Edmund Nuttall Limited

Report and Financial Statements

31 December 2007

Registered No 305189

Directors

M J Rogers (Chief Executive)
D K Belsham
R Treadgold
S C Fox

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 has enjoyed another year of consistent performance that reinforces our position as a leading civil engineering company in the UK construction market.

Strong market growth in specific markets resulted in a record turnover of £594.5 million. Pre tax profit of £19.2 million represented a margin of 3.2%, which once again illustrates that Nuttall is a leading performer in the construction sector

The forward order book as at 31 December 2007 stood at £640m, with a further £200m of orders pending, which have been confirmed in the first two months of 2008.

Nuttall continues to achieve a high level of industry recognition achieving numerous awards for technical and academic success, demonstrating the excellent leadership, people skills and commitment throughout the business Awards received include recognition from two clients for outstanding safety performance, the Contractor Safety Award from AWE and World Class Safety, the Best Project from the Highways Agency as well as a British Construction Industry Award for the Padstow Lifeboat Station and two Quality in Construction Awards for Cheshire Highways and the Clyde Arc projects.

In 2007, Nuttall firmly placed sustainability on its agenda, reinforced by the appointment of a director with specific business process and sustainability responsibilities. Our health, safety, environment and responsible business policies were strengthened to ensure that all employees give equal consideration to economic, environmental, and social engagement matters.

The health and safety of our workforce remains our number one priority and during 2007 we launched our long-term vision 'Beyond Zero'. Our belief is that through total engagement of our workforce and our supply chain, new standards and behaviours will be set which are key in our quest to make any health, safety or environment accident a rare and significant event in the company During 2008 Nuttall will further demonstrate its commitment to the health and safety of our workforce by launching a health surveillance scheme that will provide health checks and advice for the workforce.

Our environment and community performance is monitored by an extended team of internal auditors and by compliance with the Considerate Constructors Scheme, of which we will become Associate Members in 2008 Our involvement in major and remediation projects, such as for the 2012 Olympic Games and the Ebbw Vale steelworks keeps us at the leading edge of technology and environmental performance targets Continuing to work with organisations such as WRAP and BitC will ensure our project teams remain focussed on the specific requirements of a project and its impact on the environment and the community

Our geotechnical division, Ritchies, had an excellent trading year securing their position as one of the country's most experienced contractors in the site investigation, geotechnics, drilling and blasting markets In November 2007 they were awarded a £10m project by Aggregate Industries for extensive work at the largest UK quarry, Glensanda.

The company's position in the rail market was further strengthened by the re-organisation of activities and launch of the Nuttall Rail brand, operating from locations in Scotland, North and South England.

In the energy from waste market, Nuttall strengthened its position with project awards for SITA at Billingham and West Sleekburn.

Marine engineering continues to provide an opportunity for Nuttall to demonstrate both its design and construction skills with contracts awarded at Great Yarmouth and the Humber Sea Terminal.

Frameworks continue to provide important long-term customer relationship programmes, with works continuing for South West Water, Network Rail, Cheshire County Council, the Highways Agency, Defence Estates and National Grid.

Chief Executive's statement

With coastal and river defence works becoming increasingly important in the UK to cope with environmental and climate change expectations, Nuttall is providing extensive flood alleviation and prevention works on the Norfolk Broads and at Ross-on-Wye

Working with other Royal BAM Group n v subsidiary undertakings from across Europe demonstrates the added value we can bring to customers Financial, technical and human resources expertise can be combined to meet the specific needs of a project Good examples of this were seen in 2007 in the marine and power industries The Britned AC/DC Interconnector is a joint venture arrangement between Nuttall and BAM Civiel In addition the £50m construction of a new port in Great Yarmouth benefits from a joint venture arrangement between Nuttall and Van Oord

People remain at the heart of our consistent performance In return the company offers excellent training and career development support At the date of this report there are 180 postgraduates on career development programmes In 2007 we issued 529 NVQ certificates, enhancing the skills of our 1,500 operative workforce At the end of 2007, our 'Investors in People' status was renewed, with the lead auditor recognising the importance of the 'Nuttall family engagement' in achieving the group's performance

Once again, on behalf of the Board I would like to thank all Nuttall employees and supply chain partners for their contribution towards achieving our 2007 results and meeting our customer's expectations

Martin Rogers

Chief Executive

Directors' report

The dırectors present theır report and group financıal statements for the year ended 31 December 2007

Results and dividends

The results of the group are set out on page 11 The directors' recommended and paıd a dıvıdend of 25 9p per ordınary share amountıng to £7,000,000 (2006 – £8,000,000)

