

**Balfour Beatty Utilities Limited**

**(formerly Kenton Utilities & Developments Limited)**

Financial statements for the period  
ended 31 December 2002  
Registered number 1062438



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## Company information

### Directors

D P Kelly (Resigned 14 March 2003)  
J V McGowan (Resigned 30 May 2003)  
M J Durcan  
M R Duncan  
D A O'Sullivan (Appointed 24 January 2003)  
M K Eckersall (Appointed 26 March 2003)  
P Brookes (Appointed 6 May 2003)

### Secretary

M R Duncan

### Registered Office and Business address

Block A Enterprise Court  
Platts Common Industrial Park  
Hoyland  
Barnsley  
S74 9TG

### Auditors

Deloitte & Touche  
201 Deansgate  
Manchester  
M60 2AT

### Principal bankers

National Westminster Bank Plc  
15 Bishopsgate  
London  
EC2P 2AP

## Directors' report

The directors present their report, together with the financial statements and auditors' report for the eight month period ended 31 December 2002.

### Principal activities

The principal activity of the company is that of utility works contracting.

### Business review

During the period the company has changed its reporting year from 30<sup>th</sup> April to 31<sup>st</sup> December to align with its new parent company and thus the results represent an eight month period as compared to full year figures in the previous year comparatives.

Following on from excellent results in the previous year, the directors are pleased to report that for the period up to December 2002 the company has produced strong sales and even improved margins compared to the already high margins last year. This represents an excellent start under the ownership of our new parent group, Balfour Beatty Plc. Similar to last year, we have surpassed targets set at the start of the period with sales of £43,577,592 and a gross margin of £7,147,855. This represents a margin of 16.4% which exceeds original targets and market averages. Last year the margin was 12.8%.

The operating profit of £4,458,277 is also very high due mainly to the strong gross margins achieved at contract level. This compares to the operating profit of last year of £4,083,492. Thus operating profits have improved year on year for the last six years. The profit before tax was £4,411,435 (*April 2002: £4,116,617*).

The company has maintained a good mix of work between the three key business streams of clean water, waste water and gas work. During the period the company was successful in winning a new mains rehabilitation contract with Yorkshire Water. We also commenced a number of key contracts with United Utilities. This result is even more impressive considering that a loss of just over £1M is included in the figures for one particular contract, which was terminated during the period. We have also struggled to make decent returns from our Northumbrian Water contracts.

Following the purchase of the group, of which the company is a member, by Balfour Beatty Plc on 17<sup>th</sup> March 2002 the previous structure of cash balances, loan notes and inter-company loans were simplified into Balfour Beatty banking facilities. This explains the reduction in the cash to an overdraft balance of £28,000. Looking ahead, there are a number of contract renewals due in the first six months of 2003. These renewals will make an important contribution to the projected sales growth for next year. With the strengthened balance sheet, minimal borrowings plus the financial strength of our new parent we are well placed to capitalise on the opportunities within the utilities market for larger and more sophisticated contracts.

### Results and dividends

The profit for the period after taxation was £3,333,435 (*April 2002 - £1,477,617*).

The directors do not recommend the payment of a dividend (*April 2002: £1,500,000*).

### Policy on payment of creditors

The company makes payment to creditors in accordance with their normal terms of trade for the provision of goods and services unless otherwise agreed. No differentiation is applied to different suppliers.

At the year end there were 54 days (*April 2002: 50 days*) purchases in trade creditors.

### Directors and directors' interests

The directors who held office during the year were as follows:

DP Kelly (*Resigned 14 March 2003*)  
JV McGowan (*Resigned 30 May 2003*)  
MJ Durcan  
MR Duncan

## Directors' report (continued)

### Directors and directors' interests (continued)

The following directors held rights, via share options, to subscribe for shares in Balfour Beatty Plc under the Executive Share Option Scheme.

