

The Alfred McAlpine Pension Plan

Annual Report

For the year ended 31 December 2007

Plan Registration Number: 10132644



JARDINE LLOYD THOMPSON
Administration Solutions

The Alfred McAlpine Pension Plan

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The Alfred McAlpine Pension Plan

Trustee and Advisors to the Plan

Trustee

Alfred McAlpine Pension Trustees Limited
Kinnaird House
1 Pall Mall East
London SW1Y 5AZ

Directors of the Trustee

G G Beaumont (resigned 13 November 2007)
C M Lee (resigned 12 October 2007)
S Barklem
N Oakes (resigned 24 December 2007)
M G Scott (Member Nominated)
R C Ellison (Chairman and Independent)
HR Trustees Limited (appointed 1 October 2007)

Consultants and Actuaries

Mercer Limited (formerly Mercer Human Resources Consulting Limited)
Clarence House
Clarence Street
Manchester M2 4DW

Plan Actuary

P Tranter FIA
Mercer Limited (formerly Mercer Human Resources Consulting Limited)
Clarence House
Clarence Street
Manchester M2 4DW

Administrators

JLT Benefit Solutions Limited
St James's House
7 Charlotte Street
Manchester M1 4DZ

Legal Advisors

Sacker and Partners LLP
29 Ludgate Hill
London EC4M 7JQ

The Alfred McAlpine Pension Plan
Trustee and Advisors to the Plan (cont.)

Auditors

Deloitte & Touche LLP
Martins Building
4 Water Street
Liverpool L2 8UY

Bankers

The Royal Bank of Scotland plc
Drummonds Branch
49 Charing Cross
London SW1A 2DX

Investment Managers

Legal & General Assurance (Pensions Management) Limited
One Coleman Street
London EC2R 5AA

BlackRock Investment Managers Limited
33 King William Street
London EC4R 9AS

Investment Manager Selections Limited
77 Queen Victoria Street
London EC4V 4AY

SEI Investments (Europe) Limited
4th Floor, The Economist Building
25 St James Street
London SW1A 1HA

Morley Fund Management
Morley (Jersey Unit Trusts) Management Limited
PO Box 87
22 Grenville Street
St Helier
Jersey JE4 8PX
Channel Islands

Insight Investment Management (Global) Limited
33 Old Broad Street
London EC2N 1HZ

The Alfred McAlpine Pension Plan
Trustee and Advisors to the Plan (cont.)

Investment Custodians

HSBC Global Investor Services
Mariner House
Pepys Street
London EC3N 4DA

Citibank NA
Lewisham House
25 Molesworth Street
London SE13 7EX

Bank of New York Europe Limited
One Canada Street
London E14 5AL

Dexia Banque Internationale à Luxembourg
George's Quay House
Townsend Street, 43
Dublin 2
Ireland

Brown Brothers Harriman & Co
80 Harcourt Street
Dublin 2
Ireland

Northern Trust
50 Bank Street
Canary Wharf
London E14 5NT

AVC Providers

Prudential Assurance Company
PO Box No. 25
Craigforth
Stirling FK9 4UE

Nationwide Building Society
Kings Park Road
Moulton Park
Northampton NN3 6NW

The Alfred McAlpine Pension Plan
Trustee and Advisors to the Plan (cont.)

AVC Providers (cont.)

The Equitable Life Assurance Society
Walton Street
Aylesbury
Bucks HP21 7QW

Legal & General Assurance (Pensions Management) Limited
One Coleman Street
London EC2R 5AA

The Alfred McAlpine Pension Plan

Trustee's Report

The Trustee is pleased to present its Annual Report of The Alfred McAlpine Pension Plan (the Plan) for the year ended 31 December 2007. The financial statements have been prepared and audited in accordance with sections 41 (1) and (6) of the Pensions Act 1995 and in compliance with regulations issued under the Pensions Act 1995, including the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 (the Regulations). The financial statements are prepared in accordance with the Schedule to the Regulations and with the Statement of Recommended Practice (SORP), Financial Reports of Pension Schemes (Revised November 2002).

1. Constitution of the Plan

The Plan was established on 21 October 1946 to provide benefits on a defined benefit basis for the permanent employees of Alfred McAlpine plc and any other associated employers admitted to the Plan.

In accordance with the provisions of Schedule 36 of Finance Act 2004, the Plan became a registered pension scheme under Chapter 2 of Part 4 of the Finance Act 2004 with effect from 5 April 2006. The Plan is operated in accordance with the Definitive Trust Deed and Rules dated 29 January 2001.

With effect from 31 July 2003, the Plan closed to new members and most active members ceased accruing service but retained salary linkage under the Plan at that date. Certain individuals are allowed entrance on a discretionary basis.

2. Changes to the Plan

There have been no changes to the benefit structure of the Plan during the year ended 31 December 2007.

3. Principal Employer and Appointment and Removal of Trustee/Directors

The Principal Employer is Alfred McAlpine plc.

Four of the Directors of the Trustee are selected by Alfred McAlpine plc including the chairman who is wholly independent and not employed by the Company. The power to appoint and remove these Directors is vested in the Company. The remaining two Directors are elected by the members of the Plan.

The Member Nominated Directors may be removed before the end of their four-year term only by agreement of all the remaining Directors, although their appointment ceases if they cease to be employed by the Company.

The present Trustee and Directors are listed on page 1, along with the changes since the last report.

The Alfred McAlpine Pension Plan

Trustee's Report (cont.)

4. Membership at 31 December 2007

	2007 No.	2006 No.
a) Total members		
Active contributing members	23	17
Active non-contributing members	486	623
Deferred pensioners	2,550	2,507
Pensioners	1,607	1,533
	<u>4,666</u>	<u>4,680</u>
b) Active members		
Contributing members		
<i>Total at beginning and end of year</i>	17	
New members	7	
<i>Less:</i>		
Leavers with deferred pensions	(1)	
	<u> </u>	<u>23</u>
Non-contributing members		
<i>Total at beginning of year</i>	623	
Adjustment	(29)	
	<u> </u>	594
<i>Less:</i>		
Leavers with deferred pensions	(68)	
Leavers with benefits to be resolved	(7)	
Leavers with contribution refunds	(4)	
Retired with pension	(29)	
	<u> </u>	(108)
<i>Total at end of year</i>		<u>486</u>

The Alfred McAlpine Pension Plan

Trustee's Report (cont.)

c) Deferred Pensioners

These are members who have left service but have elected to have their benefits retained with the Plan until they become payable.

	2007
	No.
<i>Total at beginning of year</i>	2,507
Adjustment	28
Leavers with deferred benefits	76
	<hr/>
	2,611
<i>Less:</i>	
Subsequently transferred	(7)
Pensions becoming payable	(46)
Refund of contributions	(1)
Deaths	(7)
	<hr/>
	(61)
	<hr/>
<i>Total at end of year</i>	<u>2,550</u>

d) Pensioners

The Plan also provides for members who have retired on pension and for spouses and dependants who receive pensions following the deaths of members.

<i>Total at beginning of year</i>	1,533
Adjustment	12
Pensions commencing	75
Spouse's pensions commencing	19
	<hr/>
	1,639
<i>Less:</i>	
Deaths	(32)
	<hr/>
<i>Total at end of year</i>	<u>1,607</u>

The adjustments to the brought forward figures have arisen due to the timing of notification of membership movements.

The Alfred McAlpine Pension Plan

Trustee's Report (cont.)

