

**Report of the Directors and  
Financial Statements For The Year Ended 31 December 2007  
for  
Black & Veatch Limited**

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For The Year Ended 31 December 2007**

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**Black & Veatch Limited**

**Company Information**

**For The Year Ended 31 December 2007**

**DIRECTORS:**

B A Ainsworth  
D W McCarthy  
D R Still  
G W Townsend  
A E Collins  
E K Wrighton

**SECRETARIES:**

G C Hedemann  
C A Kiernan

**REGISTERED OFFICE:**

Grosvenor House  
69 London Road  
Redhill  
Surrey  
RH1 1LQ

**REGISTERED NUMBER:**

03163649 (England and Wales)

**AUDITORS:**

KPMG LLP  
Chartered Accountants  
8 Salisbury Square  
London  
EC4Y 8BB

## **Black & Veatch Limited**

### **Report of the Directors For The Year Ended 31 December 2007**

The directors present their report with the financial statements of the company for the year ended 31 December 2007

#### **PRINCIPAL ACTIVITIES**

The Company is a wholly-owned subsidiary of Black & Veatch Holding Company, a corporation whose principal place of business is at 8400 Ward Parkway, Kansas City, Missouri 64114, United States of America

The principal activities of the company in the year under review was that of the design, manufacture, construction and installation of water production, filtration, effluent, sewage treatment plants and electricity generation plants for municipal and industrial applications in the United Kingdom and throughout the world

#### **REVIEW OF BUSINESS**

The results for the year and financial position of the company are as shown in the annexed financial statements

For the year ended 31 December 2007, revenue increased by £239.1 million from the previous year. The increase was primarily attributable to the acquisition of the civil contracting business of MJ Gleeson Plc in October 2006. Excluding the acquisition, total revenue growth for the year ended 31 December 2007 would have been £61.3 million, an increase of 18.7% over 2006, primarily driven by new design/build work secured and being executed in the Asia Pacific region.

Black & Veatch has long been a leader in delivering essential and reliable technology to clients. The holding company invests heavily in research and development activities appropriate to the nature and size of its operations with the aim of supporting the future development of the company, in the medium to long-term future. Strategic planning activities have identified a number of best-of-class technologies that resulted in a number of updates to existing services.

As shown in the company's profit and loss account on page 7, the company's turnover has improved. The major factors resulting in the movements were:

1. The business expansion from the acquisition of the assets of the M J Gleeson water business. The acquisition more than doubles the size of Black & Veatch's existing UK Water operations and brings added project delivery capabilities to clients. With these additional construction capabilities, the company is now a single source provider of engineering design, process engineering and construction for UK water clients.
2. Successful implementation of Drive for Value strategy that strengthened the financial position while also enhancing service to clients, driving higher levels of project execution and addressing issues the employees faced.
3. Foreign exchange movements resulting from changes in the rates between Sterling and the US Dollar.

There have been no significant events since the balance sheet date which should be considered for a proper understanding of these financial statements.

The company manages its operations on a matrix organisation structure which divides its operation into regional business sector and regional function sector. The regional business directors will be responsible for all activities and business within their respective areas, whereas, the functional regional directors will be responsible for setting and monitoring goals, expectations and performance in their respective areas of operation. For this reason, the company's directors believe that further key performance indicators for the company are not necessary or appropriate for an understanding of the development, performance or position of the business.

#### **DIVIDENDS**

The directors do not recommend the payment of a dividend (2006 nil).

#### **DIRECTORS**

The directors shown below have held office during the whole of the period from 1 January 2007 to the date of this report:

B A Ainsworth  
D W McCarthy  
D R Still  
G W Townsend

## **Black & Veatch Limited**

### **Report of the Directors For The Year Ended 31 December 2007**

#### **DIRECTORS - continued**

Other changes in directors holding office are as follows

C A Johnson III - resigned 21 December 2007

A E Collins - appointed 21 December 2007

E K Wrighton - appointed 21 December 2007

#### **DIRECTORS INDEMNITY**

Certain directors benefited from qualifying third party indemnity provisions in place during the financial year and at 31 December 2007

