VOLKER STEVIN LIMITED

DIRECTORS' REPORT
AND
FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2006

REGISTERED NUMBER 00288392

Registered no 00288392

DIRECTORS
P Roebuck
J McNeilly
A J de Jong
H Jannsen

SECRETARY
D Webb

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

VOLKER STEVIN LIMITED

DIRECTORS' REPORT
The Directors present their annual report and the audited financial statements of Volker Stevin Limited for the year ended 31 December 2006

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

BUSINESS REVIEW

Introduction
The company continued to do most of its business in public sector work and following the loss of water frameworks in 2004 moved forward in its plans to increase market share in construction sectors outside the water industry Frameworks, nevertheless, still provided around 60% of revenues in 2006 and around 70% of the total turnover was executed by the company's two northern regional civil engineering business units The planned growth of the new building business proved slower than expected providing only 5% of turnover in the year

Objectives and strategy
The company's main objective is to retain its position as a provider of high quality civil engineering and building solutions with a strategy to broaden its client base and seek more private sector business In 2005 the company implemented its business improvement programme, Vision 08, which focuses on specific areas for improvement and these include leadership, communication, people development and business processes During 2006 significant progress has been made in these areas

Performance
Turnover for 2006 was marginally reduced, due mainly to the delay of several major tenders, resulting in a low volume of bidding opportunities in the early part of the year Following the difficult years in 2003 and 2004, the company continued to build on its return to profitability in 2005, and produced an operating margin of 1 76% in 2006 All of the company's civil engineering business units produced satisfactory operational results

2006 was a key year in securing future frameworks and the company was successful in retaining its position with the Environment Agency (EA) by winning a place on the EA's new 4 year National Contractor Framework which commenced in April 2007 It was also successful in gaining a position on the North West Development Agency's Contractor Framework which extends into 2010

Bidding opportunities increased significantly in the second half of the year and as a result the year ended with a strong orderbook for 2007 and 2008

Health and safety
The company's Health and Safety management continues to move in a positive direction resulting in an improved accident performance with an AFR (Accident Frequency Rate) of 0 27 for the year (0 36 in 2005, 0 45 in 2004) which is much better than the industry average The drive for "Zero" accident performance is ingrained in the business through a Cultural and Behavioural programme launched during 2006 Participation in health and safety begins with the workforce, ends with the directors and the expectations for 2007 are that this strategy will yield further improvements

Health and safety performance has been recognised with a "Bronze" award from RoSPA (Royal Society for the Prevention of Accidents) and various client commendations The most pleasing statistic of all, however, was the 25% reduction in the number of accidents involving the company's people

Environmental
The company continues to maintain its position as a leader in Environmental Performance and its Eco-Management and Audit Scheme (EMAS) accreditation was renewed in 2006 The Business was also acknowledged with a "CEEQUAL" award for the Alkborough project, a significant industry leading award, which recognises the quality of environmental design and construction work The year also proved to be free from any pollution incidents or environmental prosecutions and the Key Performance Indicators have shown a positive improvement throughout the year

Focus in 2006 has been to continue to drive better performance in the areas of re-cycled aggregate, minimisation of waste, using sustainable timber and improving the environmental impact of site activities The business has signed up to a National Scheme called "Considerate Constructors" created by the Construction Industry aimed at improving the Industry's image and incorporates aspects of Corporate Social Responsibility The company's project at Blackpool received a Silver Award under this scheme

DIRECTORS' REPORT (Continued)

Environmental (continued)
In 2007 the company proposes to review the overall Business Direction relating to Environmental Issues and Sustainability This will put the company in a position to take advantage of market developments and assist in improving environmental awareness across the business

Measurement
The company has a series of Key Performance Indicators split into four quadrants Stakeholder, Delivery, Processes and Efficiency These four quadrants are combined to provide a Balanced Scorecard to show the overall company performance that is used to measure its goal of continuous improvement High standards were set for all indicators and an overall score in excess of 90% was achieved demonstrating a significant improvement on 2005

