

**ALFRED McALPINE UTILITY SERVICES GROUP
LIMITED**

REPORT AND ACCOUNTS

31 December 2003



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REPORT OF THE DIRECTORS

The directors submit their report and the accounts for the year ended 31 December 2003.

PRINCIPAL ACTIVITIES

The principal activity of the Group is the laying of electricity cables, telephone ducting and gas pipelines, and the re-lining and replacement of water mains.

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

Alfred McAlpine Utility Services Group, operating as "Infrastructure Services", has four principal lines of business: Electricity, Gas, Telecoms and Water.

Through this variety of sector-focused businesses, Infrastructure Services is involved in a broad range of activities including multi-utility connections and major utility replacement and rehabilitation.

Following the acquisition of Ryan in 2001 and Eastern Contracting in 2002, Infrastructure Services continues to pursue bolt-on acquisitions. After the year-end, in February 2004, we acquired UK Power, a specialist overhead line business operating throughout the UK and the Republic of Ireland for £5.2m.

2003 also saw the creation of Scottish Water Solutions, a joint venture involving Scottish Water and two industry consortia. Alfred McAlpine is a member of one of these consortia – Stirling Water. This joint venture will implement Scottish Water's Asset Delivery Programme over the next few years.

Our focus on developing strong client relationships has resulted in the successful retention or extension of many of our contracts in 2003. Other significant contract awards during the year include a three year renewal of our cabling support contract with Scottish Power, extensions to our contracts with East Midlands Electricity and Rochdale Metropolitan Borough Council, and a major new two-year framework contract with the Electricity Supply Board in the Republic of Ireland.

In February 2002, we established Core Utility Solutions, a joint venture with Scottish Power. This business provides multi-utility connection services and is fast becoming a leading player in this growth market.

The prospects for the business are good. We will continue to develop our portfolio of services through organic growth and bolt-on acquisitions, seeking to offer clients a full service proposition. With a focus on higher-margin activities, we aim to achieve significant growth while improving our overall margins.

ALFRED McALPINE UTILITY SERVICES GROUP LIMITED

REPORT OF THE DIRECTORS (continued)

RESULTS AND DIVIDENDS

The results of the group for the year are set out in detail on page 7.

Dividends of £1,627,000 were declared during the year (2002: £1,595,000). Details of dividends payable in relation to each class of share in issue are disclosed in note 10 to the accounts.

In the opinion of the directors, it is thought that the presentation of a consolidated profit and loss account and balance sheet, but not a cash flow statement, adds more value to the understanding of the group's activities from the users' perspective.

DIRECTORS

The directors who served during the year were as follows:

P V Carolan
J W Reid
A P Jackson
I M Grice
N D Cocker

DIRECTORS' INTERESTS

None of the directors had an interest in the share capital of the company during the year.

Directors' interests in the shares of Alfred McAlpine plc are detailed in note 7 to the financial statements.

EMPLOYEES

It is the Group's policy to communicate with and involve employees on matters affecting their interests at work, and inform them of the performance of the business.

It is also Company policy to treat all employees and potential employees equally and to give full consideration to suitable applications for employment from disabled persons, where they have the necessary abilities and skills for the position, and wherever possible to retrain employees who become disabled, so that they can continue their employment in another position.

SUPPLIER PAYMENT POLICY

It is the policy of both the Company and the Group to make payment on their standard terms to suppliers unless alternative terms are agreed. The Company and the Group both seek to abide by these payment terms, provided that they are satisfied that the supplier has complied with the agreed terms and conditions. The Company's average creditor days during the period were 49 days (2002: 47 days).

CHARITABLE CONTRIBUTIONS

Contributions during the year to United Kingdom charitable organisations amounted to £2,035 (2002: £13,318).

ALFRED McALPINE UTILITY SERVICES GROUP LIMITED

REPORT OF THE DIRECTORS (continued)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company and the group and of the profit or loss of the Company and the group for that period. The directors are required to prepare financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2003 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and the group and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS

A resolution to reappoint PricewaterhouseCoopers LLP, as auditors to the Company will be proposed at the annual general meeting.

By order of the board



A R Jackson
Director

30 November 2004

ALFRED McALPINE UTILITY SERVICES GROUP LIMITED

Independent Auditors' report to the members of Alfred McAlpine Utility Services Group Limited

We have audited the financial statements which comprise the Group profit and loss account, the balance sheets, the statement of total recognised gains and losses, note of historical cost profits and losses, the reconciliation of movements in the shareholders' funds, the accounting policies and the related notes to the accounts.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

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 is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group at 31 December 2003 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

Manchester

30 November 2004

ALFRED McALPINE UTILITY SERVICES GROUP LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year to 31 December 2003

	Note	2003 £'000	2002 £'000
TURNOVER	1	233,932	198,518
Cost Of Sales		<u>(210,538)</u>	<u>(176,442)</u>
GROSS PROFIT		23,394	22,076
Administrative expenses		<u>(19,482)</u>	<u>(15,810)</u>
OPERATING PROFIT	2	2,778	6,266
Share of operating profit in associated company		1,174	504
Share of operating profit in joint venture	88		
Exceptional profit on sale of subsidiary undertaking		<u>-</u>	<u>1,585</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST		5,174	8,355
Interest receivable and similar income	3	257	107
Interest payable and similar charges	4	<u>(701)</u>	<u>(217)</u>
		<u>(444)</u>	<u>(110)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		4,730	8,245
Tax on profit on ordinary activities	8	<u>(1,145)</u>	<u>(3,119)</u>
PROFIT FOR THE FINANCIAL YEAR		3,585	5,126
Dividends on equity shares	10	<u>(1,627)</u>	<u>(1,595)</u>
RETAINED PROFIT FOR THE YEAR	20	<u>1,958</u>	<u>3,531</u>

All the activities relate to continuing operations: £5.8million of turnover (2002: £1.5million) relates to contracts in the Republic of Ireland; all other remaining turnover arises in the United Kingdom.