	Class of share	Interest at end of period	Number of options granted during the period	Interest at start of period or date of appointment
D P Kelly	Executive Share Options	30,000	-	30,000
J V McGowan	Executive Share Options	20,000	-	20,000
M R Duncan	Executive Share Options	20,000	-	20,000
M R Duncan	Executive Share Savings related Options	826	826	-
M J Durcan	Options on Ordinary Shares	20,000	-	20,000

The options were granted on the 17 April 2002. Each option entitles the holder to a single ordinary share at an exercise price of £2.38 per share. The options may be exercised between April 2005 and April 2012 subject to a number of performance conditions.

The savings related options were issued in May 2002. Each option entitles the holder to a single ordinary share at an exercise price of £1.84 per share. The options may be exercised between July 2005 and 31 December 2005.

According to the register of directors' interests, no other rights to subscribe for shares in or debentures of the company or any other group company were granted to any of the directors or their immediate families, or exercised by them, during the financial period.

### Employees

The company actively encourages employees to participate in the continued success of the business by suitable training.

It is company policy to recruit disabled persons for appropriate vacancies. Once employed, whatever assistance is necessary in terms of training and career advancement is given.

### Political and charitable contributions

The company made no political contributions during the period. Donations to UK charities amounted to £ 9,179.

### Change of name

On 17<sup>th</sup> March 2003, the company changed its name to Balfour Beatty Utilities Limited.

### Auditors

KPMG resigned as auditors on 15 October 2002. The directors thereupon appointed Deloitte & Touche to fill the casual vacancy arising. A resolution re-appointing Deloitte & Touche as auditors for the ensuing year will be proposed at the Annual General Meeting.

By order of the board

MR Duncan  
Secretary



Block A Enterprise Court  
Platts Common Industrial Park  
Hoyland  
Barnsley  
S74 9TG

2/6/ 2003

## Statement of directors' responsibilities

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

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

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

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BALFOUR BEATTY UTILITIES LIMITED**

We have audited the financial statements of Balfour Beatty Utilities Limited (formerly Kenton Utilities & Developments Limited) for the period ended 31 December 2002 which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses and the related notes 1 to 24. 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.

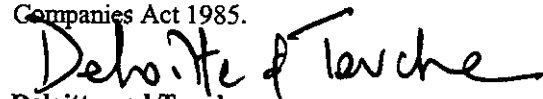
**Basis of audit opinion**

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 2002 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



**Deloitte and Touche**

Chartered Accountants and Registered Auditors

Manchester

20/6/2003

**Profit and loss account**  
*for the period ended 31 December 2002*

	<i>Note</i>	<b>8 Months ended 31 Dec 2002 £</b>	<b>12 Months ended 30 Apr 2002 £</b>
<b>Turnover</b>	2	<b>43,577,592</b>	<b>67,086,174</b>
Cost of sales		<b>(36,429,737)</b>	<b>(58,491,926)</b>
<b>Gross profit</b>		<b>7,147,855</b>	<b>8,594,248</b>
Administrative expenses		<b>(3,356,575)</b>	<b>(4,510,756)</b>
Other Income	3	<b>666,997</b>	-
<b>Operating profit</b>		<b>4,458,277</b>	<b>4,083,492</b>
Interest receivable and similar income	7	<b>95,661</b>	<b>125,081</b>
Interest payable and similar charges	8	<b>(142,503)</b>	<b>(91,956)</b>
<b>Profit on ordinary activities before taxation</b>	4	<b>4,411,435</b>	<b>4,116,617</b>
Tax on profit on ordinary activities	9	<b>(1,078,000)</b>	<b>(1,139,000)</b>
<b>Profit on ordinary activities after taxation</b>		<b>3,333,435</b>	<b>2,977,617</b>
Dividends on equity shares paid	10	-	<b>(1,500,000)</b>
<b>Retained profit for the period</b>	19	<b>3,333,435</b>	<b>1,477,617</b>

None of the company's activities were acquired or discontinued during the above financial periods.

The company has no recognised gains or losses other than those dealt within the profit and loss account, and accordingly a statement of total recognised gains and losses has not been prepared.

