

J95189

Report and Consolidated Accounts
Edmund Nuttall Limited

31 December 1997



Edmund Nuttall Limited

Registered No. 305189

DIRECTORS

J J M Veraart (Chairman)
P B Brooks (Managing Director)
G K Crabtree
C J A Reigersman

SECRETARY

D G Trimby

AUDITORS

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

BANKERS

National Westminster Bank PLC
15 Bishopsgate
London EC2P 2AP

SOLICITORS

Cameron McKenna
Mitre House
160 Aldersgate Street
London EC1A 4DD

REGISTERED OFFICE

St James House
Knoll Road
Camberley
Surrey GU15 3XW

Edmund Nuttall Limited

CHAIRMAN'S STATEMENT

The Group achieved a very good result on an increased turnover in 1997.

The result for the year was a profit of £9,909,000 before tax (1996 £6,190,000) on a turnover (Group and Share of joint ventures) of £230 million (1996 £202 million).

The continuing constraint on public spending in the United Kingdom has resulted in Nuttall increasing its share of the private sector market, particularly the water and railway sectors. This coincides with an increasing trend towards more co-operative forms of contract and the Company has successfully established formal relationships with several key clients. This move towards partnerships also takes the form of more design and construct work and the encouragement of alternative designs to increase buildability and value engineering.

A significant proportion of Nuttall's business activity continues to be provided by land remediation contracts illustrated by the series of contracts on the Greenwich Peninsular in London, the Ravenscraig steelworks in Scotland and the Barry Dock redevelopment in South Wales. These larger contracts have been complemented by a steady flow of similar works including the series of former gasworks remediation schemes for British Gas under the 'Project Atlantis' contract. Increasingly these projects involve the on-site treatment of contaminated soil and ground water, leading to significant savings and benefits for the client.

Maritime engineering remained a major element of the workload during the year with the completion of several contracts in Scotland [including Torry Quay, Aberdeen and Campbeltown Ferry Terminal] and the reconstruction of the Western Jetty in the Port of Immingham. Several coast protection schemes were also started, including one in Blackpool, and another on the Wirral.

With a growing volume of business emerging in the water and railway industries, Nuttall increased its activities in both sectors. Led by the major extension works contract at the Minworth STW for Severn Trent Water Limited, the list of water related projects involved seven of the major water companies, with significant volumes of work being undertaken for Dwr Cymru Welsh Water and Southern Water Services Limited. The Company's railways workload was also boosted by the winning of the Infrastructure Extended Arm Contract for structures renewals on Railtrack's North West Zone network as well as several bridge replacement and strengthening contracts, particularly in the Eastern area.

Railtrack was also a significant contributor to Nuttall's increased jacked box business. A design and construct contract was awarded by Railtrack for the construction of a large 46m long, 23m wide, 9.1m high concrete culvert to be box jacked under a railway embankment near Maidenhead. Work also continued on four jacked box structures as part of the Docklands Light Railway Lewisham Extension in London.

The roads market continued to be extremely depressed in both the government and local authority sectors. However, Nuttall successfully completed the M1/M621 Link Road contract in Leeds, the Rhuddlan Bypass in North Wales and the A39 Trispen Bypass, a partnership project for Cornwall County Council.

Ritchies, the geotechnical division of Nuttall, had a good year in its drilling and blasting activities and secured new work in tunnel strengthening and refurbishment utilising nailing and shotcreting methods.

The current business volume puts Nuttall in a good market position on a wider base than previously experienced. Turnover for 1998 is likely to be similar to the 1997 level but the results are not expected to be as high.

On behalf of the Board I would like to thank all employees who have contributed to the continued success of the Group, for their hard work and dedication.

J J M Veraart

Chairman
27 May 1998

DIRECTORS' REPORT

The directors present their report and group accounts for the year ended 31 December 1997.

RESULTS AND DIVIDENDS

The results of the group are set out on page 7. The directors recommend the payment of a dividend of £7.059 per share (1996 – £3.765) per share.