Financially, turnover fell 6 7% and was expected to grow but, for reasons explained above, the anticipated growth was not achieved On profitability, the 2006 target was an EBIT of 2% and the actual EBIT (operating profit) result fell just short of this at 1 76%, entirely as a result of the shortfall in revenue Operational performance across the business units was good

Business risks
The company has focussed on recent years in trying to secure a significant part of its business in work that is acquired on a less price sensitive basis This strategy has been successful in de-risking the business in a construction market that remains highly competitive One of the biggest risks in the past has been the exposure to single clients or frameworks which on their own have provided too high a proportion of the company's business The failure to renew a framework or clients' spending moratoriums, has been a risk in the past and the current strategy of increasing the client base together with a better balance of framework and non-framework business has reduced this risk

Another risk to the business is the shortage of skills in the industry and the difficulty in recruiting quality people Staff retention has not been a problem in the past but as the expected pressure comes on the industry with the 2012 Olympics, recruitment and retention will become more difficult The company will mitigate these problems as much as possible by continuing to offer staff conditions and packages that are in the upper quartile in the industry

2007 and beyond
The orderbook for 2007 and 2008 is very strong and revenues are expected to rise significantly in this period The quality of the orderbook is also very good with a proportion of work in cost re-imbursable contracts with clients sharing the risk of overspend

DIVIDENDS
The Directors are recommending no dividend be paid (2005 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

POLITICAL AND CHARITABLE CONTRIBUTIONS
During the year the group made various charitable contributions amounting to £1,886 (2005 £1,138)
Neither the company nor any of its subsidiaries made any political donations or incurred any political expenditure during the current or previous year

DIRECTORS' REPORT (Continued)

DIRECTORS AND DIRECTORS' INTERESTS

The Directors who held office during the year were as follows -

P Roebuck
J McNeilly
A J de Jong
H Jansen

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

None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the company

According to the register of directors' interests, no rights to subscribe for shares in or debentures of the company were granted to any of the directors or their immediate families, or exercised by them, during the financial year

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

DISCLOSURE OF INFORMATION TO AUDITORS
The directors who held office at the date of approval of this directors' report confirm, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information

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 15/08/07

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 financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice)

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, and
- 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 2006 which comprise the Consolidated Profit and Loss Account, the Consolidated and Company Balance Sheets, the Consolidated Statement of Total Recognised Gains and Losses, the Reconciliation of Movements in Shareholders Funds 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 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 4

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements

In addition we report to you if, in our opinion, 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 misstatements 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 2006 and of the group's profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

KPMG LLP KPMG LLP

Chatered Accountants 15 August 2007

Registered Auditor

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2006

Note		2006 £'000	2005 £'000
2	**TURNOVER**	49,320	52,879
	Cost of sales	(42,914)	(46,060)
	GROSS PROFIT	6,406	6,819
	Administrative expenses	(5,539)	(5,312)
	OPERATING PROFIT	867	1,507
6	Interest receivable	215	32
7	Interest payable	(334)	(234)
8	Other finance income / (costs)	25	(95)
3-5	**PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION**	773	1,210
9	Tax on profit on ordinary activities	(258)	(451)
	PROFIT FOR THE FINANCIAL YEAR	515	759

The results for the year are derived entirely from continuing operations

VOLKER STEVIN LIMITED

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2006

Note		2006		2005	
		£'000	£'000	£'000	£'000
	FIXED ASSETS				
12	Tangible assets		2,947		3,131
	CURRENT ASSETS				
14	Stocks	528		893	
15	Debtors	14,266		12,652	
	Cash at bank and in hand	1,662		1,143	
		16,456		14,688	
16	**CREDITORS** amounts falling due within one year	(11,502)		(10,074)	
	NET CURRENT ASSETS		4,954		4,614
	TOTAL ASSETS LESS CURRENT LIABILITIES		7,901		7,745
17	**CREDITORS** amounts falling due after more than one year		3,300		3,351
19	Provisions for liabilities		164		56
22	Net Pension Liability		3,101		3,023
	CAPITAL AND RESERVES				
20	Called up share capital	3,100		3,100	
11	Profit and loss account	(1,764)		(1,785)	
	SHAREHOLDERS' FUNDS		1,336		1,315
			7,901		7,745