5. Growth of the Fund

The fund account on page 20 shows that the net withdrawals from dealings with members were £4,618,864 (2006: £8,509,210). The net return on investments for the year was a gain of £17,688,809 (2006: £25,981,321). The total net movement in the Plan's assets for the year was an increase of £13,069,945 (2006: £17,472,111), giving net assets of the Plan at the end of the year of £296,546,823 (2006: £283,476,878).

6. Actuarial Position

An actuarial valuation of the Plan as at 31 December 2006 was undertaken in accordance with the requirements of Part 3 of the Pensions Act 2004.

The Schedule of Contributions and the Certification of the Calculation of Technical Provisions are given on pages 30 to 33, together with the Pensions Newsletter on pages 34 to 39.

7. Summary of Contributions Payable in the Year

Contributions received from members and participating employers were in accordance with the schedules of contributions certified by the Actuary.

During the year the contributions paid to the Plan by the employer under the schedules of contributions were as follows:

	Employer £	Employee £
Required by the schedules of contributions		
Normal contributions	9,357,137	10,761
Section 75 debt contribution	199,200	-
Total contributions as per Fund Account	<u>9,556,337</u>	<u>10,761</u>

8. Additional Voluntary Contributions

Members are able to make additional voluntary contributions into the Plan subject to HM Revenue & Customs limitations. Further detail is given in note 11 to the financial statements.

9. Benefit Increases

All pensions in payment as at 1 January 2007 were increased by 3.6% (1 January 2006: 2.7%). This increase did not apply to any Guaranteed Minimum Pension, which was earned in respect of service before April 1988, since this pension is increased separately by the State. Increases calculated in this manner are guaranteed.

Deferred pensions were increased in line with Statutory Revaluation orders.

The Alfred McAlpine Pension Plan

Trustee's Report (cont.)

10. Transfer Values

Individual transfer values are calculated in accordance with tables provided by the Actuary. All transfer values (within the meaning of Chapter IV of Part IV of the Pension Schemes Act 1993) paid during the year were calculated and verified in the manner prescribed by regulations under Section 97 of that Act. None was less than the amount for which Section 94 (1) of the Act provides.

No discretionary benefits are included in the calculation of transfer values.

Currently the Trustee has decided to reduce transfer values because if transfer values were paid in full, the share of assets available to members who remain in the Plan would be reduced. It is not known when full transfer values will be available.

11. Expenses

With effect from 1 January 2006, the Principal Employer has borne all costs of the administration of the Plan, excluding the investment expenses.

12. Investment Management

The day to day management of the Plan's investments has been delegated by the Trustee to the investment managers, Legal & General Assurance (Pensions Management) Limited, BlackRock Investment Managers Limited, Investment Manager Selections Limited, SEI Investments (Europe) Limited, Morley Fund Management and Insight Investment Management (Global) Limited.

The remuneration of the investment managers is related to the value, from time to time, of the portfolio, and for BlackRock Investment Managers Limited remuneration is also linked to performance relative to the benchmark.

The investments are held in designated nominee accounts.

13. Statement of Trustee's Responsibilities

The financial statements are the responsibility of the Trustee. Pension scheme regulations require the Trustee to make available to Plan members, beneficiaries and certain other parties, audited financial statements for each Plan year which:

show a true and fair view of the financial transactions of the Plan during the Plan year and of the amount and disposition at the end of the Plan year of the assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Plan year in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and;

The Alfred McAlpine Pension Plan

Trustee's Report (cont.)

contain the information specified in the Schedule to the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including a statement whether the financial statements have been prepared in accordance with the Statement of Recommended Practice, Financial Reports of Pension Schemes (Revised November 2002).

The Trustee has supervised the preparation of the financial statements and has agreed suitable accounting policies, to be applied consistently, making estimates and judgements on a reasonable and prudent basis.

The Trustee is also responsible for making available certain other information about the Plan in the form of an Annual Report.

The Trustee is responsible under pensions legislation for ensuring that there is prepared, maintained and from time to time revised a schedule of contributions showing the rates of contributions payable towards the Plan, by or on behalf of the employer and the active members of the Plan and the dates on or before which such contributions are to be paid. The Trustee is also responsible for keeping records of contributions received in respect of any active member of the Plan and for monitoring whether contributions are made to the Plan by the employer in accordance with the schedule of contributions. Where breaches of the schedule occur the Trustee is required by the Pensions Act 1995 and 2004 to consider making reports to the Pensions Regulator and the members.

The Trustee also has a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to it to safeguard the assets of the Plan and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control.

14. **The Pensions Advisory Service**

The Pensions Advisory Service (TPAS) is an independent and voluntary organisation established for the purpose of giving free help and advice to members of the public on all matters concerning pension schemes (other than State schemes) including personal pensions. The service is available to all those who think they have pension rights including scheme members, pensioners, those with deferred pensions and dependants. TPAS can be contacted at:

11 Belgrave Road
London SW1V 1RB

The Alfred McAlpine Pension Plan

Trustee's Report (cont.)

15. Pensions Ombudsman

The Pensions Ombudsman was established to investigate complaints of injustice due to maladministration and disputes of fact or law between complainants and trustees, managers or employers. The Ombudsman can be contacted at:

11 Belgrave Road
London SW1V 1RB

16. The Pensions Regulator

The Plan has been registered with the Pensions Regulator, which can be contacted at:

Napier House
Trafalgar Place
Brighton BN1 4DW

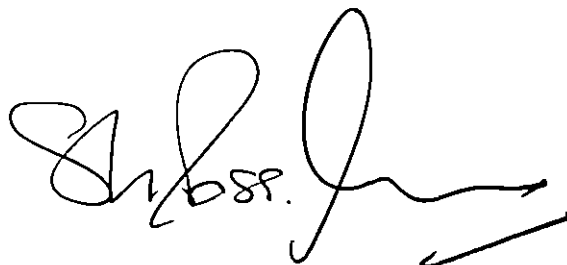
17. Further Information

Enquiries about the Plan generally or about individual benefit entitlements should be addressed to:

Mrs Tina Keeling
Group Pensions Manager
Alfred McAlpine Pension Trustees Limited
Unit 7
Monk's Way
Abbots Park
Preston Brook
Cheshire WA7 3GH

Date:

7 July 2008.



On behalf of the Trustee

The Alfred McAlpine Pension Plan

Investment Report

Investment Report for the 12 Months Ended 31 December 2007

Review of Investment Performance

The overall investment policy of the Plan is determined in consultation with Mercer Investment Consulting.

There is a degree of delegation of responsibility for investment decisions. The investment strategy is agreed by the Trustee after taking appropriate advice. Day-to-day management of the Plan's assets, which includes full discretion for stock selection, is the responsibility of the investment managers.

Developments over the Year

Throughout the year, the Plan's investments were managed by six investment managers. The actual split between the managers varies over time but the target distribution was as follows:

Investment Manager	Target % of Total	Mandate
BlackRock Investment Management (BlackRock)	20	Segregated Active UK Equity
SEI Investments (SEI)	20	Pooled Active Global Equity
Investment Manager Selections Limited (IMS)	6	Pooled Active Asia Pacific (including Japan) Equity
Insight Investment (Insight)	20	Active Bonds (part pooled, part segregated)
Morley Fund Management (Morley)	5	Pooled Active High Lease to Value (HLV) Property
Legal & General Investment Management (L&G)	29	Pooled Passive Index-Tracking Multi-Asset

There were no changes to the manager structure during the year.

