

**Company Registration No. 215402**

**Haden Young Limited**

**Report and Financial Statements**

**31 December 2004**



# **Haden Young Limited**

## **Report and financial statements 2004**

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# Haden Young Limited

## Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2004.

### Principal activity

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.

The directors 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.

The directors 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. This strategy will continue for 2005 and beyond.

### Results and dividends

The audited accounts for the year ended 31 December 2004 are set out on pages 7 to 18. The profit for the year after taxation was £6,714,000 (2003: £7,352,000). An interim ordinary dividend of £20m was proposed and paid during the year (2003: £nil). No final ordinary dividend was proposed as at 31 December 2004 (2003: £3,675,000).

### Directors

The following were directors of the company throughout the year (except as shown):

P J Barnes  
D G Beck  
L Elliot  
A G Currie  
E W Greenhalgh  
G J Bryce  
S Chapman (resigned 7 May 2004)

## Haden Young Limited

### Directors' report (continued)

#### Directors' interests

The interests of the directors in the share and loan capital of Balfour Beatty plc, the ultimate parent company were:

	At 1 January 2004	Options exercised in year	Options granted in year	At 31 December 2004
<b>P J Barnes</b>				
<i>Executive Share Options</i>	102,431	38,000	15,000	70,227
<b>D G Beck</b>				
<i>Executive Share Options</i>	38,635	10,000	-	28,635
<b>L Elliot</b>				
<i>Executive Share Options</i>	47,317	17,317	15,000	45,000
<i>Savings – Related Options</i>	3,527	-	1,276	4,803
<b>A G Currie</b>				
<i>Executive Share Options</i>	53,000	15,000	15,000	53,000
<b>E W Greenhalgh</b>				
<i>Executive Share Options</i>	60,000	30,000	15,000	45,000
<i>Savings – Related Options</i>	-	-	1,095	1,095
<b>G J Bryce</b>				
<i>Executive Share Options</i>	45,000	-	15,000	60,000
<i>Savings – Related Options</i>	1,538	981	789	1,346

During the year the 9,204 options granted to Mr P J Barnes, under the executive share option scheme 1994, lapsed unexercised.

Conditional awards have been made to Mr D G Beck under the 2001, 2002, 2003 and 2004 cycles of the Performance Share Plan 2001 established by Balfour Beatty plc. For each award under this Plan, the Director may receive ordinary shares in Balfour Beatty plc up to a maximum number equivalent in market value to his basic salary at the date of award. The shares for each award will vest and be transferred to the Director if, and only to the extent that, an earnings per share growth target is met over the three year performance period. The performance period for the 2001 cycle was completed on 31 December 2003 and as a result, Mr D G Beck will become entitled to 59,197 ordinary shares in Balfour Beatty plc. The performance period for the 2002 cycle was completed on 31 December 2004 and, as a result, Mr D G Beck will become entitled to awards of 34,425 ordinary shares in Balfour Beatty plc. Further details of the Plan are disclosed in the annual report and accounts of Balfour Beatty plc.

All interests shown are beneficial and are in respect of numbers of 50p ordinary shares of Balfour Beatty plc.

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

# **Haden Young Limited**

## **Directors' report (continued)**

### **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 if 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 2004, the year end creditors days of the company were 32 days (2003: 37 days).

### **Research and development**

Research and development costs of £48,000 (2003: £42,000) were incurred in the year.

### **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 2004 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.

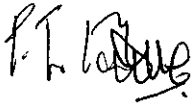
## **Haden Young Limited**

### **Directors' report (continued)**

#### **Auditors**

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors and signed on behalf of the Board on the 10 October 2005.



P J Barnes  
Director

42-44 Clarendon Road  
Watford  
Hertfordshire  
WD17 1DR

# **Haden Young Limited**

## **Statement of directors' responsibilities**

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

## **Independent auditors' report to the members of Haden Young Limited**

We have audited the financial statements of Haden Young Limited for the year ended 31 December 2004 which comprise the profit and loss account, the balance sheet and the related notes 1 to 25. These financial statements have been prepared under the accounting policies set out therein.

