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Edmund Nuttall Limited

Report and Financial Statements

31 December 2002



Registered No. 305189

Directors

P B Brooks (Managing Director)
D K Belsham
R Treadgold
C J A Reigersman

Secretary

G M Renshaw

Auditors

Ernst & Young LLP
Becket House
1 Lambeth Palace Road
London SE1 7EU

Bankers

NatWest Bank PLC
15 Bishopsgate
London EC2P 2AP

Registered Office

St James House
Knoll Road
Camberley
Surrey GU15 3XW

Managing director's statement

The year 2002 saw a growing emphasis towards corporate responsibility within the construction industry; a discernible move towards being socially responsible. At Nuttall the emphasis on responsible care is embedded in our culture.

We believe it is best practice:

- to foster good working relationships with employees through greater health and safety awareness and an award winning skills development programme
- to accept our social responsibility in dealing with clients, local communities and the general public
- to hold a caring approach to the working environment
- to produce client value through project solutions founded on innovation and best value.

Another significant change within the industry has been the adoption of new contractual arrangements and different procurement methods. Increasingly clients old and new have turned to the company for partnering and alliancing as well as early contractor involvement schemes like the market leading A500 Stoke Pathfinder, where we are directly responsible for the project design development through to approvals procedures prior to construction. Partnering and alliancing now represent in excess of 60% of our workload with traditional construct schemes making up the remainder.

The company has had an exceptional trading year and maintained our position as one of the top performing civil engineering contractors in the UK. The company produced another outstanding result during 2002 with a significant rise in both turnover and profitability. Turnover increased by 22% to £467m with a 46% rise in pre-tax profit to £19.6m, well above the industry average.

A number of major projects were completed during the year including Baglan Power Station, Bangladesh-UK Friendship Bridge, Clapham Bypass and the Maidenhead, Windsor & Eton Flood Alleviation Scheme. These have been replaced with a significant number of new contract awards including the refurbishment of Tinsley Viaduct, Scarborough Coastal Defences, Network Rail Southern Zone Structures Programme and Berths 8/9 at the Port of Dover.

The company continues to maintain a healthy forward order book, in part due to the advantages that long-term partnering and alliancing contracts bring with the opportunities for strategic planning and innovation.

The quality of the results for the year 2002 is a testament to the dedication and effort of our employees and I thank them on behalf of the Board of Directors.



Managing Director

Directors' report

The directors present their report and group financial statements for the year ended 31 December 2002.

Results and dividends

The results of the group are set out on page 8. The directors recommend an ordinary dividend of £3,500,000 for the year.

Principal activities and business review

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

On 14 November 2002, Royal BAM Group n.v., acquired 99% of the shares of Hollandsche Beton Groep n.v., from Grupo Dragados SA, and is now the ultimate parent undertaking.

Research and development

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

A conceptual design was patented during 2002 for remote caisson/foundation construction through contaminated ground or confined spaces.

Corporate social responsibility

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

The company is committed to a vigorous education programme to reduce - accidents and raise awareness of occupational health issues. Our proactive approach has been recognised with a 'Working Well Together' industry award.

There is also a total commitment towards upskilling the workforce and the supply chain through National Vocational Qualifications [NVQs]. In this regard the company has a team of full time assessors and a programme to link NVQs with the Construction Skills Certificate Scheme. The company has been awarded a 'Quality in Construction' industry award for the second time in the training category and also attained the Supreme Winner of the Year.

The company's commitment to sustainable construction has progressed further during 2002 with involvement in the development and trial of the ICE lead Civil Engineering Environment Quality assessment and awards scheme [CEEQual]. CEEQual has been developed to assess and benchmark environmental best practice, providing public recognition to clients, designers and contractors for their contribution to sustainable construction.

In addition the company continues to work closely with clients such as the Environment Agency, Network Rail and Rail Link Engineering and has consulted with local communities in order to deliver environmentally enhanced projects. These initiatives have provided both economic and environmental benefits.

