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Report and Financial Statements

PB Limited

24 October 2004



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PB Limited

Registered No. 656314

DIRECTORS

S C Reynolds

W M Ritchie

G R Ayres

R M Morris

T J Matthews

P R Martin

SECRETARY

S J E Davidson

AUDITORS

Ernst & Young LLP

1 More London Place

London SE1 2AF

REGISTERED OFFICE

Amber Court

William Armstrong Drive

Newcastle Business Park

Newcastle Upon Tyne, NE4 7YQ

DIRECTORS' REPORT

The directors present their report and financial statements for the year ended 24 October 2004.

RESULTS AND DIVIDENDS

The loss for the year after taxation amounted to £2,310,000 (2003 – profit of £36,000). The directors are unable to recommend a dividend for the year (2003 – £nil).

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The principal activity of the company is that of the provision of consulting engineering services to clients in several market sectors including infrastructure and transportation.

The company continues to focus on its core client base in the transportation and infrastructure sectors and continues to provide significant manpower and technical resources to other UK Group companies, notably Parsons Brinckerhoff Limited. This is achieved through subcontracting arrangements, reflecting recovery of cost and margin at market rates, supporting the delivery of the project to the final client.

During the year, the majority of new contracts awarded to the Parsons Brinckerhoff Holdings Group, regardless of market or client type, have been entered into by a fellow subsidiary undertaking, Parsons Brinckerhoff Limited. This decision was taken to emphasise the “one PB” brand and client service delivery within the EAME region and also to clarify the trading position within a simplified UK statutory structure going forward.

70% (2003: 65%) of the company's turnover was generated from clients in the Surface Transportation sector. The UK Rail market for detailed design suffered significant contraction throughout 2004 due to the uncertainties surrounding Network Rail's procurement policies, notably greater proportion of client – performed design work. Several Rail bids were lost or deferred during the last half of 2004. This has led to a review and restructuring of the company's Rail business during early 2005. The company has been successful in obtaining urban transit work and retaining a sizeable presence on the West Coast Main Line program management project into 2005 and beyond. Additionally, some design and route alignment work has been secured in the Middle East, based on 2004 bidding activity.

The Highways business maintained volumes and margins, and included a focus on Early – Contractor Involvement (ECI) contracts. The business was successful in securing six such contracts, where a gainshare formula is applied to the company's design and program management fees if the project's totalled installed costs are within the client target price.

The remaining 30% (2003: 35%) of revenue represented services such as building systems, environmental and quality management and inspection for a wide variety of clients in the public and private sectors.

The company was awarded a significant infrastructure project in Dubai during 2004. This encompasses the program management for the installation of the utilities and infrastructure required for the development of Palm Island, a multi-billion pound resort and residential project. This is regarded as a major opportunity to enlarge the company's and Group's presence in the UAE marketplace, including surface transportation.

DIRECTORS' REPORT

DIRECTORS AND THEIR INTERESTS

The directors who served during the year were as follows:

S C Reynolds
D A McAlister (resigned 12 May 2004)
W M Ritchie
G R Ayres
R M Morris
T J Matthews
P R Martin

There are no notifiable interests in the shares of the company or other group companies under the Companies Act 1985.

QUALIFYING THIRD PARTY INDEMNITY PROVISIONS FOR DIRECTORS

The company's ultimate parent undertaking maintains liability and indemnity insurance for its directors and officers and for those of its subsidiaries. This provision has been in place throughout the year.

EMPLOYMENT POLICY

The company is committed to a policy of non-discrimination and equal opportunity in employment, regardless of gender, marital status, race, colour, religion, ethnic or national origin. In particular full and fair consideration is given to the employment needs of disabled persons (and persons who become disabled whilst employed by the Company) and to comply with any current legislation with regard to disabled persons. The company offers disabled persons equal opportunities to participate fully in training and career development programmes.

EMPLOYEE INVOLVEMENT

In line with the Parsons Brinckerhoff five year strategic plan which recognises that our employees are our most valuable asset, the company has a number of established "Career Development Programmes", supported through the Office of Professional Practice (OPP), which are open to all employees.

In addition, engineering graduates are recruited onto an accredited and structured four-year training programme, leading to chartered status. All employees are encouraged to seek a mentor, or to mentor other employees, and are supported wherever possible to actively develop both personally and professionally.

