

Mabey Engineering (Holdings) Limited

— 1560295.

Report and Financial Statements

30 September 2006

ERNST & YOUNG

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COMPANIES HOUSE

Mabey Engineering (Holdings) Limited

Registered No 1560295

Directors

D G Mabey
S M Precious

Secretary

Mabey Holdings Limited

Auditors

Ernst & Young LLP
PO Box 61
Cloth Hall Court
14 King Street
Leeds
LS1 2JN

Bankers

Barclays Bank PLC
4th Floor
Apex Plaza
Forbury Road
Reading
RG1 1AX

Registered Office

Mabey House
Floral Mile
Twyford
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 **ERNST & YOUNG**

Directors' report

The directors present their report and the accounts for the year ended 30 September 2006

Results and dividends

The profit for the year after tax amounts to £7,516,349 (2005 - £20,829,270) Dividends of £7,400,000 (2005 - £20,800,000) have been paid in the year

Principal activities and review of the business

The principal activity of the company is that of an intermediate holding company

The company made an acceptable return in the year

Adoption of new Financial Reporting Standards

In 2006 the company has adopted a number of new Financial Reporting Standards Of these, FRS 17, *Retirement Benefits*, has resulted in a prior period adjustment to bring the company's accounting policy for pension costs into compliance with the requirements of the standard

Directors and their interests

The present directors of the company, who served throughout the year, are shown on page 1

According to the register maintained as required under the Companies Act 1985, neither of the directors who held office at the year end had any interest in the share capital of the company

Mr D G Mabey and Ms S M Precious are directors of the ultimate parent undertaking, Mabey Holdings Limited, and their interests in the share capital of that company are shown in its accounts

Disclosure of information to the auditors

As at the date of this report, as far as each director is aware, there is no relevant audit information of which the company's auditors are unaware, and each director has taken such steps as he should have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

Auditors

In accordance with Section 386 of the Companies Act 1985, the company in general meeting has adopted a resolution to dispense with the obligation to appoint auditors annually

By order of the board



S M Precious
Director

14 December 2006

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the report and financial statements in accordance with applicable United Kingdom law and United Kingdom Generally Accepted Accounting Practice

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to 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

Independent auditors' report

to the members of Mabey Engineering (Holdings) Limited

We have audited the company's financial statements for the year ended 30 September 2006 which comprise the Profit and loss account, Balance sheet, Statement of total recognised gains and losses and the related notes 1 to 13. These financial statements have been prepared on the basis of 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 auditors' 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 are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as 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 International Standards on Auditing (UK and Ireland).

In addition we report to you our opinion as to whether the financial statements give a true and fair view, are properly prepared in accordance with the Companies Act 1985 and whether the information given in the Directors' Report is consistent with the financial statements.

We also 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 judgments 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.

Independent auditors' report

to the members of Mabey Engineering (Holdings) Limited (continued)

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 September 2006 and of its 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

Ernst & Young LLP

Ernst & Young LLP

Registered Auditor

Leeds

15 December 2006

Profit and loss account

for the year ended 30 September 2006

	Notes	2006 £	2005 £
Dividends receivable from subsidiary undertakings		7,400,000	20,800,000
Interest receivable and similar income	4	166,213	61,370
Interest payable to group undertakings		-	(19,556)
Profit on ordinary activities before taxation	3	<u>7,566,213</u>	<u>20,841,814</u>
Tax on profit on ordinary activities	5	49,864	12,544
Profit on ordinary activities after taxation	11	<u>7,516,349</u>	<u>20,829,270</u>

Statement of total recognised gains and losses

for the year ended 30 September 2006

	2006 £	2005 £
Profit on ordinary activities after taxation	7,516,349	20,829,270
Actuarial loss recognised in the pension scheme	(256,000)	(142,000)
Corporation tax credit on pension scheme loss	76,800	42,600
Total recognised gains and losses relating to the year	<u>7,337,149</u>	<u>20,729,870</u>
Prior period adjustment on adoption of FRS 17 (as explained in note 1)	(1,341,900)	
Total gains and losses recognised since the last annual financial statements	<u>5,995,249</u>	

