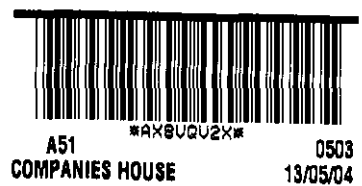


# **Edmund Nuttall Limited**

## **Report and Financial Statements**

31 December 2003



# Edmund Nuttall Limited

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Registered No. 305189

## **Directors**

P B Brooks (Chief Executive)

D K Belsham

R Treadgold

## **Secretary**

G M Renshaw

## **Auditors**

Ernst & Young LLP

1 More London Place

London SE1 2AF

## **Bankers**

NatWest Bank PLC

15 Bishopsgate

London EC2P 2AP

## **Registered Office**

St James House

Knoll Road

Camberley

Surrey GU15 3XW

## Chief Executive's statement

2003 has been another successful year for Edmund Nuttall. The company built on the successes of 2002 with another exceptional trading year. Company turnover remained stable at £455.1 million with an increased pre-tax profit of £20 million. These figures compare favourably to 2002 and positions Nuttall as one of the UK's better performing civil engineering contractors.

2003 has also proved to be highly successful in terms of achieving a significant reduction in the number of reportable accidents on our sites. Our Incident Frequency (IF) for the year has fallen to an all time low of 0.62. This has been brought about by continuing a focus on company wide training and safety awareness, designed to upskill and inform our entire workforce, including our suppliers and sub-contractors. One notable achievement was at CTRL103 where over one million working hours have been completed without a single reportable accident.

The drive towards practical implementation of corporate social responsibility continues with our efforts having been recognised with the winning of a silver Considerate Constructors award for the Crawley Fastway guided bus way scheme.

Recognition for best practice across a wide range of company processes and procedures was given by the Highways Agency in their CAT (Capability Assessment Toolkit) exercise. This independent audit involved in depth staff interviews, site and head office visits to assess and compare our company performance against a number of exacting criteria. Nuttall was rated as a top five civil engineering contractor with an above average CAT score.

Following the success of the A500 Stoke Pathfinder ECI (Early Contractor Involvement) award in 2002, another ECI was awarded by the Highways Agency for grade separated improvements on the M40 junction 4 at Handy Cross in Buckinghamshire.

Nuttall continues to expand its infrastructure maintenance business with the Southern Zone Structures Partnership programme with Network Rail now extended to 2006. This new award added to our existing projects makes the company one of the largest rail structures maintenance contractors in the UK.

On the Broadlands PPP (Private Public Partnership) scheme, the company has moved to the implementation stage with a variety of flood prevention activities under construction. This 20 year project is now providing significant enhancements in flood protection to the environmentally sensitive Norfolk and Suffolk Broad.

2003 also saw the award of a long term partnership framework contract, the Omnibus project with British Waterways. This contract will significantly improve the condition of the canal network in the South East of England, London and the Midlands.

Innovation, always a key driver for the Nuttall business was demonstrated by the use of a new track slabbing technique, utilised on the West Coast Mainline at the Hibel Road and Prestbury tunnels and the completion of the first jacked box bridge under the M1 motorway near Northampton. In addition a highly complex bridge launch operation was successfully completed on the CTRL 103 project across the East Coast Mainline over the Christmas holiday period.

The company's forward order book is healthy and we have significant tender opportunities from which to win work for 2005 and beyond. The long term benefits of partnering and alliancing contracts continue to bring advantages to both Nuttall and its clients and our value engineering solutions are now increasingly unlocking and enabling previously budget restricted projects for local authorities.

The outstanding result for 2003 would not have been possible without the dedicated efforts of all our employees. I wish to thank them all on behalf of the Board of Directors.

P B Brooks  
Chief Executive

## Directors' report

The directors present their report and group financial statements for the year ended 31 December 2003.

### Results and dividends

The results of the group are set out on page 8. The directors recommend an ordinary dividend of £8,300,000 for the year.

### Principal activities and business review

The principal activity of the group is that of civil engineering, carried out through operating divisions, together with contracting and other related activities. A review of the activities of the group is given in the Chief Executive's Statement preceding this report.

### Research and development

The company continues to develop close ties with Oxford and Cambridge Universities looking at state of the art research into soil conditioning and soil handling with earth pressure balanced tunnel boring machines.

### Corporate social responsibility

Corporate social responsibility brings together the many aspects of best practice and concern for society that already exist within the company. The board regards the policy implementation as being of paramount importance to the successful operation of our business within the community and in our relationships with all our working partners and stakeholders. Our approach is to contribute positively to the environment whilst minimising any detrimental effects on society.

The company continues to be committed to a vigorous education programme to reduce accidents and raise awareness of occupational health issues. The current focus is on preventing accidents before they occur. The "Don't Walk By" campaign, which was trialled at CTRL 103 and resulted in over one million accident free hours, is now being rolled out to all Nuttall sites.

New purpose built training centres have been opened at Erith and Wigan to deliver rail specific training to Nuttall employees, clients and sub-contractors. These modern, well-equipped facilities include sections of track, signals and an innovative tilting bed that simulates a variety of track grade conditions for plant training. A new group staff training centre has also been opened in Camberley.

An environmental handbook has been prepared for issue. This is a statement of the company's total environmental policy and procedures and will be issued to all employees. The document places great emphasis on the total environment including such issues as interaction with the local community and site housekeeping.

The company continues to develop good relations with its supply chain and has expanded the network of preferred suppliers, who have signed up to the "Vendor Accord" agreements.

Two major industry awards were won in 2003, which recognised the excellent value that is being delivered to clients. These were the British Construction Industry Award in the international category for the Bangladesh-UK Friendship Bridge and a National Rail Award for outstanding personal contribution.

### Fixed assets

The movements in tangible fixed assets during the year are shown in note 12 to the financial statements.