The company's contribution to reducing the impact of construction work on local communities and the environment was recognised in 2002 with the presentation of the Channel Tunnel Rail Link 'Sustainability Works Awards'.

Directors' report

Fixed assets

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

Employees

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

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

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

Political and charitable contributions

No political contributions were made during the year (2001 – £nil). The total amount of charitable donations was £29,283 (2001 – £10,886).

Directors and their interests

The directors who served during the year ended 31 December 2002 were as follows:

P B Brooks	(Managing director)
D K Belsham	(appointed 9 September 2002)
G K Crabtree	(resigned 15 August 2002)
C J A Reigersman	
R Treadgold	(appointed 9 September 2002)

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

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

23 APR 2003

Statement of directors' responsibilities in respect of the financial statements

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

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

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

Independent auditors' report

to the members of Edmund Nuttall Limited

We have audited the group's financial statements for the year ended 31 December 2002 which comprise the Group Profit and Loss Account, Group Statement of Total Recognised Gains and Losses, Group Balance Sheet, Company Balance Sheet and the related notes 1 to 26. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

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

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

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

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

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

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

Independent auditors' report

to the members of Edmund Nuttall Limited (continued)

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and of the group as at 31 December 2002 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
London

23 April 2003

Group profit and loss account

for the year ended 31 December 2002

	Notes	2002 £000	2001 £000
Turnover			
Continuing operations:			
Group and share of joint ventures	2	467,272	381,597
Less: Share of joint ventures' turnover		(63,179)	(33,842)
Group turnover		<u>404,093</u>	<u>347,755</u>
Costs and expenses	3	(387,176)	(336,785)
Group operating profit		<u>16,917</u>	<u>10,970</u>
Share of operating loss in joint ventures		(90)	(574)
	4	<u>16,827</u>	<u>10,396</u>
Interest receivable	7	2,730	3,049
Interest payable		–	(81)
		<u>2,730</u>	<u>2,968</u>
Profit on ordinary activities before taxation		<u>19,557</u>	<u>13,364</u>
Tax on profit on ordinary activities	8	(5,492)	(3,811)
Profit on ordinary activities after taxation		<u>14,065</u>	<u>9,553</u>
Equity minority interests		(90)	309
Profit for the year attributable to members of the parent undertaking		<u>13,975</u>	<u>9,862</u>
Dividend proposed	10	(3,500)	(4,000)
Retained profit for the year	20	<u>10,475</u>	<u>5,862</u>

Group statement of recognised gains and losses

for the year ended 31 December 2002

There are no recognised gains or losses other than the result for the years ended 31 December 2002 and 31 December 2001.

Group balance sheet

at 31 December 2002

	Notes	2002 £000	2001 £000
Fixed assets			
Intangible assets	11	2,364	2,556
Tangible assets	12	19,654	19,536
Investments in joint ventures:	13		
Share of gross assets		15,673	5,510
Share of gross liabilities		(17,586)	(6,916)
		(1,913)	(1,406)
		20,105	20,686
Current assets			
Stocks and work in progress	14	701	639
Debtors	15	116,268	108,737
Cash at bank and in hand		54,721	50,556
		171,690	159,932
Creditors: amounts falling due within one year	16	(142,196)	(141,183)
Net current assets		29,494	18,749
Total assets less current liabilities		49,599	39,435
Creditors: amounts falling due after more than one year	17	(1,000)	(1,500)
Provisions for liabilities and charges	18	(1,491)	(1,392)
		47,108	36,543
Minority interests			
Equity		72	162
		47,180	36,705
Capital and reserves			
Called up share capital	19	27,000	27,000
Profit and loss account	20	20,180	9,705
Equity shareholders' funds		47,180	36,705