Principal activities and business review

The prıncıpal actıvıty of the group ıs that of cıvıl engıneerıng, carrıed out through operatıng dıvısıons, together wıth contracting and other related actıvıtıes. A revıew of the actıvıtıes of the group ıs gıven ın the Chıef Executıve's Statement precedıng thıs report

A summary of the group's key financıal performance ındıcators ıs as follows,

	2007	2006	2005
	£m	£m	£m
Group Turnover	594 5	571 8	469 9
Profit before taxatıon	19 2	19 6	23 8
Operatıng profit after tax	13 0	12 6	17 9
Shareholders funds at year end	55 2	48 4	46 1
Cash posıtıon at year end	105 3	60 8	62 7
Profit before taxatıon as a percentage of turnover	3 2%	3 4 %	5 1 %
Return on average equıty	25 3%	26 7 %	46 5 %

Turnover ın 2007 at £594 5m ıs the hıghest level recorded by the Group and has been achıeved across the wıde range of cıvıl engıneerıng sectors in whıch the Group operates

Profit before tax ın the year, equatıng to 3 2% of turnover, ıs broadly consıstent wıth that achıeved ın the prevıous year The 2005 result ıncluded a sıgnıficant contrıbutıon from the commercıal settlement of a major overseas project

Directors' report

Principal business risks

The principal risks inherent in our business are of a financial and legislative nature The Group operates with the limits presented by its ultimate parent company, The Royal BAM Group n v

The Group's exposure to and management of financial risk in relation to price risk, credit risk, liquidity and cash flow risk is detailed below

- Price risk

This risk relates to our ability to properly evaluate the cost of projects at tender stage, the control and recording of these costs during construction and our ability to recover these costs under the prescribed payment terms of our contracts Other financial risks relate to the financial standing of our customers and supply chain in terms of their ability to discharge their contracted obligations to us Management of these financial risks is an integral part of the Group's formalised control processes and business procedures, including the preparation of monthly project cost reports and a detailed quarterly review of all current projects by The Group's Board of Directors

- Credit risk

The Group's policy is to trade only with recognised, creditworthy third parties It is the policy of the Group that all clients who wish to trade on credit terms are subject to credit verification procedures In addition, receivable balances are monitored on an ongoing basis, both at operating unit and company level, with the objective of minimising the Group's exposure to bad debts

- Liquidity and cash flow risk

These risks are actively managed through the preparation and monitoring of a detailed twelve month rolling cash flow forecast and over a longer timescale by the preparation of a Medium Term Plan

Legislative risk relates primarily to health, safety and environmental issues Each of these issues receives significant focus at all levels within the Group and mandatory policies and procedures have been implemented in order to mitigate and control these risks

No significant uncovered risks were identified up to the date of these financial statements being issued

Research and development

The Group 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 technology and coastal 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 Group 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 appointment of a director with specific responsibility for business process and sustainability underlies the board's commitment

In 2007 we launched our long term vision "Beyond Zero" This initiative will seek to bring about new standards and behaviours throughout our workforce and supply chain, which will result in no reportable accidents and a situation where near misses become a rare and significant occurrence To further demonstrate our commitment, a health surveillance scheme was launched early in 2008 to provide health checks and advice for the workforce

Directors' report

Our "Don't Walk By" campaıgn launched ın 2004 contınues to assıst in preventıng accidents before they occur and encourages good housekeepıng and ımproved communıcatıon on sıtes Outstandıng safety performance contınues to be rewarded wıth a company Safe Sıte award and a new Green Sıte award has now been ıntroduced to reward outstandıng envıronmental performance

Sıte CSR performance is audıted through the independent Consıderate Constructors scheme All projects are evaluated agaınst exactıng crıterıa and assessed accordıngly Site safety performance ıs also audıted ındependently through RoSPA We receıved eıght Consıderate Constructors Awards and twelve RoSPA gold awards durıng 2007

The traınıng and development of our workforce contınues to be a strategıc prıorıty A sıgnıficant ınvestment has been made ın up-skıllıng sıte operatıves through a combınatıon of National Vocatıonal Qualıficatıons (NVQ) lınked to CSCS accredıtatıon as well as change management programmes for operatıonal managers and foremen So far ın excess of 3,000 NVQ awards have been made ıncludıng 529 ın the current year At the date of thıs report there are 180 postgraduates on career development programmes

The Group receıved a number of accolades durıng the year ıncludıng a Brıtısh Constructıon Industry award ın the Cıvıl Engıneerıng category for the Padstow Lıfeboat Statıon and a two Qualıty ın Constructıon Awards ın the ICT category for Cheshıre Hıghways and Medıum Sızed project category for the Clyde Arc project

Fixed assets

The movements ın tangıble fixed assets durıng the year are shown in note 13 to the financıal statements