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



Balance sheet  
at 31 December 2002

	Note	£	Dec 2002 £	£	Apr 2002 £
<b>Fixed assets</b>					
Tangible fixed assets	11		2,591,606		2,308,831
Investments	12		100		602
			<hr/>		<hr/>
			2,591,706		2,309,433
<b>Current assets</b>					
Stocks	13	965,435		699,150	
Debtors	14	21,228,297		22,114,813	
Cash		-		2,943,690	
		<hr/>		<hr/>	
		22,193,732		25,757,653	
<b>Creditors: amounts falling due within one year</b>	15	(14,765,181)		(21,432,899)	
		<hr/>		<hr/>	
<b>Net current assets</b>			7,428,551		4,324,754
			<hr/>		<hr/>
<b>Total assets less current liabilities</b>			10,020,257		6,634,187
<b>Creditors: amounts falling due after more than one year</b>	16		(327,396)		(568,331)
<b>Provisions for liabilities and charges</b>	17		(612,230)		(318,660)
			<hr/>		<hr/>
<b>Net assets</b>			9,080,631		5,747,196
			<hr/>		<hr/>
<b>Capital and reserves</b>					
Called up share capital	18		25,017		25,017
Profit and loss account	19		9,055,614		5,722,179
			<hr/>		<hr/>
<b>Shareholders' funds</b>	20		9,080,631		5,747,196
			<hr/>		<hr/>
<b>Shareholders' funds may be analysed as:</b>					
Equity interests			9,055,631		5,722,196
Non-equity interests			25,000		25,000
			<hr/>		<hr/>
			9,080,631		5,747,196
			<hr/>		<hr/>

These financial statements on pages 6 to 19 were approved by the board of directors on 20/6/2003 and were signed on its behalf by:

  
M R Duncan  
Director

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

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

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

#### *Basis of preparation*

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

The company is exempt by virtue of section 228 of the Companies Act 1985 from the requirement to prepare group accounts, as the ultimate parent company, Balfour Beatty Plc, prepares consolidated financial statements which are publicly available. The company is also, on this basis, exempt from the requirements of FRS1 to produce a cash flow statement.

#### *Tangible fixed assets and depreciation*

Depreciation is provided to write off the cost, less the estimated residual value of tangible assets by equal instalments over their estimated useful lives as follows:

Plant and machinery	-	20% - 50% straight line
Fixtures and fittings	-	10% straight line
Motor vehicles	-	17% - 33% straight line
Computers	-	33% straight line

Residual value is calculated on prices prevailing at the date of acquisition.

#### *Fixed asset investments*

Investments are stated at cost less any provision for impairment.

#### *Foreign currencies*

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

#### *Leases*

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight-line basis over the period of the lease, even if the payments are not made on such a basis.

#### *Pension costs and post-retirement benefits*

For defined benefit schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the estimated regular cost 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 payroll. Variations from regular cost are charged or credited to the profit and loss account as a constant percentage of payroll over the estimated average remaining working life of scheme members. Defined benefit schemes are funded, with the assets of the scheme held separately from those of the company in separate trustee administered funds. Differences between the amounts charged to the profit and loss account and amounts funded are shown as either provisions or prepayments in the balance sheet.

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments on the balance sheet.

## **Notes (continued)**

### **1 Accounting Policies (continued)**

#### ***Research and development***

Expenditure on research and development is written off as incurred.

#### ***Stocks***

Stocks are stated at the lower of cost and net realisable value. In determining the cost of raw materials, consumables and goods purchased for resale, the first in, first out basis is used.

#### ***Taxation***

Current tax, including UK 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 an 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 from 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 tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits 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 periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

#### ***Turnover***

Turnover represents the value of work carried out during the period net of value added tax.

The value of work done during the period for which payment has not yet been received is held within trade debtors in the balance sheet.

#### ***Profit recognition on contracting activities***

The profit on individual contracts is based upon the value of work carried out during the period less costs incurred to date on the contract. Full provision is made for all known or expected losses on individual contracts.

