

Bruton Investments Limited

Annual Report and Financial Statements
for the year ended 31 December 2002

Company number: 1790555



BRUTON INVESTMENTS LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
for the year ended
31 DECEMBER 2002

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BRUTON INVESTMENTS LIMITED

DIRECTORS' REPORT

The Directors present their annual report, together with the audited financial statements, for the year ended 31 December 2002.

Principal Activities and Business Review

The Company's principal activity is that of an investment holding company. The Directors foresee the activities of the Company to continue on a similar basis.

Results and Dividends

The audited financial statements for the year ended 31 December 2002 are set out on pages 6 to 12. The Directors do not recommend a dividend in respect of the year ended 31 December 2002 (2001 - £ nil). The loss of £20,000,000 (2001: £ nil) has been transferred from reserves.

Directors

The following were Directors of the Company throughout the year:

P W Goldsmith
F D F T McCormack
C R O'N Pearson
C M Pryce

Directors' Interests

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

Director	As at 1 January 2002		As at 31 December 2002	
	Holdings	Options	Holdings	Options
P W Goldsmith	2,740	76,214	2,740	91,511
F D F T McCormack	756	120,282	756	111,453
C R O'N Pearson	-	78,408	-	78,408

All interests at the dates shown are beneficial and are in respect of numbers of ordinary shares of Balfour Beatty plc.

During the year, there were the following movements in the Directors' rights to subscribe for ordinary shares in Balfour Beatty plc:

Director	Options Granted	Options Lapsed
P W Goldsmith	15,683	386
F D F T McCormack	702	9,531

Other than as stated above, no Director had any interest in the share or loan capital of the Company or of any other subsidiary undertaking of Balfour Beatty plc at the relevant dates.

BRUTON INVESTMENTS LIMITED

DIRECTORS' REPORT (Continued)

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 enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal controls, for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.


Auditors

Deloitte & Touche, who were appointed by the Board from 1 August 2002 following the resignation of Arthur Andersen, have indicated their willingness to continue in office as Auditors. In accordance with Section 386 of the Companies Act 1985, the Company has dispensed with the obligation to appoint auditors annually.

Registered Office

Fourth Floor
130 Wilton Road
London
SW1V 1LQ

By Order of the Board



C M PRYCE, Director

Dated 8 July 2003

INDEPENDENT AUDITORS' REPORT

to the members of

BRUTON INVESTMENTS LIMITED

We have audited the financial statements of Bruton Investments Limited for the year ended 31 December 2002, which comprise the Profit and Loss Account, the Balance Sheet, the related Notes numbered 1 to 12 and the List of Subsidiary and Associated Undertakings. 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 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 for the above year and consider the implications for our report if we become aware of any apparent misstatements.

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 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.

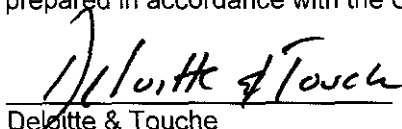
INDEPENDENT AUDITORS' REPORT (continued)

to the members of

BRUTON INVESTMENTS LIMITED

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company at 31 December 2002 and of the Company's loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche

Chartered Accountants & Registered Auditors

London

Dated 8 July 2003

BRUTON INVESTMENTS LIMITED

PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2002

	Notes	<u>2002</u> £000	<u>2001</u> £000
OPERATING PROFIT		-	-
Amounts written off investments	5	(20,000)	-
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>(20,000)</u>	<u>-</u>
Taxation	6	<u>-</u>	<u>-</u>
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION and LOSS FOR THE FINANCIAL YEAR	9	<u>(20,000)</u>	<u>-</u>

In both years, the Company has no recognised gains or losses other than those reported within the profit and loss account above, consequently no statement of total recognised gains and losses has been presented.

All activities are from continuing operations in the United Kingdom.