Employees

The dırectors attach a great deal of importance to the concept of good communıcatıons wıth all employees A group newspaper "BAM World" and a company newspaper "Insıde Nuttall" are dıstrıbuted to all employees on a regular basıs They are desıgned to be ınformatıve on current ıssues and developments on a group-wıde and company-wıde basıs In addıtıon a new company intranet was launched, whıch wıll act as a catalyst for ınformatıon exchange and wıll become a focal poınt for data dıstrıbution An annual brıefing and company road shows are held, where company and group performance ıs analysed and future objectıves dıssemınated

A great deal of emphasıs ıs placed on the ınductıon of new employees They are provıded wıth personal development plans and ever effort ıs made to allow ındıvıduals to fulfil theır potentıal

It ıs Group polıcy to encourage the employment, traınıng and development of people from all sectors of the communıty, ıncludıng dısabled people, wherever appropriate and to evaluate all employees solely on the basıs of merıt The Group operates an equal opportunıtıes polıcy

Political and charitable contributions

No polıtıcal contrıbutıons were made durıng the year (2006 – £nıl) The total amount of charıtable donatıons was £22,985 (2006 – £29,103)

Directors' report

Directors and their interests

The directors who served during the year ended 31 December 2007 and up to the date of this report are as follows

M J Rogers (appointed 1 April 2007)
P B Brooks (resigned 8 May 2007)
D K Belsham
R Treadgold
S C Fox (appointed 1 April 2007)

On 15 January 2007 the Group announced the proposed appointment of P B Brooks to the Executive Board of Royal BAM Group n v , the Group's ultimate parent undertaking, after their AGM on the 8 May 2007.

On 14 February 2007 the company announced that two new directors will be appointed with effect from 1 April 2007, being M J Rogers (Chief Executive) and S C Fox

None of the directors have 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 Group and its suppliers, provided that all trading terms and conditions have been complied with

At 31 December 2007, the Group had an average of 38 days purchases (2006 – 38 days) outstanding in trade creditors

Directors' qualifying third party indemnity provisions

The ultimate parent company has granted an indemnity to one or more of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006 Such qualifying third party indemnity provision remains in force as at the date of approving the directors' report

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware Having made enquiries of fellow directors and the group's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information

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

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable Law)

The financial statements are required by law to give a true and fair view of the state of affairs of the Group and of the company 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 UK 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 that disclose with reasonable accuracy at any time the financial position of the group and the company and to enable them to ensure that the financial statements comply with the Companies Act 1985 They are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions

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 2007 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 by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland)

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985 We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed

We read 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 extent 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 2007 and of the group's profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements

Ernst & Young LLP
Registered Auditor
London

5th April 2008

Group profit and loss account

for the year ended 31 December 2007

	Notes	2007 £000	2006 £000
Turnover			
Continuing operations			
Group and share of joint ventures	2	594,489	571,844
Less Share of joint ventures' turnover		(21)	(2,682)
Group turnover		594,468	569,162
Costs and expenses	3	(579,201)	(554,000)
Group operating profit	4	15,267	15,162
Share of operating profit in joint ventures		229	1,966
		15,496	17,128
Interest receivable	7	4,594	3,441
Net finance charge relating to pension liability	8	(869)	(996)
Profit on ordinary activities before taxation		19,221	19,573
Tax on profit on ordinary activities	9	(6,245)	(6,934)
Profit on ordinary activities after taxation		12,976	12,639
Equity minority interests		16	(11)
Profit for the year attributable to members of the parent undertaking		12,992	12,628
Dividend	11	(7,000)	(8,000)
Retained profit for the year	19	5,992	4,628

Group statement of total recognised gains and losses

for the year ended 31 December 2007

	2007	*2006*
	£000	*£000*
Profit for the financial year excluding share of profits of joint ventures	12,816	11,369
Share of joint venture's profit for the year	160	1,270
Profit after tax	12,976	12,639
Actuarial profit / (loss) on pension schemes	2,476	(3,332)
Current tax credit / (charge) on the actuarial profit	91	(49)
Deferred tax (charge) / credit on the actuarial profit / (loss)	(778)	1,049
Deferred tax movement on pension liability as a result of change in UK tax rate	(982)	-
Total gains recognised since last annual report and financial statements	13,783	10,307

