

Edmund Nuttall Limited

Report and Financial Statements

31 December 2005



Edmund Nuttall Limited

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

Edmund Nuttall Limited continued to trade successfully during 2005. Turnover remained stable at £470 million whilst pre tax profit increased to £24 million, which represents an above average industry margin of 5.1%. These results reinforce Nuttall's position as one of the UK's best performing civil engineering contractors.

Improvements in health, safety and environmental performance continue to be strategic priorities. Nuttall's overall incident frequency average trend has fallen from above 1.0 in 2000 to 0.65 in 2005, showing a year on year improvement of over 7%. This is an encouraging general trend, which the company intends will continue. Significant investment in education programmes will continue to highlight the importance of safe working practices and programmes on environmental awareness. Our Don't Walk By safety campaign, which was launched in 2004, continues to propagate significant behavioural change by all employees and the supply chain.

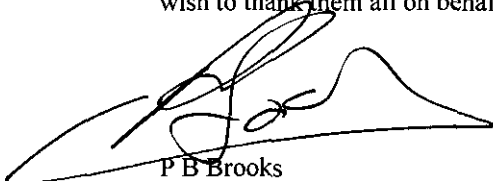
A number of significant projects were awarded during 2005; these included the renewal of our structures partnership contract with Network Rail in the Southern Region for a further five years, the A465 Heads of the Valley Road dualling scheme, between Gilwern and Abergavenney, the award of the Caxton Bypass on an ECI basis, a major remediation package in the Thames Gateway at Rochester Riverside and our first energy from waste award in Colnbrook.

Work is now nearing completion on the Channel Tunnel Rail Link (CTRL) 103 contract at Kings Cross and the Fastway guided bus route at Crawley. Projects on the M6 Thelwall Viaduct and M1 Tinsley Viaduct have been successfully completed. Our ECI schemes at Great Barford and Stoke are well advanced and both on schedule for completion during 2006.

The company has a stated aim to integrate with local communities during the term of a project by interfacing with key stakeholders in support of its corporate social responsibility policies and aims. There are many examples of good practice but one of the most innovative is the provision of a motorway accident emergency response unit by the Nuttall team at Thelwall Viaduct.

The company's forward order book is looking particularly healthy for 2007 with the contracts for Network Rail, South West Water and Cheshire Highways providing a sound base for turnover generation. The entry into the energy from waste sector and the development of our nuclear decommissioning civils business will generate beneficial growth in subsequent years. We continue to work closely with our sister company HBG (UK) Ltd and there are many examples of joint collaboration with projects at Padstow, Liverpool South Parkway, Ferensway in Hull and the energy from waste plant in Colnbrook. Synergies will continue to be exploited wherever enhanced value can be achieved.

The solid performance 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 2005.

Results and dividends

The results of the group are set out on page 8. Total dividends declared and paid during the year amounted to £nil (2004 – £7 million).

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 has a long association of involvement with CIRIA and is actively involved in numerous research and development committees investigating construction processes and the use of materials. Areas of note include accelerated low water corrosion, formwork, environmental impact, concrete and marine applications.

Corporate social responsibility

Corporate social responsibility (CSR) 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 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 "Don't Walk By" campaign which was officially launched during the first quarter of 2004 will continue. It has been designed to prevent accidents before they occur and encourages good housekeeping and improved communication on sites. This is a long term campaign and its effect on company safety performance will be closely monitored. Outstanding safety performance on individual sites continues to be rewarded with a company SafeSite award. This approach encourages innovation across all business units for accident prevention.

Site CSR performance is audited through the independent Considerate Constructors scheme. All new projects are evaluated against exacting criteria and assessed accordingly. Site safety performance is also audited independently through RoSPA with the result that six gold and four silver RoSPA awards were received for outstanding performance.

Training and development of the company's workforce has always been of paramount importance. A significant investment has been made in up-skilling site operatives through a combination of National Vocational Qualifications linked to CSCS accreditation as well as change management programmes for operational managers and foremen.