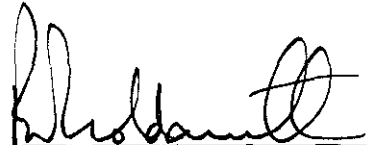
BRUTON INVESTMENTS LIMITED

BALANCE SHEET

as at 31 December 2002

	Notes	<u>2002</u> £000	<u>2001</u> £000
FIXED ASSETS			
Investments	5	11,000	31,000
CURRENT ASSETS			
Debtors - amounts falling due within one year	7	<u>5,587</u>	<u>5,587</u>
CURRENT ASSETS		<u>5,587</u>	<u>5,587</u>
TOTAL ASSETS		<u>16,587</u>	<u>36,587</u>
CAPITAL AND RESERVES			
Called-up share capital	8	405,000	405,000
Profit and loss account	9	(388,413)	(368,413)
EQUITY SHAREHOLDERS' FUNDS	10	<u>16,587</u>	<u>36,587</u>

These financial statements were approved by the Board of Directors on 8 July 2003 and signed on its behalf by


P W GOLDSMITH, Director

Dated: 8 July 2003

BRUTON INVESTMENTS LIMITED

NOTES TO THE ACCOUNTS

1. Accounting Policies

A summary of the principal accounting policies of the Company, all of which have been applied consistently throughout the year and the preceding year with the exception of FRS19 "Deferred Tax" which was implemented in the current year, is set out below:

a) Basis of Accounting

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards and under the historical cost convention. FRS19 "Deferred Tax" was adopted during the year. This has had no impact on the 2002 or 2001 results.

The Company has taken advantage of the exemption from preparing consolidated financial statements afforded by Section 228 of the Companies Act 1985 because it is a wholly owned subsidiary of Balfour Beatty plc, which prepares consolidated financial statements which are publicly available. The Company is also, on this basis, exempt from the requirement of FRS 1 to present a cash flow statement.

b) Investments

Investments comprise holdings in subsidiary, joint venture and associated undertakings. The Company's investments are stated at cost plus loans due from such companies, less provisions for impairment.

c) Income from shares

Dividends on shares in subsidiary undertakings are recognised in the financial statements of the Company once they have been declared.

d) 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.

2. Employees

The Company had no employees in the year (2001: nil).

3. Directors' Remuneration

No Director received any fees or emoluments for their services to the Company in either the current or preceding year.

4. Auditors' Remuneration

The auditors' remuneration was borne by Balfour Beatty plc in both years.

BRUTON INVESTMENTS LIMITED

NOTES TO THE ACCOUNTS (continued)

5.	<u>Investments</u>	<u>2002</u>	<u>2001</u>
		<u>£000</u>	<u>£000</u>
	Cost:		
	At 1 January and 31 December	<u>400,000</u>	<u>400,000</u>
	Provisions against investments:		
	At 1 January	(369,000)	(369,000)
	Write-off	(20,000)	-
	at 31 December	<u>(389,000)</u>	<u>(369,000)</u>
	Net Book Value:		
	At 31 December	<u>11,000</u>	<u>31,000</u>

Adjustments have been made in 2002 to the impairment provision to reflect changes in the value of the Company's investments.

The Company's indirect subsidiary, Balfour Beatty Group Ltd, acquired Kenton Utility Service Management Ltd on 18 March 2002 for £28 million.

The Company's investments as at 31 December 2002 are listed on pages 11 to 12.

6.	<u>Taxation</u>	<u>2002</u>	<u>2001</u>
		<u>£000</u>	<u>£000</u>
	<i>UK Corporation Tax</i>		
	Current tax on income for the period	-	-
	Double taxation relief	-	-
	Tax on profit on ordinary activities	<u>-</u>	<u>-</u>

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

	<u>2002</u>	<u>2001</u>
	<u>£000</u>	<u>£000</u>
<i>Current tax reconciliation</i>		
Loss on ordinary activities before tax	<u>(20,000)</u>	<u>-</u>
Current tax at 30% (2001: 30%)	<u>(6,000)</u>	<u>-</u>
<i>Effects of</i>		
Expenses not deductible for tax purposes	<u>6,000</u>	<u>-</u>
Total current tax charge (see above)	<u>-</u>	<u>-</u>

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%.

