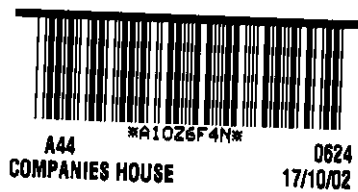




Haden Young Limited

Accounts for the year ended 31 December 2001
together with directors' and auditors' reports

Registered number: 215402



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Directors' report

For the year ended 31 December 2001

The directors present their annual report on the affairs of the company together with the accounts and auditors' report for the year ended 31 December 2001.

Principal activities and business review

The principal activities of the company are the design, construction and commissioning of mechanical, electrical, public health and fire protection engineering.

The directors are determined to maintain sound disciplines when identifying, evaluating and managing risk and have implemented a Risk Management Framework within the company's procedures. We seek to accept only those risks that can be successfully managed and are reasonable in the context of the scope and nature of the contracts undertaken by the company.

We continue to avoid unduly onerous contract conditions and to use our technical and management skills to develop partnerships with clients across selected market segments in the public and private sectors. We have been able to consolidate our position as one of the leading companies within the building and engineering industry in the United Kingdom.

We strive to develop repeat business relationships with clients and to maintain a leading position in the Private Finance Initiative/Public Private Partnerships Market, particularly in the field of healthcare education and infrastructure services.

Results and dividends

The audited accounts for the year ended 31 December 2001 are set out on pages 7 to 18. The profit for the year after taxation was £7,646,000 (2000: £7,357,000). Ordinary dividends proposed at 31 December 2001 amounted to £3,823,000 (2000: £3,679,000). Directors

The directors who served during the year are as follows:

P.J. Barnes
D.G. Beck
L. Elliot
S.J. Chapman
A.G. Currie
E.W. Greenhalgh
P.J. Lester

Directors' report (continued)

Directors' interests

The interests of Mr P.J. Lester in the shares and share options of Balfour Beatty plc or other group undertakings are shown within the accounts of Balfour Beatty plc.

At the relevant dates, the undermentioned directors had no interests, including options, except as shown below in the shares of Balfour Beatty plc, the ultimate holding company.

	Number of options		
	At 1 January 2001	Granted in year	At 31 December 2001
P.J. Barnes			
<i>Executive Share Options</i>	57,431	15,000	72,431
D.G. Beck			
<i>Executive Share Options</i>	167,839	-	167,839
L. Elliot			
<i>Executive Share Options</i>	28,000	15,000	43,000
<i>Savings – Related Options</i>	3,795	1,358	5,153
S.J. Chapman			
<i>Executive Share Options</i>	48,000	15,000	63,000
A.G. Currie			
<i>Executive Share Options</i>	48,000	15,000	63,000
E.W. Greenhalgh			
<i>Executive Share Options</i>	35,000	15,000	50,000
<i>Savings – Related Options</i>	7,121		7,121

None of the above directors exercised any options during the year. All interests shown are beneficial and are in respect of numbers of ordinary shares of Balfour Beatty plc.

None of the above directors had any interest (including options) in fellow subsidiary undertakings at the relevant dates.

Directors' report (continued)

Directors' responsibilities

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those accounts, the directors are required to:

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Employment of disabled persons

Employment with the company and progression within the company is determined solely by the application of objective criteria and merit. The policy of the company is to give full and fair consideration to disabled persons who have the necessary aptitude and abilities to perform the duties of the job. It is also the policy of the company that disabled people should receive equal consideration for career development and promotion opportunities, to provide appropriate training and to ensure that when an employee becomes disabled whilst in the company's employment, all practical efforts are made to identify suitable alternative opportunities.

Employee consultation

The company recognises the importance of good communication with its employees and places considerable value on involving them, on a regular basis, in understanding the performance of the company and the contribution which it makes to that of the Balfour Beatty Group. An abbreviated financial report of the Balfour Beatty Group is circulated annually to all employees. Subject to certain age and service qualifications, employees are entitled to participate in the Balfour Beatty plc Savings Related Share Option Scheme.

Supplier payment policy

The company's policy is to settle terms of payment with suppliers when agreeing the terms of each transaction or a series of transactions, to seek to ensure that suppliers are made aware of the terms of payment, and to abide by the terms of payment as and when satisfied that the supplier has provided the goods or services in accordance with agreed terms. At 31 December 2001, the year end creditors days of the company were 32 days (2000: 37 days).