All professional development activities are designed to promote and meet business objectives, and employees are kept up to date with commercial, technical and developmental initiatives through a range of in-house publications. "Practice Area Networks" have already been created in 53 technical and professional disciplines, linking employees working in those disciplines throughout PB globally.

Further, a "Professional Growth Network" (PGN) operates within PB for emerging professionals with up to 10 years' experience. The PGN is financially supported by the company to facilitate organised involvement in establishing best practice in all aspects of employment, career development and recruitment, as well as promoting corporate citizenship and liaison with universities and schools.

Information relating to current business performance, organisational changes and future strategic developments is routinely communicated to employees through staff briefings which take place at each of the permanent office locations within the UK. In 2005 the company intends to establish an Information and Consultation Forum, containing elected staff representatives, in order to promote and facilitate two way communication with our employees.

PB Limited

DIRECTORS' REPORT

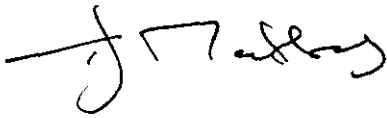
DONATIONS

During the year the company did not make any contributions (2003: £1,305) for charitable purposes.

AUDITORS

Having passed elective resolutions of the shareholders at an extraordinary general meeting the company is exempt from the obligation to annually re-appoint and to hold annual general meetings. Accordingly the board recommend that Ernst & Young LLP continue in office as auditors to the company.

On behalf of the board



Director

9/6/2005

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 profit or loss of the company 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 company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report to the members of PB Limited

We have audited the company's financial statements for the year ended 24 October 2004 which comprise the Profit and Loss Account, Statement of total recognised gains or losses, Balance Sheet and the related notes 1 to 22. 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 company 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 company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 24 October 2004 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP
Registered Auditor
London

Ernst & Young LLP
Registered Auditor
London

09 JUN 2005

PB Limited

PROFIT AND LOSS ACCOUNT for the year ended 24 October 2004

	<i>Notes</i>	<i>2004</i> <i>£000</i>	<i>2003</i> <i>£000</i>
TURNOVER	2	71,340	87,660
Cost of sales		(35,108)	(46,354)
GROSS PROFIT		36,232	41,306
Administrative expenses		(38,381)	(41,232)
Other operating income		-	94
OPERATING (LOSS)/PROFIT		(2,149)	168
Income from investments in group undertakings		-	14
Interest receivable	6	77	28
Profit on disposal of investment		-	42
Interest payable and similar charges	7	(224)	(209)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	(2,296)	43
Tax on (loss)/profit on ordinary activities	8	(14)	(7)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION			
RETAINED FOR THE YEAR	16	(2,310)	36

The above results are wholly attributable to continuing activities.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the year ended 24 October 2004

There are no recognised gains or losses other than the loss of £2,310,000 in the year ended 24 October 2004 (2003 - profit of £36,000).

PB Limited

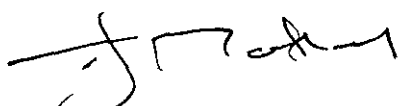
BALANCE SHEET at 24 October 2004

	Notes	2004 £000	2003 £000
FIXED ASSETS			
Tangible fixed assets	9	792	1,363
Investments	10	126	126
		<u>918</u>	<u>1,489</u>
CURRENT ASSETS			
Debtors	11	42,773	47,187
Cash at bank and in hand		5,688	1,139
		<u>48,461</u>	<u>48,326</u>
CREDITORS: amounts falling due within one year	12	<u>(33,334)</u>	<u>(31,156)</u>
NET CURRENT ASSETS		<u>15,127</u>	<u>17,170</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>16,045</u>	<u>18,659</u>
PROVISIONS FOR LIABILITIES AND CHARGES	13	(80)	(384)
		<u>15,965</u>	<u>18,275</u>
CAPITAL AND RESERVES			
Called up share capital	15	8,139	8,139
Share premium account	16	8,181	8,181
Capital redemption reserve	16	3,094	3,094
Capital contribution	16	7,200	7,200
Profit and loss account	16	(10,649)	(8,339)
	16	<u>15,965</u>	<u>18,275</u>
SHAREHOLDERS' FUNDS			
Equity		8,165	10,475
Non-Equity		7,800	7,800
		<u>15,965</u>	<u>18,275</u>

The financial statements were approved by the board of directors on its behalf by:

9/6/

2005 and signed on


Director

NOTES TO THE FINANCIAL STATEMENTS

at 24 October 2004

1. ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Accounting convention

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

Group financial statements

The company is exempt by virtue of s228 of the Companies Act 1985 from the requirement to prepare group financial statements. These financial statements present information about the company as an individual undertaking and not about its group. The results are included in the consolidated financial statements of Parsons Brinckerhoff Holdings Limited, a company incorporated in England and Wales.