#### **ISSUE OF SHARE CAPITAL**

During the year the company issued £14,527,845 shares at par

#### **POLITICAL AND CHARITABLE CONTRIBUTIONS**

The company made no charitable donations during the year (2006 £100) The company made no political donations in the current year and prior year

#### **ELECTIVE RESOLUTION**

The company has passed resolutions to dispense with the requirement to hold Annual General Meetings and to re-appoint the auditors on an annual basis KPMG will therefore continue in office

#### **PRINCIPAL RISKS AND UNCERTAINTIES**

Competitive pressure is a continuing risk for the company, which could result in it losing sales to its key competitors To manage this risk, the company strives to provide enhancing service to its clients, driving higher levels of project execution and addressing issues promptly, and through the maintenance of strong relationships with customers

Nearly 9% of the company's turnover is derived from overseas trade (2006 14%) and it is therefore exposed to currency movements on such sales Where appropriate, the company manages this risk with forward foreign exchange contracts in line with its treasury policies

The company's businesses may be affected by fluctuations in the price and supply of key raw materials, although purchasing policies and practices seek to mitigate, where practicable, such risks

The company operates a hybrid pension scheme comprising a defined contribution section and a defined benefit section The defined benefit section is closed to new members and is currently in deficit The funding level of this pension plan is subject to adverse change resulting from movements in the actuarial assumptions underlying the calculation of plan liabilities, including decreasing discount rates and increasing longevity of plan members, as well as declines in the market value of plan investments Significant adverse changes in the actuarial assumptions underlying the UK plan valuation and the company's share of any deficit-reduction contributions made into the plan could materially impact the company's financial position

**Report of the Directors  
For The Year Ended 31 December 2007**

**ENVIRONMENT**

The company recognises the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to mitigate any adverse impact that might be caused by its activities. The company operates through its four initiatives - People, Clients, Environment and Financial, as noted in its Annual Review, which does not form part of this Report. The company recognises the important impact of climate change by developing management and technology solutions in its business that help mitigate the problem. Other initiatives aimed at minimising the company's impact on the environment include safe disposal of manufacturing waste, recycling and reducing energy consumption.

**EMPLOYEES**

Details of the number of employees and related costs can be found in note 5 to the financial statements.

It is the policy of the company to give full and fair consideration to applications for employment made by disabled persons having regard to their particular aptitudes and abilities, to continue wherever possible the employment of and to arrange appropriate training for those who become disabled and to provide equal opportunities for the training and career development of disabled employees.

It is also the policy of the company to maintain and develop the involvement of all employees in the affairs of the company by which each is employed. Local managers provide, on a regular basis, information of concern to employees using a variety of methods such as business review meetings, briefing discussions and training sessions. The views of employees are also sought on matters affecting them.

The group of companies set another record year for safety and health excellence in 2007 globally. In addition to producing industry-leading statistical performance, Black & Veatch employees also earned recognition from clients and governing agencies around the world. The company operates the Target Zero Incidents initiative and Behaviour Based Safety (BBS) program. In addition, with the acquisition of MJ Gleeson's water business in 2006, Black & Veatch adopted multiple elements of Gleeson's safety and health programs including construction safety procedures and a positive safety culture.

**THE FUTURE**

The company is well-positioned to seize market opportunities as an organisation with diverse talent and world-class execution capabilities. As the company is now a single source provider of engineering design, process engineering and construction for UK water clients, the business opportunities are endless. At no time in history has there been such volatility in the marketplace, where energy, water, safety and security issues are equally discussed and debated in social settings, at the highest levels of government and among policy-making bodies. The economic challenges that exist today create unsettling times, but with this challenge comes with enormous opportunity for the company future development.

The company is energised by the outlook of the markets and the talented growing workforce. The company commitment remains steadfast to invest in people, processes, technologies and solutions because they are imperative to the company success and its profitable long term growth.

Black & Veatch is committed to its never-ending quest to improve the quality of life in the world and fulfil its Mission of Building a World of Difference.