General

Investment Principles

The Trustee has prepared a Statement of Investment Principles in accordance with Section 35 of the Pensions Act 1995 (as amended by the Pensions Act 2004). A copy of the Statement is available on request.

The Plan's investment policy is to spread the assets over a range of appropriate investments to maximise the return on the assets over the long-term while exposing the Plan to no more than a reasonable level of risk. In deciding upon the strategic asset allocation, the Trustee takes into account the Plan's specific circumstances including its maturing liability profile and funding position.

The Alfred McAlpine Pension Plan

Investment Report (cont.)

The Plan's Investments

At the end of December 2007, the total value of the Plan's investments amounted to £294.9 million. The distribution of these assets across the whole portfolio, excluding AVC investments, is highlighted in the table below:

Sector	31 December 2007		31 December 2006	
	£m	%	£m	%
UK Equities	76.4	25.9	75.1	26.7
Overseas Equities	114.7	38.9	112.8	40.2
UK Fixed Interest	59.1	20.0	58.0	20.6
<i>UK Gilts</i>	24.5	8.3	29.8	10.6
<i>UK Corporate Bonds</i>	34.6	11.7	28.2	10.0
Overseas Fixed Interest	12.4	4.2	0.0	0.0
UK Index Linked Gilts	16.0	5.4	20.8	7.4
Property	14.2	4.8	13.6	4.8
Cash	2.1	0.8	0.7	0.3
Total	294.9	100.0	281.0	100.0

The Investment Managers' Mandates

The managers have all been set performance objectives. L&G's is to track various global equity market and UK government bond indices. The outperformance targets for the active mandates are set out in the table below.

Manager	Mandate	Benchmark	Target Outperformance (% p.a.)
BlackRock	UK Equities	FTSE All Share Index	+2.0
SEI	Global Equities	MSCI World Index	+1.7
IMS	Asia Pacific (inc Japan) Equities	Composite Asia Pacific (inc Japan) Benchmark	+1.5 to 2.0
Insight	UK Bonds	Composite Bond Benchmark	+1.5
Morley	HLV Property	Composite Fixed Interest Gilt Benchmark	+1.5

All active mandate outperformance targets are stated before investment management fees and assessed over rolling three year periods, with the exception of the IMS mandate which is quoted net of fees and the Morley mandate, which is quoted net of fees and assessed over the medium to long term.

The Alfred McAlpine Pension Plan

Investment Report (cont.)

All of the managers have discretion in choosing investments to achieve these objectives. The managers' remuneration is based on the size of Plan assets under their management. For BlackRock, remuneration is also linked to their performance relative to the benchmark.

The Plan's passively managed assets are held as units in the appropriate L&G pooled funds rather than direct investments in stocks and shares. In order to limit currency risk inherent in investment in overseas equity markets, the Trustee has adopted the policy of hedging all its passive overseas equity exposure, (with the exception of emerging market equities for which there is no hedged fund available) back into sterling. L&G have weekly dealing dates for units in the various funds in which the Plan invests. The units are easily bought or sold.

The fixed income stocks held by Insight are all highly marketable. The income and maturity values of these stocks are guaranteed but their market values can fluctuate until maturity. There is a risk of default on the corporate bond assets managed by Insight.

The equity holdings held by BlackRock are currently quoted on the main UK stock exchange.

The Plan's assets with IMS are invested in sub-classes of shares issued by MM Institutional Funds plc ("MMIF plc"). MMIF plc is a Dublin-based Open-Ended Investment Company ("OEIC") governed by the rules of the Irish Stock Exchange. Each sub-class represents a separate fund of MMIF plc, each fund constituting a separate pool of assets and liabilities. The prices of the shares of the sub-classes are quoted on the Irish Stock Exchange. The OEIC has UCITS III (Undertaking for Collective Investment in Transferable Securities) status, which permits investment by clients throughout the EU.

Similarly, the Plan's assets with SEI are invested in sub-classes of shares issued by SEI Global Master Fund plc ("SEI plc"). SEI plc is a Dublin-based OEIC. Each sub-class represents a separate fund of SEI plc, each fund constituting a separate pool of assets and liabilities. The prices of the shares of the sub-classes are quoted on the Irish Stock Exchange. The OEIC has UCITS status, which permits investment by clients throughout the EU.

The High Lease to Value (HLV) Property Portfolio invests in units of the Lime Property Fund Unit Trust managed by Morley. The Fund is a closed ended unit trust up to 1 July 2009. As a result, the Plan cannot disinvest from the fund until this date and then only on an annual basis with six months notice. However, a secondary market does exist at times whereby the Trustee may be able to realise units prior to July 2009. The Trustee is aware of the potentially illiquid nature of this investment, however, it represents only five per cent of the Plan's total holdings and is viewed as a long term investment. Due to the less liquid nature of the Plan's property investment with Morley, the Trustee will monitor the allocation to Morley separately on an annual basis at the beginning of each calendar year.

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Investment Report (cont.)

Investment Market Background over the Year

With the exception of the Japanese equity market, which returned -6.4% in sterling terms and -10.7% to local investors, all major equity markets exhibited positive returns over the year, in both unhedged sterling and local currency terms. Of the major regions, Asia Pacific (ex Japan) and Emerging Markets performed particularly well, achieving 29.4% and 37.4% respectively in sterling terms. Depreciation of sterling over the year increased returns for UK investors in all regions except for the US. This effect was particularly pronounced in Europe (ex UK) as sterling fell 8.3% against the Euro.

UK Equity Market

The UK stock market, as measured by the FTSE All-Share Index, increased by 5.3% over the year. However, there were some very diverse performance returns underlying this headline figure, with larger companies strongly outperforming smaller ones and the basic materials sector rising 46% while financials fell 19%.

Overseas Equity Markets

The major overseas equity markets achieved the following returns:

- The FTSE W USA Index returned 4.2% in sterling terms, and 6.0% in local currency terms.
- The FTSE W Europe (ex UK) Index returned 15.7% to the sterling investor and 6.8% in local currency terms, with the significant depreciation of sterling against the euro enhancing returns to sterling investors.
- Japan was the worst performing market globally with the FTSE W Japan Index returning -6.4% and -10.7% to sterling and local investors respectively.
- The Asia Pacific (ex Japan) region, as measured by the FTSE Asia Pacific (ex Japan) Index, returned 29.4% to sterling investors and 26.1% in local currency terms over the year.
- Emerging Markets were the strongest performing market with the MSCI Emerging Markets Free Index returning 37.4% and 33.1% to sterling and local investors respectively.

Bonds

All UK bond classes produced positive returns over the period, though lagged the return of overseas bond markets to sterling investors. While overseas bond markets returned 9.2% to sterling investors, as with equities, the impact of currency movements resulted in a more muted return of 3.9% to local currency investors.

Within the UK, Index-linked gilts performed very well, due to the significant fall in real yields over the year, achieving 8.6% compared to 2.7% and 1.8% for long-dated fixed interest gilts and all-stocks corporate bonds respectively.

The Alfred McAlpine Pension Plan

Investment Report (cont.)

Annual Plan Performance

During the year, approximately 29% of the Plan's investments have been managed on an index-tracking basis with the remaining 71% actively managed. Over the year to 31 December 2007 the Plan returned 7.5%, which was 0.8% above the market benchmark return of 6.7%. The following table summarises the combined return of the investment managers (before fees) over the one, three and five years to 31 December 2007, compared with the Plan's combined benchmark.