## Directors' report

### Employees

The directors attach great importance to the maintenance of good communications with employees. A group newspaper, 'Messenger' and a company newspaper, 'Inside Nuttall' are distributed to all employees on a regular basis. These journals are designed to keep all personnel fully informed of current issues and developments on a group-wide and company-wide basis. An annual briefing session is held for employees, where company and group performance is analysed and future objectives are disseminated.

A great deal of emphasis is placed on the induction of new employees and a comprehensive package of information is given to new starters including a personal development record.

It is company policy to encourage the employment and training of disabled people wherever appropriate and to evaluate all employees solely on the basis of merit. The company operates an equal opportunities policy.

### Political and charitable contributions

No political contributions were made during the year (2002 – £nil). The total amount of charitable donations was £37,294 (2002 – £29,283).

### Directors and their interests

The directors who served during the year ended 31 December 2003 were as follows:

P B Brooks (Chief Executive)  
D K Belsham  
C J A Reigersman (resigned 31 July 2003)  
R Treadgold

None of the directors has any personal or beneficial interest in the shares of the company.

### Creditor payment policy and practice

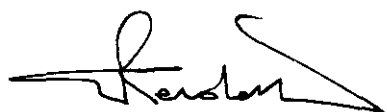
It is the group's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the company and its suppliers, provided that all trading terms and conditions have been complied with.

At 31 December 2003, the company had an average of 45 days purchases (2002 – 56 days) outstanding in trade creditors.

### Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

By order of the Board



Secretary

Date 11 MAY 2004

## **Statement of directors' responsibilities in respect of the financial statements**

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 group and of the profit or loss of the group 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 group 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 group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# **Independent auditors' report**

**to the members of Edmund Nuttall Limited**

We have audited the group's financial statements for the year ended 31 December 2003 which comprise the Group Profit and Loss Account, Group Statement of Total Recognised Gains and Losses, Group Balance Sheet, Company Balance Sheet and the related notes 1 to 26. 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**

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the group 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 United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

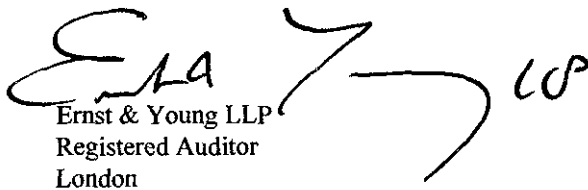
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity 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 Edmund Nuttall Limited (continued)**

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the company and of the group as 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.

  
Ernst & Young LLP  
Registered Auditor  
London

11 MAY 2004



## Group profit and loss account

for the year ended 31 December 2003

|  | Notes | 2003<br>£000 | 2002<br>£000 |
|--|-------|--------------|--------------|
| <b>Turnover</b>  |       |              |              |
| Continuing operations:   |       |              |              |
| Group and share of joint ventures  | 2     | 455,104      | 467,272      |
| Less: Share of joint ventures' turnover                                      |       | (51,936)     | (63,179)     |
| <b>Group turnover</b>  |       | 403,168      | 404,093      |
| Costs and expenses   | 3     | (387,753)    | (387,176)    |
| <b>Group operating profit</b>  | 4     | 15,415       | 16,917       |
| Share of operating profit/(loss) in joint ventures                           |       | 1,908        | (90)         |
|  |       | 17,323       | 16,827       |
| Interest receivable  | 7     | 2,675        | 2,730        |
| <b>Profit on ordinary activities before taxation</b>                         |       | 19,998       | 19,557       |
| Tax on profit on ordinary activities   | 8     | (5,777)      | (5,492)      |
| <b>Profit on ordinary activities after taxation</b>                          |       | 14,221       | 14,065       |
| Equity minority interests  |       | (77)         | (90)         |
| <b>Profit for the year attributable to members of the parent undertaking</b> |       | 14,144       | 13,975       |
| Dividend proposed  | 10    | (8,300)      | (3,500)      |
| <b>Retained profit for the year</b>  | 20    | 5,844        | 10,475       |

**Group statement of total recognised gains and losses**  
**for the year ended 31 December 2003**

There are no recognised gains or losses other than the result for the years ended 31 December 2003 and 31 December 2002.

# Group balance sheet

at 31 December 2003

|  | Notes | 2003<br>£000   | 2002<br>£000   |
|--|-------|----------------|----------------|
| <b>Fixed assets</b>  |       |                |                |
| Intangible assets  | 11    | 2,313          | 2,364          |
| Tangible assets  | 12    | 17,857         | 19,654         |
|  |       | <u>20,170</u>  | <u>22,018</u>  |
| <br>Investments in joint ventures:                                 | 13    |                |                |
| Share of gross assets  |       | 7,356          | 15,673         |
| Share of gross liabilities   |       | (12,186)       | (17,586)       |
|  |       | <u>(4,830)</u> | <u>(1,913)</u> |
|  |       | 15,340         | 20,105         |
| <b>Current assets</b>  |       |                |                |
| Stocks and work in progress  | 14    | 649            | 701            |
| Debtors  | 15    | 110,737        | 117,015        |
| Cash at bank and in hand   |       | 60,644         | 54,721         |
|  |       | <u>172,030</u> | <u>172,437</u> |
| <b>Creditors:</b> amounts falling due within one year              | 16    | (131,140)      | (142,196)      |
| <b>Net current assets</b>  |       | <u>40,890</u>  | <u>30,241</u>  |
| <b>Total assets less current liabilities</b>                       |       | <u>56,230</u>  | <u>50,346</u>  |
| <br><b>Creditors:</b> amounts falling due after more than one year | 17    | (500)          | (1,000)        |
| <b>Provisions for liabilities and charges</b>                      | 18    | (2,701)        | (2,238)        |
|  |       | <u>53,029</u>  | <u>47,108</u>  |
| <b>Minority interests</b>  |       |                |                |
| Equity   |       | (5)            | 72             |
|  |       | <u>53,024</u>  | <u>47,180</u>  |
| <br><b>Capital and reserves</b>                                    |       |                |                |
| Called up share capital  | 19    | 27,000         | 27,000         |
| Profit and loss account  | 20    | 26,024         | 20,180         |
| <b>Equity shareholders' funds</b>                                  |       | <u>53,024</u>  | <u>47,180</u>  |

