

305189

EDMUND NUTTALL LIMITED

Report and Financial Statements

31 December 2001



Edmund Nuttall Limited

Registered No. 305189

DIRECTORS

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

SECRETARY

G M Renshaw (appointed 28 September 2001)
N Simpson (resigned 28 September 2001)

AUDITORS

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

BANKERS

National Westminster Bank
15 Bishopsgate
London EC2P 2AP

REGISTERED OFFICE

St James House
Knoll Road
Camberley
Surrey GU15 3XW

MANAGING DIRECTOR'S STATEMENT

The company achieved significant development during 2001.

The turnover increased by 26% to £382m with the forward order book lengthened and at the year end stands at a record level of £653m. A result of £13.4m pre-tax profit was achieved although much of the increased turnover was produced by new orders that will deliver profit in future years.

The strong order position for 2002 gives us confidence that the volume and performance level will be maintained during the coming year.

A number of new partnering and alliance frameworks were secured across established and new sectors. Partnering and alliancing now provides approximately 50% of our workload, with traditional and design and construct works making up the remainder. This blend of contract formats provides a sound foundation for the management of risk and opportunity, whilst delivering optimum value to our clients.

Our substantial effort and investment in workforce training is paying dividends. In excess of 50% of the workforce hold a recognised qualification or have registered and are in training. Support by our 112 qualified assessors and a substantial full-time training team is providing the impetus which gives us a leading market position in workforce upskilling. We were successful in securing a further European Social Fund grant to assist in financing the training of suppliers' and subcontractors' workforces. This initiative is now in its third year and is producing added value within our supply chain leading to consistency of performance and efficiency.

Our management team was developed with an increase of 20% in staffing levels whilst maintaining one of the lowest staff turnover rates in our sector.

The stability of our management teams has assisted in the absorption of new members of staff and enabled us to build on the level of performance in terms of quality and delivery.

Our co-ordinated approach to safety, environmental and quality management progressed well and a significant improvement in accident frequency was achieved.

The market outlook for 2002 shows continuing opportunities for the strategic development of the company and its management. The stability provided by longer term contracts and framework arrangements provides an excellent base for ongoing improvement of our performance and the services we offer.

The contribution made by our employees to achievements past and anticipated cannot be overstated 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 2001.

RESULTS AND DIVIDENDS

The results of the group are set out on page 8. The directors recommend an ordinary dividend of £4,000,000 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.

Since the balance sheet date Grupo Dragados SA, a company registered in Spain, has acquired 99% of the shares of Hollandsche Beton Groep n.v. and is now the ultimate parent undertaking.

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.

HEALTH & SAFETY, QUALITY AND ENVIRONMENT

The board regards health and safety at work as a matter of foremost importance. It ensures that all reasonably practicable steps are taken for the continuing health, safety and welfare of employees and other people who may be affected by Nuttall operations, including the allocation of necessary resources.

The board provides training and a work environment to allow all aspects of the business to perform in a professional and competent manner. This includes meeting requirements for quality in all its operations and undertaking these operations in the most beneficial way for the environment.

Nuttall contributes to sustainable development to the maximum extent practicable. Particular attention is given to the issues of pollution prevention, waste reduction, responsible use of energy and re-use, recycling and the choice of materials.

Nuttall is committed to the principle of continuous improvement through the use of measurable targets for health, safety, quality and environmental performance. Details of performance during 2002 are available on request.

During 2002, Nuttall intend to improve health and safety performance by embracing the CECA 'Turning concern into action' Action Plan and Strategy which seeks to ensure competence, consultation and communication through the commitment of all employees.

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. The group's news sheet, Messenger, is published four times a year and is distributed to all employees. This journal keeps employees up to date with new developments within the Company and the Group. 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.

DIRECTORS' REPORT

POLITICAL AND CHARITABLE CONTRIBUTIONS

No political contributions were made during the year (2000 – £nil). The total amount of charitable donations was £10,886 (2000 – £12,616).