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 Chairman's Statement preceding this report.

RESEARCH AND DEVELOPMENT

During the year, research and development was confined to that required in the construction of the various projects undertaken in the normal course of business.

ENVIRONMENT

The directors are conscious of the contribution that can be made to good business practice by giving proper attention to environmental matters. Developments in this area, in pace with clients' needs, have proceeded through the year.

FIXED ASSETS

The movements in fixed assets during the year are shown in note 10 to the accounts.

EMPLOYEES

The directors attach great importance to the maintenance of good communications with employees. The Nuttall News, published twice a year, and The Messenger, published four times a year, are distributed to all permanent employees and group news sheets are issued at frequent intervals to keep members of the staff up to date with new developments. Conferences are held each year to discuss both general and particular aspects of group policy with groups of more senior employees. Seminars and training meetings are held on a regular basis to ensure that other members of our staff, particularly younger members, are involved as widely as possible in the development of the business.

It is the policy of the group to encourage the employment and training of disabled people wherever appropriate and to evaluate all employees solely on the basis of merit.

POLITICAL AND CHARITABLE CONTRIBUTIONS

No political contributions were made during the year; the total amount of charitable donations was £36,536 (1996 – £11,046).

DIRECTORS' REPORT

DIRECTORS AND THEIR INTERESTS

The directors during the year ended 31 December 1997 were as follows:

J J M Veraart (Chairman)
P B Brooks (Managing Director)
G K Crabtree
C J A Reigersmann
N de Ronde Bresser
A J D Franklin
Rt Hon Dr J Gilbert

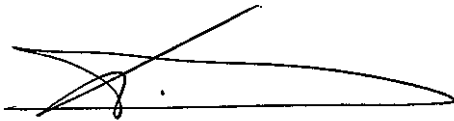
None of the directors has any personal or beneficial interest in the shares of the company.

G K Crabtree and C J A Reigersman were appointed directors on 7 March 1997. N de Ronde Bresser, A J D Franklin and Rt Hon Dr J Gilbert resigned on 7 March 1997 and J J M Veraart was elected Chairman.

AUDITORS

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

By order of the board



Secretary

27 May 1998

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE
ACCOUNTS

Company law requires the directors to prepare accounts 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 accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the group 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 accounts 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.

REPORT OF THE AUDITORS
to the members of Edmund Nuttall Limited

We have audited the accounts on pages 7 to 21, which have been prepared under the historical cost convention as modified by the revaluation of land and buildings and on the basis of accounting policies set out on pages 10 and 11.

Respective responsibilities of directors and auditors

As described on page 5 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

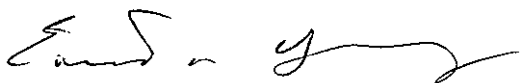
Basis of opinion

We conducted our audit in accordance with 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company and of the group as at 31 December 1997 and of the result of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young
Chartered Accountants
Registered Auditor
London

27 May 1998

Edmund Nuttall Limited

CONSOLIDATED PROFIT AND LOSS ACCOUNT for the year ended 31 December 1997

	Notes	1997 £000	1996 £000
TURNOVER			
Group and share of joint ventures	2	229,615	202,234
Less: Share of joint ventures' turnover		(15,444)	(6,642)
GROUP TURNOVER		214,171	195,592
Costs and expenses	3	(206,974)	(191,699)
GROUP OPERATING PROFIT		7,197	3,893
Share of operating (loss)/profit in joint ventures		(809)	250
	4	6,388	4,143
Interest receivable	7	3,522	2,243
Interest payable	8	(1)	(196)
		3,521	2,047
PROFIT OF ORDINARY ACTIVITIES BEFORE TAXATION		9,909	6,190
Tax on profit on ordinary activities	9	(4,339)	(2,096)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		5,570	4,094
EQUITY MINORITY INTERESTS		298	91
PROFIT FOR THE YEAR ATTRIBUTABLE TO MEMBERS OF THE PARENT UNDERTAKING		5,868	4,185
PROPOSED DIVIDEND		(6,000)	(3,200)
RETAINED (LOSS)/PROFIT		(132)	985