Directors' report (continued)

Safety and environmental policy

The health and safety of its employees and of the public is of fundamental importance to the company. Continued improvements were achieved during 2001 in safety management using the safety audit system of the Royal Society for the Prevention of Accidents (RoSPA).

The company has a responsible attitude to the health, safety and the environment with which it is concerned. It seeks always to act in accordance with good practice, preserving, and where possible, enhancing the quality of the environment.

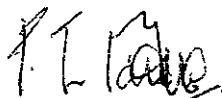
The company's systems for environmental monitoring and reporting, which are linked with existing safety systems, include formal procedures for the evaluation of safety and environmental risk at the tender stage. Training on environmental issues continues to form a significant part of these systems.

Auditors

On 28 April 1994 the company passed an elective resolution to dispense with the annual appointment of auditors.

42-44 Clarendon Road
Watford
Hertfordshire
WD17 1DR

By order of the Board,



P.J. Barnes

Director

2 July 2002

Independent auditors' report

To the Shareholder of Haden Young Limited:

We have audited the financial statements of Haden Young Limited for the year ended 31 December 2001 which comprise the Profit and loss account, the Balance sheet, and the related notes numbered 1 to 23. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it or material inconsistencies with the financial statements.

Basis of opinion

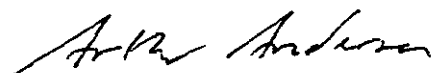
We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the circumstances of the company, 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.

Independent auditors' report (continued)

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company at 31 December 2001 and of the company's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen

Chartered Accountants and Registered Auditors

180 Strand
London
WC2R 1BL

2 July 2002

Profit and loss account

For the year ended 31 December 2001

	Notes	2001 £'000	2000 £'000
Turnover	1	204,725	175,417
Operating costs	2	<u>(196,893)</u>	<u>(168,418)</u>
Operating profit		7,832	6,999
Interest receivable	6	<u>3,263</u>	<u>3,751</u>
Profit on ordinary activities before taxation	3	11,095	10,750
Tax on profit on ordinary activities	7	<u>(3,449)</u>	<u>(3,393)</u>
Profit for the financial year after taxation		7,646	7,357
Dividends proposed	8	<u>(3,823)</u>	<u>(3,679)</u>
Retained profit for the year		<u>3,823</u>	<u>3,678</u>

There are no recognised gains or losses other than the profit on ordinary activities after taxation of £7,646,000 in the year ended 31 December 2001 (2000: £7,357,000).

The accompanying notes are an integral part of this profit and loss account.

Balance sheet
31 December 2001


	Notes	2001 £'000	2000 £'000
Fixed assets			
Tangible assets	9	1,356	1,524
Investments	10	48	48
		<u>1,404</u>	<u>1,572</u>
Current assets			
Stocks	11	532	623
Debtors	12		
– due within one year		81,993	71,638
– due after one year		1,419	1,891
Cash at bank and in hand	13	21,398	22,556
		<u>105,342</u>	<u>96,708</u>
Creditors: Amounts falling due within one year	14	<u>(77,798)</u>	<u>(73,103)</u>
Net current assets		<u>27,544</u>	<u>23,605</u>
Total assets less current liabilities		<u>28,948</u>	<u>25,177</u>
Creditors: Amounts falling due after more than one year	15	<u>(468)</u>	<u>(520)</u>
Net assets		<u>28,480</u>	<u>24,657</u>
Equity capital and reserves			
Called-up share capital	16	15,000	15,000
Profit and loss account	17	13,480	9,657
Total capital employed		<u>28,480</u>	<u>24,657</u>

Signed on behalf of the Board



D.G. Beck

Director



L. Elliot

Director

2 July 2002

The accompanying notes are an integral part of this balance sheet.