Periods to 31 December 2007	1 Year %	3 Years % p.a.	5 Years % p.a.
Plan	7.5	12.9	13.5
Benchmark	6.7	11.5	12.2

Custodial Arrangements

The Trustee employs Bank of New York (Europe) Ltd. as the custodian for the portion of the Plan's assets invested in a segregated portfolio with BlackRock, while Northern Trust is the custodian for the Plan's assets invested in a segregated portfolio with Insight.

The Plan's remaining assets are invested in unit-linked funds rather than direct investment in stocks and shares. Therefore, it is each manager's responsibility to organise the custody and security of the underlying stocks and shares. The custodians to whom work is contracted by L&G are HSBC Global Investor Services for all UK based investments (equities and bonds) and Citibank for overseas equities. Dexia Banque Internationale à Luxembourg is the custodian for the Plan's assets invested with IMS. The custodian employed for SEI's portfolio is Brown Brothers Harriman Trustee Services. Some of the assets managed by Insight on behalf of the Plan are invested in pooled funds for which Bank of New York is the custodian. Due to the nature of the mandate with Morley, there is no requirement to employ a custodian. The Trustee is responsible for ensuring the Plan's assets continue to be securely held.

The custodians are responsible for record keeping in relation to all assets held and for the safekeeping of any share certificates and other documents relating to the ownership of listed investments. Investments are held in the name of each custodian's nominee company, in line with common practice for pension plan investments. The Trustee reviews the custodial arrangements from time to time and the Plan Auditor is authorised to make whatever investigations it deems necessary as part of the annual audit procedure.

Employer Related Investments

During the year, the Plan may well have had a small indirect holding in Alfred McAlpine PLC through investment in Legal & General's UK equity index-tracking unit-linked fund. This holding will be well below the limit on employer-related investments which is 5% of the Plan's total assets as stated in the Pensions Act 1995. The employer-related investments are held in compliance with the Pensions Act 1995.

The Alfred McAlpine Pension Plan
Independent Auditors' Report to the Trustee of
The Alfred McAlpine Pension Plan

We have audited the financial statements of The Alfred McAlpine Pension Plan for the year ended 31 December 2007 which comprise the Fund Account, Net Assets Statement and the related notes 1 to 13. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Trustee, as a body, in accordance with Regulation 3 of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 made under the Pensions Act 1995. Our audit work has been undertaken so that we might state to the Trustee those matters we are required to state to it 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 Trustee as a body, for our audit work, for this report, or for the opinion we have formed.

Respective responsibilities of the Trustee and Auditors

The Trustee's responsibilities, for obtaining audited financial statements prepared in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Trustee's Responsibilities.

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 show a true and fair view in accordance with the relevant financial reporting framework and contain the information specified in the Schedule to the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 made under the Pensions Act 1995. We also report to you if, in our opinion, we have not received all the information and explanations we require for our audit, or if information specified by law is not disclosed.

We read the other information presented in the financial statements and consider whether it is consistent with the financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

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 judgements made by the Trustee in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Plan's circumstances, consistently applied and adequately disclosed.

The Alfred McAlpine Pension Plan
Independent Auditors' Report to the Trustee of
The Alfred McAlpine Pension Plan

Basis of audit opinion (cont.)

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 the information in the financial statements.

Opinion

In our opinion:

- the financial statements show a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the financial transactions of the Plan during the year ended 31 December 2007 and of the amount and disposition at that date of its assets and of its liabilities, other than liabilities to pay pensions and benefits after the Plan year; and
- the financial statements contain the information specified in Regulation 3 and the Schedule to the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996.

Deloitte + Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditor
Liverpool
United Kingdom

.....31 July.....2008

The Alfred McAlpine Pension Plan

Independent Auditors' Statement about Contributions to the Trustee of The Alfred McAlpine Pension Plan

We have examined the Summary of Contributions to The Alfred McAlpine Pension Plan for the Plan year ended 31 December 2007 which is set out in note 7 of the Trustee's Report.

This statement is made solely to the Trustee, as a body, in accordance with Regulation 4 of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 made under the Pensions Act 1995. Our work has been undertaken so that we might state to the Trustee those matters we are required to state to it in an Auditors' statement about contributions and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trustee, as a body, for our work, for this statement, or for the opinion we have formed.

Respective responsibilities of the Trustee and Auditors

As described in the Statement of Trustee's Responsibilities, the Plan's Trustee is responsible for ensuring that there is prepared, maintained and from time to time revised a schedule of contributions which sets out the rates and due dates of certain contributions payable towards the Plan by or on behalf of the employer and the active members of the Plan. The Trustee is also responsible for keeping records in respect of contributions received in respect of active members of the Plan and monitoring whether contributions are made to the Plan by the employer in accordance with the schedule of contributions.

It is our responsibility to provide a statement about contributions paid under the schedule of contributions and to report our opinion to you.

Basis of statement about contributions

We planned and performed our work so as to obtain the information and explanations which we considered necessary in order to give reasonable assurance that contributions reported in the Summary of Contributions have in all material respects been paid at least in accordance with the schedules of contributions. For this purpose the work that we carried out included examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Plan and the timing of those payments under the schedules of contributions. Our statement about contributions is required to refer to those material breaches of the schedules of contributions which come to our attention during the course of our work.

Statement about contributions

In our opinion, contributions for the Plan year ended 31 December 2007, as reported in the Summary of Contributions have in all material respects been paid at least from 1 January 2007 to 26 June 2007 in accordance with the schedule of contributions certified by the Actuary on 24 January 2006 and subsequently in accordance with the schedule of contributions certified by the Actuary on 27 June 2007.

Deloitte + Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditor
Liverpool
United Kingdom

31 July.....2008

The Alfred McAlpine Pension Plan
Fund Account for the Year Ended 31 December 2007

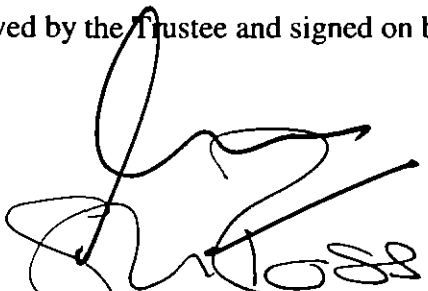

	Note	2007 £	2006 £
Contributions and other income			
Contributions receivable	3	9,567,098	4,209,879
Transfers in	4	39,623	1,032
Other income	5	728,431	445,393
		<u>10,335,152</u>	<u>4,656,304</u>
Benefits and other payments			
Benefits payable	6	14,545,845	12,969,590
Payments to and on account of leavers	7	407,494	198,185
Other payments	8	677	-
Administrative expenses	9	-	(2,261)
		<u>14,954,016</u>	<u>13,165,514</u>
Net withdrawals from dealings with members		<u>(4,618,864)</u>	<u>(8,509,210)</u>
Returns on investments			
Investment income	10	4,813,726	4,171,358
Change in market value of investments	11	14,442,336	22,543,933
Investment management expenses		(1,567,253)	(733,970)
Net returns on investments		<u>17,688,809</u>	<u>25,981,321</u>
Net increase in the fund during the year		13,069,945	17,472,111
Net assets of the Plan at start of year		<u>283,476,878</u>	<u>266,004,767</u>
Net assets of the Plan at end of year		<u>296,546,823</u>	<u>283,476,878</u>

The notes on pages 22 to 29 form an integral part of these financial statements.