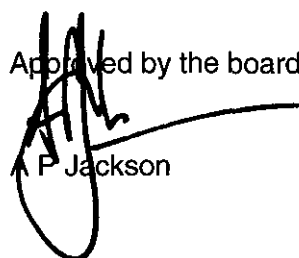
ALFRED McALPINE UTILITY SERVICES GROUP LIMITED

CONSOLIDATED BALANCE SHEET

31 December 2003

	Note		2003 £'000	2002 £'000
FIXED ASSETS				
Intangible assets	13		46,760	48,269
Tangible assets	11		5,540	6,509
Investments	12		2,069	1,367
			<u>54,369</u>	<u>56,145</u>
CURRENT ASSETS				
Stock	14	2,240	2,408	
Debtors - due within one year	15	163,094	148,415	
Debtors - due after more than one year	15	3,523	1,316	
Cash at bank and in hand		<u>5,066</u>	<u>11,426</u>	
		173,923	163,565	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	16	<u>(193,613)</u>	<u>(186,606)</u>	
NET CURRENT LIABILITIES			<u>(19,690)</u>	<u>(23,041)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			34,679	33,104
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	17		(3,920)	(3,963)
PROVISIONS FOR LIABILITIES AND CHARGES	18		<u>(288)</u>	<u>(628)</u>
NET ASSETS			<u>30,471</u>	<u>28,513</u>
CAPITAL AND RESERVES				
CALLED UP SHARE CAPITAL	19		219	219
RESERVES				
Revaluation reserve	20	466	537	
Profit and loss account	20	<u>29,786</u>	<u>27,757</u>	
			<u>30,252</u>	<u>28,294</u>
Equity shareholders' funds		30,470	28,512	
Non-equity shareholders' funds		<u>1</u>	<u>1</u>	
TOTAL SHAREHOLDERS' FUNDS			<u>30,471</u>	<u>28,513</u>

Approved by the board of directors on 30 November 2004


A P Jackson

ALFRED McALPINE UTILITY SERVICES GROUP LIMITED**NOTE OF HISTORICAL COST PROFITS AND LOSSES**

for the year to 31 December 2003

	2003 £'000	2002 £'000
Reported profit on ordinary activities before taxation	4,730	8,245
Difference between historical cost depreciation and the actual depreciation charge	<u>13</u>	<u>10</u>
Historical cost profit on ordinary activities before taxation	<u>4,743</u>	<u>8,255</u>
Historical cost profit for the year after taxation and dividends	<u>1,971</u>	<u>3,541</u>

**RECONCILIATION OF MOVEMENTS
IN SHAREHOLDERS' FUNDS**

for the year to 31 December 2003

	2003 £'000	2002 £'000
Profit for the financial year	3,585	5,126
Dividends	<u>(1,627)</u>	<u>(1,595)</u>
Net movement in shareholders' funds	1,958	3,531
Opening shareholders' funds	<u>28,513</u>	<u>24,982</u>
Closing shareholders' funds	<u>30,471</u>	<u>28,513</u>

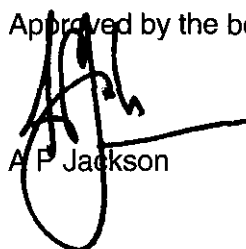
ALFRED McALPINE UTILITY SERVICES GROUP LIMITED

PARENT COMPANY BALANCE SHEET

31 December 2003

	Note	2003 £'000	2002 £'000
FIXED ASSETS			
Tangible assets	11	3,021	3,384
Investments	12	<u>115,419</u>	<u>115,419</u>
		118,440	118,803
CURRENT ASSETS			
Debtors - due within one year	15	29,265	25,624
Cash at bank and in hand		<u>322</u>	<u>492</u>
		29,587	26,116
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	16	<u>(140,650)</u>	<u>(136,900)</u>
NET CURRENT LIABILITIES		<u>(111,063)</u>	<u>(110,784)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		7,377	8,019
PROVISIONS FOR LIABILITIES AND CHARGES	18	-	(7)
NET ASSETS		<u>7,377</u>	<u>8,012</u>
CAPITAL AND RESERVES			
CALLED UP SHARE CAPITAL	19	219	219
RESERVES			
Revaluation reserve	20	466	537
Profit and loss account	20	<u>6,692</u>	<u>7,256</u>
		7,158	7,793
TOTAL SHAREHOLDERS' FUNDS		<u>7,377</u>	<u>8,012</u>
Attributable to equity shareholders		7,376	8,011
Attributable to non-equity shareholders		<u>1</u>	<u>1</u>
		7,377	8,012

Approved by the board of directors on 30 November 2004


A P Jackson

NOTES TO THE ACCOUNTS

31 December 2003

1. ACCOUNTING POLICIES

The Group accounts are prepared on the historical cost basis, except for the revaluation of certain land and buildings, and include the financial statements of the Company and all of its subsidiary undertakings made up to 31 December, together with the Group's share of the results up to the 31 December of associates. They are prepared in accordance with the Companies Act 1985 and applicable accounting standards. The principal policies adopted by the Company are detailed below:

BASIS OF CONSOLIDATION

The Group accounts consolidate the accounts of the Company and all its subsidiaries and include the group share of the reserves of the associate company. The accounts of subsidiaries are made up to the same date as the parent company. The results of the associate company, which has a 31 December year-end, are included based on management accounts as at the Group's year end and are accounted for using the equity method of accounting in accordance with FRS9. The results of the joint venture are accounted for using the gross equity method of accounting.

GOODWILL ON CONSOLIDATION

Purchased goodwill arising since 27 October 1996 is amortised on a straight line basis over its useful economic life, which to-date is considered to be 20 years, based on forecasts of future profitability and cash generation. Permanent diminutions are charged to the profit and loss account. Goodwill arising on consolidation in previous years was written off against reserves in the year of acquisition.

FOREIGN EXCHANGE

Profit and loss accounts of overseas subsidiaries are translated into sterling at average rates of exchange for the year. Assets and liabilities are translated into sterling at the closing rate of exchange. The differences arising from the re-translation at the closing rate of the opening net assets and the retained profits and losses for the current year are taken to reserves.

TURNOVER

Turnover comprises the value of work performed and goods and services provided during the year outside of the Group excluding Value Added Tax, in line with agreed contractual terms. Provision is made for anticipated contract losses and no credit is taken for claims by the company until there is a firm agreement with the client. Pre-contract costs incurred before it is virtually certain that a contract will be awarded are charged to the profit and loss account.