The company received a number of accolades during the year including recognition as Major Civil Engineering Contractor of the Year by New Civil Engineer magazine and British Construction Industry Awards for the Tinsley Viaduct and Clapham Bridges projects as well as a Contract Journal Award for Broadland in the PPP/PFI category.

Fixed assets

The movements in tangible fixed assets during the year are shown in note 13 to the financial statements.

Directors' report

Employees

The directors attach great importance to the maintenance of good communications with employees. A group newspaper, 'BAM World' 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 (2004 – £nil). The total amount of charitable donations was £46,354 (2004 – £49,598).

Directors and their interests

The directors who served during the year ended 31 December 2005 were as listed on page 1.

None of the directors has any personal or beneficial interest in the shares of the group or 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 2005, the company had an average of 38 days purchases (2004 – 45 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 30th March 2006

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the 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 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 and parent company financial statements (the "financial statements") of Edmund Nuttall Limited for the year ended 31 December 2005 which comprise the Group Profit and Loss Account, the Group Statement of Total Recognised Gains and Losses, the Group and Company Balance Sheets and the related notes 1 to 25. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted bylaw, we do not accept our 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 preparing the Annual Report and 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).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Chief Executive's Statement and the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

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

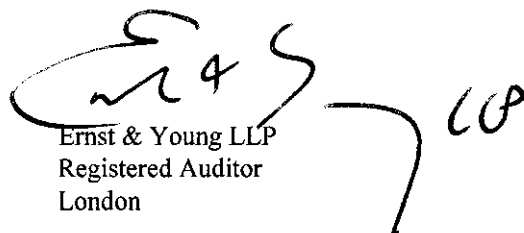
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity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

Independent auditors' report

to the members of Edmund Nuttall 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 group's and the parent company's affairs as at 31 December 2005 and of the group's profit for the year then ended; and the financial statements have been properly prepared in accordance with the Companies Act 1985.

 CP
Ernst & Young LLP
Registered Auditor
London

30th March 2006

Group profit and loss account

for the year ended 31 December 2005

		2005	(restated) 2004
	Notes	£000	£000
Turnover			
Continuing operations:			
Group and share of joint ventures	2	469,852	491,850
Less: Share of joint ventures' turnover		(15,187)	(25,529)
Group turnover		454,665	466,321
Costs and expenses	3	(435,678)	(449,114)
Group operating profit	4	18,987	17,207
Share of operating profit/(loss) in joint ventures		3,015	(133)
		22,002	17,074
Interest receivable	7	3,024	3,405
Net finance charge relating to pension liability	8	(1,206)	(447)
Profit on ordinary activities before taxation		23,820	20,032
Tax on profit on ordinary activities	9	(5,932)	(6,342)
Profit on ordinary activities after taxation		17,888	13,690
Equity minority interests		27	(33)
Profit for the year attributable to members of the parent undertaking		17,915	13,657
Dividend proposed	11	–	(7,000)
Retained profit for the year	19	17,915	6,657

Group statement of total recognised gains and losses

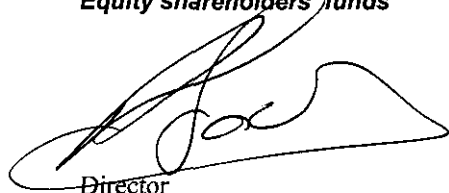
for the year ended 31 December 2005

		(restated)
	2005	2004
	£000	£000
Profit after tax	17,888	13,690
Actuarial (loss) on pension schemes	(4,029)	(9,948)
Current tax credit/(charge) on the actuarial loss	681	(59)
Deferred tax credit on the actuarial loss	528	3,043
	<u>15,068</u>	<u>6,726</u>
Prior year adjustment	(28,908)	
Total losses recognised since last annual report and financial statements	<u>(13,840)</u>	