Signed on behalf of the Board of Directors

P Roebuck

Director

Approved by the Board on 15/08/07

VOLKER STEVIN LIMITED

PARENT UNDERTAKING BALANCE SHEET AT 31 DECEMBER 2006

Note		2006		2005	
		£'000	£'000	£'000	£'000
	FIXED ASSETS				
12	Tangible assets	2,939		3,112	
13	Investments	2		2	
			2,941		3,114
	CURRENT ASSETS				
14	Stocks	15		13	
15	Debtors	13,752		12,266	
	Cash at bank and in hand	1,401		1,143	
		15,168		13,422	
16	**CREDITORS** amounts falling due within one year	(10,866)		(9,573)	
	NET CURRENT ASSETS		4,302		3,849
	TOTAL ASSETS LESS CURRENT LIABILITIES		7,243		6,963
17	**CREDITORS** amounts falling due after more than one year		3,300		3,351
19	Provisions for liabilities		166		55
22	Net Pension Liability		3,101		3,023
	CAPITAL AND RESERVES				
20	Called up share capital	3,100		3,100	
11	Profit and loss account	(2,424)		(2,566)	
	SHAREHOLDERS' FUNDS		676		534
			7,243		6,963

Signed on behalf of the Board of Directors

P Roebuck

Director

Approved by the Board on 15/08/07

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 2006

	2006 £'000	2005 £'000
Profit for the financial year	515	759
Actuarial loss recognised in the pension scheme	(706)	(724)
Tax arising on losses in the pension scheme	212	217
Total recognised gains and losses relating to the financial year	21	252

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
FOR THE YEAR ENDED 31 DECEMBER 2006

	Group		Company	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Profit for the financial year	515	759	636	1,127
Net losses in respect of FRS17	(494)	(507)	(494)	(507)
Share capital issued	-	2,800	-	2,800
Net addition to shareholders' funds	21	3,052	142	3,420
Opening shareholders' funds at 1 January	1,315	(1,737)	534	(2,886)
Closing shareholders' funds at 31 December	1,336	1,315	676	534

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

BASIS OF PREPARATION

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

As the company is a wholly owned subsidiary of Royal Volker Wessels nv, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group The consolidated financial statements of Royal Volker Wessels Stevin nv, within which this company is included, can be obtained from the address given in note 24

Under section 230 (4) of the Companies Act 1985 the company is exempt from the requirement to present its own profit and loss account

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

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

Amounts recoverable on contracts are included in debtors and represent turnover recognised in excess of payments on account

TAXATION

The charge for taxation is based on the result for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes

Deferred taxation is recognised without discounting 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

LEASING COMMITMENTS

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease

NOTES TO THE FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES (continued)

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 group contributes to employees' money purchase personal pension schemes The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period
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

CLASSIFICATION OF FINANCIAL INSTRUMENTS ISSUED BY THE COMPANY

Following the adoption of FRS 25, financial instruments issued by the Company are treated as equity (i e forming part of shareholders' funds) only to the extent that they meet the following two conditions

a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company, and

b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares
Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges
Finance payments associated with financial instruments that are classified as part of shareholders' funds (see dividends policy), are dealt with as appropriations in the reconciliation of movements in shareholders' funds

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

NOTES TO THE FINANCIAL STATEMENTS

3 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Is stated after charging / (crediting)		2006 £'000	2005 £'000
Auditors' remuneration			
Audit of these financial statements		37	32
Audit of financial statements of subsidiaries		10	8
Other services relating to taxation		1	-
Depreciation of tangible fixed assets	- Owned	633	624
	- Leased	77	76
Operating leases	- Other assets	200	242
	- Land	61	61
Profit on sale of tangible fixed assets		(15)	(36)

4 REMUNERATION OF DIRECTORS

	2006 £'000	2005 £'000
Directors emoluments	252	301
Pension scheme contributions	18	239
	270	540

Retirement benefits are accruing to two directors under a defined benefits scheme at 31 December 2006 (2005 - two)