STATEMENT OF TOTAL RECOGNISED GAINS OR LOSSES

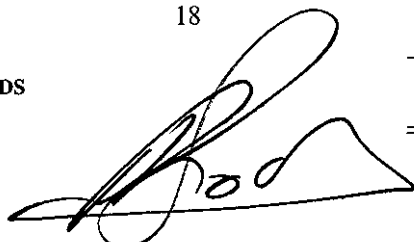
There are no recognised gains or losses other than the result for the year 1997 and the result for the year 1996.

The movement on reserves is stated in note 18 to these accounts.

Edmund Nuttall Limited

CONSOLIDATED BALANCE SHEET at 31 December 1997

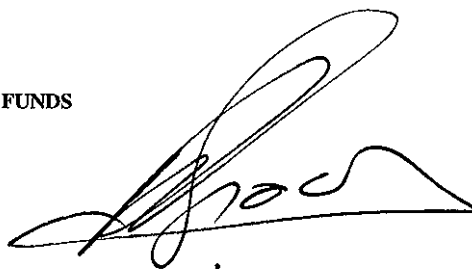
	Notes	1997 £000	1997 £000	1996 £000	1996 £000
FIXED ASSETS					
Tangible assets	10		8,307		8,155
CURRENT ASSETS					
Stocks and work in progress	12		1,229		2,081
Debtors	13		59,139		50,201
Cash at bank and in hand			62,388		36,715
			122,756		88,997
CREDITORS: Amounts falling due within one year	14		(112,891)		(77,179)
NET CURRENT ASSETS			9,865		11,818
TOTAL ASSETS LESS CURRENT LIABILITIES			18,172		19,973
PROVISIONS FOR LIABILITIES AND CHARGES	16		(3,515)		(5,695)
Investments in joint ventures:	11				
Share of gross assets		7,759		2,722	
Share of gross liabilities		(8,568)		(2,722)	
			(809)		-
			13,848		14,278
MINORITY INTERESTS					
Equity			(647)		(945)
			13,201		13,333
CAPITAL AND RESERVES					
Called up share capital	17		850		850
Profit and loss account	18		12,351		12,483
EQUITY SHAREHOLDERS' FUNDS			13,201		13,333


Director
27 May 1998

Edmund Nuttall Limited

BALANCE SHEET at 31 December 1997

	Notes	1997 £000	1996 £000
FIXED ASSETS			
Tangible assets	10	7,737	8,134
Investments	11	4,911	4,911
		<u>12,648</u>	<u>13,045</u>
CURRENT ASSETS			
Stocks and work in progress	12	1,229	2,081
Debtors	13	61,448	49,082
Cash at bank and in hand		61,887	36,715
		<u>124,564</u>	<u>87,878</u>
CREDITORS: amounts falling due within one year	14	(112,777)	(75,070)
NET CURRENT ASSETS		<u>11,787</u>	<u>12,808</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>24,435</u>	<u>25,853</u>
CREDITORS: amounts falling due after more than one year	15	(4,023)	(4,023)
PROVISIONS FOR LIABILITIES AND CHARGES	16	(3,515)	(5,695)
		<u>(7,538)</u>	<u>(9,718)</u>
		<u>16,897</u>	<u>16,135</u>
CAPITAL AND RESERVES			
Called up share capital	17	850	850
Profit and loss account	18	16,047	15,285
EQUITY SHAREHOLDERS' FUNDS		<u>16,897</u>	<u>16,135</u>



Director

27 May 1998

Edmund Nuttall Limited

NOTES TO THE ACCOUNTS

at 31 December 1997

1. ACCOUNTING POLICIES

Basis of preparation

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

Basis of consolidation

The group accounts consolidate the accounts 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.