Director

Date

23 APR 2003

Balance sheet

at 31 December 2002

	Notes	2002 £000	2001 £000
Fixed assets			
Tangible assets	12	16,380	15,712
Investments	13	8,209	10,808
		<u>24,589</u>	<u>26,520</u>
Current assets			
Stocks and work in progress	14	685	623
Debtors	15	122,026	104,240
Cash at bank and in hand		51,567	46,821
		<u>174,278</u>	<u>151,684</u>
Creditors: amounts falling due within one year	16	(148,521)	(134,222)
		<u>25,757</u>	<u>17,462</u>
Net current assets			
Total assets less current liabilities		<u>50,346</u>	<u>43,982</u>
Creditors: amounts falling due after more than one year	17	(1,000)	(1,500)
Provisions for liabilities and charges	18	(1,506)	(1,392)
		<u>(2,506)</u>	<u>(2,892)</u>
		<u>47,840</u>	<u>41,090</u>
Capital and reserves			
Called up share capital	19	27,000	27,000
Profit and loss account	20	20,840	14,090
		<u>47,840</u>	<u>41,090</u>
Equity shareholders' funds		<u>47,840</u>	<u>41,090</u>



Director

Date

23 APR 2003

Notes to the financial statements

at 31 December 2002

1. Accounting policies

Basis of preparation

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

Basis of consolidation

The group financial statements consolidate the financial statements of Edmund Nuttall Limited and its subsidiary undertakings drawn up to 31 December each year. No profit and loss account is presented for Edmund Nuttall Limited as permitted by section 230 of the Companies Act 1985. The company has taken advantage of the exemption in FRS 1 from the requirement to prepare a cash flow statement.

Fair value accounting

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

Goodwill

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

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

Depreciation

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

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

Research and development

All research and development costs are written off as incurred.

Notes to the financial statements

at 31 December 2002

1. Accounting policies (continued)

Stocks and work in progress

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

Contract work in progress is valued at total costs incurred, net of amounts transferred to the profit and loss account in respect of work carried out to date, less foreseeable losses and applicable payments on account. The resultant balance is either included in debtors as 'amounts recoverable on contracts' or in creditors as 'payments on account on long term contracts'. Turnover includes residual amounts on contracts completed prior to 31 December 2002 and an appropriate proportion of the estimated amounts of current contracts based on valuations by officials of the group. Provision is made in full for any anticipated losses on current contracts.

Joint ventures

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

Taxation

(a) Current tax

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

(b) Deferred tax

The charge for deferred tax incorporates the requirements of FRS 19 (Deferred Tax) which is mandatory for all accounting periods ending on or after 23 January 2002. 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.
- Provision is not made for the remittance of a subsidiary, associate or joint venture's earnings that would cause tax to be payable whereon 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.
- This policy represents a change from previous years where the provisions for deferred tax was made for all material timing differences to the extent that it was probable a liability or asset would crystallise. However, no adjustments to the previous years' results have been made and the directors are of the opinion that the effect on previous results is not significant.

Notes to the financial statements

at 31 December 2002

1. Accounting policies (continued)

Foreign currency translation

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

Pension costs

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

2. Turnover

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

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

An analysis of turnover by geographical market is given below:

	2002 £000	2001 £000
Geographical area:		
United Kingdom	422,741	334,605
Rest of Europe	15,681	22,958
Outside Europe	28,850	24,034
	<u>467,272</u>	<u>381,597</u>

3. Costs and expenses

	2002 £000	2001 £000
Staff costs (note 6)	79,633	64,162
Raw materials and consumables	60,177	54,916
Other external charges	242,027	212,192
Depreciation – Owned assets	5,147	5,323
Amortisation of goodwill	192	192
	<u>387,176</u>	<u>336,785</u>

Notes to the financial statements

at 31 December 2002

4. Operating profit

This is stated after charging/(crediting):

	2002 £000	2001 £000
(Gain) on disposal of fixed assets	(262)	—
Hire of plant and machinery	31,827	28,870
Operating lease rentals	571	425
Auditors' remuneration	99	85
	<u> </u>	<u> </u>

5. Directors' remuneration

	2002 £000	2001 £000
Remuneration as executives	587	419
Emoluments of highest paid director	310	226
	<u> </u>	<u> </u>
	<i>No.</i>	<i>No.</i>
Members of defined benefit scheme	3	2
	<u> </u>	<u> </u>