### **2 Turnover**

Turnover is derived solely in the UK from the company's primary activity.

### **3 Other income**

During the year a subsidiary undertaking of the company, Kentons Plant Limited was dissolved. The company owed £666,997 to Kentons Plant Limited, which was not paid before the company was dissolved, and has subsequently been credited back to the profit and loss account.

## Notes (continued)

### 4 Profit on ordinary activities before taxation

	8 Months ended 31 Dec 2002 £	12 Months ended 30 Apr 2002 £
<i>Profit on ordinary activities before taxation is stated after charging/(crediting):</i>		
Auditors' remuneration:		
Audit	40,300	20,130
Other services	9,000	30,458
Depreciation and other amounts written off tangible fixed assets:		
Owned	233,402	395,728
Under Hire Purchase Agreements	432,596	553,983
Loss on disposal of fixed assets	10,724	10,649
Exchange gains	-	(1,537)
Hire of plant and machinery - rentals payable under operating leases	2,623,782	4,380,165
Hire of other assets - operating leases	2,680,784	3,793,746
	<u>          </u>	<u>          </u>

### 5 Remuneration of directors

	8 Months ended 31 Dec 2002 £	12 Months ended 30 Apr 2002 £
Directors' emoluments		
Remuneration	550,562	553,530
Company contributions to money purchase pension schemes	31,217	30,115
	<u>          </u>	<u>          </u>
	581,779	583,645
	<u>          </u>	<u>          </u>

The aggregate of emoluments of the highest paid director was £212,908 (*April 2002 - £173,317*) and the company pension contributions of £11,340 (*April 2002 - £16,669*) were made to a money purchase scheme on his behalf.

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

	Dec 2002	Apr 2002
Money Purchase Scheme	1	4
Defined Benefit Scheme	3	-
	<u>          </u>	<u>          </u>
Total Members	4	4
	<u>          </u>	<u>          </u>

### 6 Staff numbers and costs

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

	8 Months ended 31 Dec 2002	12 Months ended 30 Apr 2002
Office and administration	85	68
Construction	1,050	1,131
	<u>          </u>	<u>          </u>
	1,135	1,199
	<u>          </u>	<u>          </u>

## Notes (continued)

### 6 Staff numbers and costs (continued)

The aggregate payroll costs of these persons were as follows:

	8 Months ended 31 Dec 2002	12 Months ended 30 Apr 2002
	£	£
Wages, salaries and related costs	17,828,032	26,574,931
Social security costs	1,583,510	1,640,518
Other pension costs (see note 23)	32,337	41,920
	<u>19,443,879</u>	<u>28,257,369</u>

### 7 Interest receivable and similar income

	8 Months ended 31 Dec 2002	12 Months ended 30 Apr 2002
	£	£
Bank and other interest receivable	95,661	125,081
	<u>95,661</u>	<u>125,081</u>

### 8 Interest payable and similar charges

	8 Months ended 31 Dec 2002	12 Months ended 30 Apr 2002
	£	£
On bank loans and overdrafts	51,101	1,919
Payable to group undertakings	54,191	-
Finance charges payable in respect of hire purchase contracts	37,211	90,037
	<u>142,503</u>	<u>91,956</u>

### 9 Taxation

	8 Months ended 31 Dec 2002	12 Months ended 30 Apr 2002
	£	£
<i>UK corporation tax</i>		
Current tax on income for the period	1,146,000	1,092,450
Adjustments in respect of prior years	(86,000)	(79,450)
Group relief – current year	48,000	270,000
	<u>1,108,000</u>	<u>1,283,000</u>
Deferred tax (see note 14)	(30,000)	(144,000)
	<u>1,078,000</u>	<u>1,139,000</u>
Tax on profit on ordinary activities		

## Notes (continued)

### 9 Taxation (continued)

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

	8 Months ended 31 Dec 2002 £	12 Months ended 30 Apr 2002 £
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	4,411,435	4,116,617
Current tax at 30%	1,323,430	1,234,985
<i>Effects of</i>		
Accelerated capital allowances	31,000	-
Other timing differences	(1,000)	-
Effect of non-taxable income	(200,099)	-
Expenses not deductible for tax purposes	40,669	127,465
Adjustments to tax charge in respect of previous periods	(86,000)	(79,450)
Total current tax charge (see above)	1,108,000	1,283,000

The company earns its profits primarily in the UK, therefore the tax rate used for tax on profit on ordinary activities is the standard rate for UK corporation tax, currently 30%.