Goodwill

Depending on the circumstances of each acquisition, purchased and consolidation goodwill is either set off directly against reserves or amortised through the profit and loss account over the directors' estimate of its useful life.

Turnover

Turnover, which is stated net of VAT, represents the sales 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. It includes the proportion of joint venture turnover attributable to the group.

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, fixtures, fittings, tools and equipment	—	over 2 to 10 years
Leasehold premises	—	over 10 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 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 profits and losses on contracts completed prior to 31 December 1997 and an appropriate proportion of the estimated results of current contracts based on valuations by officials of the group. No credit is taken in respect of contract claims until legal entitlement has been established and agreed. 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. The group has adopted FRS 9 (Associates and Joint Ventures) and accordingly 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.

Edmund Nuttall Limited

NOTES TO THE ACCOUNTS

at 31 December 1997

1. ACCOUNTING POLICIES (continued)

Leasing

Assets held under finance leases are capitalised in the balance sheet at their cost price and are subject to depreciation in accordance with normal group policy. The interest element of the rental obligation is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Deferred taxation

Deferred taxation is provided using the liability method on all timing differences which are expected to reverse in the foreseeable future without being replaced, calculated at the rate at which it is anticipated the timing differences will reverse.

Deferred taxation assets are only recognised if recovery without replacement by equivalent debit balances is reasonably certain.

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

An analysis of turnover by geographical market is given below:

	1997 £000	1996 £000
Geographical area:		
United Kingdom	223,614	196,620
Rest of Europe	87	—
Outside Europe	5,914	5,614
	<u>229,615</u>	<u>202,234</u>

Edmund Nuttall Limited

NOTES TO THE ACCOUNTS at 31 December 1997

3. COSTS AND EXPENSES

	<i>1997</i> <i>£000</i>	<i>1996</i> <i>£000</i>
Staff costs (note 6)	37,109	29,841
Raw materials and consumables	38,974	44,404
Other external charges	127,715	114,532
Depreciation – Owned assets	3,137	2,851
– Leased assets	39	71
	<u>206,974</u>	<u>191,699</u>

4. OPERATING PROFIT

This is stated after charging:

	<i>1997</i> <i>£000</i>	<i>1996</i> <i>£000</i>
Hire of plant and machinery	17,246	13,786
Operating lease rentals	684	758
Auditors' remuneration	76	65
	<u> </u>	<u> </u>

5. DIRECTORS' REMUNERATION

	<i>1997</i> <i>£000</i>	<i>1996</i> <i>£000</i>
Remuneration as executives	264	275
	<u> </u>	<u> </u>

The emoluments of directors, excluding pension contributions, were as follows:

Chairman's emoluments	–	–
	<u> </u>	<u> </u>
Highest paid director	139	124
	<u> </u>	<u> </u>

Edmund Nuttall Limited

NOTES TO THE ACCOUNTS at 31 December 1997

6. STAFF COSTS

	<i>1997</i> <i>£000</i>	<i>1996</i> <i>£000</i>
Wages and salaries	32,567	26,423
Social security costs	2,583	2,180
Other pension costs	1,959	1,238
	<u>37,109</u>	<u>29,841</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:

	<i>1997</i> <i>No.</i>	<i>1996</i> <i>No.</i>
Weekly paid staff	716	683
Monthly paid staff	744	742
	<u>1,460</u>	<u>1,425</u>

7. INTEREST RECEIVABLE

	<i>1997</i> <i>£000</i>	<i>1996</i> <i>£000</i>
Interest receivable from group undertakings	3,186	2,001
Interest receivable – Other	336	242
	<u>3,522</u>	<u>2,243</u>

8. INTEREST PAYABLE

	<i>1997</i> <i>£000</i>	<i>1996</i> <i>£000</i>
Interest payable	<u>1</u>	<u>196</u>

Edmund Nuttall Limited

NOTES TO THE ACCOUNTS at 31 December 1997

9. TAX ON PROFIT ON ORDINARY ACTIVITIES

Based on the profit for the year:

	1997 £000	1996 £000
Corporation tax payable	5,947	1,541
Deferred taxation (note 16)	(1,663)	1,460
	<u>4,284</u>	<u>3,001</u>
Corporation tax under/(over) provided in previous years	55	(988)
	<u>4,339</u>	<u>2,013</u>
Tax attributable to group		
	<u>—</u>	<u>83</u>
	<u>4,339</u>	<u>2,096</u>

10. TANGIBLE FIXED ASSETS

Group

	Leasehold offices £000	Plant and machinery £000	Fixtures, fittings, tools and equipment £000	Total £000
Cost:				
At 1 January 1997	13	18,325	6,777	25,115
Additions	—	1,307	2,411	3,718
Disposals	—	(1,164)	(1,359)	(2,523)
At 31 December 1997	<u>13</u>	<u>18,468</u>	<u>7,829</u>	<u>26,310</u>
Depreciation:				
At 1 January 1997	10	13,181	3,769	16,960
Provided during the year	1	1,545	1,646	3,192
Disposals	—	(1,071)	(1,078)	(2,149)
At 31 December 1997	<u>11</u>	<u>13,655</u>	<u>4,337</u>	<u>18,003</u>
Net book value:				
At 31 December 1997	<u>2</u>	<u>4,813</u>	<u>3,492</u>	<u>8,307</u>
At 31 December 1996	<u>3</u>	<u>5,144</u>	<u>3,008</u>	<u>8,155</u>

Edmund Nuttall Limited

NOTES TO THE ACCOUNTS at 31 December 1997

10. TANGIBLE FIXED ASSETS (continued)

Company

	<i>Plant and machinery £000</i>	<i>Fixtures, fittings, tools and equipment £000</i>	<i>Total £000</i>
Cost:			
At 1 January 1997	18,321	6,723	25,044
Additions	1,298	1,804	3,102
Disposals	(1,164)	(1,359)	(2,523)
At 31 December 1997	18,455	7,168	25,623
Depreciation:			
At 1 January 1997	13,181	3,729	16,910
Provided during the year	1,545	1,580	3,125
Disposals	(1,071)	(1,078)	(2,149)
At 31 December 1997	13,655	4,231	17,886
Net book value:			
At 31 December 1997	4,800	2,937	7,737
At 31 December 1996	5,140	2,994	8,134

11. INVESTMENTS

Investments in joint ventures

<i>Name</i>	<i>% Financial interest</i>	<i>Nature of business</i>
Nuttall/Norwest Holst Joint Venture	50	Civil Engineering
Norwest Holst/Nuttall Joint Venture	50	Civil Engineering
Cairo Wastewater Consortium	18	Civil Engineering
Interbeton/Nuttall Harare International Airport	30	Civil Engineering

£000

Shares in subsidiary undertakings at cost:
At 1 January 1997 and 31 December 1997

4,911

Edmund Nuttall Limited

NOTES TO THE ACCOUNTS at 31 December 1997

11. INVESTMENTS (continued)

<i>Name of undertaking</i>	<i>Country of registration</i>	<i>% holding of ordinary shares</i>
Mears Contractors Limited (dormant)	England	100
Ritchies Estates Limited (dormant)	Scotland	100
Ritchies Equipment Limited (dormant)	Scotland	100
Williamson Engineering Limited (dormant)	Scotland	100
Hynes Construction Limited (dormant)	England	100
Ascon Contracting Limited (contractor)	England	75
Hynes Drainage Limited (dormant)	England	100
Edmund Nuttall Demolition Limited (dormant)	England	100
Nuttall Contract Hire Limited (contract hire)	England	100

All the dormant companies, except Edmund Nuttall Demolition Limited, are in members solvent liquidation and will be wound up and struck off within the next 12 months.