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

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

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and 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 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 for the above year and consider the implications for our report if we become aware of any apparent misstatements.

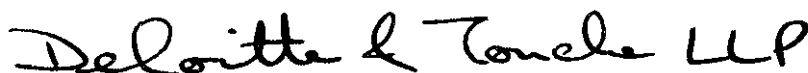
### **Basis of audit opinion**

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

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

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**Deloitte & Touche LLP**  
Chartered Accountants and Registered Auditors  
London  
10 October 2005



## Haden Young Limited

### Profit and loss account Year ended 31 December 2004

	Note	2004 £'000	2003 £'000
<b>Turnover</b>	1, 2	179,441	218,169
Operating costs	3	<u>(171,891)</u>	<u>(210,400)</u>
<b>Operating profit</b>		7,550	7,769
Loss on disposal of fixed asset investment	4	-	(10)
Net interest receivable and similar income	8	<u>2,066</u>	<u>2,850</u>
<b>Profit on ordinary activities before taxation</b>	5	9,616	10,609
Tax on profit on ordinary activities	9	<u>(2,902)</u>	<u>(3,257)</u>
<b>Profit on ordinary activities after taxation</b>		6,714	7,352
Dividends paid and proposed	10	<u>(20,000)</u>	<u>(3,675)</u>
<b>Retained (loss)/profit for the year</b>	19	<u><u>(13,286)</u></u>	<u><u>3,677</u></u>

There are no recognised gains or losses other than the profit on ordinary activities after taxation of £6,714,000 in the year ended 31 December 2004 (2003: £7,352,000), and hence no separate statement of total recognised gains and losses is presented.

All activities are from continuing operations in the United Kingdom.


# Haden Young Limited


## Balance sheet 31 December 2004

	Note	2004 £'000	2003 £'000
<b>Fixed assets</b>			
Tangible assets	11	915	1,095
Investments	12	13	13
		<u>928</u>	<u>1,108</u>
<b>Current assets</b>			
Stocks	13	313	355
Debtors			
- due within one year	14	29,482	40,376
- due after one year	14	1,921	2,395
Cash at bank and in hand	15	59,068	77,487
		<u>90,784</u>	<u>120,613</u>
<b>Creditors: amounts falling due within one year</b>	16	<u>(67,297)</u>	<u>(85,005)</u>
<b>Net current assets</b>		<u>23,487</u>	<u>35,608</u>
<b>Total assets less current liabilities</b>		<u>24,415</u>	<u>36,716</u>
<b>Creditors: amounts falling due after more than one year</b>	17	<u>(1,516)</u>	<u>(531)</u>
<b>Net assets</b>		<u><u>22,899</u></u>	<u><u>36,185</u></u>
<b>Share capital and reserves</b>			
Called-up share capital	18	15,000	15,000
Profit and loss account	19	7,899	21,185
<b>Equity shareholders' funds</b>	20	<u><u>22,899</u></u>	<u><u>36,185</u></u>

These financial statements were approved by the Board of Directors on 10 October 2005.

Signed on behalf of the Board of Directors

  
D G Beck  
Director

  
L Elliot  
Director

# Haden Young Limited

## Notes to the accounts

Year ended 31 December 2004

### 1. Accounting policies

The financial statements are prepared in accordance with applicable United Kingdom accounting standards, all of which have been applied consistently throughout the current and prior year.

#### Basis of accounting

The accounts have been prepared under the historical cost convention. 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.

#### Investments

Investments are stated at cost less provision for impairment. The carrying values of these investments are reviewed annually by the directors to determine whether there has been any impairment to their values.

#### 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 payments on account.

#### 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.

#### Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and provisions for impairment.

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:

Short term leasehold land and buildings	-	10%
Plant and equipment	-	from 10% to 33%

#### Operating leases

The rental costs arising from operating leases are charged against operating profit on a straight-line basis over the lease term.

#### 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.

# Haden Young Limited

## Notes to the accounts (continued) Year ended 31 December 2004

### 1. Accounting policies (continued)

#### Research and development costs

Research and development costs are written off as incurred.