Group balance sheet

at 31 December 2005

			(restated)
		2005	2004
	Notes	£000	£000
Fixed assets			
Intangible assets	12	1,901	2,107
Tangible assets	13	19,195	17,350
		<u>21,096</u>	<u>19,457</u>
Investments in joint ventures:	14		
Share of gross assets		2,409	5,164
Share of gross liabilities		(3,453)	(10,611)
		<u>(1,044)</u>	<u>(5,447)</u>
		<u>20,052</u>	<u>14,010</u>
Current assets			
Stocks and work in progress	15	1,011	788
Debtors	16	139,261	120,603
Cash at bank and in hand		62,722	63,702
		<u>202,994</u>	<u>185,093</u>
Creditors: amounts falling due within one year	17	(145,015)	(137,370)
		<u>57,979</u>	<u>47,723</u>
Net current assets		<u>78,031</u>	<u>61,733</u>
Total assets less current liabilities		<u>78,031</u>	<u>61,733</u>
Pension liabilities	22	(31,963)	(30,733)
		<u>46,068</u>	<u>31,000</u>
Minority interests			
Equity		1	(26)
		<u>46,069</u>	<u>30,974</u>
Capital and reserves			
Called up share capital	18	27,000	27,000
Profit and loss account	19	19,069	3,974
		<u>46,069</u>	<u>30,974</u>
Equity shareholders' funds		<u>46,069</u>	<u>30,974</u>

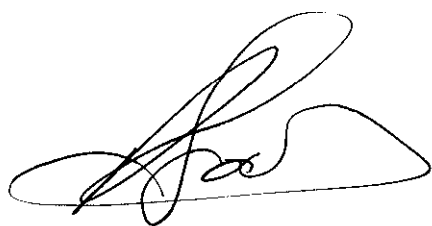

Director

Date 30 MARCH 2006

Company balance sheet

at 31 December 2005

		2005	(restated) 2004
	Notes	£000	£000
Fixed assets			
Tangible assets	13	16,434	14,885
Investments	14	8,364	8,364
		<u>24,798</u>	<u>23,249</u>
Current assets			
Stocks and work in progress	15	1,011	788
Debtors	16	129,024	116,624
Cash at bank and in hand		53,774	54,819
		<u>183,809</u>	<u>172,231</u>
Creditors: amounts falling due within one year	17	(134,317)	(136,200)
		<u>49,492</u>	<u>36,031</u>
Net current assets			
		<u>74,290</u>	<u>59,280</u>
Total assets less current liabilities			
Pension liabilities	22	(31,963)	(30,733)
		<u>42,327</u>	<u>28,547</u>
Capital and reserves			
Called up share capital	18	27,000	27,000
Profit and loss account	19	15,327	1,547
		<u>42,327</u>	<u>28,547</u>
Equity shareholders' funds			
		<u>42,327</u>	<u>28,547</u>



Director

Date 30 MARCH 2006

Notes to the financial statements

at 31 December 2005

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 in the United Kingdom.

Where necessary, comparative information has been re-classified to achieve consistency in disclosure with current financial year amounts and other disclosures.

Changes in accounting policies

The group has adopted the provisions for FRS 17 'Retirement Benefits' in full for these accounts. The adoption of FRS 17 has resulted in a change in accounting policy for pensions and the comparative figures have been restated accordingly:

The effect on the Group's retained earnings as at 31 December 2004 since the last annual report is as follows:

	£000
Retained earnings as previously stated	32,882
Effect of FRS 17: prior year adjustment on profit for the year as previously reported	(201)
Effect of FRS 17: prior year adjustment on opening profit and loss reserves as previously reported	(21,743)
Effect of FRS 17: prior year adjustment on profit and loss reserves as previously reported	(6,964)
Retained earnings as restated	<u>3,974</u>

The effect of the change in accounting policy for the current year result is as follows:

Profit for the year prior to FRS 17 adjustment	16,325
Effect of FRS 17 adjustment on current year profit	1,590
Retained profit for the year ended 31 December 2005	<u><u>17,915</u></u>

Pension costs

The group operates two defined benefit pension schemes, both of which require contributions to be made to separately administered funds. The pension costs are accounted for as per FRS 17.