12. STOCKS AND WORK IN PROGRESS

	<i>1997</i>	<i>Group</i>	<i>1997</i>	<i>Company</i>
	<i>1997</i>	<i>1996</i>	<i>1997</i>	<i>1996</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Development land/completed properties	600	1,407	600	1,407
Raw materials and consumables	629	674	629	674
	<u>1,229</u>	<u>2,081</u>	<u>1,229</u>	<u>2,081</u>

13. DEBTORS

	<i>1997</i>	<i>Group</i>	<i>1997</i>	<i>Company</i>
	<i>1997</i>	<i>1996</i>	<i>1997</i>	<i>1996</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Amounts recoverable on contracts	17,270	13,047	16,403	11,503
Trade debtors	31,941	28,919	30,950	26,672
Amounts owed by subsidiary undertakings	—	—	4,369	2,923
Amounts owed by parent and fellow subsidiary undertakings	9,519	6,864	9,321	6,738
Other debtors	409	1,121	405	996
Finance lease receivables	—	250	—	250
	<u>59,139</u>	<u>50,201</u>	<u>61,448</u>	<u>49,082</u>

Edmund Nuttall Limited

NOTES TO THE ACCOUNTS at 31 December 1997

14. CREDITORS: amounts falling due within one year

	1997	Group	1997	Company
	1996		1996	
	£000	£000	£000	£000
Bank overdraft	—	77	—	—
Payments on account on long term contracts	35,278	24,964	35,278	23,871
Contract provisions	7,265	1,106	8,074	1,106
Amounts owed to joint ventures	6,070	2,262	6,070	2,262
Amounts owed to parent and fellow subsidiary undertakings	273	841	274	841
Trade creditors	10,445	7,208	10,157	6,995
Corporation tax	5,919	456	6,464	774
Other taxes and social security costs	3,116	970	2,836	945
Other creditors	8,473	5,955	8,473	5,904
Proposed dividend	6,000	3,200	6,000	3,200
Accruals and deferred income	30,052	30,140	29,151	29,172
	<u>112,891</u>	<u>77,179</u>	<u>112,777</u>	<u>75,070</u>

15. CREDITORS: amounts falling due after more than one year

	1997	Group	1997	Company
	1996		1996	
	£000	£000	£000	£000
Amounts owed to subsidiary undertakings	—	—	4,023	4,023
	<u>—</u>	<u>—</u>	<u>4,023</u>	<u>4,023</u>

Edmund Nuttall Limited

NOTES TO THE ACCOUNTS at 31 December 1997

16. PROVISIONS FOR LIABILITIES AND CHARGES

Group and Company

	<i>Pension provision £000</i>	<i>Deferred taxation £000</i>	<i>Total £000</i>
At 1 January 1997	4,032	1,663	5,695
Credit for year	(517)	(1,663)	(2,180)
At 31 December 1997	3,515	—	3,515

Deferred taxation provided in the accounts is as follows:

	<i>1997 £000</i>	<i>1996 £000</i>
Capital allowances in advance of depreciation	—	100
Timing differences on contract provisions	—	1,677
Other	—	(114)
	—	1,663

17. SHARE CAPITAL

There was no change in share capital during the year.

	<i>Authorised £000</i>	<i>Allotted, called up and fully paid £000</i>
150,000 3.85% redeemable cumulative preference shares of £1 each	150	—
850,000 ordinary shares of £1 each	850	850
	1,000	850

Edmund Nuttall Limited

NOTES TO THE ACCOUNTS at 31 December 1997

18. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

Group

	<i>Share capital £000</i>	<i>Profit and loss account £000</i>	<i>Total £000</i>
At 1 January 1996	850	11,306	12,156
Profit for the year	—	4,185	4,185
Goodwill adjustment on subsidiary undertaking	—	192	192
Dividend	—	(3,200)	(3,200)
At 1 January 1997	850	12,483	13,333
Profit for the year	—	5,868	5,868
Dividend	—	(6,000)	(6,000)
At 31 December 1997	850	12,351	13,201