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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

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

The financial statements are required by law to 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 these financial statements, the directors are required to

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

**Black & Veatch Limited**

**Report of the Directors  
For The Year Ended 31 December 2007**

**STATEMENT OF DIRECTORS' RESPONSIBILITIES - continued**

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

**DISCLOSURE OF INFORMATION TO AUDITORS**

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that he/ she ought to have taken as a director to make himself/ herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

**ON BEHALF OF THE BOARD:**



B A Ainsworth - Director

Date 02 July 2008



KPMG LLP

8 Salisbury Square

London

EC4Y 8BB

United Kingdom

## **Independent auditors' report to the members of Black & Veatch Limited**

We have audited the financial statements of Black & Veatch Limited for the year ended 31 December 2007 which comprise of the Profit and Loss Account, the Balance Sheet, the statement of total recognised gains and losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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

### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 4.

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

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

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

We read 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 International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments 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, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its loss for the year then ended,
- The financial statements have been properly prepared in accordance with the Companies Act 1985, and
- The information given in the Directors' Report is consistent with the financial statements.

*KPMG LLP*

KPMG LLP  
Chartered Accountants  
Registered Auditor

Date *2/7/08*



**Black & Veatch Limited**

**Profit and Loss Account  
For The Year Ended 31 December 2007**

	Notes	2007 £'000	£'000	2006 £'000	£'000
<b>TURNOVER</b>	2		418,819		179,691
Continuing operations		418,819		143,634	
Acquisitions		<u>-</u>		<u>36,057</u>	
		<u>418,819</u>		<u>179,691</u>	
Cost of sales	3		<u>392,237</u>		<u>164,524</u>
<b>GROSS PROFIT</b>	3		26,582		15,167
Net operating expenses	3		<u>23,567</u>		<u>17,706</u>
<b>OPERATING PROFIT/(LOSS)</b>	6		3,015		(2,539)
Continuing operations		3,015		(1,423)	
Acquisitions		<u>-</u>		<u>(1,116)</u>	
		<u>3,015</u>		<u>(2,539)</u>	
Interest receivable and similar income	7	4,263		2,315	
Other finance income	20	<u>111</u>		<u>29</u>	
			<u>4,374</u>		<u>2,344</u>
			7,389		(195)
Amounts written off investments	8		<u>3,166</u>		<u>-</u>
			4,223		(195)
Interest payable and similar charges	9		<u>4,305</u>		<u>1,960</u>
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>			(82)		(2,155)
Tax on loss on ordinary activities	10		<u>762</u>		<u>670</u>
<b>LOSS FOR THE FINANCIAL YEAR AFTER TAXATION</b>			<u>(844)</u>		<u>(2,825)</u>

The notes form part of these financial statements

**Black & Veatch Limited**

**Statement of Total Recognised Gains and Losses  
For The Year Ended 31 December 2007**

	2007 £'000	2006 £'000
<b>LOSS FOR THE FINANCIAL YEAR</b>	(844)	(2,825)
Pension funds actuarial gain/(loss)	255	(3,614)
Revaluation of investments	<u>-</u>	<u>(529)</u>
<b>TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR</b>	<u>(589)</u>	<u>(6,968)</u>

The notes form part of these financial statements

**Black & Veatch Limited**

**Balance Sheet**  
**31 December 2007**

	Notes	2007 £'000	2006 £'000	2006 £'000
<b>FIXED ASSETS</b>				
Intangible assets	11		34,437	30,909
Tangible assets	12		1,434	1,411
Investments	13		<u>201</u>	<u>201</u>
			36,072	32,521
<b>CURRENT ASSETS</b>				
Debtors	14	171,866		124,135
Cash at bank and in hand		<u>19,136</u>		<u>11,185</u>
		191,002		135,320
<b>CREDITORS</b>				
Amounts falling due within one year	15	<u>172,116</u>		<u>110,214</u>
<b>NET CURRENT ASSETS</b>			<u>18,886</u>	<u>25,106</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			54,958	57,627
<b>CREDITORS</b>				
Amounts falling due after more than one year	16		(38,527)	(54,178)
<b>PENSION LIABILITY</b>	20		<u>(3,657)</u>	<u>(4,614)</u>
<b>NET ASSETS/(LIABILITIES)</b>			<u>12,774</u>	<u>(1,165)</u>
<b>CAPITAL AND RESERVES</b>				
Called up share capital	18		62,947	48,419
Profit and loss account	19		<u>(50,173)</u>	<u>(49,584)</u>
<b>SHAREHOLDERS' FUNDS</b>	24		<u>12,774</u>	<u>(1,165)</u>