Director



Date 11 MAY 2004

## Balance sheet

at 31 December 2003

|  | Notes | 2003<br>£000   | 2002<br>£000   |
|--|-------|----------------|----------------|
| <b>Fixed assets</b>  |       |                |                |
| Tangible assets  | 12    | 15,290         | 16,380         |
| Investments  | 13    | 8,364          | 8,209          |
|  |       | <u>23,654</u>  | <u>24,589</u>  |
| <b>Current assets</b>  |       |                |                |
| Stocks and work in progress                                    | 14    | 649            | 685            |
| Debtors  | 15    | 107,553        | 172,758        |
| Cash at bank and in hand                                       |       | 56,788         | 51,567         |
|  |       | <u>164,990</u> | <u>175,010</u> |
| <b>Creditors:</b> amounts falling due within one year          | 16    | (133,196)      | (148,521)      |
| <b>Net current assets</b>                                      |       | <u>31,794</u>  | <u>26,489</u>  |
| <b>Total assets less current liabilities</b>                   |       | <u>55,448</u>  | <u>51,078</u>  |
| <b>Creditors:</b> amounts falling due after more than one year | 17    | (500)          | (1,000)        |
| <b>Provisions for liabilities and charges</b>                  | 18    | (2,701)        | (2,238)        |
|  |       | <u>(3,201)</u> | <u>(3,238)</u> |
|  |       | <u>52,247</u>  | <u>47,840</u>  |
| <b>Capital and reserves</b>                                    |       |                |                |
| Called up share capital  | 19    | 27,000         | 27,000         |
| Profit and loss account  | 20    | 25,247         | 20,840         |
| <b>Equity shareholders' funds</b>                              |       | <u>52,247</u>  | <u>47,840</u>  |



Director

Date 11 MAY 2004

## Notes to the financial statements

at 31 December 2003

### 1. Accounting policies

#### Basis of preparation

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

#### Basis of consolidation

The group financial statements consolidate the financial statements of Edmund Nuttall Limited and its subsidiary undertakings drawn up to 31 December each year. No profit and loss account is presented for Edmund Nuttall Limited as permitted by section 230 of the Companies Act 1985.

#### Fair value accounting

The purchase consideration for businesses acquired is allocated to assets and liabilities on the basis of fair value at the date of acquisition.

#### Goodwill

Prior to 1 January 1999, depending on the circumstances of each acquisition, purchased and consolidation goodwill was either set off directly against reserves or was amortised through the profit and loss account over the directors' estimate of its useful life.

In accordance with FRS 10 "Goodwill and Intangible Assets", purchased goodwill arising on businesses acquired on or after 1 January 1999 will be capitalised on the balance sheet and amortised through the profit and loss account over the directors' estimate of its useful life, subject to a maximum of twenty years. Impairment reviews will be carried out if events or circumstances indicate that the carrying value of goodwill will not be recovered in full, and any diminution in value will be charged through the profit and loss account.

#### Depreciation

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

|   |   |                    |
|---|---|--------------------|
| Plant and machinery                     | – | over 2 to 10 years |
| Fixtures, fittings, tools and equipment | – | over 2 to 10 years |
| Leasehold premises                      | – | over 10 years      |
| Freehold premises                       | – | over 50 years      |

#### Research and development

All research and development costs are written off as incurred.

## Notes to the financial statements

at 31 December 2003

### 1. Accounting policies (continued)

#### Stocks and work in progress

Stocks are stated at the lower of cost and net realisable value.

Contract work in progress is valued at total costs incurred, net of amounts transferred to the profit and loss account in respect of work carried out to date, less foreseeable losses and applicable payments on account. The resultant balance is either included in debtors as 'amounts recoverable on contracts' or in creditors as 'payments on account on long term contracts'. Turnover includes residual amounts on contracts completed prior to 31 December 2003 and an appropriate proportion of the estimated amounts of current contracts based on valuations by officials of the group. Provision is made in full for any anticipated losses on current contracts.

#### Leasing commitments

Rentals paid under operating leases are charged to income on a straight line basis over the lease term.

#### Statement of cash flows

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (revised) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its ultimate parent undertaking, Royal BAM Group n.v., publishes a consolidated cash flow statement.

#### Joint ventures

In the normal course of business the group invests in joint ventures. In accordance with FRS 9 (Associates and Joint Ventures) the group discloses joint ventures separately. The investments are stated at the group's share of the gross assets and gross liabilities of the joint ventures adjusted where necessary to bring the value of the underlying contracts in line with group policy.

#### Taxation

##### (a) Current tax

The charge for current taxation for the year is based on the result for the year, adjusted for disallowable items.

##### (b) Deferred tax

Full provision has been made for deferred taxation in respect of timing differences that have originated, but not reversed at the balance sheet date where an event has occurred that results in an obligation to pay more or less tax in the future by the balance sheet date except that:

- Provision is made for gains on disposal of assets that have been rolled over into replacement assets, only to the extent that at the balance sheet date, there is a binding agreement to dispose of the assets concerned.
- Provision is not made for the remittance of a subsidiary, associate or joint venture's earnings that would cause tax to be payable where no commitment has been made to the remittance of the earnings.
- Deferred tax assets are recognised to the extent that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences 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 the timing differences reverse, based on tax rates enacted at the balance sheet date.

## Notes to the financial statements

at 31 December 2003

### 1. Accounting policies (continued)

#### Foreign currency translation

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

#### Pension costs

Contributions to the contributory pension schemes are charged to the profit and loss account so as to spread the costs of pensions over employees' working lives with the group. Variations from the regular cost are spread over the average remaining service lives of current employees.