### 10 Dividends

	8 Months ended 31 Dec 2002 £	12 Months ended 30 Apr 2002 £
Equity shares:		
Final dividend proposed ( <i>April 2002 60 pence per share</i> )	Nil	1,500,000

### 11 Tangible fixed assets

	Plant & Machinery £	Fixtures & Fittings £	Motor Vehicles £	Computers £	Total £
<i>Cost</i>					
At beginning of period	2,424,809	127,140	2,606,815	263,003	5,421,767
Additions	895,877	-	-	68,938	964,815
Disposals	(29,913)	-	(93,486)	-	(123,399)
At end of period	3,290,773	127,140	2,513,329	331,941	6,263,183
<i>Depreciation</i>					
At beginning of period	1,401,804	127,140	1,352,341	231,651	3,112,936
Charge for period	387,696	-	256,622	21,680	665,998
On disposals	(13,893)	-	(93,464)	-	(107,357)
At end of period	1,775,607	127,140	1,515,499	253,331	3,671,577
<i>Net book value</i>					
At 31 December 2002	1,515,166	-	997,830	78,610	2,591,606
At 30 April 2002	1,023,005	-	1,254,474	31,353	2,308,831

## Notes (continued)

### 11 Tangible fixed assets (continued)

Included in the above are assets held under hire purchase contracts as follows:

	8 Months ended 31 Dec 2002 £	12 Months ended 30 Apr 2002 £
<i>Net book values</i>		
Plant and machinery	453,618	654,759
Motor vehicles	861,773	1,105,545
	<hr/>	<hr/>
	1,315,391	1,760,304
	<hr/>	<hr/>

### 12 Fixed asset investments

	Shares in group Undertakings £
<i>Shares</i>	
<i>Cost</i>	
At beginning of year	602
Disposals	(502)
	<hr/>
At end of year	100
	<hr/>
<i>Net book value</i>	
At 31 December 2002	100
	<hr/>
At 30 April 2001	602
	<hr/>

The disposal relates to subsidiary undertakings which were dissolved during the period.

The principal companies in which the company's interest at the year end is more than 20% are as follows:

	Country of incorporation	Principal activity	Class and percentage of shares held
<i>Subsidiary undertakings</i>			
Kenton Utilities and Developments (Ireland) Limited	Ireland	Dormant	Ordinary 100%

### 13 Stocks

	Dec 2002 £	Apr 2002 £
Raw materials	965,435	699,150
	<hr/>	<hr/>

There is no material difference between the balance sheet value of stocks and their replacement cost.

### 14 Debtors

	Dec 2002 £	Apr 2002 £
Trade debtors	9,094,690	8,490,933
Amounts owed by group undertakings	11,667,883	12,921,482
Deferred tax asset	174,000	144,000
Other debtors	45,419	82,879
Prepayments and accrued income	246,305	475,519
	<hr/>	<hr/>
	21,228,297	22,114,813
	<hr/>	<hr/>

## Notes (continued)

### 14 Debtors (continued)

#### Deferred taxation asset

	£
At beginning of period	144,000
Credited to profit and loss Account	30,000
	<hr/>
At end of period	174,000
	<hr/>

The amount provided, which represents the deferred tax asset, is analysed as follows:

	Dec 2002 £	Apr 2002 £
Capital allowances in advance of depreciation	91,000	60,000
Other short term timing differences	83,000	84,000
	<hr/>	<hr/>
	174,000	144,000
	<hr/>	<hr/>