Investments

Fixed asset investments are stated at cost less provision for any impairment.

Turnover

Turnover, which is stated net of value added tax, comprises the sales value of work done and services rendered on contracts calculated by reference to the total sales value of each contract and includes expenses recharged to clients. Revenue on time and expense contracts is included in sales as the work is done.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation.

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life.

The techniques used for the financial year ended 24 October 2004 are as follows:

Long leasehold buildings	- 2% per annum straight line
Leasehold improvements	- over the term of the lease
Furniture, fixtures and equipment	- 20% or 33% per annum straight line
Motor vehicles	- 25% per annum straight line

No depreciation is charged on land.

Long term contracts

The amount of profit attributable to the stage of completion of a long term contract is recognised when the outcome of the contract can be foreseen with reasonable certainty. Turnover for such contracts is stated at cost appropriate to their stage of completion plus attributable profits, less amounts recognised in previous years. Full provision is made for losses on all contracts as soon as they are foreseen.

Contract work in progress, included within debtors, is stated at costs incurred, less those transferred to the profit and loss account, after deducting foreseeable losses and payments on account not matched with turnover.

Amounts recoverable on contracts are included in debtors and represent turnover recognised in excess of payments on account.

NOTES TO THE FINANCIAL STATEMENTS
at 24 October 2004

1. ACCOUNTING POLICIES (continued)

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

- provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;
- provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable;
- deferred tax assets are recognised only to the extent that the directors consider 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 an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated using the rate of exchange ruling at the balance sheet date. Any gain or loss arising from a change in the exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

Operating leases

Operating lease rentals are charged to the profit and loss account as incurred on a straight line basis over the lease term.

Pension costs

During the year the company made contributions to the PB Defined Contribution Pension Plan ('the Scheme'). The assets of the Scheme are held separately from those of the company in an independently administered fund and contributions are charged to the profit and loss account when payable. The Scheme was established to replace the PB UK Group Pension Plan ('the Plan'), a defined benefit scheme which was closed to future accrual with effect from 1 August 2003.

The requirements of FRS 17 have been adopted in full, with the company accounting for contributions made to the Plan as if it were a defined contribution plan given that the company is unable to identify its share of the underlying assets and liabilities of the Plan on a consistent and reasonable basis. Any amounts charged to the profit and loss account relating to the Plan represent therefore, contributions payable in respect of the accounting period.

Note 20 to the financial statements discloses a summary of the latest actuarial valuation in respect of the Plan. Full disclosure of the latest actuarial valuation at the balance sheet date is made in the financial statements of Parsons Brinckerhoff Overseas Holdings Limited.

NOTES TO THE FINANCIAL STATEMENTS
at 24 October 2004

1. ACCOUNTING POLICIES (continued)

Statement of cash flows

Under the provisions of Financial Reporting Standard No.1 (revised), the company has not prepared a statement of cash flows because more than 90% of its voting rights are controlled within the Parsons Brinckerhoff Holdings Limited group and the company's results are consolidated in the group financial statements of Parsons Brinckerhoff Holdings Limited.

2. TURNOVER

Turnover is attributable to one continuing activity, the provision of consulting and engineering services.

The geographical analysis of turnover by destination is as follows:

	2004 £000	2003 £000
Europe	68,803	83,212
West Indies and America	1,057	3,189
Far East and Australasia	768	880
Middle East	617	337
Africa	95	42
	<u>71,340</u>	<u>87,660</u>

3. (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

(Loss)/profit on ordinary activities before taxation is stated after charging/(crediting):

	2004 £000	2003 £000
Loss on disposal of fixed assets	38	-
Depreciation	565	575
Auditors' remuneration – audit services	-	103
Auditors' remuneration – other services	5	128
Hire of plant and machinery (including motor vehicles)	704	902
Other operating lease rentals	-	1,466
	<u>-</u>	<u>1,466</u>

In 2004, auditors' remuneration for audit services and other operating lease rentals are borne by another group undertaking.