DIRECTORS AND THEIR INTERESTS

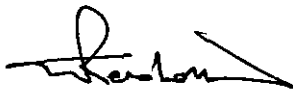
The directors who served during the year ended 31 December 2001 were as listed on page 1.

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 3 July 2002

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 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 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 2001, which comprise the Group Profit and Loss Account, Group Balance Sheet, 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.

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 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.

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 2001 and of the profit for 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

3 July 2002

GROUP PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2001

| | Notes | 2001 £000 | 2000 £000 |
|--|-------|----------------|----------------|
| TURNOVER | | | |
| Continuing operations: | | | |
| Group and share of joint ventures | 2 | 381,597 | 303,335 |
| Less: Share of joint ventures' turnover | | (33,842) | (21,081) |
| | | <u>347,755</u> | <u>281,979</u> |
| Ongoing Acquisitions | | — | 275 |
| | | <u>347,755</u> | <u>282,254</u> |
| GROUP TURNOVER | | | |
| Costs and expenses | 3 | (336,785) | (276,691) |
| | | <u>10,970</u> | <u>5,563</u> |
| OPERATING PROFIT | | | |
| Continuing operations: | | | |
| Ongoing Acquisitions | | — | — |
| | | <u>10,970</u> | <u>5,563</u> |
| GROUP OPERATING PROFIT | | | |
| Share of operating (loss)/profit in joint ventures | | (574) | 5,773 |
| | 4 | <u>10,396</u> | <u>11,336</u> |
| Interest receivable | 7 | 3,049 | 4,342 |
| Interest payable | | (81) | (326) |
| | | <u>2,968</u> | <u>4,016</u> |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | | | |
| Tax on profit on ordinary activities | 8 | (3,811) | (3,909) |
| | | <u>9,553</u> | <u>11,443</u> |
| PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION | | | |
| EQUITY MINORITY INTERESTS | | 309 | 219 |
| | | <u>9,862</u> | <u>11,662</u> |
| PROFIT FOR THE YEAR ATTRIBUTABLE TO MEMBERS OF THE PARENT UNDERTAKING | | | |
| DIVIDENDS PAID AND PROPOSED | 10 | (4,000) | (10,200) |
| | | <u>5,862</u> | <u>1,462</u> |
| RETAINED PROFIT FOR THE YEAR | 20 | | |

There are no recognised gains or losses other than the result for the years ended 31 December 2001 and 31 December 2000.

Edmund Nuttall Limited

GROUP BALANCE SHEET at 31 December 2001

| | Notes | 2001 £000 | 2000 £000 |
|--|-------|------------------|------------------|
| FIXED ASSETS | | | |
| Intangible assets | 11 | 2,556 | 2,723 |
| Tangible assets | 12 | 19,536 | 19,576 |
| Investments in joint ventures: | 13 | | |
| Share of gross assets | | 1,300 | 602 |
| Share of gross liabilities | | (5,667) | (4,696) |
| | | <u>17,725</u> | <u>18,205</u> |
| CURRENT ASSETS | | | |
| Stocks and work in progress | 14 | 639 | 532 |
| Debtors | 15 | 107,488 | 96,830 |
| Cash at bank and in hand | | 50,556 | 38,041 |
| | | <u>158,683</u> | <u>135,403</u> |
| CREDITORS: Amounts falling due within one year | 16 | <u>(136,973)</u> | <u>(118,354)</u> |
| NET CURRENT ASSETS | | <u>21,710</u> | <u>17,049</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>39,435</u> | <u>35,254</u> |
| CREDITORS: amounts falling due after more than one year | 17 | (1,500) | (1,704) |
| PROVISIONS FOR LIABILITIES AND CHARGES | 18 | (1,392) | (2,560) |
| | | <u>36,543</u> | <u>30,990</u> |
| MINORITY INTERESTS | | | |
| Equity | | 162 | (147) |
| | | <u>36,705</u> | <u>30,843</u> |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 19 | 27,000 | 27,000 |
| Profit and loss account | 20 | 9,705 | 3,843 |
| EQUITY SHAREHOLDERS' FUNDS | | <u>36,705</u> | <u>30,843</u> |