### 2. Turnover

Turnover, which is stated net of VAT, represents the sale value of work done in the year including estimates of amounts not invoiced and adjustments relating to prior years which have been agreed during the year.

Turnover is attributable to one activity, civil engineering and related operations.

An analysis of turnover by geographical market is given below:

|                    | 2003<br>£000   | 2002<br>£000   |
|--------------------|----------------|----------------|
| Geographical area: |                |                |
| United Kingdom     | 440,809        | 422,741        |
| Rest of Europe     | 13,637         | 15,681         |
| Outside Europe     | 658            | 28,850         |
|                    | <u>455,104</u> | <u>467,272</u> |

### 3. Costs and expenses

|                               | 2003<br>£000   | 2002<br>£000   |
|-------------------------------|----------------|----------------|
| Staff costs (note 6)          | 95,831         | 79,633         |
| Raw materials and consumables | 66,092         | 60,177         |
| Other external charges        | 220,751        | 242,027        |
| Depreciation – owned assets   | 4,873          | 5,147          |
| Amortisation of goodwill      | 206            | 192            |
|                               | <u>387,753</u> | <u>387,176</u> |

# Notes to the financial statements

at 31 December 2003

## 4. Operating profit

This is stated after charging/(crediting):

|                                    | 2003<br>£000      | 2002<br>£000      |
|------------------------------------|-------------------|-------------------|
| (Gain) on disposal of fixed assets | (257)             | (262)             |
| Hire of plant and machinery        | 33,792            | 31,827            |
| Operating lease rentals            | 466               | 571               |
| Auditors' remuneration             | 86                | 99                |
|                                    | <u>          </u> | <u>          </u> |

## 5. Directors' remuneration

|   | 2003<br>£000      | 2002<br>£000      |
|---|-------------------|-------------------|
| Remuneration as executives                    | 661               | 587               |
| Group contributions to defined benefit scheme | 68                | 41                |
|   | <u>          </u> | <u>          </u> |

|                                   | 2003<br>No.       | 2002<br>No.       |
|-----------------------------------|-------------------|-------------------|
| Members of defined benefit scheme | 3                 | 3                 |
|                                   | <u>          </u> | <u>          </u> |

The amounts in respect of the highest paid director are as follows:

|                                   | 2003<br>£000      | 2002<br>£000      |
|-----------------------------------|-------------------|-------------------|
| Emoluments                        | 355               | 310               |
|                                   | <u>          </u> | <u>          </u> |
| Accumulated total accrued pension | 129               | 117               |
|                                   | <u>          </u> | <u>          </u> |

## 6. Staff costs

|                       | 2003<br>£000  | 2002<br>£000  |
|-----------------------|---------------|---------------|
| Wages and salaries    | 82,816        | 69,593        |
| Social security costs | 7,486         | 5,931         |
| Other pension costs   | 5,529         | 4,109         |
|                       | <u>95,831</u> | <u>79,633</u> |



## Notes to the financial statements

at 31 December 2003

### 6. Staff costs (continued)

The average number of persons employed by the group during the year, including directors and excluding those employed by joint ventures, was as follows:

|                    | 2003<br>No.  | 2002<br>No.  |
|--------------------|--------------|--------------|
| Weekly paid staff  | 1,340        | 1,286        |
| Monthly paid staff | 1,202        | 1,162        |
|                    | <u>2,542</u> | <u>2,448</u> |

### 7. Interest receivable

|   | 2003<br>£000 | 2002<br>£000 |
|---|--------------|--------------|
| Interest receivable from group undertakings | 558          | 690          |
| Interest receivable – other                 | 2,117        | 2,040        |
|   | <u>2,675</u> | <u>2,730</u> |

### 8. Tax

#### (a) Tax on profit on ordinary activities

The tax charge is made up as follows

|                                      | 2003<br>£000 | 2002<br>£000 |
|--------------------------------------|--------------|--------------|
| <i>Current tax:</i>                  |              |              |
| UK corporation tax                   | 5,878        | 5,405        |
| Prior year adjustment                | 356          | (12)         |
| Total current tax (note 8(b))        | <u>6,234</u> | <u>5,393</u> |
| <i>Deferred taxation:</i>            |              |              |
| Current year                         | (96)         | 99           |
| Prior year adjustment                | (361)        | –            |
| Tax on profit on ordinary activities | <u>5,777</u> | <u>5,492</u> |

# Notes to the financial statements

at 31 December 2003

## 8. Tax (continued)

### (b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 30% (2002 – 30%). The differences are reconciled below:

|  | 2003<br>£000 | 2002<br>£000 |
|--|--------------|--------------|
| Profit on ordinary activities before tax   | 19,998       | 19,557       |
| Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2002 – 30%) | 5,999        | 5,201        |
| Expenses not deductible for tax purposes   | 76           | 605          |
| Fixed asset timing adjustment  | (38)         | 190          |
| Prior year adjustment  | 354          | (13)         |
| Depreciation in excess of capital allowances   | 52           | –            |
| Other  | (209)        | (590)        |
| Current tax charge for year (note 8(a))  | 6,234        | 5,393        |

### (c) Deferred tax

The deferred tax included in the balance sheet is as follows:

|                                | 2003<br>£000 | 2002<br>£000 |
|--------------------------------|--------------|--------------|
| Other deductions               | (97)         | (56)         |
| Accelerated capital allowances | (1,107)      | (691)        |
|                                | (1,204)      | (747)        |
| Included in debtors (note 15)  | (1,204)      | (747)        |
|                                | (1,204)      | (747)        |

## 9. Profit attributable to members of the parent company

The profit dealt with in the financial statements of the parent company was £12,707,000 (2002 – £10,250,000).