The financial statements were approved by the Board of Directors on  
by

02 July 2008

and were signed on its behalf

  
B A Ainsworth - Director

The notes form part of these financial statements

**Notes to the Financial Statements  
For The Year Ended 31 December 2007**

**1 ACCOUNTING POLICIES**

**Accounting policies**

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

**Basis of preparing the financial statements**

The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost accounting rules

**Accounting convention**

The financial statements have been prepared under the historical cost convention

**Exemption from preparing consolidated financial statements**

The financial statements contain information about Black & Veatch Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under Section 228A of the Companies Act 1985 from the requirements to prepare consolidated financial statements as it and its subsidiary undertaking are included by full consolidation in the consolidated financial statements of its parent, Black and Veatch Holding Company, a company registered in the U S A

**Cash Flow**

The company is exempt from the requirement of Financial Reporting Standard 1 (revised) to prepare a cash flow statement on the grounds that the ultimate parent company, Black & Veatch Holding Company, a corporation registered in the United States of America, prepares consolidated financial statements

**Turnover**

Turnover which excludes value added tax or equivalent sales tax, represents the income receivable in the ordinary course of business for goods and services provided and, in respect of contract work in progress, the value of work carried out

**Goodwill**

Purchased goodwill arising on business combinations is capitalised. Goodwill is amortised to nil by equal annual instalments over its estimated useful life which is currently ten years

**Tangible fixed assets**

Depreciation is provided by the company to write off the cost less the estimated residual value of tangible fixed assets on a straight line basis over the estimated useful economic lives of individual assets

Depreciation is charged from the approximate date of the asset coming into use. The following rates of depreciation (per annum) have been used for each class of assets

Motor vehicles	-	25%
Plant and machinery/furniture and fittings	-	10%
Office machinery	-	20%
Computer and data processing equipment	-	3 to 5 years

**Deferred tax**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date

A deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover the assets

**Foreign currencies**

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction or, if hedged forward, at the rate of exchange under the related forward currency contract. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the contractual rate or rates of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account

**Notes to the Financial Statements - continued**  
**For The Year Ended 31 December 2007**

**1 ACCOUNTING POLICIES - continued**

**Pensions**

The company participates in a group wide pension scheme which is hybrid, comprising a defined benefit section and a defined contribution section

The defined benefit section is accounted for in accordance with FRS 17 "Retirement Benefits"

The assets for the defined contribution section are held in a separately administered fund and the annual charge to the profit and loss account for this section comprises contributions payable in the accounting period

The company has a separate obligation, through a defined benefit arrangement, to fund the pensions of a number of retired partners. This obligation is accounted for in accordance with FRS 17 "Retirement Benefits"

**Interest**

Interest payable is written off to the profit and loss account as it is incurred

**Long term contracts**

Long-term contracts are included in the profit and loss account by recording turnover and related costs as contract activity progresses. Profit attributable to turnover to date is included where the outcome of the contract can be foreseen with reasonable certainty. Full provision is made for losses on unprofitable contracts

The amount by which turnover is in excess of payments on account is separately disclosed within debtors as amounts recoverable on contracts. Progress payments received in excess of costs less foreseeable losses are disclosed in creditors

**Operating Leases**

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease

**2 TURNOVER**

The turnover and loss before taxation are attributable to the principal activities of the company

An analysis of turnover by class of business is given below

	2007 £'000	2006 £'000
Water sector	349,775	164,388
Energy sector	69,044	15,303
	<u>418,819</u>	<u>179,691</u>

An analysis of turnover by geographical market is given below

	2007 £'000	2006 £'000
United Kingdom	382,008	154,650
Rest of the world	36,811	25,041
	<u>418,819</u>	<u>179,691</u>

The principal activities are the design, manufacture and installation of water production, filtration, effluent and sewage treatment plants and electricity generation plants for municipal and industrial applications in the United Kingdom and throughout the world