Director

Date

3 July 2002

Edmund Nuttall Limited

BALANCE SHEET

at 31 December 2001

| | Notes | 2001 £000 | 2000 £000 |
|--|-------|----------------|----------------|
| FIXED ASSETS | | | |
| Tangible assets | 12 | 15,712 | 15,519 |
| Investments | 13 | 10,808 | 11,898 |
| | | <u>26,520</u> | <u>27,417</u> |
| CURRENT ASSETS | | | |
| Stocks and work in progress | 14 | 623 | 517 |
| Debtors | 15 | 104,240 | 94,566 |
| Cash at bank and in hand | | 46,821 | 37,425 |
| | | <u>151,684</u> | <u>132,508</u> |
| CREDITORS: amounts falling due within one year | 16 | (134,222) | (115,136) |
| NET CURRENT ASSETS | | <u>17,462</u> | <u>17,372</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>43,982</u> | <u>44,789</u> |
| CREDITORS: amounts falling due after more than one year | 17 | (1,500) | (5,555) |
| PROVISIONS FOR LIABILITIES AND CHARGES | 18 | (1,392) | (2,560) |
| | | <u>(2,892)</u> | <u>(8,115)</u> |
| | | <u>41,090</u> | <u>36,674</u> |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 19 | 27,000 | 27,000 |
| Profit and loss account | 20 | 14,090 | 9,674 |
| EQUITY SHAREHOLDERS' FUNDS | | <u>41,090</u> | <u>36,674</u> |

Director

Date

3 July 2002

NOTES TO THE FINANCIAL STATEMENTS
at 31 December 2001

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, 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 2001

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 2001 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.

Deferred taxation

Deferred taxation is provided using the liability method on all timing differences, including those relating to pensions, which are expected to reverse in the future without being replaced, calculated at the rate at which it is anticipated the timing differences will reverse. Where, in the opinion of the directors, no liability is likely to arise in the foreseeable future, no provision is made.

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, 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.

NOTES TO THE FINANCIAL STATEMENTS
at 31 December 2001

2. **TURNOVER** (continued)

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

An analysis of turnover by geographical market is given below:

| | 2001 | 2000 |
|--------------------|----------------|----------------|
| | £000 | £000 |
| Geographical area: | | |
| United Kingdom | 334,605 | 260,955 |
| Rest of Europe | 22,598 | 10,957 |
| Outside Europe | 24,034 | 31,423 |
| | <u>381,597</u> | <u>303,335</u> |

3. **COSTS AND EXPENSES**

| | 2001 | 2000 |
|-------------------------------|----------------|----------------|
| | £000 | £000 |
| Staff costs (note 6) | 64,162 | 51,680 |
| Raw materials and consumables | 54,916 | 44,542 |
| Other external charges | 212,192 | 175,605 |
| Depreciation – Owned assets | 5,323 | 4,864 |
| Amortisation of goodwill | 192 | – |
| | <u>336,785</u> | <u>276,691</u> |

4. **OPERATING PROFIT**

This is stated after charging:

| | 2001 | 2000 |
|-----------------------------|---------|---------|
| | £000 | £000 |
| Hire of plant and machinery | 28,870 | 23,567 |
| Operating lease rentals | 425 | 349 |
| Auditors' remuneration | 85 | 91 |
| | <u></u> | <u></u> |

5. **DIRECTORS' REMUNERATION**

| | 2001 | 2000 |
|-------------------------------------|---------|---------|
| | £000 | £000 |
| Remuneration as executives | 419 | 379 |
| Emoluments of highest paid director | 226 | 195 |
| | <u></u> | <u></u> |