#### Taxation

Current tax, including United Kingdom corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in the obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise for the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the period in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

#### Pension costs

The ultimate parent company operates a defined benefit scheme and a contribution scheme. Contributions to defined benefit pension schemes are charged to the profit and loss account so as to spread the cost of providing pensions over employees' working lives with the company. Variations in pension costs are allocated over the remaining service lives of employees as an adjustment to the regular pension cost. Differences between contributions paid and amounts charged to the profit and loss account are included as a prepayment or liability in the balance sheet. Contributions to defined contribution pension schemes are charged to the profit and loss account as they fall due.

#### Cash flow statement

Under the provisions of Financial Reporting Standard No.1 "Cash Flow Statements" (Revised), the company has not prepared a cash flow statement because its ultimate holding company, Balfour Beatty plc, which is registered in England and Wales, has prepared consolidated accounts and which contain a cash flow statement.

### 2. 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 sales within the United Kingdom.

# Haden Young Limited

## Notes to the accounts (continued) Year ended 31 December 2004

### 3. Operating costs

	2004 £'000	2003 £'000
Materials and subcontractors	106,827	142,326
Staff costs (see note 6)	53,341	55,608
Other operating charges	11,723	12,466
	<u>171,891</u>	<u>210,400</u>

### 4. Loss on disposal of fixed asset investment

The investment of Barlow and Young Limited was disposed of during 2003. The loss on disposal was £10,000.

### 5. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	2004 £'000	2003 £'000
Depreciation of owned assets	397	432
Operating lease rentals		
- plant and equipment	1,875	2,014
- other	1,535	1,412
Auditors' remuneration (audit fees)	88	65
Research and development cost	48	42
	<u>3,433</u>	<u>5,365</u>

There were no non-audit fees incurred in the year (2003: £nil).

### 6. Staff costs

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

	2004 £'000	2003 £'000
Wages and salaries	46,445	49,165
Social security costs	4,077	4,071
Other pension costs	2,819	2,372
	<u>53,341</u>	<u>55,608</u>

	2004 No.	2003 No.
The average monthly number of employees during the year, including directors, was:	<u>1,502</u>	<u>1,654</u>

# Haden Young Limited

## Notes to the accounts (continued) Year ended 31 December 2004

### 7. Directors' remuneration

The remuneration of the directors was as follows:

	2004 £'000	2003 £'000
Emoluments	897	876

The above amounts do not include any gains made on the exercising of share options or the value of any shares or share options received under long-term incentive schemes. Details of directors who exercised share options, or became entitled to shares under a long-term incentive scheme in the year are disclosed on page 2.

### Pensions

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

	2004 No.	2003 No.
Defined benefit schemes	6	7

### Highest paid director

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

	2004 £'000	2003 £'000
Emoluments	220	208

The accrued pension entitlement under the company's defined benefit scheme of the highest paid director at 31 December 2004 was £156,650 (2003 – £139,650) and the accrued lump sum entitlement at 31 December 2004 was £252,000 (2003 – £231,919).

### 8. Net interest receivable and similar income

	2004 £'000	2003 £'000
Other interest payable	(3)	-
Bank interest receivable	2,069	2,850
	2,066	2,850

# Haden Young Limited

## Notes to the accounts (continued) Year ended 31 December 2004

### 9. Tax on profit on ordinary activities

	2004 £'000	2003 £'000
The tax charge is based on the profit for the year and comprises:		
UK corporation tax		
Current tax on income for the year	2,927	3,244
Adjustments in respect of prior years	(47)	19
	<hr/>	<hr/>
Total current tax	2,880	3,263
Deferred tax (see note 14)	22	(6)
	<hr/>	<hr/>
Tax on profit on ordinary activities	<u>2,902</u>	<u>3,257</u>

The current tax charge for the year is lower than the standard rate of corporation tax in the UK (30%).