## 10. Dividends

|   | 2003<br>£000 | 2002<br>£000 |
|---|--------------|--------------|
| Equity dividends on ordinary shares:                          |              |              |
| Final proposed on 27,000,000 shares of £0.307 (2002 – £0.130) | 8,300        | 3,500        |

## Notes to the financial statements

at 31 December 2003

### 11. Intangible fixed assets

|                          | <i>Goodwill</i> |
|--------------------------|-----------------|
|                          | <i>£000</i>     |
| Cost:                    |                 |
| At 31 December 2002      | 2,748           |
| Additions                | 155             |
| At 31 December 2003      | 2,903           |
| Amortisation:            |                 |
| At 31 December 2002      | 384             |
| Provided during the year | 206             |
| At 31 December 2003      | 590             |
| Net book value:          |                 |
| At 31 December 2003      | 2,313           |
| At 31 December 2002      | 2,364           |

Goodwill relates to the acquisition of Finchpalm Limited and is being amortised evenly over the directors' estimate of the remaining useful economic life.

### 12. Tangible fixed assets

| <i>Group</i>             | <i>Freehold<br/>offices<br/>£000</i> | <i>Leasehold<br/>offices<br/>£000</i> | <i>Plant and<br/>machinery<br/>£000</i> | <i>Fixtures,<br/>fittings,<br/>tools and<br/>equipment<br/>£000</i> | <i>Total<br/>£000</i> |
|--------------------------|--------------------------------------|---------------------------------------|---|---|-----------------------|
| Cost:                    |                                      |                                       |   |   |                       |
| At 31 December 2002      | 5,929                                | 13                                    | 25,891                                  | 9,696   | 41,529                |
| Additions                | 14                                   | —                                     | 2,035                                   | 1,596   | 3,645                 |
| Transfers                | —                                    | —                                     | (1,108)                                 | 1,108   | —                     |
| Disposals                | —                                    | (13)                                  | (1,904)                                 | (1,437)   | (3,354)               |
| At 31 December 2003      | 5,943                                | —                                     | 24,914                                  | 10,963  | 41,820                |
| Depreciation:            |                                      |                                       |   |   |                       |
| At 31 December 2002      | 425                                  | 13                                    | 15,385                                  | 6,052   | 21,875                |
| Provided during the year | 114                                  | —                                     | 2,810                                   | 1,949   | 4,873                 |
| Transfers                | —                                    | —                                     | (189)                                   | 189   | —                     |
| Disposals                | —                                    | (13)                                  | (1,616)                                 | (1,156)   | (2,785)               |
| At 31 December 2003      | 539                                  | —                                     | 16,390                                  | 7,034   | 23,963                |
| Net book value:          |                                      |                                       |   |   |                       |
| At 31 December 2003      | 5,404                                | —                                     | 8,524                                   | 3,929   | 17,857                |
| At 31 December 2002      | 5,504                                | —                                     | 10,506                                  | 3,644   | 19,654                |

## Notes to the financial statements

at 31 December 2003

### 12. Tangible fixed assets (continued)

*Company*

|                          | <i>Freehold<br/>offices<br/>£000</i> | <i>Plant and<br/>machinery<br/>£000</i> | <i>Fixtures,<br/>fittings,<br/>tools and<br/>equipment<br/>£000</i> | <i>Total<br/>£000</i> |
|--------------------------|--------------------------------------|---|---|-----------------------|
| Cost:                    |                                      |   |   |                       |
| At 31 December 2002      | 5,575                                | 22,024                                  | 8,316   | 35,915                |
| Additions                | —                                    | 2,035                                   | 814   | 2,849                 |
| Transfers                | —                                    | 2,374                                   | (2,374)   | —                     |
| Disposals                | —                                    | (1,744)                                 | (136)   | (1,880)               |
| At 31 December 2003      | 5,575                                | 24,689                                  | 6,620   | 36,884                |
| Depreciation:            |                                      |   |   |                       |
| At 31 December 2002      | 419                                  | 13,792                                  | 5,324   | 19,535                |
| Provided during the year | 113                                  | 2,709                                   | 804   | 3,626                 |
| Transfers                | —                                    | 1,136                                   | (1,136)   | —                     |
| Disposals                | —                                    | (1,451)                                 | (116)   | (1,567)               |
| At 31 December 2003      | 532                                  | 16,186                                  | 4,876   | 21,594                |
| Net book value:          |                                      |   |   |                       |
| At 31 December 2003      | 5,043                                | 8,503                                   | 1,744   | 15,290                |
| At 31 December 2002      | 5,156                                | 8,232                                   | 2,992   | 16,380                |

### 13. Investments

*Group*

Investments in joint ventures

|   | <i>£000</i> |
|---|-------------|
| At 1 January 2003                         | (1,913)     |
| Share of loss retained by joint venture   | 1,908       |
| Distributions received from joint venture | (798)       |
| Amounts written off investments           | (4,027)     |
| At 31 December 2003                       | (4,830)     |

## Notes to the financial statements

at 31 December 2003

### 13. Investments (continued)

| <i>Name</i>  | <i>% Financial<br/>interest</i> | <i>Nature of business</i> |
|--|---------------------------------|---------------------------|
| Nuttall/Norwest Holst Joint Venture – Minworth                 | 50                              | Civil Engineering         |
| Norwest Holst/Nuttall Joint Venture – Hackney                  | 50                              | Civil Engineering         |
| Cairo Wastewater Consortium                                    | 18                              | Civil Engineering         |
| Interbeton/Nuttall Harare International Airport                | 30                              | Civil Engineering         |
| Nuttall/Norwest Holst Joint Venture – sludge digestion         | 50                              | Civil Engineering         |
| Interbeton/Nuttall Ghana Road                                  | 30                              | Civil Engineering         |
| Nuttall/Ascon Joint Venture – Cork                             | 50                              | Civil Engineering         |
| Nuttall/Ascon Joint Venture – Dublin                           | 50                              | Civil Engineering         |
| Nuttall/Wayss and Freytag Ingenieurbau AG/Kier<br>Construction | 33                              | Civil Engineering         |
| Nuttall/Kier Construction CTRL 103 Kings Cross                 | 50                              | Civil Engineering         |
| Nuttall/Norwest Holst A6 Clapham                               | 50                              | Civil Engineering         |

| <i>Company</i>                             | <i>£000</i>  |
|--|--------------|
| Shares in subsidiary undertakings at cost: |              |
| At 31 December 2002                        | 8,209        |
| Additions                                  | 155          |
| At 31 December 2003                        | <u>8,364</u> |