NOTES TO THE ACCOUNTS

31 December 2003

1. ACCOUNTING POLICIES (continued)

DEPRECIATION

Depreciation is provided at rates estimated to write off fixed assets over their anticipated lives and is applied from the month following that in which they are first brought into use.

The rates are as follows:

Land and buildings:

Freehold land	- Nil%
Freehold buildings	- 2.5% on cost or revalued amount
Leasehold	- equal annual instalments over the period of the lease
Plant and machinery	- 10% to 50% on cost
Wagons and other vehicles	- 25% to 100% on cost

Surpluses on revaluation of properties are transferred to revaluation reserve. Shortfalls between cost and valuation on individual properties are charged to the profit and loss account.

FIXED ASSETS

Fixed assets are stated at historical cost less depreciation with the exception of land and buildings that are revalued in accordance with FRS15. Land and buildings have an interim valuation every 3 years and a full valuation every 5 years. Additions on subsidiary acquisitions are capitalised at fair value at the time of the acquisition.

Alfred McAlpine plc group policy is generally not to revalue property. However the directors believe that prior years' policy of revaluing property should be continued to ensure consistency within the accounts, with valuations following FRS15 requirements.

INVESTMENTS

Investment income is included in the accounts of the year in which it is receivable. Fixed asset investments are stated at cost less provisions for permanent diminution in value.

STOCK

Stock is valued at the lower of cost and net realisable value. Cost is calculated on a first in first out basis.

REINSTATEMENT PROVISION

The reinstatement provision represents the group's estimate of the cost of final road surfacing still to be incurred on individual contracts otherwise complete.

The directors consider that the provision as a whole is the best estimate of the eventual cost to the group, which can be made.

NOTES TO THE ACCOUNTS

31 December 2003

1. ACCOUNTING POLICIES (continued)

DEFERRED TAXATION

Full provision is made at anticipated rates for taxation deferred as a result of the pension prepayments, accelerated capital allowances and other timing differences. No provision is made for UK or overseas taxation that might become payable on the remittance of profits from overseas.

PENSIONS

The Group operates a defined contribution pension scheme. The contributions paid by the Group and the employees are invested within the individual pension fund in the month following the month of deduction. The employer contribution rates are determined by reference to either an age or service related scale or at a fixed, level percentage. The amount contributed by the Group is charged to the profit and loss account as the contributions fall due.

The Group also operates a defined benefit pension scheme and participates in the Electricity Supply Pension Scheme (ESPS). Both of these schemes are administered by trustees, the funds being independent of the Group's finances and not included in the Group accounts. Each scheme is valued by an independent actuary at least every three years, and funded by contribution from the Group and the employees at rates determined on the advice of the actuary. Contributions to the schemes are charged to the profit and loss account so as to spread the costs of pensions over employees' service lives within the group.

LEASES AND HIRE PURCHASE CONTRACTS

Rentals under operating leases are charged to the profit and loss account on a straight-line basis over the lease term. Assets held under finance leases and hire purchase contracts are included in fixed assets and the capital elements of the commitments are shown as obligations under finance leases and hire purchase contracts. Payments are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit in proportion to the reducing capital element outstanding. Assets under finance leases are depreciated over the shorter of the lease terms and their useful lives.

CASHFLOW

The Group has taken advantage of the exemptions afforded under FRS1 (revised) not to include a consolidated cash flow in the accounts. This decision has been made from the point of view of the users of the accounts. It is thought that a consolidated cash flow would not add value to the accounts from the users' perspective.

ALFRED McALPINE UTILITY SERVICES GROUP LIMITED

NOTES TO THE ACCOUNTS

31 December 2003

2. OPERATING PROFIT

	2003	2002
	£'000	£'000
Operating profit is arrived at after charging/(crediting):		
Depreciation - assets held under finance lease	-	16
- other	1,169	991
Amortisation of regional development grant	(7)	(20)
Amortisation of goodwill	2,567	1,946
Rentals under operating lease - plant & machinery	-	439
- other	554	614
Profit on sale of tangible assets	(1,465)	(165)
Hire of plant and machinery	10,793	11,658
Auditors remuneration - statutory audit fees	137	78
- non audit services	2	66
- tax service compliance	54	43
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During the year the company paid £11,000 (2002: £4,000) in audit fees and £2,000 (2002: £66,000) in non-audit fee remuneration and £8,000 in tax compliance (2002: £6,000). Non audit fees in the current year relate to pensions advice.

3. INTEREST RECEIVABLE AND SIMILAR INCOME

	2003	2002
	£'000	£'000
Interest receivable:		
Bank deposits	9	10
Interest from associate	-	37
Other interest	16	51
Share of associates' interest receivable	232	9
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	257	107
	<hr/>	<hr/>

4. INTEREST PAYABLE AND SIMILAR CHARGES

	2003	2002
	£'000	£'000
On bank loans, overdrafts and other loans repayable within 5 years	15	65
On finance leases	3	6
Interest paid on loans from group undertakings	507	108
Interest paid on loans from associated undertakings	170	-
Share of associates' interest payable	6	38
	<hr/>	<hr/>
	701	217
	<hr/>	<hr/>

5. EMPLOYEES

	2003	2002
	No.	No.
The average number employed by the group, which includes directors, within each category of persons was:		
Production staff	3,055	2,694
Administrative staff	367	336
	<hr/>	<hr/>
	3,422	3,030
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NOTES TO THE ACCOUNTS

31 December 2003

5. EMPLOYEES (continued)

The costs incurred in respect of these employees were:

	2003 £'000	2002 £'000
Wages and salaries	72,333	60,070
Social security costs	8,525	7,497
Other pension costs	1,862	494
	<u>82,720</u>	<u>68,061</u>

6. DIRECTORS

	2003 £'000	2002 £'000
The remuneration of directors who served during the year included in employee costs were:		
Emoluments	293	313
Pension contributions	34	22
	<u>327</u>	<u>335</u>

The emoluments of AP Jackson and I M Grice are paid by the ultimate parent company and an intermediate parent company. Their services to this company and to a number of fellow subsidiaries are of a non-executive nature and their emoluments are deemed to be wholly attributable to their services to the ultimate parent company or an intermediate parent company. Accordingly the above details include no emoluments in respect of these directors.