The group also operates two defined contribution schemes.

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.

Notes to the financial statements

at 31 December 2005

1. Accounting policies (continued)

Acquisition 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 is 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 are carried out if events or circumstances indicate that the carrying value of goodwill will not be recovered in full, and any diminution in value is 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
Freehold premises	–	over 50 years

Research and development

All research and development costs are written off as incurred.

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, less foreseeable losses and applicable payments on account. The resultant balance in respect of each contract is either included in debtors as 'amounts recoverable on contracts' or in creditors as 'payments on account on long term contracts'. 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.

Notes to the financial statements

at 31 December 2005

1. Accounting policies (continued)

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.

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.

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:

	2005	2004
	£000	£000
Geographical area:		
United Kingdom	461,077	488,376
Rest of Europe	475	3,285
Outside Europe	8,300	189
	<u>469,852</u>	<u>491,850</u>

Notes to the financial statements

at 31 December 2005

3. Costs and expenses

	2005	(restated) 2004
	£000	£000
Staff costs (note 6)	107,698	102,290
Raw materials and consumables	65,862	67,603
Other external charges	256,849	274,244
Depreciation – owned assets (note 12)	5,063	4,771
Amortisation of goodwill (note 9)	206	206
	<u>435,678</u>	<u>449,114</u>

4. Operating profit

This is stated after charging/(crediting):

	2005	2004
	£000	£000
(Gain) on disposal of fixed assets	(271)	(665)
Hire of plant and machinery	34,773	28,968
Operating lease rentals	834	617
Auditors' remuneration – audit services	152	106
– non-audit services	1	23
	<u></u>	<u></u>

5. Directors' remuneration

	2005	2004
	£000	£000
Remuneration as executives	755	695
Group contributions to defined benefit scheme	88	78
	<u>843</u>	<u>773</u>
	<u></u>	<u></u>
	2005	2004
	No.	No.
Members of defined benefit scheme	3	3
	<u></u>	<u></u>

Notes to the financial statements

at 31 December 2005

5. Directors' remuneration (continued)

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

	2005	(restated) 2004
	£000	£000
Emoluments	432	394
Aggregate pension entitlement (per annum)	180	157

6. Staff costs

	2005	(restated) 2004
	£000	£000
Wages and salaries	92,959	88,366
Social security costs	8,515	8,228
Other pension costs	6,224	5,696
	107,698	102,290

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

	2005 No.	2004 No.
Weekly paid staff	1,457	1,386
Monthly paid staff	1,356	1,277
	2,813	2,663

7. Interest receivable

	2005 £000	2004 £000
Interest receivable from group undertakings	530	543
Interest receivable – other	2,494	2,862
	3,024	3,405

Notes to the financial statements

at 31 December 2005

8. Other finance charges

	2005 £000	2004 £000
Expected return on pension scheme assets	6,418	5,940
Interest on pension scheme liabilities	(7,624)	(6,387)
	<u>(1,206)</u>	<u>(447)</u>

9. Tax

(a) Tax on profit on ordinary activities

The tax charge is made up as follows

	2005 £000	2004 £000
<i>Current tax:</i>		
UK corporation tax	6,260	5,751
Prior year adjustment	(313)	843
Total current tax (note 9(b))	<u>5,947</u>	<u>6,594</u>
<i>Deferred taxation:</i>		
Current year	356	636
Prior year adjustment	(371)	(888)
Tax on profit on ordinary activities	<u>5,932</u>	<u>6,342</u>

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 30% (2004 – 30%). The differences are reconciled below:

	2005 £000	(restated) 2004 £000
Profit on ordinary activities before tax	<u>23,820</u>	<u>20,032</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2004 – 30%)	7,146	6,010
Expenses not deductible for tax purposes	151	230
Fixed asset timing adjustment	(71)	7
Prior year adjustment	(313)	843
Capital allowances in excess of depreciation	21	(153)
Short-term timing differences	(987)	(343)
Current tax charge for year (note 9(a))	<u>5,947</u>	<u>6,594</u>

Notes to the financial statements

at 31 December 2005

9. Tax (continued)

(c) Deferred tax

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

	2005 £000	2004 £000
Other deductions	(1,130)	(385)
Accelerated capital allowances	(257)	(289)
Included in debtors (note 16)	<u>(1,387)</u>	<u>(674)</u>

10. Profit attributable to members of the parent company

The profit dealt with in the financial statements of the parent company was £16,600,000 (2004 – £12,007,000 (restated)).