The Alfred McAlpine Pension Plan
Net Assets Statement at 31 December 2007

	Note	2007 £	2006 £
Investments at market value	11		
Fixed interest securities		20,747,588	16,020,618
Equities		59,601,901	57,298,440
Index-linked securities		1,111,365	7,225,110
Pooled investment vehicles		210,855,651	199,234,561
Forward currency contracts		(245,205)	-
Other investments		1,930,526	411,036
AVC investments		1,651,966	1,858,589
Cash deposits		196,072	255,871
Accrued investment income receivable		883,548	570,374
		<u>296,733,412</u>	<u>282,874,599</u>
 Net current (liabilities)/assets	 12	 (186,589)	 602,279
 Net assets of the Plan at 31 December		 <u><u>296,546,823</u></u>	 <u><u>283,476,878</u></u>

Approved by the Trustee and signed on behalf of the Trustee on 7 July.....2008.

) Director
) Director

The notes on pages 22 to 29 form an integral part of these financial statements.

The Alfred McAlpine Pension Plan

Notes to the Financial Statements for the Year Ended 31 December 2007

1. Basis of financial statements

The financial statements have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, and with the guidelines set out in the Statement of Recommended Practice (SORP), Financial Reports of Pension Schemes (Revised November 2002).

The financial statements deal with the transactions and assets at the disposal of the Trustee and short-term liabilities of the Plan. Long-term liabilities for pensions and other benefits, which are expected to arise in the future, are not reflected in the financial statements. The actuarial position of the Plan, which does take account of such obligations, is dealt with in the Schedule of Contributions, the Certification of the Calculation of Technical Provisions and the Pensions Newsletter on pages 30 to 39 and these financial statements should be read in conjunction therewith.

The financial statements have been prepared on an accruals basis in accordance with applicable accounting standards.

2. Accounting policies

a) *Investments*

Investments are stated at market value at the year end. The market value of quoted securities is based on the middle market quotation on the relevant Stock Exchange and investments which are held in units are stated at the average of the unit bid and offer prices.

Forward foreign exchange contracts outstanding at the year end are stated at fair value which is determined as the gain or loss that would arise if the outstanding contract was matched at the year end with an equal and opposite contract. The forward foreign exchange trades settled during the period are reported gross within the purchases and sales.

Overseas investments and forward contracts held in foreign currencies are translated at the rates of exchange ruling at the net assets statement date.

b) *Income from investments*

Income from investments is accounted for on an accruals basis.

Realised and unrealised gains and losses on investments are dealt with in the fund account for the year in which they arise.

Income generated by the pooled investment vehicle units is not distributed, but is retained within the pooled investment vehicle and is reflected in the market value of the units.

The Alfred McAlpine Pension Plan

Notes to the Financial Statements (cont.)

2. Accounting policies (cont.)

c) *Contributions and benefits*

Contributions and benefits are accounted for in the year in which they fall due, except for Section 75 debts which are accounted for once the Actuary has determined the amount payable. Members who leave the Plan are assumed to have taken a preserved benefit until the Trustee is otherwise advised.

d) *Transfers to and from other schemes*

Transfer values are included in the financial statements when the Trustees of the receiving scheme accept the liabilities of the transferring members. They do not take account of members who have notified the Plan of their intention to transfer.

e) *Administrative expenses*

Since 1 January 2006, the Principal Employer has borne all costs of the administration of the Plan, excluding the investment expenses.

3. Contributions receivable

	2007 £	2006 £
Employer's - normal	9,357,137	4,153,598
- Section 75 debt contribution	199,200	-
Members' - normal	10,761	9,011
- additional voluntary contributions	-	47,270
	<u>9,567,098</u>	<u>4,209,879</u>

The Section 75 debt contribution of £199,200 relates to an the amount determined by the Actuary as being due to the Plan as a result of the sale of Core Utilities Solutions Limited on 31 October 2005. The significant increase in the employer normal contributions from the prior year relates to the payments agreed by the Trustee and the employer in the Recovery Plan. There have been further business disposals during the year and the Actuary is in the process of determining the relevant Section 75 debts.

4. Transfers in

Individual transfers in	<u>39,623</u>	<u>1,032</u>
-------------------------	---------------	--------------

The Alfred McAlpine Pension Plan
Notes to the Financial Statements (cont.)

5. Other income		2007	2006
		£	£
	Reimbursement of insured pensions	20,328	14,233
	Claims on term insurance policies	708,103	431,160
		<u>728,431</u>	<u>445,393</u>
6. Benefits payable			
	Pensions	11,481,093	10,852,156
	Commutations and lump sum retirement benefits	2,356,350	1,662,013
	Lump sum death benefits	708,402	455,421
		<u>14,545,845</u>	<u>12,969,590</u>
7. Payments to and on account of leavers			
	Refunds to members leaving service	6,546	56,143
	Payments for members joining state scheme	30,177	57,073
	Individual transfers to other schemes	370,771	84,969
		<u>407,494</u>	<u>198,185</u>
8. Other payments			
	Ex Gratia payments	<u>677</u>	<u>-</u>
9. Administrative expenses			
	Administration, actuarial and investment consulting fees	-	(2,611)
	Audit fee	-	350
		<u>-</u>	<u>(2,261)</u>

With effect from 1 January 2006 the Principal Employer has borne all costs of the administration of the Plan. The negative amount of £2,611 for 2006 represents an over accrual of fees in the previous year and the amount of £350 represents an under accrual of fees in the previous year.

The Alfred McAlpine Pension Plan
Notes to the Financial Statements (cont.)

10. **Investment income**

	2007	2006
	£	£
Income from fixed interest securities	893,646	1,713,961
Dividends from equities	1,542,459	1,448,847
Income from index-linked securities	646,634	162,821
Income from pooled investment vehicles	1,605,061	720,713
Income from other investments	82,556	26,266
Interest on cash deposits	43,370	98,750
	<u>4,813,726</u>	<u>4,171,358</u>

Income generated by pooled investment vehicle units held with Legal & General Assurance (Pensions Management) Limited, Investment Manager Selections Limited, and SEI Investments (Europe) Limited is not distributed, but is retained within the pooled investment vehicle and is reflected in the market value of the units.

The Alfred McAlpine Pension Plan
Notes to the Financial Statements (cont.)

11. Investments

Investment transactions in the year ended 31 December 2007 are summarised as follows:

	Value at 1 Jan 2007 £	Purchases at cost £	Sales proceeds £	Change in market value £	Value at 31 Dec 2007 £
Fixed interest	16,020,618	92,377,348	(88,126,224)	475,846	20,747,588
Equities	57,298,440	15,053,765	(17,503,570)	4,753,266	59,601,901
Index linked	7,225,110	2,434,315	(8,517,498)	(30,562)	1,111,365
Pooled investment vehicles	199,234,561	12,548,703	(10,681,422)	9,753,809	210,855,651
Forward Currency Contracts	-	49,973,267	(49,668,651)	(549,821)	(245,205)
Other investments	411,036	19,445,203	(17,925,713)	-	1,930,526
AVC investments	1,858,589	54,979	(301,400)	39,798	1,651,966
	<u>282,048,354</u>	<u>191,887,580</u>	<u>(192,724,478)</u>	<u>14,442,336</u>	<u>295,653,792</u>
Cash deposits	255,871				196,072
Accrued investment income	570,374				883,548
	<u>282,874,599</u>				<u>296,733,412</u>

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.

The above investments are managed by UK registered companies.

The Alfred McAlpine Pension Plan
Notes to the Financial Statements (cont.)