During the year, the highest paid director received emoluments of £185,766 (2002: £203,027) and pension of £24,981 (2002: £13,903). Two of the directors that served during the period were members of the Group's pension schemes (2002: two).

7. DIRECTORS' INTERESTS

The shareholdings of I M Grice and A P Jackson in Alfred McAlpine plc are shown in the notes to the financial statements of Alfred McAlpine plc and Alfred McAlpine Support Services & Investments Limited respectively. Other directors' interests in ordinary shares in Alfred McAlpine plc at 31 December were as follows:

Ordinary shares of 25p each	2003 Number	2002 Number
P V Carolan	301,844	301,844
J W Reid	171,230	201,230

ALFRED McALPINE UTILITY SERVICES GROUP LIMITED

NOTES TO THE ACCOUNTS

31 December 2003

7. DIRECTORS' INTERESTS (continued)

As at 31 December, directors held options and awards over shares in the ultimate parent undertaking, Alfred McAlpine plc, as follows:

Alfred McAlpine plc Executive Share Option Scheme (1991)*

Alfred McAlpine plc Executive Share Option Scheme 2000*

	Date of Grant	Option Price	As at 01/01/03	Granted in year	Exercised in year	Lapsed in year	As at 31/12/03
N D Cocker	18/04/00*	178.0p	7,500	-	-	-	7,500
	22/03/01#	280.5p	5,935	-	-	-	5,935

Subject to Alfred McAlpine plc achieving specific performance targets, options issued at no consideration under the terms of the 1991 & 2000 Executive Share Option Schemes are ordinarily exercisable between three and ten years from their date of grant.

The Alfred McAlpine plc Savings-Related Share Option Scheme 1998

	Date of Grant	Option Price	As at 01/01/03	Granted in year	Exercised in year	Lapsed in year	As at 31/12/03
N D Cocker	27/08/03	228p	-	2,580	-	-	2,580
J W Reid	27/08/03	228p	-	2,580	-	-	2,580

Savings-related share options are normally exercisable during the six-month period following completion of either a three-year or five-year savings contract.

The Alfred McAlpine Restricted Share Plan

Under the terms of the Plan the Board of Alfred McAlpine plc grants awards of restricted shares in Alfred McAlpine plc to key executives. The shares may be released if Alfred McAlpine plc achieves specified performance criteria and the executive remains in the Group's employment. The maximum value of the initial share awards that may be made to a participant in any year may not exceed 50% of salary. In addition, the vesting of the awards of shares may be deferred into the Alfred McAlpine Employee Benefit Trust for a further three years and, subject to the achievement of a further performance target, become eligible to be matched on a one for one basis. Further details of the Plan and the performance criteria used can be found in the Report and Accounts of Alfred McAlpine plc.

	Initial Awards			At 1 January 2003				At 31 December 2003	
	Date of award	Market value at date of award	Number of Initial Awards	Outstanding Initial Awards and Exceptional Performance Awards	Deferred Awards held in EBT	Number of Awards satisfying vesting criteria during the year	Number of Matching Shares awarded during the year	Outstanding Initial Awards and Exceptional Performance Awards	Deferred Awards held in EBT
P V Carolan	22/03/01	280.50p	25,000	37,500	-	-	-	37,500	-
	23/04/02	436.10p	15,363	23,044	-	-	-	23,044	-
	16/05/03	245.10p	36,667	-	-	-	-	55,000	-
N D Cocker	23/04/02	436.10p	8,026	12,039	-	-	-	12,039	-
	16/05/03	245.10p	20,000	-	-	-	-	30,000	-
J W Reid	22/03/01	280.50p	10,000	15,000	-	-	-	15,000	-
	23/04/02	436.10p	8,000	12,000	-	-	-	12,000	-
	16/05/03	245.10p	18,556	-	-	-	-	27,834	-

ALFRED McALPINE UTILITY SERVICES GROUP LIMITED

NOTES TO THE ACCOUNTS

31 December 2003

8. a) TAX ON PROFIT ON ORDINARY ACTIVITIES

	2003 £'000	2002 £'000
Taxation is based on the profit for the year and comprises:		
Corporation tax at 30% (2002: 30%) of taxable profit	1,564	2,857
Share of tax charge in associated company at 30% (2002: 30%)	454	143
Share of tax charge in joint venture at 30%	27	-
Prior year corporation tax adjustment	(893)	-
	<hr/>	<hr/>
Current taxation charge for the year	1,152	3,000
Deferred tax charge for year	(212)	(10)
Prior year deferred tax adjustment	205	129
	<hr/>	<hr/>
Total corporation tax charge for year	1,145	3,119
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b) CONSOLIDATED PROOF OF TAX

Profit on ordinary activities before tax	4,730	8,245
	<hr/>	<hr/>
Group profit on ordinary activities at 30% (2002: 30%)	1,419	2,474
Effects of:		
Expenses not deductible for tax purposes	(391)	429
Amortisation of goodwill	770	584
Accelerated capital allowances and other timing differences	212	10
Capital disposals	-	(497)
Higher/ (lower) rate of tax in associated undertaking	35	-
Adjustments to tax charge in respect of prior years	(893)	-
	<hr/>	<hr/>
Current taxation charge for the year	1,152	3,000
	<hr/>	<hr/>

9. RESULT FOR THE FINANCIAL YEAR ATTRIBUTABLE TO THE MEMBERS OF ALFRED McALPINE UTILITY SERVICES GROUP LIMITED

	2003 £'000	2002 £'000
Dealt with in the accounts of the parent company	(635)	2,398
	<hr/>	<hr/>

The Company has taken advantage of Section 230 of the Companies Act 1985 and consequently a profit and loss account for the Company alone is not presented.