Company

	<i>Share capital £000</i>	<i>Profit and loss account £000</i>	<i>Total £000</i>
At 1 January 1996	850	14,026	14,876
Profit for the year	—	4,459	4,459
Dividend	—	(3,200)	(3,200)
At 1 January 1997	850	15,285	16,135
Profit for the year	—	6,762	6,762
Dividend	—	(6,000)	(6,000)
At 31 December 1997	850	16,047	16,897

19. CAPITAL COMMITMENTS

	<i>Group 1997 £000</i>	<i>Group 1996 £000</i>	<i>Company 1997 £000</i>	<i>Company 1996 £000</i>
Contracted but not provided for	454	273	68	273

NOTES TO THE ACCOUNTS
at 31 December 1997

20. OTHER FINANCIAL COMMITMENTS

At 31 December 1997, the group had annual commitments under non-cancellable operating leases as set out below:

	1997			1996		
	<i>Land and buildings</i>	<i>Other</i>	<i>Total</i>	<i>Land and buildings</i>	<i>Other</i>	<i>Total</i>
	£000	£000	£000	£000	£000	£000
Operating leases which expire:						
within one year	12	—	12	10	39	49
within two to five years	112	—	112	61	—	61
in over five years	447	—	447	477	—	477
	<u>571</u>	<u>—</u>	<u>571</u>	<u>548</u>	<u>39</u>	<u>587</u>

21. PENSIONS

The group operates contributory pension schemes for all eligible employees.

The three principal schemes are as follows:

(a) *Staff pension scheme*

The contributory defined benefit pension scheme for staff employees is a 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. Contributions are determined by a qualified actuary on the basis of triennial valuations,

using the projected unit credit funding method, the most recent of which was on 1 April 1995.

The most recent interim valuation was on 1 April 1997. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It was assumed that the investment returns would be 9% per annum, that salary increases would average 7% per annum and that present and future pensions would increase at the rate of 5% per annum.

Pension costs are accounted for in accordance with SSAP 24 "Accounting for pension costs" and accordingly the scheme surplus identified will be recognised over the expected service lives of existing scheme members.

The most recent interim valuation showed that the market value of the scheme's assets was £45,044,000 and that the actuarial value of those assets represented 110% of the benefit that had accrued to members, after allowing for expected future increases in earnings. The contribution of the group and employees will be 12.1% and 5% respectively.

NOTES TO THE ACCOUNTS

at 31 December 1997

21. PENSIONS (continued)

(b) *LAWDC'S scheme*

The group operates 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 1996. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rate of increase in wage and pensions. It was assumed that the investment returns would be 9% per annum, that wage increases would average 7% per annum and that present and future pensions would increase at the rate of 5% per annum.

The most recent valuation showed that the market value of the schemes assets was £250,600 and the actuarial valuation of those assets represented 133% of the benefit that had accrued to members, after allowing for expected future increases in earnings. The contribution of the group and employees will be 10% and 5% respectively.

(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 £3,355 (1996 – £3,185).

The group also operates a defined contribution scheme for certain employees which is an insured scheme. Contributions payable by the group to the fund amounted to £11,195 (1996 – £13,685).

22. 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.

23. RELATED PARTY TRANSACTIONS

During the year the group received disbursements from the Cairo Wastewater Consortium Joint Venture and the Interbeton/Nuttall Harare International Airport Joint Venture totalling £6.1 million leaving a loan balance at the year end of £6.1 million (1996 – £2.3 million) owed to Joint Ventures.

24. PARENT UNDERTAKINGS AND CONTROLLING PARTY

The company's immediate parent undertaking is Hollandsche Beton Groep (UK) Limited, a company incorporated in England. The company's ultimate parent undertaking and controlling party is Hollandsche Beton Groep n.v., a company incorporated in The Netherlands.

A copy of the group accounts of Hollandsche Beton Groep n.v. is available from the Company Secretary, Edmund Nuttall Limited, St James House, Knoll Road, Camberley, Surrey GU15 3XW.