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2001

6. STAFF COSTS

| | 2001 £000 | 2000 £000 |
|-----------------------|---------------|---------------|
| Wages and salaries | 56,134 | 45,499 |
| Social security costs | 4,845 | 4,009 |
| Other pension costs | 3,183 | 2,172 |
| | <u>64,162</u> | <u>51,680</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:

| | 2001 No. | 2000 No. |
|--------------------|--------------|--------------|
| Weekly paid staff | 1,094 | 849 |
| Monthly paid staff | 1,065 | 969 |
| | <u>2,159</u> | <u>1,818</u> |

7. INTEREST RECEIVABLE

| | 2001 £000 | 2000 £000 |
|---|--------------|--------------|
| Interest receivable from group undertakings | 2,889 | 4,083 |
| Interest receivable – other | 160 | 259 |
| | <u>3,049</u> | <u>4,342</u> |

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

Based on the profit for the year:

| | 2001 £000 | 2000 £000 |
|---|--------------|--------------|
| Corporation tax payable | 4,657 | 4,440 |
| Deferred taxation | (846) | (32) |
| | <u>3,811</u> | <u>4,408</u> |
| Corporation tax over provided in previous years | – | (499) |
| Tax attributable to group | <u>3,811</u> | <u>3,909</u> |

9. PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT UNDERTAKING

The profit dealt with in the financial statements of the parent undertaking was £8,416,000 (2000 – £12,136,000).

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2001

10. DIVIDENDS

| | 2001 £000 | 2000 £000 |
|--|--------------|---------------|
| Equity dividends on ordinary shares: | | |
| Interim paid on 27,000,000 shares of £nil (2000 – 22,000,000 shares of £0.227) | – | 5,000 |
| Final proposed on 27,000,000 shares of £0.148 (2000 – £0.193) | 4,000 | 5,200 |
| | <u>4,000</u> | <u>10,200</u> |

11. INTANGIBLE FIXED ASSETS

| | Goodwill £000 |
|--------------------------|------------------|
| Cost: | |
| At 31 December 2000 | 2,723 |
| Additions | 25 |
| | <u>2,748</u> |
| At 31 December 2001 | |
| Amortisation: | |
| At 31 December 2000 | – |
| Provided during the year | 192 |
| | <u>192</u> |
| At 31 December 2001 | |
| Net book value: | |
| At 31 December 2001 | <u>2,556</u> |
| | <u>2,723</u> |
| At 31 December 2000 | |

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

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2001

12. TANGIBLE FIXED ASSETS

Group

| | <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</i> |
|--------------------------|--------------------------------------|---------------------------------------|---|---|--------------|
| Cost: | | | | | |
| At 31 December 2000 | 4,887 | 13 | 27,950 | 8,439 | 41,289 |
| Additions | 1,042 | — | 1,948 | 2,744 | 5,734 |
| Disposals | — | — | (809) | (1,730) | (2,539) |
| At 31 December 2001 | 5,929 | 13 | 29,089 | 9,453 | 44,484 |
| Depreciation: | | | | | |
| At 31 December 2000 | 210 | 13 | 16,035 | 5,455 | 21,713 |
| Provided during the year | 101 | — | 3,245 | 1,977 | 5,323 |
| Disposals | — | — | (654) | (1,434) | (2,088) |
| At 31 December 2001 | 311 | 13 | 18,626 | 5,998 | 24,948 |
| Net book value: | | | | | |
| At 31 December 2001 | 5,618 | — | 10,463 | 3,455 | 19,536 |
| At 31 December 2000 | 4,677 | — | 11,915 | 2,984 | 19,576 |

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 2000 | 4,261 | 23,451 | 7,392 | 35,104 |
| Additions | 1,314 | 1,923 | 1,039 | 4,276 |
| Disposals | — | (720) | (456) | (1,176) |
| At 31 December 2001 | 5,575 | 24,654 | (7,975) | 38,204 |
| Depreciation: | | | | |
| At 31 December 2000 | 208 | 14,447 | 4,930 | 19,585 |
| Provided during the year | 98 | 3,078 | 751 | 3,927 |
| Disposals | — | (590) | (424) | (1,020) |
| At 31 December 2001 | 306 | 16,929 | 5,257 | 22,492 |
| Net book value: | | | | |
| At 31 December 2001 | 5,269 | 7,725 | 2,718 | 15,712 |
| At 31 December 2000 | 4,053 | 9,004 | 2,462 | 15,519 |