The company's subsidiary undertakings at 31 December 2003 are:

| <i>Name of undertaking</i>               | <i>Country of<br/>registration</i> | <i>Holding of<br/>ordinary<br/>shares %</i> | <i>Nature of business</i>                |
|--|------------------------------------|---|--|
| Ascon Contracting Limited                | England                            | 75  | Contractor                               |
| Edmund Nuttall Demolition Limited        | England                            | 100   | Dormant                                  |
| Allbrook Contract Hire Limited           | England                            | 100   | Contract hire                            |
| John Martin Construction Limited         | England                            | 100   | Civil Engineering                        |
| Broadland Environmental Services Limited | England                            | 90  | Civil Engineering                        |
| Finchpalm Limited                        | England                            | 100   | Specialist rail<br>electrical contractor |

## Notes to the financial statements

at 31 December 2003

### 14. Stocks and work in progress

|                               | <i>Group</i> |      | <i>Company</i> |      |
|-------------------------------|--------------|------|----------------|------|
|                               | 2003         | 2002 | 2003           | 2002 |
|                               | £000         | £000 | £000           | £000 |
| Raw materials and consumables | 649          | 701  | 649            | 685  |

### 15. Debtors

|  | <i>Group</i> |         | <i>Company</i> |         |
|--|--------------|---------|----------------|---------|
|  | 2003         | 2002    | 2003           | 2002    |
|  | £000         | £000    | £000           | £000    |
| Amounts recoverable on contracts                     | 41,290       | 38,407  | 38,508         | 32,663  |
| Joint ventures                                       | –            | 2,311   | 4,757          | 3,928   |
| Trade debtors  | 51,947       | 48,616  | 39,622         | 53,778  |
| Amounts owed by subsidiary undertakings              | –            | –       | 6,851          | 4,458   |
| Amounts owed by parent and fellow group undertakings | 13,039       | 19,374  | 13,039         | 19,374  |
| Other debtors  | 3,257        | 7,560   | 3,592          | 7,825   |
| Deferred tax (note 8(c))                             | 1,204        | 747     | 1,184          | 732     |
|  | 110,737      | 117,015 | 107,553        | 122,758 |

### 16. Creditors: amounts falling due within one year

|  | <i>Group</i> |         | <i>Company</i> |         |
|--|--------------|---------|----------------|---------|
|  | 2003         | 2002    | 2003           | 2002    |
|  | £000         | £000    | £000           | £000    |
| Bank overdraft                                       | –            | 551     | –              | 551     |
| Payments on account on long term contracts           | 31,362       | 38,344  | 30,211         | 37,471  |
| Contract provisions                                  | 2,757        | 4,007   | 2,748          | 3,812   |
| Joint ventures                                       | 929          | 3,911   | 13,115         | 17,241  |
| Amounts owed to parent and fellow group undertakings | 299          | 5,721   | 1,692          | 8,330   |
| Trade creditors                                      | 75,319       | 69,292  | 66,877         | 62,462  |
| Corporation tax                                      | 3,326        | 2,558   | 2,910          | 2,106   |
| Other taxes and social security costs                | 5,968        | 6,275   | 4,490          | 5,425   |
| Other creditors                                      | 4,280        | 8,037   | 4,253          | 7,623   |
| Proposed dividend                                    | 6,900        | 3,500   | 6,900          | 3,500   |
|  | 131,140      | 142,196 | 133,196        | 148,521 |

## Notes to the financial statements

at 31 December 2003

### 17. Creditors: amounts falling due after more than one year

|   | <i>Group</i> |             | <i>Company</i> |             |
|---|--------------|-------------|----------------|-------------|
|   | <i>2003</i>  | <i>2002</i> | <i>2003</i>    | <i>2002</i> |
|   | <i>£000</i>  | <i>£000</i> | <i>£000</i>    | <i>£000</i> |
| Subsidiary acquisition payments outstanding | 500          | 1,000       | 500            | 1,000       |

### 18. Provisions for liabilities and charges

|                          |             |
|--------------------------|-------------|
|                          | <i>£000</i> |
| <i>Group</i>             |             |
| At 31 December 2002      | 2,238       |
| Movement during the year | 463         |
| At 31 December 2003      | 2,701       |
| <i>Company</i>           |             |
| At 31 December 2002      | 2,238       |
| Movement during the year | 463         |
| At 31 December 2003      | 2,701       |

### 19. Share capital

There was no change to share capital during the year.

|   | <i>Authorised</i> | <i>Allotted<br/>called up and<br/>fully paid</i> |
|---|-------------------|--|
|   | <i>2003</i>       | <i>2003</i>                                      |
|   | <i>&amp;</i>      | <i>&amp;</i>                                     |
|   | <i>2002</i>       | <i>2002</i>                                      |
|   | <i>£000</i>       | <i>£000</i>                                      |
| 150,000 3.85% redeemable cumulative<br>preference shares of £1 each                     | 150               | –  |
| 27,000,000 ordinary shares of £1 each<br>(2002 – 27,000,000 ordinary shares of £1 each) | 27,000            | 27,000   |
|   | 27,150            | 27,000   |