ALFRED McALPINE UTILITY SERVICES GROUP LIMITED

NOTES TO THE ACCOUNTS

31 December 2003

10. DIVIDENDS ON EQUITY SHARES		2003	2002
		£'000	£'000
Ordinary shares:			
Payable - £7.44 per ordinary share (2002: £7.29)		<u>1,627</u>	<u>1,595</u>
11. TANGIBLE FIXED ASSETS			
	<u>Land and buildings</u>	<u>Plant and machinery</u>	<u>Total</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
(a) THE GROUP			
Cost/Valuation:			
At 1 January 2003	4,340	4,730	9,070
Additions	85	1,452	1,537
Transfers to group undertakings	-	(1,129)	(1,129)
Disposals	<u>(688)</u>	<u>(631)</u>	<u>(1,319)</u>
At 31 December 2003	<u>3,737</u>	<u>4,422</u>	<u>8,159</u>
Depreciation:			
At 1 January 2003	799	1,762	2,561
Charge for the year	164	1,005	1,169
Transfer to group undertakings	-	(690)	(690)
Disposals	<u>(57)</u>	<u>(364)</u>	<u>(421)</u>
At 31 December 2003	<u>906</u>	<u>1,713</u>	<u>2,619</u>
Net book value:			
At 31 December 2003	<u>2,831</u>	<u>2,709</u>	<u>5,540</u>
At 31 December 2002	<u>3,541</u>	<u>2,968</u>	<u>6,509</u>

The net book value of plant and machinery includes £nil in respect of assets held under finance leases (2002: £96,000). Depreciation for the year on these assets was £nil (2002: £16,000).

ALFRED McALPINE UTILITY SERVICES GROUP LIMITED

NOTES TO THE ACCOUNTS

31 December 2003

11. TANGIBLE FIXED ASSETS (continued)	Land and buildings £'000	Plant and machinery £'000	Total £'000
(b) THE COMPANY			
Cost:			
At 1 January 2003	3,602	1,669	5,271
Additions	4	483	487
Disposals	(394)	(51)	(445)
Transfers to group companies	-	(616)	(616)
	<hr/>	<hr/>	<hr/>
At 31 December 2003	3,212	1,485	4,697
Depreciation:			
At 1 January 2003	727	1,160	1,887
Charge for the year	77	140	217
Disposals	(83)	(44)	(127)
Transfers to group companies	-	(301)	(301)
	<hr/>	<hr/>	<hr/>
At 31 December 2003	721	955	1,676
Net book value:			
At 31 December 2003	<hr/> 2,491	<hr/> 530	<hr/> 3,021
At 31 December 2002	<hr/> 2,875	<hr/> 509	<hr/> 3,384

ALFRED McALPINE UTILITY SERVICES GROUP LIMITED

NOTES TO THE ACCOUNTS

31 December 2003

11. TANGIBLE FIXED ASSETS (continued)

(c) LAND AND BUILDINGS

	<u>GROUP</u>		<u>COMPANY</u>	
The net book value of land and buildings comprises:	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Freehold	1,197	1,782	1,197	1,547
Long leasehold	1,634	1,759	1,294	1,328
	<u>2,831</u>	<u>3,541</u>	<u>2,491</u>	<u>2,875</u>
Land and buildings at cost or valuation are stated:				
At open market value with existing use	3,302	3,442	2,777	3,437
At cost	435	898	435	165
	<u>3,737</u>	<u>4,340</u>	<u>3,212</u>	<u>3,602</u>

The land and buildings were valued on an existing use open market value basis on 29 October 2000 by King Sturge, Chartered Surveyors, and the values incorporated into the balance sheet on 21 March 2001, as part of the fair value adjustments on the acquisition of the group by Alfred McAlpine plc.

	<u>GROUP</u>		<u>COMPANY</u>	
If stated under historical cost principles the comparable amount for the total of land and buildings would be:	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Cost	3,041	3,821	2,550	3,087
Depreciation	(878)	(741)	(634)	(673)
Historical cost value	<u>2,163</u>	<u>3,080</u>	<u>1,916</u>	<u>2,414</u>

NOTES TO THE ACCOUNTS

31 December 2003

12. FIXED ASSET INVESTMENTS

(a) THE GROUP

(i) Investment in Associated Company

£'000

Cost:

At 1 January 2003

1,333

Share of associated company profit before taxation

1,400

Share of taxation

(454)

Distributions

(305)

At 31 December 2003

1,974

(ii) Investments in Joint Ventures

Cost:

At 1 January 2003

-

Share of profit before taxation

88

Share of taxation

(27)

At 31 December 2003

61

(iii) Other investments

Cost:

At 1 January 2003 and 31 December 2003

34

The fixed asset investments relate to listed shareholdings in various Utility Companies outside the group.

Fixed Asset Investments	2003	2002
	£000	£000
Investment in Associated Company	1,974	1,333
Investments in Joint Ventures	61	-
Other Investments	34	34
	<u>2,069</u>	<u>1,367</u>

NOTES TO THE ACCOUNTS

31 December 2003

12. FIXED ASSET INVESTMENTS (continued)

(b) THE COMPANY

	Total £'000
Shares in subsidiaries	
Cost:	
At 1 January 2003 and 31 December 2003	115,462
Provision:	
At 1 January 2003 and 31 December 2003	43
Net book value:	
At 31 December 2003 and 31 December 2002	<u>115,419</u>

(c) The table shows the share interests held by the company at 31 December 2003:

Name	Nature of business	Percentage holding	Country of Incorporation
Alfred McAlpine Infrastructure Services Limited	Provision of utility contracting services	100%	England & Wales
Eastern Contracting Holdings BV (see note 22)	Parent of Alfred McAlpine Utility Services SE Limited, a provider of utility contracting services	100%	The Netherlands
Core Utility Solutions Limited	Multi utility domestics and industrial connections	49%	England & Wales
Stirling Water (2003) Limited (see note 22)	Provision of utility contracting services	25%	England & Wales
Alfred McAlpine Utility Services NW Limited	Provision of utility contracting services	100%	England & Wales
Encore Environmental Aggregates Limited	Recycling of by-products arising from road work excavations	100%	England & Wales
Kennedy Pipelining Services Limited	No longer trading	100%	England & Wales
STH Plant Limited	No longer trading	100%	England & Wales
Proby Limited	No longer trading	100%	England & Wales
Bertrem Limited	No longer trading	100%	England & Wales
Kennedy Group Investments Limited	No longer trading	100%	England & Wales
Hale Brooks Limited	No longer trading	100%	Isle of Man
Kennedy Utility Services (Scotland) Limited	No longer trading	100%	Scotland
Astley Self Drive Limited	No longer trading	100%	England & Wales
Kendat Cabling Services Limited	No longer trading	100%	England & Wales
Kennedy Brooks Limited *	No longer trading	100%	Ireland

* Kennedy Brooks Limited is in voluntary liquidation and has not been consolidated, as in the opinion of the directors the amounts involved are not material.