Edmund Nuttall Limited

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2001

13. INVESTMENTS

Group

Investments in joint ventures

| | <i>£000</i> |
|---|----------------|
| At 1 January 2001 | (4,094) |
| Share of loss retained by joint venture | (574) |
| At 31 December 2001 | <u>(4,367)</u> |

| <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 2000 | 11,898 |
| Additions | 26 |
| Amounts written off investments | (1,116) |
| At 31 December 2001 | <u>10,808</u> |

The changes in the year include:

1. Increased acquisition cost for Finchpalm Limited.
2. Reduction in valuation of investment for Ascon Contracting Limited.

NOTES TO THE FINANCIAL STATEMENTS
at 31 December 2001

13. INVESTMENTS (continued)

The company's subsidiary undertakings at 31 December 2001 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 |

14. STOCKS AND WORK IN PROGRESS

| | <i>2001</i> | <i>Group</i> | <i>2001</i> | <i>Company</i> |
|-------------------------------|-------------|--------------|-------------|----------------|
| | <i>£000</i> | <i>2000</i> | <i>2001</i> | <i>2000</i> |
| | | <i>£000</i> | <i>£000</i> | <i>£000</i> |
| Raw materials and consumables | 639 | 532 | 623 | 517 |

15. DEBTORS

| | <i>2001</i> | <i>Group</i> | <i>2001</i> | <i>Company</i> |
|--|-------------|--------------|-------------|----------------|
| | <i>£000</i> | <i>2000</i> | <i>2001</i> | <i>2000</i> |
| | | <i>£000</i> | <i>£000</i> | <i>£000</i> |
| Amounts recoverable on contracts | 38,333 | 30,595 | 34,522 | 26,274 |
| Joint ventures | — | — | 392 | 1,893 |
| Trade debtors | 47,639 | 36,508 | 42,908 | 32,824 |
| Amounts owed by subsidiary undertakings | — | — | 5,175 | 7,250 |
| Amounts owed by parent and fellow group undertakings | 17,587 | 23,991 | 17,587 | 23,322 |
| Corporation tax | — | 399 | — | — |
| Other debtors | 3,929 | 5,337 | 3,656 | 3,003 |
| | 107,488 | 96,830 | 104,240 | 94,566 |

NOTES TO THE FINANCIAL STATEMENTS
at 31 December 2001

16. CREDITORS: amounts falling due within one year

| | <i>Group</i> | | <i>Company</i> | |
|--|----------------|----------------|----------------|----------------|
| | <i>2001</i> | <i>2000</i> | <i>2001</i> | <i>2000</i> |
| | <i>£000</i> | <i>£000</i> | <i>£000</i> | <i>£000</i> |
| Bank overdraft | 5,001 | 6,422 | 5,001 | 5,592 |
| Payments on account on long term contracts | 35,770 | 27,648 | 34,962 | 27,648 |
| Contract provisions | 4,738 | 7,598 | 4,738 | 7,598 |
| Amounts owed to joint ventures | — | — | 4,759 | 5,987 |
| Amounts owed to parent and fellow group undertakings | 136 | 854 | 136 | 911 |
| Trade creditors | 35,922 | 31,676 | 34,982 | 30,437 |
| Corporation tax | 7,219 | 5,208 | 7,387 | 5,257 |
| Other taxes and social security costs | 3,707 | 2,665 | 2,900 | 1,921 |
| Other creditors | 6,072 | 7,196 | 4,547 | 6,298 |
| Finance leases | 2 | 50 | — | — |
| Accruals and deferred income | 34,406 | 23,837 | 30,810 | 18,287 |
| Proposed dividend | 4,000 | 5,200 | 4,000 | 5,200 |
| | <u>136,973</u> | <u>118,354</u> | <u>134,222</u> | <u>115,136</u> |