Statement of accounting policies

31 December 2001

A summary of the principal accounting policies, all of which have been applied consistently throughout the year and the preceding year with the exception of the policy for pension funds, which is explained in note 21 is set out below.

i) Basis of accounting

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards. Consolidated accounts have not been prepared as afforded by section 228 of the Companies Act 1985, since the company is a wholly owned subsidiary undertaking of Balfour Beatty plc, a company registered in England and Wales, which has prepared consolidated accounts which include the company and its subsidiary undertakings. The company is also, on this basis, exempt from the requirement to present a cash flow statement.

ii) Investments

Investments are stated at cost less provision for impairment.

iii) Long-term contract work-in-progress

Profit on individual contracts is taken only when their outcome can be foreseen with reasonable certainty, based on the lower of the percentage margin earned to date and that prudently forecast at completion, taking account of agreed claims. Full provision is made for all known or expected losses on individual contracts, taking a prudent view of future claims income, immediately as such losses are foreseen. Profit for the year includes the benefit of claims settled on contracts in prior years.

Unbilled contract work in progress is valued at the lower of cost and estimated sales value. Applications for progress payments are deducted from cost with any excess included in other creditors as advance progress applications.

iv) Turnover

Turnover represents amounts invoiced to outside customers, net of trade discounts, value added and other similar sales based taxes, except in respect of contracting activities where turnover represents the value of work carried out during the year including amounts not invoiced.

v) Depreciation

Depreciation is calculated on the cost of tangible fixed assets and is charged on the straight-line basis so as to write down each asset over its expected useful life. Periodic reviews of the working lives of assets are carried out to take into account greater than normal usage and obsolescence, and further depreciation is charged as necessary.

Depreciation is charged at appropriate annual rates as follows:

Plant and equipment	-	from 10% to 33%
Land and buildings	-	10%

Statement of accounting policies (continued)

vi) Operating leases

The rental costs arising from operating leases are charged against operating profit as they arise in the period in which they are incurred.

vii) Stocks

Stocks are valued at the lower of cost and net realisable value. Loose plant and tools are valued at cost less depreciation. Provision is made for obsolete or defective items where appropriate.

viii) Taxation

Corporation tax payable is provided on taxable profits at the current rate. Provision is made for deferred taxation under the liability method at the rates prevailing at the balance sheet date. Timing differences arising from capital allowances are recognised fully as it is considered that such differences will reverse in the foreseeable future.

ix) Pension costs

It is the general policy of the company to fund pension liabilities. Independent actuarial valuations on a going concern basis are carried out at least every three years. The amounts charged to the profit and loss account for the defined benefit schemes are the estimated regular costs of providing the benefits accrued in the year, adjusted to reflect variations from that cost. The regular cost is calculated so that it represents a substantially level percentage of current and future pensionable payroll costs. Variations from regular cost are charged or credited to the profit and loss account over the estimated average remaining working life of the scheme members.

x) Cash flow statements

Under the provisions of Financial Reporting Standard No.1 "Cash Flow Statements" (Revised), the company has not prepared a cash flow statement because its parent company, Haden Building Services Limited, which is registered in England and Wales, has prepared consolidated accounts and which contain a cash flow statement.

Notes to the financial statements

31 December 2001

1 Turnover and profit

Turnover and profit on ordinary activities before taxation relate to the company's principal activities of design, management, construction and commissioning of mechanical, electrical, plumbing and fire protection engineering services. All turnover relates to UK sales.

2 Operating costs

	2001 £'000	2000 £'000
Materials and subcontractors	135,710	114,439
Staff costs (see note 4)	49,774	43,975
Other operating charges	11,409	10,004
	<u>196,893</u>	<u>168,418</u>

3 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	2001 £'000	2000 £'000
Depreciation of owned assets	462	413
Hire of plant and equipment under operating leases	1,882	2,090
Hire of other assets under operating leases	1,176	1,144
Auditors' remuneration (audit fees)	58	64
Research and development costs	47	38
	<u>4,625</u>	<u>5,149</u>

4 Staff costs

Employee costs during the year (including executive directors) amounted to:

	2001 £'000	2000 £'000
Wages and salaries	44,466	39,087
Social security costs	3,518	3,274
Other pension costs	1,790	1,614
	<u>49,774</u>	<u>43,975</u>

	2001 Number	2000 Number
The average monthly number of employees during the year, including directors, was:	<u>1,676</u>	<u>1,632</u>

Notes to the financial statements (continued)

5 Directors' remuneration

The remuneration of the directors was as follows:

	2001 £'000	2000 £'000
Emoluments	<u>733</u>	<u>615</u>

The above amounts do not include any gains made on the exercise of share options or the value of any shares or share options received under long-term incentive schemes. No directors exercised share options in the period (2000: nil).