11. Dividends

	2005 £000	2004 £000
Equity dividends on ordinary shares:		
Final proposed on 27,000,000 shares of £nil (2004 – £0.259)	–	7,000

12. Intangible fixed assets

	<i>Goodwill</i> £000
Cost:	
At 31 December 2004	2,903
Additions	–
At 31 December 2005	<u>2,903</u>
Amortisation:	
At 31 December 2004	796
Provided during the year	206
At 31 December 2005	<u>1,002</u>
Net book value:	
At 31 December 2005	<u>1,901</u>
At 31 December 2004	<u>2,107</u>

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

Notes to the financial statements

at 31 December 2005

13. Tangible fixed assets

<i>Group</i>	<i>Freehold offices £000</i>	<i>Plant and machinery ££000</i>	<i>Fixtures, fittings, tools and equipment £000</i>	<i>Total £000</i>
Cost:				
At 31 December 2004	5,943	23,596	11,957	41,496
Additions	–	4,064	3,228	7,292
Disposals	–	(1,551)	(2,368)	(3,919)
At 31 December 2005	5,943	26,109	12,817	44,869
Depreciation:				
At 31 December 2004	653	15,799	7,694	24,146
Provided during the year	114	2,922	2,027	5,063
Disposals	–	(1,417)	(2,118)	(3,535)
At 31 December 2005	767	17,304	7,603	25,674
Net book value:				
At 31 December 2005	5,176	8,805	5,214	19,195
At 31 December 2004	5,290	7,797	4,263	17,350
<i>Company</i>				
	<i>Freehold offices £000</i>	<i>Plant and machinery £000</i>	<i>Fixtures, fittings, tools and equipment £000</i>	<i>Total £000</i>
Cost:				
At 31 December 2004	5,575	23,369	7,630	36,574
Additions	–	4,064	1,720	5,784
Disposals	–	(1,551)	(838)	(2,389)
At 31 December 2005	5,575	25,882	8,512	39,969
Depreciation:				
At 31 December 2004	645	15,574	5,471	21,690
Provided during the year	113	2,922	1,037	4,072
Disposals	–	(1,417)	(810)	(2,227)
At 31 December 2005	758	17,079	5,698	23,535
Net book value:				
At 31 December 2005	4,817	8,803	2,814	16,434
At 31 December 2004	4,930	7,796	2,159	14,885

Notes to the financial statements

at 31 December 2005

14. Investments

Group

Investments in joint ventures

	£000
At 31 December 2004	(5,447)
Share of joint venture profit	3,015
Distributions received from joint venture	–
Amounts written off joint venture net liabilities	1,388
At 31 December 2005	(1,044)

Name	% Financial interest	Nature of business
Nuttall/Norwest Holst Joint Venture – sludge digestion	50	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 Construction CTRL 250	33	Civil Engineering
Nuttall/Kier Construction CTRL 103 Kings Cross	50	Civil Engineering
Nuttall/Norwest Holst A6 Clapham	50	Civil Engineering

Company	£000
Shares in subsidiary undertakings at cost:	
At 31 December 2004	8,364
Additions	–
At 31 December 2005	8,364

The company's subsidiary undertakings at 31 December 2005 are:

Name of undertaking	Country of registration	Holding of ordinary shares %	Nature of business
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 electrical contractor