6. Staff costs

	2002 £000	2001 £000
Wages and salaries	69,593	56,134
Social security costs	5,931	4,845
Other pension costs	4,109	3,183
	<u> </u>	<u> </u>
	79,633	64,162
	<u> </u>	<u> </u>

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

	2002 <i>No.</i>	2001 <i>No.</i>
Weekly paid staff	1,286	1,094
Monthly paid staff	1,162	1,065
	<u> </u>	<u> </u>
	2,448	2,159
	<u> </u>	<u> </u>

Notes to the financial statements

at 31 December 2002

7. Interest receivable

	2002 £000	2001 £000
Interest receivable from group undertakings	690	2,889
Interest receivable – other	2,040	160
	<u>2,730</u>	<u>3,049</u>

8. Tax

(a) Tax on profit on ordinary activities

The tax charge is made up as follows

	2002 £000	2001 £000
<i>Current tax:</i>		
UK corporation tax	5,405	3,354
Prior year adjustment	(12)	1,303
Total current tax	<u>5,393</u>	<u>4,657</u>
<i>Deferred taxation</i>	99	(846)
Tax on profit on ordinary activities	<u>5,492</u>	<u>3,811</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% (2001 – 30%). The differences are reconciled below:

	2002 £000	2001 £000
Profit on ordinary activities before tax	19,557	13,364
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2001 – 30%)	<u>5,201</u>	<u>3,732</u>
Expenses not deductible for tax purposes	605	58
Fixed asset timing adjustment	190	–
Prior year adjustment	(13)	1,065
Depreciation in excess of capital allowances	–	14
Other	(590)	(212)
	<u>5,393</u>	<u>4,657</u>

Notes to the financial statements

at 31 December 2002

8. Tax (continued)

(c) Deferred tax

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

	2002 £000	2001 £000
Other deductions	(56)	(56)
Accelerated capital allowances	(691)	(790)
	<u>(747)</u>	<u>(846)</u>
Included in provisions	(747)	(846)
	<u>(747)</u>	<u>(846)</u>

9. Profit attributable to members of the parent company

The profit dealt with in the financial statements of the parent company was £10,250,000 (2001 – £8,416,000).

10. Dividends

	2002 £000	2001 £000
Equity dividends on ordinary shares:		
Final proposed on 27,000,000 shares of £0.130 (2001 – £0.148)	3,500	4,000
	<u>3,500</u>	<u>4,000</u>

Notes to the financial statements

at 31 December 2002

11. Intangible fixed assets

	<i>Goodwill</i> £000
Cost:	
At 31 December 2002 and 2001	2,748
Amortisation:	
At 31 December 2001	192
Provided during the year	192
At 31 December 2002	384
Net book value:	
At 31 December 2002	2,364
At 31 December 2001	2,556

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

12. Tangible fixed assets

<i>Group</i>	<i>Freehold offices £000</i>	<i>Leasehold 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 2001	5,929	13	29,089	9,453	44,484
Additions	–	–	6,647	781	7,428
Disposals	–	–	(9,845)	(538)	(10,383)
At 31 December 2002	5,929	13	25,891	9,696	41,529
Depreciation:					
At 31 December 2001	311	13	18,626	5,998	24,948
Provided during the year	114	–	4,509	524	5,147
Disposals	–	–	(7,750)	(470)	(8,220)
At 31 December 2002	425	13	15,385	6,052	21,875
Net book value:					
At 31 December 2002	5,504	–	10,506	3,644	19,654
At 31 December 2001	5,618	–	10,463	3,455	19,536