	2006	2005
Highest paid director	£'000	£'000
Emoluments	134	110
Pension scheme contributions	10	223
	144	333

Accrued pension for the highest paid director at 31 December 2006 is £55,216 (2005 - £47,856)

5 STAFF NUMBERS AND COSTS

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

	Group		Company	
	2006	2005	2006	2005
	No	No	No	No
Management and administrative	191	182	166	158
Operational	168	191	119	135
	359	373	285	293

	Group		Company	
	2006	2005	2006	2005
	£'000	£'000	£'000	£'000
Wages and salaries	10,691	10,810	8,706	8,822
Social security costs	1,131	1,139	939	945
Other pension costs (note 22) Defined benefit	745	464	673	356
Other pension costs Defined contribution	123	67	109	54
	12,690	12,480	10,427	10,177

NOTES TO THE FINANCIAL STATEMENTS

6 INTEREST RECEIVABLE

	2006	2005
	£'000	£'000
Bank deposit interest	215	32

7 INTEREST PAYABLE

	2006	2005
	£'000	£'000
Bank interest	131	-
Group undertakings	197	231
Lease purchase interest	6	3
	334	234

8 OTHER FINANCE INCOME / (COSTS)

	2006	2004
	£'000	£'000
Expected return on pension scheme assets	878	708
Interest on pension scheme liabilities	(853)	(803)
	25	(95)

9 TAX ON PROFIT ON ORDINARY ACTIVITIES

Analysis of credit in the period		2006		2005
		£'000		£'000
UK corporation tax				
Current tax on income for the period	(29)		86	
Adjustment in respect of previous periods	-		(2)	
		(29)		84
Deferred taxation (see note 19)				
Transfer to deferred tax	287		367	
Adjustment in respect of previous periods	-		-	
		287		367
		258		451

The current tax credit for the period is lower (2005 lower) than the standard rate of corporation tax in the UK (30%, 2005 30%) The differences are explained below

	2006	2005
Current tax reconciliation	£'000	£'000
Profit on ordinary activities before tax	773	1,210
Current tax at 30% (2005 30%)	232	363
Expenses not deductible for tax purposes	18	16
Capital allowances for the period in excess of depreciation	38	18
Tax losses utilised	(101)	(390)
Other timing differences	(216)	79
Adjustment in respect of previous periods	-	(2)
Total current tax (credit) / charge	(29)	84

NOTES TO THE FINANCIAL STATEMENTS

10 PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT UNDERTAKING

	2006
	£'000
Dealt with in the financial statements of	
The parent undertaking	636
The subsidiary undertakings	(121)
	515

11 PROFIT & LOSS ACCOUNT

	2006	
	£'000	£'000
Parent undertaking		
At beginning of year	(2,566)	
Profit for the financial year	636	
Net gains and losses in respect of FRS17	(494)	
At end of year		(2,424)
Subsidiary undertakings:		
At beginning of year	781	
Loss for the financial year	(121)	
At end of year		660
Group total - At end of year		(1,764)

12 TANGIBLE FIXED ASSETS

	Freehold land and buildings	Plant and equipment Purchased	Plant and equipment Leased/ Lease Purchase	Total The Company	Subsidiary Undertaking Plant	Total The Group
	£'000	£'000	£'000	£'000	£'000	£'000
Cost at 1 1 06	1,322	5,429	1,822	8,573	101	8,674
Additions	-	531	-	531	-	531
Disposals	-	(524)	-	(524)	-	(524)
Cost at 31 12 06	1,322	5,436	1,822	8,580	101	8,681
Depreciation at 1 1 06	479	3,694	1,288	5,461	82	5,543
Charge for year	53	569	77	699	11	710
Disposals	-	(519)	-	(519)	-	(519)
Depreciation at 31 12 06	532	3,744	1,365	5,641	93	5,734
Net book value at 31 12.06	**790**	**1,692**	**457**	**2,939**	**8**	**2,947**
Net book value at 31 12 05	843	1,735	534	3,112	19	3,131
Depreciation charged in 2005	54	559	76	689	11	700

Depreciation has not been charged on freehold land which is stated at its cost of £90,155 (2005 - £90,155)