All emoluments have been disclosed in the accounts of Haden Young Limited, with the exception of P.J. Lester, whose emoluments are disclosed in the accounts of Balfour Beatty plc.

Pensions

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

	2001 Number	2000 Number
Defined benefit schemes	<u>6</u>	<u>6</u>

Highest paid director

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

	2001 £'000	2000 £'000
Emoluments	<u>190</u>	<u>146</u>

The accrued pension entitlement under the Company's defined benefit scheme of the highest paid director at 31 December 2001 was £119,967 (2000: £108,167) and the accrued lump sum entitlement at 31 December 2001 was £199,125 (2000: £169,650).

Notes to the financial statements (continued)

6 Interest receivable

	2001 £'000	2000 £'000
Interest receivable	<u>3,263</u>	<u>3,751</u>

7 Tax on profit on ordinary activities

	2001 £'000	2000 £'000
The tax charge for the year comprises:		
UK corporation tax at 30% (2000: 30%)	3,411	3,341
Deferred taxation	10	206
	<u>3,421</u>	<u>3,547</u>
Adjustments in respect of prior years		
UK corporation tax	170	34
Deferred taxation	(142)	(188)
	<u>3,449</u>	<u>3,393</u>

8 Dividends

	2001 £'000	2000 £'000
On ordinary shares - proposed	<u>3,823</u>	<u>3,679</u>

Notes to the financial statements (continued)

9 Tangible fixed assets

	Short leasehold land and buildings £'000	Plant and equipment (purchased) £'000	Total £'000
Cost			
At 1 January 2001	546	3,271	3,817
Additions	-	349	349
Disposals	(40)	(250)	(290)
At 31 December 2001	<u>506</u>	<u>3,370</u>	<u>3,876</u>
Depreciation			
At 1 January 2001	332	1,961	2,293
Charge for the year	26	436	462
Disposals	-	(235)	(235)
At 31 December 2001	<u>358</u>	<u>2,162</u>	<u>2,520</u>
Net book value			
At 1 January 2001	<u>214</u>	<u>1,310</u>	<u>1,524</u>
At 31 December 2001	<u>148</u>	<u>1,208</u>	<u>1,356</u>

10 Fixed asset investments

	2001 £'000	2000 £'000
Subsidiary undertakings:		
Cost and Net Book Value	<u>48</u>	<u>48</u>

All subsidiary undertakings are dormant.

11 Stocks

	2001 £'000	2000 £'000
Raw materials and consumables	<u>532</u>	<u>623</u>

Notes to the financial statements (continued)

12 Debtors

	2001 £'000	2000 £'000
Amounts falling due within one year:		
Trade debtors	17,434	15,838
Amounts recoverable on contracts	10,680	6,477
Loans due from group undertakings	51,000	48,000
Amounts owed by other group undertakings	1,200	11
Other debtors	556	537
Prepayments and accrued income	793	577
Deferred taxation	330	198
	<u>81,993</u>	<u>71,638</u>

Interest is charged on amounts due from group undertakings at 4.0% (2000: 6.0%). The loans are repayable on demand.

Deferred taxation recognised comprises:

	2001 £'000	2000 £'000
Accelerated capital allowances	289	192
Other timing differences	41	6
	<u>330</u>	<u>198</u>

The movement on deferred tax during the year was:

	2001 £'000	2000 £'000
At 1 January	198	216
Other, including short term timing differences	132	(18)
At 31 December	<u>330</u>	<u>198</u>

In the opinion of the directors the timing differences giving rise to the deferred tax assets will reverse in the foreseeable future.

	2001 £'000	2000 £'000
Amounts falling due after more than one year		
Contracts retentions	<u>1,419</u>	<u>1,891</u>

Notes to the financial statements (continued)

13 Cash at bank and in hand

Cash at bank and in hand include the company's share of amounts held by contracting joint arrangements of £19,877,000 (2000: £19,646,000).