Balance sheet

at 30 September 2006

	Notes	2006 £	2005 £
Fixed assets			
Investment	6	32,665,525	32,665,525
Current assets			
Debtors	7	91,577	8,846
Cash at bank and in hand		1,575,724	1,511,806
		1,667,301	1,520,652
Creditors: amounts falling due within one year	8	1,145,401	820,401
Net current assets		521,900	700,251
Total assets less current liabilities		33,187,425	33,365,776
Retirement benefit obligations	12	406,000	521,500
		32,781,425	32,844,276
Capital and reserves			
Called up share capital	10	30,000,000	30,000,000
Profit and loss account	11	2,781,425	2,844,276
Equity shareholders' funds	11	32,781,425	32,844,276



S M Precious - Director

14 December 2006

Notes to the financial statements

at 30 September 2006

1. Group accounts

Group accounts are not prepared as the company is a wholly owned subsidiary undertaking of Mabey Holdings Limited

2. Accounting policies

Basis of preparation

The accounts are prepared under the historical cost convention. The accounts are prepared in accordance with applicable accounting standards.

In preparing the accounts for the current year, the group has adopted FRS 17 *Retirement Benefits*. The adoption of FRS 17 has resulted in a change of accounting policy for pension costs.

This change in accounting policy has resulted in a prior period adjustment for the company. Shareholders' funds at 30 September 2005 have been reduced by £1,341,900, the profit for the year ended 30 September 2005 has been increased by £32,200, and the pension scheme charge in the statement of total recognised gains and losses was £99,400 for that year. Profit for the current year has been increased by £67,200, and the pension scheme charge in the statement of total recognised gains and losses was £179,200 for the current year as a result of the change in accounting policy.

Taxation

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

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more, or a right to pay less, tax in the future have occurred at the balance sheet date, with the following exceptions:

- (i) Provision is made for gains on disposal of fixed assets that have been rolled over into replacement assets only where, at the balance sheet date, there is a commitment to dispose of the replacement assets with no likely subsequent rollover or available capital losses.
- (ii) Provision is made for gains on revalued fixed assets only where there is a commitment to dispose of the revalued assets and the attributable gain can neither be rolled over nor eliminated by capital losses.
- (iii) Deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing difference can be deducted.

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Related party transactions

The company has taken advantage of the exemption in FRS 8 not to disclose transactions with fellow group undertakings where more than 90 per cent of the voting rights are controlled within the group.

Notes to the financial statements

at 30 September 2006

2. Accounting policies (continued)

Pensions

The company participates in a pension scheme which is operated by Mabey Holdings Limited and its subsidiary undertakings for group employees. The service costs are recognised in the accounting periods in which the benefits are earned by employees, and the related finance costs and other changes in the value of assets and liabilities are recognised in the accounting periods in which they arise.

Although the company has no current employees other than the directors, the retirement benefit obligations to pension scheme members who were employed by subsidiary undertakings sold by the company in prior years are recognised in these financial statements. The retirement benefit obligations of the directors are recognised in the accounts of Mabey Holdings Limited.

3. Profit on ordinary activities before taxation

This is stated after charging

	2006 £	2005 £
Director's remuneration	-	-

There were no employees in the year other than the directors

4. Interest receivable and similar income

	2006 £	2005 £
Expected return on pension scheme assets	474,000	384,000
Interest on pension scheme liabilities	(378,000)	(338,000)
Other finance income	96,000	46,000
Bank interest receivable	70,213	15,370
	166,213	61,370

5. Tax on profit on ordinary activities

(a) Tax on profit on ordinary activities

The tax charge is made up as follows

	2006 £	2005 £
Current tax		
Corporation tax and total current tax (Note 5(b))	364	(50,456)
Deferred tax		
Origination and reversal of timing differences	49,500	63,000
Tax on profit on ordinary activities	49,864	12,544

Notes to the financial statements

at 30 September 2006

5. Tax on profit on ordinary activities (continued)

(b) Factors affecting current tax charge/(credit)

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax of 30% (2005 – 30%) The differences are reconciled below

	2006 £	2005 £
Profit on ordinary activities before taxation	7,566,213	20,841,814
Profit on ordinary activities multiplied by standard rate of corporation taxation of 30% (2005 – 30%)	2,269,864	6,252,544
Distributions receivable from subsidiary undertakings	(2,220,000)	(6,240,000)
Timing difference relating to pension liability	(49,500)	(63,000)
Current tax charge/(credit)	364	(50,456)

(c) Factors that may affect future tax changes

There are no factors which, in the opinion of the directors, may significantly affect future tax charges