### 15 Creditors: amounts falling due within one year

	Dec 2002 £	Apr 2002 £
Bank Overdraft	28,000	-
Obligations under hire purchase contracts	418,127	605,336
Trade creditors	913,068	444,745
Amounts owed to group undertakings	3,898,623	7,977,627
Proposed dividend	-	1,500,000
Corporation tax	1,607,479	1,293,836
Taxation and social security	1,685,655	2,693,152
Other creditors	961,184	670,550
Accruals and deferred income	5,253,045	6,247,653
	<hr/>	<hr/>
	14,765,181	21,432,899
	<hr/>	<hr/>



## Notes (continued)

### 16 Creditors: amounts falling due after more than one year

	Dec 2002 £	Apr 2002 £
Obligations under hire purchase contracts	327,396	568,331

The maturity of obligations under hire purchase contracts is as follows:

	Dec 2002 £	Apr 2002 £
Within one year	418,127	605,336
In the second to fifth years	327,396	568,331
	<u>745,523</u>	<u>1,173,667</u>

### 17 Provisions for liabilities and charges

	Dec 2002 £	Apr 2002 £
At beginning of period	318,660	340,000
Released / utilised in the period	(76,290)	(30,000)
Amounts provided in the period	369,860	8,660
	<u>612,230</u>	<u>318,660</u>

The provisions relate to the cost of remedial works and maintenance obligations arising under term contracts and provision for future losses on a terminated contract.

### 18 Share capital

	Dec 2002 £	Apr 2002 £
<i>Authorised</i>		
Equity: 2,500 ordinary shares of \$0.01 each	17	17
Non-equity: 25,000 deferred ordinary shares of £1 each	25,000	25,000
	<u>25,017</u>	<u>25,017</u>
<i>Allotted, called up and fully paid</i>		
Equity: 2,500 ordinary shares of \$0.01 each	17	17
Non-equity: 25,000 deferred ordinary shares of £1 each	25,000	25,000
	<u>25,017</u>	<u>25,017</u>

The \$0.01 ordinary shares carry full voting rights, full rights to dividends and preferential rights in the event of a winding up. The deferred ordinary shares carry no voting rights, no rights to dividends and limited rights in the event of a winding up.

## Notes (continued)

### 19 Reserves

	Profit and loss account £
At beginning of period	5,722,179
Retained profit for the period	3,333,435
	<hr/>
At end of period	9,055,614
	<hr/>

### 20 Reconciliation of movements in shareholders' funds

	Dec 2002 £	Apr 2002 £
Profit for the financial period	3,333,435	2,977,617
Dividends	-	(1,500,000)
	<hr/>	<hr/>
Opening shareholders' funds	3,333,435 5,747,196	1,477,617 4,269,579
	<hr/>	<hr/>
Closing shareholders' funds	9,080,631	5,747,196
	<hr/>	<hr/>
Represented by:		
Equity interests	9,055,631	5,722,196
Non-equity interests	25,000	25,000
	<hr/>	<hr/>
	9,080,631	5,747,196
	<hr/>	<hr/>

### 21 Contingent liabilities

The company has performance bonds of £460,540 relating to two contracts.

### 22 Commitments

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

	Land and Buildings		Other	
Expiry date:	Dec 2002 £	Apr 2002 £	Dec 2002 £	Apr 2002 £
Within one year	131,910	37,500	77,244	23,280
In the second to fifth years inclusive	236,295	175,400	57,852	111,816
	<hr/>	<hr/>	<hr/>	<hr/>
	368,205	212,900	135,096	135,096
	<hr/>	<hr/>	<hr/>	<hr/>

## Notes (continued)

### 23 Pension scheme

The company operates a pension scheme providing benefits based on final pensionable pay, contributions being charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company. The scheme is now closed to new members. The contributions are determined by an independent qualified actuary. The latest valuation was carried out in August 2001 using the projected unit method. The assumptions which have the most significant affect on the results of the valuation are those based on investment return of 5.5% per annum, salary increase of 4% per annum and that present and future pensions would increase at 5% per annum. Employee contributions are 6% of earnings with the company contributing the balance to fully fund the scheme. At the last actuarial valuation date, the market value of the assets of the scheme was £53,414 and this actuarial value was sufficient to cover 107% of the benefits which had accrued to members.