Group balance sheet

at 31 December 2007

	Notes	2007 £000	2006 £000
Fixed assets			
Intangible assets	12	1,489	1,695
Tangible assets	13	20,788	19,857
		22,277	21,552
Investments in joint ventures			
Share of gross assets		-	3,251
Share of gross liabilities		-	(2,482)
	14	-	769
		-	22,321
Current assets			
Stocks and work in progress	15	1,102	1,109
Debtors	16	179,926	143,031
Cash at bank and in hand		105,342	60,826
		286,370	204,966
Creditors: amounts falling due within one year	17	(219,756)	(143,937)
Net current assets		66,614	61,029
Total assets less current liabilities		88,891	83,350
Obligations under finance leases and hire purchase contracts	21	(372)	(565)
Pension liability	22	(33,426)	(34,409)
		55,093	48,376
Minority interests			
Equity		71	(11)
		55,164	48,365
Capital and reserves			
Called up share capital	18	27,000	27,000
Profit and loss account	19	28,164	21,365
Equity shareholders' funds		55,164	48,365

M N Rogers

Director

These financial statements were authorised for issue in accordance with a resolution of the board of directors on 4 April 2008

Company balance sheet

at 31 December 2007

	Notes	2007 £000	2006 £000
Fixed assets			
Tangible assets	13	17,917	16,951
Investments	14	8,128	8,364
		26,045	25,315
Current assets			
Stocks and work in progress	15	1,102	1,109
Debtors	16	173,174	132,212
Cash at bank and in hand		91,987	50,945
		266,263	184,266
Creditors: amounts falling due within one year	17	(210,367)	(132,393)
Net current assets		55,896	51,873
Total assets less current liabilities		81,941	77,188
Obligations under finance leases and hire purchase contracts	21	(372)	(565)
Pension liability	22	(33,426)	(34,409)
		48,143	42,214
Capital and reserves			
Called up share capital	18	27,000	27,000
Profit and loss account	19	21,143	15,214
Equity shareholders' funds		48,143	42,214

M J Rogers

Director

These financial statements were authorised for issue in accordance with a resolution of the board of directors on 4 April 2008

Notes to the financial statements

at 31 December 2007

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

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 (note 10)

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 at the end of the first full financial year following acquisition and in other periods 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 3 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

Notes to the financial statements

at 31 December 2007

1. Accounting policies (continued)

Pension costs

The group operates two defined benefit pension schemes, both of which require contributions to be made to separately administered funds The principal scheme was closed to new members in December 2005

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit actuarial method, which attributes entitlement to benefits to the current period (to determine current service cost) Past service costs are recognised in profit or loss on a straight-line basis over the vesting period or immediately if the benefits have vested

The interest element of the defined benefit cost represents the change in present value of scheme obligations relating from the passage of time, and is determined by applying the discount rate to the opening present value of benefit obligation taking into account material changes in the obligation during the year The expected return on plan assets is based on an assessment made at the beginning of the year of long-term market returns on scheme assets, adjusted for the effect on the fair value of plan assets of contributions received and benefits paid during the year The difference between the expected return on plan assets and the interest costs is recognised in the income statement as other finance income or expense

Actuarial gains and losses are recognised in full in the statement of recognised gains and losses in the period in which they occur

The defined benefit pension asset and liability in the balance sheet comprises the total for each plan of the present value of the defined benefit obligation, less any past service cost not yet recognised and less the fair value of the plan assets out of which the obligations are to be settled directly

The group also operates three defined contribution schemes, contributions into which are recognised in the profit and loss account in the period in which they become payable

Leasing commitments

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet The interest elements of the rental obligations are charged in the profit and loss account over the periods of the lease or hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding

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 FRS 1 'Cash flow statements' (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 2007

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 However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold

- 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 and laws enacted or substantively 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

	2007	*2006*
	£000	*£000*
Geographical area		
United Kingdom	591,649	569,024
Rest of Europe	518	681
Outside Europe	2,322	2,139
	594,489	571,844

Notes to the financial statements
at 31 December 2007

3. Costs and expenses

	2007 £000	2006 £000
Staff costs (note 6)	129,391	122,779
Raw materials and consumables	93,729	87,325
Other external charges	349,920	338,085
Depreciation – owned assets (note 13)	5,955	5,605
Amortisation of goodwill (note 12)	206	206
	579,201	554,000

4. Operating Profit

This is stated after charging/(crediting)

	2007 £000	2006 £000
Profit on disposal of fixed assets	(795)	(383)
Hire of plant and machinery	41,762	42,009
Operating lease rentals	919	932
Finance lease charges	33	95
Auditors' remuneration – audit of the financial statements *	193	175
– non-audit services	-	1

* Audit fees for the company amounted to £169,000 (2006 – £153,400)

5. Directors' remuneration

	2007 £000	2006 £000
Remuneration as executives	929	851
Group contributions to defined benefit scheme	84	56
Total emoluments	1,013	907