## Notes to the financial statements

at 31 December 2003

### 20. Reconciliation of shareholders' funds and movement on reserves

| <i>Group</i>        | <i>Share<br/>capital<br/>£000</i> | <i>Profit<br/>and loss<br/>account<br/>£000</i> | <i>Total<br/>£000</i> |
|---------------------|-----------------------------------|---|-----------------------|
| At 1 January 2002   | 27,000                            | 9,705   | 36,705                |
| Profit for the year | —                                 | 13,975  | 13,975                |
| Dividend            | —                                 | (3,500)   | (3,500)               |
| At 31 December 2002 | 27,000                            | 20,180  | 47,180                |
| Profit for the year | —                                 | 14,144  | 14,144                |
| Dividend            | —                                 | (8,300)   | (8,300)               |
| At 31 December 2003 | 27,000                            | 26,024  | 53,024                |

| <i>Company</i>      | <i>Share<br/>capital<br/>£000</i> | <i>Profit<br/>and loss<br/>account<br/>£000</i> | <i>Total<br/>£000</i> |
|---------------------|-----------------------------------|---|-----------------------|
| At 1 January 2002   | 27,000                            | 14,090  | 41,090                |
| Profit for the year | —                                 | 10,250  | 10,250                |
| Dividend            | —                                 | (3,500)   | (3,500)               |
| At 31 December 2002 | 27,000                            | 20,840  | 47,840                |
| Profit for the year | —                                 | 12,707  | 12,707                |
| Dividend            | —                                 | (8,300)   | (8,300)               |
| At 31 December 2003 | 27,000                            | 25,247  | 52,247                |

### 21. Capital commitments

|                                 | <i>Group<br/>2003<br/>£000</i> | <i>Group<br/>2002<br/>£000</i> | <i>Company<br/>2003<br/>£000</i> | <i>Company<br/>2002<br/>£000</i> |
|---------------------------------|--------------------------------|--------------------------------|----------------------------------|----------------------------------|
| Contracted but not provided for | 87                             | 282                            | 67                               | 282                              |



## Notes to the financial statements

at 31 December 2003

### 22. Other financial commitments

At 31 December 2003, the group had annual commitments under non-cancellable operating leases as set out below:

|                                | <i>Land and<br/>buildings</i> | <i>Land and<br/>buildings</i> |
|--------------------------------|-------------------------------|-------------------------------|
|                                | 2003                          | 2002                          |
|                                | £000                          | £000                          |
| Operating leases which expire: |                               |                               |
| within one year                | 121                           | 219                           |
| within two to five years       | 250                           | 341                           |
| in over five years             | —                             | 56                            |
|                                | <u>371</u>                    | <u>616</u>                    |

### 23. Pensions

#### (a) Staff pension scheme

The Edmund Nuttall Limited contributory defined benefit pension scheme for staff employees is a pooled managed fund. Contributions to the scheme are charged to the profit and loss account so as to spread the costs of pensions over employees' working lives with the group.

#### SSAP 24 disclosures

The pension costs are determined with the advice of independent qualified actuaries on the basis of triennial valuations using the projected unit method. The results of the most recent valuation, which was conducted as at 1 April 2001, is as follows:

Main assumptions:

|   |      |
|---|------|
| Rate of return on investments pre retirement (% per annum)  | 7.0% |
| Rate of return on investments post retirement (% per annum) | 5.5% |
| Rate of salary increases (% per annum)                      | 4.5% |
| Rate of pension increases (% per annum)                     | 2.5% |

|  |         |
|--|---------|
| Market value of scheme's assets (£000) | £70,200 |
|--|---------|

Level of funding being the actuarial value of assets expressed as a percentage of the benefits accrued to members, after allowing for future salary increases

93.0%

Contributions are determined by a qualified actuary on the basis of triennial valuation using the projected unit credit method, with the most recent determination being on 1 April 2001. As a result of the most recent valuation, contributions for the group were increased to 13.7% in November 2001 and employees' contributions were increased to 6.0% in April 2002. In consultation with the scheme actuary, contributions for the group increased to 16.7% in February 2003 and employees' contributions were increased to 7.0% in April 2003. These contribution rates will be reassessed when the next valuation is prepared.

## Notes to the financial statements

at 31 December 2003

### 23. Pensions (continued)

#### SSAP 24 disclosures (continued)

At the date of the most recent actuarial valuation the scheme actuary to the Edmund Nuttall Limited Staff Superannuation fund estimated the shortfall on the funding and SSAP 24 basis to be £5.2 million (before related deferred tax and pension provisions).

The pension charge for the group was £5,593,063 (company –£5,254,890).

#### FRS 17 disclosures

The pension cost figures in these financial statements comply with the current pension cost accounting standard SSAP 24. A new pension cost accounting standard FRS 17 must be used for the figures that will be shown in the financial statements for the year ended 31 December 2005 and subsequent years. Under transitional arrangements the company is required to disclose the following information about the scheme and the figure that would have to be shown under FRS 17 in the current balance sheet.

The valuation used for FRS 17 disclosures has been based on the most recent actuarial valuation at 1 April 2001 and updated to take account of the requirements of FRS 17 in order to assess the liabilities of the scheme at 31 December 2003 and 31 December 2002. Scheme assets are stated at their market values at the respective balance sheet dates.

|   | 2003  | 2002  | 2001  |
|---|-------|-------|-------|
| Main assumptions:                               |       |       |       |
| Rate of salary increases                        | 4.00% | 3.75% | 4.00% |
| Rate of increase in pensions in payment (LPI)   | 2.50% | 2.25% | 2.50% |
| Rate of increase in pensions in payment (fixed) | 5.00% | 5.00% | 5.00% |
| Discount rate                                   | 5.40% | 5.50% | 6.00% |
| Inflation assumption                            | 2.80% | 2.25% | 2.50% |