**Black & Veatch Limited**

**Notes to the Financial Statements - continued  
For The Year Ended 31 December 2007**

**3 ANALYSIS OF OPERATIONS**

	Continuing £'000	2007 Acquisitions £'000	Total £'000
Cost of sales	<u>392,237</u>	<u>-</u>	<u>392,237</u>
Gross profit	<u>26,582</u>	<u>-</u>	<u>26,582</u>
Net operating expenses			
Administrative expenses	23,587	-	23,587
Other operating income (see note 4)	<u>(20)</u>	<u>-</u>	<u>(20)</u>
	<u>23,567</u>	<u>-</u>	<u>23,567</u>

	Continuing £'000	2006 Acquisitions £'000	Total £'000
Cost of sales	<u>129,647</u>	<u>34,877</u>	<u>164,524</u>
Gross profit	<u>13,987</u>	<u>1,180</u>	<u>15,167</u>
Net operating expenses			
Administrative expenses	15,855	2,297	18,152
Other operating income (see note 4)	<u>(445)</u>	<u>(1)</u>	<u>(446)</u>
	<u>15,410</u>	<u>2,296</u>	<u>17,706</u>

**4 OTHER OPERATING INCOME**

	2007 £'000	2006 £'000
Sundry receipts	20	1
Gain on settlement on intercom pany loans	<u>-</u>	<u>445</u>
	<u>20</u>	<u>446</u>

**5 STAFF COSTS**

	2007 £'000	2006 £'000
Wages and salaries	63,301	35,199
Social security costs	6,312	3,463
Other pension costs	<u>2,562</u>	<u>1,407</u>
	<u>72,175</u>	<u>40,069</u>

# Black & Veatch Limited

## Notes to the Financial Statements - continued For The Year Ended 31 December 2007

### 5 STAFF COSTS - continued

The average monthly number of employees during the year was as follows

	2007	2006
Total	<u>1,347</u>	<u>1,352</u>

The acquisition of the Gleeson water business added 943 employees from 1st October 2006

### 6 OPERATING PROFIT/(LOSS)

The operating profit (2006 - operating loss) is stated after charging/(crediting)

	2007 £'000	2006 £'000
Depreciation - owned assets	769	716
(Profit)/Loss on disposal of fixed assets	(61)	6
Goodwill amortisation	3,382	781
Auditors' remuneration Audit	430	208
Operating leases - land and buildings	2,406	2,719
Operating leases - Motor vehicles & equipments	186	324
Write down of loan balances	<u>-</u>	<u>973</u>

	2007 £	2006 £
Directors' emoluments	<u>1,147,706</u>	<u>1,348,057</u>

Information regarding the highest paid director is as follows

	2007 £	2006 £
Emoluments etc	<u>345,284</u>	<u>379,252</u>

### 7 INTEREST RECEIVABLE AND SIMILAR INCOME

	2007 £'000	2006 £'000
Interest receivable from group undertakings	-	5
On bank and money market deposits	464	277
Exchange gains	<u>3,799</u>	<u>2,033</u>
	<u>4,263</u>	<u>2,315</u>

### 8 AMOUNTS WRITTEN OFF INVESTMENTS

	2007 £'000	2006 £'000
Loss on settlement of intercom pany balances	<u>3,166</u>	<u>-</u>

**Notes to the Financial Statements - continued  
For The Year Ended 31 December 2007**

**9 INTEREST PAYABLE AND SIMILAR CHARGES**

	2007 £'000	2006 £'000
Interest payable to group undertakings	4,157	1,950
On bank and money market deposits	<u>148</u>	<u>10</u>
	<u>4,305</u>	<u>1,960</u>

**10 TAXATION**

**Analysis of the tax charge**

The tax charge on the loss on ordinary activities for the year was as follows

	2007 £'000	2006 £'000
Current tax		
Prior year adjustment	-	(72)
Foreign Tax	<u>762</u>	<u>742</u>
Tax on loss on ordinary activities	<u>762</u>	<u>670</u>

**Factors affecting the tax charge**

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below

	2007 £'000	2006 £'000
Loss on ordinary activities before tax	<u>(82)</u>	<u>(2,155)</u>
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2006 - 30%)	(25)	(647)
Effects of		
Non-recognition of deferred tax asset for tax losses	25	647
Adjustments to tax charge in respect of previous periods	-	(72)
Foreign tax	<u>762</u>	<u>742</u>
Current tax charge	<u>762</u>	<u>670</u>

**Factors that may affect future tax charges**

The company has not accrued for deferred tax benefit of losses brought and carried forward. Value of company trading losses as at 31st December 2007 and 31st December 2006 are £ 52,850,000 and £53,730,000 respectively. This asset is realisable against future profits of the company.