7.	<u>Debtors</u>	<u>2002</u>	<u>2001</u>
		<u>£000</u>	<u>£000</u>
	Amounts falling due within one year:		
	Loan to Balfour Beatty plc	<u>5,587</u>	<u>5,587</u>

The loan to Balfour Beatty plc is repayable on 28 November 2003 and is interest free.

BRUTON INVESTMENTS LIMITED

NOTES TO THE ACCOUNTS (continued)

8.	<u>Called-Up Share Capital</u>	<u>2002</u> £000	<u>2001</u> £000
	Authorised:		
	300,000 'A' ordinary shares of £ 1 each	300	300
	499,700,000 'B' ordinary shares of £ 1 each	<u>499,700</u>	<u>499,700</u>
		<u>500,000</u>	<u>500,000</u>
	Called-up, issued and fully paid:		
	277,267 'A' ordinary shares of £ 1 each	277	277
	404,722,733 'B' ordinary shares of £ 1 each	<u>404,723</u>	<u>404,723</u>
		<u>405,000</u>	<u>405,000</u>

Equity shareholders' funds relate to class 'A' and class 'B' shares. Class 'A' shares have the following rights and restrictions:

- By ordinary resolution, the Company may declare that no dividend shall be payable to the holders of 'A' shares even though a dividend may concurrently be payable to holders of 'B' shares.
- At any time, upon written notification by a majority of class 'A' shareholders, the Directors are required to appoint to the Board a minimum of one and a maximum of two persons nominated by the class 'A' shareholders.

In all other respects the 'A' and 'B' shares rank pari passu and the same rights are attached to each.

9.	<u>Profit and Loss Account</u>	<u>2002</u> £000	<u>2001</u> £000
	At 1 January	(368,413)	(368,413)
	Loss for the year	(20,000)	-
	At 1 January	<u>(388,413)</u>	<u>(368,413)</u>

10.	<u>Shareholders' funds</u>	<u>2002</u> £000	<u>2001</u> £000
	At 1 January	36,587	36,587
	Loss for the year	(20,000)	-
	At 31 December	<u>16,587</u>	<u>36,587</u>

11. Related Party Transactions

As a subsidiary of Balfour Beatty plc, the Company has taken advantage of the exemption in FRS8 "Related Party Transactions" not to disclose transactions with other members of the group headed by Balfour Beatty plc.

12. Ultimate Parent Company and Controlling Party

The Company is a wholly owned subsidiary undertaking of Balfour Beatty Investment Holdings Limited, registered in England and Wales, which does not prepare consolidated financial statements.

The Company's ultimate parent company and controlling party is Balfour Beatty plc, which is registered in England and Wales.

The only group in which the results of the Company are consolidated is that headed by Balfour Beatty plc. The consolidated financial statements of Balfour Beatty plc are available to the public and may be obtained from 130 Wilton Road, London SW1V 1LQ.