6 Investments

Shares in subsidiary undertakings at cost

At 30 September 2005 and at 30 September 2006 £

32,665,525

The subsidiary undertakings at 30 September 2006 were

<i>Name of Company</i>	<i>Nature of business</i>
Mabey and Johnson Limited	Sale and hire of steel fabrication
Mabey Bridge & Shore Inc *	Sale of and hire of steel fabrication and non-mechanical plant
Mabey Bridging (Americas) Limited*	Sale of steel fabrications and non-mechanical plant
Fairfield-Mabey Limited	Structural steelwork
Mabey Hire Limited	Hire and sale of non-mechanical plant
Mabey Support Systems Limited	Hire of support structures
Mabey Scandinavia Holding AB	Intermediate holding company
Mabey Scandinavia AB*	Sale and hire of steel fabrications
Mabey Scandinavia Fabrication AB*	Sale of steel fabrications
Mabey Bridge Limited	Non-trading
David Murray (Non Mechanical Plant) Limited*	Non-trading

* owned by subsidiary undertakings

All holdings are of ordinary shares and all subsidiary undertakings were wholly owned at 30 September 2006 Mabey Bridge & Shore Inc is incorporated in the United States of America Mabey Scandinavia Holding AB, Mabey Scandinavia AB and Mabey Scandinavia Fabrication AB are incorporated in Sweden

Notes to the financial statements

at 30 September 2006

7. Debtors

	2006	2005
	£	£
Taxation recoverable	85,436	3,256
Prepayments and accrued income	6,141	5,590
	<u>91,577</u>	<u>8,846</u>

8. Creditors: amounts falling due within one year

	2006	2005
	£	£
Amounts due to group undertakings	1,145,400	820,400
Other creditors	1	1
	<u>1,145,401</u>	<u>820,401</u>

9. Deferred taxation

	<i>Offset against pension deficit</i>
	£
At 1 October 2005	(223,500)
Charge in the year	49,500
At 30 September 2006	<u>(174,000)</u>

No provision for deferred taxation arises from these accounts. Deferred taxation not provided is as follows

	2006	2005
	£	£
Losses	(673,000)	(673,000)

10. Called up share capital

	2006	Authorised 2005	Allotted, called up and fully paid 2006	2005
	No	No	£	£
Ordinary shares of £1 each	30,000,000	30,000,000	30,000,000	30,000,000

Notes to the financial statements

at 30 September 2006

11. Statement of movement on reserves and reconciliation of movements in shareholders' funds

	Share capital £	Profit and loss account £	Total shareholders' funds £
Balance at 30 September 2004			
As previously stated	23,442,000	4,189,106	27,631,106
Prior period adjustment on adoption of FRS 17	-	(1,274,700)	(1,274,700)
As restated	23,442,000	2,914,406	26,356,406
Issue of shares	6,558,000	-	6,558,000
Profit attributable to members of the company	-	20,829,270	20,829,270
Dividends	-	(20,800,000)	(20,800,000)
Actuarial loss recognised in the pension scheme	-	(99,400)	(99,400)
Balance at 30 September 2005	30,000,000	2,844,276	32,844,276
Profit attributable to members of the company	-	7,516,349	7,516,349
Dividends	-	(7,400,000)	(7,400,000)
Actuarial loss recognised in the pension scheme	-	(179,200)	(179,200)
Balance at 30 September 2006	30,000,000	2,781,425	32,781,425

Interim dividends paid during the year were at the rate of £0 25 (2005 - £0 69) per share

The cumulative charge for the retirement benefits deficit, net of deferred tax, included in the profit and loss account at 30 September 2006 amounted to £1,453,900 (2005 - £1,341,900)

12. Retirement benefit obligations

The group operates a defined benefit scheme for employees, in which the company participates, and which is contracted-out of the state scheme and with assets held in a separate trustee-administered fund. This scheme was closed to new entrants from 1 October 2006.

The latest actuarial valuation of the scheme was carried out as at 30 September 2005 by independent professionally qualified consulting actuaries using the projected unit method. The principal actuarial assumptions adopted were:

	% per annum
Discount rate	
- before retirement	7 00
- after retirement	4 50
General rate of salary increases	4 30
Price inflation (RPI)	2 80
Pension increases on service	
- before April 1995	2 60
- from April 1995	2 80
- from April 2005	2 60

The value of the assets at the valuation date represented 96% of the value of members' accrued benefits, after allowing for projected future increases in pensionable remuneration in respect of members in service. In order to eliminate the shortfall a one-off contribution of £2,500,000 was paid by Mabey Holdings Limited into the Scheme in March 2006.