NOTES TO THE FINANCIAL STATEMENTS
at 24 October 2004

4. DIRECTORS' EMOLUMENTS

Remuneration

The remuneration of the directors was as follows:

	2004 £000	2003 £000
Emoluments	277	698
Company contributions paid to defined contribution pension plan	49	9
Compensation for loss of office	-	86

Certain of the directors are also directors of fellow subsidiary undertakings, and their emoluments are borne by these entities. These emoluments are disclosed in those undertakings' financial statements as appropriate. The directors do not believe that it is practical to apportion these emoluments between the company and the relevant fellow subsidiary undertaking.

Pensions

The number of directors who were members of pension schemes was as follows:

	2004 No.	2003 No.
Hybrid schemes	2	6
Defined contribution scheme	2	2

Highest-paid director

The above amounts for remuneration include the following in respect of the highest paid director:

	2004 £000	2003 £000
Emoluments	148	257
Company contributions paid to defined contribution pension plan	21	-

PB Limited

NOTES TO THE FINANCIAL STATEMENTS at 24 October 2004

5. STAFF NUMBERS AND COSTS

The aggregate payroll costs of persons employed by the company were as follows:

	2004 £000	2003 £000
Wages and salaries	33,415	36,112
Social security costs	3,564	3,509
Other pension costs	1,295	1,787
	<u>38,274</u>	<u>41,408</u>

The average monthly number of persons employed by the company (including directors) during the year, analysed by category was as follows:

	2004 No.	2003 No.
Technical	922	1,051
Administration	125	131
	<u>1,047</u>	<u>1,182</u>

6. INTEREST RECEIVABLE

	2004 £000	2003 £000
Bank interest	<u>77</u>	<u>28</u>

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2004 £000	2003 £000
On bank loans and overdrafts	<u>224</u>	<u>209</u>

NOTES TO THE FINANCIAL STATEMENTS
at 24 October 2004

8. TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES

Analysis of charge in year

	2004 £000	2003 £000
<i>Foreign tax</i>		
Tax on (loss)/profit on ordinary activities :Foreign tax charge for current year	14	7
	<u>14</u>	<u>7</u>

Factors affecting the tax charge for the current year

The current tax charge for the year is higher (2003: lower) than the standard rate of corporation tax in the UK of 30% (2003: 30%). The differences are explained below.

	2004 £000	2003 £000
(Loss)/profit on ordinary activities before tax	(2,296)	43
Current tax at 30% (2003: 30%)	<u>(689)</u>	<u>13</u>
Effects of:		
Expenses not deductible for tax purposes	450	51
Other permanent differences	122	95
Decelerated capital allowances	16	174
Other timing differences	(3)	47
Tax losses utilised	-	(332)
Group relief – losses surrendered/(claimed)	118	(41)
Total current tax charge (see above)	<u>14</u>	<u>7</u>

Factors that may affect future tax charges

The company has allowable trading losses of £6,305,000 (24 October 2003: £4,897,000). There is also an unrecognised deferred tax asset of £576,000 (24 October 2003: £1,050,700) on decelerated capital allowances. No deferred tax asset has been recognised in respect of these amounts given the present lack of certainty over future trading profits.

PB Limited

NOTES TO THE FINANCIAL STATEMENTS at 24 October 2004

9. TANGIBLE FIXED ASSETS

	<i>Land and Buildings £000</i>	<i>Leasehold improvements £000</i>	<i>Furniture, fixtures and equipment £000</i>	<i>Total £000</i>
<i>Cost:</i>				
At 24 October 2003	10	44	2,448	2,502
Additions	—	—	32	32
Disposals	—	—	(66)	(66)
At 24 October 2004	<u>10</u>	<u>44</u>	<u>2,414</u>	<u>2,468</u>
<i>Depreciation:</i>				
At 24 October 2003	—	18	1,121	1,139
Provided during the year	—	3	562	565
Disposals	—	—	(28)	(28)
At 24 October 2004	<u>—</u>	<u>21</u>	<u>1,655</u>	<u>1,676</u>
<i>Net book value:</i>				
At 24 October 2004	<u>10</u>	<u>23</u>	<u>759</u>	<u>792</u>
At 24 October 2003	<u>10</u>	<u>26</u>	<u>1,327</u>	<u>1,363</u>

PB Limited

NOTES TO THE FINANCIAL STATEMENTS at 24 October 2004

10. INVESTMENTS

Subsidiary undertakings

	£000
At 24 October 2003 and at 24 October 2004	126

PB Limited holds 100% of the equity share capital of the following subsidiary undertakings. The company marked * is owned indirectly through subsidiary undertakings. Details concerning investments which are not significant have been omitted from the list set out below in order to avoid a statement of excessive length.