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

| | <i>Group</i> | | <i>Company</i> | |
|---|--------------|--------------|----------------|--------------|
| | <i>2001</i> | <i>2000</i> | <i>2001</i> | <i>2000</i> |
| | <i>£000</i> | <i>£000</i> | <i>£000</i> | <i>£000</i> |
| Amounts owed to subsidiary undertakings | — | — | — | 3,852 |
| Finance leases | — | 1 | — | — |
| Other creditors | 1,500 | 1,703 | 1,500 | 1,703 |
| | <u>1,500</u> | <u>1,704</u> | <u>1,500</u> | <u>5,555</u> |

18. PROVISIONS FOR LIABILITIES AND CHARGES

| | <i>Deferred taxation £000</i> | <i>Pension provision £000</i> | <i>Total £000</i> |
|----------------------------|---------------------------------------|---------------------------------------|-----------------------|
| <i>Group & Company</i> | | | |
| At 31 December 2000 | — | 2,560 | 2,560 |
| Credit for year | (846) | (322) | (1,168) |
| At 31 December 2001 | <u>(846)</u> | <u>2,238</u> | <u>1,392</u> |

NOTES TO THE FINANCIAL STATEMENTS
at 31 December 2001

19 SHARE CAPITAL

There was no change to share capital during the year.

| | 2001 & 2000 | 2001 & 2000 |
|---|---------------------------|--|
| | <i>Authorised</i> £000 | <i>Allotted called up and fully paid</i> £000 |
| 150,000 3.85% redeemable cumulative preference shares of £1 each | 150 | – |
| 27,000,000 ordinary shares of £1 each (2000 – 27,000,000 ordinary shares of £1 each) | 27,000 | 27,000 |
| | <u>27,150</u> | <u>27,000</u> |

20. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

Group

| | <i>Share capital</i> £000 | <i>Profit and loss account</i> £000 | <i>Total</i> £000 |
|--------------------------------------|----------------------------------|--|----------------------|
| At 1 January 2000 | 22,000 | 2,381 | 24,381 |
| Profit for the year | – | 11,662 | 11,662 |
| Dividend | – | (10,200) | (10,200) |
| Share capital issued during the year | 5,000 | – | 5,000 |
| At 31 December 2000 | <u>27,000</u> | <u>3,843</u> | <u>30,843</u> |
| Profit for the year | – | 9,862 | 9,862 |
| Dividend | – | (4,000) | (4,000) |
| At 31 December 2001 | <u>27,000</u> | <u>9,705</u> | <u>36,705</u> |

NOTES TO THE FINANCIAL STATEMENTS
at 31 December 2001

20. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES
(continued)

Company

| | <i>Share capital £000</i> | <i>Profit and loss account £000</i> | <i>Total £000</i> |
|--------------------------------------|-----------------------------------|---|-----------------------|
| At 1 January 2000 | 22,000 | 7,738 | 29,738 |
| Profit for the year | – | 12,136 | 12,136 |
| Dividend | – | (10,200) | (10,200) |
| Share capital issued during the year | 5,000 | – | 5,000 |
| At 31 December 2000 | 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 |

21. CAPITAL COMMITMENTS

| | <i>2001 £000</i> | <i>Group 2000 £000</i> | <i>2001 £000</i> | <i>Company 2000 £000</i> |
|---------------------------------|----------------------|--------------------------------|----------------------|----------------------------------|
| Contracted but not provided for | 254 | 413 | 254 | 413 |

22. OTHER FINANCIAL COMMITMENTS

At 31 December 2001, the group had annual commitments under non-cancellable operating leases as set out below:

| | <i>Land and buildings 2001 £000</i> | <i>Land and buildings 2000 £000</i> |
|--------------------------------|---|---|
| Operating leases which expire: | | |
| within one year | 53 | 45 |
| within two to five years | 111 | 243 |
| in over five years | 170 | 143 |
| | 334 | 431 |

NOTES TO THE FINANCIAL STATEMENTS
at 31 December 2001

23. PENSIONS

The group operates contributory pension schemes for all eligible employees.