Notes to the financial statements

at 31 December 2002

12. Tangible fixed assets (continued)

Company

	<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 2001	5,575	24,654	7,975	38,204
Additions	--	5,695	804	6,499
Disposals	--	(8,325)	(463)	(8,788)
At 31 December 2002	5,575	22,024	8,316	35,915
Depreciation:				
At 31 December 2001	306	16,929	5,257	22,492
Provided during the year	113	3,343	477	3,933
Disposals	--	(6,480)	(410)	(6,890)
At 31 December 2002	419	13,792	5,324	19,535
Net book value:				
At 31 December 2002	5,156	8,232	2,992	16,380
At 31 December 2001	5,269	7,725	2,718	15,712

13. Investments

Group

Investments in joint ventures

	<i>£000</i>
At 1 January 2002	(1,406)
Share of loss retained by joint venture	(90)
Distributions received from joint venture	(417)
At 31 December 2002	(1,913)

Notes to the financial statements

at 31 December 2002

13. Investments (continued)

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

<i>Company</i>	<i>£000</i>
Shares in subsidiary undertakings at cost:	
At 31 December 2001	10,808
Amounts written off investments	(2,599)
	<hr/>
At 31 December 2002	8,209
	<hr/> <hr/>

Amounts written off investments include a write down in the carrying amount of Ascon Contracting Limited.

The company's subsidiary undertakings at 31 December 2002 are:

<i>Name of undertaking</i>	<i>Country of registration</i>	<i>Holding of ordinary shares %</i>	<i>Nature of business</i>
Ascon Contracting Limited	England	75	Contractor
Edmund Nuttall Demolition Limited	England	100	Dormant
Nuttall 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 2002

14. Stocks and work in progress

	<i>Group</i>		<i>Company</i>	
	2002	2001	2002	2001
	£000	£000	£000	£000
Raw materials and consumables	701	639	685	623

15. Debtors

	<i>Group</i>		<i>Company</i>	
	2002	2001	2002	2001
	£000	£000	£000	£000
Amounts recoverable on contracts	38,407	38,333	32,663	34,522
Joint ventures	2,311	1,249	3,928	392
Trade debtors	48,616	47,639	53,778	42,908
Amounts owed by subsidiary undertakings	–	–	4,458	5,175
Amounts owed by parent and fellow group undertakings	19,374	17,587	19,374	17,587
Corporation tax	–	–	–	–
Other debtors	7,560	3,929	7,825	3,656
	116,268	108,737	122,026	104,240

16. Creditors: amounts falling due within one year

	<i>Group</i>		<i>Company</i>	
	2002	2001	2002	2001
	£000	£000	£000	£000
Bank overdraft	551	5,001	551	5,001
Payments on account on long term contracts	38,344	35,770	37,471	34,962
Contract provisions	4,007	4,738	3,812	4,738
Joint ventures	3,911	4,210	17,241	4,759
Amounts owed to parent and fellow group undertakings	5,721	136	8,330	136
Trade creditors	34,658	35,922	34,391	34,982
Corporation tax	2,558	7,219	2,106	7,387
Other taxes and social security costs	6,275	3,707	5,425	2,900
Other creditors	8,037	6,072	7,623	4,547
Finance leases	–	2	–	–
Accruals and deferred income	34,634	34,406	28,071	30,810
Proposed dividend	3,500	4,000	3,500	4,000
	142,196	141,183	148,521	134,222

Notes to the financial statements

at 31 December 2002

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

	<i>Group</i>		<i>Company</i>	
	<i>2002</i>	<i>2001</i>	<i>2002</i>	<i>2001</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Subsidiary acquisition payments outstanding	1,000	1,500	1,000	1,500

18. Provisions for liabilities and charges

	<i>Deferred taxation £000</i>	<i>Pension provision £000</i>	<i>Total £000</i>
<i>Group</i>			
At 31 December 2001	(846)	2,238	1,392
Movement during the year	99	–	99
At 31 December 2002	(747)	2,238	1,491
<i>Company</i>			
At 31 December 2001	(846)	2,238	1,392
Movement during the year	114	–	114
At 31 December 2002	(732)	2,238	1,506

19 Share capital

There was no change to share capital during the year.