Any future tax charges will be impacted by the announced change in the rate of corporation tax from 30% to 28%, effective from 1 April 2008. The impact of this has not been quantified in the financial statements, as the directors do not consider it practicable to do so.



**Black & Veatch Limited**

**Notes to the Financial Statements - continued**  
**For The Year Ended 31 December 2007**

**11 INTANGIBLE FIXED ASSETS**

	Goodwill £'000
<b>COST</b>	
At 1 January 2007	31,856
Additions	<u>6,910</u>
At 31 December 2007	<u>38,766</u>
<b>AMORTISATION</b>	
At 1 January 2007	947
Amortisation for year	<u>3,382</u>
At 31 December 2007	<u>4,329</u>
<b>NET BOOK VALUE</b>	
At 31 December 2007	<u>34,437</u>
At 31 December 2006	<u>30,909</u>

**12 TANGIBLE FIXED ASSETS**

	Plant and machinery £'000	Fixtures and fittings £'000	Motor vehicles £'000	Computer equipment £'000	Totals £'000
<b>COST</b>					
At 1 January 2007	247	1,877	343	4,291	6,758
Additions	<u>-</u>	<u>197</u>	<u>36</u>	<u>559</u>	<u>792</u>
At 31 December 2007	<u>247</u>	<u>2,074</u>	<u>379</u>	<u>4,850</u>	<u>7,550</u>
<b>DEPRECIATION</b>					
At 1 January 2007	247	1,222	95	3,783	5,347
Charge for year	<u>-</u>	<u>131</u>	<u>166</u>	<u>472</u>	<u>769</u>
At 31 December 2007	<u>247</u>	<u>1,353</u>	<u>261</u>	<u>4,255</u>	<u>6,116</u>
<b>NET BOOK VALUE</b>					
At 31 December 2007	<u>-</u>	<u>721</u>	<u>118</u>	<u>595</u>	<u>1,434</u>
At 31 December 2006	<u>-</u>	<u>655</u>	<u>248</u>	<u>508</u>	<u>1,411</u>

**13 FIXED ASSET INVESTMENTS**

	Shares in group undertakings £'000
<b>COST</b>	
At 1 January 2007 and 31 December 2007	<u>201</u>
<b>NET BOOK VALUE</b>	
At 31 December 2007	<u>201</u>
At 31 December 2006	<u>201</u>

# Black & Veatch Limited

## Notes to the Financial Statements - continued For The Year Ended 31 December 2007

### 13 FIXED ASSET INVESTMENTS - continued

The company's investments at the balance sheet date in the share capital of companies include the following

#### Paterson Candy Refurbishments Limited

Country of incorporation UK

Nature of business Water and effluent and sewage treatment plants

	%
Class of shares	holding
Ordinary	100 00

Paterson Candy Refurbishments Limited is dormant

#### Black & Veatch Refurbishments Limited

Country of incorporation UK

Nature of business Water and effluent and sewage treatment plants

	%
Class of shares	holding
Ordinary	75 00

### 14 DEBTORS

	2007 £'000	2006 £'000
Amounts falling due within one year		
Trade debtors	12,650	12,855
Amounts owed by group undertakings	20,870	25,849
Amounts owed by participating interests	1,267	942
Amounts recoverable on contracts	122,873	69,852
Other debtors	4,614	3,286
Forward exchange contract receivable	7	-
M J Gleeson PLC	-	7,324
Tax	717	202
	<u>162,998</u>	<u>120,310</u>
Amounts falling due after more than one year		
Retentions	<u>8,868</u>	<u>3,825</u>
Aggregate amounts	<u>171,866</u>	<u>124,135</u>

### 15 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2007 £'000	2006 £'000
Payments on account	73,373	33,973
Trade creditors	12,008	13,142
Amounts owed to group undertakings	1,446	24,885
Tax	971	598
Social security and other taxes	2,986	1,488
Accruals and deferred income	<u>81,332</u>	<u>36,128</u>
	<u>172,116</u>	<u>110,214</u>

# Black & Veatch Limited

## Notes to the Financial Statements - continued For The Year Ended 31 December 2007

### 16 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2007 £'000	2006 £'000
Trade creditors	34	45
Amounts owed to group undertakings	<u>38,493</u>	<u>54,133</u>
	<u>38,527</u>	<u>54,178</u>

In year 2006, the company borrowed £36,000,000 from Black & Veatch Holding Company. The rate of interest applicable is equal to the Prime Rate as published by Harris Trust and Savings Bank, adjusted daily. During the year this rate varied between 7.25% and 8.25%.