NOTES TO THE ACCOUNTS

31 December 2003

13. INTANGIBLE ASSETS

THE GROUP	£'000
<u>Cost:</u>	
At 1 January 2003	50,267
Additions	1,058
	<hr/>
At 31 December 2003	51,325
<u>Amortisation:</u>	
At 1 January 2003	1,998
Charge in the year	2,567
	<hr/>
At 31 December 2003	4,565
	<hr/>
<u>Net book value:</u>	
At 31 December 2003	46,760
	<hr/>
At 31 December 2002	48,269
	<hr/>

Additions to goodwill are further analysed in note 22.

14. STOCK

	<u>GROUP</u>	
	2003 £'000	2002 £'000
Raw materials and consumables	2,240	2,408
	<hr/>	<hr/>

The replacement value of stock and work in progress is estimated to be the same as book value.

15. DEBTORS

	<u>GROUP</u>		<u>COMPANY</u>	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Due within one year:				
Trade debtors	53,109	42,867	484	187
Amounts owed by group undertakings	99,704	99,865	22,672	22,398
Other debtors	3,074	1,427	1,097	9
Prepayments and accrued income	2,736	1,330	780	744
Deferred tax asset (see note 18a)	2,933	2,926	233	198
Corporation tax recoverable	1,538	-	3,999	2,088
	<hr/>	<hr/>	<hr/>	<hr/>
	163,094	148,415	29,265	25,624
Due after more than one year:				
Trade debtors	3,523	1,316	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

Amounts owed by group undertakings are unsecured, interest free and repayable on demand.

NOTES TO THE ACCOUNTS

31 December 2003

16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	GROUP		COMPANY	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Bank overdraft	27	768	27	768
Finance leases (see note 17a)	26	157	-	74
Trade creditors	24,282	20,934	250	576
Amounts owed to group undertakings	148,816	145,590	134,319	131,678
Corporation tax	-	259	-	-
Other taxation and social security	4,834	5,300	2,271	206
Other creditors	2,515	2,547	1,364	1,304
Accruals and deferred income	3,486	9,456	792	699
Loan from associated undertaking	8,000	-	-	-
Dividend payable	1,627	1,595	1,627	1,595
	<u>193,613</u>	<u>186,606</u>	<u>140,650</u>	<u>136,900</u>

The company's overdraft is secured by fixed and floating charges on certain assets of the company and group.

Amounts owed to group undertakings for working capital loan amounts are charged at 1% above LIBOR.

Loan from associated undertakings refers to a £8 million from Core Utility Solutions Limited and the amount for working capital loans is charged at 0.5% below LIBOR.

17. CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR	GROUP	
	2003 £'000	2002 £'000
Finance leases payable between two and five years	-	43
Other Creditors	<u>3,920</u>	<u>3,920</u>
	<u>3,920</u>	<u>3,963</u>

a) Finance leases		
The maturity of obligations under finance leases and hire purchase contracts are as follows:	2003 £'000	2002 £'000
Within one year	26	157
In the second year to fifth years	<u>-</u>	<u>43</u>
	<u>26</u>	<u>200</u>

- b) The other creditors relates to the pension deficiency that was crystallised as part of the acquisition accounting on the Eastern Contracting group acquisition, in accordance with SSAP 24 valuation requirements.

NOTES TO THE ACCOUNTS

31 December 2003

**18. PROVISION FOR LIABILITIES
AND CHARGES**

	<u>GROUP</u>		<u>COMPANY</u>	
	2003	2002	2003	2002
	£'000	£'000	£'000	£'000
Reinstatement and other provisions	288	621	-	-
Regional development grant	-	7	-	7
	<u>288</u>	<u>628</u>	<u>-</u>	<u>7</u>

The reinstatement provision represents the group's estimate of the cost of final road surfacing still to be incurred on individual contracts otherwise complete. The directors consider that the provision as a whole is the best estimate that can be made of the eventual cost to the group over the next year.

a) Deferred taxation

i) THE GROUP

<u>Provided</u>	2003	2002
	£'000	£'000
Pension provision	(1,170)	(1,170)
Accelerated capital allowances	(963)	(666)
Short term timing differences	(800)	(1,090)
Deferred taxation (asset)	<u>(2,933)</u>	<u>(2,926)</u>

Movement in deferred taxation

	2003
	£'000
Opening deferred taxation asset	2,926
Charge for the year	7
Closing deferred taxation asset	<u>2,933</u>

The deferred taxation asset of £2,933,000 (2002: £2,926,000) is included in debtors. There is no unprovided deferred taxation in this year or the prior year.

No deferred tax asset has been recognised for the potential capital losses of £300,000 (2002: £300,000) that would arise if the revalued properties were disposed of at the value at which they are held in the accounts. Such capital losses would only become available if the properties were disposed of at the value shown in the accounts. At present it is not envisaged that any capital losses would crystallise, or that there would be any gains that could be sheltered with these losses, and hence no deferred tax asset is recognised.

NOTES TO THE ACCOUNTS

31 December 2003

18. PROVISION FOR LIABILITIES AND CHARGES (continued)

ii) THE COMPANY

<u>Provided</u>	2003 £'000	2002 £'000
Accelerated capital allowances	(233)	(198)
Short-term timing differences	-	-
	<hr/>	<hr/>
Deferred taxation (asset)	(233)	(198)

<u>Movement in deferred taxation</u>	2003 £'000
Opening deferred taxation asset	198
Credit for the year	35
	<hr/>
Closing deferred taxation asset	233

A deferred taxation asset of £233,000 (2002: £198,000) is included in other debtors. There is no unprovided deferred taxation in this year or the prior period.