	<i>Authorised</i>	<i>Allotted called up and fully paid</i>
	<i>2002</i>	<i>2002</i>
	<i>&</i>	<i>&</i>
	<i>2001</i>	<i>2001</i>
	<i>£000</i>	<i>£000</i>
150,000 3.85% redeemable cumulative preference shares of £1 each	150	–
27,000,000 ordinary shares of £1 each (2001 – 27,000,000 ordinary shares of £1 each)	27,000	27,000
	27,150	27,000

Notes to the financial statements

at 31 December 2002

20. Reconciliation of shareholders' funds and movement on reserves

<i>Group</i>	<i>Share capital £000</i>	<i>Profit and loss account £000</i>	<i>Total £000</i>
At 1 January 2001	27,000	3,843	30,843
Profit for the year	–	9,862	9,862
Dividend	–	(4,000)	(4,000)
At 31 December 2001	27,000	9,705	36,705
Profit for the year	–	13,975	13,975
Dividend	–	(3,500)	(3,500)
At 31 December 2002	27,000	20,180	47,180

<i>Company</i>	<i>Share capital £000</i>	<i>Profit and loss account £000</i>	<i>Total £000</i>
At 1 January 2001	27,000	9,674	36,674
Profit for the year	–	8,416	8,416
Dividend	–	(4,000)	(4,000)
At 31 December 2001	27,000	14,090	41,090
Profit for the year	–	10,250	10,250
Dividend	–	(3,500)	(3,500)
At 31 December 2002	27,000	20,840	47,840

21. Capital commitments

	<i>Group</i>		<i>Company</i>
<i>2002 £000</i>	<i>2001 £000</i>	<i>2002 £000</i>	<i>2001 £000</i>
Contracted but not provided for	282	254	254

Notes to the financial statements

at 31 December 2002

22. Other financial commitments

At 31 December 2002, the group had annual commitments under non-cancellable operating leases as set out below:

	<i>Land and buildings 2002 £000</i>	<i>Land and buildings 2001 £000</i>
Operating leases which expire:		
within one year	219	53
within two to five years	341	111
in over five years	56	170
	<u>616</u>	<u>334</u>

23. Pensions

(a) Staff pension scheme

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

SSAP 24 disclosures

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

	<i>1 April 2002</i>
Main assumptions:	
Rate of return on investments pre retirement (% per annum)	7.0%
Rate of return on investments post retirement (% per annum)	5.5%
Rate of salary increases (% per annum)	4.5%
Rate of pension increases (% per annum)	2.5%
Market value of scheme's assets (£0000)	<u>£70,200</u>
Level of funding being the actuarial value of assets expressed as a percentage of the benefits accrued to members, after allowing for future salary increases	<u>93.0%</u>

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

Notes to the financial statements

at 31 December 2002

23. Pensions (continued)

SSAP 24 disclosures (continued)

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

The pension charge for the group was £4,127,847 (company – £3,894,810).

FRS 17 disclosures

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

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

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

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

	2002		2001	
	Long-term rate of return expected %	Value £000	Long-term rate of return expected %	Value £000
Equities	7.50	45,005	7.85	53,792
Bonds	5.00	12,947	5.35	11,345
Properties	4.00	3,699	4.50	3,529
Total market value of assets		61,651		68,666
Present value of scheme liabilities		(92,922)		(79,903)
Pension liability before deferred tax		(31,271)		(11,237)
Related deferred tax asset		9,381		3,371
Net pension liability		(21,890)		(7,866)

Notes to the financial statements

at 31 December 2002

23. Pensions (continued)

FRS 17 disclosures (continued)

An analysis of the defined benefit cost for the year ended 31 December 2002 is as follows:

	2002 £000
Current service cost	4,731
Past service cost	—
Total operating charge	4,731
Expected return on pension scheme assets	5,140
Interest on pension scheme liabilities	(4,935)
Total other finance income	205
Actual return less expected return on pension scheme assets	(16,333)
Experience losses arising on scheme liabilities	(1,483)
Loss arising from changes in assumptions underlying the present value of scheme liabilities	(1,911)
Actuarial loss recognised in the statement of total recognised gains and losses	(19,727)