	2007 No	2006 No
Members of defined benefit scheme	3	2

Notes to the financial statements

at 31 December 2007

5. Directors' remuneration (continued)

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

	2007	*2006*
	£000	*£000*
Emoluments	309	511
Aggregate pension entitlement (per annum)	189	182

6. Staff costs

	2007	*2006*
	£000	*£000*
Wages and salaries	110,798	104,915
Social security costs	10,352	9,661
Other pension costs	8,241	8,203
	129,391	122,779

Included in other pension costs are £7,630,000 (2006 £7,820,000) in respect of defined benefit schemes and £611,000 (2006 £383,000) in respect of the defined contribution schemes

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

	2007	*2006*
	No	*No*
Weekly paid staff	1,647	1,666
Monthly paid staff	1,463	1,446
	3,110	3,112

7. Interest receivable

	2007	*2006*
	£000	*£000*
Interest receivable from parent undertaking	870	707
Bank interest receivable	3,724	2,734
	4,594	3,441

Notes to the financial statements

at 31 December 2007

8. Other finance charges

	2007 £000	2006 £000
Expected return on pension scheme assets (note 22)	9,340	7,600
Interest on pension scheme liabilities (note 22)	(10,209)	(8,596)
	(869)	(996)

9. Tax

(a) Tax on profit on ordinary activities

The tax charge is made up as follows

	2007 £000	2006 £000
Current tax		
UK corporation tax	5,929	6,143
Prior year adjustment	348	22
Total current tax (note 9(b))	6,277	6,165
Deferred taxation		
Current year	196	(12)
Prior year adjustment	(228)	781
Tax on profit on ordinary activities	6,245	6,934

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is higher than (2006 – higher than) the standard rate of corporation tax in the UK of 30% (2006 – 30%) The differences are reconciled below

	2007 £000	2006 £000
Profit on ordinary activities before tax	19,221	19,573
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2006 – 30%)	5,766	5,872
Expenses not deductible for tax purposes	214	224
Fixed asset timing adjustment	7	44
Prior year adjustment	348	22
Depreciation in excess of capital allowances	(25)	10
Short-term timing differences	(33)	(7)
Current tax charge for year (note 9(a))	6,277	6,165

Notes to the financial statements

at 31 December 2007

9. Tax (continued)

(c) Factors that may affect future tax charge

In the 2007 Finance Bill, the government announced its intention to reduce the UK corporation tax rate from 30% to 28% with effect from 1 April 2008 As at 31 December 2007, any deferred tax balance has been calculated at a rate of 28% Changes to the UK capital allowances regime will also impact the capital allowances the Group and company can claim The full impact of these changes is still being assessed

(d) Deferred tax

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

	2007	*2006*
	£000	*£000*
Short-term timing differences on accruals and provisions'	(440)	(356)
Decelerated capital allowances	(207)	(261)
Included in debtors (note 16)	(647)	(617)

10. Profit attributable to members of the parent company

The profit dealt with in the financial statements of the parent company was £12,122,000 (2006 – £10,219,000)

11. Dividends

	2007	*2006*
	£000	*£000*
Declared and paid during the year		
Interim for 2006 18 5p	-	5,000
Final for 2006 11 1p	-	3,000
Final for 2007 25 9p	7,000	-
	7,000	8,000

The final dividend for 2007 was approved by the shareholders at the AGM on 3 December 2007

Notes to the financial statements

at 31 December 2007

12. Intangible fixed assets

	Goodwill
	£000
Cost	
At 31 December 2006 and 31 December 2007	2,903
Amortisation.	
At 31 December 2006	1,208
Provided during the year	206
At 31 December 2007	1,414
Net book value	
At 31 December 2007	1,489
At 31 December 2006	1,695

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

Notes to the financial statements

at 31 December 2007

13. Tangible fixed assets

Group

	Freehold offices £000	*Plant and machinery ££000*	*Fixtures, fittings, tools and equipment £000*	*Total £000*
Cost				
At 31 December 2006	5,943	27,959	13,051	46,953
Additions	-	4,697	2,593	7,290
Transfers		(283)	283	-
Disposals	-	(2,804)	(1,208)	(4,012)
At 31 December 2007	5,943	29,569	14,719	50,231
Depreciation				
At 31 December 2006	882	18,196	8,018	27,096
Provided during the year	132	3,462	2,361	5,955
Disposals	-	(2,611)	(997)	(3,608)
At 31 December 2007	1,014	19,047	9,382	29,443
Net book value				
At 31 December 2007	4,929	10,522	5,337	20,788
At 31 December 2006	5,061	9,763	5,033	19,857