Notes to the financial statements

at 30 September 2006

12. Retirement benefit obligations (continued)

The resulting overall contributions now payable by the group, with effect from October 2006, are 16% and 22% of pensionable salaries each year for members of section A and B of the scheme respectively (although such members' overall pay is reduced by 5% and 7% of their pensionable salaries as part of their membership of the scheme – these rates having been increased by 1% with effect from 1 October 2006). Over the year to 30 September 2007, it is expected that the group will contribute around £3,170,000 to the scheme. These rates are subject to review following the scheme's next actuarial valuation, which is due to be carried out as at 30 September 2008. As the scheme is now closed to new entrants, it is expected that the overall future-service contribution rate and service costs under FRS17 will increase as a percentage of pensionable salary over time, due to increases in the average age of the active membership. In addition, Mabey Holdings Limited meets the scheme's administrative expenses and the costs of levies to the Pension Protection Fund directly.

Pension costs in these accounts have been recognised in accordance with FRS 17. The analysis of Scheme assets and liabilities as required under FRS 17 is presented below in respect of the company's allocation of the total Scheme assets and liabilities.

Financial assumptions

	2006 %	2005 %	2004 %
RPI inflation	2.95	2.80	2.90
Rate of increase in salaries	4.45	4.30	4.40
Rate of increase of pensions in payment increasing with RPI			
- up to a 5% maximum each year	2.95	2.80	2.90
- up to a 3% maximum each year	2.70	2.60	2.70
Rate of increase for deferred pensioners subject to statutory valuation	2.95	2.80	2.90
Discount rate	5.10	5.10	5.65

Scheme assets and expected rate of return

	Long-term expected rate		Long-term expected rate		Long-term expected rate	
	Fair value 2006 £	of return 2006 %	Fair value 2005 £	of return 2005 %	Fair value 2004 £000	of return 2004 %
Equities	3,961,000	8.00	4,321,000	8.00	3,699,000	8.60
Bonds	1,533,000	4.60	1,561,000	4.50	1,443,000	5.10
Property	637,000	6.50	660,000	6.50	105,000	7.05
Cash	245,000	4.75	34,000	4.50	32,000	4.75
	<u>6,376,000</u>	<u>6.91</u>	<u>6,576,000</u>	<u>7.00</u>	<u>5,279,000</u>	<u>7.59</u>

Notes to the financial statements

at 30 September 2006

12. Retirement benefit obligations (continued)

Analysis of the balance sheet position for the company

	2006 £	2005 £	2004 £
Fair value of scheme assets	6,376,000	6,576,000	5,279,000
Actuarial value of scheme liabilities	(6,956,000)	(7,321,000)	(6,234,000)
Deficit in the scheme	(580,000)	(745,000)	(955,000)
Deferred taxation	174,000	223,500	286,500
	(406,000)	(521,500)	(668,500)

Amounts included in the company's Statement of total recognised gains and losses at 30 September

	2006 £000	2005 £000	2004 £000	2003 £000	2002 £000
	%	%	%	%	%
Gain/(loss) in value of scheme assets	307,000	691,000	136,000	215,000	(807,000)
- as percentage of scheme assets	4.81	10.51	2.57	4.43	24.77
Experience gain/(loss) on liabilities	(61,000)	-	-	61,000	-
- as percentage of present value of scheme liabilities	0.09	-	-	1.07	-
Increase in scheme liabilities arising on change in actuarial assumptions	(502,000)	(833,000)	(226,000)	(416,000)	(384,000)
Total actuarial loss recognised in the statement of total recognised gains and losses	(256,000)	(142,000)	(90,000)	(140,000)	(1,191,000)
- as percentage of present value of scheme liabilities	3.68	1.94	1.44	2.43	24.47

Analysis of movements in the deficit recognised by the company in the year

	2006 £	2005 £
Opening deficit	(745,000)	(955,000)
Contributions paid on behalf of the company by Mabey Holdings Limited	325,000	306,000
Net finance income	96,000	46,000
Total actuarial loss which is recognised in the statement of total recognised gains and losses	(256,000)	(142,000)
Closing deficit	(580,000)	(745,000)

Notes to the financial statements

at 30 September 2006

13. Parent undertaking and ultimate parent company

The parent undertaking of the group of undertakings for which group accounts are drawn up and of which the company is a member is Mabey Holdings Limited, registered in England and Wales, which is also the company's ultimate parent company and controlling party