The three principal schemes are as follows:

(a) Staff pension scheme

The Edmund Nuttall Limited contributory defined benefit pension scheme for staff employees is invested in 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.

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 at 1 April 2001. Employer contributions to the scheme for the year ended 31 December 2001 were £3,129,000. The contribution of the group was increased to 13.7% in November 2001 and the employees contribution will be increased to 6% from April 2002. This situation will be re-assessed when the next valuation is prepared.

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 7% per annum pre retirement and 5.5% post retirement, that general salary increases would average 4.5% p.a. and that future pension increases would average 2.5% for those limited to price inflation (5% fixed on pension accrued prior to 1 June 1995).

Pension costs are accounted for in accordance with SSAP24 "Accounting for pension costs" and accordingly any scheme surplus or deficit identified will be recognised over the expected service lives of existing scheme members.

The market value of the scheme's assets at 1 April 2001 was £70,200,000 and the actuarial value of those assets represented 93% of the benefit that had accrued to members, after allowing for expected future increases in earnings. However, the minimum funding requirement remains in excess of 100%.

FRS disclosures

The pension cost figures used in these financial statements comply with the current pension cost accounting standard SSAP24. A new pension cost accounting standard FRS17 must be used for the figures that will be shown in the financial statements for the year ended 31 December 2003 and subsequent years. Under transitional arrangements the company is required to disclose the following information about the scheme and the figure that would be shown under FRS17 in the current balance sheet.

NOTES TO THE FINANCIAL STATEMENTS
at 31 December 2001

23. PENSIONS (continued)

A full actuarial valuation was carried out at 1 April 2001 and updated to 31 December 2001 by a qualified independent actuary. The major assumptions used by the actuary were:

| | <i>31 December 2001</i> |
|---|-----------------------------|
| Rate of increase in salaries | 4.00% |
| Rate of increase in deferred pensions | 2.50% |
| Rate of increase in pensions in payment – (fixed) | 5.00% |
| – (LPI) | 2.50% |
| Discount rate | 6.00% |
| Inflation assumption | 2.50% |

The fair value of the assets held by the pension scheme at 31 December 2001 and the expected rate of return was as follows:

| | <i>Expected rate of return at 31 December 2001 %</i> | <i>Fair value at 31 December 2001 £000</i> |
|----------------------------|--|--|
| Equities | 7.85 | |
| Bonds | 5.35 | |
| Other | 4.5 | |
| Total fair value of assets | | 68,666 |

The net liability in respect of the pension scheme, which has not been included in the balance sheet of Edmund Nuttall Limited, is analysed as follows:

| | <i>31 December 2001 £000</i> |
|--|--------------------------------------|
| Fair value of scheme assets | 68,666 |
| Present value of scheme liabilities | (79,903) |
| Deficit in the scheme | (11,237) |
| Related deferred tax | 3,371 |
| Pension provision currently included in the financial statements | 2,238 |
| Net pension liability | (5,628) |

At the date of the most recent actuarial valuation the scheme actuary to the Edmund Nuttall Limited Staff Superannuation fund estimated the shortfall in the scheme on the funding and SSAP24 basis to be £5.2 million (before related deferred tax and pension provisions). The directors of the company consider the larger deficit calculated under FRS 17 to have arisen owing to FRS 17 requiring the pension scheme assets and liabilities to be valued using a different method from SSAP 24.

After considering the calculation performed under FRS 17, the directors of the company do not intend to alter the level of pension contributions.

NOTES TO THE FINANCIAL STATEMENTS
at 31 December 2001

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% per annum and that earnings would rise by 4% 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 future were discounted for investment returns at 7% per annum before retirement and 6% per annum after retirement.

The most recent interim 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 2001.

(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 £89,885 (2000 – £4,685).

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 £7,640 (2000 – £15,081).

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 £3.9 million and made payments into joint ventures of £0.3 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 Hollandsche Beton Groep n.v. a company incorporated in The Netherlands.

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