The assets and liabilities of the scheme and the expected rates of return at 31 December are:

|  | 2003   |               | 2002   |               | 2001   |               |
|--|--|---------------|--|---------------|--|---------------|
|  | Long-term<br>rate of return<br>expected<br>% | Value<br>£000 | Long-term<br>rate of return<br>expected<br>% | Value<br>£000 | Long-term<br>rate of return<br>expected<br>% | Value<br>£000 |
| Equities                                 | 7.80   | 59,336        | 7.50   | 45,005        | 7.85   | 53,792        |
| Bonds                                    | 5.10   | 16,734        | 5.00   | 12,947        | 5.35   | 11,345        |
| Cash                                     | 3.75   | 3,907         | 4.00   | 3,699         | 4.50   | 3,529         |
| Total market value of<br>assets          |  | 79,977        |  | 61,651        |  | 68,666        |
| Present value of scheme<br>liabilities   |  | (112,967)     |  | (92,922)      |  | (79,903)      |
| Pension liability before<br>deferred tax |  | (32,990)      |  | (31,271)      |  | (11,237)      |
| Related deferred asset/<br>(liability)   |  | 9,897         |  | 9,381         |  | 3,371         |
| Net pension liability                    |  | (23,093)      |  | (21,890)      |  | (7,866)       |

## Notes to the financial statements

at 31 December 2003

### 13. Pensions (continued)

#### FRS 17 disclosures (continued)

An analysis of the defined benefit cost for the year ended 31 December 2003 is as follows:

|   | 2003<br>£000 |
|---|--------------|
| Current service cost  | 4,571        |
| Past service cost   | —            |
| Total operating charge  | 4,571        |
| Expected return on pension scheme assets  | 4,378        |
| Interest on pension scheme liabilities  | (5,251)      |
| Total other finance income  | (873)        |
| Actual return less expected return on pension scheme assets                                 | 7,820        |
| Experience losses arising on scheme liabilities   | (2,714)      |
| Loss arising from changes in assumptions underlying the present value of scheme liabilities | (6,974)      |
| Actuarial loss recognised in the statement of total recognised gains and losses             | (1,868)      |

Analysis of movements in the deficit during the year:

|                            | 2003<br>£000 |
|----------------------------|--------------|
| At 1 January 2003          | (21,890)     |
| Total operating charge     | (4,571)      |
| Total other finance income | (873)        |
| Actuarial loss             | (1,868)      |
| Deferred tax benefit       | 516          |
| Contributions              | 5,593        |
| At 31 December 2003        | (23,093)     |

## Notes to the financial statements

at 31 December 2003

### 23. Pensions (continued)

#### FRS 17 disclosures (continued)

History of experience gains and losses:

|  | 2003    |
|--|---------|
|  | £000    |
| Difference between expected and actual return on pension scheme assets:                |         |
| – amount   | 7,820   |
| – % of scheme assets   | 10%     |
| Experience losses arising on scheme liabilities:                                       |         |
| – amount   | (2,714) |
| – % of the present value of scheme liabilities   | (2%)    |
| Total actuarial loss recognised in the statement of total recognised gains and losses: |         |
| – amount   | (1,868) |
| – % of the present value of scheme liabilities   | (2%)    |

#### Reconciliations of net assets and reserves under FRS 17

|   | 2003     | 2002     |
|---|----------|----------|
|   | £000     | £000     |
| Net assets:   |          |          |
| Net assets as stated in balance sheet   | 53,024   | 47,180   |
| SSAP 24 balance   | 2,238    | 2,238    |
| Net assets excluding defined benefit liabilities:                                 | 55,262   | 49,418   |
| FRS 17 net pension liability  | (23,093) | (21,890) |
| Net assets including defined benefit liabilities                                  | 32,169   | 27,528   |
|   | <hr/>    | <hr/>    |
| Reserves  |          |          |
| Profit and loss reserve as stated in balance sheet                                | 26,024   | 20,180   |
| SSAP 24 balance   | 2,238    | 2,238    |
| Profit and loss reserve excluding amounts relating to defined benefit liabilities | 28,262   | 22,418   |
| FRS 17 net pension liability  | (23,093) | (21,890) |
| Profit and loss reserve including amounts relating to defined benefit liabilities | 5,169    | 528      |
|   | <hr/>    | <hr/>    |

## Notes to the financial statements

at 31 December 2003

### 23. Pensions (continued)

#### (b) Lawdc's scheme

The group contributes to a defined benefit scheme for employees taken on under local authority contracts. This is a multi-employer scheme with the company being unable to identify its share of the underlying assets and liabilities on a reasonable and consistent basis.

Contributions are determined by independent qualified actuaries on the basis of triennial valuations using the projected unit credit funding method. The most recent valuation was on 31 March 2003.

The valuation estimated the deficit attributable to the group to be £480,000. As a result of the valuation employers contributions were set at 15% of pensionable salaries per annum.

#### (c) Works pension

The group has made arrangements for works staff to participate in the B&CE Retirement Benefits Scheme. This is a defined contribution scheme, contributions payable by the group amounted to £212,875 (2002 – £147,129).

### 24. Contingent liabilities

- (a) The group has contingent liabilities in respect of performance bonds and supplier guarantees given in the normal course of business.
- (b) The group is party to various claims arising in the ordinary course of business. The directors are of the view that these claims will not have a significant impact on the results of the group.
- (c) The company along with other group companies, has provided a guarantee against a €100 million subordinated term loan advanced to its ultimate parent company, Royal BAM Group n.v. The directors are satisfied that Royal BAM Group n.v. is currently able to fulfil all its obligations under this agreement without recourse to any of the guarantors.

### 25. Related party transactions

During the year the group received monies in respect of trading balances and dividends from Joint Ventures totalling £25.1 million (2002 – £9.5 million) and made payments into joint ventures of £nil (2002 – £1.3 million).

### 26. Parent undertakings and controlling party

The company's immediate parent undertaking is BAM Group (UK) Limited (formerly Hollandsche Beton Groep (UK) Limited), a company incorporated in England and Wales. This is the smallest group of undertakings of which the company is a member. Group financial statements are not prepared.

The largest group of undertakings of which the company is a member and for which group financial statements are prepared is Royal BAM Group n.v., a company incorporated in The Netherlands. A copy of the group financial statements is available from the Company Secretary, BAM Group (UK) Limited, St James House, Knoll Road, Camberley, Surrey GU15 3XW.

At the balance sheet date the ultimate parent undertaking and controlling party was Royal BAM Group n.v.