The differences are explained below:

	2004 £'000	2003 £'000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	9,616	10,609
	<hr/>	<hr/>
Tax on ordinary activities at 30% (2003 – 30%)	2,885	3,183
<i>Effects of:</i>		
Expenses not deductible for tax purposes	79	80
Capital allowances in excess of depreciation	(29)	(60)
Other short term timing differences	(8)	41
Adjustments to tax charge in respect of previous periods	(47)	19
	<hr/>	<hr/>
	<u>2,880</u>	<u>3,263</u>

### 10. Dividends

	2004 £'000	2003 £'000
Interim paid	20,000	-
Final proposed of nil (2003: 25p) per ordinary share	-	3,675
	<hr/>	<hr/>
	<u>20,000</u>	<u>3,675</u>

# Haden Young Limited

## Notes to the accounts (continued) Year ended 31 December 2004

### 11. Tangible fixed assets

	Short-term leasehold land and buildings £'000	Plant and equipment £'000	Total £'000
<b>Cost</b>			
At 1 January 2004	476	3,440	3,916
Additions	-	219	219
Disposals	(122)	(499)	(621)
	<hr/>	<hr/>	<hr/>
At 31 December 2004	354	3,160	3,514
	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>			
At 1 January 2004	377	2,444	2,821
Charge for the year	25	372	397
Disposals	(122)	(497)	(619)
	<hr/>	<hr/>	<hr/>
At 31 December 2004	280	2,319	2,599
	<hr/>	<hr/>	<hr/>
<b>Net book value</b>			
At 31 December 2004	74	841	915
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 December 2003	99	996	1,095
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

### 12. Fixed asset investments

	2004 £'000	2003 £'000
Subsidiary undertakings:		
<b>Cost and net book value</b>		
At 1 January	13	23
Disposals	-	(10)
	<hr/>	<hr/>
At 31 December	13	13
	<hr/> <hr/>	<hr/> <hr/>

The principal subsidiary undertakings of the company are:

	Shareholding	Class of shares held	Country of registration	Principal activity
Haden Airflow Limited	100%	Ordinary	England and Wales	Dormant
GN Haden Limited	100%	Ordinary	England and Wales	Dormant



# Haden Young Limited

## Notes to the accounts (continued) Year ended 31 December 2004

### 13. Stocks

	2004 £'000	2003 £'000
Raw materials and consumables	313	355

### 14. Debtors

	2004 £'000	2003 £'000
Amounts falling due within one year:		
Trade debtors	13,495	25,354
Amounts recoverable on contracts	14,176	10,366
Amounts due from other group undertakings	57	3,378
Other debtors	512	345
Prepayments and accrued income	450	620
Pension prepayment (see Note 24)	716	-
Deferred tax asset	76	313
	<u>29,482</u>	<u>40,376</u>

	2004 £'000	2003 £'000
The deferred tax asset recognised comprises:		
Timing differences relating to capital allowances	222	228
Pension prepayment	(215)	-
Other timing differences	69	85
	<u>76</u>	<u>313</u>

The movement on the deferred tax asset during the year was:

	2004 £'000	2003 £'000
At 1 January	313	307
(Charge)/credit to the profit and loss account	(22)	6
Pension prepayment	(215)	-
At 31 December	<u>76</u>	<u>313</u>

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

	2004 £'000	2003 £'000
Amounts falling due after more than one year:		
Contract retentions	1,921	2,395

## Haden Young Limited

### Notes to the accounts (continued) Year ended 31 December 2004

#### 15. Cash at bank and in hand

Cash at bank and in hand includes the company's share of amounts held by contracting joint arrangements of £12,323,961 (2003: £15,715,078).