**(b) Reinstatement and other provisions
THE GROUP**

	£'000
Movement in the year:	
At 1 January 2003	621
Provided in the year	32
Utilised in the year	(365)
	<hr/>
At 31 December 2003	288

**(c) Regional development grant
THE GROUP AND COMPANY**

	£'000
At 1 January 2003	7
Amortisation	(7)
	<hr/>
At 31 December 2003	-

NOTES TO THE ACCOUNTS

31 December 2003

19. CALLED UP SHARE CAPITAL

	Ordinary shares of <u>£1 each</u>	"A" Ordinary shares of <u>£1 each</u>	<u>Total</u>
Authorised, allotted and fully paid:			
At 31 December 2002 and 31 December 2003	<u>217,800</u>	<u>1,000</u>	<u>218,800</u>

The ordinary shares of £1 each are equity shares.

The "A" Ordinary shares of £1 each are non-equity shares.

The holders of the "A" Ordinary Shares:

- (i) have no rights to dividends other than those recommended by the directors in respect of "A" Ordinary shares;
- (ii) have no redemption rights;
- (iii) rank pari passu with the holders of the Ordinary shares in respect of repayment of paid-up capital on a winding-up but have no further right to participate in distribution of surplus assets;
- (iv) have no voting rights.

20. RESERVES

	Revaluation <u>reserve</u> £'000	Profit and <u>loss account</u> £'000	<u>Total</u> £'000
(a) THE GROUP			
At 1 January 2003	537	27,757	28,294
Retained profit for the year	-	1,958	1,958
Transfer of amount equivalent to additional depreciation on revalued assets	<u>(71)</u>	<u>71</u>	<u>-</u>
At 31 December 2003	<u>466</u>	<u>29,786</u>	<u>30,252</u>
(b) THE COMPANY			
At 1 January 2003	537	7,256	7,793
Retained profit for the year	-	(635)	(635)
Transfer of amount equivalent to additional depreciation on revalued assets	<u>(71)</u>	<u>71</u>	<u>-</u>
At 31 December 2003	<u>466</u>	<u>6,692</u>	<u>7,158</u>

The balances on the profit and loss account are all available for distribution.

21. CONTINGENT LIABILITIES

The Company is liable under the group election scheme for the value added tax liabilities of other group companies. The contingent liability at 31 December 2003 amounted to £2,396,908 (2002: £1,888,168).

NOTES TO THE ACCOUNTS

31 December 2003

22. ACQUISITIONS

All subsidiary acquisitions in the year have been incorporated into the Group accounts using the acquisition accounting method.

a) Acquisition of Eastern Contracting Holdings BV

On 10 September 2002 the Group acquired Eastern Contracting Holdings BV and its subsidiary companies, including Eastern Contracting Limited, for £10.6million in cash excluding net debt acquired of £2.9million. Goodwill arising on the acquisition will be amortised over a period of 20 years.

The following table sets out the net book values of the acquisition to the Group

	Book Value	Fair Value Adjustments	Fair Value At Acquisition	Revision to Fair Values 2003	Final Fair Value
2003	£'000	£'000	£'000	£'000	£'000
Fixed assets	1,692	-	1,692	-	1,692
Investments	32	-	32	-	32
Stocks	634	(96)	538	-	538
Debtors	9,165	(435)	8,730	(439)	8,430
Creditors	(11,732)	(4,047)	(15,779)	(619)	(16,579)
Provisions	(528)	1,071	543	-	543
Net borrowings	(2,884)	-	(2,884)	-	(2,884)
Net liabilities acquired	(3,621)	(3,507)	(7,128)	(1,058)	(8,186)
Goodwill arising			17,729		18,787
Cash consideration			10,601		10,601

The following fair value adjustments were made in 2003 to the provisional fair value of the assets stated in the prior year accounts: -

	Fair Value Adjustments £'000
Revaluations	
Debtors	439
Creditors	619
Total fair value adjustments	1,058

NOTES TO THE ACCOUNTS

31 December 2003

22. ACQUISITIONS continued

b) Stirling Water (2003) Limited

On 5 September 2003 the Group invested £300 in Stirling Water (2003) Limited, a newly formed joint venture company with three other shareholders, each holding 25%. Stirling Water (2003) Limited's main trading activity is that of a water utility contractor. The Group owns 25% of the share capital of Stirling Water (2003) Limited, which has been accounted for as a joint venture undertaking in the consolidated financial statements.

23. OPERATING LEASE COMMITMENTS

<u>Land and Buildings</u>	2003 £'000	2002 £'000
The minimum annual commitments under non-cancellable operating leases are as follows: -		
Leases which expire:		
Within one year	185	101
Within two and five years	431	458
After five years	484	461
	<hr/> 1,100	<hr/> 1,020
 <u>Plant & Equipment</u>	 2003 £'000	 2002 £'000
The minimum annual commitments under non-cancellable operating leases are as follows: -		
Leases which expire:		
Within one year	8	253
Within two and five years	-	952
After five years	123	49
	<hr/> 131	<hr/> 1,254

24. PENSIONS COSTS

Defined contribution schemes

The Group operates three main defined contribution pension schemes in the UK. All provide benefits based upon the individual funds available, at retirement, for the purchase of an annuity.

The Alfred McAlpine Utility Services Group Limited Retirement Benefits Scheme received employer contributions in 2003 of £63,027 (2002: £95,599). The Alfred McAlpine Utility Services Group Limited Group Personal Pension Plan received employer contributions in 2003 of £464,388 (2002: £315,255).

The Eastern Contracting Limited Personal Pension plan received employer contributions in 2003 of £867,450 (2002: £12,045).

NOTES TO THE ACCOUNTS

31 December 2003

24. PENSIONS (continued)**Defined benefit scheme**

Following the acquisition of Eastern Contracting Limited on 10 September 2002 the Group now participates in the Electricity Supply Pension Scheme ('ESPS') in the UK. The ESPS provide benefits based on final pensionable salary for eligible employees. The assets are held separately from those of the Group and are managed on the Trustees behalf by investment managers. The scheme is funded through contributions from the employer, the employee and investment returns. The rates of contribution are determined by independent qualified actuaries, using the projected unit method.