Analysis of movements in the deficit during the year:

	2002 £000
At 1 January 2002	(7,866)
Total operating charge	(4,731)
Total other finance income	205
Actuarial loss	(19,727)
Deferred tax benefit	6,010
Contributions	4,219
At 31 December 2002	(21,890)

As a result of the most recent valuation conducted as at 1 April 2001, contributions for the group were increased to 13.7% in November 2001 and employees' contributions were increased to 6.0% in April 2002. In consultation with the scheme actuary, contributions for the group were increased to 16.7% in February 2003 and employees' contributions will be increased to 7.0% from April 2003. These contributions rates will be reassessed when the next valuation is prepared.

Notes to the financial statements

at 31 December 2002

23. Pensions (continued)

FRS 17 disclosures (continued)

History of experience gains and losses:

	2002 £000
Difference between expected and actual return on pension scheme assets:	
– amount	(16,333)
– % of scheme assets	(26%)
Experience losses arising on scheme liabilities:	
– amount	(1,483)
– % of the present value of scheme liabilities	(2%)
Total actuarial loss recognised in the statement of total recognised gains and losses:	
– amount	(19,727)
– % of the present value of scheme liabilities	(21%)

Reconciliations of net assets and reserves under FRS 17

	2002 £000	2001 £000
Net assets:		
Net assets as stated in balance sheet	47,180	36,705
SSAP 24 balance	2,238	2,238
Net assets excluding defined benefit liabilities:	49,418	38,943
FRS 17 net pension liability	(21,890)	(7,866)
Net assets including defined benefit liabilities	27,528	31,077
Reserves		
Profit and loss reserve as stated in balance sheet	20,180	9,705
SSAP 24 balance	2,238	2,238
Profit and loss reserve excluding amounts relating to defined benefit liabilities	22,418	11,943
FRS 17 net pension liability	(21,890)	(7,866)
Profit and loss reserve including amounts relating to defined benefit liabilities	528	4,077

Notes to the financial statements

at 31 December 2002

23. Pensions (continued)

(b) *Lawdc's scheme*

The group contributes to a defined benefit scheme for employees taken on under local authority contracts. Contributions to the scheme are charged to the profit and loss account so as to spread the costs of pensions over employees' working lives within the group.

Contributions are determined by independent qualified actuaries on the basis of triennial valuations using the projected unit credit funding method. The most recent valuation was on 31 March 2000.

The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of increase in pensions and wages and the rate of return on the Scheme's investments. It was assumed that pensions would increase at 3.0% per annum and that earnings would rise by 4.0% per annum. Pension payments already earned were discounted for investment returns averaging 6% per annum before retirement and 5.5% per annum after retirement. Pensions earned in the future were discounted for investment returns at 7% per annum before retirement and 6% per annum after retirement.

The most recent valuation showed that the market value of the schemes assets at 31 March 2000 was £1,719,000 and the actuarial valuation of those assets represented 94% of the benefit that had accrued to members, after allowing for expected future increases in earnings. The contribution of the group and employees was 19% and 5% of Pensionable Salaries respectively during 2002.

(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 £147,129 (2001 – £97,525).

24. Contingent liabilities

- (a) The group has contingent liabilities in respect of performance bonds and supplier guarantees given in the normal course of business.
- (b) The group is party to various litigation 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.

25. Related party transactions

During the year the group received disbursements from Joint Ventures totalling £9.5 million and made payments into joint ventures of £1.3 million.

26. Parent undertakings and controlling party

The company's immediate parent undertaking is Hollandsche Beton Groep (UK) Limited, a company incorporated in England. At the balance sheet date the company's ultimate parent undertaking and controlling party was Royal BAM Group n.v. a company incorporated in The Netherlands.

A copy of the group financial statements of Royal BAM Group n.v. is available from the Company Secretary, Edmund Nuttall Limited, St James House, Knoll Road, Camberley, Surrey GU15 3XW.