### 17 OPERATING LEASE COMMITMENTS

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

	Land and buildings		Other operating leases	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Expiring				
Within one year	252	48	119	70
Between one and five years	363	1,984	1,354	430
In more than five years	<u>1,345</u>	<u>100</u>	<u>-</u>	<u>-</u>
	<u>1,960</u>	<u>2,132</u>	<u>1,473</u>	<u>500</u>

### 18 CALLED UP SHARE CAPITAL

Authorised Number	Class	Nominal value £1	2007 £'000	2006 £'000
65,000,000 (2006 - 50,000,000)	Ordinary shares	£1	<u>65,000</u>	<u>50,000</u>
Allotted, issued and fully paid Number	Class	Nominal value £1	2007 £'000	2006 £'000
62,946,845 (2006 - 48,419,000)	Ordinary shares	£1	<u>62,947</u>	<u>48,419</u>

14,527,845 Ordinary shares of £1 each were allotted and fully paid for cash at par during the year.

# Black & Veatch Limited

## Notes to the Financial Statements - continued For The Year Ended 31 December 2007

### 19 RESERVES

	Profit and loss account £'000
At 1 January 2007	(49,584)
Deficit for the year	(844)
Actuarial Valuation of Pension Funds	<u>255</u>
At 31 December 2007	<u>(50,173)</u>
Profit and loss account excluding pension liability	(46,516)
Pension deficit	<u>(3,657)</u>
Profit and loss account	<u>(50,173)</u>

### 20 PENSION COMMITMENTS

#### Defined benefit scheme

The company operates a hybrid pension scheme comprising a defined contribution section and a section that provides benefits based on final pensionable pay. The defined benefit section is closed to new members.

These pension arrangements for the company's employees are currently provided through the Black and Veatch UK Pension Scheme, the assets of which are held separately from those of the company in an independently administered fund.

The company also has an obligation to fund the pensions of a number of retired partners as set out in the Binnie & Partners pension deed; this is an unfunded scheme. This obligation was acquired from Black & Veatch Consulting Limited, a fellow group company, on 31 December 2004.

A full actuarial valuation of the final salary section was carried out at 31 March 2003 and projected forward to provide disclosures at 31 December 2007.

The pension charge for the period was £649,763 (2006: £560,989). The company contribution is 7.2% of the pensionable pay and the employee contribution varies between members.

The mortality assumption used by the actuary for the year was PA92sc YOB - 2 years (2006: PA92 Base - 1 year, 2005: PA92sc YOB - 2 years). Other major assumptions used by the actuary for the schemes were:

	31 12 07	31 12 06	31 12 05
Rate of increase in salaries	4%	3.70%	4.10%
Rate of increase in pensions in payment	3.10%	2.80%	2.70%
Rate of increase in deferred pensions	3.10%	2.80%	2.70%
Discount rate for scheme liabilities	5.75%	5.30%	4.90%
Inflation assumption	3.10%	2.80%	2.70%

Notes to the Financial Statements - continued  
For The Year Ended 31 December 2007

20 PENSION COMMITMENTS - continued

The assets in the scheme and the expected rate of return were

	Long-term rate of return expected at 31 12 07	Value at 31 12 07 £'000	Long-term rate of return expected at 31 12 06	Value at 31 12 06 £'000	Long-term rate of return expected at 31 12 05	Value at 31 12 05 £'000
Equities	7.90 %	19,005	7.55 %	15,914	7 %	15,697
Bonds	5.75 %	11,342	5.30 %	9,361	4.90 %	6,997
Property	5.75 %	<u>307</u>	5.30 %	<u>4,461</u>	3.75 %	<u>1,011</u>
Total market value of assets		30,654		29,736		23,705
Present value of scheme liabilities		<u>(34,311)</u>		<u>(34,350)</u>		<u>(29,623)</u>
Deficit in scheme		<u>(3,657)</u>		<u>(4,614)</u>		<u>(5,918)</u>
Net pension liability		<u>(3,657)</u>		<u>(4,614)</u>		<u>(5,918)</u>