11. **Investments (cont.)**

The investments above can be analysed as follows:

	2007 £	2006 £
Fixed interest securities		
Insight – UK quoted	20,747,588	16,020,618
Equities		
BlackRock – UK quoted	59,601,901	57,298,440
Index-linked securities		
Insight – UK quoted	1,111,365	7,225,110
Pooled investment vehicles		
L&G UK Equity Index	11,607,225	11,847,576
L&G N American Equity Index – GBP Hedged	5,800,649	5,974,187
L&G Europe (Ex UK) Index – GBP Hedged	25,939,126	26,586,812
L&G Japan Equity Index – GBP Hedged	5,422,150	5,876,214
L&G Asia Pac exJap Dev Index – GBP Hedged	3,900,932	3,884,497
L&G Global Emerging Markets Index	2,207,896	2,042,223
L&G All Stocks Gilts Index	14,911,857	13,624,230
L&G Over 5 year Index-Linked Gilts Index	15,028,817	13,565,937
IMS Japan Equity Fund	8,435,929	8,096,355
IMS Far East ex-Japan Equity Fund	11,065,597	8,814,297
SEI Global Developing Markets Equity Inst	57,690,838	57,271,659
Morley – The Lime Property Fund Unit Trust	14,202,237	13,466,253
Insight – Corporate Bond Fund	34,642,398	28,184,321
	<u>210,855,651</u>	<u>199,234,561</u>
 Forward Currency Contracts	 (245,205)	 -
 Other investments		
Cash instruments	1,930,526	411,036
	<u>294,001,826</u>	<u>280,189,765</u>

The Alfred McAlpine Pension Plan

Notes to the Financial Statements (cont.)

The following investments account for more than 5% of the Plan's net assets as at 31 December 2007:

	2007	2006
	%	%
SEI Global Developing Markets Equity Inst	19.5	20.2
L&G All Stocks Gilts Index	5.0	-
L&G Over 5 year Index-Linked Gilts Index	5.1	-
L&G Europe (ex UK) Hedged Index	8.7	9.4
Insight – Corporate Bond Fund	11.7	9.9

The Trustee holds insurance policies that secure the pensions payable to specified beneficiaries. These policies remain assets of the Trustee, but as permitted under current regulations and accounting practice, the Trustee has decided that these policies need not be valued in the Net Assets Statement.

AVC investments

The Trustee holds assets invested separately from the main fund in the form of individual building society accounts and insurance policies securing additional benefits on a money purchase basis for those members electing to pay additional voluntary contributions. Members participating in this arrangement each receive an annual statement made up to 31 December confirming the amounts held to their account and the movements in the year. The aggregate amounts of AVC funds are as follows:

	2007	2006
	£	£
Prudential	242,932	223,582
Nationwide Building Society	322,221	360,483
The Equitable Life Assurance Society	562,986	652,055
Legal & General Investment Management Ltd	523,827	622,469
	<u>1,651,966</u>	<u>1,858,589</u>

The Alfred McAlpine Pension Plan

Notes to the Financial Statements (cont.)

The following investments account for more than 5% of the Plan's net assets as at 31 December 2007:

	2007 %	2006 %
SEI Global Developing Markets Equity Inst		20.2
Morley – The Lime Property Fund Unit Trust		-
L&G All Stocks Gilts Index		-
L&G Over 5 year Index-Linked Gilts Index		-
L&G Europe (ex UK) Hedged Index		9.4
Insight – Corporate Bond Fund		9.9

The Trustee holds insurance policies that secure the pensions payable to specified beneficiaries. These policies remain assets of the Trustee, but as permitted under current regulations and accounting practice, the Trustee has decided that these policies need not be valued in the Net Assets Statement.

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Legal & General Investment Management Ltd	523,827	622,469
	<u>1,651,966</u>	<u>1,858,589</u>

The Alfred McAlpine Pension Plan
Notes to the Financial Statements (cont.)

12. **Net current (liabilities)/assets**

	2007	2006
	£	£
Contributions due – Employer’s normal	73,995	4,199
Contributions due – Employees’ normal	970	276
Bank balances	669,380	569,145
Amount due from Principal Employer	149,383	531,702
Sundry debtors	100	100
	<u>893,828</u>	<u>1,105,422</u>
Unpaid benefits	117,055	117,713
Accrued expenses	940,054	351,107
Other creditors	23,308	34,323
	<u>1,080,417</u>	<u>503,143</u>
	<u>(186,589)</u>	<u>602,279</u>

The contributions due to the Plan at 31 December 2007 relate to £14,204 in respect of December 2007 contributions and £42,696 in respect of the increased normal employer contributions for the period 1 January 2006 to 30 November 2007 for GAD members and £18,065 in respect of increased normal employer contributions for the period July to December 2007 for PCPS members as required by the schedule of contributions certified by the Actuary on 27 June 2007.

13. **Employer-related investments**

The Plan may well have a small indirect holding in Alfred McAlpine plc through investment in Legal & General’s UK equity index-tracking unit-linked fund. This holding together with overdue contributions and the amount due from the employer in respect of the reimbursement of administrative expenses, will be well below the limit on employer-related investments which is 5% of the Plan’s total assets as stated in the Pensions Act 1995. The employer-related investments are held in compliance with the Pensions Act 1995.

The Alfred McAlpine Pension Plan

Schedule of Contributions

Schedule of Contributions, incorporating actuarial certificate

Alfred McAlpine Pension Plan Schedule of Contributions

Status of this document

This schedule has been prepared by the Alfred McAlpine Pension Trustees Limited ("the Trustee") to satisfy the requirements of section 227 of the Pensions Act 2004, after obtaining the advice of Philip Tranter, the actuary to the Plan appointed by the Trustees.

After discussions between the Trustee and the Company, this schedule of contributions has been agreed by the company, Alfred McAlpine plc.

This document is dated 26 JUNE 2007, and is the 6th schedule of contributions put in place for the Plan. It supersedes all earlier versions.

Contributions to be paid to the Plan to 31 December 2015

Members' contributions

The members of the Passport Section of the Plan shall pay contributions as required by the Rules.

Contributions shall be paid by the 19th of the month following the month of deduction from members' salaries.

This schedule does not cover the Company's commitment to pay across to the Trustee additional voluntary contributions made by members.

Pensionable Salaries

With regards to members of the Passport Section of the Plan, Pensionable Salaries are defined as a member's basic annual salary plus elements of remuneration which were previously pensionable for him or her under the LGPS or Classic, Classic Plus or Premium sections of the PCSPS respectively on the date that he or she joined the Plan.

The monthly contributions are calculated on one-twelfth of the Pensionable Salary in force.

Contributions in respect of future accrual of benefits

With regards to members of the Passport Section of the Plan, which mainly relates to former members of the Local Government Pension Scheme (LGPS) and the Classic, Classic Plus and Premium sections of the Principal Civil Service Pension Scheme (PCSPS), the Company shall pay contributions of 42.0% of Pensionable Salaries less member contributions. These contributions are due monthly.

The Alfred McAlpine Pension Plan

Schedule of Contributions

Company's contributions in respect of the shortfall in funding as per the recovery plan of

Year	Contribution
2007	£9.2m (this contribution represents a payment of £6.6m in respect of 2007 and £2.6m in respect of 2006. The Company also paid a contribution of c £4.0m deficit funding contribution to the Plan during 2006)
2008	£8.5m
2009	£9.2m increased by the increase in the Retail Prices Index over the period December 2007 to December 2008
2010 and each year thereafter until 31 December 2015	The previous year's contribution increased by the increase in the Retail Prices Index over the period December to December during the previous 12 months

The £6.6m contribution in respect of 2007 will be paid in equal monthly instalments over 2007 with an effective date of 1 May 2006. Contributions will commence within 30 days of the Recovery Plan being approved by the Pensions Regulator. Back payments in respect of 2007 together with the £2.6m contribution in respect of 2006 will be paid as a lump sum at this time.