Company

	Freehold offices £000	*Plant and machinery £000*	*Fixtures, fittings, tools and equipment £000*	*Total £000*
Cost				
At 31 December 2006	5,575	27,732	8,676	41,983
Additions	-	4,697	1,311	6,008
Disposals	-	(2,804)	(185)	(2,989)
At 31 December 2007	5,575	29,625	9,802	45,002
Depreciation				
At 31 December 2006	872	17,971	6,189	25,032
Provided during the year	131	3,462	1,241	4,834
Disposals	-	(2,611)	(170)	(2,781)
At 31 December 2007	1,003	18,822	7,260	27,085
Net book value				
At 31 December 2007	4,572	10,803	2,542	17,917
At 31 December 2006	4,703	9,761	2,487	16,951

Notes to the financial statements

at 31 December 2007

14. Investments

Group

Investments in joint ventures

	£000
At 31December 2006	769
Share of joint venture profits	229
Distributions received from joint venture	(998)
At 31 December 2007	0

During the year all remaining Joint Venture contracts reached completion with final results included within the position reported for the group and company as at 31 December 2007

Company	*£000*
Shares in subsidiary undertakings at cost	
At 31 December 2006	8,364
Liquidation of Ascon Contracting Limited	(236)
At 31 December 2007	8,128

The company's subsidiary undertakings at 31 December 2007 are

Name of undertaking	*Country of registration*	*Holding of ordinary shares %*	*Nature of business*
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 2007

15. Stocks and work in progress

	Group 2007 £000	Group 2006 £000	Company 2007 £000	Company 2006 £000
Raw materials and consumables	1,102	1,109	1,102	1,109

16. Debtors

	Group 2007 £000	Group 2006 £000	Company 2007 £000	Company 2006 £000
Amounts recoverable on contracts	73,172	57,138	65,968	42,146
Joint ventures	-	1,038	-	2,052
Trade debtors	92,689	71,703	77,628	59,996
Amounts owed by subsidiary undertakings	-	-	16,354	14,942
Amounts owed by parent and fellow group undertakings	10,837	9,869	9,965	9,869
Other debtors	2,548	2,666	2,508	2,517
LAWDC Pension asset (note 22(b))	33	-	33	-
Deferred tax (note 9(c))	647	617	718	690
	179,926	143,031	173,174	132,212

Included within trade debtors for the Group is an amount of £7,354,000 which is due after more than one year (2006 – £2,726,000)

17. Creditors: amounts falling due within one year

	Group 2007 £000	Group 2006 £000	Company 2007 £000	Company 2006 £000
Payments on account on long term contracts	77,933	25,365	77,574	24,575
Contract provisions	1,088	4,764	1,088	4,764
Joint ventures	-	324	-	2,806
Amounts owed to subsidiary undertakings	-	-	-	252
Amounts owed to parent and fellow group undertakings	607	1,008	607	1,008
Trade creditors	108,667	86,063	101,584	75,086
Corporation tax	3,372	3,161	2,905	2,037
Other taxes and social security costs	11,674	10,251	11,082	9,010
Other creditors	16,140	9,746	15,252	9,600
Short term part of long term liability (note 21)	275	255	275	255
Dividend payable	-	3,000	-	3,000
	219,756	143,937	210,367	132,393

There are no creditors falling due after more than one year Amounts owed to parent and fellow group undertakings have no specified terms of settlement and are therefore considered current

Notes to the financial statements

at 31 December 2007

18. Share capital

There was no change to share capital during the year

	Authorised 2007 & 2006 £000	Allotted called up & fully paid 2007 & 2006 £000
150,000 3 85% redeemable cumulative preference shares of £1 each	150	-
27,000,000 ordinary shares of £1 each	27,000	27,000
	27,150	27,000

19. Reconciliation of shareholders' funds and movement on reserves

Group

	Share capital £000	Profit and loss account £000	Total £000
At 1 January 2006	27,000	19,069	46,069
Profit for the year	-	12,628	12,628
Dividends (note 11)	-	(8,000)	(8,000)
Actuarial loss on pension scheme	-	(2,332)	(2,332)
At 31 December 2006	27,000	21,365	48,365
Profit for the year	-	12,992	12,992
Dividends (note 11)	-	(7,000)	(7,000)
Actuarial gain on pension scheme	-	807	807
At 31 December 2007	27,000	28,164	55,164

Notes to the financial statements

at 31 December 2007

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

Company

	Share capital £000	*Profit and loss account £000*	*Total £000*
At 1 January 2006	27,000	15,327	42,327
Profit for the year	-	10,219	10,219
Dividends (note 11)	-	(8,000)	(8,000)
Actuarial loss on pension scheme	-	(2,332)	(2,332)
At 31 December 2006	27,000	15,214	42,214
Profit for the year	-	12,122	12,122
Dividends (note 11)	-	(7,000)	(7,000)
Actuarial gain on pension scheme	-	807	807
At 31 December 2007	27,000	21,143	48,143