NOTES TO THE FINANCIAL STATEMENTS

13 INVESTMENTS

	2006	2005
	£'000	£'000
Share in group undertakings (cost and net book value)	2	2

The principal undertakings in which the Company's interest at the year end is more than 20 % are as follows

Subsidiary undertakings	Principal Activity	Holding	Percentage of shares held
Brooks Contracting Co Limited	Plant hire	3,000 ordinary shares	100%
Steel Foundations Limited	Civil engineering	100 ordinary shares	100%

Joint arrangement not an entity	Principal Activity	Principal place of business	Percentage of shares held
HMB Alliance	Civil engineering	Springwell Road, Gateshead	35%
CVC Highway Solutions	Civil engineering	A69, Haydon Bridge, Northumberland	50%
VSD Avenue	Civil engineering	Avenue Coking Works, Chesterfield	33 3%

The percentages quoted in respect of the joint arrangements not an entity are the group's interest under the joint arrangement

14 STOCKS

	Group		Company	
	2006	2005	2006	2005
	£'000	£'000	£'000	£'000
Raw materials and consumables	326	352	15	13
Piling stock	107	415	-	-
Work in progress	95	126	-	-
	528	893	15	13

15 DEBTORS

	Group		Company	
	2006	2005	2006	2005
	£'000	£'000	£'000	£'000
Amounts owed by group undertakings	4,269	12	4,707	480
Trade debtors	7,422	9,385	6,831	8,977
Amounts recoverable on contracts	2,273	2,908	2,033	2,550
Corporation tax recoverable from other group co 's	29	-	-	-
Other debtors	47	157	41	157
Prepayments and accrued income	226	190	140	102
	14,266	12,652	13,752	12,266

NOTES TO THE FINANCIAL STATEMENTS

16 CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2006	2005	2006	2005
	£'000	£'000	£'000	£'000
Amounts owed to group undertakings	89	286	89	330
Trade creditors	8,595	6,444	7,985	6,109
Obligations under finance leases (see note 18)	51	72	51	72
Provision for foreseeable losses	-	61	-	61
Corporation tax	-	3	8	-
Other taxes and social security costs	1,895	2,135	1,909	1,954
Other creditors	447	379	447	372
Accruals	425	694	377	675
	11,502	10,074	10,866	9,573

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

	Group		Company	
	2006	2005	2006	2005
	£'000	£'000	£'000	£'000
Amounts owed to group undertakings	3,300	3,300	3,300	3,300
Obligations under finance leases	-	51	-	51
	3,300	3,351	3,300	3,351

Amounts owed to group undertakings represents 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 -

	2006	2005
	£'000	£'000
Within one year	51	72
In the second to fifth years	-	51
	51	123

NOTES TO THE FINANCIAL STATEMENTS

19 DEFERRED TAXATION

	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	181	(17)	-	164
Other timing differences	(24)	24	-	-
Tax losses	(101)	101	-	-
Provisions for liabilities	56	108	-	164
Pensions (see note 22)	(1,296)	179	(212)	(1,329)
	(1,240)	287	(212)	(1,165)
Company				
Difference between accumulated depreciation and capital allowances	181	(15)	-	166
Other timing differences	(25)	25	-	-
Tax losses	(101)	101	-	-
Provisions for liabilities	55	111	-	166
Pensions (see note 22)	(1,296)	179	(212)	(1,329)
	(1,241)	290	(212)	(1,163)

20. SHARE CAPITAL

	Authorised		Allotted, called up and fully paid	
	2006	2005	2006	2005
	No	No	£'000	£'000
Equity Ordinary shares of £1 each	3,500,000	3,500,000	3,100	3,100

21. COMMITMENTS

	Group		Company	
	2006	2005	2006	2005
	£'000	£'000	£'000	£'000
Land and buildings				
Expiring within one year	14	31	14	31
Expiring within two to five years inclusive	-	-	-	-
Expiring in over five years	19	19	19	19
Other - contract hire vehicles				
Expiring within one year	74	28	-	-
Expiring within two to five years inclusive	70	128	-	-
	177	206	33	50