Contributions for each of the years 2008 to 2015 will be paid by twelve equal monthly instalments.

Company's contributions in respect of benefit augmentations

In addition, the Company shall pay the cost determined by the Scheme Actuary of any benefit augmentations requested by the Company and approved by the Trustees, any additional contributions to meet the cost of risk benefits and any other additional contributions as may be agreed with the Trustees from time to time.

Company's contributions in respect of administration and other costs

The Company shall reimburse the Trustee for any administrative PPF levies and other expenses incurred by the Trustee and any life assurance premiums paid from the Plan by the 19th of the month following the date of receipt of the relevant invoice.

Dates of review of this schedule

This schedule of contributions will be reviewed by the Trustees and the Company no later than 15 months after the effective date of each actuarial valuation, due every three years.

This schedule of contributions, dated ~~24.10.2007~~ has been agreed by the Company, Alfred McAlpine plc and the Trustee:

The Alfred McAlpine Pension Plan

Schedule of Contributions

Certification of schedule of contributions

Name of Scheme

Alfred McAlpine Pension Plan

Adequacy of rates of contributions


1. I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective can be expected to be met by the end of the period specified in the recovery plan dated 26/06/07

Adherence to statement of funding principles

2. I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 26/06/07

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the Plan's liabilities by the purchase of annuities, if the Plan were to be wound-up.

Signature



Scheme Actuary

Philip Tranter

Date of signing

27/06/07

Name of Company

Mercer Human Resource Consulting Limited

Address

Clarence House, Clarence Street, Manchester M2
4DW

Qualification

Fellow of the Institute of Actuaries

The Alfred McAlpine Pension Plan

Actuarial Certification of Calculation of Technical Provisions

Certificate of technical provisions

Name of Plan

Alfred McAlpine Pension Plan

Calculation of technical provisions

I certify that, in my opinion, the calculation of the Plan's technical provisions as at 31 December 2005 is made in accordance with regulations under section 222 of the Pensions Act 2004. The calculation uses a method and assumptions determined by the Alfred McAlpine Pension Plan Trustees Limited and set out in the Statement of Funding Principles dated 25.05.07

Signature



Name

Philip Tranter

Date of signing

27/06/07

Name of Company

Mercer HR Consulting Limited

Address

Clarence House, Clarence Street, Manchester. M2
4DW

Qualification

Fellow of the Institute of Actuaries



October 2006

PENSIONS EXTRA

Information for members of the Alfred McAlpine Pension Plan

Chairman's Report

for the year ending 31 December 2006

Annual Report

It is pleasing to report continued improvement in the Plan's funding. This is largely as a result of the sustained overall performance of our investment managers, who have exceeded their benchmarks over a number of years. The investment sub group has monitored the managers' performance and met them throughout the year. They continue to monitor closely the Far Eastern Equity Manager. The Board approved its recommendation to change the Bond Manager to secure greater consistency. Reviewing strategy is now a continuous process. The funding sub group has met separately and with the Company on a number of occasions and supported me during negotiation of the Recovery Plan with the Company.

Valuation

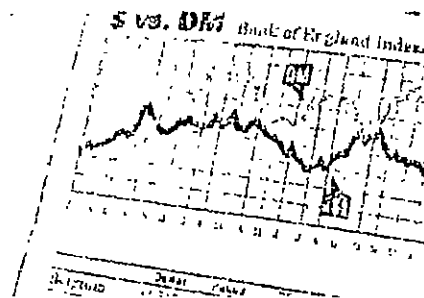
The valuation effective from the end of 2005 is the first under the new Regulatory regime. We are now required to show how we will eliminate any deficit. This involves a Recovery Plan, shown overleaf. By the end of last year, we had made a significant movement towards meeting the planned objective for 2013 and have agreed a fresh objective with the Company to secure the funding of the Plan. Following the excellent results of last year it is estimated that we could meet our new primary objective up to three years early.

Gordon Beaumont

Report and Accounts

This issue of pensions briefing extra contains a summarised version of the formal Trustee Report and Accounts, which is designed to give you a clear overview of the Fund's performance.

A full copy of the Report and Accounts is available on the Group Intranet site. If you have any questions or comments about the contents please contact the Group Pensions Manager at the address detailed.



The Alfred McAlpine Pension Plan

Pensions Newsletter

Valuation Results

The preliminary Actuarial Valuation as at 31 December 2005 was presented to the Trustees in June last year. This showed that the Trustee was on course to reach the objective set in 2002 for Plan funding objective by 2013 as targeted, if not before.

The Trustee has reconsidered the funding objective set in 2002 in the light of the requirements of the new Statutory Funding Objective regime, which was introduced as part of the Pensions Act 2004, and agreed a new funding objective with the Company and the contributions required to achieve it.

The Trustee's aim is for the Plan to be funded so that it can, as far as reasonably possible, be run independently from the Company with a high level of security for members' benefits. The first stage would be to secure sufficient assets by 2015 to meet the value of all accrued benefits through 100% funding in AA rated corporate bonds. The Company has agreed this should be the prime funding objective of the Plan. The longer term objective is to secure the benefits to a level which could be invested in Government Bonds, by 2020.

As reported in December 2006 the Trustee is also statutorily required to value the Plan on the basis that would be used if it was being wound up. The actuary must allow for the cost of buying insurance policies to provide these benefits. This is called the 'full solvency position'. The amount needed for full solvency is likely to be much greater than the assets of the Plan, due to the fact that insurance companies who would provide the policies will include their administration costs and an amount required for profits into the price of the policies. This position will not affect the payment of benefits as the full solvency position is only relevant if the Plan is wound up.

A full copy of the Valuation Report is available on request if you have any questions or comments about the contents please contact the Group Pensions Manager at the address detailed.

Research shows that peoples' life expectancy is continuing to increase and is increasing at a greater rate than previously thought. The Trustee has therefore allowed for this when carrying out the 2005 valuation. This has increased the liabilities in the new valuation by approximately £40 million.

The tables below shows the estimated number of years members of the Plan are expected to live for after attaining a certain age in the most recent actuarial valuation carried out as at 31 December 2005. The second column shows the equivalent figures used for the 2002 valuation.

	2005	2002
Non-retired members age 50 as at 31 December 2005		
Males at age 65	23 years	18 years
Females at age 65	26 years	21 years
Retired members age 70		
Males	15 years	13 years
Females	17 years	16 years

At the valuation date the market value of the Plan's assets was £264.1m.

The valuation results based on the prime funding objective, the subsidiary funding objective and the statutory buy-out basis are as follows -

	Prime FO	Subsidiary FO	Buy-out Basis
Market Value of Plan's Assets	£264.1m	£264.1m	£264.1m
Value of accrued Liabilities	£370.4m	£415.1m	£546.2m
Deficit	£106.3m	£151m	£282.1m
Funding Level	71%	64%	48%

In the normal course of events the funding deficit will be met from two sources: investment performance in excess of that assumed by the actuary in his calculations and extra contributions from the Company. In this regard, if the investment return which the Trustee expects to achieve in applying its investment strategy (which assumes that a proportion of the Plan's assets continue to be invested in equities over the ten years to 2015) is above the investment return assumption used in the most recent valuation, the deficit to be met by Company contributions on the Trustee's Prime funding Objective is £72.5m, rather than £106.3m stated above.