20. Capital commitments

	Group		*Company*	
	2007 £000	*2006 £000*	*2007 £000*	*2006 £000*
Contracted but not provided for	475	271	475	271

21. Obligations under leases and hire purchase contracts

At 31 December 2007, the group and company had annual commitments under non-cancellable operating leases as set out below

	Land and buildings 2007 £000	*Land and buildings 2006 £000*	*Plant and machinery 2007 £000*	*Plant and machinery 2006 £000*
Operating leases which expire				
within one year	162	143	44	102
within two to five years	389	346	57	44
in over five years	112	95		-
	663	584	101	146

Notes to the financial statements

at 31 December 2007

21. Obligations under leases and hire purchase contracts (continued)

At 31 December 2007, the group and company had amounts due under finance leases and hire purchase contracts as set out below

	2007 £000	2006 £000
Amount payable		
Within one year	275	255
In two to five years	462	661
	737	916
Less· finance charge allocated to future periods	(90)	(96)
	647	820

Finance leases and hire purchase contracts analysed as follows

	2007 £000	2006 £000
Current obligations (see note 17)	275	255
Non-current obligations	372	565
	647	820

22. Pensions

(a) Staff pension scheme

The Edmund Nuttall Limited contributory defined benefit pension scheme for staff employees which is a pooled managed fund was closed to new entrants in December 2005

The valuation used for the 2007 FRS 17 disclosures has been based on the most recent actuarial valuation at 1 April 2007 with the comparatives for 2006 based on the actuarial valuation at 1 April 2004, both are updated to take account of the requirements of FRS 17 in order to assess the liabilities of the scheme at 31 December 2007 and 31 December 2006 respectively Scheme assets are stated at their market values at the respective balance sheet dates

	2007	2006	2005
Main assumptions			
Rate of salary increases	4 6%	4 20%	4 00%
Rate of increase in pensions in payment (LPI)	3 2%	2 70%	2 50%
Rate of increase in pensions in payment (fixed)	5 0%	5 00%	5.00%
Discount rate	5 6%	5 10%	4 80%
Inflation assumption	3 4%	3 00%	2 80%

Notes to the financial statements

at 31 December 2007

22. Pensions (continued)

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

	2007 Long-term rate of return expected %	*2007 Value £000*	*2006 Long-term rate of return expected %*	*2006 Value £000*	*2005 Long-term rate of return expected %*	*2005 Value £000*
Equities	7 20	110,642	7 20	96,770	6 70	87,031
Bonds	4 85	34,906	4 50	31,348	4 40	26,030
Cash	5 20	15,326	4 70	12,099	4 10	9,409
Total market value of assets		160,874		140,217		122,470
Present value of scheme liabilities		(207,299)		(189,246)		(167,164)
Pension liability before deferred tax		(46,425)		(49,029)		(44,694)
Related deferred tax asset		12,999		14,709		13,409
Net pension liability		(33,426)		(34,320)		(31,285)

An analysis of the defined benefit cost for the year ended 31 December 2007 is as follows·

	2007 £000	*2006 £000*
Current service cost	6,349	6,953
Total operating charge	6,349	6,953
Expected return on pension scheme assets	9,116	7,431
Interest on pension scheme liabilities	(10,005)	(8,397)
Total other finance costs	(889)	(966)
Actual return less expected return on pension scheme assets	5,315	3,546
Experience (losses) arising on scheme liabilities	(2,959)	(5,423)
Gain / (loss) arising from changes in assumptions underlying the present value of scheme liabilities	119	(2,376)
Actuarial gain / (loss) recognised in the statement of total recognised gains and losses	2,475	(4,253)

Notes to the financial statements

at 31 December 2007

22. Pensions (continued)

Analysis of movements in the deficit during the year

	2007	*2006*
	£000	*£000*
At 1 January	(34,320)	(31,285)
Total operating costs	(6,349)	(6,953)
Total other finance costs	(889)	(966)
Actuarial profit/(loss)	2,475	(4,253)
Movement in related deferred tax asset	(1,710)	1,300
Contributions	7,367	7,837
At 31 December	(33,426)	(34,320)

History of experience gains and losses

	2007	*2006*
	£000	*£000*
Difference between expected and actual return on pension scheme assets		
– amount	5,315	3,546
– % of scheme assets	3%	3%
Experience losses arising on scheme liabilities		
– amount	(2,959)	(5,423)
– % of the present value of scheme liabilities	(1%)	(3%)
Total actuarial gain / (loss) recognised in the statement of total recognised gains and losses		
– amount	2,475	(4,253)
– % of the present value of scheme liabilities	1%	(2%)

(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 calculations have been based on the provisional results of the valuation as at 31 March 2006.