The most recent valuation of ESPS was at 31 March 2001 and incorporates the assumptions that investment returns will be 2.5% per annum greater than the rate of future salary increases to normal retirement date or earlier death or withdrawal from the ESPS.

The actuary reported that the smoothed market value of the Alfred McAlpine Group's share of ESPS' assets at 31 March 2001 was £37.3 million, which was sufficient to cover 124% of the benefits that had accrued to the members. Contributions made to the plan in 2003 were £2 million (2002: £0.3 million).

A separate group of employees has been identified as meeting the eligibility requirements for the Alfred McAlpine Group of ESPS. At 31 December 2003, the contributions payable in 2003 for this group have been accounted for as a defined contribution scheme, as the Company is unable to identify its share of the underlying assets and liabilities.

The following information has been provided in accordance with the transitional requirements of FRS17.

The financial assumptions used to calculate the liabilities under FRS17 are set out below:

Valuation	At 31 December 2003 Projected Unit	At 31 December 2002 Projected Unit	At March 2002 Projected Unit
Discount rate	5.4%	5.5%	6.0%
Inflation rate	2.8%	2.3%	2.8%
Increase to pensions	2.9%	2.5%	2.7%
Increase to deferred benefits	2.9%	2.5%	2.7%
Salary increases	4.3%	3.8%	4.3%

NOTES TO THE ACCOUNTS

31 December 2003

24. PENSIONS (continued)

The assets and liabilities in the Eastern Contracting Group of the Electricity Supply Pension Scheme and the expected rate of return are set out below. The following amounts at 31 December 2003 were measured in accordance with the requirements of FRS17.

	Long term rate of return expected 31 December 2003 %	Long term rate of return expected 31 December 2002 %	Market value at 31 December 2003 £m	Market value at 31 December 2002 £m
Equities	7.9	7.6	28.9	24.4
Gilts	4.8	4.5	5.2	2.4
Corporate bonds	5.3	5.0	3.6	3.6
Cash	4.0	4.0	0.2	0.8
			<hr/>	<hr/>
Total market value of scheme assets			37.9	31.2
Present value of scheme liabilities			(55.1)	(39.3)
			<hr/>	<hr/>
Deficit in the scheme			(17.2)	(8.1)
Related deferred tax asset			5.2	2.4
			<hr/>	<hr/>
Net scheme deficit			(12.0)	(5.7)

If the above had been recognised in the financial statements, the group's net assets and profit and loss reserve at 31 December 2003 would be as follows:

	31 December 2003 £m
Net assets per balance sheet	30.5
Remove net SSAP 24 pension liability and its associated deferred tax	2.7
Include FRS 17 pension liability and its associated deferred tax	(12.0)
	<hr/>
Net assets including FRS 17 pension shortfall	21.2
	<hr/>
Profit and loss reserve per balance sheet	29.8
Remove net SSAP 24 pension liability and its associated deferred tax	2.7
Include FRS 17 pension liability and its associated deferred tax	(12.0)
	<hr/>
Profit and loss reserve including FRS 17 pension shortfall	20.5

NOTES TO THE ACCOUNTS

31 December 2003

24. PENSIONS (continued)

10 September 2002 to
31 December 2002
£m**Analysis of the amount that would have been charged to operating profit**

Service cost	1.7
Past service cost	-
Cumulative loss	0.7

Total operating charge	2.4
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Analysis of net return on pension scheme:

Expected return on pension scheme	2.2
Interest on pension liabilities	(2.2)

Net return	(0.0)
-------------------	--------------

Statement of total recognised gains and losses (STRGL):

Actual return less expected return on pension scheme assets	3.3
Experience gains and losses arising on the scheme liabilities	(6.4)
Change in underlying present value of the scheme liabilities	(5.6)

Actuarial loss in the STRGL	8.7
------------------------------------	------------

Movement in deficit during period:

Deficit in scheme at 31 December 2002	(8.1)
Current service charge	(1.7)
Curtailments/Settlements	(0.7)
Contributions	2.0
Other finance income	-
Actuarial loss	(8.7)

Deficit in scheme as 31 December 2003	(17.2)
--	---------------

History of experience gains and losses:**Difference between expected and actual return on assets:**

amount £	3.3
% of scheme assets	8.7%

Experience gains and losses on scheme liabilities:

amount £	(6.4)
% of scheme liabilities	11.6%

Total amount in the STRGL:

amount £	(8.7)
% of scheme liabilities	15.8%

NOTES TO THE ACCOUNTS

31 December 2003

25. RELATED PARTY TRANSACTIONS

During the year Alfred McAlpine Infrastructure Services Limited has traded with its associated company Core Utility Solutions Limited. All transactions entered into have been on an arms length basis. During the year Alfred McAlpine Utility Services Group Limited paid interest on working capital loans provided by Core Utility Solutions to the total of £170,446. Interest was charged at a rate of 0.5% above LIBOR.

In 2002 a working capital loan was made to Core Utility Solutions Limited and the interest received totalled £37,000. Interest was charged at a rate of 1% above LIBOR. (The balance outstanding on the loan to Core Utility Solutions at the year ended 2002 was £nil).

The total sales to Core Utility Solutions Limited were £158,304 in the year and purchases were £137. The other transactions were recharges of costs incurred by the group on behalf of Core Utility Solutions Limited.

Balances at the year end with Core Utility Solutions Limited were:-

Sales ledger £118,913

Purchase ledger £nil.

26. ULTIMATE PARENT COMPANY

The company's ultimate parent company is Alfred McAlpine plc, a company incorporated in Great Britain and registered in England and Wales. Copies of the group financial statements of Alfred McAlpine plc are available from Companies House, Crown Way, Cardiff, CF14 3UZ.

The group and company have taken advantage of the exemptions provided by FRS8 not to disclose transactions with entities that are part of the same group.

27. POST BALANCE SHEET EVENTS

On 1 February 2004, Alfred McAlpine Infrastructure Services Limited acquired UK Power Construction Limited for £5.2m in cash. UK Power is an electrical services business specialising in the overhead lines market place in the UK and Ireland.