Bruton Investments Limited

List of Subsidiary and Associated Undertakings at 31 December 2002

Country of Incorporation	Class of Capital	Proportion held by company %	Proportion held by Subsidiaries and/or their Nominees %	Holder
<i>Building, civil and rail engineering</i>				
Andover Controls Corp	Common	-	100	Balfour Beatty Inc
Andover Controls GmbH	Ordinary	-	100	Andover Controls Corp.
Andover Controls Ltd	Ordinary	-	100	Andover Controls Corp.
Andover Controls SA	Ordinary	-	100	BICC Overseas Investments Ltd
Andover Controls Singapore Pte Ltd	Ordinary	-	100	Andover Controls Corp.
Balfour Beatty Bahamas Ltd	Ordinary	-	100	Balfour Beatty Inc.
Balfour Beatty Construction Bahamas Ltd	Ordinary	-	100	Balfour Beatty Bahamas Ltd
Balfour Beatty Construction Inc.	Common	-	100	Balfour Beatty Inc.
Balfour Beatty GmbH	Ordinary	-	100	BICC Holdings GmbH
Balfour Beatty Rail GmbH	Ordinary	-	100	BICC Holdings GmbH
Balfour Beatty Rail Inc	Common	-	100	Balfour Beatty Inc
Balfour Beatty Rail Maintenance Inc	Common	-	100	Balfour Beatty Rail Inc
Balfour Beatty Rail Services Inc	Common	-	100	Balfour Beatty Rail Inc
Balfour Beatty Rail Systems Inc	Common	-	100	Balfour Beatty Rail Inc
Fuller Warren Charter Services Inc	Common	-	25	Balfour Beatty Construction Inc
Heery Architects & Engineers Inc.	Common	-	100	Heery International Inc.
Heery Engineering Inc.	Common	-	100	Heery International Inc.
Heery International Inc.	Common	-	100	Heery International Inc.
Heery Program Management Inc.	Common	-	100	Balfour Beatty Inc.
Integral Technologies Inc	Common	-	100	Heery International Inc.
IVV Ingenieurgesellschaft für Verkehrsplanung und Verkehrssicherung GmbH	Common	-	100	Andover Controls Corp.
Lee Construction Co	Ordinary	-	100	BICC Holdings GmbH
Marta Track Constructors Inc	Common	-	100	National Engineering & Contracting Co
Metroplex Corp	Common	-	100	Balfour Beatty Rail Inc
National Engineering & Contracting Co	Common	-	100	Balfour Beatty Inc
National Engineering & Technical Co	Common	-	100	National Engineering & Contracting Co
NEKKO Equipment & Supply Co	Common	-	100	National Engineering & Contracting Co
Security International LLC	Common	-	80	Integral Technologies Inc
Stout Group Ltd	Common	-	100	Balfour Beatty Rail Inc
Transbulk Inc	Common	-	100	National Engineering & Contracting Co
Tri-State Steel Construction Inc	Common	-	100	National Engineering & Contracting Co
United Prestressed Concrete Supply Co	Common	-	100	Balfour Beatty Construction Inc

Bruton Investments Limited
List of Subsidiary and Associated Undertakings at 31 December 2002

Country of Incorporation	Class of Capital	Proportion held by company %	Proportion held by Subsidiaries and/or their Nominees %	Holder
Finance and investment holding				
Balfour Beatty Inc.	Common	-	100	BICC Overseas Investments Ltd
Balfour Beatty Leasing Inc	Common	-	100	Balfour Beatty Construction Inc
BBR (Services) Ltd	Ordinary	-	100	BBR Holdings Ltd
BBR Holdings Ltd	Ordinary	-	49	Balfour Beatty Inc.
BICC Holdings GmbH	Ordinary	-	100	BICC Overseas Investments Ltd
BICC Overseas Investments Ltd	Ordinary	-	100	Fielden & Ashworth Ltd
Fielden & Ashworth Ltd	Ordinary	-	100	Mayfair Place Investments Ltd
Mayfair Place Investments Ltd	Ordinary	100	-	-
Others				
Balfour Beatty Management Inc	Common	-	100	Balfour Beatty Inc
BICC Cables Corp	Common	-	100	Balfour Beatty Inc.
BICC Cables Energia y Comunicaciones SA	Ordinary	-	100	BICC Overseas Investments Ltd
BICC Cables Energia y Comunicaciones SA	Preference Class II	-	100	BICC Overseas Investments Ltd
BICC Canada Inc.	Common	-	100	BICC Overseas Investments Ltd
BICC Canada Inc.	Redeemable Pref	-	100	BICC Holdings GmbH
BICC KWO Kabel GmbH	Ordinary	-	100	BICC Cables Energia y Comunicaciones SA
Ceper Inmobiliaria SA	Ordinary	-	50	BICC Overseas Investments Ltd
GXII S.A.R.L.	Ordinary	-	100	BICC Overseas Investments Ltd
Hudson River Stage Property Inc	Ordinary	-	100	Balfour Beatty Inc
Saint Maurice Property	Common	-	100	BICC Cables Corp.
Societe Financiere et de Participations BICC SA	Ordinary	-	100	BICC Overseas Investments Ltd