Notes to the financial statements

at 31 December 2005

15. Stocks and work in progress

	<i>Group</i>		<i>Company</i>	
	2005	2004	2005	2004
	£000	£000	£000	£000
Raw materials and consumables	1,011	788	1,011	788

16. Debtors

	<i>(restated)</i> <i>Group</i>		<i>(restated)</i> <i>Company</i>	
	2005	2004	2005	2004
	£000	£000	£000	£000
Amounts recoverable on contracts	60,918	54,347	47,719	46,693
Joint ventures	3,298	4,210	5,317	6,222
Trade debtors	56,521	43,674	47,979	36,400
Amounts owed by subsidiary undertakings	–	–	9,910	10,003
Amounts owed by parent and fellow group undertakings	14,700	15,617	14,222	15,617
Other debtors	2,437	2,081	2,413	1,008
Deferred tax (note 9(c))	1,387	674	1,464	681
	139,261	120,603	129,024	116,624

Included within trade debtors for the Company and Group is an amount of £1,706,000 which is due after more than one year (2004 – £1,465,000).

17. Creditors: amounts falling due within one year

	<i>Group</i>		<i>Company</i>	
	2005	2004	2005	2004
	£000	£000	£000	£000
Payments on account on long term contracts	24,227	35,257	23,522	34,805
Contract provisions	3,311	4,665	3,311	4,665
Joint ventures	3,837	684	7,290	11,295
Amounts owed to subsidiary undertakings	–	–	97	228
Amounts owed to parent and fellow group undertakings	9,505	6,138	9,505	6,138
Trade creditors	83,792	64,013	72,159	54,317
Corporation tax	3,661	6,992	3,086	6,741
Other taxes and social security costs	8,537	5,921	7,944	4,981
Other creditors	8,145	6,700	7,403	6,030
Proposed dividend	–	7,000	–	7,000
	145,015	137,370	134,317	136,200

Notes to the financial statements

at 31 December 2005

18. Share capital

There was no change to share capital during the year.

	<i>Authorised 2005 & 2004 £000</i>	<i>Allotted called up & fully paid 2005 & 2004 £000</i>
150,000 3.85% redeemable cumulative preference shares of £1 each	150	–
27,000,000 ordinary shares of £1 each (2004 – 27,000,000 ordinary shares of £1 each)	27,000	27,000
	<u>27,150</u>	<u>27,000</u>

19. Reconciliation of shareholders' funds and movement on reserves

Group

	<i>Share capital £000</i>	<i>Profit and loss account £000</i>	<i>Total £000</i>
At 1 January 2004	27,000	26,024	53,024
Prior year adjustment (note 22)	–	(21,743)	(21,743)
At 1 January 2004 (restated)	27,000	4,281	31,281
Profit for the year (restated)	–	13,657	13,657
Dividend	–	(7,000)	(7,000)
Actuarial (loss) on pension scheme (restated)	–	(6,964)	(6,964)
At 31 December 2004 (restated)	27,000	3,974	30,974
Profit for the year	–	17,915	17,915
Dividend	–	–	–
Actuarial (loss) on pension scheme	–	(2,820)	(2,820)
At 31 December 2005	<u>27,000</u>	<u>19,069</u>	<u>46,069</u>

Notes to the financial statements

at 31 December 2005

19. Reconciliation of shareholders' funds and movement on reserves (continued)

Company

	<i>Share capital £000</i>	<i>Profit and loss account £000</i>	<i>Total £000</i>
At 1 January 2004	27,000	25,247	52,247
Prior year adjustment (note 22)	—	(21,743)	(21,743)
At 1 January 2004 (restated)	27,000	3,504	30,504
Profit for the year (restated)	—	12,007	12,007
Dividend	—	(7,000)	(7,000)
Actuarial (loss) on pension scheme (restated)	—	(6,964)	(6,964)
At 31 December 2004 (restated)	27,000	1,547	28,547
Profit for the year	—	16,600	16,600
Dividend	—	—	—
Actuarial (loss) on pension scheme	—	(2,820)	(2,820)
At 31 December 2005	27,000	15,327	42,327