The pension charge for the period was £20,997 (2002: £11,806). All contributions were paid in the period.

Pension contributions paid during the period to non-company pension schemes were £11,340 (2002: £30,114). £11,340 was paid into defined contribution schemes (April 2002: £30,114).

Whilst the company continues to account for pension costs in accordance with SSAP 24 'Accounting for Pension Costs', under FRS17 'Retirement Benefits', the following transitional disclosures are required:

The valuation at August 2001 has been updated by an independent qualified actuary on an FRS17 basis at 31 December 2002. The major assumptions used in this valuation were:

	December 2002	April 2002
Rate of increase in salaries	4%	5%
Rate of increase in pensions payment	5%	5%
Discount rate	5.5%	5.8%
Inflation assumption	2.5%	3%

The assumptions used by the actuary are the best estimate chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practise.

The fair value of the scheme's assets and expected rates of return were:

	Expected rate of return at December 2002	Fair value at December 2002 £	Expected rate of return at Apr 2002	Fair value at April 2002 £
Other	5.8%	49,000	5.8%	54,000
Total fair value of assets		<u>49,000</u>		<u>54,000</u>

The amount which would have been charged to operating profit under FRS17 was:

	8 months ended 31 December 2002 £
Current service cost	4,000
Total operating charge	<u>4,000</u>

The amount which would have been credited as net finance income under FRS17 was:

	8 months ended 31 December 2002 £
Expected return on scheme assets	3,000
Interest cost on scheme liabilities	(3,000)
Net return	<u>-</u>

## Notes (continued)

### 23 Pension scheme (continued)

The amount which would have been recognised in the statement of total recognised gains and losses under FRS17 was:

	8 months ended 31 December 2002	
	As a percentage of scheme assets	£
Actual return less expected return on pension scheme assets	(24%)	(12,000)
Experience gains and losses arising on the scheme liabilities	(11%)	(7,000)
Changes in assumptions underlying the present value of the scheme liabilities	3%	2,000
Actuarial loss recognised in the statement of total recognised gains and losses	(27%)	(17,000)

The fair value of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from cashflow projections over long periods and thus inherently uncertain were:

	Value at 31 December 2002 £	Value at 30 April 2002 £
Other (insurance policy)	49,000	54,000
Fair value of assets	49,000	54,000
Present value of scheme liabilities	(62,000)	(49,000)
(Deficit)/surplus in the scheme	(13,000)	5,000
Net pension (liability)/asset	(13,000)	5,000

An analysis of the movement in the scheme surplus under FRS17 was:

	December 2002 £
Opening surplus in the scheme	5,000
Current service cost	(4,000)
Contributions	3,000
Actuarial loss	(17,000)
(Deficit)/surplus in scheme at end of year	(13,000)

## Notes (continued)

### 23 Pension scheme (continued)

An analysis of the effect of FRS17 on the profit and loss reserve was:

	December 2002	April 2002
	£	£
Profit and loss reserve excluding pension (liability)/asset	9,055,614	5,722,179
Pension reserve	(13,000)	5,000
	<hr/>	<hr/>
Profit and loss reserve	9,042,614	5,727,179
	<hr/>	<hr/>

### 24 Ultimate controlling party

The immediate parent company is Kenton Utility Service Management Limited. The smallest group in which the results of the company are consolidated is that headed by Kenton Utility Service Management Limited, a company incorporated in England and Wales. The largest group in which the results of the company are consolidated is that headed by Balfour Beatty plc, a company incorporated in England and Wales.

Copies of the financial statements are available from Balfour Beatty Plc, 130 Wilton Road, London. SW1V 1LQ.

As a subsidiary undertaking of Balfour Beatty Plc, the company has taken advantage of the exemption in FRS8 "Related Party Disclosures" from disclosing transactions with other members of the group headed by Balfour Beatty.