<i>Name of undertaking</i>	<i>Principal activity</i>
Kennedy & Donkin Overseas Limited	Holding company
Parsons Brinckerhoff (Middle East) Limited* (incorporated in Cyprus)	Consulting engineers
Kennedy & Donkin Generation & Industrial Limited	Consulting engineers

11. DEBTORS: amounts falling due within one year

	2004 £000	2003 £000
Trade debtors	7,216	14,144
Amounts recoverable on contracts	7,350	10,445
Amounts owed by immediate parent and fellow UK Group undertakings	22,698	16,085
Amounts owed by other fellow undertakings in the PB Inc Group	6,094	5,157
Other debtors	145	55
Prepayments and accrued income	207	364
	<u>42,773</u>	<u>47,187</u>

12. CREDITORS: amounts falling due within one year

	2004 £000	2003 £000
Payments received on account	1,430	3,621
Trade creditors	302	1,637
Amounts owed to immediate parent and fellow UK Group undertakings	25,065	20,317
Amounts owed to other fellow undertakings in the PB Inc Group	4,186	2,640
Other taxes and social security	1,322	1,186
Overseas tax payable	60	60
Other creditors	596	164
Accruals and deferred income	373	1,531
	<u>33,334</u>	<u>31,156</u>

NOTES TO THE FINANCIAL STATEMENTS
at 24 October 2004

13. PROVISIONS FOR LIABILITIES AND CHARGES

	<i>Dilapidations & other property provisions</i>	<i>Other</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
At 24 October 2003	180	204	384
Released to profit and loss account	(112)	(170)	(282)
Utilised in year	(13)	(9)	(22)
At 24 October 2004	<u>55</u>	<u>25</u>	<u>80</u>

The dilapidations and other property provisions relate to an onerous lease for a property that the company presently does not occupy. The lease expires in 2009 and the property is sublet at lower than the lease cost.

Other provisions at 24 October 2004 represents amount payable in respect of a widow's pension for a former director.

14. DEFERRED TAXATION

The company has not recognised any deferred tax asset at the balance sheet date. The amounts not recognised (calculated at 30%) are as follows:

	<i>2004</i>	<i>2003</i>
	<i>£000</i>	<i>£000</i>
Decelerated capital allowances	693	1,051
Other timing differences	19	18
Tax losses	1,774	1,469
	<u>2,486</u>	<u>2,538</u>
Unrecognised deferred tax asset at start of the year	2,538	3,529
Movement in the year	(52)	(991)
Unrecognised deferred tax asset at end of the year	<u>2,486</u>	<u>2,538</u>

PB Limited

NOTES TO THE FINANCIAL STATEMENTS at 24 October 2004

15. SHARE CAPITAL

	2004 £000	2003 £000
Authorised:		
Ordinary shares 25p each	2,750	2,750
Redeemable non-cumulative 0% 'D' preference shares £1 each	7,800	7,800
	<u>10,550</u>	<u>10,550</u>

'D' preference shares rank pari passu with the ordinary share capital of the company.

'D' preference shares are redeemable at any time by the company at par. On a winding up of the company, the preference shareholders have a right to receive, in preference to the ordinary shareholders, the nominal value of their shares.

	2004 No.	2003 No.	2004 £	2003 £
Allotted, called up and fully paid:				
Ordinary shares of 25p each	1,355,510	1,355,510	338,878	338,878
Redeemable non-cumulative 'D' preference shares of £1 each	7,800,000	7,800,000	7,800,000	7,800,000
			<u>8,138,878</u>	<u>8,138,878</u>

16. CAPITAL AND RESERVES

	<i>Called up share capital £000</i>	<i>Share premium account £000</i>	<i>Capital redemption reserve £000</i>	<i>Capital contribution £000</i>	<i>Profit and loss account £000</i>	<i>Total capital and reserves £000</i>
At 24 October 2003	8,139	8,181	3,094	7,200	(8,339)	18,275
Loss for the financial year	—	—	—	—	(2,310)	(2,310)
At 24 October 2004	<u>8,139</u>	<u>8,181</u>	<u>3,094</u>	<u>7,200</u>	<u>(10,649)</u>	<u>15,965</u>

17. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2004 £000	2003 £000
(Loss)/profit for the financial year	(2,310)	36
Net (decrease)/increase to shareholders' funds	<u>(2,310)</u>	<u>36</u>
Opening shareholders' funds	18,275	18,239
Closing shareholders' funds	<u>15,965</u>	<u>18,275</u>

NOTES TO THE FINANCIAL STATEMENTS

at 24 October 2004

18. LEASE OBLIGATIONS

Annual commitments under non-cancellable operating leases are as follows:

	2004	2003
	Other	Other
	£000	£000
Operating leases which expire		
– within 1 year	114	278
– within 2 - 5 years	469	2,088
– after more than 5 years	-	-
	<u>583</u>	<u>2,366</u>

There were no operating leases in respect of land and buildings.

19. CONTINGENT LIABILITIES AND FINANCIAL COMMITMENTS

The company faces contingent liabilities in the ordinary course of business including guarantees and bonds. Any losses foreseen under these arrangements are provided for in the financial statements.

20. PENSION COMMITMENTS

Defined contribution pension plan

The pension cost for the period in respect of the “PB Defined Contribution Pension Plan” (“the Scheme”) represents contributions payable by the company to the Scheme and amount to £1,295,111 (2003: £307,143). The pension costs are higher in 2004 compared to 2003, since contributions were made to the Scheme for the full financial year, whereas in the previous year only three months of contribution were made. There were no outstanding or prepaid contributions at the end of the financial year (2003: none).

The defined contribution pension cost for the year in respect of the “PB UK Group Pension Plan” (“the Plan”) represent contributions payable by the company to the Plan of £nil (2003: £1,794,557), as a result of the decision by the Plan trustees with effect from 1 August 2003, to close the Plan to further accrual of defined benefits. Members were granted deferred pensions based on their salary and service at that date. Future pension provision for the employees who were members of the Plan at the date of closure is provided under the new defined contribution plan described above.

Defined benefit pension plan

The company, along with other Parsons Brinckerhoff UK group companies, participates in the Plan, a defined contribution scheme with a significant defined benefit liability. Because the company is unable to identify its share of the Plan assets and liabilities on a consistent and reasonable basis, as permitted by FRS 17 “Retirement benefits” the Plan has been accounted for, in these financial statements, as if the Plan was a defined contribution plan as described above.

The latest full actuarial valuation was carried out as at 31 March 2003, in respect of the defined benefit element of the Plan, and was updated for FRS17 purposes to 24 October 2004 by a qualified independent actuary. It has been agreed with the Trustees that the Group will contribute £2.1 million annually to the Plan in order to reduce the current deficit position of the Plan. This is in accordance with the requirements of the Minimum Funding Requirement.

Under the FRS17 basis, the Plan had a deficit of £37,590,000 (2003: £35,555,000), which relates to the total deficit for all the participating employers in the Plan. Full details of the FRS17 disclosure can be found in the financial statements of Parsons Brinckerhoff Overseas Holdings Limited.

NOTES TO THE FINANCIAL STATEMENTS
at 24 October 2004

21. RELATED PARTY TRANSACTIONS

As the company is a wholly owned subsidiary of Parsons Brinckerhoff Holdings Limited, the company has taken advantage of the exemption contained in FRS 8 'Related Party Transactions' and has therefore not disclosed transactions or balances with entities, which form part of the group.

The company has also taken advantage of the exemption in FRS 8 in respect of transactions with the wider group, whose parent undertaking is Parsons Brinckerhoff Inc. Copies of the financial statements are available on request from the Company Secretary at the Registered Office address.

22. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The company is a subsidiary of Parsons Brinckerhoff Holdings Limited, which is the largest UK group in which the results of the company are consolidated. Parsons Brinckerhoff Holdings Limited is registered in England and Wales. The consolidated financial statements of Parsons Brinckerhoff Holdings Limited are available to the public and may be obtained from Amber Court, William Armstrong Drive, Newcastle Business Park, Newcastle upon Tyne, NE4 7YQ.

The company's ultimate parent undertaking is Parsons Brinckerhoff Inc., a company incorporated in the State of Delaware in the United States of America. This is the largest world-wide group for which group financial statements are prepared.