20. Capital commitments

	<i>Group</i>		<i>Company</i>	
	<i>2005</i>	<i>2004</i>	<i>2005</i>	<i>2004</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Contracted but not provided for	949	1,847	949	1,847

21. Other financial commitments

At 31 December 2005, the group had annual commitments under non-cancellable operating leases as set out below:

	<i>Land and buildings 2005 £000</i>	<i>Land and buildings 2004 £000</i>	<i>Plant and machinery 2005 £000</i>	<i>Plant and machinery 2004 £000</i>
Operating leases which expire:				
within one year	184	36	—	101
within two to five years	369	496	168	103
in over five years	48	—	—	—
	601	532	168	204

Notes to the financial statements

at 31 December 2005

22. Pensions

(a) Staff pension scheme

The Edmund Nuttall Limited contributory defined benefit pension scheme for staff employees is a pooled managed fund.

FRS 17 disclosures

The valuation used for FRS 17 disclosures has been based on the most recent actuarial valuation at 1 April 2004 and updated to take account of the requirements of FRS 17 in order to assess the liabilities of the scheme at 31 December 2005 and 31 December 2004. Scheme assets are stated at their market values at the respective balance sheet dates.

	2005	2004	2003
Main assumptions:			
Rate of salary increases	4.00%	4.00%	4.00%
Rate of increase in pensions in payment (LPI)	2.50%	2.50%	2.50%
Rate of increase in pensions in payment (fixed)	5.00%	5.00%	5.00%
Discount rate	4.80%	5.30%	5.40%
Inflation assumption	2.80%	2.80%	2.80%

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

	Long-term rate of return expected %	2005 Value £000	Long-term rate of return expected %	2004 Value £000	Long-term rate of return expected %	2003 Value £000
Equities	6.70	87,031	7.20	64,798	7.80	59,336
Bonds	4.40	26,030	4.70	23,554	5.10	16,734
Cash	4.10	9,409	3.40	6,464	3.75	3,907
Total market value of assets		122,470		94,816		79,977
Present value of scheme liabilities		(167,164)		(137,945)		(112,967)
Pension liability before deferred tax		(44,694)		(43,129)		(32,990)
Related deferred tax asset		13,409		12,939		9,897
Net pension liability		(31,285)		(30,190)		(23,093)

Notes to the financial statements

at 31 December 2005

22. Pensions (continued)

FRS 17 disclosures (continued)

An analysis of the defined benefit cost for the year ended 31 December 2005 is as follows:

	2005 £000	2004 £000
Current service cost	5,842	5,630
Past service cost	—	—
Total operating charge	5,842	5,630
Expected return on pension scheme assets	6,289	5,839
Interest on pension scheme liabilities	(7,473)	(6,257)
Total other finance costs	(1,184)	(418)
Actual return less expected return on pension scheme assets	11,932	3,013
Experience gains/(losses) arising on scheme liabilities	1,471	(10,023)
Loss arising from changes in assumptions underlying the present value of scheme liabilities	(17,090)	(2,899)
Actuarial loss recognised in the statement of total recognised gains and losses	(3,687)	(9,909)

Analysis of movements in the deficit during the year:

	2005 £000	2004 £000
At 1 January	(30,190)	(23,093)
Total operating costs	(5,842)	(5,630)
Total other finance costs	(1,184)	(418)
Actuarial loss	(3,687)	(9,909)
Movement in related deferred tax asset	470	3,042
Contributions	9,148	5,818
At 31 December	(31,285)	(30,190)

Notes to the financial statements

at 31 December 2005

22. Pensions (continued)

FRS 17 disclosures (continued)

History of experience gains and losses:

	2005 £000	2004 £000
Difference between expected and actual return on pension scheme assets:		
– amount	11,932	3,013
– % of scheme assets	10%	3%
Experience losses arising on scheme liabilities:		
– amount	1,471	(10,023)
– % of the present value of scheme liabilities	1%	(7%)
Total actuarial loss recognised in the statement of total recognised gains and losses:		
– amount	(3,687)	(9,909)
– % of the present value of scheme liabilities	(2%)	(7%)

(b) Lawdc's scheme

The group contributes to a multi-employer contributory defined benefit scheme for employees taken on under local authority contracts.