Analysis of the amount charged to operating profit

	2007 £'000	2006 £'000
Current service cost	<u>334</u>	<u>281</u>
Total operating charge	<u>334</u>	<u>281</u>

Analysis of the amount credited to other finance income

	2007 £'000	2006 £'000
Interest on pension scheme liabilities	<u>111</u>	<u>29</u>
Net return	<u>111</u>	<u>29</u>

Analysis of the amount recognised in statement of total recognised gains and losses (STRGL)

	2007 £'000	2006 £'000
Actual return less expected return on pension scheme assets	(1,054)	285
Experience gains and losses arising on the scheme liabilities	(112)	(446)
Changes in assumptions underlying the present value of the scheme liabilities	<u>1,421</u>	<u>(3,453)</u>
Actuarial gain/(loss) recognised in STRGL	<u>255</u>	<u>(3,614)</u>

**Notes to the Financial Statements - continued**  
**For The Year Ended 31 December 2007**

**20 PENSION COMMITMENTS - continued**

**Movement in deficit during the year**

	2007	2006
	£'000	£'000
Deficit in scheme at start of year	(4,614)	(5,918)
Current service cost	(334)	(281)
Contributions	925	5,170
Other finance income	111	29
Actuarial gain	<u>255</u>	<u>(3,614)</u>
Deficit in scheme at end of year	<u>(3,657)</u>	<u>(4,614)</u>

**History of experience gains and losses**

	2007	2006	2005	2004	2003
Difference between the expected and actual return on scheme assets amount (£'000)	(1,054)	285	2,708	192	1,354
percentage of scheme assets	(3)%	1%	11%	1%	10%
Experience gains and losses on scheme liabilities amount (£'000)	(112)	(446)	(115)	0	0
percentage of the present value of the scheme liabilities	0%	1%	0%	0%	0%
Total actuarial gain or loss amount (£'000)	255	(3,614)	(408)	1,212	(356)
percentage of the present value of the scheme liabilities	(1)%	11%	1%	(5)%	2%

**Defined contribution scheme**

The pension cost charge for the period represents contributions payable by the company to the scheme and amounted to £2,227,985 26 (2006 £2,567,809 61) There were no outstanding or prepaid contributions at the end of the financial year

**21 ULTIMATE PARENT COMPANY**

The largest and smallest group in which the results of the company are consolidated is that headed by Black & Veatch Holding Company, a corporation whose principal place of business is at 8400 Ward Parkway, Kansas City, Missouri 64114, United States of America The consolidated accounts of Black & Veatch Holding Company may be requested from the corporation's place of business

**22 CONTINGENT LIABILITIES**

The company has contingent liabilities in respect of guarantees and performance bonds as to plants installed or under construction and other engagements in the ordinary course of business amounting to £31 million (2006 £26 million)

There are claims arising in the normal course of trading which are in the process of negotiation and which, in some cases, are likely to be protracted over several years Provision has been made for all amounts which the directors consider will become payable on account of claims

**Black & Veatch Limited****Notes to the Financial Statements - continued  
For The Year Ended 31 December 2007****23 RELATED PARTY DISCLOSURES**

The company has taken advantage of the exemption provided by Financial Reporting Standard 8 not to disclose transactions with group undertakings

**24 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	2007 £'000	2006 £'000
Loss for the financial year	(844)	(2,825)
Other recognised gains and losses relating to the year (net)	255	(4,143)
Issue of ordinary shares	<u>14,528</u>	<u>-</u>
<b>Net addition/(reduction) to shareholders' funds</b>	<b>13,939</b>	<b>(6,968)</b>
Opening shareholders' funds	<u>(1,165)</u>	<u>5,803</u>
<b>Closing shareholders' funds</b>	<b><u>12,774</u></b>	<b><u>(1,165)</u></b>