14 Creditors: Amounts falling due within one year

	2001 £'000	2000 £'000
Advance payments from customers	19,961	19,251
Trade creditors	37,114	38,030
Amounts owed to other group undertakings	515	548
Taxation, social security and other taxes:		
- corporation taxable payable	2,207	2,389
- social and other taxes	6,427	3,494
Other creditors	985	1,305
Accruals	6,766	4,409
Dividends payable	3,823	3,679
	<u>77,798</u>	<u>73,103</u>

15 Creditors: Amounts falling due after more than one year

	2001 £'000	2000 £'000
Advance payments from customers	<u>468</u>	<u>520</u>

16 Called-up share capital

	2001 £'000	2000 £'000
<i>Authorised</i>		
20,000,000 ordinary shares of £1 each	<u>20,000</u>	<u>20,000</u>
<i>Allotted, called-up and fully-paid</i>		
15,000,000 ordinary shares of £1 each	<u>15,000</u>	<u>15,000</u>

17 Profit and loss account

	2001 £'000	2000 £'000
At 1 January	9,657	5,979
Retained profit for the year	3,823	3,678
At 31 December	<u>13,480</u>	<u>9,657</u>

Notes to the financial statements (continued)

18 Reconciliation of movements in shareholders' funds

	2001 £'000	2000 £'000
Profit for the financial year	7,646	7,357
Dividends proposed and paid on ordinary shares	(3,823)	(3,679)
Retained profit for the year	<u>3,823</u>	<u>3,678</u>
Opening shareholders' funds	24,657	20,979
Closing shareholders' funds	<u>28,480</u>	<u>24,657</u>

19 Contingent liabilities

The company has, in the normal course of business, entered into counter-indemnities in respect of bonds relating to its own contracts which, in the directors' opinion, will not give rise to any material loss.

20 Capital commitments

There were £26,000 capital commitments at 31 December 2001 (2000: £120,000).

21 Leasing commitments

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

	2001		2000	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Date of expiry:				
Within one year	13	16	83	3
Between two and five years	673	70	47	76
After five years	394	2	601	-
	<u>1,080</u>	<u>88</u>	<u>731</u>	<u>79</u>

Notes to the financial statements (continued)

22 Pension funds

Qualifying employees joining the group after September 1986 may join the Balfour Beatty Pension Trust Ltd. Members of the Haden Group plc pension schemes transferred to the BICC Group upon the acquisition of Haden Building Services Limited by BICC plc in 1986. They became members of the BICC Haden Pension scheme which from May 1983 merged with the Balfour Beatty Pension Trust Ltd (formerly BICC Group Pension Fund), a defined benefit scheme.

The latest actuarial valuation of the Balfour Beatty Pension Fund was carried out by independent actuaries at 31 March 2001 using the projected until method and disclosed a surplus of assets over past service liabilities of 9%, which is being used to reduce company contributions over a period of seven years. The principal actuarial assumptions of the Balfour Beatty Group Pension Fund are for investment returns to exceed inflation by 4% per annum for active and deferred numbers and by 2.6% per annum for pensioners, windows and dependants.

The total cost of pension schemes to the Company was £1,790,000 (2000: £1,614,000).

Additional disclosures regarding the Balfour Beatty Pension Fund defined benefit pension scheme are required under the transitional provisions of FRS 17 "Retirement benefits". In accordance with FRS 17, the company will account for its contributions to the scheme as if it were a defined contribution scheme because it is not possible to identify the company's share of the assets and liabilities in the scheme on a consistent and reasonable basis. The latest actuarial valuation of the scheme, prepared for the purposes of making the transitional disclosures in accordance with FRS 17 in the consolidated financial statements of Balfour Beatty plc, shows a surplus £32.2m. Further details of this valuation can be found in the Balfour Beatty plc 2001 Annual Report and Accounts note 22.

23 Ultimate holding company

The company is a wholly-owned subsidiary undertaking of Haden Building Services Limited, which is registered in England and Wales. Its ultimate holding company is Balfour Beatty plc, incorporated in Great Britain.

The largest group in which the results of Haden Young Limited are consolidated is that headed by Balfour Beatty plc. The smallest group in which they are consolidated is that headed by Haden Building Services Limited. The consolidated accounts of Balfour Beatty plc are available to the public and may be obtained from 130 Wilton Road, Victoria, SW1 1LQ.

The company has taken advantage of the exemption under the rules of the Financial Reporting Standard No. 8 "Related Party Transactions" from disclosing further details of related party transactions with other members of the Balfour Beatty plc.