Contributions to scheme 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.

FRS 17 disclosures

The valuation used for FRS 17 disclosures has been based on the most recent actuarial valuation and updated to take account of the requirements of FRS 17 in order to assess the liabilities of the scheme at 31 December 2005. Scheme assets are stated at their market value at respective balance sheet dates.

Main assumptions	2005	2004	2003
Rate of salary increases	4.00%	3.80%	3.80%
Rate of increase in pensions in payment	3.00%	2.80%	2.80%
Discount rate	4.80%	5.30%	5.40%
Inflation assumption	2.80%	2.80%	2.80%

Notes to the financial statements

at 31 December 2005

22. Pensions (continued)

FRS 17 disclosures (continued)

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

		2005		2004		2003
	<i>Long-term rate of return expected %</i>	<i>Value £000</i>	<i>Long-term rate of return expected %</i>	<i>Value £000</i>	<i>Long-term rate of return expected %</i>	<i>Value £000</i>
Equities	6.5%	2,038	7.10%	1,311	7.30%	1,140
Corporate Bonds	4.8%	284	5.30%	188	5.40%	196
Government Bonds	4.0%	449	4.60%	299	4.80%	212
Cash	4.5%	68	4.75%	46	3.50%	81
Total market value of assets		2,839		1,844		1,629
Present value of scheme liabilities		(3,808)		(2,620)		(2,402)
Pension liability before deferred tax		(969)		(776)		(773)
Related deferred tax asset		291		233		232
Net pension liability		(678)		(543)		(541)

An analysis of the defined benefit cost for the year ended 31 December 2005 is as follows:

	2005 £000	2004 £000
Current service cost	382	66
Past service cost	—	—
Total operating charge	382	66
Expected return on pension scheme assets	129	101
Interest on pension scheme liabilities	(151)	(130)
Total other finance costs	(22)	(29)
Actual return less expected return on pension scheme assets	277	42
Experience losses arising on scheme liabilities	(142)	(31)
Loss arising from changes in assumptions underlying the present value of scheme liabilities	(477)	(50)
Actuarial loss recognised in the statement of total recognised gains and losses	(342)	(39)

Notes to the financial statements

at 31 December 2005

22. Pensions (continued)

Analysis of movements in the deficit during the year:

	2005 £000	2004 £000
At 1 January	(543)	(541)
Total operating charge	(382)	(66)
Total other outgoings expenses	–	(28)
Actuarial loss	(342)	(39)
Total other finance costs	(22)	(29)
Movement in related deferred tax asset	58	1
Contributions	553	159
At 31 December	(678)	(543)

History of experience gains and losses:

	2005 £000	2004 £000
Difference between expected and actual return on pension scheme assets:		
– amount	277	42
– % of scheme assets	9.75%	2.28%
Experience losses arising on scheme liabilities:		
– amount	(142)	(31)
– % of the present value of scheme liabilities	(3.74%)	(1.18%)
Total actuarial loss recognised in the statement of total recognised gains and losses:		
– amount	(342)	(39)
– % of the present value of scheme liabilities	(8.98%)	(1.49%)

(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 £204,800 (2004 – £194,712)

23. Contingent liabilities

- The group has contingent liabilities in respect of performance bonds and supplier guarantees given in the normal course of business.
- 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.
- The company along with other group companies has provided a guarantee for a €150 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.

Notes to the financial statements

at 31 December 2005

24. Related party transactions

During the year the group received monies in respect of trading balances and dividends from Joint Ventures totalling £13.5 million (2004 – £13.1 million) and made payments into joint ventures of £11.7 million (2004 – £0.4 million).

25. Parent undertakings and controlling party

The company's immediate parent undertaking is BAM Group (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.