NOTES TO THE FINANCIAL STATEMENTS

22 PENSION SCHEME

The company operates a defined contribution pension scheme The pension cost charge for the period represents contributions payable by the company to the scheme and amounted to £123,000 (2005 £67,000)
There are no outstanding or prepaid contributions at either the beginning or end of the financial year

The group also 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 £745,000 (2005 £464,000)

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 2006

The major assumptions used by the actuary were	2006	2005	2004
Investment Return	6 83%	6 26%	6 22%
Rate of increase in salaries	3 00%	2 50%	2 50%
Rate of increase in pension payments	2 75%	2 50%	2 50%
Discount rate	5 10%	4 75%	5 25%
Inflation assumption	2 75%	2 50%	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

	2006 Long term rate of return	2006 Value £'000	2005 Long term rate of return	2005 Value £'000	2004 Long term rate of return	2004 Value £'000
Equities	7 85%	10,442	7 50%	7,503	7 50%	5,975
Bonds	4 88%	5,338	5 00%	4,317	5 00%	3,690
Other	5 00%	92	4 00%	1,733	4 00%	1,434
		15,872		13,553		11,099
Present value of scheme liabilities		(20,302)		(17,872)		(15,011)
Deficit in the scheme- Pension liability		(4,430)		(4,319)		(3,912)
Related deferred tax asset		1,329		1,296		1,174
Net pension liability		(3,101)		(3,023)		(2,738)

NOTES TO THE FINANCIAL STATEMENTS

22. PENSION SCHEME (Cont.)

Movement in deficit during the year	2006 £'000	2005 £'000
Deficit in scheme at the beginning of year	(4,319)	(3,912)
Current service cost	(542)	(464)
Contributions paid	1,315	876
Past service costs	(203)	-
Other finance costs	25	(95)
Actuarial loss	(706)	(724)
Deficit in scheme at end of year	(4,430)	(4,319)

Analysis of other pension costs charged in arriving at operating profit	2006 £'000	2005 £'000
Current service cost	542	464
Past service cost	203	-
	745	464

Analysis of amounts included in other finance income / (costs)		
Expected return on pension scheme assets	878	708
Interest on pension scheme liabilities	(853)	(803)
	25	(95)

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

	2006 %	2006 £'000	2005 %	2005 £'000
Actual return less expected return on scheme assets		367		1,331
Percentage of year end scheme assets	2 3		9 8	
Experience gains and losses arising on scheme liabilities		(399)		(635)
Percentage of present value of year end scheme liabilities	(2 0)		(3 6)	
Changes in assumptions underlying the present value of scheme liabilities		(674)		(1,420)
Percentage of present value of year end scheme liabilities	(3 3)		(7 9)	
Actuarial loss recognised in statement of total gains & losses		(706)		(724)

History of experience gains and losses

	2006	2005	2004	2003	2002
Difference between the expected and actual return on scheme assets					
Amount (£'000)	367	1,331	465	644	(2,237)
Percentage of year end assets	2 3%	9 8%	4 2%	6 6%	(27 6%)
Experience gains and losses on scheme liabilities					
Amount (£'000)	(399)	(635)	(233)	706	(296)
Percentage of year end present value of scheme liabilities	(2 0%)	(3 6%)	(1 5%)	5 2%	(2 5%)
Changes in assumptions underlying the present value of scheme liabilities					
Amount (£'000)	(674)	(1,420)	(160)	(1,645)	(756)
Percentage of year end present value of scheme liabilities	(3 3%)	(7 9%)	(1 2%)	(14 0%)	(6 4%)
Total amount recognised in statement of total recognised gains and losses					
Amount (£'000)	(706)	(724)	72	(295)	(3,289)
Percentage of year end present value of scheme liabilities	(3 5%)	(4 0%)	0 5%	(2 1%)	(27 8%)

NOTES TO THE FINANCIAL STATEMENTS

23. CONTINGENT LIABILITIES

There were contingent liabilities at 31 December 2006 as follows -

(a) A guarantee in respect of the bank indebtedness of subsidiary undertakings (2006 Nil, 2005 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