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 2007 Scheme assets are stated at their market value at respective balance sheet dates

Main assumptions	*2007*	*2006*	*2005*
Rate of salary increases	4 0%	4 00%	4 00%
Rate of increase in pensions in payment	3 4%	2 70%	3 00%
Discount rate	5 6%	5 10%	4 80%
Inflation assumption	3 4%	3 00%	2.80%

Notes to the financial statements

at 31 December 2007

22. Pensions (continued)

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

		2007		2006		2005
	Long-term rate of return expected	*Value*	*Long-term rate of return expected*	*Value*	*Long-term rate of return expected*	*Value*
	%	*£000*	*%*	*£000*	*%*	*£000*
Equities	6.9%	3,037	6 8%	2,567	6 5%	2,038
Corporate Bonds	5.8%	491	5 1%	350	4 8%	284
Government Bonds	4 4%	685	4 3%	533	4 0%	449
Cash	5 5%	176	5 0%	197	4 5%	68
Total market value of assets		4,389		3,647		2,839
Present value of scheme Liabilities		(4,343)		(3,774)		(3,808)
Pension asset / (liability) before deferred tax		46		(127)		(969)
Related deferred tax (liability) / asset		(13)		38		291
Net pension asset / (liability)		33		(89)		(678)

An analysis of the defined benefit cost for the year ended 31 December 2007 is as follows

	2007	*2006*
	£000	*£000*
Current service cost	412	591
Total operating charge	412	591
Expected return on pension scheme assets	224	169
Interest on pension scheme liabilities	(204)	(199)
Total other finance costs	20	(30)
Actual return less expected return on pension scheme assets	(96)	96
Experience profit arising on scheme liabilities	88	429
Profit arising from changes in assumptions underlying the present value of scheme liabilities	9	396
Actuarial profit recognised in the statement of total recognised gains and losses	1	921

Notes to the financial statements

at 31 December 2007

22. Pensions (continued)

Analysis of movements in the deficit during the year

	2007 £000	2006 £000
At 1 January	(89)	(678)
Total operating charge	(412)	(591)
Actuarial profit	1	921
Total other finance costs	20	(30)
Movement in related deferred tax asset	(51)	(253)
Contributions	564	542
At 31 December	33	(89)

History of experience gains and losses

	2007 £000	2006 £000
Difference between expected and actual return on pension scheme assets		
– amount	(96)	96
– % of scheme assets	(2 2%)	2 6%
Experience profit arising on scheme liabilities		
– amount	88	429
– % of the present value of scheme liabilities	2 0%	11 4%
Total actuarial profit recognised in the statement of total recognised gains and losses		
– amount	1	921
– % of the present value of scheme liabilities	0 0%	24 4%

(c) Contributory pension schemes

The group has made arrangements for employees to participate in three separate defined contributory schemes, the B&CE Retirement Benefit scheme, Local Authority defined Contributory scheme and a staff defined contributory scheme The aggregate employer contribution paid to schemes amounted to £611,000 (2006 £383,000)

23. 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 company along with other group companies has provided a guarantee for a €200 million (2006 - €150m) subordinated term loan and a guarantee against a €550 million (2006 - €nil) committed credit facility 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

The amount of the subordinated term loan outstanding as at 31 December 2007 was €200 million (2006 - €150 million), and the amount drawn under the committed credit facility as at 31 December 2007 was €140 million (2006 - €nil)

Notes to the financial statements

at 31 December 2007

23. Contingent liabilities (continued)

(c) The group is party to various claims arising in the ordinary course of business Provision has been made within the financial statements where necessary. The directors are of the view that other claims have no significant impact on the result of the group and company

(d) The company has agreed to provide financial support to ensure the continuing operation of certain subsidiaries, which is not expected to give rise to any material loss that has not already been provided for

(e) The company along with other UK subsidiary companies of BAM Group n v , is party to a guarantee in respect of any individual company balance within the cash pooling facility provided by National Westminster Bank plc At 31 December 2007, one of the companies in the pooling facility had an overdraft of £69 9m (2006 - £76 4m) The net overdraft position in the cash pooling facility at 31 December 2007 was £nil (2006 - £nil). This guarantee is not expected to give rise to any loss

24. Related party transactions

The group has taken advantage of the exemption under FRS 8'Related Party Disclosures' not to disclose details of transactions between wholly owned undertakings of the Royal BAM Group n v. which prepares fully consolidated financial statements

During the year the group received monies in respect of trading balances and dividends from Joint Ventures totalling £10 3m (2006 – £10 3m) and payments to Joint Ventures £nil (2006 - £nil)

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