#### 16. Creditors: amounts falling due within one year

	2004 £'000	2003 £'000
Advance payments from customers	3,356	13,540
Trade creditors	41,718	50,484
Amounts owed to other group undertakings	908	504
Taxation, social security and other taxes:		
- corporation tax payable	1,533	1,718
- social security and other taxes	6,851	3,026
Other creditors	1,418	1,102
Accruals and deferred income	11,513	10,956
Proposed dividends	-	3,675
	<u>67,297</u>	<u>85,005</u>

#### 17. Creditors: amounts falling due after more than one year

	2004 £'000	2003 £'000
Advance payments from customers	<u>1,516</u>	<u>531</u>

#### 18. Called-up share capital

	2004 £'000	2003 £'000
<b>Authorised:</b>		
20,000,000 ordinary shares of £1 each	<u>20,000</u>	<u>20,000</u>
<b>Allotted, called up and fully paid:</b>		
15,000,000 ordinary shares of £1 each	<u>15,000</u>	<u>15,000</u>

#### 19. Profit and loss account

	2004 £'000	2003 £'000
At 1 January	21,185	17,508
Retained (loss)/profit for the year	(13,286)	3,677
At 31 December	<u>7,899</u>	<u>21,185</u>

# Haden Young Limited

## Notes to the accounts (continued) Year ended 31 December 2004

### 20. Reconciliation of movements in equity shareholders' funds

	2004 £'000	2003 £'000
Profit for the financial year	6,714	7,352
Dividends paid/proposed on ordinary shares	(20,000)	(3,675)
Retained (loss)/profit for the year	(13,286)	3,677
Opening equity shareholders' funds	36,185	32,508
Closing equity shareholders' funds	<u>22,899</u>	<u>36,185</u>

### 21. 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.

### 22. Capital commitments

There were £9,850 capital commitments at 31 December 2004 (2003: £49,000).

### 23. Leasing commitments

	2004		2003	
	Short term leasehold land and buildings £'000	Other £'000	Short term leasehold land and buildings £'000	Other £'000
Date of expiry:				
Within one year	104	459	-	622
Between two and five years	397	1,392	501	1,478
After five years	817	-	814	4
	<u>1,318</u>	<u>1,851</u>	<u>1,315</u>	<u>2,104</u>

# Haden Young Limited

## Notes to the accounts (continued) Year ended 31 December 2004

### 24. Pension

(a) Certain employees of the Company are members of the Balfour Beatty Pension Fund which is managed by the Parent Company. This is principally a defined benefit pension scheme and is funded. Contributions are determined in accordance with independent actuarial advice and are based on pension costs across the Parent Company and its subsidiaries as a whole. The latest formal valuation of the Balfour Beatty Pension Fund was carried out by the actuaries as at 31 March 2004 using the projected unit method and disclosed an excess of assets over past service liabilities of 1.7%. The principal actuarial assumptions of the Balfour Beatty Pension Fund are for investment returns to exceed inflation by 5.4% per annum for active and deferred members pre-retirement, by 2.9% per annum for active and deferred members post-retirement and by 2.4% per annum for pensioners, widows and dependants. In 2002 a new defined contribution section of this fund was established for new UK employees joining the Balfour Beatty Group after 1 January 2003 and the assets and liabilities of this section are included within reported results of the Balfour Beatty Pension Fund. A prepayment of £0.7m (2003: nil) is included in debtors.

The Parent Company's actuaries have reviewed the funding valuations of the Balfour Beatty Pension Fund at 31 December 2004. Further details of these reviews can be found in the Balfour Beatty plc 2004 Annual Report and Accounts (Note 23).

The total cost of pension schemes to the Company was £2,820,000 (2003: £2,372,000).

(b) The Company continues to account for pensions in accordance with the requirements of SSAP 24 "Accounting for pension costs". The following supplementary analysis is given in accordance with the requirements of FRS 17 "Retirement benefits".

The latest actuarial funding valuations of the Balfour Beatty Pension Fund has been updated by the actuaries to 31 December 2004 on the basis prescribed by FRS 17. In particular, scheme liabilities have been discounted using the rate of return on a high quality corporate bond rather than the expected rate of return on the assets in the scheme used in the funding valuations.

The policy of the Balfour Beatty Group is that the assets, liabilities, income and expenditure relating to the Balfour Beatty Pension Fund should be allocated to each of the participating companies in the scheme in proportion to pensionable payroll for the year. The disclosures shown below reflect the Company's proportion of the total Balfour Beatty Pension Fund.

