 |
|---|---|---|
| Current service cost | 464 | 580 |

Analysis of amounts included in other finance costs

| | 2005 £'000 | 2004 £'000 |
|---|---|---|
| Expected return on pension scheme assets | 708 | 620 |
| Interest on pension scheme liabilities | (803) | (776) |
| Transfer values received | - | 4 |
| | (95) | (152) |

Analysis of amount recognised in consolidated statement of total recognised gains and losses

| | 2005 % | 2005 £'000 | 2004 % | 2004 £'000 |
|---|---|---|---|---|
| Actual return less expected return on scheme assets | | 1,331 | | 465 |
| Percentage of year end scheme assets | 9.8 | | 4.2 | |
| Experience gains and losses arising on scheme liabilities | | (635) | | (233) |
| Percentage of present value of year end scheme liabilities | (3.6) | | (1.5) | |
| Changes in assumptions underlying the present value of scheme liabilities | | (1,420) | | (160) |
| Percentage of present value of year end scheme liabilities | (7.9) | | (1.1) | |
| Actuarial (loss) / gain recognised in statement of total gains & losses | | (724) | | 72 |

History of experience gains and losses

| | 2005 | 2004 | 2003 | 2002 |
|---|---|---|---|---|
| Difference between the expected and actual return on scheme assets: | | | | |
| Amount (£'000) | 1,331 | 465 | 644 | (2,237) |
| Percentage of year end assets | 9.8% | 4.2% | 6.6% | (27.6%) |
| Experience gains and losses on scheme liabilities: | | | | |
| Amount (£'000) | (635) | (233) | 706 | (296) |
| Percentage of year end present value of scheme liabilities | (3.6%) | (1.5%) | 5.2% | (2.5%) |
| Total amount recognised in statement of total recognised gains and losses: | | | | |
| Amount (£'000) | (724) | 72 | (295) | (3,289) |
| Percentage of year end present value of scheme liabilities | (0.04%) | 0.00% | (0.02%) | (27.8%) |

**NOTES TO THE FINANCIAL STATEMENTS**

## 23. CONTINGENT LIABILITIES

*There were contingent liabilities at 31 December 2005 as follows:-*
(a) A guarantee in respect of the bank indebtedness of subsidiary undertakings (2005: Nil, 2004: Nil)
(b) Performance bonds given by the company on behalf of its subsidiaries and agreements entered into in the normal course of business.

## 24. PARENT COMPANY

The company is a wholly owned undertaking of Volker Wessels UK Limited, a company registered in England and Wales. Copies of Volker Wessels UK Limited accounts may be obtained from Hertford Road, Hertfordshire, EN11 9BX.
The ultimate parent company is Royal Volker Wessels Stevin nv, incorporated in The Netherlands. Copies of its accounts may be obtained from its Rotterdam office, Oostmaaslaan 71, 3063 AN, Rotterdam, The Netherlands.

## 25. RELATED PARTIES

The company has taken advantage of the exemption given to wholly owned subsidiary undertakings on disclosure in accordance with Financial Reporting Standard 8.

## 26. RESTATEMENT OF COMPARATIVES

The adoption of FRS17 has required a change to the accounting treatment of the defined benefit pension scheme such that the company now includes the assets and liabilities of the scheme in the balance sheet. Current service costs, curtailment and settlement gains and losses, and net financial returns are included in the profit and loss account in the period to which they relate. Actuarial gains and losses are recognised in the statement of total recognised gains and losses.

Further, the parent company accounts for 2004 have been restated for the requirements of FRS 21, 'Events after the Balance Sheet Date'. Under FRS21 the company can only recognise dividends receivable in the period they are declared and appropriately approved.
Compliance with FRS 21 has reduced shareholders' funds and debtors at 31 December 2004 by £345,000.

As a result of these change in accounting policy, the comparatives have been restated.

The effect of the adjustments on the 2004 consolidated and company balance sheets is as follows:

| | Group | | | Company | | | |
|---|---|---|---|---|---|---|---|
| | As previously reported | FRS 17/ SSAP24 Adjustment | As restated | As previously reported | FRS 17/ SSAP24 Adjustment | FRS 21 Adjustment | As restated |
| | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** |
| Debtors- Dividends receivable | - | - | - | 345 | - | (345) | - |
| Net pension liability | - | (2,738) | (2,738) | - | (2,738) | - | (2,738) |
| Profit and loss account | (701) | 2,738 | 2,037 | 103 | 2,738 | 345 | 3,186 |

The effect of the FRS17/SSAP24 adjustments on the 2004 consolidated and company profit and loss accounts is as follows:

| | Group | | | Company | | | |
|---|---|---|---|---|---|---|---|
| | As previously reported | FRS 17/ SSAP24 Adjustment | As restated | As previously reported | FRS 17/ SSAP24 Adjustment | FRS 21 Adjustment | As restated |
| | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** |
| Operating loss | (691) | 102 | (589) | (1,045) | 102 | - | (943) |
| Other finance costs | - | (152) | (152) | - | (152) | - | (152) |
| Tax on loss on ordinary activities | 271 | 15 | 286 | 389 | 15 | - | 404 |
| Loss for the financial year | (644) | (35) | (679) | (536) | (35) | (35) | (606) |

**NOTES TO THE FINANCIAL STATEMENTS**

**26. RESTATEMENT OF COMPARATIVES (continued)**

The net increase in the loss for the financial year ended 31 December 2004 of £35,000 in the consolidated profit and loss account related to the full service cost of the pension provision charged to operating profit and the net impact of the unwinding of the discount rate on plan liabilities and the expected return on plan assets to be charged to 'Other finance costs', in comparison to SSAP24 charges.

The effect of the FRS17/SSAP24 adjustments on the 2004 consolidated statement of total recognised gains and losses is as follows:

| | **Group** | | |
|---|---|---|---|
| | As previously reprted **£'000** | FRS 17/ SSAP24 Adjustment **£'000** | As restated **£'000** |
| Loss for the year | (644) | (35) | (679) |
| Actuarial gain recognised in the pension scheme | - | 72 | 72 |
| Deferred tax arising on losses in the pension scheme | - | (21) | (21) |
| | (644) | 16 | (628) |