The Alfred McAlpine Pension Plan

Pensions Newsletter

Recovery Plan

On 11 April 2007 the Trustee and the Company agreed a Recovery Plan which requires the following annual contributions from the Company:

Year of Payment	Contribution
2007	£9.2m (this represents a payment of £6.6m in respect of 2007 and £2.6m in respect of 2006. The Company also paid a contribution of £4m during 2006)
2008	£8.5m
2009	£9.2m - increased by the change in the retail prices index over the period December 2007 to December 2008
2010 and each year thereafter until 31.12.2015	The previous years' contribution increased by the change in the retail prices index over the period December to December during the previous 12 months

The Company has also agreed to pay all Administration costs and the PPF Levy.

The Actuary has certified that these contributions should enable the Plan's primary objective to be met. Further discussions will be required with the Company about the subsidiary objective, as this stage of the Recovery Plan progresses.

The Recovery Plan has now been approved by the Regulator.

Membership

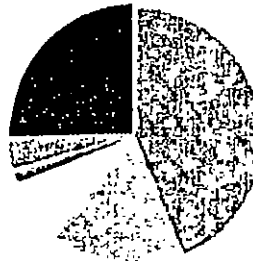
The table below details the changes in membership over the last four years.

	2003	2004	2005	2006
Contributing Members	1,152	1,175	1,177	1,177
Employed members	1,100	842	732	623
Pensioners	1,362	1,441	1,503	1,533
Deferred pensioners	2,499	2,533	2,538	2,507
Total	4,854	4,831	4,790	4,689

These are members in the GAD Passport section of the Plan. This section is for employees transferred from Local Government pensions schemes for whom the company is legally required to provide comparable pension benefits to those of their previous employer.

Where the money is invested

◆ UK Equities	26.7
○ Overseas Equities	40.3
UK Fixed Interest	20.6
UK Index Linked Gilt	7.4
◆ Property	4.8
◆ Cash	0.2
TOTAL	100%



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Income & Expenditure for 2006

	Market value of Assets of Plan at 1 January 05	Market value of Assets of Plan at 1 January 06
	£228,455,198	£266,004,767
	2005	2006
	£	£
Income for the year		
Contributions	4,067,347	4,209,879
Transfers in	-	1,032
Other income	950,876	445,393
Investment income	4,544,580	4,171,358
Total	9,562,798	8,827,662
Expenditure for the year		
Benefits	12,501,286	12,969,590
Payments to leavers	71,975	198,185
Administrative expenses	621,946	810,494
Investment Mgmt Fees	675,713	733,970
Total	13,870,920	14,712,239
Income less expenditure	(4,308,122)	(5,884,577)
Changes in market value of investments	41,857,691	22,543,933
Total Growth of Fund	37,549,569	16,659,356
	Market Value of Assets of Plan at 31 December 05	Market Value of Assets of Plan at 31 December 06
	£266,004,767	£282,664,123

Member Queries

If you are a current employee you should address all enquiries and calculation requests to Tina Keeling, Group Pensions Manager on 01928 785273 or by e-mail on tina.keeling@alfredmcalpinaplpc.com

If you are a pensioner or if you have left the Company and have a query regarding your deferred benefits the contact names and addresses for the JLT Group are as follows

Sharon Tomlinson 0161 831 4454
Sally Mason 0161 931 4429
Sue Caplan 0870 010 4330

Jardine Lloyd Thompson
St James's House, 7 Charlotte Street, Manchester M1 4DZ
e-mail: Sally.Mason@JLTGROUP.com

If you have any queries relating to the payment of your pension or any questions regarding the taxation of your pension you should contact Sue Caplan. If you have any queries relating to the calculation of your pension or wish to request a current statement of pension benefits you should contact either Sally Mason or Sharon Tomlinson

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Investment Perspective

The investment sub group regularly monitors the performance of the selected investment managers and meets all of them at least once each year. The Trustee reviews their performance with the sub group on a quarterly basis and is provided with complete information by the Plan Investment advisors to compare the actual performance against the benchmark targets selected by the Trustee.

The investments were managed by six managers all of whom have been set performance objectives, by The Trustee in consultation with the investment specialists from MERCER Investment Consulting, the Plan's advisors. With the exception of Legal & General the performance targets for the managers are set to be achieved over a rolling three year period.

As Legal & General are a 'passive' index tracking manager, their objective is not to outperform other managers, but to track various global equity markets.

BlackRock Investment Management (formerly Merrill Lynch Asset Management) actively manage a UK equity portfolio. Their objective is to outperform the FTSE All-Share Index by 2% per annum.

Following a review of the Plan's active bond manager Aberdeen Asset management (previously called Deutsche Asset Management) were replaced by a specialist bond manager Insight Investment. Insight actively manages a bond portfolio. Their objective is to outperform a total composite bond median benchmark by 1.5% per annum.

Investment Manager Selections Limited (previously called MM Asset Management) manage in a pooled active Asia Pacific (including Japan) equity portfolio. Their objective is to outperform a composite Asia Pacific benchmark by between 1.5% and 2% per annum.

SEI Investments (Europe) were appointed to actively manage a global equity portfolio. Their objective is to outperform the MSCI World Index by 1.7% per annum.

Morley Fund Management manages assets in a high lease value property portfolio. Their objective is to outperform a composite fixed interest gilt benchmark by 1.5% per annum.

As at 31 December 2006 the investment manager mandates were distributed:

Legal & General	29%
Insight Investment Management	20%
BlackRock Investment Management	20%
SEI Investments (Europe)	20%
Investment Manager Selections Limited	6%
Morley Fund Management	5%

In accordance with the Pensions Act 2004 the Trustee has prepared a Statement of Investment Principles (SIP). The SIP has been revised, following completion of the investment strategy review and a full copy is available on the Group Intranet site.

Over the 12 month period, to 31 December 2006, the overall return on investments was 10.4%, which was 1.5% above the benchmark return of 8.9%.

The following table summarises the combined return of the investment managers over the one, three and five years to December 2006 compared with the relevant benchmark.

Periods to 31.12.2006

	1 Year%	3 Years %pa	5 Years %pa
Plan	10.4	14.4	9.1
Benchmark	8.9	12.7	8.1

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The Trustee and its Advisers

Trustee Company - Alfred McAlpine Pension Trustees Limited

Directors of the Trustee Company -
Gordon Beaumont (Chairman)
Stephen Barklem (company nominated)
Robin Ellison (independent trustee)
Chris Lee (company nominated)
Nicola Oakes (member elected)
Mike Scott (member elected)

Investment Sub Group - Gordon Beaumont, Chris Lee

Funding Sub Group - Gordon Beaumont, Robin Ellison, Chris Lee

Secretary - Stephanie Coffey

Group Pensions Manager - Tina Keeling

Actuary - Phil Tranter, MERCER HR Consulting

Investment Consultant -
Anwen Owens, MERCER Investment Consulting

Fund Managers -
Legal & General Limited
BlackRock Investment Management
Insight Investment
Investment Manager Selections Limited
SEI Investments (Europe) Limited
Morley Fund Management

Bankers - National Westminster Bank Plc

Legal Advisers - Sacker & Partners

Auditors - Deloitte & Touche LLP

Plan Administrator - JLT Benefit Solutions Limited