	2004	2003	2002
	%	%	%
The principal assumptions used by the actuaries were:			
Inflation assumption	2.80	2.70	2.20
Rate of increase in salaries	4.30	4.20	3.70
Rate of increase in pensions in payment	2.80	2.70	2.20
Discount rate	5.30	5.40	5.60

## Haden Young Limited

### Notes to the accounts (continued) Year ended 31 December 2004

#### 24. Pension (continued)

The fair value of the assets held by the scheme, the expected rate of return on those assets and the present value of the scheme liabilities were:

	Long-term expected rate of return at 31 December 2004 %	Value at 31 December 2004 £'000	Long-term expected rate of return at 31 December 2003 %	Value at 31 December 2003 £'000	Long-term expected rate of return at 31 December 2002 %	Value at 31 December 2002 £'000
Equities	8.30	44,940	8.50	42,032	8.30	36,957
Gilts	4.55	43,934	4.78	38,682	4.39	37,716
Other bonds	4.99	22,669	4.91	23,684	4.63	19,598
Property	-	-	8.50	230	8.30	1,089
Cash and other net current assets	3.80	2,064	3.70	1,542	3.70	1,885
Total market value of assets	6.11	113,607	6.27	106,170	5.96	97,245
Present value of scheme liabilities		(125,748)		(116,766)		(103,532)
Deficit in scheme		(12,141)		(10,596)		(6,287)
Related deferred tax asset		3,642		3,182		1,886
Net pension liability		<u>(8,499)</u>		<u>(7,414)</u>		<u>(4,401)</u>

The analysis of the movement in the deficit in the scheme is as follows:

	£'000
At 1 January 2004	(10,596)
Current service cost	(3,259)
Contributions paid	2,293
Other finance income	399
Actuarial loss	(967)
At 31 December 2004	<u>(12,130)</u>

The actuarial gain / (loss) comprises:

		2004
Actual return less expected return on pension scheme assets	amount (£'000)	3,128
	% of scheme assets	2.8%
Experience gains and losses arising on scheme liabilities	amount (£'000)	(4,531)
	% of scheme liabilities	(3.6)%
Changes in assumptions underlying the present value of the scheme liabilities	amount (£'000)	437
	% of scheme liabilities	0.4%
Total actuarial loss	amount (£'000)	(967)
	% of scheme liabilities	(0.8)%

## Haden Young Limited

### Notes to the accounts (continued) Year ended 31 December 2004

#### 24. Pension (continued)

		<b>2003</b>
Actual return less expected return on pension scheme assets	amount (£'000)	6,448
	% of scheme assets	6.1%
Experience gains and losses arising on scheme liabilities	amount (£'000)	1,326
	% of scheme liabilities	1.1%
Changes in assumptions underlying the present value of scheme liabilities	amount (£'000)	10,650
	% of scheme liabilities	(9.1)%
Total actuarial loss	amount (£'000)	(2,868)
	% of scheme liabilities	(2.5)%
		<b>2002</b>
Actual return less expected return on pension scheme assets	amount (£'000)	(10,642)
	% of scheme assets	(10.9)%
Experience gains and losses arising on scheme liabilities	amount (£'000)	1,311
	% of scheme liabilities	1.3%
Changes in assumptions underlying the present value of scheme liabilities	amount (£'000)	1,779
	% of scheme liabilities	1.7%
Total actuarial loss	amount (£'000)	(7,560)
	% of scheme liabilities	(7.3)%

If the Company had accounted for pensions in accordance with the requirements of FRS 17 net assets would have been restated as follows:

	<b>2004</b>	<b>2003</b>
	<b>£'000</b>	<b>£'000</b>
Net assets per financial statements	22,899	36,185
SSAP 24 pension prepayment	(501)	(199)
FRS 17 pension liabilities	(8,499)	(7,414)
	<u>13,899</u>	<u>28,572</u>

#### 25. Ultimate holding company and controlling party

The company is a wholly owned subsidiary undertaking of Haden Building Services Limited, its immediate parent, 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, SW1V 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 group.